AFFORDABLE HOUSING
Through Historic Preservation

A Case Study Guide to Combining the Tax Credits

U.S. Department of the Interior
National Park Service
Cultural Resources
Preservation Assistance

National Trust
for Historic
Preservation

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A Case Study Guide to Combining the Tax Credits

by William F. Delvac, Esq.
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With a Preface by Richard Moe

For sale by the U.S. Government Printing Office
Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402-9328
ISBN 0-16-045258-9

This publication was produced by the U.S. Department of Interior, National Park Service, Preservation Assistance Division, and the National Trust for Historic Preservation, Department of Public Policy.

The National Park Service is the principal federal agency responsible for historic preservation. Part of the U.S. Department of the Interior, the National Park Service administers the National Park system and is responsible for a number of programs that assist privately held historic resources. The Preservation Assistance Division publishes materials and sponsors training on preservation treatment and technology, administers the tax credit for historic rehabilitation, and monitors National Historic Landmarks.

For more information on the National Park Service, call (202) 343-9578, or write the NPS at P.O. Box 37127, Washington, D.C. 20013-7127.

The National Trust for Historic Preservation is a private nonprofit organization with more than 250,000 members dedicated to protecting the nation's cultural heritage. The National Trust was chartered in 1949. The mission of the National Trust is to foster an appreciation of the diverse character and meaning of our communities by leading the nation in saving America's historic environments. The National Trust has seven regional offices, owns 18 historic house museums, and works with thousands of local community groups in all 50 states.

For more information on the National Trust, call (202) 673-4000, or write the NTHP at 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036.

This book was edited by Margaret Beckham and copyedited by Kitty Garber, both of Editorial Experts, Inc.

Book design and production was provided by Andrea Gates Sanford of She Can Do It.

Cover photograph provided by Macon Heritage Foundation, Inc.

Acknowledgements

This publication would not have been possible without the help and encouragement of many people.

First and foremost, we wish to thank the many people associated with the case studies appearing in the publication. Bruce Reeves and Jim Oliver of the Rosa True School project in Portland, Me., Mathew Thall of the 73 Hemenway Street project in Boston, Mass., Richard Arneson of the Fox River Mills project in Appleton, Wisc., Kenneth Nuernberger of the Pillar Place Apartments project in St. Louis, Mo., Channa Grace and Anthony Scott of the Dunbar Hotel project in Los Angeles, Calif., and Maryel Battin of the Pleasant Hill project in Macon, Ga., were very generous, responding to calls and questions and providing information and photographs. In addition, particular thanks are due to Mr. Nuernberger, Mr. Oliver, and Ms. Battin for the tours of their buildings.

Colleagues at the National Park Service and the National Trust played an important role in reviewing and commenting on the publication. At the National Park Service, staff include H. Ward Jandl and Michael Auer who gave valuable insight. At the National Trust, Susan Lutzker was especially generous with her time in providing thoughtful comments and good counsel throughout the project. Others at the National Trust who offered helpful advice include Edward M. Norton, Jr., Constance Beaumont, Dwight Young, and Alison Hinchman who also collected many of the photographs. Eugenia Woo helped with the research of the case studies, and Kirsten Peeler assembled the resource list of organizations.

At Historic Resources Group, Christy McAvoy helped make this publication more usable by assisting with the translation of tax-speak into concepts important to community-based organizations and by sharing her insights into the challenges and rewards of reusing historic buildings for housing. Melise Gerber provided valuable assistance with production of drafts and retrieval of seemingly lost text.

Other people outside the National Park Service and the National Trust who were especially helpful in offering thoughtful suggestions were William MacRostie, Donovan Rypkema, and Jennifer Blake.

William F. Delvac
Susan Escherich
Bridget Hartman

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Preface

On Central Avenue in Los Angeles stands the Dunbar Hotel, an imposing 1928 building that once flourished as the hub of night life for the city's African-American residents. Like many other inner-city hotels, the Dunbar deteriorated as its neighborhood declined; by the 1980s, the hotel once frequented by great performers such as Lena Horne and Bill "Bojangles" Robinson was providing shabby lodging to a few transients. But today, thanks to efforts of the Dunbar Economic Development Corporation, the fully renovated building is home to 73 low-income senior citizens and provides commercial space for several small businesses. Across the continent, the historic Rosa True School in Portland, Maine, has been transformed into affordable apartments through the perseverance of the Portland West Neighborhood Planning Council, many of whose board members are former Rosa True students. Rehabilitation of the Greek Revival building, originally constructed in 1844, not only provided much-needed housing for large low-income families but also created a job-training program for local youth and brought critical social services to West End neighborhood residents.

Every American city has a Dunbar Hotel or a Rosa True School—an older building that, despite its dilapidated condition, remains a neighborhood anchor and community treasure. In a time of unprecedented need for affordable housing, these local landmarks represent an enormously valuable—and largely untapped—resource. Moreover, their rehabilitation can be a catalyst for comprehensive and successful programs of community economic development and revitalization.

From Maine to California, developers have teamed up with city and state officials, financial institutions, community development organizations and preservation groups to utilize historic preservation as a tool for meeting affordable housing needs. In the face of scarce public funding, these partnerships have assembled creative and complex financing packages involving conventional loans, federal Community Development Block Grant funds, rental certificates, private investment and support from foundations and other sources—including, I'm proud to say, the National Trust's Inner-City Ventures Fund, which has provided more than $4 million in grant-and-loan awards to 62 neighborhood housing organizations over the past 13 years.

Surprisingly underutilized in these efforts, however, are two federal tax-incentive programs—the historic rehabilitation tax credit and the low-income housing tax credit—that can be used in combination to provide an attractive source of funding support for historic rehabilitation and affordable housing projects. Since 1976 the historic rehab tax credit has generated more than $15 billion in private investment in more than 25,000 rehabilitation projects that have brought new life to deteriorating business and residential districts across the country. The low-income housing credit, enacted in 1986, serves as the primary federal resource for producing housing for low-income residents.

Data collected by the National Park Service indicates that there has been an increase in the combined use of these tax credits in recent years; in fiscal year 1993, for example, one-third of the housing units produced through the historic rehabilitation tax credit were for low- and moderate-income households. But given the enormous number of blighted and vacant older buildings in America's inner cities and the critical need for affordable housing, these federal tax incentive programs are not being utilized as effectively as they could and should be. Recognition of that fact led to the preparation of this publication.

At a 1993 symposium sponsored by the National Trust and the National Park Service, twenty practitioners in the fields of housing and historic preservation joined Trust and Park Service staff to discuss ways to increase the available stock of low- and moderate-income housing through historic rehabilitation. Participants in the day-long meeting called for new policy initiatives, better federal program coordination and enhanced local capacity building, and recommended the publication of a guide that would help public officials and private developers put together successful financing packages for projects combining historic rehabilitation and affordable housing. *Affordable Housing Through Historic Preservation—A Guide to Combining the Tax Credits* is the result.

In developing this guide, the National Trust and the National Park Service received invaluable assistance from William F. Delvac, principal of the Historic Resources Group in Hollywood, California. Mr. Delvac, a tax and real estate attorney with expertise in historic preservation law, is the founding president and a director of the Hollywood Community Housing Corporation. His tireless commitment to finding creative solutions to Los Angeles' housing crisis through historic rehabilitation was a source of great inspiration during the 1993 symposium discussions and the preparation of this publication.

In Part One, Mr. Delvac presents an excellent guide—technically precise, yet easy to read—to effective combination of the historic rehabiliation and low-income housing credits. In Part Two, Susan Escherich of the Preservation Assistance Division of the National Park Service, another participant in the 1993 symposium, has assembled six informative case studies that showcase successful cooperative efforts by nonprofit and for-profit groups to return blighted yet beloved local landmarks into high-quality affordable housing.

We hope that the success stories enumerated in these pages will encourage more communities to take advantage of the opportunities presented by these two tax credit programs. The tangible benefits of renovating older buildings for affordable housing can be quantified in the number of new and renovated housing units, the number of new jobs and social service programs created, and the increased state and local tax revenues generated. As important as these facts and figures is the fact that the rehabilitation of beloved community landmarks can improve community self-image, stimulate increased civic activism and bolster neighborhood stability.

We believe—and dozens of communities are proving—that reinvestment in our heritage offers the best hope for reclaiming America's urban centers.

—Richard Moe, President
National Trust for
Historic Preservation

Introduction

What a cruel irony it is to see a homeless person sleeping on the street in front of a vacant building. Those who do have housing often live in conditions that cry out for improvement—for rehabilitation. These circumstances are, unfortunately, all too common in many cities and towns. But neighbors and concerned residents are teaming up with developers, both nonprofit and for-profit, to revitalize their communities. What better purpose could a historic building serve than to be reused for that basic human need: decent affordable shelter.

Reuse of historic and existing buildings for affordable housing has become an increasingly important strategy for neighborhood conservation and revitalization. An entire neighborhood can begin to rebound when even a few buildings are rehabilitated for good quality housing. In Georgia, for instance, the Pleasant Hill neighborhood of Macon was improved when a series of so-called shotgun houses were purchased from absentee landlords and rehabilitated for affordable housing. The rehabilitation of the historic Dunbar Hotel in South Central Los Angeles for low-income housing has provided a similar boost along Central Avenue, the historic core of that community.

With vacant and underused building stock available in most communities today, rehabilitation and adaptive use of historic buildings for affordable housing often makes more economic sense than new construction. These buildings are untapped resources that often can be acquired for less than the replacement cost of the structure, even when factoring in the cost of rehabilitation.

This type of recycling is occurring in communities everywhere. In Appleton, Wisconsin, three abandoned mills along the Fox River slated for demolition were converted to mixed-income housing, commercial, and office uses. Structures originally used as schools have also been reused for affordable housing. In Portland Maine, the Rosa True School had the distinction of being the longest continuously used school in the nation from its inception in 1844 until it was closed in 1972. After a relatively brief tour of duty as a Head Start and community facility, it was reborn in 1992 as an apartment building for large families. Halfway across the country, there is a similar success story in St. Louis where the Loretto Academy, a Catholic girls' school, was converted into Pillar Place Apartments serving low-income families.

The latest incarnation for a historic building on Hemenway Street in Boston is as a 46-unit cooperative apartment complex that includes commercial space. Built in the early 1900s as a private residence of five flats, in 1923 it became a girls' trades high school. This use lasted fifty years until the building was converted to an auxiliary of City Hall. In 1986, the building finally returned to its residential roots.

These six successful projects are presented in Part Two. They demonstrate not only the range of historic buildings that may be suitable for affordable housing but also the growing realization that there is a synergy between affordable housing and historic preservation. These goals are not mutually exclusive. Each may be a strategy to accomplish the other, and when used together, the combination is powerful—economically, socially, and politically. These projects also the illustrate the value of public-private partnerships, with both for-profit and nonprofit developers, using all the tools in the tool kit.

Beyond the historic preservation and affordable housing goals these projects illustrate, there are other public policy reasons to rehabilitate existing buildings for housing. Rehabilitation tends to be labor-intensive and therefore produces 20 percent more jobs than created by the same expenditure for new construction.[1] Rehabilitation also makes good environmental sense because it requires less consumption of natural resources, including energy. Reuse of existing buildings also reduces the burden on landfills where demolition and construction debris can account for 20 percent or more of the total waste.

Just as there are many reasons to rehabilitate an old building for housing, there are many ways to get the job done. While there are some special incentive tools and rules, affordable housing projects in historic buildings have most of the same risks, rewards, and requirements as new construction projects.

This guide presents how to get the job done. It provides an overview of the fundamental building blocks of financing historic buildings for affordable housing: debt, equity, and subsidy. It discusses the nuts and bolts of two federal tax incentive programs, the Historic Rehabilitation Tax Credit and the Low-Income Housing Tax Credit, and describes how the two can be combined to raise even more capital for historic rehabilitation projects. Through the case studies, the guide examines rehabilitation, regulatory, and financing issues faced by both nonprofit and for-profit developers and discusses the solutions found to achieve the twin goals of historic preservation and affordable housing. The book offers practical guidance to preservation and housing advocates on how other communities have reused local landmarks to provide quality affordable housing, create community employment, and contribute to the economic revitalization of neighborhoods.

BRUCE MOORE (DUNBAR HOTEL)

Part One:

Financing Historic Buildings To Create Affordable Housing

MACON HERITAGE FOUNDATION, INC. (PLEASANT HILL)

Understanding Finance

THE FUNDAMENTAL BUILDING BLOCKS OF affordable housing finance are debt, equity, and subsidy.

The highest hurdle for any affordable housing project is to piece together sufficient funding from a wide range of sources to cover project costs while keeping rents down. One need only examine the multitude of funding sources used by the six case study projects to understand this point. The Hemenway Street project in Boston, for example, had loans from eight different sources, in addition to equity and subsidy from several sources.

Project sponsors usually attempt to obtain as much conventional financing as can be supported by the project's rent-restricted income. Equity can be generated from investors interested in the tax benefits from the Low-Income Housing Tax Credit and the Historic Rehabilitation Tax Credit. These credits can be combined to raise even more capital. However, this capital, when added to the debt financing, is often inadequate to cover the entire costs of the project. This shortfall is usually overcome through grants, subsidized loans, or a variety of other sources of assistance. This type of financing is sometimes referred to as "gap" financing because it fills the gap between the project costs and the combined equity and conventional debt that would otherwise be available.

USING HISTORIC BUILDINGS FOR AFFORDABLE HOUSING MAKES SENSE

- *20 Percent Historic Rehabilitation Tax Credit Is Available for Housing on Top of Low-Income Housing Tax Credit.*
- *Historic Rehabilitation Tax Credit Combined With Low-Income Housing Tax Credit Provides Greatest Incentive To Investors.*
- *Historic Buildings Are Often Located In Neighborhoods in Need of Affordable Housing.*
- *Code Flexibility for Historic Buildings Makes Reuse Easier.*
- *Reuse of Existing Buildings Makes Good Environmental Sense.*
- *Rehabilitation Creates More Jobs Than New Construction.*
- *Many Subsidies Are Available For Revitalization And Preservation.*
- *Many Vacant Buildings Can Be Acquired And Rehabilitated For Less Than Replacement Value.*
- *People of All Backgrounds And Income Levels Enjoy Living In Buildings With Character.*
- *Rehabilitation Serves as Catalyst For Community Development and Revitalization.*

These three finance building blocks—debt, equity from tax credits, and subsidy—are explored in the following sections.

Debt Financing

Financing for multifamily housing isn't that different from the way most Americans finance the acquisition of a house. The total costs are financed through a combination of debt and equity. In the case of a homeowner, these consist of a down payment and a mortgage. However, the bank won't loan more than the borrower's ability to repay the loan, based on the borrower's income.

For rental property, lenders calculate the maximum loan amount based upon the rents that can be generated by the building, plus a safety factor. Furthermore, lenders usually require the owner to have a stake in the investment. Hence, loans do not usually exceed 75 to 80 percent of the value of the property. For market rate projects, the remainder comes from equity.

For affordable housing projects, however, rents are restricted so that they are affordable. Hence, the amount of debt that can be serviced by the rental income is greatly reduced. In fact, conventional financing accounts for only one-third of the total costs of many affordable housing projects.

To determine the maximum loan that may be available, it is necessary to calculate how much money may be available for debt service from net operating income or NOI. NOI is generally the total rental income (reduced by the vacancy rate) less expenses such as maintenance, repair, and other operating expenses, as well as reserves, management fees, and property taxes. Most lenders, however, require a safety factor for fluctuations in NOI or erroneous revenue assumptions. The debt coverage ratio provides that safety factor. A debt coverage ratio of $1.15 indicates that, for each dollar of loan payment, the lender wants the borrower to have $1.15 of NOI. With the debt coverage ratio and a rate of interest, it is possible to calculate the maximum loan that can be supported by the NOI. Sometimes affordable housing developers negotiate for a lower debt coverage ratio, thereby increasing the amount of the loan that can be supported by project income.

SUSAN ESCHERICH (ROSA TRUE SCHOOL)

Community Reinvestment Act

Under the Community Reinvestment Act (CRA), banks are required to file CRA Statements to disclose their lending practices. Residential lenders are also required to adopt plans regarding financing for low-income neighborhoods. Banks are rated on their compliance with CRA requirements. The CRA Statements and compliance efforts are available to the public. If a bank is not in compliance with CRA, approvals of branch openings may be denied.

This law has prompted lenders to increase their efforts to provide loans in target areas. Some banks are also investors in tax credit projects. The CRA may provide a basis for initiating a discussion with lenders in the community to assist with the financing of affordable housing projects.

Attracting Equity Through the Tax Credits

SINCE THE PASSAGE OF THE TAX REFORM ACT of 1986, there have been only two substantial federal tax incentives allowed under the Internal Revenue Code: the rehabilitation tax credit and the low-income housing tax credit. Many states also have tax incentives for both rehabilitation and affordable housing.

The rehabilitation tax credit is, in fact, two credits: 20 percent for rehabilitation of a "certified historic structure" (known as the historic rehabilitation tax credit, and referred to throughout this publication as the "rehabilitation credit") and 10 percent for the rehabilitation of structures first placed in service before 1936. The credit is generally allowed in the year in which the rehabilitated building is placed in service. The 10 percent credit is not available for residential rental property. Therefore, unlike the 20 percent rehabilitation credit, it cannot be combined with the low-income housing tax credit (referred to throughout this publication as the "low-income credit").

The low-income credit has two basic credit percentages. Although the credit is claimed over a 10-year period, the total value of the credit is calculated to yield a present value. The credit percentages are adjusted monthly by the U.S. Department of Treasury, as necessary, based upon changes in the discount rate, to yield the present values of 70 percent and 30 percent.

The rehabilitation credit and the low-income credit may be combined where a historic structure is rehabilitated for use in a low-income housing project. In fact in 1993, almost one third of the total housing units rehabilitated using the rehabilitation credit were for low- and moderate-income housing. This is not merely a coincidence. The low-income credit is used by developers to attract equity from investors. By combining the credits, more equity can be generated because of the greater total tax benefits.

Historic Rehabilitation Tax Credit

The rehabilitation credit is equal to 20 percent of "qualified rehabilitation expenditures" spent on a certified historic structure. However, the structure must be subject to depreciation. A certified historic structure is a building that is listed in the National Register of Historic Places individually or is certified as contributing to the historic significance of a registered historic district. Structures designated at the state or local level are also certified historic structures if the designation law is certified as conforming to National Register criteria. To earn the rehabilitation credit, the rehabilitation must be approved by the National Park Service as conforming to the Secretary of the Interior's *Standards for Rehabilitation*. The National Park Service has produced a series of helpful publications regarding the National Register and the *Standards for Rehabilitation*. Cost-effective rehabilitation methods are described in the Preservation Briefs series. These publications are available through the Government Printing Office, the State Historic Preservation Offices, National Park Service regional offices, and other helpful contacts listed in Appendix B.

SECRETARY OF THE INTERIOR'S *STANDARDS FOR REHABILITATION*

The Standards *are as follows:*

1. *A property shall be used for its historic purpose or be placed in a new use that requires minimal change to the defining characteristics of the building and its site and environment.*
2. *The historic character of a property shall be retained and preserved. The removal of historic materials or alteration of features and spaces that characterize a property shall be avoided.*
3. *Each property shall be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or architectural elements from other buildings, shall not be undertaken.*
4. *Most properties change over time; those changes to a property that have acquired historic significance in their own right shall be retained and preserved.*
5. *Distinctive features, finishes and construction techniques or examples of craftsmanship that characterize a property shall be preserved.*
6. *Deteriorated historic features shall be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature shall match the old in design, color, texture, and other visual qualities, and where possible, materials. Replacement of missing features shall be substantiated by documentary, physical, or pictorial evidence.*
7. *Chemical or physical treatments, such as sandblasting, that cause damage to historic materials shall not be used. The surface cleaning of structures, if appropriate, shall be undertaken using the gentlest means possible.*
8. *Significant archeological resources affected by a project shall be protected and preserved. If such resources must be disturbed, mitigation measures shall be undertaken.*
9. *New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.*
10. *New additions and adjacent or related new construction shall be undertaken in such a manner that if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.*

Certification Process

The approval process requires submission of a three-part Historic Preservation Certification Application to the State Historic Preservation Office, which forwards it with recommendations to the National Park Service.[2] The National Park Service is responsible for final certification.

The Part 1 Application is filed to obtain certification as a certified historic structure. It must be filed for buildings that are not yet listed in the National Register, as well as for those that are located in districts listed in the National Register of Historic Places. The Part 1 Application is not required for buildings already individually listed in the National Register. IRS rules require that the Part 1 Application be filed prior to placing the property in service.

The Part 2 Application is required to obtain approval of proposed rehabilitation work as conforming to the Secretary of the Interior's *Standards for Rehabilitation*. Approval is given only to the extent the work is described in the Part 2 Application itself. Merely indicating the work in plans or specifications accompanying the Part 2 Application will not suffice. For buildings not yet individually listed in the National Register, the Part 2 cannot be submitted in advance of a Part 1 Application. However, the two applications can be submitted simultaneously.

Owners are strongly encouraged to submit the Part 2 Application prior to beginning any rehabilitation work. Owners who undertake rehabilitation projects without prior approval from the Secretary of the Interior (i.e., the National Park Service) do so at their own risk. Prior to undertaking a certified rehabilitation project, the project sponsor should contact the State Historic Preservation Office. See Appendix B for a list of the State Historic Preservation Officers in each state.

When the rehabilitation is finished, the Request for Certification of Completed Work (Part 3 of the Application) must be submitted. If the building is not located in a historic district or has not been previously listed in the National Register, a nomination for individual listing must be filed.

For certification purposes, a project encompasses all rehabilitation work on the interior and exterior of the structure, its site, and environment as well as related demolition and new construction.

As part of the application process, taxpayers are required to submit photographic documentation to demonstrate the condition of the building as it existed prior to beginning the rehabilitation work. Consequently, if photographs are not taken before work begins, it may be impossible to document the project properly. Failure to document adequately the "before rehabilitation" condition can result in denial of certification and, hence, loss of the rehabilitation credit. The project sponsor should photograph everything before, during, and after rehabilitation.

In the event the certification application is denied, the owner may appeal the decision to the Chief Appeals Officer, Cultural Resources, National Park Service. The appeal must be filed in writing within 30 days of receipt of the denial.

Secretary of the Interior's *Standards for Rehabilitation*

The Secretary of the Interior has promulgated *Standards for Rehabilitation* for historic structures, which are codified at 36 CFR Section 67.7. The *Standards* provide a cost-effective design approach for the rehabilitation of historic buildings. The goal is to preserve the character-defining features, spaces and materials. Through retention and reuse of existing features, especially when combined with special code provisions for historic buildings, project costs can be reduced.

NEIL TALIENTO (ROSA TRUE SCHOOL)

The *Standards* pertain to all types of historic buildings regardless of their materials or use. They apply to the exterior and interior of buildings, as well as landscape features and the building's site and environment. Attached or adjacent new construction is also covered by the *Standards*.

The *Guidelines for Rehabilitating Historic Buildings*, which were developed to assist property owners and managers in applying the *Standards*, contain a specific hierarchy for decision-making in assessing the rehabilitation of any historic building. First, the significant materials and features of a building, those that define its historic character, should be identified. Then methods of protecting and maintaining them should be developed. If the physical condition of character-defining elements warrants additional work, repair is recommended. If deterioration or damage precludes repair, then replacement can be considered.

Sometimes developers assume that the *Standards* require restoration of a historic building. This is not the case. The *Standards* and the accompanying *Guidelines* acknowledge that some exterior and interior alterations to the historic building are generally needed to assure its continued use. However, it is most important that the alterations do not radically change, obscure, or destroy character-defining spaces, materials, features, or finishes. Each of the case study projects involved alterations to the buildings. For example, in the Pillar Place project, the chapel, a primary character-defining space, was retained while secondary hallways were altered for the installation of bathrooms. New bathrooms as well as other interior modifications were also required in the Dunbar Hotel project. In the case of the adaptive use of the mill buildings in the Fox River Mills project, the relative absence of interior character-defining features provided flexibility in creating new floor plans for the housing units.

The *Standards* do not require that any specific work be undertaken. For example, although a feature may be in need of repair or the original feature may have been previously replaced, the *Standards* do not require that these aspects be addressed in the rehabilitation. However, if the scope of work includes a treatment of a particular feature, then the work performed must meet the *Standards*. The Hemenway Street project in Boston is a good example of the types of issues that may arise regarding prior alterations, missing elements and rehabilitation versus restoration and how to address these issues successfully in a certified rehabilitation.

Nuts and Bolts of the Rehabilitation Credit

In addition to compliance with the *Standards* and the certification process, to earn the rehabilitation credit the "qualified rehabilitation expenditures" must exceed the adjusted basis of the building within a 24-month measuring period. For example, where improved real property is purchased for $1,000,000, with $600,000 allocated to the purchase of the land and $400,000 allocated to the building, the qualified rehabilitation expenditures must exceed $400,000 within the measuring period. The rehabilitation credit, however, is earned on the entire amount of rehabilitation expenditures, not just the portion in excess of basis. Therefore, if the rehabilitation expenditures are $425,000, the credit is claimed on the $425,000 total expenditures.

The measuring period is just that. It is used to measure whether the rehabilitation expenditures during the period exceed the basis as of the beginning of the period. The taxpayer chooses the measuring period. Therefore, with proper planning there is flexibility to maximize the rehabilitation credit.

The total amount of qualified rehabilitation expenditures include expenditures incurred:

(1) Before the measuring period but within the same tax year in which the measuring begins;

(2) Within the measuring period; and

(3) After a measuring period but prior to the end of the tax year in which the measuring period ends.

While the measuring period is usually 24 months, a special rule extends the measuring period to 60 months for projects that may reasonably be expected to be completed in phases set forth in architectural plans and specifications completed before the rehabilitation begins. A phased rehabilitation must consist of two or more distinct stages of development. The written plans are not required to contain detailed working drawings or detailed specifications of the materials to be used. Furthermore, the taxpayer may include a description of the work to be done by tenants.

The rehabilitation credit is allowed in the tax year in which the property is placed in service, provided that the substantial rehabilitation test has

MACON HERITAGE FOUNDATION, INC. (PLEASANT HILL) been satisfied. Property is usually considered placed in service when it is placed in a condition or state of readiness and availability for a specifically assigned function.

Expenditures (and the resulting credit) may be transferred provided that no actual use, whether personal or business, is made of the building between the time the transferor incurred the rehabilitation expenditures and the date of acquisition by the new owner. Furthermore, only the transferee may claim the credit.

Qualified Expenditures

An expenditure will be considered a qualified rehabilitation expenditure if it is properly chargeable to a capital account (rather than expensed), and if it is for additions or improvements to real property. In the case of residential property, the expenditures must be for improvements depreciated over a period of 27.5 years. In general, furniture, fixtures, and equipment do not qualify.

Architectural and engineering fees, site survey fees, legal expenses, insurance premiums, development fees, and other construction-related costs qualify for the rehabilitation credit, if such costs are added to the basis of the property.

The term "qualified rehabilitation expenditures" does not include acquisition costs, new construction and enlargement costs, or costs attributable to a portion of a building that is tax-exempt use property.

Tax-Exempt Use Property

Tax-exempt use property is that portion of the property leased to a tax-exempt entity or governmental entity in a disqualified lease.[4]

There is an important exception to the tax-exempt use property rules. Property is treated as tax-exempt use property only if the portion of such property leased to tax-exempt entities under disqualified leases is more than 35 percent of the property.

SELECTING A MEASURING PERIOD

On January 1, 1992, Rehab Co. purchases real property and improvements for a total of $250,000, $140,000 of which is allocable to the building.[3] Rehab Co. immediately begins to rehabilitate the building and incurs $48,000 of expenditures in 1992 (at the rate of $4,000 per month). In 1993, the expenditures total $100,000. In 1994, expenditures are incurred at the rate of $2,000 per month for the first ten months until the property is placed in service on October 31.

Rehab Co. may choose any 24-month measuring period ending in 1994 (i.e., the tax year in which it meets the substantial rehabilitation test and places the building in service).

Assume that Rehab Co. selects a measuring period beginning on February 1, 1992 and ending on January 31, 1994.

(1) Rehab Co.'s basis in the building as of the beginning of the measuring period is $144,000 ($140,000 plus $4,000 of expenditures incurred during January 1992).

(2) The rehabilitation expenditures incurred during the measuring period total $146,000 ($44,000 from February 1, 1992 to December 31, 1992, plus $100,000 in 1993, plus $2,000 in January 1994).

(3) Consequently, Rehab Co.'s qualified rehabilitation expenditures during the measuring period exceeded its basis as of the first day of the measuring period, and thus, the substantial rehabilitation test is satisfied.

(4) For purposes of calculating the rehabilitation credit, Rehab Co. is not limited only to the qualified rehabilitation expenditures incurred during the measuring period. Under this example, the total rehabilitation expenditures of $168,000 are eligible for the credit.

The selection of an appropriate measuring period can be critical to earning the rehabilitation credit. If, for instance, Rehab Co. had chosen a measuring period ending on October 31, 1994, the date on which it placed the property in service, it would not have exceeded its basis as of the beginning of the measuring period. Its basis as of November 1, 1992, was $180,000 ($140,000 plus the $40,000 of expenditures from January through the end of October). Therefore, the $168,000 of total rehabilitation expenditures would not have exceeded this measuring period's beginning basis.

If property is tax-exempt use property, the expenditures relating to it are not qualified rehabilitation expenditures. However, the expenditures are included for purposes of the substantial rehabilitation test, i.e., for determining whether the rehabilitation expenditures exceed the basis of the building.

Tenant Credit

Tenants can earn the rehabilitation credit on their expenditures if the lease term remaining at the end of the rehabilitation is at least as long as the depreciation period for the property. In the case of residential rental property, the lease term would have to be at least 27.5 years. For nonresidential real property, the depreciation period has been extended to 39 years. These provisions allow a housing developer to acquire a long-term ground lease rather than owning the property outright. This provision can provide important flexibility in structuring a low-income and historic rehabilitation project. For example, in the Rosa True School project, the project sponsor obtained a 67-year lease.

Recapture of Rehabilitation Credit

If historic rehabilitation property is disposed of or otherwise ceases to be investment credit property within five years after it is placed in service, a ratable portion of the rehabilitation credit will be recaptured. If the property is disposed of within one full year after it is placed in service, 100 percent of the credit will be recaptured. For each subsequent year, the recapture percentage decreases by 20 percent.

TAX TIP

The treatment of development fees as qualified rehabilitation expenditures may provide an opportunity to meet the substantial rehabilitation test by allowing a developer to pay itself a reasonable fee and thereby increase the rehabilitation expenditures.

Low-Income Housing Tax Credit

As noted previously, there are two low-income housing tax credit percentages, the 70 percent credit and the 30 percent. The primary difference between the use of the 70 percent credit and 30 percent credit depends on whether the project is federally subsidized. Rehabilitation expenditures that are not federally subsidized can earn the 70 percent credit, provided that the building qualifies as "substantially rehabilitated." Otherwise, the 30 percent credit is allowed for federally subsidized rehabilitation expenditures, as well as for the acquisition cost of a building if the building will be substantially rehabilitated. The rules regarding federal subsidies, substantial rehabilitation and the acquisition credit are described below.

The low-income credit percentages are increased in qualified census tracts and difficult development areas designated by the U.S. Department of Housing and Urban Development. The 70 percent credit and the 30 percent credit are increased to a 91 percent credit and 39 percent credit by increasing the eligible basis by 130 percent.[5]

Before turning to the nuts and bolts of the low-income credit, it is important to put these credit percentage figures in perspective. The 70 percent credit means that for every dollar spent on rehabilitation, 70 cents is given back as a tax credit, and in a difficult development area for every dollar, 91 cents comes back to the taxpayer! When the low-income housing credit is combined with the rehabilitation credit, the taxpayer receives a further premium in tax benefits.

Nuts and Bolts of the Low-Income Credit

The low-income credit is claimed annually for a ten-year period beginning with the tax year in which the building is placed in service, or, if the taxpayer chooses, the following year.

To calculate the low-income credit, the first step is to determine whether the 70 percent credit or the 30 percent credit applies. Next, the applicable credit percentage appropriate to yield the present value of either the 70 percent credit or the 30 percent credit must be determined. Remember, the credits are intended to provide a present value but are actually allowed each year for ten years. Therefore, the annual credit percentage, which yields the intended present value, changes as the discount rate varies.[6]

The annual dollar amount of the credit is computed by multiplying the applicable credit percentage by the qualified basis of the low-income building. The qualified basis is essentially the low-income portion of the eligible basis. In a simplified example, the eligible basis is the cost of the rehabilitation expenditures.

Minimum Set-Aside Requirements for Low-Income Credit Projects

A low-income credit project must set aside a minimum percentage of rent-restricted units for individuals with incomes that do not exceed specific levels. The two primary set-aside tests are the 20-50 Test and the 40-60 Test. Under the first test, at least 20 percent of the units in the project must be

CALCULATING THE CREDIT

Assume that it costs $800,000 to rehabilitate a building in which three-quarters of the units are rent-restricted and that the project qualifies for the 70 percent credit. Also assume the appropriate annual percentage to yield a 70 percent present value over ten years is 9 percent.

Eligible Basis	=	*$800,000*
(Low-Income Proportion)	=	*.75*
Qualified Basis	=	*$600,000*
Credit Percentage	=	*.09*
Annual Credit Amount	=	*$54,000*

The eligible basis is generally the adjusted basis, subject to special rules. For example, excluded from eligible basis is the cost of market rate units that are above the average quality of the low-income units.

NEIL TALIENTO (ROSA TRUE SCHOOL)

WAIVERS OF 10-YEAR RULE FOR ACQUISITION CREDIT

Use of the acquisition credit can be very important to financing the rehabilitation of an existing building for low-income housing. Therefore, consider the following waivers to the rule that ten years must have elapsed since the property was last placed in service:

Waivers may be granted by the Internal Revenue Service for certain "federally assisted" buildings to avert federal mortgage funds from being at risk, including to prevent the assignment of a mortgage to the U.S. Department of Housing and Urban Development or the Farmers Home Administration and to prevent a claim against a federal mortgage insurance fund.

Waivers may also be granted for buildings acquired from failed financial institutions, including properties acquired from the Resolution Trust Corporation.

rent-restricted and occupied by individuals with incomes of 50 percent or less of area median gross income, adjusted for family size. The second test is satisfied if at least 40 percent of the units are rent restricted and occupied by individuals with incomes of 60 percent or less of area median gross income, adjusted for family size. A unit is considered rent-restricted if the gross rent for the unit does not exceed 30 percent of income. The gross rent is adjusted for family size by imputation from the size of the unit.

The decision regarding what proportion of units will be for low- and moderate-income tenants is usually determined by the programmatic goals of the project sponsor, the requirements of funding sources, and the economics of the project. Many affordable housing projects exceed the minimum set-aside to provide the maximum number of rent-restricted units possible. For example, the eight apartment units of the Rosa True School apartments in Portland were all for low-income tenants. On the other hand, some projects, such as the Fox River Mills project, are purposely designed for mixed incomes. The minimum set-aside in that project was 45 percent of the units for families with less than 60 percent of area median income, thereby satisfying the 40-60 Test.

When Is The 30 Percent Low-Income Credit Used?

Under current rules, acquisition costs of existing buildings qualify for the 30 percent credit if the building will be substantially rehabilitated. The rehabilitation expenditures, however, qualify for the 70 percent credit, unless they are federally subsidized rehabilitation expenditures. Any federally subsidized expenditure qualifies only for the 30 percent credit.

A building is substantially rehabilitated if, during any 24-month period, the rehabilitation expenditures exceed 10 percent of the adjusted basis as of the beginning of the measuring period. However, the minimum expenditure must be $3,000 or more per low-income unit. Under a special rule for buildings acquired from a governmental agency, the taxpayer may elect to meet only the $3,000 per low-income unit test and not the 10 percent of adjusted basis test.

In addition to the substantial rehabilitation requirement, the major limitation in using the acquisition is the requirement that at least ten years must have elapsed between the date the taxpayer acquired the building and the date the building (or substantial improvement to the building) was last placed in service.[7] Acquisition costs are also not eligible if the building was previously placed in service by the taxpayer.

Using the Low-Income Credit with Federal Subsidies and Grants

The amount of any federal grant is excluded entirely from eligible basis. The Fox River Mills project, for example, received a federal grant of $109,500, which was excluded from basis. Furthermore, any building receiving moderate rehabilitation assistance under Section 8(e) of the Housing Act of 1936 is not a qualified low-income building and may not claim the low-income credit. The sponsor of the Pillar Place project, which received Section 8 assistance, determined that the value of that

MAXIMIZE THE LOW-INCOME CREDIT

Acquisition costs for existing buildings can qualify only for the 30 percent credit regardless of whether the costs are federally subsidized. Rehabilitation expenditures can qualify for the 70 percent credit only if they are not federally subsidized. Therefore, by using the federal subsidy for acquisition and not for rehabilitation, the total amount of the credit can be maximized.

assistance outweighed the loss of the ability to use the low-income credit. That project did, however, use the rehabilitation credit.

Federal subsidies, as opposed to grants, are not automatically excluded from basis. However, the price is that the 30 percent credit is allowed rather than the 70 percent credit. The taxpayer may, however, choose to exclude the amount of subsidy from basis and still use the 70 percent credit.

A building is treated as federally subsidized if any tax-exempt interest bond financing is used. One of the three mills in the Fox River Mills project in Appleton, Wisconsin was financed with tax-exempt bonds. As a result, the 30 percent credit was used. To maximize the credit, the three mills were owned by different limited partnerships, allowing the others to use the 70 percent credit. Federal subsidies also include a below-market interest rate loan funded in whole or part with federal funds. An example of this type of federal subsidy is a loan under the Section 515 program of the Farmers Home Administration.

Low-Income Credit Allocations

To be eligible for the low-income credit, the project must receive a credit allocation from the appropriate state or local credit agency where the low-income housing project is located. In general, the amount of new credit authority allocated every year to each state is equal to $1.25 for each individual resident of the state. At least 10 percent of each state's credit ceiling limitation must be set aside for use by qualified nonprofit organizations.

Recapture of Low-Income Credit

Although the low-income credit is taken over 10 years, the project must remain rent-restricted for a period of 15 years. Failure to comply with the requirements of the low-income credit during the 15-year compliance results in "recapture" of a portion of the credit. The recapture amount is the "accelerated portion of the credit" plus interest. In effect, while the credit is claimed over a 10-year period, it is "earned" out over the 15-year recapture period. For example, if a recapture event occurs during the first 11 years of the compliance period, one-third of the credits previously taken will be recaptured. In Year 12, four-fifteenths of the credit will be recaptured, and by Year 15, one-fifteenth will be recaptured.

FEDERAL ASSISTANCE QUALIFYING FOR 70 PERCENT CREDIT

The bad news is that federal subsidies require use of the 30 percent credit unless the amount of the subsidy is excluded from basis. The good news is that many popular funding sources are not treated as federal subsidies.

The following may qualify for the 70 percent credit:

Construction loans from tax-exempt financing or a below market federal loan, if the obligation or loan is for a specific building and is redeemed or repaid before the building is placed in service.

HOME Investment Partnership Act funds, a widely used program, if 40 percent or more of the units are occupied by individuals with incomes of 50 percent or less of area median income. However, the 130 percent increase in eligible basis for designated census tracts and difficult development areas is not available for any building using HOME funds under this rule.

Loans from Community Development Block Grant assistance under Sections 106, 107, and 108 of the Housing and Community Development Act of 1974.

Below-market loans funded from the Affordable Housing Program Loan under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Combining the Two Credits

When the rehabilitation credit is taken, the adjusted basis in the building must be reduced by the amount of the credit. In an affordable housing and historic rehabilitation project, the eligible basis for the low-income credit is reduced by the amount of the rehabilitation credit before calculating the low-income credit. However, greater project equity can nonetheless be generated by combining the credits. In stitching together adequate funding for a low-income project, every dollar counts, and the rehabilitation credit can be critical in this regard.

One important factor in valuing the addition of the rehabilitation credit to a low-income project is the fact that investors are willing to pay a premium for the rehabilitation credit. This is demonstrated in recent market transactions, which indicate that for every dollar of low-income credit, investors will contribute approximately 50 to 55 cents, while for a dollar of rehabilitation credit, investors will contribute 75 to 80 cents. The rehabilitation credit is earned entirely in the year in which the property is placed in service. Therefore, investors are willing to pay more for the rehabilitation credit. The low-income credit, while providing more cumulative benefit, is claimed over a ten-year period.

Furthermore, differences in the recapture risks may account for the greater equity yield for the rehabilitation credit. The 15-year recapture period for the low-income credit is three times longer than the 5-year period during which the rehabilitation is subject to recapture. The main risk of recapture of the rehabilitation credit is failure to obtain final certification—a risk that can be eliminated when the project sponsor files the Part 3 Certification Application with National Park Service and receives approval. The risk of recapture of the low-income credit is based upon maintaining the minimum set-aside of

ɩnt-restricted units for the longer -year period.

\here a portion of the project is not ɔv-income housing, the value of the ɩmbined credit increases. For examl:, ground-floor commercial space is ɩt eligible for the low-income credit ɩt is eligible for the rehabilitation r:dit. Given the prevalence of hisɔ ic building stock with housing over rɔund-floor commercial space, this aı be an important factor. The lɩmenway Street project in Boston and the Dunbar Hotel in Los Angeles are excellent examples. Some important amenities such as day-care facilities also may not qualify for the low-income credit but would qualify for rehabilitation credit. Furthermore, if the housing project includes market-rate housing, only the rehabilitation credit would be available for that portion of the project. The Fox River Mills project combines both market-rate and low-income housing. It also includes a commercial component.

Combined Credits Compared with Low-Income Credit Alone

ITEM	AMOUNT	EQUITY
REHABILITATION CREDIT		
Commercial Basis	$ 500,000	
Rehabilitation Credit %	x 20%	
Rehabilitation Credit for Commercial	$ 100,000	
Housing Basis	$2,000,000	
Rehabilitation Credit %	x 20%	
Rehabilitation Credit for Housing	$ 400,000	
Total Rehabilitation Credit	$ 500,000	
Equity Yield for Rehabilitation Credit	.80 ¢	
Equity from Rehabilitation Credit		$400,000
LOW-INCOME CREDIT		
Housing Expenditures	$2,000,000	
Less Rehabilitation Housing Credit	<$400,000>	
Eligible Basis	$1,600,000	
Low-Income Set-Aside	.75%	
Qualified Basis	$1,200,000	
Annual Credit %	.9%	
Annual Credit Amount	$108,000	
Total Low-Income Credit	$1,080,000	
Equity Yield for Low-Income Credit	.50 ¢	
Equity from Low-Income Credit		$540,000
COMBINED EQUITY		$940,000
LOW-INCOME CREDIT ALONE		
Housing Expenditures	$2,000,000	
Eligible Basis	$2,000,000	
Low-Income Set-Aside	.75%	
Qualified Basis	$1,500,000	
Annual Credit %	.9%	
Annual Credit Amount	$135,000	
Total Low-Income Credit	$1,350,000	
Equity Yield for Low-Income Credit	.50 ¢	
EQUITY FROM LOW-INCOME CREDIT ALONE		$675,000
ADDITIONAL EQUITY FROM COMBINED CREDIT		$265,000

To illustrate the additional equity that can be generated by combined use of the credits, assume that a historic structure will be rehabilitated for low-income housing. (See chart on facing page.) The building is five stories with ground-floor retail and four floors of housing, one of which is for market-rate tenants. Therefore, the low-income set aside is 75 percent. No federal subsidy will be used. So, the 70 percent credit is available. The 70 percent credit is assumed to be based upon a 9 percent per year annual credit. The rehabilitation budget for the housing units is $2,000,000 and for the ground-floor commercial is $500,000.

The total rehabilitation credit is equal to $500,000 for the combined housing and commercial expenditures. This example assumes that investors are willing to contribute $.80 for every dollar of rehabilitation credit, resulting in an equity yield of $400,000. For purposes of calculating the low-income credit, the basis is reduced by only the $400,000 credit attributable to housing. The eligible basis for the low-income credit is, therefore, $1,600,000. The ten-year total of the low-income credit is equal to $1,080,000. Investors are typically willing to contribute $.50 per dollar of low-income credit. Therefore, the equity yield for the low-income credit portion of the credits is equal to $540,000. When added to the equity generated by the rehabilitation credit, a total of $940,000 can be generated for the project.

If only the low-income credit is used, the total of the ten years of credit would be $1,350,000. Again, investors are willing to make a capital contribution equal to $0.50 per low-income credit dollar. Therefore, the low-income credit alone would generate $675,000. The combined credits would generate $265,000 more project equity than the low-income credit alone. This additional equity is critically important given the variety of sources that must be used to finance a low-income project.

Passive Activity Limitation

There are a number of tax limitations on the use of both the low-income credit and the rehabilitation credit, such as the alternative minimum tax and the general business credit limitation. Perhaps the most significant issue in the use of the credits may be the passive activity limitation. The Tax Reform Act of 1986 added this rule, which generally provides that losses and credits from "passive" sources, such as real estate limited partnerships, cannot be used to offset tax liability from "active" income such as salaries.

Most regular corporations are entirely exempt from the passive activity rules. As a result, many of the investors in low-income housing projects using tax credits are large corporations.

There is a new exception to the passive activity limitation for real estate professionals who materially participate in real property trades or business and who satisfy the eligibility requirements regarding the proportion and amount of time spent in such businesses.

For taxpayers who do not qualify for the new real estate exception, there is still the more limited exception to the passive activity limitation rules enacted in the 1986 Act for rental real estate activities. This exception allows up to $25,000 of aggregate passive "deduction equivalent credits," i.e., the tax liability resulting from $25,000 of income. For the rehabilitation credit, the $25,000 amount phases out as adjusted gross income increases from $200,000 to $250,000. There is no phase-out of the $25,000 rental real estate exception for the low-income credit. Furthermore, there is no active or other participation requirement for either credit. Thus, even limited partners may use the rental real estate exception for low-income and rehabilitation tax credits projects.

OVERCOMING THE PASSIVE ACTIVITY LIMITATION

Despite the passive activity limitation, there are a variety of taxpayers who can use the low-income and the rehabilitation credits:

- *Most regular corporations investors in low-income or rehabilitation tax credit projects.*
- *A qualifying real estate professional who materially participates in a real property trade or business.*
- *Any individual investing in a low-income credit project, regardless of participation or income. A deduction equivalent credit of up to $25,000 is allowed. For taxpayers in the 36 percent bracket, this exception would allow a low-income credit of up to $9,000.*
- *Any individual with adjusted gross income of less than $200,000 (and subject to phase out up to $250,000) investing in a rehabilitation credit project, regardless of participation. Subject to phase out, a deduction equivalent credit of up to $25,000 is allowed, or up to $9,000 for taxpayers in the 36 percent bracket.*

Closing the Gap with Subsidies and Incentives

In addition to the project equity generated from rehabilitation and low-income tax credits and conventional debt financing, most affordable housing projects require some form of subsidy to fill the gap between financing from other sources and the total cost of the project. Many subsidies are actually loans with special terms or rates of interest.

Federal Programs

There are a number of U.S. Department of Housing and Urban Development (HUD) and other government programs that help subsidize affordable housing. Some of these programs target acquisition and rehabilitation of existing buildings and projects to revitalize neighborhoods. These are natural funding sources for projects that combine affordable housing and historic preservation.

These programs fall into three general categories. First, loans, grants, or other subsidies are provided directly to the project sponsor. To make more financing available to affordable housing projects, a second form of assistance is mortgage insurance or other incentives provided to lenders. The third type of program is rental assistance, such as Section 8 Certificates, which tenants can use to pay the landlord the difference between fair market rent and the amount affordable for the tenant. These rental assistance programs result in more rental income to the landlord and a greater ability to service debt than in a rent-restricted project.

In addition to the HUD programs, the Farmers Home Administration, an agency within the U.S. Department of Agriculture, is the principal federal source of support for rural development and rural housing. Farmers Home Administration administers the 515 rural rental housing program specifically for rural renters. Farmers Home Administration has a well-established system of about 270 district offices that make Section 515 housing loans and offer a variety of housing services.

Another source of subsidy is the Affordable Housing Program (AHP) of the Federal Home Loan Bank (FHLB). This program, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), is designed to encourage and assist housing finance lenders in the development of affordable housing in their communities. The FHLB provides subsidized loans or direct subsidies to member financial institutions engaged in lending for long-term, low- and moderate-income housing projects.

The U.S. Department of the Interior through the National Park Service administers the Historic Preservation Fund Grants-In-Aid program. This program provides federal funding to the states, which administers it for planning and preservation activities.

Funds distributed through the Intermodal Surface Transportation Efficiency Act may also fund historic preservation projects.

PLANNING POINTER

Most low-income projects rely on some form of federal assistance, such as HOME funds or CDBG assistance through the U.S. Department of Housing and Urban Development. For instance, three of the case studies, the Dunbar Hotel, the Rosa True School and the Pleasant Hill projects, used CDBG assistance.

One important planning consideration in the use of federal funds is compliance with Section 106 of the National Historic Preservation Act of 1966, as amended. Section 106, which is administered by the Advisory Council on Historic Preservation, requires every federal agency, including HUD, to consider the potential effects of their funding and permitting decisions on properties that may be eligible for the National Register of Historic Places. Rehabilitation projects that comply with the Secretary of the Interior's Standards for Rehabilitation *are cleared under Section 106 with a finding of no adverse effect. The* Standards *are also used in the certification of rehabilitation projects for the rehabilitation credit.*

This provides an opportunity to integrate the project's federal environmental clearance with the generation of project equity through the use of the rehabilitation credit, either alone or in combination with the low-income credit. Therefore, by meeting the Standards *the project can receive two substantial benefits: clearance for federal funds and project equity from the rehabilitation credit.*

Nonfederal Programs

Several programs target historic preservation projects, including two programs of the National Trust for Historic Preservation, the Inner-City Ventures Fund and the National Preservation Loan Fund. These programs can help fill the financing gap for rehabilitation of a historic building for housing. Both the Rosa True School project and the Hemenway Street project received assistance from the National Trust's Inner-City Ventures Fund.

For a summary of these funding programs, see Appendix A.

Additional Preservation Benefits

Other forms of incentives may help project financing. The following additional benefits can help fill the gap.

Code Compliance

Nearly every project to reuse an existing building, whether it is historic or not, will face certain code compliance and life safety issues. Fir sprinklers and exiting, seismic retrofit, lead paint and asbestos are amon the most common issues. Each of these concerns can be successfully addressed while preserving the character-defining features of the buildin under the *Standards*.

For historic buildings there is good news. Building codes often contain provisions designed to allow flexibilit in meeting code requirements for th rehabilitation of historic buildings. A typical example is the Uniform Code for Building Conservation (UCBC) for use in those jurisdictions using the Uniform Building Code. Some states, such as California, Georgia and Wisconsin, have enacted special statutes to provide historic building codes. The Dunbar Hotel project, for example, avoided the typical code require ment to enclose an important interio stairway because fire sprinklers wer added in the rehabilitation. Sprinkle s also were added in the Rosa True School project. In the Fox River Mills project, the Wisconsin code was used to rank the existing fire safety features of the building. Based upon this analysis it was determined that sprinklers were not required.

Codes such as the UCBC make it easier to rehabilitate historic buildings than nonhistoric existing buildings. This advantage can be very important in successfully changing the use of a building to housing.

Americans with Disabilities Act

The Americans with Disabilities Act of 1990 (ADA) is a comprehensive civil rights statute that prohibits discrimination against people with disabilities. Among other provisions, the ADA protects individuals with disabilities from discrimination on the basis of disability in the services, programs, or activities of all state and local government, and in places of public accommodation operated by private entities. The ADA requires that public accommodations remove barriers to accessibility in existing facilities when it is readily achievable to do so. It also requires that, if alterations are being made to a facility, they are made so as to ensure that, to the maximum extent feasible, the altered portions of a facility are readily accessible to people with disabilities. Historic properties are governed by these basic requirements. In most cases access to a historic property can be achieved in a manner that respects the property's historic character by a thoughtful analysis of the property's significance and the opportunities that exist for access. However, if a specific aspect of providing access would "threaten or destroy the historic significance" of the historic property, special rules in the ADA regulations and guidelines allow the use of alternative standards. In order to use the alternative standards, the project sponsor must consult with the State Historic Preservation Office. (See Appendix B for a list of State Historic Preservation Officers.) In the case of projects subject to Section 106, such as where federal funds are used, the Advisory Council on Historic Preservation is consulted. For more information see Section 4.1.7 of Appendix A of the Part 36 Regulations.

Conservation Easements

A final preservation incentive is the charitable contribution deduction allowed under Section 170(h) of the Internal Revenue Code of 1986 for a grant of conservation easement. Conservation easements usually ensure long-term preservation of a historic structure by prohibiting demolition or "inappropriate" alterations. In most instances, easements are donated to a nonprofit preservation organization. Governmental entities (federal, state, and local) may also receive easements. The easement grants to the donee the right to approve alterations to the property and the right to deny demolition of the historic structure. Typically, any new construction would also have to be approved by the easement-holding entity.

An important limitation involves subordination of mortgages. Any mortgage-holder whose lien is senior to the easement must subordinate its rights in the property to the right of the recipient organization to enforce the easement in perpetuity.

The value of the contribution of a conservation easement is the fair market value of the conservation easement at the time of the donation. The general rule is that the fair market value of the conservation restriction is equal to the difference between the fair market value of the property before the granting of the easement and the fair market value of the encumbered property after the granting of the easement.

FENWAY COMMUNITY DEVELOPMENT CORPORATION (73 HEMENWAY STREET)

The donation of a conservation easement is a disposition for purposes of recapture of the rehabilitation credit. Therefore, to avoid recapture, the taxpayer presumably must grant the easement in a year prior to the year in which the rehabilitation credit is claimed or after the 5-year recapture period is up.

Notes

1. The National Trust for Historic Preservation has an excellent publication in its Information booklet series, *The Economics of Rehabilitation*, which provides the facts and figures while exploring the myths and realities of comparing new construction and rehabilitation.

2. The certification process is fully described in federal regulations codified at 36 CFR Part 67. The overview of the certification provided in this publication is primarily based on those regulations.

3. Note, this example is based on Treasury Regulation §1.48-12(b)(2)(x), which provides these rules and other examples for applying the measuring period.

4. A "disqualified lease" is any of the following:

- Part or all which was financed with tax-exempt financing and the tax-exempt entity participated in the financing;
- The lease includes a fixed or determinable purchase price or sale option involving the tax-exempt entity;
- The lease term is in excess of 20 years; or
- The lease occurs as part of a sale-leaseback or other transfer of the property involving the tax-exempt entity and the property was used before the sale or other transfer by the tax-exempt or related entity.

5. The Secretary of Housing and Urban Development designates qualified census tracts as those in which 50 percent or more of the households have incomes less than 60 percent of area median gross income. A difficult development area is an area designated by the Secretary of HUD as an area that has high construction, land, or utility costs relative to area median gross income. For a list of areas that qualify for the increased credit, see 58 Fed. Reg. 19704, (April 15, 1993), or contact the regional office of HUD, or check with your state's low-income tax credit allocation agency.

6. In fact, many people refer to the 70 percent credit and the 30 percent credit as the 9 percent credit and 4 percent credit, respectively. This is because in 1987, the first year the low-income credit was available, the credits were fixed at 9 percent and 4 percent. Since 1987, the applicable credit percentages have varied each month to maintain present values. To determine these percentages, which are published monthly, contact the low-income tax credit allocation agency in your state.

7. There are also several types of transactions which are ignored for purposes of determining the last time property was placed in service: (i) property acquired with a carryover basis; (ii) death transfers; (iii) qualifying foreclosures if the property is resold within one year; and (iv) owner-occupied residences. Property acquired by a qualified nonprofit which is a 501(c)(3) or (4) tax-exempt organization among whose charitable purposes is to foster low-income purposes is also not treated as a new placement in service. The organization, however, must be determined not to be affiliated with or controlled by a for-profit organization.

Putting It All Together

Steps to Success

1. Find an existing building suitable for use as housing.

2. Assemble the right development team. Be sure to include an attorney, tax advisor, and architect or other historic preservation professional familiar with the *Standards.* Also be sure to consult your "community partners," such as the local preservation organization, your town's community development department, the local banker, and support foundations. The National Trust for Historic Preservation, the National Park Service, and the State Historic Preservation Office, as well as variety of other resource organizations listed in Appendix B, may also be able to help.

3. Determine if the building is eligible for the National Register.

4. Determine if any federal funds will be used.

5. If the answer is yes to 3 or 4, identify the character-defining features of the building to plan the project in conformance with the *Standards* so that the rehabilitation credit can be used and to obtain clearance under Section 106 if the project is using federal funds.

6. Identify rehabilitation requirements in a conceptual rehabilitation plan based upon programmatic goals and the condition of the building. Prepare a rehabilitation budget based on this conceptual plan. One of the best reference sources is the National Trust's Information booklet, *The Economics of Rehabilitation*. See Appendix A for more information.

7. Structure the transaction to maximize project equity that can be generated from combined use of the credits. For example, use federal subsidies, if any, for acquisition.

8. Prepare a pro forma to determine the total costs of the project and maximum amount of conventional debt that the project can support. The National Trust's publication, *The Economics of Rehabilitation* is an excellent reference tool.

9. Identify any financing gap and determine other sources of loans and subsidies.

10. File necessary applications such as the low-income tax credit allocation application and the Historic Preservation Certification Application.

Syndication

People often refer to the sale of tax credits. In fact, the usual way to attract equity is through the syndication of the transaction. A typical approach is to form a limited partnership, with the project sponsor as general partner. The limited partners buy interests in the partnership by making contributions to the capital of the partnership. In the case of a low-income housing or historic rehabilitation project, the partnership uses this capital for project costs.

Partnerships are pass-through entities for tax purposes—each partner's share of the profits and losses for tax purposes is usually based on the partner's share in the partnership. Credits also flow through to the partners. So, by investing in a limited partnership that earns a low-income or rehabilitation credit, each partner earns its share of the credit. The more credit or other tax benefit, such as depreciation, a transaction can generate, the more capital that can be raised from investor-partners. To provide a return on investment to the investor-partners, however, the equity yield to the partnership is less than the amount of the credit itself.

The Local Initiatives Support Corporation (LISC), as well as others, has established pooled funds to invest in projects with low-income and historic credits. Funds from LISC were used in the Dunbar Hotel, Rosa True School, and the Hemenway Street project. See Appendix A regarding LISC and other resources.

The sale or offering of partnership interests or other investment opportunities are regulated by federal and state securities laws, which require disclosures and other safeguards to protect potential investors. Compliance with these laws is a critically important aspect of planning the transaction. The project sponsor nearly always uses an attorney to assist in compliance with securities laws. Sometimes project sponsors also use a syndication consultant to assist with this aspect of the transaction.

Part Two:

Case Studies

Dunbar Hotel

Los Angeles, California

DEVELOPER:	Dunbar Economic Development Corporation	
ORIGINALLY BUILT:	1928	
REHABILITATED:	1989	
ORIGINAL USE:	Hotel	
NEW USE:	73 low-income apartments, 4 commercial spaces, museum, senior center	
STRUCTURE:	Limited partnership	
FINANCING:	*Debt:*	Community Development Block Grant loans
	Equity:	Syndication of Historic Rehabilitation Tax Credit and Low-Income Housing Tax Credits
	Subsidy:	Section 8 rental assistance; waiver of parking requirements; waiver of property tax

THE DUNBAR HOTEL, ORIGINALLY NAMED THE Somerville, was built as a first class hotel for African-Americans who had no comparable place to stay in Los Angeles in the 1920s. Surrounded by jazz clubs in the 1930s, 1940s, and early 1950s, it flourished as the center of night life for the city's African-American population and visitors. Stars like Lena Horne, Cab Calloway, and Bill "Bojangles" Robinson stayed at the Dunbar. As integration advanced in the 1950s, removing many of the barriers that prevented African-Americans from going downtown, activity on Central Avenue declined. By the 1970s, the Dunbar Hotel housed only a few transients.

In the late 1960s, Bernard Johnson purchased the hotel with the idea of establishing a museum that would highlight the past and current contributions that African-Americans have made to this country. To this end, in 1975 the Dunbar Hotel Black Cultural and Historical Museum, Inc., was set up as a nonprofit organization to organize and manage the museum. The board was comprised of longtime activists and professionals. They lobbied the city to designate the hotel a local historical landmark. The National Park Service placed the Dunbar Hotel on the National Register of Historic Places in 1976.

The Dunbar Hotel is located in the heart of the Vernon Central area of Los Angeles. When the rehabilitation project began in the 1980s, the local population was beginning to shift from an African-American majority to a Latino majority. There was an acute need for affordable housing in the area. The Dunbar Economic Development Corporation, formed in 1988 as a subsidiary of the Dunbar Hotel Black Cultural and Historical Museum, Inc., was set up to rehabilitate the hotel for affordable housing and commercial space, in order to provide a viable use for the bulk of the historic building as well as space for a museum. The rehabilitated hotel was envisioned as the anchor for revitalization of the larger neighborhood.

Rehabilitating the Dunbar Hotel

The hotel building is brick with a steel frame, stucco and cast iron trim, and ornamental ironwork. It is four stories high, with a mezzanine. The total floor area is 46,716 square feet.

To adapt the hotel for residential use, 115 hotel rooms were converted into 73 apartments for low-income senior citizens. In addition, four commercial spaces, a senior center, and space for the museum were created.

The new use for the Dunbar Hotel was similar to its original use—from hotel to housing—and renovation plans were designed to reinforce the continuity of the hotel's history. The

"Syndication of the Historic Rehabilitation Tax Credit covered the cost of preserving and repairing the historically important features of the Dunbar to comply with the Secretary of the Interior's Standards for Rehabilitation. *Use of the historic credit is beneficial because costs eligible for computing it are not restricted but can be used for aspects of a project such as child care facilities, museum and commercial space which the low-income housing credit cannot cover. Combining the two credits allows a project to meet many community needs as well as to pay for the rehabilitation of the building."*

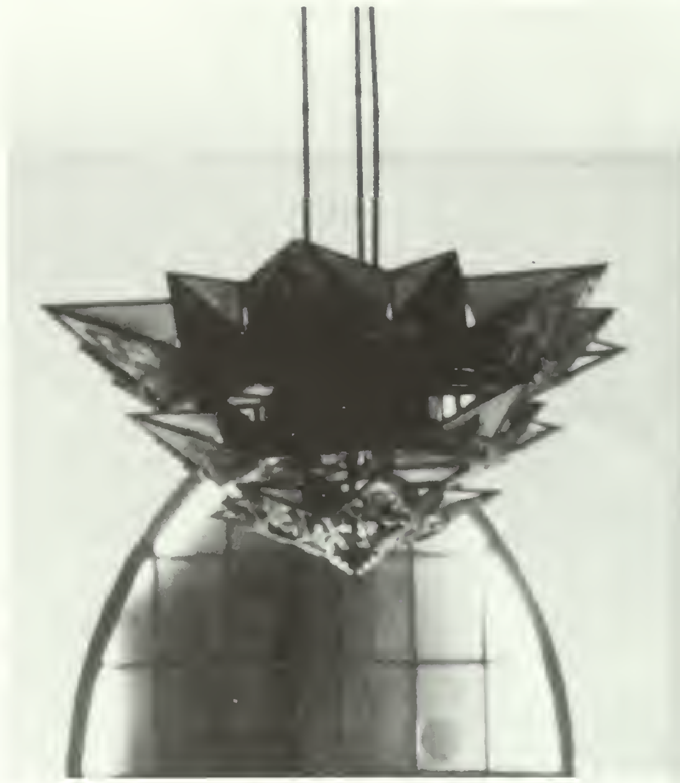
Channa Grace
Principal, One Company

original name of the hotel, Hotel Somerville, was newly set in mosaic tiles in the entryway, and the 1930s' electric sign, Hotel Dunbar, was restored to its original position at the upper right side of the facade. In addition, the original room numbers were retained to designate the apartment units.

Despite the compatible new use, compliance with building code requirements and interior space reconfiguration issues presented challenges to the Dunbar Economic Development Corporation during the renovation.

Building code compliance. California, like many states, has adopted a flexible building code standard for historic properties. Representatives of the California State Historic Preservation Office and the National Park Service were able to help work out satisfactory compromises that allowed the Dunbar Hotel to maintain its historic character as well as comply with the local building code regulations. For instance, the fire safety code called for existing interior stairs to be enclosed, but a compromise was reached allowing them to remain open because the building was to be outfitted with a sprinkling system. Ceilings were lowered five inches to accommodate the sprinklers. Transoms over corridor doors were retained, but sheetrock backing was installed behind the glass to provide a one-hour fire rating.

Fire code regulations required enclosing two of the archways in the building's two-story atrium, but their configuration was retained. One archway was glassed in with wire glass to retain the historic open feeling; the second archway, which had to be wallboarded, had the new surface set back from the plane of the arch. The developer plans to have a mural painted there that will reflect the his-



tory of the hotel and African-American culture.

Although large metal girders were uncovered within some of the walls, the building code demanded that the insides of the exterior walls be further strengthened for protection against earthquake damage. The Dunbar Hotel was reinforced with new shear walls and straps that tie into the frame. These systems are invisible from the exterior of the building and do not affect its design integrity.

Exterior features. The exterior masonry was in good condition. The State Historic Preservation Office stipulated that the exterior surface was to be cleaned with a mild detergent and soft bristle brushes or a very low pressure spray instead of harsh chemicals or sandblasting, which could have damaged the surface of the historic brick. Most of the doors and windows were repaired or replaced in kind.

Some decorative exterior balconies and parapets were missing when the development company acquired the building. The State Historic Preservation Office agreed that the exterior balconies could be replicated with an epoxy coating on a steel frame, (good photo documentation existed of the building) but that replication of the missing parapets would not be required. Solar panels, to assist in keeping utility costs down, were approved for the roof. The solar panels had a low profile that was not visible from the street.

Interior features. The interior fabric was largely still intact, although it had been partially burnt out and suffered from a buildup of potentially dangerous pigeon droppings.[1] The main lobby with its murals, mezzanine, high ceilings, and ornamental lights was historically the most important interior feature of the hotel. These features were restored or replaced in kind.

Interior lobby lights and exterior lights at entries were reused or reproduced as needed. A second lobby and a large glassed-over, two-story atrium with its original oversized chandelier were retained. The chandelier was meticulously restored.

Reconfiguration of interior space. Space was reserved for a museum area in the basement of the building, part of the ground floor, and part of the mezzanine. The rear of the ground floor was converted into four accessible apartments; commercial space is also located on the ground floor. The mezzanine now contains part of the museum space and a cultural center.

BRUCE MOORE

Certain changes were made to the interior to accommodate the new uses. Duct work located in corridors was relocated inside units so that the public hallways retained their historic integrity. The rooms on the third through fifth floors were reconfigured to permit new use as light housekeeping units. On these floors new corridors were created with trim matching that in the original corridors. New baths had to be installed in all units, and full kitchens in some units.

Parking requirements. The city exempted Dunbar Economic Development Corporation from complying with the standard parking requirements because not all the Dunbar Hotel efficiency apartments had full kitchens. This exemption saved the development corporation from having to use land for parking. Parking facilities would have occupied land that could be used to the benefit of the community. This exemption also helped to keep project costs down.

Financing the Dunbar Hotel Project

Project structure. The original impetus for the rehabilitation of the Dunbar Hotel was to provide a museum of African-American culture in the United States. Affordable housing was included to give a viable use for the bulk of the building and to serve a community need. Thus, the Dunbar Economic Development Corporation was formed as a subsidiary of the Dunbar Hotel Black Cultural and Historical Museum to undertake this rehabilitation project.

Project financing. The Dunbar Hotel project was one of ten pilot projects financed with the help of the Local Initiatives Support Corporation in Los Angeles. LISC, through its affiliate the National Equity Fund, syndicated both the rehabilitation credit and the low-income credit. The project received $971,866 from the syndication of the tax credits.

Combining the tax credits made saving the building feasible. However, the original calculations of renovation costs did not include several factors, such as provision for security for residents, that ran the total higher than anticipated. As a result, the commercial and museum spaces were only roughed out. The commercial space is being finished as tenants are found, and museum space is reserved. The artifacts are in storage, ready to be displayed when the space can be finished.

The use of the low-income credit required a commitment to keep the apartments affordable for 30 years. The developer counted on Section 8 rental vouchers to guarantee cash flow from full rental of the building. The vouchers, however, were not project-based, meaning that the renters could move out when they wished. Thus many moved to more spacious quarters elsewhere, and the Dunbar Economic Development Corporation had to renegotiate its loan with a lower debt coverage ratio. Helpful to the developer, however, is the fact that the loan is a residual receipt loan, meaning that necessary operating expenses are paid first, then interest and principal are paid as funding is available.

The Dunbar Hotel project also enjoyed political support from the city. In fact, the city committed two loans before the reuse plans for the building had been finalized and costs for the rehabilitation had been fully calculated. The first loan was for $32,000 for 30 years at 6 percent. The second was for $2.9 million towards the cost of the rehabilitation as a soft (residual receipt) loan. This was pass-through Community Development Block Grant money at a rate of 4 percent for 30 years.

Low-income housing projects can qualify for an exemption from property tax. This provided an appreciable savings in the case of the Dunbar Hotel and helped to make the project financially feasible.

Re-Opening of the Dunbar Hotel

In December 1989, only one year after the rehabilitation project began, the Dunbar Hotel reopened its doors to welcome senior citizens of the Vernon Central area of Los Angeles. Two months later, all 73 apartments were occupied.

Since the beginning of the Dunbar Hotel project, the population of the surrounding community has shifted to approximately 73 percent Latino and 21 percent African-American. Dunbar Economic Development Corporation is working to establish links with the new Latino population. The population as a whole continues to need affordable housing, job training, day care, and the kinds of business opportunities that Dunbar Economic Development Corporation is dedicated to providing.

Dunbar Economic Development Corporation continues to own and manage the Dunbar Hotel while proceeding to develop adjacent sites for low-income housing, child care, and commercial space for local community and retail services. Plans call for new construction on two nearby vacant lots and rehabilitation of the Golden State Mutual Life Insurance Building, historically owned by an African-American life insurance company. This building will contain apartments, a community room, and kitchen and child care facilities. The child care facility will also include a training program for child care workers. Eventually, the development corporation would like to restore the home of Dr. Ralph Bunche, Undersecretary of the United Nations from 1954 to 1971.

With community business leaders, Dunbar Economic Development Corporation also seeks to establish a Main Street Program through the National Trust for Historic Preservation for a 10-block area anchored by the Dunbar Hotel and the Golden State Mutual Insurance Building. The program would encourage preservation, coordinated advertising, and promotional events to help businesses thrive in the Vernon Central area of Los Angeles.

Keys to Success

An important component of the successful Dunbar Hotel project was the Dunbar Economic Development Corporation decision to work with an experienced consultant to oversee the project and put the financing together. Because the development company and consultant took advantage of the rehabilitation credit, they worked closely with the California State Historic Preservation Office and the National Park Service to plan the rehabilitation. The developer contacted the National Park Service for the first time in March 1988 to inquire about the procedure for getting the tax credit. Conditional approval for the project rehabilitation plans (Part 2 of the application) was given May 17, 1988, before any construction was undertaken. The consultant carefully documented the condition of the building before rehabilitation with numerous photographs showing what historic fabric remained and what was damaged or missing.

This close coordination among the Dunbar Economic Development Corporation, its consultant, and the state and federal preservation agencies, combined with strong city support, accelerated the timetable for the Dunbar Hotel's renovation and avoided potential costly mistakes.

The flexibility within the California building code for historic properties also mitigated most code obstacles to the preservation of the Dunbar Hotel.

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[1] *Bird droppings can carry organisms that cause potentially fatal diseases of the lungs and central nervous system. Protective measures should be taken before entering a contaminated space or attempting to remove the droppings. See* Keeping it Clean, *published by the National Park Service, and available from the Government Printing Office for information on cleaning buildings, including how to handle dirt, paint, stains, graffiti, and bird droppings in ways that protect workers, the environment, and the buildings.*

Pleasant Hill

Macon, Georgia

DEVELOPER:	Macon Heritage Housing Corporation	
ORIGINALLY BUILT:	Late 19th-early 20th century	
REHABILITATED:	1991–1992	
ORIGINAL USE:	26 single family homes	
NEW USE:	26 single family homes	
STRUCTURE:	General partnership/joint venture	
FINANCING:	*Debt:*	Community Development Block Grant loan, low interest loans
	Equity:	Investor general partners through Historic Rehabilitation Tax Credit and Low-Income Housing Tax Credit
	Subsidy:	Community Development Block Grant, Macon Housing Authority grant, local foundation grant; property tax abatement

Macon is a city of 106,610 people southeast of Atlanta. Founded in 1823, it retains a large number of its historic civic and residential structures, both of grand and modest scale. Macon is proud of its history and has created several comprehensive walking tours to attract tourists. A historic zoning ordinance was passed to assist in the preservation of Macon's historic buildings.

Macon, like many cities, has a severe shortage of housing. Much of the existing housing is currently substandard. The Macon Heritage Foundation is a nonprofit whose mission is the preservation of historic buildings and neighborhoods, including the preservation of housing for low-income and very low-income families. After examining several potential areas for rehabilitation, Macon Heritage Foundation targeted the Pleasant Hill neighborhood, an area of shotgun houses and cottages in the core of the historic city, one block from one of Macon's grand residential streets. The area had been listed as a historic district in the National Register of Historic Places in 1984, which allowed use of the rehabilitation credit to help fund the project. Furthermore, because the people to be served in the Pleasant Hill neighborhood earned less than 50 percent of the median for the area, the project could also make use of the low-income credit. Macon Heritage believed that partnering with local investors who could use the two tax credits would give them an interest in the rehabilitation of Macon's core.

The neighborhood is relatively stable, with many strong community organizations, two private schools, and a public school. The public school has been adopted by a local church that offers tutoring there. There is an active community center that also offers classes and tutoring programs.

The shotgun houses and cottages sit on individual lots on Douglas Avenue in a hilly neighborhood with large trees and mature shrubbery.

Rehabilitating Pleasant Hill

Shotgun houses are a vernacular housing type that is found in many areas of the South. These houses are modest, one-story structures, one-room wide, with one or more rooms lined up behind each other. Their front doors are in the gable end. They may or may not have porches. Usually the houses are supported on piers, without solid foundations.

Twenty-six shotgun houses were rehabilitated as rental housing for the low-income residents of Pleasant Hill.

> ***"The importance of having local owners cannot be overstated. Each has a stake in the community and ownership is not just an investment for them."***
>
> *MARYEL BATTIN*
> *EXECUTIVE DIRECTOR*
> *MACON HERITAGE FOUNDATION*

Twelve houses were converted into 12 one-bedroom units that averaged 600 square feet. Eleven houses were renovated as two-bedroom units that averaged 915 square feet. Three shotgun houses were refurbished as three-bedroom units which contained 1,100 square feet. Although straightforward in their design and layout, these shotgun houses posed several rehabilitation challenges.

Lead paint. Lead paint was an issue during renovation. U.S. Department of Housing and Urban Development guidelines previously required that lead-based paint be removed completely. However, the scarcity of qualified contractors and the difficulty of the procedure made the process extremely costly.

Recently issued revised HUD guidelines allow for an assessment of risk, taking into account whether small children will be exposed to the lead, and permitting a range of treatments depending upon the condition of the existing paint and its location. Door and window trim (friction surfaces that generate lead dust) and projecting surfaces, such as window sills that are sometimes gnawed by teething children, are of particular concern.

In historic buildings with elaborate or unusual trim, every effort is made to retain the trim as a character-defining feature of the building. For the Pleasant Hill project, the solution was to use one of the new encapsulant paints on trim that needed to be kept to retain the historic character in the front rooms, but to allow for more flexibility in the rear of the house.

Insurance requirements. The open space under the historic shotgun houses, which are traditionally supported on piers (in Pleasant Hill they are usually cinderblocks), presented a problem. This open area was historically one of the characteristic features of this type of house. Although not a requirement for code compliance, insurance companies, wishing to minimize their risks from fire or injury, often require that the space under houses be blocked off.

The simplest remedy would have been to build a cinderblock infill wall around the perimeter of the house, but this would have been devastating to the historic character of the house, particularly when the shotgun house was built on a slope and the porch was six feet above the ground. The solution worked out in consultation with the National Park Service was to build the underpinning back from the edge of the house, and not fill in under the porch, since the insurance companies do not require that the area underneath a porch be blocked off.

Reconfiguration of interior space. Another issue was whether or not to remove the historic middle wall in the shotgun houses. Under the Secretary of the Interior's *Standards for Rehabilitation*, spaces that define a building's character need to be retained. The wall was determined to be important to defining the character of these houses, and the walls were left in their historic configuration.

Financing the Pleasant Hill Project

Macon Heritage Foundation, the city's nonprofit preservation organization initiated the Pleasant Hill project and brought together all the various organizations and individual partners to make it possible. Macon Heritage also determined which shotgun houses were good candidates for rehabilitation, obtained options on these properties and were responsible for overseeing the entire process.

Macon Heritage, however, did not have the financial capability to finance the project alone. A limited partnership was considered, but the associated costs were too great to make this arrangement feasible. Large syndicators often demand a fee of 20 percent for marketing the rehabilitation and the low-income credits. Macon Heritage judged this to be too expensive for an organization with a modest operating operation.

Macon Heritage also considered brokering the tax credits itself, but it appeared that this would not raise enough equity to undertake the project.

Financing structure. The solution was to form a general partnership with local investors, all of whom were and continue to be deeply interested in the project, know the tenants, participate in quarterly inspections, and lend advice to the Macon Heritage: in other words, participate in the ongoing management of the project. These for-profit partners earned approximately 15 percent on their investment through the tax credits.

Development was carried out by the Macon Heritage Housing Corporation, a for-profit subsidiary of Macon Heritage and composed of 12 private investors. Macon Heritage Housing Corporation purchased the units from Macon Heritage, which did all the paperwork for the investors to make the process as straightforward as possible. The Macon Housing Authority assisted Macon Heritage in developing a pro forma to market the project.

Financing strategy. The Pleasant Hill Project was the first program in Macon to combine the use of Project-Based Section 8 funding administered by the Macon Housing Authority with low-income credit allocated by the Georgia Housing Finance Agency, as well as Community Development Block Grant funds comprised of a loan and a grant from the City of Macon. This financing configuration was used in order to maximize tax credits.

In addition, the project took advantage of the rehabilitation credit and tapped other grants from the Macon Housing Authority and the local Porter Foundation and low-interest loans from Macon's Community Development Department and the Macon Housing Authority. The city gave further assistance by waiving rehookup fees for sewer and water and by guaranteeing the loans for a number of years. The city also issued homeowner loans that do not have to be repaid until the title of the property changes hands.

In addition, the project qualified for a tax abatement under a state program to encourage historic rehabilitation. Under this program, taxes are frozen at the higher of the acquisition cost or the valuation of the property at the time of the rehabilitation, thus saving 50 percent to 75 percent each year on property taxes for an eight year period.

MACON HERITAGE FOUNDATION, INC.

Competitive per unit cost. The financial program assembled for the Pleasant Hill project provided complete renovation and restoration at an average cost of $26,680 per unit, far less than it would have cost to build new housing from the ground up.

Re-Opening of the Pleasant Hill Shotgun Houses

The tenacity and creativity of the Macon Heritage Foundation not only saved specific buildings and improved living conditions for elderly, disabled, and developmentally impaired families and single adults, as well as single parent households, but also raised community pride and interest in the area in general. The rehabilitation of the houses scattered through the district helped to improve the general appearance of the neighborhood and stimulated clean-up efforts by other residents and investors. A local bank has now "adopted" the area. The project also helped to reduce crime and vandalism in the area, as previously many of the vacant units had been used for illegal drug activities; others had been burned by vandals. Now neighbors look out for illegal activity and report it. The city benefitted because the reuse of already-in-place infrastructure saved the city thousands of dollars. The city's costs for fire and police services went down as vacant properties were rehabilitated and occupied, and arson and drug activity dropped off.

A further benefit of the project was to replace absentee landlords who let their property deteriorate with locally involved owners who take an active interest in the project.

The project is managed on an ongoing basis by the Macon Heritage Housing Corporation, which makes periodic inspections, collects rents, and sees to all maintenance requirements. Tenant selection for each house was begun as soon as work was started on that building. Macon Housing Authority granted the project-based assistance under Section 8 and set the rental terms for renters. Under this program, tenants are not required to pay more than 30 percent of their adjusted family income for rent and utilities. Maximum rents are determined by the housing authority with HUD approval. The Housing Authority pays the difference between the contract rent and the tenant's portion. The demand was such that the houses were rented in less than six weeks.

Through an arrangement with the Macon Housing Authority, rents paid by a tenant for a month in which the tenant moves out are earned by Macon Heritage, and 80 percent of the rent for the second month is paid by the Macon Housing Authority if no tenant has signed a lease for the house. This arrangement is available during the lease of the contract with two renewable five-year terms at Macon Heritage's option. The cash flow from the rented units covers the debt service and maintenance. Under the terms of the low-income credit, after 15 years, the Macon Heritage can sell the units to the occupants.

Careful management combined with careful screening of tenants has ensured that residents maintain their shotgun houses. Macon Heritage helps tenants to resolve problems with other city agencies and provides counseling with nonmanagement-related problems when possible. The organization also has developed a program with a local civic club to provide books, pencils, crayons, paper and other craft supplies for children in the shotgun houses.

Keys to Success

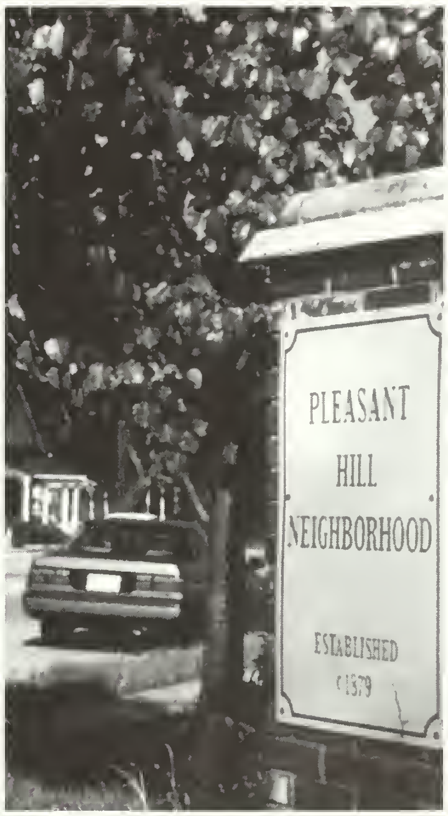
Critical to the success of the Pleasant Hill project was the strong citywide support from both the public and the private sectors. The Macon Economic and Community Development Department and Macon Housing Authority were instrumental in putting the package together. Principal investors are all local and extremely involved in making the project a success. They know the tenants and participate in quarterly inspections. The local neighborhood association worked with Macon Heritage to gain neighborhood support and participation.

Contractors and tradespersons were hired and goods purchased locally. Many of the subcontractors had minority employees, and many were hired from the neighborhood. Members of Macon Heritage with architectural and contracting experience donated their time to the project, and a local foundation donated funds. It took two years to put together the financing; the actual rehabilitation work took four months.

The three most important challenges for the Pleasant Hill project were the financing, conflicts in HUD regulations governing the project, and the temporary relocation of the existing tenants during the rehabilitation work. Tenacity was the critical factor in Macon Heritage's success. Because of the perceived high risk of financing a project in one of the lowest income areas in Macon that had not seen redevelopment or revitalization in many years, it was impossible to obtain a commercial real estate loan for redevelopment.

Macon Heritage, therefore, had to attract investors whose personal net worth allowed them to obtain bank loans for which they were personally liable. They each had to be liable for 125 percent of their investment.

An additional set back was that during the development process HUD issued new regulations that changed its requirements. The combination of project-based assistance with the low-income credit created several conflicts with HUD regulations that had to be resolved before Macon Heritage could approach investors or funding sources. This resolution took several months and made developing a pro forma difficult. The Bureau of Inspection and Fees of Macon, HUD, Section 8, the State Historic Preservation Office, the National Park Service, and the Georgia Housing and Finance Authority all had to agree on the regulatory requirements for the project.



MACON HERITAGE FOUNDATION, INC.

To resolve conflicting requirements of the various regulatory agencies, Macon Heritage stopped work on the project until agreement was reached. Each party was invited to a meeting, and problems were resolved when communication was established and compromises made.

Under HUD rules, pre-rehabilitation tenants needed to be relocated to Section 8 approved units during the rehabilitation work. Such units were difficult to find. Some residents were distrustful and afraid that they would not be able to return to their units after they were brought up to standard; it took sensitive coordination with neighborhood organizations such as the church to overcome their doubts. Macon Heritage's project received a 1993 James C. Howland Award for Urban Enrichment sponsored by the National League of Cities and the CH2M Hill Company. In 1988, the National Trust for Historic Preservation recognized the Macon Heritage Foundation, Macon Housing Authority, and Macon Economic Development Department with a National Preservation Honor Award for their exemplary joint effort in rehabilitating the shotgun houses of the Pleasant Hill Historic District.

Rosa True School

Portland, Maine

DEVELOPER: Portland West Neighborhood Planning Council
ORIGINALLY BUILT: 1844
REHABILITATED: 1992
ORIGINAL USE: School
NEW USE: 8 low-income apartments
STRUCTURE: Limited partnership
FINANCING:
Debt: Commercial loan; National Trust for Historic Preservation Inner-City Ventures Fund loan; City of Portland low-interest loan
Equity: Syndication of Historic Rehabilitation Tax Credit and Low-Income Housing Tax Credit
Subsidy: State weatherization fund grant; Northern Utilities energy grant; National Trust for Historic Preservation Inner-City Ventures Fund grant; no-cost lease for 67 years

The Rosa True School opened its doors in 1844; when it ceased educating children in 1972, it had been in continuous use longer than any other school in the nation. It is a two-story Greek Revival building located in Portland's West End. The West End has many attractive 19th century buildings and is close to good schools, jobs, and services. It has a rich ethnic mix representing European, African, and Asian cultures. However, in 1990, the area's population was predominantly low income and 47 percent single heads of households, and during the previous decade had seen its stock of affordable housing shrink, in large part because of gentrification and condominium conversion. Affordable apartments for large families were particularly scarce.

The Rosa True School was used for the Portland Head Start and Community Action Agency from 1972 to 1986. Then, the Portland West Neighborhood Planning Council, which runs Maine's largest and oldest low-income housing program, turned its attention to the school as being ideal for providing affordable apartments for large low-income families. Portland West has been active in creating scattered-site affordable family housing units that are owned and operated by the community. It also provides a range of other community services including transitional housing, youth skills training, employment services, and recreation and education services. Its board of directors is composed of West End residents—about half of whom had attended Rosa True School.

Features that made the school particularly attractive for housing were its proximity to downtown, its good schools, available jobs, and a comfortable mix of incomes, professions, and ethnicity. The school was listed in the National Register of Historic Places; therefore, it would, if converted into housing in accordance with the Secretary of the Interior's *Standards for Rehabilitation*, be eligible for the rehabilitation credit. Its historic status also encouraged grants and loans for the rehabilitation.

Strong local support, as evidenced by the Portland West's formation of a committee of neighbors, including the then-mayor of Portland, was another key factor in the selection of the school for affordable housing. The committee worked to promote neighborhood support for the project. One convincing selling point was that only eight apartments were to be created, even though zoning laws would have allowed thirty.

"Key to the project's success was a strong partnership which developed between historic preservationists and low-income housing advocates who share the vision that Portland's historic resources were a largely untapped asset for low-income neighborhood-based development."

Bruce Reeves
Development Director Portland West Neighborhood Planning Council

Rehabilitating the Rosa True School

With Portland West overseeing the rehabilitation work, the Rosa True School project employed neighborhood tradespersons and minority contractors. In addition, the project provided job training for 30 youths from the neighborhood and a Maine youth correctional facility.

In renovating the Rosa True School as apartments, Portland West successfully tackled rehabilitation issues dealing with the reconfiguration of interior space, lead paint, building code compliance, and the retention of historic windows—common challenges found in many historic preservation projects.

Reconfiguration of interior space. The finished apartments each contain three bedrooms and average 1,500 square feet in size. The two-story school has a human scale that fits well with its new use. The ample classrooms were easily adapted to apartments, and the historic playground provided room for children to play as well as parking space for the residents. The wide stairs used by generations of children retain their time-worn wooden banisters; stairs and hallways retain their original high wainscotting and arched openings.

Lead paint. The school had little problem with lead paint because the trim, windows, doors, and wainscotting up to the level of the blackboards, which were retained in the apartments, had historically been shellacked rather than painted. Shellac contains no lead.

Building code. Installing sprinklers was required throughout the building. Dropping the ceilings in the high-ceilinged classrooms to accommodate the sprinklers would have compromised one of the distinguishing historic features of the school. The solution was to lower the ceilings only in the bathrooms and kitchens to enclose the sprinklers. The ceilings were left at their original height in the public spaces and the living rooms of the apartments, where the piping was exposed.

Windows. The large classroom windows of Rosa True School are important in defining the character of the historic building. In addition to their architectural merit, the windows provide a generous source of natural light that most contemporary buildings do not offer. Their preservation was an important component in the rehabilitation plans for Rosa True School.

The windows were repaired with double-paned glass for insulation. The Maine State Historic Preservation Office and National Park Service reviewers approved storm windows with sashes to match the color of the trim for the exterior of the windows since storm windows were a reversible treatment; that is, they could be removed without damaging the integrity of the building. Interior storm windows were rejected because of condensation problems from kitchens and baths.

Because of their size and weight, the windows were counterweighted so that they could be easily and safely opened. Although this improvement caused an extra expense, weatherization funds from the state were obtained to offset the cost. The large classroom windows flood the apartments with natural light and give the apartments character from within, as well as from outside, the building.

Financing the Rosa True School

The Rosa True School project was made possible because of persistence, creativity, and strong neighborhood support. The initial financial package fell apart due to a downturn in the national economy, but a new strategy proved successful. One challenge faced by the nonprofit general partner was the requirement by the limited partner that Portland West put together sufficient funds—$150,000—to cover the possibility of cost overruns. Local supporters raised the money.

Initial project set backs. In 1989, Portland West was ready to proceed with the renovation of the building, having assembled a complex funding package that included financial support from the National Trust's Inner-City Ventures Fund, the Maine State Housing Authority, the City of Portland, Greater Portland Landmarks, Maine Savings Bank, and Head Start. However, the real estate and banking crisis of the late 1980s reached Maine, and the financial package crumbled leaving only the commitments from the National Trust, the Maine State Housing Authority, and the City of Portland still intact. These commitments served as a basis for reshaping the overall financial strategy for the project.

Deciding it was time for expert help, Portland West retained the Community Builders, a consulting group, to help put together financing that included use of the rehabilitation and low-income tax credits. The National Trust put Portland West in touch with GH Investment Services of Philadelphia, which syndicated both tax credits for the project on the condition that Portland West, as general partner, put up $150,000 to guarantee against cost overruns. Portland West raised more than half of the required $150,000 from 17 local individuals and members of a neighboring church. The National Trust agreed to make up the difference.

"A unique feature of the project was its employment of 30 youths from the neighborhood and the Maine youth correctional facility to renovate one of the apartments. The young people received on-the-job training; their new skills improved their self-esteem, and subsequently 85 percent of them were able to get jobs or return to schools."

Jim Oliver, Executive Director
Portland West Neighborhood Planning Council

"Form a coalition with local and national preservationists—they become political allies and help raise funds. Accentuate the historic preservation aspect of the project when marketing it—show how it preserves a landmark building while providing affordable housing and bringing people back to the downtown. Be persistent, and explore many funding sources; don't go into this with a faint heart!"

Bruce Reeves
Development Director,
Portland West Neighborhood
Planning Council

New financing package. By the close of 1991, financing for the Rosa True School project was once again in place. Components included equity from syndication of the low-income credit and the rehabilitation credit; the grant from the National Trust's Inner-City Ventures Fund; gap financing (paid off with the first tax credit installment) and a reserve for the first five years of the project as required by the Maine State Housing Authority; the City of Portland's construction loan and CDBG grants; the Maine State Housing Authority's Rental Housing Program loan and Transfer Tax Program loan; a weatherization grant from the State Community Action Program to replace storm windows; and a grant from Northern Utilities to convert the units completely to gas heat.

Portland West also obtained a developer's fee that it loaned back to the limited partnership in order to allow Portland West to buy out the project in 15 years at the expiration of the low-income credit.

Portland West leased the building from the City of Portland at no cost for a period of 67 years. This was a great savings to the project. The 67-year period was a result of the low-income tax credit rules, which equated a lease of this length with ownership. The building is required to remain affordable under the terms of this lease for its entire duration; affordability is also assured for fifteen years through the use of the low-income credit and for 30 years under the terms of the mortgage from the Maine State Housing Authority.

The limited partnership is required to pay property taxes on the building, thus putting the property on the tax rolls for the first time.

Competitive cost per square foot. The cost per square foot of Rosa True School project compared favorably to that of other low-income projects supported by the City of Portland in 1990–1991. A similar low-income housing project during that time, which did not take advantage of the rehabilitation credit, ran $59 per square foot. Portland West estimated the cost per square foot of the Rosa True School rehabilitation to be approximately $51, of which about $6 or 13 percent, is attributable to compliance with the Secretary of the Interior's *Standards for Rehabilitation.*

Re-Opening of the Rosa True School

Portland West targeted the marketing of Rosa True apartments to the Portland Housing Authority's waiting list, homeless shelters, and Portland West's own transitional housing project for homeless families. Tenants for the new apartments were selected on a first-come, first-served basis. Full occupancy was achieved within a month, and since that time there has been little turnover.

Volunteers from a local church provide counseling and crisis intervention, a tenant's council works with Portland West's property manager to manage and maintain the property, and tenants have access to Portland West's extensive education, social service, and recreation opportunities.

Success with the Rosa True project has enhanced Portland West's capacity to undertake future projects by broadening its financial base and by developing a track record in historic rehabilitation and in youth training. Portland West's accomplishments have gained it national recognition and awards from the U.S. Department of Housing and Urban Development and the prestigious Maxwell Award of Excellence from the Fannie Mae Foundation in 1994.

The project has led to the creation of the Nonprofit Housing Division at the Maine State Housing Authority and helped to initiate the city's first Housing Development Loan Fund, capitalized in 1987 with $400,000. It was also instrumental in the development of the city's first RFP to give a preference for bids on city-owned lots to be used as low-income housing.

Since refurbishing the Rosa True School, Portland West has develope a national demonstration program to create a Youth Training and Employment Center in another historic property in the neighborhood. The project is being carried out in conjunction with the U.S. Department of Education and with financial help from neighbors and other local Rosa True supporters.

Keys to Success

Community participation was integral to the successful rehabilitation of the

sa True School from conception to npletion. Despite the downturn in real estate market in the late 80s and initial project set backs, tland West Neighborhood Plang Council remained determined to open the doors of historic Rosa e School as affordable housing for tland's West End families. The mittee formed to guide the rdable housing development project included members from the relius community, the governor's office, the state legislature, the city council, real estate and historic preservation professionals, business, and low-income tenant groups. Their collective fund-raising efforts, such as a walkathon and a St. Valentine's Day lunch in which 15 local restaurants donated 10 percent of their February 14 lunch receipts, demonstrate both perseverance and creativity in filling the financial gaps in the project.

Once Portland West decided to take advantage of the historic rehabilitation tax credit, another important ingredient to the project's success was working with someone knowledgeable about historic preservation practices to ensure compliance with the Secretary of the Interior's *Standards for Rehabilitation*. Portland West worked with a historic preservation consultant, the Maine State Historic Preservation Office, and the National Park Service from the beginning of the rehabilitation credit process to ensure that proposed work was approved before renovation began. This reduced the potential risk of time being lost redoing work not in compliance with the *Standards*.

Portland West found that the historic Rosa True School building was an asset in marketing the project to investors, to neighbors, and to tenants. Renovating the school for affordable housing helped to keep a mix of people in Portland's West End neighborhood, which might have become too expensive otherwise. Lastly, because of the size and scale of the Rosa True project, the area was able to increase its affordable housing options for large families yet at the same time retain its neighborhood feeling of low-rise streetscapes.

73 Hemenway Street

Boston, Massachusetts

DEVELOPER: FCDC/OKM/Abrams Joint Venture
ORIGINALLY BUILT: 1903–1905
REHABILITATED: 1986
ORIGINAL USE: 5 apartments
NEW USE: 46 cooperative apartments, commercial space
STRUCTURE: Joint venture/limited partnership: two general partners, one a cooperative
FINANCING: *Debt:* Commercial and low interest loans
Equity: Syndication of Historic Rehabilitation Tax Credits; sale of shares in the cooperative
Subsidy: State rental subsidies; waiver of parking and open space requirements

The elegant Beaux-Arts building at 73 Hemenway Street is located in Boston's Fenway/Boylston Street Historic District. Designed by prominent Boston architect Guy Lowell, it contains many distinctive architectural features including large fireplaces with elegant mantles, a two-story double staircase, a chapel, skylights that once held stained glass, marble and parquet floors, floor-to-ceiling windows, and an artistically significant mural of the Public Garden. It was intended by its designer to serve as a private residence with five flats when it was completed in 1905.

However, many changes have taken place since the building was completed. Between 1923 and 1973, the building was used as a Girls' trades high school. For the next nine years, it was an auxiliary of City Hall.

The neighborhood has gone through many changes as well. Characterized by masonry apartment buildings with scattered groups of brick row houses among them, the area has experienced declining investment accompanied by arson and vandalism through the mid-1970s. By 1980, residents' median income was $12,394. Since that time the neighborhood has been revitalized—many apartments have been renovated, and some converted to condominiums. However, the population of the neighborhood remains substantially low- and moderate-income, and there is a steady demand for housing at all income levels.

The City of Boston declared 73 Hemenway Street surplus in 1982. Because the building had been a neighborhood landmark for more than 70 years, the Boston Neighborhood Preservation Program, with funding from the National Trust for Historic Preservation, the Boston Preservation Alliance, and the Boston Landmarks Commission sponsored a reuse feasibility study.

Upon completion of the study in the fall of 1982, the city issued a request for proposals, and subsequently selected Fenway Community Development Corporation/OKM/Abrams.

Since retention of the building's historic features would allow use of the rehabilitation credit to provide equity towards its rehabilitation, the Fenway Community Development Corporation initiated the designation process to place the building on the National Register of Historic Places. The Fenway/Boylston Street Historic District, which included 73 Hemenway Street apartment building, was officially listed in the National Register of Historic Places.

Rehabilitating 73 Hemenway Street

When the building at 73 Hemenway was acquired by the Fenway Community Development Corporation, it had

FENWAY COMMUNITY DEVELOPMENT CORPORATION

suffered the ravages of institutional use, during which the northwest portion had undergone major repartitioning. Many of the rooms of lesser prominence had changed dimensions because of alterations. However, despite these alterations and three years of vacancy, major features, including the two-story double grand stairway, the large mural, and the chapel along with major public spaces survived with few changes. Window framing, fireplaces, decorative windows, fluted ionic columns, stairways, balustrades, and panelling remained largely intact throughout the building.

The five-story building, totaling 65,000 gross square feet, was renovated into 46 apartments ranging from studio spaces to four-bedroom apartments and affordable at a mix of rents from very low (for those with incomes below 50 percent of median area income) to market rate. Approximately 3,400 square feet of commercial space was created in the basement to serve several commercial tenants.

Exterior features. The exterior of the masonry building was cleaned nonabrasively and repointed as necessary. A secondary cornice that had been removed previous to acquisition was not restored, due to cost. An accessible entrance to the apartment, was provided through an extension of an existing ramp leading to a new door at the basement level where an elevator provides access to all floors.

Reconfiguration of interior space. Part of the challenge for the developer team was the addition of modern bathrooms and kitchens, along with necessary mechanical systems, to this highly designed and ornamented building with minimal impact on the existing features and spaces. At the same time, the development team sought to remove nonhistoric walls and doorways and comply with safety and access requirements. To guide them in complying with the Secretary of the Interior's *Standards for Rehabilitation*, the developers hired the firm of Alexander, Notter, Feingold, nationally known for many outstanding historic rehabilitation projects, as architects for the project.

The overall spatial configuration of the building was retained, though some of the service rooms and minor corridors on the first floor were partitioned for seven apartments. The existing main entrance with its central stair and leaded-glass apse were preserved and restored to become the residential lobby. Few original partition walls needed to be removed during the renovation; those that were removed belonged to areas originally built as service areas or bathrooms. Oval reception rooms and octagonal dining rooms on the third and fourth floors were retained intact as part of apartments; to do this, some new rooms were built into the hall. The chapel on the fourth floor was retained as public space for the residents.

Interior features. Throughout the building, the exceptional architectural detailing was repaired and replaced, inconsistent prior alterations were corrected and removed, and missing details replicated with modern materials. Ornamental plaster work in the chapel was stabilized, but not restored. On the fifth floor, the skylight in the central hall was restored.

Fireplaces and unusual bay windows were incorporated into the new apartments. Windows were repaired or replaced in-kind, using insulating glass. Doors were repaired and reused; where doors to apartments had glass panels, these were replaced in wood matching the rest of the door in order to conform to fire codes. Carpet, vinyl-asbestos tile, and linoleum that had been laid on top of the original wooden floors were removed, and the wooden and marble floors in the public spaces were refinished.

Financing the 73 Hemenway Project

To develop the project, Fenway Community Development Corporation formed the FCDC/OKM/Abrams Joint Venture with OKM Associates, Inc., and Abrams Management Company, Inc. During rehabilitation, Fensgate Cooperative Corporation, acting as the managing general partner, was owned by affiliates of FCDC/OKM/Abrams Joint Venture.

Cooperative ownership was structured to maximize the usage of available funding and to assure continued affordability of the apartments into the future. The cooperative structure not only provided a source of equity for development but also allows ongoing tenant control and responsibility for the building.

Financing structure. The project was sponsored by the Fensgate Associates Limited Partnership, consisting of a group of investor partners and limited investor partners who purchased units at $34,840 each, and two general partners, Fensgate Development Corporation and Fensgate Cooperative Corporation. Fensgate Development Corporation is a wholly owned for-profit subsidiary of Fenway Community Development Corporation.

The Fensgate Cooperative Corporation was structured as a limited equity cooperative. Residents contributed equity totaling $252,500 in exchange for shares of stock in the cooperative corporation, and these funds were used as the cooperative corporation's capital contribution to the project. Upon completion and rental of the project, the stock was sold to the residents who henceforth controlled Fensgate Cooperative Corporation.

Residents are required to purchase stock in Fensgate Cooperative Corporation: their purchase of one share entitles them to live in a unit and to have one vote in the management of the building. The price of the shares is adjusted to the income of the tenant. Share prices for cooperative units range from $14,000 for a two-bedroom, market-rate unit to $500 for a very low-income studio unit. Thirteen of the units are market rate, fourteen are very low-income, and six each are for low-, moderate- and middle-income participants. Only the very low-income apartments include three and four bedrooms; the rest are limited to studios or one- or two-bedroom units.

In addition to the purchase of the shares, each tenant pays a monthly "carrying cost," similar to rents in an ordinary apartment building.

In order to assure long-term affordability, residents who leave the project are required to sell their stock to the succeeding resident. Under the "limited equity" formula, the price for the stock on resale is the initial consideration paid, plus an increase to compensate for changes in the cost of living, plus an amount to compensate the resident for any improvements made to his or her unit with the approval of a board of directors of the cooperative. The Fensgate Cooperative Corporation holds a lien against the share price to compensate for damage or unpaid rent. Since each resident owns shares in the cooperative, he or she does not need to negotiate an individual mortgage. As a consequence, unlike members of conventional housing cooperatives, Fensgate Cooperative members will not be entitled to tax deductions for real estate taxes and insurance as long as the partnership owns the property.

To further ensure long-term affordability, the land was leased to the Fensgate Associates Limited Partnership by the Fenway Community Trust under a 50-year ground lease that requires the continued availability of low- and moderate-income housing during the term of the lease. Because neither the rehabilitation tax credit nor depreciation allowances apply to the land portion of the property, this arrangement did not adversely affect the amount of investor equity raised by the limited partnership.

The Fenway Community Trust was deeded the land by the City of Boston with the proviso that it be used for the provision of approximately 46

FENWAY COMMUNITY DEVELOPMENT CORPORATION units of housing, at least 24 of which would be affordable to families with less than 80 percent of the median income of the Boston area. Subsequently, the partnership agreed to provide 26 units of housing affordable to low- and moderate-income persons and seven units to middle-income persons with not more than 125 percent of the area median income. Rent under the ground lease was $1,000 in 1986, increasing 5 percent per year thereafter.

Financing strategy. The 73 Hemenway project was financed using both private and public funds. The Fensgate Associates Limited Partnership purchased the building prior to renovation from the Fenway Community Trust, which had acquired it from the City of Boston for $46,000. The Fenway Community Trust, however, retained ownership of the land under the building in order to control the affordability of the apartments. The partnership paid the Fenway Community Trust $46,000 in cash plus a purchase money promissory note for $550,000. This residual note is payable only to the extent of available cash flow of the partnership after all other obligations of the partnership, and otherwise interest will accrue. However, all principal and interest will be due in 15 years from the date of closing. Finally, the FCDC/OKM/Abrams Joint Venture took back a note from the partnership in the amount of the development fee.

The Fensgate Associates Limited Partnership received a construction loan in the amount of $3,800,000 from the U.S. Trust Company of Boston. A U.S. Housing and Urban Development loan of $1,280,000 through the City of Boston was committed to the project. The city also lent the Fensgate Associates Limited Partnership $300,000 from its Neighborhood Development Fund.

Permanent financing was assembled from several sources. The Massachusetts Government Land Bank made a loan of $1,000,000. The Fensgate Associates Limited Partnership entered into a purchase and repurchase agreement with the land bank, under which the bank acquired the property from the partnership for $1,000,000 and then reconveyed it (through the Fenway Community Development Corporation, acting as a public intermediary as required by the Land Bank's governing statute) to the partnership, subject to a $1,000,000 purchase money mortgage. The loan was financed by the sale of general obligation bonds by the Commonwealth of Massachusetts. The interest rate is approximately 8 percent amortized over 30 years with the full balance due and payable after 15 years.

Bridge financing was acquired from three sources:

• The Massachusetts Community Development Finance Corporation, mandated to provide equity and interim financing to projects sponsored by community development corporations, provided $328,000 financing secured by a nonrecourse note and second mortgage to the Fenway Community Development Corporation, one of the joint venturers.

• The National Trust for Historic Preservation, through its Inner-City Ventures Fund, joined with the Massachusetts Community Development Finance Corporation and loaned the project a total of $403,000 under the same terms as the Massachusetts Community Development Finance Corporation.

• The Local Initiatives Support Corporation provided $250,000 on similar terms as the Massachusetts Community Development Finance Corporation and the National Trust.

The Fensgate Associates Limited Partnership entered into an agreement with the Boston Housing Partnership for Massachusetts moderate rehabilitation rental subsidies. The agreement provided rent subsidies for 20 moderate-income units in the project for a five-year period, with two five-year contract renewals permitted.

Re-Opening of 73 Hemenway Street

From the beginning, the Fenway Community Development Corporation's goals were two-fold: to provide Fenway/Boylston Street low- and moderate-income families with housing that would remain affordable over the long term and to preserve and restore one of Boston's elegant Beaux-Arts apartment buildings.

This five-story early twentieth century masonry apartment, with its distinctive historic detailing, is now the home to 46 very low-, low-, moderate- and middle-income Fenway/Boylston families. The cooperative structure of the project created homeownership opportunities for many of these residents who otherwise would not be able to afford or secure conventional financing.

The Fenway Community Development Corporation continues to be involved in the oversight of the project as a second general partner in the limited partnership. The Fensgate Cooperative Corporation, controlled by the residents of 73 Hemenway Street, is managing general partner of the Fensgate Associates Limited Partnership. The Fenway Community Trust continues to hold title to the land under the building.

The developers of 73 Hemenway received a Partnership Achievement Award in Housing from the Local Initiatives Support Corporation in 1988.

Keys to Success

Community involvement before, during, and after the rehabilitation has been key to the success of this project. Fenway Community Development Corporation held frequent meetings with residents of the neighborhood and representatives of the Boston Public Facilities Department to discuss the reuse of the building, the impact of the historic district designation, financing alternatives, and design review.

Another strength of the project drew from the development team itself:

FENWAY COMMUNITY DEVELOPMENT CORPORATION

Fenway Community Development Corporation, OKM Associates, Inc., and Abrams Management Company, Inc. Fenway Community Development Corporation is a nonprofit corporation qualified as a community development corporation; its board of directors is elected by neighborhood members, and represents a cross-section of the community. As a nonprofit participant, Fenway Community Development Corporation could access a broad range of socially motivated private and public sources of funding. OKM Associates, Inc. is a full-service housing and development firm. It has served as the development consultant to both nonprofit organizations and municipalities on innovative housing developments including limited equity cooperatives, limited equity condominiums, sweat equity projects, alternative and experimental energy systems, and complex financing mechanisms. It also manages many units of rental, cooperative, and condominium housing. Abrams Management Company, Inc., manages many units of low- and moderate-income housing and has experience in working with tenants and community-based organizations on the development and implementation of management policies.

The combination of these three entities with their depth of expertise in development and management of low-income projects and experience in working with neighborhood organizations gave the project credibility when they sought funding and approvals for the project.

The complex ownership structure of the 73 Hemenway project allowed maximum use of public and private funds, including the rehabilitation credit, to pull together successful financing. It also allowed for continuing control of the rents in the project to ensure a viable mix of very low-, low-, moderate- and market-rate rental apartments for the long term.

Although this project was undertaken before federal tax credits were available for the production of low-income housing, its use of the cooperative structure to raise equity and ensure continued affordability is an unusual approach that may be worth considering by others.

Pillar Place Apartments

St. Louis, Missouri

DEVELOPER:	Inter Community Housing Corporation	
ORIGINALLY BUILT:	1908	
REHABILITATED:	1991–1993	
ORIGINAL USE:	Girls' Catholic High School	
NEW USE:	19 low-income apartments	
STRUCTURE:	Limited partnership	
FINANCING:	*Debt:*	Conventional loan, low-interest loans
	Equity:	Syndication of Historic Rehabilitation Tax Credit; Equity from general partner
	Subsidy:	Rental subsidy under HUD Section 8 Moderate Rehabilitation Program Property tax abatement from the city

PILLAR PLACE APARTMENTS, BUILT IN 1908 as the Loretto Academy, a Catholic high school for girls, is an imposing Colonial Revival brick structure. The Sisters of Loretto ran the school until the 1970s, when they converted it into a nursing facility for members of the order. The Inter Community Housing Association, formed in 1990 by thirteen communities of Roman Catholic nuns, identified the building as ideal for its initiative to provide secure, attractive permanent housing for large low-income families. The school building was large enough to accommodate 19 two- to four-bedroom apartments, and its site provided enough area for safe playgrounds for children. Few groups in St. Louis at that time were providing affordable housing for larger families.

Although there has been some redevelopment to the west, the area around the building has been declining for many years, with many abandoned buildings. Over 90 percent of the land surrounding the former school is now vacant where buildings have been demolished. The remaining population is predominantly low income.

Rehabilitating Pillar Place

The Inter Community Housing Corporation formed a development team and brought together experts in the fields of design, financing, construction, and management. The Siedlund Company served as project developer for the Apartments project. Like many historic schools, the Loretto Academy offered numerous potential amenities for housing conversion—oversized schoolroom windows, spacious hallways, high ceilings. In renovating the Loretto Academy as the Pillar Place Apartments, the Siedlund Company devised creative solutions to ensure that these amenities were incorporated successfully into the project.

Reconfiguration of interior space. Original plans called for subdividing the school's chapel for additional apartments; however, the vaulted, Gothic-styled chapel, with its impressive stained glass windows, is an important character-defining space. Missouri State Historic Preservation Office and National Park Service staff determined that if the project were to meet the Secretary of the Interior's *Standards for Rehabilitation* the chapel had to be preserved.

The Siedlund Company determined that use of the chapel space as apartments was not crucial to the financial feasibility of the project. The chapel, with its lovely stained-glass windows, was rehabilitated as communal space for the use of tenants.

Windows and other features. The Siedlund Company was careful to

"I think that historic buildings give far more value to the tenants who live there. They are proud to live in a historic structure and therefore show more respect for the building. It is my experience that they generally live there longer due to the unique nature of their environment."

KENNETH NUERNBERGER
PRESIDENT, SIEDLUND COMPANY

preserve other character-defining elements of the building. The main entry hallway leading to the chapel was retained. The original oversized class room windows with their wood frames were retained and repaired to maintain the historic character of the building. Interior storm windows were installed in order not to interfere with the appearance of the windows. The original high ceilings of the class rooms were also maintained for the most part, giving a sense of spaciousness to the apartments and preserving the historic floor-to-ceiling dimension.

The Missouri State Historic Preservation Office was flexible in its approval of other modifications. It approved the use of secondary hallways for bathrooms and common space for the apartments.

Building code compliance. Compliance with seismic and fire safety codes often presents major problems for historic preservation projects. Fortunately, the Pillar Place project had few difficulties in meeting code requirements. The building was already equipped with a sprinkler system that was adequate for the new apartments. Missouri, like many states, has adopted changes to its seismic code to allow for greater flexibility in retaining the distinctive features of its historic buildings. However, because of previous code modifications to Pillar Place, these more flexible standards were not required.

Financing the Pillar Place Project

Financing Structure. Pillar Place Apartments is owned by a limited partnership. The Inter Community Housing Association serves as the general partner through a for-profit subsidiary called Pillar Place, Inc. The general partner contributed $3,000 in equity to the project. The limited partnership is the St. Louis Equity Fund, made up of major corporations in St. Louis.

Financing package. The project received a conventional bank loan, plus gap financing loans at one to two percent interest payable over 30 years. These gap loans were from the religious orders that supported the project. In addition, under a city and state program, the property tax was abated for 25 years.

The project also benefitted from HUD Section 8 Moderate Rehabilitation Program, which subsidized rents for a 15-year period. The low-income credit was not used because federal law prohibits its use in combination with that Section 8 program. However, the Section 8 program guaranteed rents at 120 percent of market rate for 15 years. This guarantee allowed the project to pay market interest and principal on the loan from the conventional lender and low interest and principal to the religious orders. This financial strategy provided more equity than would have been available using the low-income credit. The limited partnership was able to raise $300,000 by providing 99 percent of the rehabilitation credit to investors. The investors received $290,000 through the rehabilitation credit and also were able to use depreciable losses from the project, which are worth approximately $22,000 per year.

Re-Opening of Pillar Place Apartments

Nineteen families are now living in the Pillar Place Apartments and have access to a full-time social worker on site, provided by the Inter Community Housing Association. A social worker helps residents in securing day care, finding jobs, and furthering their education. Staff of the Inter Community Housing Association work closely with the single mothers who are the predominant apartment tenants to help them reach their goals for themselves and their families. The neighborhood also has become involved in community projects sponsored by the Inter Community Housing Association at Pillar Place.

While the Siedlund Company has no further involvement in Pillar Place, it

continues to be involved in the development of housing, consulting with both for-profit and nonprofit providers. Kenneth Nuernberger, the company's president, has become known for finding creative solutions and financing for the rehabilitation of historic buildings.

Keys to Success

nter Community Housing Association's strong commitment to providing secure, attractive, and permanent affordable housing to first-time renter amilies in St. Louis was a critical ngredient to the Pillar Place project's ultimate success. The association recognized that, in addition to creating ousing for these families, the building needed to accommodate a broad rray of social services on site. The istoric high school, with its large classrooms, chapel, playground, and other distinctive features, offered a perfect opportunity to achieve both housing and social service needs.

Important to the success of Pillar Place's rehabilitation was the developer's ability to assemble a competent team of architects, contractors, and consultants at the outset of the project. Working with the Missouri State Historic Preservation Office and the National Park Service from the earliest stages of the project, Siedlund Company was able to develop rehabilitation plans to maximize the retention of the historic school's distinctive character. This early project planning enabled Siedlund Company to assemble a realistic financial package.

Fox River Mills

Appleton, Wisconsin

DEVELOPER:	The Alexander Company, Inc.	
ORIGINALLY BUILT:	1880s	
REHABILITATED:	1990–1992	
ORIGINAL USE:	Paper Mills	
NEW USE:	181 market-rate and affordable apartments	
STRUCTURE:	Three limited partnerships, one for each mill	
FINANCING:	*Debt:*	State and local tax exempt bonds, loan, tax increment financing loan
	Equity:	Syndication of Historic Rehabilitation and Low-Income Housing Tax Credits
	Subsidy:	Federal Rental Rehabilitation Grant, Wisconsin Housing and Economic Authority Rental Energy Fund grant

APPLETON, A SMALL TOWN 102 MILES NORTH OF Madison, was a center for lumber, flour, and paper mills from its founding in the mid-nineteenth century through the early part of the twentieth century. As trees were depleted in the watershed and the center of wheat growing shifted away, those industries declined in Appleton, but paper remained important through the 1940s.

The Lincoln, Fox, and Ravine Mills, a complex of three cream-colored brick buildings, have dominated the banks of the Fox River since their construction in the late nineteenth century. The Ravine Mill, constructed in 1883, was the first paper mill in Appleton. The Lincoln Mill was built in 1888, and the Fox Mill in 1893. The three mills were closed between 1948 and 1955, and they remained unoccupied until the 1980s.

The character of the city has changed in the century since its mills were built. Appleton in 1988 had a strong demand for both affordable and market-rate apartments. Little land was zoned for multifamily construction, and the vacancy rate in existing housing was only 5 percent. The Fox River Mills were centrally located in an area with little previous single family or multifamily housing and near downtown and the Lawrence University campus.

In 1988 the Appleton City Council requested bids to demolish the mills, but gave anyone wishing to save them thirty days to submit a plan. Demolition bids were as high as $350,000. The Alexander Company, Inc., which had a track record of rehabilitating historic buildings in Madison, stepped forward to explore renovating the buildings for a new use. After a market feasibility study, the Alexander Company determined that the Fox River Mills could be converted into a complex of mixed-income residential, commercial, and office facilities. The city accepted this proposal and remained involved in both the planning and the financing of the project.

Rehabilitating the Fox River Mills

The Alexander Company served as developer of the Fox River Mills project, which was undertaken in two phases. Both phases of the project provided jobs by employing local and area contractors throughout construction. The first phase was the renovation of the Lincoln Mill and the Ravine Mill as residential units and the Lincoln Mill as commercial and office space. During the first phase, which took about 16 months, 111 one-, two-, and three-bedroom apartments were constructed.

Phase two, at the Fox Mill, included 70 apartments plus commercial space. Altogether, there were more

than 100 different floor plans developed for the apartments, which were leased as subsidized and market-rate housing. Most have views of the river that provided power for the old mills. Background noise from the water helps to alleviate the noise of traffic on the inland side.

In renovating the mill buildings the Alexander Company faced historic preservation opportunities as well as challenges. Expansive arched windows, brick corbeling, and prominent towers with mansard roofs are features not common to modern residential and commercial office space. The three buildings range from two to five stories in height, not including the towers. The mills' 18-inch thick masonry load-bearing walls are built on massive seven-foot wide foundations. Timber and post and steel truss work are used throughout the building. The heavy wood floors and ceilings can support ten times standard residential loading with a massive 750 pounds per square foot rating.

A structural assessment showed that the buildings were basically sound, with only minor repairs necessary for increased loads in particular areas. The exterior masonry was in generally good condition, with the exception of corbeling at the roof line and settlement of a corner of one of the buildings. Few major structural problems occurred during renovation.

Masonry. The buildings were washed with a biodegradable detergent, instead of a harsh abrasive that might have damaged the historic brick. Where tuck pointing was required, the color and width of mortar and tooling of the joints were matched to the originals. Damaged masonry was replaced with used bricks. Corbeling, cornices, and parapets were also repaired.

Doors and windows. Where new exterior door and window openings were required to comply with the state's building code, these openings were cut to match the originals. The large factory windows of Fox River Mills are features that most define the character of these historic buildings. Because of the deteriorated condition of many of the original windows, 1,176 custom made double-hung, double-pane windows were fabricated to replicate those windows beyond repair.

Other distinctive features. Many features of the mills were retained in the renovation, including spiral staircases, warehouse doors, original exposed brick, and large wooden tim-

bers. A ten-ton crane is incorporated into one of the apartments. Ceiling heights range from 14 to 20 feet.

Building code compliance. The Wisconsin Historic Architectural Code offers flexibility in order to promote historic preservation. This alternative standard proved very useful in the Fox River Mills project and permitted the Alexander Company to retain many of the architectural and engineering features and spacial configurations of the mills without compromising public safety.

For example, with regard to fire safety, historic buildings are rated on a point system. Features such as the heavy timber floors allowed the Fox River Mills to rank high enough that sprinklers were not needed or required.

Parking. The major modification necessary for the new apartment and retail facility was parking. The site was too small to absorb a great deal of surface parking. The basements of the three mills, however, offered a potential creative solution. The Wisconsin State Historic Preservation Office and the National Park Service determined that the vast concrete paper storage vaults in the basements were not significant features and did not have to be preserved. The storage vaults were demolished for the construction of underground parking. Additionally, a two-level parking ramp was created adjacent to one of the buildings.

Moreover, the city reduced the normal parking requirements because the Fox River Mills project provided much-needed housing and preserved the mills as part of local history.

Financing the Fox River Mills

Because the project provided mixed-income housing, the Alexander Company qualified for the low-income credit. Approximately 45 percent of the apartments were set aside for families earning less than 60 percent of the county median income. The Alexander Company also initiated the process for listing of the complex in the National Register of Historic Places. This designation enabled the company to take advantage of the federal rehabilitation credit as well as the state's historic tax credit.

Financing structure. The Alexander Company served as the general partner, and Heartland Properties, Inc., one of four subsidiaries of Heartland Development Corp., itself a subsidiary of Wisconsin Power and Light Co., was the limited partner. To maximize the rehabilitation and low-income credits, the Fox River Mills were set up as three separate ownership entities.

Financing strategy. For phase one of the project, which included the renovation of the Lincoln Mill and the Ravine Mill as housing and the Lincoln Mill as commercial and office space, the City of Appleton provided a $200,000 rental rehabilitation loan and a low-interest, long-term loan of $400,000. In addition, the Wisconsin Housing and Economic Development Authority issued double tax-exempt bonds totaling nearly $4 million. This arrangement was especially attractive to investors since the bond buyers did not have to pay federal or state taxes on the earned interest. Wisconsin Housing and Economic Development Authority also contributed a $25,000 energy conservation grant. These sources of funding, plus the equity raised through the combined use of the rehabilitation and the low-income credits, enabled completion of phase one of the Fox River Mills project.

Phase two of the project, the renovation of the Fox Mill as housing and commercial space, was financed through double tax-exempted bonds totaling $5 million issued by the Housing Authority of Appleton and a city loan of $600,000 as tax-incremental financing. As with phase one of the project, this phase of the project combined the low-income and the rehabilitation credits.

Re-Opening of the Fox River Mills

Today, the Fox River Mills are no longer vacant, abandoned eyesores along the Appleton's waterfront, but rather stand as quality subsidized and market-rate housing and shops in a refurbished downtown neighborhood. The Fox River Mills apartments provide spacious living accommodations ranging from studio apartments to four-level luxury apartments. The average size of rental units in the Lincoln Mill is 988 square feet, in the Ravine Mill it is 1,141 square feet, and in the Fox River Mill the size of the average rental unit is 1,158 square feet. Forty-one percent of the apartments are rented to low-income families. Vacancy for residential units as of January 1992 was below 3 percent. Because commercial rental space did not succeed at the same rate, unleased commercial units were converted to residential units.

Upon the successful completion of the rehabilitation of the Ravine Mill and Lincoln Mill projects, Heartland Properties, Inc., chose to form a corporate subsidiary to own the development of the Fox Mill project directly. Generally, if a project that benefits from the low-income credit and is owned by a partnership is sold in less than fifteen years, the credits may be recaptured. However, a corporation may sell stock without recapture of the previously claimed tax credits. Heartland Properties, Inc., subsidiary bought back the Fox Mill from the Alexander Company, and now manages the property. The Alexander Company continues to share in the cash flows, profits, and development fees. The Alexander Company also continues to function as the general partner of the three Fox River Mills projects.

The Alexander Company remains involved in multifamily housing historic preservation projects throughout Wisconsin and the upper Midwest. To date, the company has undertaken more than 20 historic rehabilitation projects, many in partnership with Heartland Properties, Inc. In 1993, the National Trust for Historic Preservation recognized the achievements of the Alexander Company and gave the development company a National Preservation Honor Award.

Keys to Success

Success of the Fox River Mills projects can be attributed to the Alexander Company's can-do approach to the rehabilitation of historic structures and its innovative solutions to combining historic preservation with modern uses. After the Fox River Mills shut down in 1955, other owners of the three buildings attempted unsuccessfully to find new uses—warehousing and storage, a beer distribution center, and even a worm farm. By the time the Alexander Company rescued the complex from the city's wrecking ball, vagrants and drug users were the chief occupants of the buildings.

In developing its plans for housing, the Alexander Company saw the positive benefits of the original layout and detailing of the old paper mill complex—the thick brick walls, the massive wooden beams, the large factory windows, wide doors, and generous interior space. The distinctive characteristics of the buildings gave them a marketing edge over new construction.

Yet the very elements of an old building that gives it its special quality sometimes can present a developer with unexpected renovation surprises. The Fox River Mills project also demonstrated the importance of estimating construction costs as accurately as possible and of having sufficient contingency funding. Operating expenses also need to be estimated adequately. In the case of the Fox River Mills project, the historic mill buildings proved more costly to operate than originally predicted because of the difficulty of adding energy efficient features that did not compromise the building's character.

An important part of the financial success of the Fox River Mills project was the partnership between the Alexander Company and Heartland Properties, Inc., both private companies, and the Wisconsin Housing and Economic Authority, a quasi-public corporation. By combining the use of the rehabilitation credit and the low-income credit, greater project equity was generated for the rehabilitation of the Fox River Mills.

Appendix A
Resources and Publications

There are many organizations and publications that can assist nonprofit and for-profit housing development organizations in their efforts to renovate historic buildings for affordable housing. Here is a list of some of them.

Organizations

The **Advisory Council on Historic Preservation**, an independent federal agency, is the primary policy adviser to the President and Congress on historic preservation. The council's main function is to review and comment on federal and federally assisted and licensed projects that affect properties listed in or eligible for the National Register of Historic Places. The council also makes annual recommendations on how to improve the national preservation program, publishes special reports and studies on topics of special interest to preservationists, and provides advice and technical assistance to Congress on legislative proposals relating to historic preservation. For more information contact: Advisory Council on Historic Preservation, 1100 Pennsylvania Avenue, N.W., Suite 809, Washington, D.C. 20004 (202) 606-8503.

The **American Institute of Architects** is a professional organization with nearly 300 local chapters that seeks to help architects serve the public's needs and build awareness of the role of architects and architecture. AIA monitors a variety of issues including land use, affordable housing, urban development, and indoor air pollution. AIA also has two national programs designed to assist local communities. By working directly with communities, particularly those in decaying urban, commercial, and industrial areas, AIA's Regional/Urban Design Assistance Teams address the issues of change and development. The Search for Shelter program helps local groups address the problem of homelessness. For more information contact: American Institute of Architects, 1735 New York Avenue, N.W., Washington, D.C. 20006 (202) 626-7300.

The **American Association of Homes for the Aging** is a national nonprofit organization representing not-for-profit nursing homes, housing, health-related facilities, and community services for the elderly. AAHA's mission is to take a leadership role in representing and promoting the interests of its constituents through activities of advocacy, education, professional development, research, and services; and to enhance the members' ability to meet the social, health, environmental, and quality-of-living needs of the individuals and communities they serve. For more information contact: American Association of Homes for the Aging, 901 E Street, N.W., Suite 500, Washington, D.C. 20004 (202) 783-2242.

The **American Association of Retired Persons** publishes numerous guides on housing options, financing techniques, and adapting homes for older persons. The Consumer Housing Information Service for Seniors, available in five states, provides housing information to senior citizens. For more information contact: American Association of Retired Persons, 601 E Street, N.W., Washington, D.C. 20049 (202) 434-2277.

The **Association of Local Housing Finance Agencies**, a national nonprofit association of professionals, is dedicated to providing housing for low- and moderate-income persons. ALHFA serves as an advocate before Congress on legislative and regulatory issues affecting affordable housing and provides a forum whereby members can exchange information. For more information contact: Association of Local Housing Finance Agencies, 1101 Connecticut Avenue, N.W., Suite 300, Washington, D.C. 20036 (202) 857-1197.

The **Center for Community Change** helps low-income groups develop strong community organizations. A broad range of assistance is offered, including organizational development assistance, helping groups raise money, and working with groups to rehabilitate housing and revitalize neighborhoods. The Center publishes a quarterly newsletter, *Community Change*, that includes how-to articles and profiles of successful community organizations. Several useful publications are available from the Center that address housing trust funds, the Community Reinvestment Act, and government funding programs. For more information contact: Center for

Community Change, 1000 Wisconsin Avenue, N.W., Washington, D.C. 20007 (202) 342-0519.

The **Center for Community Self-Help** is a community development corporation that acts as a financial intermediary and provides technical assistance to help promote economic justice in North Carolina. The organization accomplishes its mission by supporting minority, female, low-income, and rural individuals and enterprises. For more information contact: Center for Community Self-Help, 413 E. Chapel Hill Street, Durham, N.C. 27701 (919) 683-3016.

The **Center for Policy Alternatives** is a nonprofit, not-partisan organization that serves as a central resource for information on a wide range of economic, social and environmental policy issues. Center for Policy Alternatives consists of a network of state leaders that includes legislators, public officials, and policy experts. Their services include publications, conferences and seminars, and a clearinghouse for policy ideas. For more information contact: Center for Policy Alternatives 1875 Connecticut Avenue, N.W., Suite 710, Washington, D.C. 20009 (202) 387-6030.

The **Coalition for the Homeless** is an advocacy and direct service organization dedicated to the principle that decent shelter, sufficient food, and affordable housing are fundamental rights in a civilized society. Since its incorporation in 1981, the Coalition has been working through litigation, public education, and direct services to see that these goals are met. For more information contact: Coalition for the Homeless, 89 Chamber Street, 3rd Floor, New York, N.Y. 10007 (212) 964-5900.

The **Community Information Exchange** is a national nonprofit information service and network, founded in 1983, to help urban and rural communities with in-depth how-to information on strategies and resources for affordable housing and community development. Services include a bimonthly publication *Alert*, publication of technical bulletins and case studies, information on funding sources, and referrals to technical experts. For more information contact: Community Information Exchange, 1029 Vermont Avenue, N.W., Suite 710, Washington, D.C. 20005 (202) 628-2981.

The **Council for Rural Housing and Development**, a nonprofit corporation, advocates for a workable, adequately funded rural rental housing program. CRHD has supported the funding of the Section 515 program and monitors all tax reform proposals to protect the provisions that make the construction of low-income housing possible. Through its information network and many publications, CRHD helps its members lobby for regulatory and legislative changes. For more information contact: Council for Rural Housing and Development, 2300 M Street, N.W., Suite 260, Washington, D.C. 20037 (202) 955-9715.

The **Council of State Community Affairs Agencies**, a membership association consisting primarily of state agencies, addresses the common interests and goals of states with respect to community and economic development, housing, public works assistance, and state-local relations. Publications available from COSCAA address state housing initiatives and state funding programs. For more information contact: Council of State Community Affairs Agencies, 444 North Capitol Street, N.W., Suite 224, Washington, D.C. 20001 (202) 393-6435.

The **Department of Housing and Urban Development** is the federal agency that addresses the country's housing needs, fair housing opportunities, and improving and developing the country's communities. Some of HUD's responsibilities include Federal Housing Administration mortgage insurance programs, rental assistance programs, and the Government National Mortgage Association mortgage-backed securities program. HUD also has programs that seek to combat housing discrimination and programs to aid community and neighborhood development and preservation. HUD's Home Information Center provides over-the-phone technical assistance and also publishes a quarterly newsletter. A list of useful HUD programs is included in Appendix C. The Home Information Center can be reached at (800) 998-9999. For more information on HUD contact: Office of Public Affairs, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410 (202) 708-0980.

The **Enterprise Foundation** is a nonprofit, publicly supported charitable foundation created to promote neighborhood-based housing for the urban poor. The Foundation provides financial and technical assistance to local neighborhood groups in targeted cities. The Foundation operates Neighborhood Development Centers that serve as citywide technical resource centers; the Rehabilitation Work Group that focuses on low-cost acquisition, construction, and rehabilitation management; and a national loan fund and jobs network. The Foundation has available a publications catalog and various newsletters. For more information contact: Enterprise Foundation, 10227 Wincopin Circle, Suite 500, Columbia, Md. 21044 (410) 964-1230.

The **Farmer's Home Administration**, a department within the U.S. Department of Agriculture, is the principal federal source of support for rural development and rural housing. FmHA administers the 515 rural rental housing program specifically for rural renters. FmHA has a well-established system of about 270 district offices that make Section 515 housing loans and offer a variety of housing services. For more information on the Department of Agriculture contact: Office of Public Affairs, U. S. Department of Agriculture, Washington, D.C. 20205 (202) 720-2791.

The **Federal Home Loan Mortgage Corporation (Freddie Mac)** was chartered by Congress to increase the supply of money that mortgage lenders, commercial banks, mortgage bankers, savings institutions, and credit unions can make available to homebuyers and multifamily investors. Freddie Mac is a privately owned corporation that is supervised by the U.S. Department of Housing and Urban Development. For more information contact: Freddie Mac, 8200 Jones Branch Drive, McLean, Va. 22102 (703) 903-2000.

The **Federal National Mortgage Association (Fannie Mae)**, formerly a branch of the U.S. Department of Housing and Urban Development, purchases mortgages from banks, trust companies, mortgage companies, savings and loan associations, and insurance companies to help them facilitate the distribution of funds for home mortgages. Fannie Mae is a privately owned corporation subject to the strict supervision of the Secretary of Housing and Urban Development. In addition to carrying out its basic mission, Fannie Mae is undertaking an increasing number of initiatives specifically designed to improve the access of low- and moderate-income people to decent, affordable housing. For more information contact: Office of Low- and Moderate-Income Housing, Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016 (202) 752-6030.

Habitat for Humanity is a nonprofit organization dedicated to helping people around the world have a simple, decent place in which to live. Habitat groups build or renovate houses in partnership with low-income families and sell the houses at no profit and no interest. Habitat for Humanity publishes a bimonthly newspaper, *Habitat World*. For more information contact: Habitat for Humanity, 121 Habitat Street, Americus, Ga. 31709 (912) 924-6935.

The **Housing Assistance Council** is a national nonprofit corporation federally funded to increase the availability of decent housing for rural low-income people. HAC provides seed money loans, technical assistance, program and policy analysis, research and demonstration projects, training, and information services to public, nonprofit, and private organizations. For more information and list of publications contact: Housing Assistance Council Inc., 1025 Vermont Avenue, N.W., Suite 606, Washington D.C. 20005 (202) 842-8600.

The **Institute for Community Economics** is a nonprofit corporation providing technical and financial assistance to community land trusts, limited equity housing co-ops, community loan funds, and other grassroots organizations, as well as providing information and educational materials to the general public. For more information contact: The Institute for Community Economics, 57 School Street, Springfield, Mass. 01105 (413) 746-8660.

The **Interagency Council on the Homeless** is responsible for coordinating, monitoring, and evaluating governmental and private programs for the homeless; providing professional and technical assistance to the field; and collecting and disseminating information. For more information contact: The Interagency Council on the Homeless, 451 7th Street S.W., Suite 7274, Washington, D.C. 20410 (202) 708-1480.

The **Local Initiatives Support Corporation**, a national nonprofit lending and grant-making institution, was founded in 1980 to attract private-sector financial and technical resources for the rejuvenation of deteriorated communities and neighborhoods. LISC invests resources in the economic and physical development of housing, business, and industrial programs that are initiated by community-based nonprofit organizations. LISC's loans and grants are made to improve local physical and economic conditions while strengthening their assets and income. For further information contact: Local Initiatives Support Corporation, 733 Third Avenue, New York, N.Y. 10017 (212) 455-9800.

The **Low-Income Housing Fund** is a nonprofit lender and financial intermediary that operates several programs to assist developers of low-income housing. The Low-Income Housing Fund has just published a comprehensive *Lending Manual for low-income Housing*. For further information contact: Low-Income Housing Fund, 605 Market Street, Suite 200, San Francisco, Calif. 94105 (415) 777-9804 or Low-Income Housing Fund, 315 W. Ninth Street, Suite 709, Los Angeles, Calif. 90015 (213) 627-9611.

The **McAuley Institute** is a national, low-income housing development corporation. Its services include providing technical assistance, loans, advocacy, and training. McAuley Institute also maintains a databank of more than 2,000 organizations that provide housing for the poor. For more information contact: McAuley Institute, 8300 Colesville Road, Suite 310, Silver Spring, Md. 20910 (301) 588-8110.

The **National Alliance to End Homelessness** is a nonprofit membership organization dedicated to solving the problem of homelessness and to preventing its continued growth. For more information contact: the National Alliance to End Homelessness, 1518 K Street N.W., Suite 206, Washington, D.C. 20005 (202) 638-1526.

The **National Association of Community Development Loan Funds** (NACDLF) was organized in 1986 to support and strengthen community development loan funds. The

NACDLF convenes an annual conference, maintains a technical resource library, and publishes a quarterly newsletter and member directory. NACDLF also has a seed fund to make loans to fledgling community development loan funds to allow them to make loans while they develop their own local capitalization programs. For more information contact: National Association of Community Development Loan Funds, 924 Cherry Street, Third Floor, Philadelphia, Pa. 19107-2405 (215) 923-4754.

The **National Association of Home Builders** is a federation of more than 800 state and local builder associations. NAHB publishes *Builder*, a biweekly newspaper, and publications relating to the building industry. NAHB also monitors state and local legislation, offers technical and legal assistance, and holds educational seminars and an annual convention. The **Home Builders Institute**, NAHB's educational arm, develops and administers a wide range of educational and job training programs. For more information contact: National Association of Home Builders, 1201 15th Street, N.W., Washington, D.C. 20005 (202) 822-0200.

The **National Association of Housing Cooperatives** is a nonprofit national federation of housing cooperatives, professionals, organizations, and individuals promoting the interests of cooperative housing communities. NAHC offers programs and services to encourage the growth and quality of housing cooperatives in the form of membership training, an annual conference, a journal and a bimonthly newsletter, technical assistance, and publications. For more information contact: National Association of Housing Cooperatives, 1614 King Street, Alexandria, Va. 22314 (703) 549-5201.

The **National Association of Housing and Redevelopment Officials** is a professional association for housing and community development professionals. NAHRO's bimonthly *Journal of Housing* focuses on housing and community development, legislative issues, economic development, and community revitalization. The NAHRO catalog lists books, periodicals, research reports, and other materials of interest to the members of the housing and community development field. For more information contact: National Association of Housing and Redevelopment Officials, 1320 18th Street, N.W., Suite 500, Washington, D.C. 20036-1830 (202) 429-2960.

The **National Congress for Community Economic Development** is a national, membership association of community-based development organizations and their related partners engaged in the economic revitalization of distressed communities. Founded in 1970, NCCED encourages and supports its members' efforts through advocacy, training, fundraising, technical assistance, research, publications, and special projects. For more information contact: National Congress for Community Economic Development, 1875 Connecticut Avenue, N.W., Suite 524, Washington, D.C. 20009 (202) 234-5009.

The **National Cooperative Bank** is at the forefront of financing affordable housing nationwide. Through its secondary market sales of low-income mortgage-backed securities, NCB facilitated the financing of 2,150 units of owner-occupied, affordable housing and has created a fixed-rate, 15-year loan product available to eligible developers of low-income housing. For more information contact: National Cooperative Bank (800) 955-9NCB.

National Corporation for Housing Partnerships was organized pursuant to the Housing and Urban Development Act of 1968 to encourage the construction of low- and moderate-income housing. It is a privately owned and operated organization that forms partnerships with developers, builders and community organizations at the local level for the construction of housing, both multifamily rental and single-family sales. For more information contact: National Corporation for Housing Partnerships, 1225 Eye Street, N.W., Suite 601, Washington, D.C. 20005 (202) 347-6247.

The **National Council on the Aging** provides training, education, technical assistance, and consultation for those working with current and future generations of older persons. The Council publishes several guides on housing for the elderly. For more information contact: the National Council on the Aging, Inc., 409 Third Street, S.W., Suite 200, Washington, D.C. 20024 (202) 479-1200.

The **National Council of State Housing Agencies** represents more than 58 state housing finance agencies (HFA's) which have financed over 950,000 mortgages for low- and moderate- income first-time homebuyers and over 650,000 units of low-income rental housing. NCSHA, whose membership also includes investment firms, law firms, developers, and syndicators, represents the interests of HFAs before Congress, facilitates the analysis of housing policy and programs among the membership, provides a clearinghouse of information, and advocates the organization's interests through the press. NCSHA also has a capacity to undertake special multistate initiatives involving HFA's working in concert to directly address a housing concern or opportunity. For further information contact: National Council of State Housing Agencies, 444 North Capitol Street, N.W., Suite 438, Washington, D.C. 20001 (202) 624-7710.

The **National Council for Urban Economic Development** is a nonprofit membership organization serving local development officials. CUED provides its members with valuable information and training for designing and implementing effective economic development programs. The Council publishes a biweekly newsletter and quarterly magazine. For more information contact: National Council for Urban Economic Development, 1730 K Street, N.W., Suite 915, Washington, D.C. 20006 (202) 223-4735.

The **National Economic Development and Law Center** specializes in community-based economic development. NED&LC works with a broad range of organizations including financial institutions, foundations, religious institutions, and service agencies to help bring their technical and financial resources to low-income communities involved in development activities. For more information contact: National Economic Development and Law Center, 2201 Broadway, Suite 815, Oakland, Calif. 94612 (510) 251-2600.

The **National Housing Conference** works toward providing decent housing and living environments by creating public awareness of housing needs and advocating national housing policies to accomplish these goals. The Conference publishes a monthly newsletter and legislative alerts and holds an annual meeting. For more information contact: National Housing Conference, 815 15th Street, N.W., Suite 601, Washington, D.C. 20005 (202) 223-4844.

The **National Housing Institute** is a leader in the development of policy and strategies on the issue of affordable housing for moderate- and low-income families. NHI, an educational institute, sponsors research on housing needs and provides information, materials and support for housing advocates across the country. NHI publishes *Shelterforce,* a bimonthly magazine providing a national network of housing advocates with information about affordable housing strategies, industry issues, events and forecasts. For more information contact: National Housing Institute, 439 Main Street, Orange, N.J. 07050 (201) 678-3110.

The **National Housing and Rehabilitation Association** serves urban developers, financiers, and investors to provide an ongoing forum for the exchange of ideas. The association provides technical information on government programs, development opportunities, and financing techniques and serves as policy advocates before federal agencies on Capitol Hill. Members include firms engaged in all types of rehab development, historic preservation, and adaptive re-use of structures for both residential and commercial use. It includes developers, contractors, lenders, equity syndicators, mortgage bankers, bond underwriters, accountants, architects, attorneys, institutional investors, and public officials. NHRA publishes a newsletter, *Recycling Real Estate,* and special bulletins summarizing legislative initiatives and regulatory actions as they occur. For more information contact: National Housing Rehabilitation Association, 1726 18th Street, N.W. Washington, D.C. 20009 (202) 328-9171.

The **National Institute of Building Sciences** is a nonprofit organization authorized by Congress and charged with the principal mission of enhancing the building regulatory environment and easing the introduction of innovative technology into the building process. For more information contact: National Institute of Building Sciences, 1201 L Street N.W., Suite 400, Washington, D.C. 20005 (202) 289-7800.

The **National Institute on Disability and Rehabilitation Research** within the U.S. Department of Education supports research to improve the employment status and promote the independence of persons with disabilities. With the passage of the Americans with Disabilities Act in 1990, access to properties open to the public is now a civil right. The ADA prohibits discrimination against individuals with disabilities in employment, public accommodations, transportation, state and local government services, and telecommunications. In 1991 the NIDR created ten regional Disability and Business Technical Assistance Centers to act as a clearinghouse, provide information and technical assistance, and develop information resources, databases, reference guides, and expert consultant pools that will serve as resources for the implementation of ADA. For more information contact: National Institute on Disability and Rehabilitation Research, U.S. Department of Education, Mary E. Switzer Building, 330 C Street, S.W., Room 3424, Washington, D.C. 20202 (202) 205-8134.

The **National Low-Income Housing Coalition** educates, advocates, and organizes for decent affordable housing for low-income people. The Coalition follows low-income housing needs and programs and alerts members to actions that need to be taken. The Coalition develops policy positions and proposals and testifies before Congressional committees. Through the *Low-Income Housing Round-Up,* NLIHC provides a regular source of information on federal low-income housing programs and activities in Congress. For more information contact: National Low-Income Housing Coalition, 1012 14th Street, N.W., Suite 1200, Washington, D.C. 20005 (202) 662-1530.

The **National Neighborhood Coalition** is made up primarily of national groups working on neighborhood issues such as employment, housing, and social services. The Coalition holds monthly informational meetings in Washington, D.C., and publishes a follow-up called the *Monthly Information Report of the National Neighborhood Coalition.* For more information contact: National Neighborhood Coalition, 810 First Street, N.E., Suite 300, Washington, D.C. 20002-4205 (202) 289-1551.

The **National Park Service** is the principal federal agency responsible for historic preservation. Part of the Department of the Interior, NPS administers the national park system and is responsible for a number of programs that assist privately held historic resources. A list of National Park Service representatives is included in Appendix B. For more information contact: National Park

Service, 18th and C Streets, N.W., Washington, D.C. 20840 (202) 208-4621.

The **National Rural Housing Coalition** works to focus the attention of policy makers on the needs of rural areas both by direct lobbying and by coordinating a network of rural housing advocates around the nation. A broadly based membership organization, NRHC sponsors regular conferences at which specific policies and legislative proposals are developed. NHRC's publishes *Legislative Update*, a biweekly news memo when Congress is in session and *FmHA Notes*, which tracks the housing and rural development programs of the federal Farmers Home Administration. For more information contact: National Rural Housing Coalition, 601 Pennsylvania Avenue, N.W., South Building, Suite 850, Washington, D.C. 20004 (202) 393-5229.

The **National Trust for Historic Preservation**, a private nonprofit organization, is the only national preservation organization chartered by Congress to encourage public participation in the preservation of sites, buildings, and objects significant in American history and culture. The National Trust acts as a clearinghouse of information on all aspects of preservation, assists in coordinating efforts of preservation groups, provides professional advice on preservation, conducts conferences and seminars, maintains 18 historic properties as museums, administers grant and loan programs, and issues a variety of programs. Seven regional and field offices provide localized preservation advisory services and represent the National Trust in their regions. A list of the National Trust Regional Offices is included in Appendix B. For more information contact: National Trust for Historic Preservation, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036, (202) 673-4000.

The **Neighborhood Funders Group** is an informal network of funders who are interested in grant-making issues of neighborhoods. The group's primary concern is to expand support for the efforts of low- and moderate-income residents. NFG's activities include a meeting at the Council on Foundations conference, a fall/winter meeting, a quarterly newsletter, and a membership directory. For more information contact: Neighborhood Funders Group, 1001 South Marshall Street, Suite 55, Winston-Salem, N.C. 27101 (910) 724-9070.

The **Neighborhood Housing Services of America** is a financial intermediary that aims to strengthen the private-sector participation in the NeighborWorks Network of nonprofit organizations that provide housing and community revitalization. The organization also replenishes revolving loan funds. For more information contact: Neighborhood Housing Services of America, 1970 Broadway, Suite 470, Oakland, Calif. 94612 (510) 832-5542.

The **Neighborhood Reinvestment Corporation**, a congressionally chartered, public, nonprofit organization, was established in 1978 to continue the efforts of the Urban Reinvestment Task Force in the revitalization of declining low-income neighborhoods for the benefit of their current residents and the provision of affordable housing to neighborhood residents. The Corporation achieves these goals primarily through the development and support of local neighborhood-based partnerships, of which the Neighborhood Housing Services (NHS) is the most widely known. The Corporation offers a wide range of financial assistance programs, training seminars, conferences, and how-to publications. A free subscription to the newsletter, *Stone Soup,* is also available. For more information contact: Neighborhood Reinvestment Corporation, 1325 G Street N.W., Suite 800, Washington, D.C. 20005 (202) 376-2400.

The **Search for Shelter Program of the American Institute of Architects** provides technical assistance to local coalitions who want to spearhead a shelter project in their communities. To date more than 30 cities are participating in Search for Shelter programs. For more information contact: The Search for Shelter, American Institute of Architects, 1735 New York Ave., N.W., Washington, D.C. 20006 (202) 626-7300.

The **State Historic Preservation Offices** are the key state and territorial government preservation officials. They conduct cultural resource surveys, prepare statewide preservation plans, nominate properties to the National Register of Historic Places, review federal undertakings for effects on landmarks, administer grants-in-aid, advise developers and review plans for rehabilitation in connection with federal tax incentives, provide public education, cooperate with related state agencies, administer historic properties, and supervise archeological activities. A list of state historic preservation offices is included in Appendix B. For more information contact: National Conference of State Historic Preservation Officers, 444 North Capitol Street, N.W., Suite 342, Washington, D.C. 20001-1512 (202) 624-5465.

The **Urban Land Institute** is a membership organization that promotes improved land development policy. ULI conducts research and education programs, publishes the *Land Use Digest* and *Urban Land Magazine,* and publishes studies of use to planners, developers, and others involved in development. For more information contact: Urban Land Institute, 625 Indiana Avenue, N.W., Suite 400, Washington, D.C. 20004 (202) 624-7000.

The Architectural Barriers Act of 1968 (Public Law 90-480) requires that all buildings constructed, leased, or altered with federal funds since the passage of the Act must be accessible to handicapped individuals. **The Architectural and Transportation Barriers Compliance Board** is the federal agency created to enforce the standards. ATBCB offers technical assistance in a variety of areas, including architectural and attitudinal barriers, housing, recreation, and transportation. ATBCB also publishes information pertaining to the Americans with Disabilities Act and barrier removal. For more information contact: United States Architectural and Transportation Barriers Compliance Board, 1331 Eye Street, N.W., Suite 1000, Washington, D.C. 20004 (202) 272-5434.

Publications

Catalog of Historic Preservation Publications, a National Park Service publication available from the National Park Service, Preservation Assistance Division, P.O.Box 37127, Washington, D.C. 20013-7127.

Historic Preservation Law and Taxation, by Tersh Boasberg, Thomas A. Coughlin, and Julia H. Miller, published by Matthew Bender, available from TransNational. (914) 693-0089.

Information series, National Trust for Historic Preservation publications providing concise information on basic and frequently used preservation techniques, available from the National Trust, 1785 Massachusetts Avenue, N.W. Washington, D.C. 20036, (202) 673-4286. Several helpful booklets include the following:

- *A Guide to Tax-Advantaged Rehabilitation* by Donovan D. Rypkema.
- *Preservation Revolving Funds* by Lyn Moriarity.
- *Safety, Building Codes and Historic Preservation* by Marilyn Kaplan.
- *The Economics of Rehabilitation* by Donovan D. Rypkema.
- *Using the Community Reinvestment Act in Low-Income Historic Neighborhoods* by Jennifer Blake and Stanley Lowe.

Landmarks Yellow Pages, a National Trust for Historic Preservation publication available from the Preservation Press, 1785 Massachusetts Avenue, N.W. Washington, D.C. 20036. (202) 673-4000.

Low-Income and Rehabilitation Tax Credits in an Increasing Tax Rate Environment, by William F. Delvac, 46 USC Major Tax Planning, Ch. 18 (Matthew Bender 1994).

Low Income Housing Tax Credit Handbook, by Michael J. Novogradac, Eric J. Fortenbach, Jon Krabbenschmidt, available by calling 1-800-323-1336.

Preserving and Revitalizing Older Communities: Sources of Federal Assistance, a National Park Service publication available from the U.S. Government Printing Office, Superintendent of Documents, Mail Stop: SSOP, Washington, D.C. 20402-9328. (202) 783-3238.

Preservation Briefs, National Park Service publications on a variety of technical preservation issues such as repointing, cleaning, and waterproofing of masonry buildings, the repair and thermal upgrading of historic steel windows, and rehabilitating interiors in historic buildings, available from the U.S. Government Printing Office, Superintendent of Documents, Mail Stop: SSOP, Washington, D.C. 20402-9328. (202) 783-3238.

Preservation Tax Incentives for Historic Buildings, a National Park Service publication available from the U.S. Government Printing Office, Superintendent of Documents, Mail Stop: SSOP, Washington, D.C. 20402-9328, GPO stock number 024-005-01038-6, (202) 783-3238.

1993 Programs of HUD, available from the U.S. Government Printing Office, Superintendant of Documents, Mail Stop: SSOP, Washington, D.C. 20402-9328, (202) 783-3238.

Protecting and Preserving Communities: Preservation Revolving Funds, a National Trust for Historic Preservation Publication, available from the National Trust, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036. (202) 673-4054.

Respectful Rehabilitation: Answers to Your Questions on Historic Buildings, a National Park Service and National Trust for Historic Preservation publication, available from the Preservation Press, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036. (202) 673-4000.

Tax Credits for Low Income Housing, by Joseph Guggenheim, available from Simon Publications, Box 229, Glen Echo, MD 20812.

Appendix B
Helpful Contacts

National Trust for Historic Preservation

Headquarters
1785 Massachusetts Avenue, N.W.
Washington, D.C. 20036
(202) 673-4000

Regional Offices

Mid-Atlantic Regional Office
One Penn Center at Suburban Station
Suite 1520
1617 John F. Kennedy Boulevard
Philadelphia, PA 19103
(DE, DC, MD, NJ, PA, VA, WV, Puerto Rico, Virgin Islands)
(215) 568-8162

Midwest Regional Office
53 W. Jackson Blvd., Suite 1135
Chicago, IL 60604
(IL, IN, IA, MI, MN, MO, OH, WI)
(312) 939-5547

Mountain/Plains Regional Office
910 Sixteenth St., Suite 1100
Denver, CO 80202
(CO, KS, MT, NE, ND, OK, SD, WY)
(303) 623-1504

Texas/New Mexico Field Office
500 Main St., Suite 606
Fort Worth, TX 76102 (TX, NM)
(817) 332-4398

Northeast Regional Office
7 Faneuil Hall Marketplace, 5th Floor
Boston, MA 02109
(CT, ME, MA, NH, NY, RI, VT)
(617) 523-0885

Southern Regional Office
456 King St.
Charleston, SC 29403
(AL, AR, FL, GA, KY, LA, MS, NC, SC, TN)
(803) 722-8552

Western Regional Office
One Sutter St., Suite 707
San Francisco, CA 94104
(AK, AZ, CA, HI, ID, NV, OR, UT, WA, Guam, Micronesia)
(415) 956-0610

State Historic Preservation Offices

Alabama
Alabama Historical Commission
468 South Perry Street
Montgomery, AL 36130-0900
(205) 242-3184

Alaska
Division of Parks,
Office of History & Archaeology
P.O. Box 107001
Anchorage, AK 99510-7001
(907) 762-2622

American Samoa
Department of Parks & Recreation
Government of American Samoa
Pago Pago, American Samoa 96799
011-684-699-6914

Arizona
State Historic Preservation Office
Arizona State Parks
1300 West Washington
Phoenix, AZ 85007
(602) 542-4174

Arkansas
Arkansas Historic
Preservation Program
323 Center Street
Suite 1500, Tower Building
Little Rock, AR 72201
(501) 324-9880

California
Office of Historic Preservation
Department of Parks & Recreation
P.O. Box 942896
Sacramento, CA 94296-0001
(916) 653-6624

Colorado
Colorado Historical Society
1300 Broadway
Denver, CO 80203
(303) 866-3395

Connecticut
Connecticut Historical Commission
59 South Prospect Street
Hartford, CT 06106
(203) 566-3005

Delaware
Division of Historical & Cultural
Affairs Hall of Records
P.O. Box 1401
Dover, DE 19903
(302) 739-5313

District of Columbia
Historic Preservation Division
614 H Street, NW, Suite 305
Washington, DC 20001
(202) 727-7360

Florida
Division of Historical Resources
Department of State
500 S. Bronough Street
R.A. Gray Building
Tallahassee, FL 32399-0250
(904) 488-1480

Georgia
Office of Historic Preservation
205 Butler Street, SE
1462 Floyd Tower East
Atlanta, GA 30334
(404) 656-2840

Guam
Guam Historic Preservation Office
Department of Parks & Recreation
490 Chasan Palasyo
Agana Heights, Guam 96919
011-671-477-9620

Hawaii
State Historic Preservation Division
33 South King Street
6th Floor
Honolulu, HI 96813
(808) 587-0045

Idaho
Idaho State Historical Society
210 Main Street
Boise, ID 83702
(208) 334-2682

Illinois
Illinois Historic Preservation Agency
1 Old State Capitol Plaza
Springfield, IL 62701-1512
(217) 785-1153

Indiana
Division of Historic Preservation &
Archaeology
402 West Washington Street
Indiana Government Center South
Room W256
Indianapolis, IN 46204
(317) 232-4020

Iowa
State Historical Society of Iowa
Capitol Complex
East 6th & Locust Street
Des Moines, IA 50319
(515) 281-8837

Kansas
Kansas State Historical Society
120 West Tenth
Topeka, KS 66612
(913) 296-3251

Kentucky
Kentucky Heritage Council
300 Washington Street
Frankfort, KY 40601
(502) 564-7005

Louisiana
Office of Cultural Development
Department of Culture, Recreation,
and Tourism
P.O. Box 44247
Baton Rouge, LA 70804
(504) 342-8160

Maine
Maine Historic Preservation Commission
55 Capitol Street
Station 65
Augusta, ME 04333
(207) 287-2132

Marshall Islands, Republic of the
Secretary of Interior and Outer Island
Affairs
P.O. Box 1454
Majuro Atoll, Republic of the Marshall
Islands 96960
011-692-625-3413

Maryland
Division of Historical & Cultural
Programs
Department of Housing and
Community Development
100 Community Place, 3rd Floor
Crownsville, MD 21032-2023
(410) 514-7600

Massachusetts
Massachusetts Historical Commission
80 Boylston Street
Suite 310
Boston, MA 02116-4802
(617) 727-8470

Michigan
State Historic Preservation Office
Michigan Historical Center
717 West Allegan Street
Lansing, MI 48918
(517) 373-0511

Micronesia, Federated States of
Office of Administrative Service
Div. of Archives & Historic Preservation
FSM National Government
P.O. Box PS 35
Palikir, Pohnpei, FSM 96941
011-691-320-2343

Minnesota
State Historic Preservation Office
Minnesota Historical Society
345 Kellogg Boulevard West
Level A
St. Paul, MN 55102-1906
(612)-296-5434

Mississippi
Department of Archives & History
PO Box 571
Jackson, MS 39205-0571
(601) 359-6940

Missouri
Historic Preservation Program
Division of State Parks
PO Box 176
205 Jefferson
Jefferson City, MO 65102
(314) 751-7858

Montana
State Historic Preservation Office
1410 8th Avenue
P.O. Box 201202
Helena, MT 59620-1202
(406) 444-7715

Nebraska
Nebraska State Historical Society
PO Box 82554
Lincoln, NE 68501
(402) 471-4787
Toll Free (800) 833-6747

Nevada
Historic Preservation Office
101 South Stewart Street
Capitol Complex
Carson City, NV 89710
(702) 687-6360

New Hampshire
Division of Historical Resources and
State Historic Preservation Office
19 Pillsbury Street
P.O. Box 2043
Concord, NH 03302-2043
(603) 271-3483

New Jersey
Department of Environmental Protection and Energy
Historic Preservation Office
CN-404, 501 East State Street
Trenton, NJ 08625
(609) 292-3541

New Mexico
Historic Preservation Division
Office of Cultural Affairs
Villa Rivera
228 East Palace Avenue
Santa Fe, NM 87503
(505) 827-6320

New York
Parks, Recreation & Historic Preservation
Empire State Plaza—Agency Bldg #1
Albany, NY 12238
(518) 474-0443

North Carolina
Division of Archives & History
Department of Cultural Resources
109 East Jones Street
Raleigh, NC 27601-2807
(919) 733-4763

North Dakota
State Historical Society of North Dakota
Heritage Center
612 East Boulevard Avenue
Bismarck, ND 58505
(701) 224-2667

Northern Mariana Islands, Commonwealth of the
Department of Community & Cultural Affairs
Commonwealth of the North Mariana Islands
Saipan, Mariana Islands 96950
011-670-233-9722

Ohio
Ohio Historic Preservation Office
Ohio Historical Center
1982 Velma Avenue
Columbus, OH 43211-2497
(614) 297-2470

Oklahoma
State Historic Preservation Office
621 North Robinson
Suite 375
Oklahoma City, OK 73102
(405) 521-6249

Oregon
State Parks & Recreation Department
1115 Commercial Street, NE
Salem, OR 97310
(503) 378-5001

Palau, Republic of
Ministry of Community & Cultural Affairs
PO Box 100
Koror, Republic of Palau 96940
011-680-488-2489

Pennsylvania
Bureau for Historic Preservation
Pennsylvania Historical & Museum Commission
P.O. Box 1026
Harrisburg, PA 17108-1026
(717) 787-4363

Puerto Rico
Office of Historic Preservation
Box 82, La Fortaleza
San Juan, Puerto Rico 00901
(809) 721-2676

Rhode Island
Rhode Island Historical Preservation Commission
150 Benefit St.
Old State House
Providence, RI 02903
(401) 277-2678

South Carolina
Department of Archives & History
PO Box 11669
Columbia, SC 29211
(803) 734-8609

South Dakota
State Historical Preservation Center
P.O. Box 417
Vermillion, SD 57069
(605) 677-5314

Tennessee
Department of Environment and Conservation
401 Church Street
L & C Tower, 21st Floor
Nashville, TN 37243-0442
(615) 532-1550

Texas
Texas Historical Commission
P.O. Box 12276
Austin, TX 78711-2276
(512) 463-6100

Utah
Office of Preservation
Utah State Historical Society
300 Rio Grande
Salt Lake City, UT 84101
(801) 533-3500

Vermont
Vermont Division for Historic Preservation
135 State Street, 4th Floor
Drawer 33
Montpelier, VT 05633-1201
(802) 828-3226

Virgin Islands
Department of Planning & Natural Resources
Suite 231, Nisky Center
No. 45A Estate Nisky
St. Thomas, USVI 00802
(809) 774-3320

Virginia
Department of Historic Resources
Commonwealth of Virginia
221 Governor Street
Richmond, VA 23219
(804) 786-3143

Washington
Office of Archaeology & Historic Preservation
111 W 21st Avenue, KL-11
Olympia, WA 98504
(206) 753-4011

West Virginia
West Virginia Division of
Culture & History
Historic Preservation Office
Cultural Center
1900 Kanawha Boulevard East
Charleston, WV 25305-0300
(304) 558-0220

Wisconsin
Historic Preservation Division
State Historical Society of Wisconsin
816 State Street
Madison, WI 53706
(608) 264-6500

Wyoming
Wyoming State Historic
Preservation Office
2301 Central Avenue
4th Floor Barrett Building
Cheyenne, WY 82002
(307) 777-7697

National Park Service

Washington Offices

National Park Service
18th and C Street N.W.
Washington, D.C. 20840
(202) 208-7625

National Register of Historic Places
P.O. Box 37127
Washington, D.C. 20013-7127
(202) 343-9500

Preservation Assistance Division
P.O. Box 37127
Washington, D.C. 20013-7127
(202) 343-9573

Regional Offices

Mid-Atlantic Regional Office
2nd and Chestnut Streets
2nd Floor
Philadelphia, PA 19106
(215)597-0652

Southeast Regional Office
75 Spring Street, SW
Atlanta, GA 30303
(404) 331-2635

Rocky Mountain Regional Office
12795 West Almadea Parkway
P.O. Box 25287
Denver, CO 80225-0287
(303) 969-2850

Western Regional Office
600 Harrison, Suite 600
P.O. Box 36063
San Francisco, CA 84107
(415) 774-3985

Alaska Regional Office
2525 Gambell Street
Room 107
Anchorage, AS 99503-2892
(907) 257-2668

Other Federal Agencies

U.S. Department of Housing and Urban Development

Office of Public Affairs
Department of Housing and
Urban Development
451 Seventh Street S.W.
Washington, D.C. 20410
(202) 708-0980

Farmers Home Administration

Farmers Home Administration
U.S. Department of Agriculture
19th Street and Independence Avenue
Washington, D.C. 20250-0700
(202) 720-2791

Appendix C
Selected Sources of Funding

The following information provides a list of selected sources of funding from the National Trust for Historic Preservation and the U.S. Department of Housing and Urban Development for affordable housing and historic rehabilitation projects. For more information on these and other funding sources, see Appendix A. In addition, the National Park Service has published a comprehensive list of federal programs that offer sources of financial assistance for historic preservation projects. For more information on this publication, see Appendix A.

National Trust for Historic Preservation

Inner-City Ventures Fund

The National Trust for Historic Preservation's Inner-City Ventures Fund provides financial and technical assistance for development projects that benefit low- and moderate-income residents of historic neighborhoods. This program offers loans and some grants to neighborhood-based nonprofit 501(c)(3) corporations with average awards ranging between $40,000 and $150,000. Rehabilitation projects must conform to the Secretary of the Interior's *Standards for Rehabilitation* and the buildings must be listed in or eligible for the National Register of Historic Places. The ICVF program requires a significant match of local funds.

National Preservation Loan Fund

The National Preservation Loan Fund of the National Trust for Historic Preservation provides below-market loans, lines of credit, or participation loans for acquisition and rehabilitation of historic buildings. Nonprofit organizations and government agencies are eligible to apply. A minimum dollar-for-dollar match is required, and loans are up to $150,000 for up to five years. Rehabilitation projects must conform to the Secretary of the Interior's Standards for Rehabilitation, and the buildings must be listed in or eligible for the National Register of Historic Places. This program is on-going, and there is no application deadline.

National Park Service

Historic Preservation Fund

Through the Historic Preservation Fund, federal funding is made available to the states to be used for planning and preservation activities. Applications for assistance may be made to the State Historic Preservation Offices.

U.S. Department of Housing and Urban Development

Community Development Block Grants (CDBG) (Entitlement)

This program provides grants on a formula basis to entitled communities to carry out development activities directed towards community revitalization and development. No less than 70 percent of the funds must be used for activities that benefit low- and moderate-income persons, and funds can also be used to aid in the prevention or elimination of slums or blight, or to address other community development needs that threaten the health or welfare of the community. Activities include acquisition of real property and rehabilitation of properties. Metropolitan cities and urban counties are entitled to receive annual grants. There are also CDBG non-entitlement grants available to States and small cities.

Community Development Block Grants (Section 108 Loan Guarantee)

This is a loan guarantee provision of the CDBG program, offering a source of financing for housing rehabilitation, economic development, and large-scale physical development projects. The applicant pledges its current and future CDBG funds as the principal security for the loan guarantee, although HUD may require further security. The CDBG rules govern eligibility, and projects and activities must principally benefit low- or moderate-income people.

The HOME Program: HOME Investment Partnerships

This program provides grants to states, units of general local government, and Indian tribes to implement local housing strategies designed to increase home ownership and affordable housing opportunities for low- and very low-income Americans. One use for the funds is housing rehabilitation, but they cannot be used for activities under the Low-Income Housing Preservation Act. Participating jurisdictions must match their HOME funds in varying amounts according to the activity undertaken. Cities, states, urban counties, and consortia (contiguous units of local governments with a binding agreement) are eligible for these funds.

HUD-Owned Single Property Disposition

This program offers lease and sale of HUD-acquired single family homes to nonprofit organizations that provide housing to homeless people. It has three options: lease of HUD-acquired properties; purchase of HUD-acquired properties; and lease with option to purchase in connection with the Supportive Housing Demonstration Program. Management costs are paid by recipient organization, but lease costs are minimal, and sale prices are discounted up to 10 percent below HUD's estimate of fair market value. This program is available to any pre-approved state, metropolitan city, urban county, governmental entity, tribe, or private nonprofit organization.

Surplus Property for Use to Assist the Homeless

Under this program federal properties categorized as unutilized, underutilized, excess, or surplus are provided to states, local governments, and nonprofit organizations for use in homeless programs. Participating organizations pay operating and repair costs on properties which are leased rent-free and "as is." Leases vary in length, and properties may be deeded to organizations. No funding is available through this program.

Supportive Housing Demonstration Housing Component

This program provides grants to defray the costs of acquiring and/or rehabilitating existing buildings to house and support homeless people and also offers direct payment to defray some supportive services for up to five years. Eligible funding includes acquisition and rehabilitation grants that must be matched by equal funds or in-kind resources. Any state, metropolitan city, urban county, governmental entity, tribe, or private nonprofit organization is eligible for this program.

Supportive Housing Demonstration Program—Permanent Housing

This program provides grants to states on behalf of project sponsors, private nonprofit organizations, or public housing authorities, to defray the cost of acquiring and/or rehabilitating existing buildings for permanent housing for up to eight homeless people with disabilities. There is also funding available to cover a portion of annual operating costs and support services for up to five years. Eligible funding includes acquisition and rehabilitation grants that must be matched by equal funds or in-kind resources.

Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) Program

This program offers rental assistance payments on behalf of very low-income, single, homeless individuals. Rental assistance payments cover the difference between 30 percent of the tenant's income and the unit's rent, which must be within the fair market limit established by HUD. Building owners are compensated for the cost of rehabilitation as well as maintenance and other costs. Each unit must need a minimum amount of eligible rehabilitation. The funding is available to public housing agencies.

Housing in Declining Neighborhoods (Section 223(e))

HUD insures lenders against loss on mortgage loans to finance the purchase, rehabilitation, or construction of housing in older, declining, but still viable urban areas where conditions are such that normal requirements for mortgage insurance cannot be met. The property must be in a reasonably viable neighborhood and an acceptable risk under the mortgage insurance rules. This program is available to home or project owners ineligible for FHA mortgage insurance because property is located in an older, declining urban area.

Lower-Income Rental Assistance (Section 8)

This program makes up the difference between what a low- and very low-income household can afford and the approved rent for an adequate housing unit. This rental assistance may be used in existing housing, in new construction, and in moderately or substantially rehabilitated units. Assistance is available to private owners, profit-motivated and nonprofit or cooperative organizations, public housing agencies, and state housing finance agencies.

Section 8 Moderate Rehabilitation Program

This program is administered by public housing agencies who select participating landlords. The landlords agree to rehabilitate properties to meet certain safety and sanitation standards. The public housing agencies set the rents based on various costs of property ownership. Very low-income families are eligible to occupy the assisted units.

Shelter Plus Care (S+C)

This program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and AIDS and related diseases. Federal, state, local governments, and private sources must offer support services that match the value of rental assistance. The rental assistance is provided through three programs: Section 8 Moderate Rehabilitation Single Room Occupancy (SRO), a project-based rental assistance program; Sponsor-based Rental Assistance (SRA), which provides rental assistance through an applicant to a nonprofit sponsor; and Tenant-based Rental Assistance (TRA), which offers housing to homeless people in a variety of housing settings. This funding is available to States, units of local government, and Indian tribes.

Emergency Shelter Grants Program

This program offers grants to States, metropolitan cities, urban counties, and territories based on the formula used for Community Development Block Grants. The funds can be spent on renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless. Within limits funds can be spent on social services and prevention efforts for homeless people as well as some operating expenses. Each grantee must have an approved Comprehensive Housing Affordability Strategy.

Rehabilitation Mortgage Insurance (Section 203(k))

This offers mortgage insurance to finance the rehabilitation of one- to four-family properties. HUD insures loans to finance rehabilitation of an existing property, finance rehabilitation and refinancing of the outstanding indebtedness of a property, and/or finance purchase and rehabilitation of a property. An eligible rehabilitation loan must involve a principal obligation not exceeding the amount allowed under Section 203(b) home mortgage insurance. This insurance is available to anyone able to make the cash investment and the mortgage payments.

Multifamily Rental Housing for Moderate-Income Families (Section 221(d)(3) and (4))

HUD insures mortgages made by private lending institutions to help finance construction or substantial rehabilitation of multifamily (five or more units) rental or cooperative housing for moderate-income or displaced families. Projects in both cases may consist of detached, semi-detached, row, walk-up, or elevator structures. SRO projects may consist of units that do not contain a complete kitchen or bath.

Existing Multifamily Rental Housing (Section 223(f))

HUD insures mortgages to purchase or refinance existing multifamily projects originally financed with or without Federal mortgage insurance. Properties under this program must not require substantial rehabilitation, must contain at least five units, and construction or substantial rehabilitation must have been completed for three years. It is available to investors, builders, developers, and others who meet HUD requirements.

Mortgage Insurance for Single Room Occupancy Projects (Section 221(d) pursuant to Section 223(g))

This program offers mortgage insurance for the new construction and substantial rehabilitation of single room occupancy (SRO) facilities. This program is available to nonprofit, public body, limited distribution, and general mortgagors eligible under HUD regulations. Cooperative and investor-sponsor mortgagors are not eligible.

Lead-Based Paint Abatement and Poisoning Prevention

This program provides overall direction to HUD's lead-based paint activities. It develops regulations and guidelines for HUD programs, builds inspection capacity, and administers a grant program for State and local governments to develop ways to reduce lead-based paint hazards in low- and moderate-income housing. The program also conducts demonstrations, promotes technology improvements in the field, and provides support for information dissemination.

ISBN 0-16-045258-9

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