



The New Markets Tax Credits Issue

NMTC Has Record of Success and Wide Support: The Time for Permanence is Now

Making the NMTC permanent would drive even greater investment into low-income communities.
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Looking Back at 20 Years Since the First NMTC Allocation Round

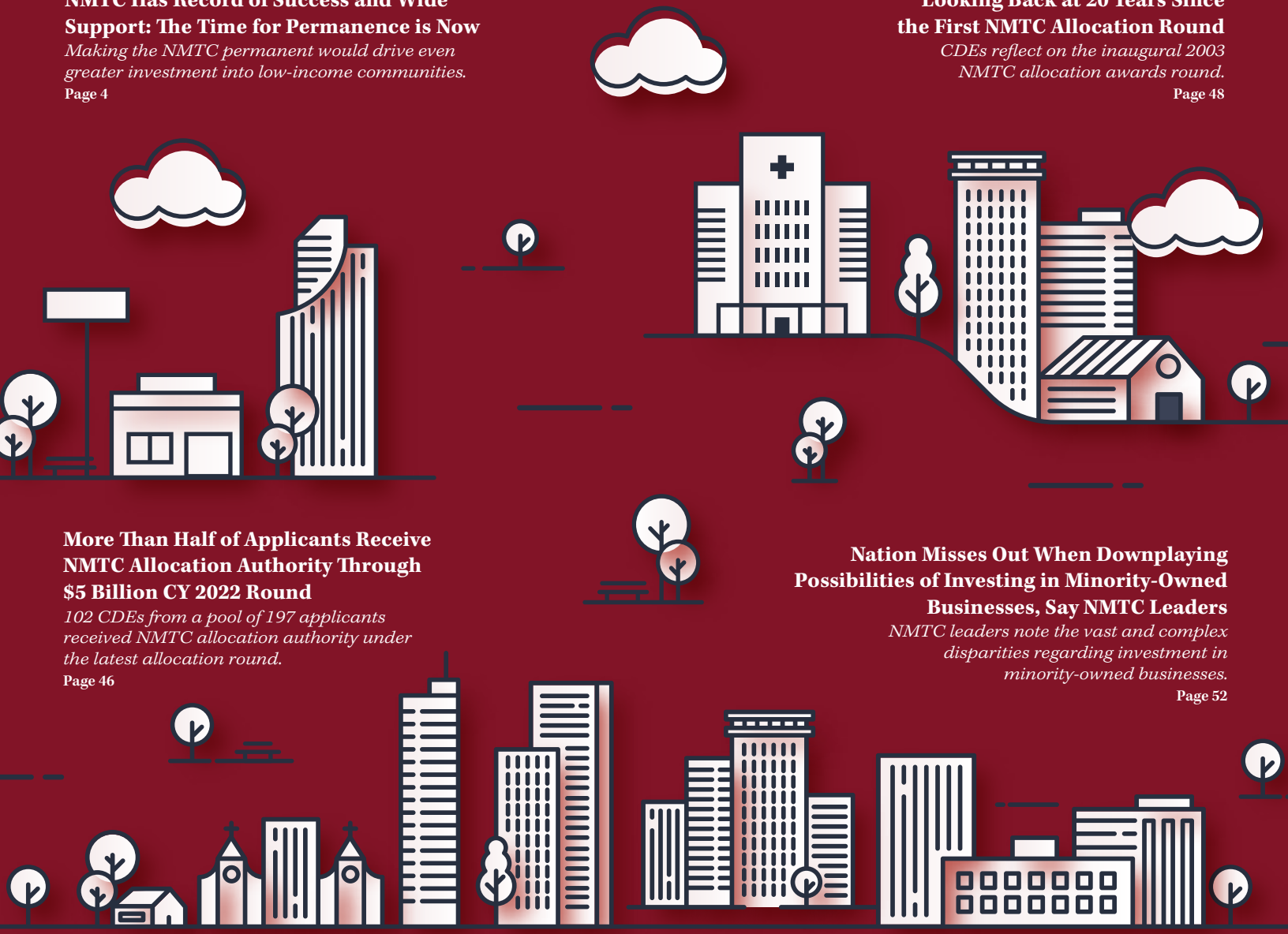
CDEs reflect on the inaugural 2003 NMTC allocation awards round.
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More Than Half of Applicants Receive NMTC Allocation Authority Through \$5 Billion CY 2022 Round

102 CDEs from a pool of 197 applicants received NMTC allocation authority under the latest allocation round.
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Nation Misses Out When Downplaying Possibilities of Investing in Minority-Owned Businesses, Say NMTC Leaders

NMTC leaders note the vast and complex disparities regarding investment in minority-owned businesses.
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Philadelphia's 4601 Market Development: An HTC/NMTC Success



CINDY HAMILTON, HERITAGE CONSULTING GROUP

In West Philadelphia, Market Street maintains an important distinction as the primary thoroughfare connecting Center City to the westernmost residential neighborhoods of the city. As West Philadelphia developed around the historic streetcar lines and, later, the elevated rail, the neighborhood and its many subsets took on their own identities.

The Provident Mutual Insurance Company developed its corporate headquarters at 46th Street in 1927 and proceeded to make its mark as one of the city's premiere insurance companies, as well as one of the oldest in Philadelphia to offer life insurance. With its

sprawling green campus and monumental Classical Revival-style building topped with a gold dome, the Provident Mutual Insurance Company Building stood as one of West Philadelphia's most recognizable landmarks.

In 2023, after decades of underuse, the building was rehabilitated to again serve as a commercial anchor,

Image: Courtesy of Iron Stone Real Estate Partners

The Provident Mutual Insurance Company developed its corporate headquarters at 46th Street in 1927 and proceeded to make its mark as one of the city's premiere insurance companies, as well as one of the oldest in Philadelphia to offer life insurance.

ultimately breathing new life into not only the building itself, but the larger surrounding neighborhood as well.

Provident Mutual Insurance Company Building

Designed by the Boston-based architectural firm of Cram and Ferguson, this “architectural masterpiece,” as described in the National Register nomination, opened in 1927. At that time, the company cemented its place among the top Philadelphia’s insurance companies. The insurance industry developed into one of the city’s most significant commercial activities in the late-19th and early 20th centuries, joining the likes of other northeastern cities such as New York, Hartford and Boston.

For nearly six decades after opening its doors on Market Street, the building served as a commercial cornerstone along Market Street. The company ceased operations in the building in 1983. The Provident Mutual Insurance Company Building was listed in the National Register of Historic Places in 2019.

Rehabilitation

Beginning in the early 2010s, the rehabilitation and reuse of the building was deemed a priority for the city and various attempts to restore it to its former glory were undertaken. This included a nearly \$50 million renovation campaign in 2015 by the city itself, which included exterior restoration work and the select demolition of interior spaces in anticipation of future fit-out.

Despite the city’s efforts, the building remained vacant until 2019, when Philadelphia-based developer Iron Stone Real Estate Partners purchased the building. Included among the development team was Jason Friedland, a partner at Iron Stone. Friedland recalled the group’s introduction to the site, noting “we knew about the property from our decades of work in Philadelphia and, especially, West Philadelphia.” He continued, “we also knew that the city placed parameters on the request for proposal, with the key two being that the historic building not be demolished and that the existing building be reused



Image: Courtesy of Iron Stone Real Estate Partners
The Provident Mutual Insurance Company Building in West Philadelphia was rehabilitated into a commercial anchor in 2023.

for commercial purposes. We saw the opportunity to put together a solid plan that we felt others could not match.”

The city’s mandate that the building be reused for commercial purposes was an especially interesting challenge for Iron Stone. As Friedland said, “from an urban planning standpoint, the building has far more impact as a commercial element. We had learned in earlier rehabilitation projects, like the Women’s Medical College [in Philadelphia’s East Falls neighborhood], that historic tax credits (HTCs) would be integral to filling our project’s capital stack.”

Ultimately, Iron Stone’s rehabilitation of the building integrated three main tenants: the Children’s Hospital of Philadelphia, the KIPP Philadelphia Octavius Catto Elementary School, and the Public Health Management Corporation. Each tenant occupies their own portion of the building in a space fit-out to their respective needs. Additionally, as part of the rehabilitation, architecturally significant spaces,

including the main lobby complete with its marble floors and walls and oak ceiling, were retained and restored.

Challenges and Project Financing

The rehabilitation of the Provident Mutual Insurance Company Building was completed using twinned HTCs and new market tax credits (NMTCs). According to Friedland, “we would have had a very hard time finding a lender willing to work with us without both incentives.” He added, “this type of project can be made or broken by funding gaps and we were able to successfully use both HTCs and NMTCs to fill the capital stack and attract a lender.”

Friedland said that Iron Stone had never twinned these two incentives before and was not 100% certain on how they would gel.

“We had been warned by various consultants against twinning the two, due to the complexity,” Friedland said. “We had completed several HTC projects, but incorporating the two, which have different requirements and timelines, was definitely more complicated than anticipated.”

In addition to the financing challenges, the rehabilitation commenced at the beginning of the COVID-19 pandemic. Friedland recalled, “construction work began three weeks before the mandatory shutdown. There was a lot of uncertainty.”

Iron Stone was fortunate, however, and construction work only stopped for two weeks because of the building’s proposed health care use. Another fortunate component of the project was the sheer size, which allowed construction crews to spread out and work schedules to stay as close to on target as possible.

Friedland appropriately summarized the challenges.

“Working in historic buildings, developers and project teams will do their best to formulate a plan and anticipate potential issues,” he said.

Conclusion: ‘Go in With Your Starters’

Iron Stone’s completion of what is now known as 4601 Market transformed the immediate surrounding area and served as a catalyst for further development. In looking back on the project, Friedland noted that he and the team would not have done anything differently.

“We maintain management over the building and are continually in communication with the tenants,” Friedland said. “They appear to be enjoying the building and the completed result is working as well as intended.”

Any HTC project comes with its share of challenges, ranging from the use of specific finishes to discovering unique ways to use historic spaces. When the project also twins NMTCs, which comes with its own distinctive application process and funding schedule, additional challenges are immediately thrust upon the project. Friedland explained that the best way to offset these challenges is to surround yourself with an experienced and strong team.

“To use a sports analogy, you go in with your starters,” Friedland said. “We were fortunate to have an experienced accountant (Novogradac) and an incredible and supportive lender (Washington Capital Management, Inc.), alongside an excellent design team (led by architects RFA Architecture).” ❖

Cindy Hamilton is president of Heritage Consulting Group.

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