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Dealmakers and Rising Stars



Is it Time for HUD to Settle on a Consistent Method to Determine the Income Limits Cap?

Affordable housing development and preservation would benefit from stability.

Rising Stars 2023: Inspiration Comes in Many Forms

Hear from up-and-coming affordable housing and community development leaders.

2023 Novogradac Journal of Tax Credits Award Winners

Recognizing excellence in LIHTC, NMTC and HTC developments.

3 Questions Answered by HUD's 2023 Income Limits Release

Light shed on methodologies, cap limits and effects on specific areas. Other key questions remain.

Elizabeth Property Group: Rising Stars in HTCs



CINDY HAMILTON, HERITAGE CONSULTING GROUP

The federal and state historic tax credit (HTC) incentives across the country entice a niche grouping of real estate developers, many of whom frequently use the incentive to finance their transactions. For some, their careers have resulted in dozens of completed rehabilitations made possible through the use of HTCs. Others are using HTCs for the first time and are beginning to understand the nuances, including the financial and regulatory requirements. This new wave of HTC developers will be important in ensuring the continued use of the program.

Among this new wave of HTC developers are Tisha Vaidya and Moira Concannon, co-founders and principals of Elizabeth Property Group. The duo is currently undertaking its first HTC project, the rehabilitation of the former Lexington Apartments and Motor Inns in Austin, Texas, for continued use as affordable housing. The lessons learned by Vaidya and Concannon serve as an excellent introduction for any individual or company interested in HTCs.

Elizabeth Property Group

Vaidya and Concannon established Elizabeth Property Group in February 2020. Classmates and friends in business school, they proceeded to enjoy careers in various positions within real estate development firms. By 2020, however, the two knew that they, “wanted to do something that had a higher impact on the larger community” according to Vaidya, who noted that they both felt that there was a “noble motive or higher purpose,” one in which they helped those less fortunate.

With the creation of Elizabeth Property Group, Vaidya and Concannon set out to develop, preserve

and enhance affordable housing units. Currently, the company operates in nine markets in Texas, though it is looking at properties that would grow the company’s footprint to additional states. Vaidya noted that expansion into additional markets is “vital in fulfilling their mission.”

Among the company’s portfolio is the ongoing rehabilitation of the Lexington Apartments and Motor Inns. On the surface, the former roadside motel may not appear to be historic. With a push from members at ITEX, a real estate development company that specializes in twinning low-income housing tax credits (LIHTCs) with HTCs, Vaidya and Concannon sought HTCs as a means to fill the gap in their capital stack.

Lexington Apartments and Motor Inns

The Lexington Apartments and Motor Inns was built in 1968 as a roadside motel and part of the Lexington chain. Established in 1967 by Zolon Wilkins Sr., the Lexington motel chain was a local-Texas based brand with 15 locations throughout the state by the 1970s. By the end of 20th century, the motel had shifted to use for affordable housing.



Image: courtesy of Heritage Consulting Group
Elizabeth Property Group is undertaking the rehabilitation of the historic Lexington Apartments and Motor Inns (later known as Kensington) in Austin, Texas, using HTC's.

The Austin motel was determined to be historically significant for its association with the former Robert Mueller Municipal Airport, which was Austin's primary airport for much of the 20th century. Today, the former motel serves as one of the few reminders of the airport's existence in the city's northeast portion.

Just as the building's significance is drawn from its association and proximity to the airport, it was the significant residential and commercial development that had subsequently developed within the former airport's property that drew Vaidya and Concannon to the Lexington.

"We liked that the building was very near a hot area in Austin," Vaidya said. "Not only is the building near downtown but it is also near stores, restaurants and other areas where people can shop, eat and work."

Rehab Lessons

The ongoing rehabilitation of the Lexington will result in its continued use as affordable housing, which is of significant need in Austin. As a motel, the primary character-defining features of the building, including the individual entrances to each unit, will be retained though finishes updated throughout. As Vaidya explained, "the building will be rejuvenated."

As first-time users of the HTC, Vaidya admitted that "learning the entire process has been a challenge." For any developer who is not accustomed to the HTC incentive, challenges with navigating the regulatory process can be a hurdle to overcome, including understanding which features are considered significant and must be retained as well as the review

timelines. For developers new to the HTC, such as Vaidya and Concannon, it is important to factor these into construction budgets and project timelines in order to ensure that projects are successful.

At the outset of the rehabilitation, the building retained a great deal of feeling as a late-20th century motel.

"Because the previous owners did very little work at the interior, especially in the office, that motel lobby feel remained present," said Vaidya.

Although the first inclination of many developers would be to update the space, the HTC program seeks to maintain historic finishes and appearances. As such, finishes at the end of the project will need to be compatible with what was historically in the space. According to Vaidya, "the first inclination of LIHTC developers is to enhance the property for longevity." This generally includes the installation of durable finishes.

"This approach can sometimes be in conflict with the HTC program and it is important to locate the medium between the two," she said.

In addition to challenges with finishes and restrictions on alterations to the physical appearance of the building, developers need to adjust to review timelines that can in instances come into conflict with financing deadlines as well as alternative project reviews. It is imperative that project teams understand the overall schedule so that the HTC review is accounted for and that all aspects of the project, including National Register of Historic Places designations, are completed.

Conclusion

Elizabeth Property Group's rehabilitation of the Lexington Apartments and Motor Inns in Austin, Texas, will ultimately aid in addressing a major need for the city, providing affordable housing. HTC's play an integral role in ensuring the financial viability of the project. For developers who are new to the HTC,

understanding the challenges is equally important in ensuring that the project will be completed without significant issue or delay.

As Vaidya and Concannon navigate and master the HTC program, they have come to understand the process and embrace the program requirements. Ultimately, the goal of the Lexington rehabilitation,

and any other historic rehabilitation that Elizabeth Property Group undertakes, is to “upgrade, but also to preserve the historic feeling of the building.” As this particular development speeds toward the finish line, the company looks forward to their next project using HTCs. ♦

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Cindy Hamilton is president of Heritage Consulting Group.

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