



The Low-Income Housing Tax Credit Issue



Preservation Pointers
Knowing what makes a property unique, distinct is vital in affordable housing preservation.
Page 10



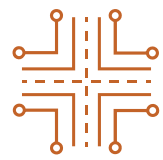
SLRF Funds Needed as LIHTC Gap Financing
National organizations request allowing State and Local Fiscal Recovery Funds for LIHTC financing.
Page 14



Section 108 and LIHTC
Learn how HUD's Section 108 program can help support LIHTC development.
Page 45



State LIHTCs in 2022
There are more than 20 state LIHTCs, with additional ones proposed.
Page 50





HISTORIC TAX CREDIT TOOL BOX

Beyond the Dollars: The Intangible Impact of Twinned HTC/LIHTC Projects



CINDY HAMILTON, HERITAGE CONSULTING GROUP

Across the United States, municipalities are struggling to meet a seemingly never-ending increase in demand for affordable housing.

While the need for affordable housing is greater than ever, the challenge of providing sufficient affordable units to meet demand has been apparent for nearly a century. Beginning in the 1930s, the federal government began to assume responsibility for the construction of affordable housing. Through the use of

state and federal funding, local and regional housing authorities were given the ability to clear derelict tenements and build adequate and affordable housing for those who need it most.

Beginning in the mid-20th century, private and nonprofit developers entered into the equation. Private development remains the predominant method of

Image: Courtesy of Hugh Loomis
The General John F. Reynolds School, Philadelphia.

affordable housing construction. For many of these private developers, new construction provides the best opportunity to accomplish the individual company's mission, as well as maintain financial viability of the project. Another common approach, however, is the rehabilitation of historic buildings made possible by twinning historic tax credits (HTCs) and low-income housing tax credits (LIHTCs). Some developers work intimately with both, affording them the ability to comment on the pros and cons of the twinned approach.



Image: Courtesy of Hugh Loomis
General John F. Reynolds School's wide interior corridors are considered an attribute by the developer and tenants alike.

HELP USA

Among these developers is David Cleghorn, chief housing officer for the nonprofit HELP USA.

Cleghorn has an unusual background in the affordable housing industry. Following college, he went right to work doing homeless outreach and case management for homeless individuals who suffer from mental illness. This led to his next job at Project Home in Philadelphia, which brought him into the world of real estate development. It was at Project Home that Cleghorn got his initial experience with paired HTC/LIHTC developments. He joined HELP USA 10 years ago.

HELP USA was founded in 1986 with the goal to provide affordable housing and additional services to both low-income and transitioning homeless individuals. HELP USA has completed 30 affordable housing developments across multiple states,

including New York and Pennsylvania. Included among their portfolio are two rehabilitation projects of historic Philadelphia schools that now stand out as excellent examples of how historic buildings can be repurposed to serve as housing.

Rehabilitating Two Schools

First was the rehabilitation of Spring Garden School No. 1, which was built in 1928 and rehabilitated by HELP USA in 2017 as the Lural Lee Belvins Veterans Center. More recently, however, HELP USA undertook the rehabilitation of the Gen. John F. Reynolds School, an Art Deco-style school built in 1926. The Reynolds school's rehabilitation was completed in late 2021. According to Cleghorn, both Spring Garden School No. 1 and the Gen. John F. Reynolds School stand out among the company's projects. As he put it, "the two school buildings are hands down the nicest in our portfolio."

Despite this, Cleghorn noted that pairing the two tax credit incentives comes with its own set of challenges that one must learn to navigate in order to mitigate issues with project financing and construction timeline. As Cleghorn explained, "the LIHTC process on its own can be easier to deal with than a twinned LIHTC/HTC." Primarily, Cleghorn noted "the LIHTC program is designed for building affordable housing and has been tailored to achieve quality and efficiency standards specifically for that purpose. Adding HTC into the mix," Cleghorn continued, "can add complexities as the historic requirements at times oppose the requirements set forth by the state housing agencies, specifically with respect to, for example, energy efficiency."

That being said, Cleghorn said that the two programs can pair well with careful planning and an experienced team.

"In general, it has been our experience that projects pairing HTCs and LIHTCs can be effective in both increasing the total number of affordable units in a municipality, while also instilling a sense of pride in that area's history," Cleghorn said. Understanding how to navigate the HTC program and anticipate what

will be required by the National Park Service (NPS) and how that may conflict with the housing agency requirements is key in being able to successfully pair the two credits.

For the two school projects, HELP USA benefited as the buildings were already listed in the National Register of Historic Places, saving considerable time and risk, as he put it, “ensured that the projects’ financing and timeline lined up appropriately.” Although on the surface, as early 20th century urban schools, the projects appear similar, once you dig in to the project specifics, they showcase how each HTC project is truly unique.

Different Challenges

The earlier Spring Garden project, for example, was in a much worse physical condition at the beginning of the process, having been vacant for decades. “We had to repair or replicate certain features throughout the building,” said Cleghorn. “The windows presented a significant challenge.”

At the start of the project, the historic windows remained in place, therefore, the team was required match the historic in profile and design. Ultimately, wood windows were chosen as a local window manufacturer was able to meet the project’s cost and schedule requirements.

Spring Garden had specific green requirements that the development was forced to meet, which at times were at odds with the HTC program. This was especially evident in the HVAC system, which required the use of different systems for the third floor than the lower two floors. The use of triple-glazing at the windows was also explored to achieve energy performance requirements, but ultimately the NPS would not approve this solution as the glazing would not have a clear appearance.

The Reynolds school project, however, did not have as many issues. For example, Cleghorn recalled that the Reynolds school no longer had original windows. The team, therefore, was able to install new aluminum

windows that closely matched the original appearance of the school’s windows, but with greater flexibility on the dimensions and profiles. Similarly, the school was not in as bad a condition, which meant less demolition and repair work.

Despite their differences, upon completion, the two schools were both effectively transformed into multifamily housing. Cleghorn explained that the former classrooms were big enough to meet the Pennsylvania Housing Finance Agency’s square footage requirements. “The corridors, meanwhile, have become a significant component of the buildings,” said Cleghorn. “Residents have decorated the spaces, making their unit entries truly their own.” While some developers rehabilitating historic schools find difficulties with the NPS requirement to retain the wide corridors and tall ceilings, HELP USA embraced these features and consider them to be attributes. Their tenants clearly agree.

The true impact of these developments, however, went well beyond the dollars and the reuse of an historic building. The Reynolds school recently held an open house where residents were able to view their new home for the first time.

“People were in tears. They were blown away with how beautiful the units are,” Cleghorn said. “We’ve seen a terrific response to the incorporation of historic fabric in these units. The residents love to see the unique qualities of these buildings. It is something that instills a sense of pride in their new home.”

Twinning HTCs with LIHTCs may not always result in a perfect marriage, as the goals of the programs do not always align. In some instances, it may not even be the most financially feasible option. For the developers that complete these developments and for the people that ultimately live within them, however, there is an intangible result that cannot be measured in a pro forma. The successful rehabilitation of the Spring Garden and Reynolds schools effectively illustrate the importance of utilizing the two credits. ❖

Cindy Hamilton is president of Heritage Consulting Group.

© Novogradac 2022 - All Rights Reserved.

This article first appeared in the May 2022 issue of the Novogradac Journal of Tax Credits. Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.

Notice pursuant to IRS regulations: Any discussion of U.S. federal or state tax issues contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any discussion on tax issues reflected in the article are not intended to be construed as tax advice or to create an accountant-client relationship between the reader and Novogradac & Company LLP and/or the author(s) of the article, and should not be relied upon by readers since tax results depend on the particular circumstances of each taxpayer. Readers should consult a competent tax advisor before pursuing any tax savings strategies. Any opinions or conclusions expressed by the author(s) should not be construed as opinions or conclusions of Novogradac & Company LLP.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.novoco.com.

EDITORIAL BOARD

PUBLISHER

Michael J. Novogradac, CPA

EDITORIAL DIRECTOR

Alex Ruiz

TECHNICAL EDITORS

Thomas Boccia, CPA
Chris Key, CPA
Diana Letsinger, CPA

Matt Meeker, CPA
John Sciarretti, CPA
Stacey Stewart, CPA

COPY

SENIOR EDITOR

Brad Stanhope

SENIOR MARKETING MANAGER

Teresa Garcia

SENIOR COPY EDITOR

Mark O'Meara

SENIOR WRITER

Nick DeCicco

CONTRIBUTING WRITERS

Bryan Hung
Cindy Hamilton

Elizabeth Glynn
Thomas Stagg

ART

CREATIVE DIRECTOR

Alexandra Louie

GRAPHIC DESIGNER

Brandon Yoder

CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Teresa Garcia
teresa.garcia@novoco.com
925.949.4232

ADVERTISING INQUIRIES

Christianna Cohen
christiana.cohen@novoco.com
925.949.4216

ALL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS PROFESSIONAL ADVICE OFFERED BY NOVOGRADAC OR BY ANY CONTRIBUTORS TO THIS PUBLICATION.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX AND/OR LEGAL ADVISOR.

ADVISORY BOARD

OPPORTUNITY ZONES

Dan Altman	SIDLEY AUSTIN LLP
Glenn A. Graff	APPEGATE & THORNE-THOMSEN
Jill Homan	JAVELIN 19 INVESTMENTS
Martin Muoto	SOLA IMPACT

LOW-INCOME HOUSING TAX CREDITS

Jim Campbell	SOMERSET DEVELOPMENT COMPANY LLC
Tom Dixon	LUMENT
Richard Gerwitz	CITI COMMUNITY CAPITAL
Elizabeth Bland Glynn	TRAVOIS INC.
Rochelle Lento	DYKEMA GOSSETT PLLC
John Lisella III	U.S. BANCORP COMMUNITY DEV. CORP.
Derrick Lovett	MBD COMMUNITY HOUSING CORP.
Rob Wasserman	U.S. BANCORP COMMUNITY DEV. CORP.

PROPERTY COMPLIANCE

Jen Brewerton	DOMINIUM
Kristen Han	WNC
Michael Kotin	KAY KAY REALTY CORP.

HOUSING AND URBAN DEVELOPMENT

Victor Cirilo	NEWARK HOUSING AUTHORITY
Flynann Janisse	RAINBOW HOUSING
Ray Landry	DAVIS-PENN MORTGAGE CO.
Denise Muha	NATIONAL LEASED HOUSING ASSOCIATION
Monica Sussman	NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Frank Altman	COMMUNITY REINVESTMENT FUND
Maria Bustria-Glickman	US BANK
Elaine DiPietro	BLOOMING VENTURES LLC
Chimeka Gladney	ENTERPRISE COMMUNITY INVESTMENT INC.
Tracey Gunn Lowell	U.S. BANCORP COMMUNITY DEV. CORP.
Ruth Sparrow	FUTURES UNLIMITED LAW PC
William Turner	WELLS FARGO

HISTORIC TAX CREDITS

Irvin Henderson	HENDERSON & COMPANY
Merrill Hoopengardner	NATIONAL TRUST COMMUNITY INVESTMENT CORP.
Bill MacRostie	MACROSTIE HISTORIC ADVISORS LLC
Marty Richardson	OLD NATIONAL BANK
Claudia Robinson	BANK OF AMERICA
Donna Rodney	MILES & STOCKBRIDGE
John Tess	HERITAGE CONSULTING GROUP

RENEWABLE ENERGY TAX CREDITS

Jim Howard	DUDLEY VENTURES
Elizabeth Kaiga	DNV GL
Forrest Milder	NIXON PEABODY LLP

© Novogradac 2022 All rights reserved.

ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.