



NOVOGRADAC

Journal of Tax Credits™

March 2025 ♦ Volume XVI ♦ Issue III

Published by Novogradac

The Opportunity Zones Issue

Tax Legislation Provides Rare Moment to Enhance and Make Permanent Opportunity Zones

Page 4

A Peroration in Support of an 'Overwhelming Improvement' Rule

Page 16



QOF Survey Shows Equity Investment Sluggish, But Boost Expected with OZ Extension Legislation

Page 7

Emerging Breakthrough in Opportunity Zones: Provides the Easiest Path to Immediate Cash Flow

Page 25



HISTORIC TAX CREDIT TOOL BOX

Uncharted Waters: How a Development Team is Finding Creative Ways to Transform the Charleston Navy Yard



CINDY HAMILTON, HERITAGE CONSULTING GROUP

Perched on the western banks of the Cooper River, the Charleston Navy Yard is a sprawling industrial hub of more than 40 buildings, piers, bulkheads and utility structures in North Charleston, South Carolina.

From 1903 to 1996, the 85-acre complex was home to the United States Navy, playing a crucial role in national defense and military development through the 20th century, with particular significance in military preparation and armament during World Wars I and II and the early years of the Cold War.

Yet, in its post-naval existence, the massive scale and significance of the complex presented challenges for rehabilitation with historic tax credits (HTCs) for developers set on acquiring multiple buildings. Navy Yard Charleston, a development group that has acquired nearly a dozen buildings on the site, is underway with rehabilitation using HTCs. If not for an experienced development team, which was capable of expertly

Image: Courtesy of Lawson Companies

Looking north along Peters Creek Road in Roanoke, Virginia, at the site of the future Smith Ridge Commons property developed by Lawson.

planning a large, complex project, the Charleston Navy Yard might be rusting away today.

Origins of the Charleston Navy Yard

The United States Navy was not always the dominant force we think of today; in fact, in 1889, the Secretary of the Navy evaluated the fleet as merely the 12th-best in the world, ranking it below Turkey, China and other global powers. Beginning under President Theodore Roosevelt, however, the Navy accelerated its production and power, establishing the Charleston Navy Yard (and other comparable navy yards around the country) to churn out the most technologically advanced ships of their time. By 1910, thanks in part to the facilities in Charleston, the United States ranked second only to Great Britain in terms of capital ships within its naval force.

When a naval board appointed by Congress selected the Charleston site in 1901, the acreage comprised an unfinished city park, a swath of marshland and a portion of a former plantation. By 1903, construction was underway, and in 1909, the first buildings were complete. They included a ship fitter shop, a machine shop, a forge shop, a storehouse, officers' quarters and other administrative buildings. The navy yard continued to expand in the ensuing decades and the Navy dredged a channel in the Cooper River to allow for the scale of their battleships to expand as well. The site became increasingly critical to the nation's defenses as war loomed multiple times in the 20th century. On the eve of World War I, the Navy added a torpedo base at the Charleston facility; as Germany and Japan threatened war in the late 1930s, the Charleston Navy Yard constructed several destroyers.

Throughout these decades of growth, the military might of the navy yard was a boon for the community in Charleston, as the facility relied on hundreds—and at its peak, thousands—of naval and civilian employees to maintain the operations. Even as the workforce ebbed and flowed based on wartime and peacetime conditions,

the Charleston Navy Yard remained a major employer and economic force throughout the 20th century. The yard (later renamed Charleston Naval Base) was key to the Navy's Cold War nuclear submarine program, but after the collapse of the Soviet Union, it became less essential and eventually closed in the mid-1990s. The complex was added to the National Register of Historic Places as a historic district in 2006.

The Challenges of Functionally Related Buildings

With such a dense array of vacant older industrial buildings—spanning more than 3 million square feet in 40 buildings—the former navy yard was a prime candidate for rehabilitation and reuse. Yet, what was obviously an asset (the size of the site and the number of buildings) also presented complexities for developers considering using HTCs. When evaluating HTC projects, the National Park Service (NPS) considers the historic use and ownership of the buildings, deeming them “functionally related” if they historically operated together to serve one overall purpose and are now under common or related beneficial ownership. This approach ensures that all aspects of an HTC development project will align with the Secretary of the Interior's *Standards for Rehabilitation*, rather than a piecemeal approach that might result in disparate outcomes for individual historic buildings. In other words, by administering the HTCs according to “functionally related” guidance, the NPS can prevent a scenario in which an owner uses HTCs on one building but makes unsympathetic renovations to another functionally related building under their ownership on the site.

In theory, this “functionally related” guidance makes sense. But in practice, this means that for developers who own or control more than one building, Part 3 certification would not be issued until rehabilitation was complete on the last building. This is obviously not ideal for the developer and presents significant risk to the investor when a project timeline is protracted or

market and financing conditions cannot support the rehabilitation of multiple buildings as a single project.

Planning for the Future

The development group known as Navy Yard Charleston began acquiring properties in 2020 with a vision to create a mixed-use campus with residential, commercial and office uses. With such an ambitious program, the developers knew that federal and state HTCs represented critical gap financing. They recognized, however, that this site's functionally related buildings presented hurdles for Part 3 certification, which is why they assembled an experienced project team with just as much urgency as their real estate transactions.

To date, Navy Yard Charleston has acquired nearly a dozen buildings on the site. For some buildings, no work is planned; others require extensive rehabilitation and their construction timelines do not necessarily align, which complicates the timing for the Part 3 certification. Thus, the team was careful to map out the full construction sequencing from the start of the undertaking, rather than taking a disjointed approach to each individual building.

The construction timeline required creative solutions that would dovetail with the NPS' guidance on functionally related buildings. The key proved to be sequencing the timeline based on thematic groupings of buildings, breaking up the overall endeavor into smaller undertakings that would allow for more efficient Part 1/2/3 applications. A plan was forged whereby the shipbuilding-related buildings would be grouped into one HTC project; utility buildings would be addressed separately as a different HTC project; and storehouse and administration buildings would become a third HTC project. Within those projects, opportunities would be realized for additional project breakdowns provided gaps occurred between construction on buildings. Thus, each Part 3 certification need only wait for the completion of a few buildings, not a dozen buildings all at once. The development team presented this solution to the state

historic preservation office (SHPO) and the NPS and with state and federal approvals in place, construction could begin.

Testing the Waters

The first HTC project for the Navy Yard Charleston development group centered on Storehouses 8 and 9. Built in 1906 and 1918, respectively, the buildings represent different eras and styles of architecture but were nevertheless grouped together based on their related historic uses and the fact that they were once physically linked by a hyphen. Their proximity was an extra boon to the construction timeline, as the open space between them (where the hyphen once was) could be redesigned as a shared courtyard—reinforcing their physical and historical links.

Storage Building 8, which served as an administration building and storage facility, is one of the oldest extant buildings within the historic district and was part of the first wave of construction on the navy yard in the early years of the 20th century. The two-story, red brick neoclassical building has been converted for commercial and retail space, as well as future opportunities for an event venue, restaurants, design showrooms and office space.

Across the courtyard, Storehouse 9 is visually distinct from its earlier neighbor, with a four-story, flat-roofed reinforced concrete design typical of post-World War I architecture. Historically, the building was an essential addition to the navy yard as it expanded during and immediately after the war; today, it has been put back into use as primarily residential space, with housing for 78 tenants in studio and one-bedroom apartments on the upper three floors. The building also features live-work spaces and retail and design showrooms on the first-floor level.

The scopes of work for both buildings included many of the typical rehabilitation tasks, such as masonry repair,

window replacement, appropriate new entrances and storefronts and roof repairs. Their real task, though, was to pilot the approach for subsequent HTC developments in the complex.

In consultation with SC SHPO and NPS, the project team determined that three other storehouse buildings—Storehouses 64, 66, and 67 locally known as the “Three Sisters”—were functionally related and were originally scheduled to be part of the original project. As each of the “Three Sisters” is a single, story metal warehouse of approximately 90,000 square feet, the development team recognized that market and financing conditions did not support the immediate rehabilitation of an additional 270,000 square feet of leasable commercial and retail space.

Before the completion of the storehouses, the project team consulted with South Carolina SHPO and NPS to confirm that Storehouses 8 and 9 would be treated as a separate project for the purposes of HTC certification and would begin after a gap between completion of Storehouses 8 and 9 and the commencement of work on the Three Sisters. Design and development plans and

subsequent HTC applications are now under development for the future rehabilitation of the “Three Sisters” as a separate HTC project.

In this, they have succeeded, as they recently received their Part 3 certification and the development group has launched the planning and construction efforts for other groupings of buildings.

Conclusion: Work with SHPO, NPS; Craft Careful Timelines

The Charleston Navy Yard, and other former military sites, are prime opportunities for adaptive reuse—not only as real estate prospects, but also as significant sites worthy of commemoration and preservation. Yet, for projects like this one to succeed, the owners must craft careful and thoughtful construction timelines, with the SHPO’s and NPS’ input and approval. With these plans in place, developers of such large and complicated sites can ensure that these buildings don’t merely have a functionally related past, but can enjoy a shared future as well. ❖

Cindy Hamilton is president of Heritage Consulting Group.

© Novogradac 2025 - All Rights Reserved.

This article first appeared in the March 2025 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

Chris Key, CPA

Michael Kressig, CPA

Diana Letsinger, CPA

Matt Meeker, CPA

Stacey Stewart, CPA

Jason Watkins, CPA

Copy

EDITORIAL AND DIGITAL MARKETING DIRECTOR

Teresa Garcia

SENIOR EDITOR

Brad Stanhope

SENIOR COPY EDITOR

Mark O'Meara

SENIOR WRITER

Nick DeCicco

CONTRIBUTING WRITERS

Axel Adler

Daniel Altman

Jimmy Atkinson

Joseph B. Darby III

Jessica Dodt-Escobar

Tony Grappone

Cindy Hamilton

Jill Homan

Justin Chubb Lurya

Natalie Mason

Louis Rogers

Marc L. Schultz

Helen Teal

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

christianna.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 Graff

APPLEGATE & 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

AFFORDABLE HOUSING TAX CREDITS INVESTMENTS, USBDCD

Derrick Lovett

MBD COMMUNITY HOUSING CORP.

Rob Wasserman

HUNTINGTON NATIONAL BANK

PROPERTY COMPLIANCE

Jen Brewerton

DOMINIUM

Kristin Han

WNC

Michael Kotin

KAY KAY REALTY CORP.

HOUSING AND URBAN DEVELOPMENT

Victor Cirilo

PASSAIC AFFORDABLE HOUSING COALITION

Flynann Janisse

RAINBOW HOUSING

Ray Landry

DAVIS-PENN MORTGAGE CO.

Denise Muha

NATIONAL LEASED HOUSING ASSOCIATION

Nathaniel Cushman

NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Aisha Benson

NONPROFIT FINANCE FUND

Maria Bustria-Glickman

US BANK

Elaine DiPietro

BLOOMING VENTURES LLC

Chimeka Gladney

TRUIST

Ruth Sparrow

FUTURES UNLIMITED LAW PC

William Turner

WELLS FARGO

Ashley Wicks

BUTLER SNOW LLP

HISTORIC TAX CREDITS

Heather Bueth

NATIONAL TRUST COMMUNITY INVESTMENT CORPORATION

Scott DeMartino

KUTAK ROCK

Cindy Hamilton

HERITAGE CONSULTING GROUP

Irvin Henderson

HENDERSON & COMPANY

Jessica Glynn Worthington

KLEIN HORNIG LLP

RENEWABLE ENERGY TAX CREDITS

Jim Howard

DUDLEY VENTURES

Forrest Milder

NIXON PEABODY LLP