



# THE VALUATION ISSUE

**Preservation Is Crucial**

*Why and How Preservation Should be Emphasized for Affordable Housing*  
**Page 4**

**PSH Challenges**

*Permanent Supportive Housing Desired, but Includes Some Hurdles*  
**Page 34**

**Location Matters**

*Magnitude of LIHTC Property Insurance Increases Often Tied to Geography*  
**Page 29**

**New Tools Available**

*Novogradac Provides Updated LIHTC Equity Pricing Tool, Rent Reasonableness Determination Tool*  
**Pages 37-38**





## HISTORIC TAX CREDIT TOOL BOX

# How Developer Sudha Tokala Pivoted to Real Estate Development and Is Transforming Wichita's Historic Core



CINDY HAMILTON, HERITAGE CONSULTING GROUP

Sudha Tokala's passport already claimed many stamps before she landed in Kansas in 2001. A native of India and the daughter of a United Nations staffer, Tokala grew up in South Africa and crisscrossed the globe to places such as Rome, Sydney and New York before following her brother to the University of Kansas in Lawrence, Kansas. There, she pursued her father's desired path into a medical career, graduating with a master's degree in pharmaceutical chemistry. She met and married Chandra Tokala, and the couple relocated to Boston for a few years while Chandra completed his residency and fellowship at Harvard.

Yet, Sudha continued to feel a pull back to Kansas—and to a different career there, embarking on a project that would transform four major historic buildings in downtown Wichita.

### **From Cowtown to the Air Capital of the World**

Meanwhile, several historic buildings in downtown Wichita awaited reinvention. Two former department stores—Innes and Henry's—and two additional commercial buildings hugged the intersection of

*Image: Courtesy of the Office of Rep. Darin LaHood*  
The former Innes Department Store in Wichita, Kansas, was rehabilitated as part of a larger \$132 million redevelopment.

Broadway and William Street, emblematic of Wichita's early- and mid-20<sup>th</sup> century development history. The city—smack dab in the middle of Kansas, in the middle of the country—began as a trading post in the mid-19<sup>th</sup> century and became a “Cowtown” as cattle drives transported herds from Texas to the Kansas railroads.

When oil and gas were discovered nearby at the turn of the 20<sup>th</sup> century, the “Cowtown” became a true city, as the first high-rises were constructed downtown. In the ensuing decades, several aircraft manufacturing companies formed in Wichita, earning the city a nickname as “the air capital of the world.” The status and industry accelerated a post-World War II population boom, with a new wave of midcentury development to go with it.



Image: Courtesy of the Office of Rep. Darin LaHood  
A historic photo of the former Innes Department Store in Wichita, Kansas.

By the time Sudha Tokala landed in Kansas a half-century later, the state's medical community could no longer keep pace with the overall population. At first, it seemed that Tokala would help redress the shortage of doctors in her work as a pharmaceutical scientist. But she continued to feel drawn to a new career that would make use of her health care background in a different way, this time, as a developer of medical buildings, rather than an occupant of them. “I’m a numbers person,” she told the *Wichita*

*Eagle* in 2022. “I grasp things quickly. ... I feel like it’s my calling probably more than pharmacy.”

So, she left the pharmaceutical field in 2008 and spent her first years as “a numbers person” working on the investment side of the development scene. But when the city solicited bids in 2017 to redevelop the historic Innes Department Store, her company (Douglas Market Development LLC) submitted a proposal that would call on both her old career and her new one. “Since my background is in health care, I was keen on opening a brand-new medical college in downtown Wichita,” she said. She took note of a feasibility study commissioned by the state, which found that Kansas needed a new medical college to educate more physicians. The former Innes Department Store seemed like the perfect place to start.

### Creating Place

Centered on great buildings with loads of potential, the area chosen by Tokala was once a thriving retail and officer center, but was by this point moribund, with little activity or occupancy. Spanning two different wings (a 1928 east wing and a 1948 west wing), the Innes building at 220-230 E. William Street was the first and most prominent development project in Tokala's portfolio. But she quickly tacked on three other buildings in the immediate vicinity, amassing 700,000 square feet of historic buildings to rehabilitate: the former Henry's Department store (124 S. Broadway), built in 1948; the Brown Building (105 S. Broadway), built in 1927-28 as an 11-story office building; and the mixed-use Sutton Place (209 E. William Street), built in 1925 as a lodge and substantially altered in 1966 for use as an office building. Taken together, the four buildings would form an educational ensemble associated with the Kansas Health Science University/Kansas College of Osteopathic Medicine (KansasCOM) and the National Institute for Culinary and Hospitality Education (NICHE), affiliated with Wichita State University's Campus of Applied Sciences and Technology (WSU Tech). A hotel

and apartments within two of the buildings would complement the educational facilities.

Historically, the four buildings were developed by unrelated owners for unrelated functions. This meant that despite Tokala's plans to unify them for symbiotic institutional uses, they needed to be addressed as four separate historic tax credit (HTC) projects, each one a crash course in HTC guidelines and design challenges that would keep Tokala and her development team busy for the past six years (and counting).

To even be eligible for HTCs, three of the four buildings—Innes, Henry's and Sutton Place—needed to be listed on the National Register of Historic Places (the Brown Building was already individually designated). In the case of Henry's, making the case for designation was relatively straightforward, but Innes and Sutton Place were more difficult based on perceived issues of material integrity given the buildings' track records of major alterations. Ultimately, the team's winning argument for Sutton Place leaned into its midcentury architectural heritage, while Innes was significant as "the" department store, the place where families shopped at the holidays and dined in the Tea Room.

### **Not Enough Windows/Too Many Windows**

From a design standpoint, each of the four buildings called for creative and common sense solutions to inherent challenges. The Innes building was converted in the 1990s from its original department store function to use as offices (known as the Finney State Office Building), resulting in the removal of all of the historic finishes and features, except a grand Moderne-style stair, later discovered during construction and reopened for use. Although National Park Service reviewers allowed some of the 1990s alterations (such as the modern windows) to remain—grandfathering them in as existing condition—the agency required Tokala and her team to reestablish

a two-story volume within the first floor of the original building, as one of the few physical features relating back to its use as a department store.

Down the street, Tokala did not have to worry about grandfathering windows at the former Henry's Department Store because the building never had many windows in the first place. Instead, the development team had to grapple with the opposite design challenge: large expanses of terra cotta panels designed for interior merchandise displays but not interior sunlight. The NPS determined that new window openings would not be appropriate, so the designers negotiated the building program in ways that would not require additional fenestration. A large interior volume of space and mezzanine, ideal for retail, required creative design to achieve the program necessary for the culinary school tenant.

At the Brown Building, the mechanical, electrical and plumbing systems needed upgrades, but the existing ceiling heights needed to be maintained. The resulting system design required a puzzle-piece configuration of sympathetic lowered ceilings which maintained historic ceiling heights around the perimeter of the building, particularly at the first floor. Meanwhile, the building program necessitated the infill of windows on the secondary elevations. Because these openings were in service areas, the NPS eventually approved the changes.

Finally, at Sutton Place, the building retained little historic fabric on the interior, prompting the NPS to require that any remaining features be retained. As a result, the upper floor elevator lobbies—with their distinctive midcentury features—will remain in place as evidence of the building's former eras. Within the building's main lobby, a singular ornamental plaster ceiling, one of the last remnants of the building's original use, will remain exposed to welcome residents into the building.

The biggest challenge by far was the modernization of the elevators in the existing buildings and the incorporation of two stairwells for egress in each structure. “Most old buildings have only one staircase,” Tokala points out. “To cut each floor and add a second staircase in a high-rise historic building is just a monumental task and differs building to building, since the floor slabs have beams and columns and we don’t really have any structural drawings to tell us what is existing in the slabs and columns.”

### Importance of State and Federal HTC

Despite these refinements and complexities, the most important features at each building remained—beginning with the historic façade of Innes Department Store, the building that started it all for Tokala. “It was very important to me to bring back the beautiful metal canopy that was all along the façade when it was first built,” she said. “Over the years, it was removed and stucco applied. I restored the old façade with the canopy, which extends out 8 feet all along the building.” The project also reconstructed historically appropriate storefronts, a transformation which pays homage to the building’s historic use.

With features like the canopy in place, Tokala could take full advantage of HTCs, a critical piece of the financing puzzle for this “numbers person.” Indeed, without the HTCs, this collective \$132 million project would almost certainly have been infeasible.

“All the buildings would still be sitting empty if it was not for the credits,” Tokala said. “The cost to renovate these beautiful buildings costs at least twice as much as to just do a new build with steel studs.” With HTCs on the balance sheet, though, such projects are a win-win: “I really think the historic tax credits benefit the public, since the buildings are restored, and the private investor benefits because the credits will make the project financially feasible.”

### Conclusion

As of 2024, the two department stores are completely rehabbed: Innes now hosts classrooms, offices, meeting rooms and lounges for the Kansas Health Science Center and KansasCOM, while Henry’s is home to NICHE’s culinary school and food hall, which serve as a revenue generator for Wichita State University. The Brown Building will soon reopen as a hotel (AC Hotel by Marriott) to support the medical school, and the ground-floor retail and medical student housing at Sutton Place will be complete by the end of 2025.

The resulting campus will feature a robust mix of uses. For this pharmaceutical scientist-turned-“numbers person,” though, perhaps it demonstrates something else: Chemistry. ❖

*Cindy Hamilton is president of Heritage Consulting Group.*

---

© Novogradac 2024 - All Rights Reserved.

*This article first appeared in the November 2024 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](http://www.novoco.com).*

## EDITORIAL BOARD

PUBLISHER

**Michael J. Novogradac, CPA**

EDITORIAL DIRECTOR

**Alex Ruiz**

TECHNICAL EDITORS

**Chris Key, CPA****Michael Kressig, CPA****Diana Letsinger, CPA****Matt Meeker, CPA****John Sciarretti, CPA****Stacey Stewart, CPA**

## COPY

EDITORIAL AND DIGITAL MARKETING DIRECTOR

**Teresa Garcia**

SENIOR COPY EDITOR

**Mark O'Meara**

CONTRIBUTING WRITERS

**Juan Bello****Cindy Hamilton****Heath Hawkins**

SENIOR EDITOR

**Brad Stanhope**

SENIOR WRITER

**Nick DeCicco****William Linthicum****Josh Mason****Denise B. Muha**

## ART

CREATIVE DIRECTOR

**Alexandra Louie**

GRAPHIC DESIGNER

**Brandon Yoder**

## CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

**Teresa Garcia****teresa.garcia@novoco.com****925.949.4232**

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.

ADVERTISING INQUIRIES

**Christianna Cohen****christianna.cohen@novoco.com****925.949.4216**

## ADVISORY BOARD

### OPPORTUNITY ZONES

**Dan Altman**

SIDLEY AUSTIN LLP

**Glenn A. Graff**

APPEGATE &amp; THORNE-THOMSEN

**Shay Hawkins**

OPPORTUNITY FUNDS ASSOCIATION

**Jill Homan**

JAVELIN 19 INVESTMENTS

### 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 IMPACT FINANCE

**Derrick Lovett**

MBD COMMUNITY HOUSING CORP.

**Rob Wasserman**

HUNTINGTON NATIONAL BANK.

### 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

**Aisha Benson**

NONPROFIT FINANCE FUND

**Maria Bustria-Glickman**

U.S. BANCORP IMPACT FINANCE

**Elaine DiPietro**

BLOOMING VENTURES LLC

**Chimeka Gladney**

ENTERPRISE COMMUNITY INVESTMENT INC.

**Ruth Sparrow**

FUTURES UNLIMITED LAW PC

**William Turner**

WELLS FARGO

**Ashley Wicks**

BUTLER SNOW LLP

### HISTORIC TAX CREDITS

**Heather Buethe**

NATIONAL TRUST COMMUNITY INVESTMENT CORP.

**Scott DeMartino**

KUTAK ROCK

**Cindy Hamilton**

HERITAGE CONSULTING GROUP

**Irvin Henderson**

HENDERSON &amp; COMPANY

**Jessica Glynn Worthington**

KLEIN HORNIG LLP

### RENEWABLE ENERGY TAX CREDITS

**Jim Howard**

DUDLEY VENTURES

**Forrest Milder**

NIXON PEABODY LLP

© Novogradac 2024 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.