



THE Renewable Energy Issue

As Clean Energy Tax Incentives Expand, Transaction Structure Decisions are More Crucial

Clean energy sponsors and developers must have a thorough understanding of common transaction structures and areas open for negotiation.

Page 4

What You Need to Know About HUD's Green and Resilient Retrofit Program

The Inflation Reduction Act of 2022 provides \$837.5 million in funding and up to \$4 billion in loan authority to HUD for affordable housing properties. Learn about funding options and upcoming deadlines.

Page 46

10 Things to Remember About the IRA and Renewable Energy Tax Credits

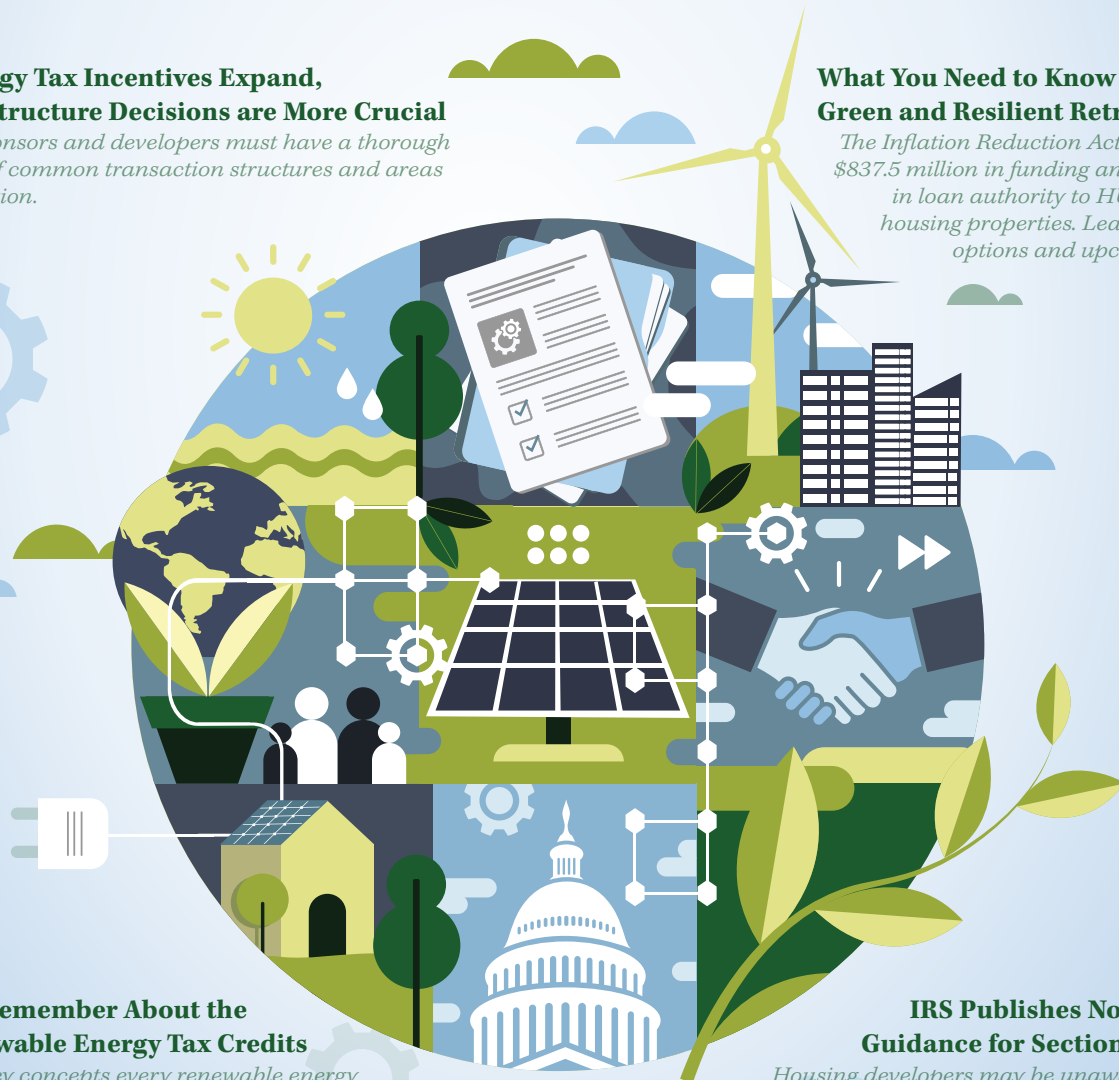
Read about 10 key concepts every renewable energy project sponsor and investor should know, including adders and begin construction guidance.

Page 69

IRS Publishes Notice Providing Guidance for Section 45L Incentive

Housing developers may be unaware of credits and equity that could be available through the Section 45L Energy Efficient Home Credit.

Page 72



Laying the Groundwork for HTCs: How Mosby Tower Was Completed



CINDY HAMILTON, HERITAGE CONSULTING GROUP

Historic tax credit (HTC) developments can often take several years from submission of the initial HTC applications to when the project receives its final Part 3 approval, marking the project as a “certified rehabilitation.”

But what happens before the Part 1–Evaluation of Significance is drafted and submitted? What work goes into an HTC project before even contemplating the use of the credit?

The rehabilitation of Carolyn Mosby Senior High Rise (also known as Mosby Tower) was recently completed by developer Gorman & Company (Gorman). It is a public housing building in Gary, Indiana, designed specifically for seniors. The rehabilitation of Mosby Tower effectively illustrates how years of preparation is often required: from the initial project inception until any level of construction work begins, let alone to when the HTC application is drafted.

Gorman & Company

Gorman was founded in Wisconsin in 1984. Since then, the company has made a profound impact on communities across the country. Specializing in downtown revitalization, Gorman works in a variety of development fields, including affordable and workforce housing and hospitality.

The developer has also been a frequent user of the HTC, routinely using HTC equity in conjunction with the low-income housing tax credit (LIHTC) and receiving numerous awards for its historic

preservation work. In addition to its award-winning work, Gorman is a pioneer in the HTC world, particularly the use of HTC in public housing conversions. The company’s rehabilitation of The Coffelt-Lamoreaux House in Phoenix was among the first in the country to use HTCs in a Rental Assistance Demonstration (RAD) program conversion.

Mosby Tower: Before the Rehab

The Mosby Tower HTC project officially began in early 2020 with the submission of the Part 1 application. However, according to Ron Clewer, Gorman’s Illinois market president who oversaw the Mosby Tower rehabilitation, the project actually began several years before.

“We first started our interview process with the Gary Housing Authority (GHA) in 2017,” Clewer said. Even then, according to Clewer, work was undertaken to identify the GHA as a potential development partner.

For Gorman, the process for any potential RAD project begins with the company taking a broader look at the portfolios of existing housing authorities.

“We often look for buildings that have a story to be told and assets that are worthy of preservation,”

Clewer said. “Once we identified that with the GHA, we went directly to the housing authority to explain the possibilities at hand as well as our approach and process.”

Preliminary conversations, however, are just the beginning. Developers still need to go through the request for proposals (RFP) process with local housing authorities. Even with one or both feet in the door, a housing authority may not be interested in designating its properties historic. As Clewer noted, “we are working on a similar project in the Midwest where the local housing authority did not have any interest in going down the path for HTCs.” Housing authorities are often required to endure unrelated historic compliance reviews that can hold up construction initiatives, and, as a result, the agencies frequently have a negative view of historic regulations.

Gorman’s conversations with the GHA went differently.

“With the GHA, the namesake of the building made the pitch for HTCs simple,” Clewer said.

Carolyn Mosby was a highly respected former public servant and a pioneer for Black advancement in Gary and northwest Indiana. Mosby was the first Black woman to serve in both houses of the Indiana General Assembly, as well as the first Black person to serve on the Indiana Legislative Council of the General Assembly. Mosby died in 1990, but retains a profound impact on the Gary community to this day. Mosby Tower was renamed in her honor in 1991. For Gorman and the GHA, designating the building historic and seeing new life breathed into it through its rehabilitation would be a way of honoring Mosby and all she did for Gary.

Beyond the initial interviews and RFP process, “a significant amount of work goes into determining the type of conversion, in HUD terms, the percent of low-income housing tax credits (LIHTCs) the project will seek and building trust with the building’s residents, among other things,” Clewer said.

During the Mosby Tower renovation, Gorman and the GHA held numerous community and building meetings to engage residents and bring them into the conversation to help shape the project. As part of this process, the groups worked together to iron out the specifics, including what would ultimately be a Section 18 housing conversion that used 4% LIHTCs, in addition to HTCs.

Community Involvement

According to Clewer, the community’s involvement is paramount to the success of redevelopments such as Mosby Tower.

“Sometimes building residents and others in the community have a difficult time seeing how a rehabilitation could truly transform a building,” Clewer said. “The residents, in particular, often only know the building as decaying or in a tired state. Community meetings are very important in conveying a shared goal and vision.” For Gorman, this also included meetings with local government officials to garner as much support as possible.

The Gary community rallied around Carolyn Mosby and found a way to honor her legacy.

“Mosby’s daughter and grandson have since moved out of Indiana, but remain connected with Gary and this building, especially,” Clewer said. Due to their continued involvement, which has included a Christmas gift drive spearheaded by Mosby’s grandson, the history and importance of the building remained “real and relevant to the residents,” Clewer said.

In addition to their community meetings, Gorman involves the community within the larger project team. Clewer explained that Gorman always offers to exceed HUD’s minimum requirements for minority participation and uses local labor and materials purchases in all its projects. Mosby Tower’s rehabilitation was no exception, so numerous residents were engaged in the rehabilitation resulting

in a positive and meaningful connection to the building.

Conclusion: After the Rehab

The completion of Mosby Tower's rehabilitation resulted in the preservation of much-needed affordable housing in Gary, as well as the preservation of one of the city's historic resources. The successful transformation of the building provided updated finishes, new amenities, new management offices and a revived tenant experience.

For Gorman, the work has only just begun as they now enter the next phase of the project—

day-to-day management of the building. As it relates to the history of the building, Clewer proudly said that Gorman will, “always continue to include the story of Ms. Mosby in their management of the building and will continue to convey her impact and use that to inform the future.” This highlights Gorman's dedication to the preservation of historic buildings and its continued advocacy of HTCs.

“We were able to preserve history and provide people a meaningful place to live,” Clewer said. “What is better than that?” ♦

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Cindy Hamilton is president of Heritage Consulting Group.

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