



SENATOR MAMIE E. LOCKE
VIRGINIA HOUSING COMMISSION PRESENTATION

**Funding Historic
Property
Revitalization
Through Public
Private Partnerships**



Senate Room A
State Capitol
Tuesday, April 22, 2014

Charles E. Rigney, Sr.
Norfolk Department of Development

Norfolk's Tools to Assist in Economic Development

Land

Infrastructure & Public Amenities

Performance-based Grant

Real Estate Tax Abatement

Economic Development Authority

- Industrial Revenue Bonds

Special Districts

- HUBZone
- Enterprise Zone
- TIF Zone



State and Federal Programs and Incentives

- Historic Rehabilitation Tax Credits
- Neighborhood Assistance Tax Credits
- Governor's Opportunity Fund
- Workforce Services & Retraining Tax Credit

Small Business Administration Programs



Programs For Commercial Property Rehabilitation



TAX ABATEMENT

Norfolk's Tax Abatement for Rehabilitation is offered for Residential, Commercial and Industrial Structures

Age of Structure:

- Residential: 15 Years
- Other: 50 Years
- Enterprise Zone: 20 Years
- Project Completion: Within 2 Years
- Projects must go through approval process prior to any work commencing
- Assessed Value Increase: Must meet or exceed 20% for residential, 40% for others

HISTORIC TAX CREDITS

State Historic Tax Credits: Minimum Investment

In order to qualify the rehabilitation expenses must be:

- For **owner-occupied structures**, improvement at least **25%** of the assessed value of the building for the year before the rehabilitation work began
- For **all other eligible structures**, at least **50%** of the assessed value of the building for the year before the rehabilitation work began

Federal Historic Tax Credits; Minimum Investment

For the federal program, the project must be :

- A “substantial rehabilitation” of at least \$5,000 or an investment that exceeds the owner’s adjusted basis in the building, whichever is greater.
- The adjusted basis is generally defined as the purchase price, minus the value of the land, minus any depreciation already claimed, plus the value of any earlier capital improvements.

YES. . .THE 3 PROGRAMS CAN WORK TOGETHER



Obsolete Car Dealership and Service Garages

How Much to Expect?

Historic Tax Credit:

1

Taxpayers that make significant investments in eligible historic structures may be eligible for a **FEDERAL** tax credit of up to **20%** of eligible rehabilitation expenses **and/or** a **STATE** tax credit of up to **25%** of eligible rehabilitation expenses.



In some cases, taxpayers can qualify under both programs, allowing them to claim credits of **45%** of their eligible rehabilitation expenses.

2



3

"Norfolk's Tax Abatement Program does not recognize the increased value of the improvements for 10 years and if in the Enterprise Zone, for 15 years"





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THREE PROJECT EXAMPLES IN NORFOLK, VA



**Knitting Mill Commons
Apartments**

40,000 square foot office/warehouse converted into loft apartments in 2004. Four types of funding.



Governor's School of the Arts

This ambitious and multifaceted transaction, which closed on December 18, 2013, involved multiple sources of funding



Crispus Attucks Theatre

This transaction closed on December 2004. Investment amount: \$8,000,000.

Knitting Mill Commons: Before



- Originally constructed in 1895 at a cost of approximately \$100,000

- Has served as a knitting mill, wood processing facility, cotton processor, warehouse and now luxury apartments and storage space



- Project completed in 2004. Added to the National Register of Historic Places in 2006

Knitting Mill Commons: After

- Approximately \$8 MM investment – the former 74,000 Square Foot Atlantic Ordnance and Gyro Inc. facility was converted into 24-unit loft-style apartments & a self storage business.



Bundling of Four Funding Sources

Assessed Value 7/1/2004 - \$ 392,200
Assessed Value 7/1/2013 - \$4,895,700

Sold in 2013 for \$5.4 million



1. Norfolk Tax Abatement
2. Federal Historic Tax Credits -
\$1,217,201.50
3. State Historic Tax Credits -
\$1,521,501.88
4. Enterprise Zone Real Property
Investment Grant (2007) \$250,000

GOVERNOR'S SCHOOL FOR THE ARTS

\$9.6 million renovation of historic Monroe building in Downtown Norfolk on Granby Street completed in Winter 2014



Granby Street elevation, ca. 1915

STEPS TO FUNDING THE MONROE BUILDING – NOW HOME TO THE GOVERNOR’S SCHOOL FOR THE ARTS



ECONOMIC
DEVELOPMENT
AUTHORITY
of the City of Norfolk

Building was owned by the City of Norfolk

- City conveyed the building to the EDA
- Allowed the cost of renovations to be amortized through the use of lease revenue bond financing

Special Purpose Entity Created

- NRHA Arts Education Limited Partnership (NRHA AELP) was created to acquire the property and to own, rehabilitate and operate the project
- Two members of NRHA AELP both of which contributed equity in exchange for their respective ownership interests - A General Partner and the HTC investor

Loan Pay-back

- Loans will be paid back over time from rental revenues
- NRHA AELP is leasing approximately 83% of the property to the Governor’s School for its academic operations
- The remaining portion (approximately 17%) of the property has been leased by NRHA AELP to the City of Norfolk
- The City subleased its space to the Virginia Stage Company, a professional resident theater company operating in the adjacent Wells Theatre

Historic Tax Credits

- Federal and state historic rehabilitation tax credit (“HTC”) entity
- The HTC investor, Community Affordable Housing Equity Corporation (CAHEC), provided both the federal and state HTC funding (BB&T)

Municipal Funds

- Municipal funds invested through NRHA Monroe GP, L.L.C., a special purpose entity created to facilitate this transaction

NRHA Arts Education
Partnership (AELP)
Project/Property Owner

Towne Bank

GSA Foundation

CAHEC
(“HTC Investor”)

NRHA MONROE GP, L.L.C.
(“General Partner”)

THE MONROE BUILDING – NOW HOME TO THE GOVERNOR’S SCHOOL FOR THE ARTS

Total - \$9.7 million

HTC Equity

\$3.67 million

CAHEC
("HTC Investor")

Equity

\$780,000

NRHA MONROE GP, L.L.C.
("General Partner")

\$4.4 million

Towne Bank

Loan

NRHA Arts Education Partnership (AELP)

Project/Property Owner

\$880,000

GSA
Foundation

Loan

Crispus Attucks Theatre



This 95-year-old theatre is one of the few remaining venues of the historic “Chitlin Circuit.” The project was an integral component of the Church Street comprehensive redevelopment initiative administered by the Norfolk Redevelopment and Housing Authority.

The theatre was constructed in 1919 and served a variety of functions in the community. One such function was as an entertainment mecca, showing movies and showcasing the talents of legendary performers such as Nat King Cole and Duke Ellington.

Today, the Attucks is listed on the National Register of Historic Places and the Virginia Landmarks Register. It is distinguished as *the oldest remaining legitimate theatre in the country completely financed, designed, constructed and operated by African-Americans*. It was designed by Harvey Johnson, an African-American architect.

CRISPUS ATTUCKS THEATRE

Closing Date: December 2004

The Crispus Attucks Cultural Center (CACC) owned the Attucks starting in 2004 in order to obtain tax credits and historic tax credits both to fund the renovations and ongoing CACC activities.

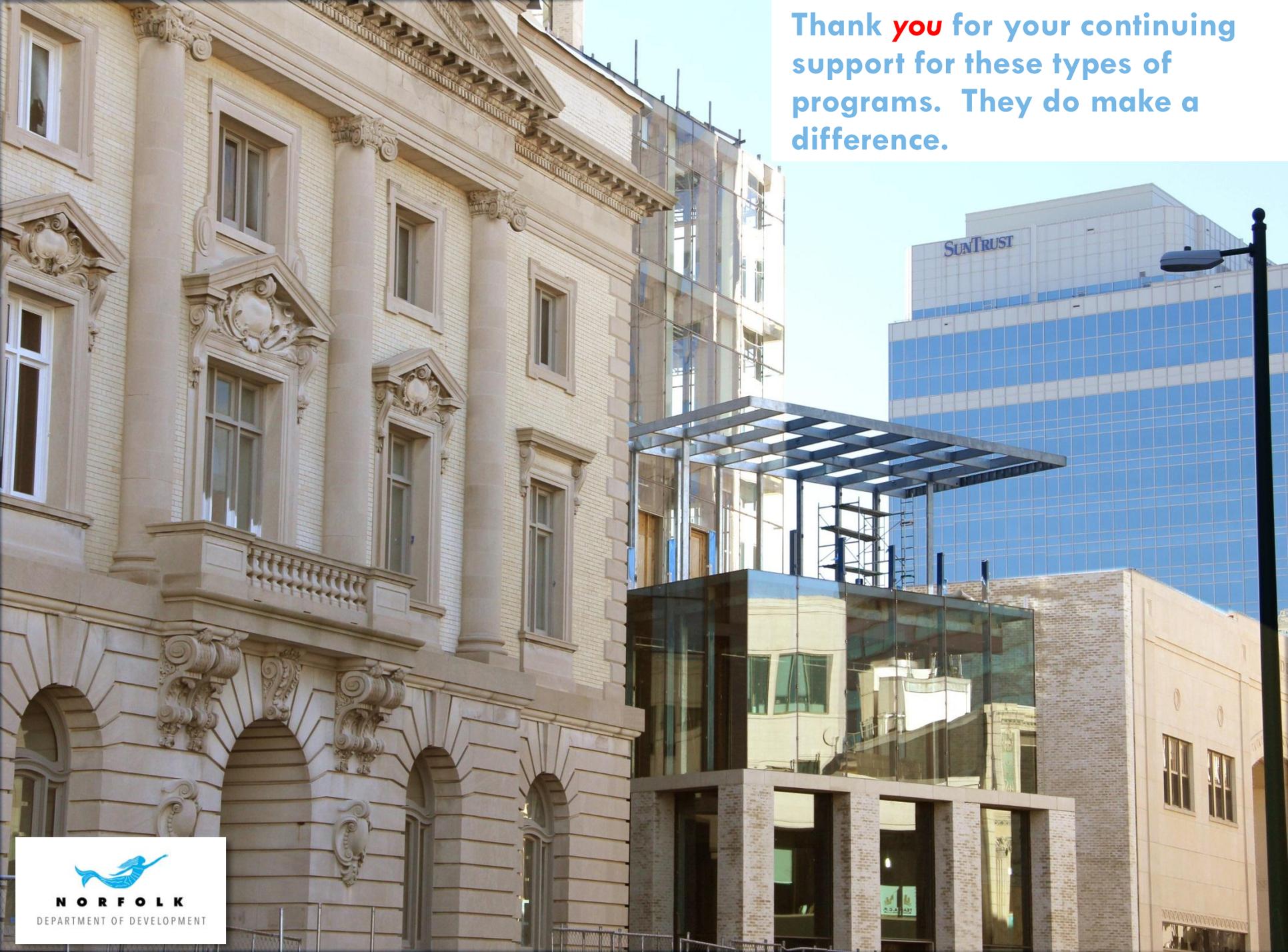
Those tax credits expired 12/31/11 and NRHA, the CACC and the City Attorney transferred the CACC ownership to the City of Norfolk in December 2012.

Funding Bundle

Private Donations to CACC	\$1.8 million
CACC Sale of Historic Tax Credits	\$2.5 million
City of Norfolk	\$3.05 million
Virginia Department of Historic Resources Grant	\$0.5 million
EZ 2010	\$0.15 million
Total Investment	\$8 million



Thank **you** for your continuing support for these types of programs. They do make a difference.



NORFOLK
DEPARTMENT OF DEVELOPMENT