

# Novogradac Journal of Tax Credits

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## Teaching Space Converted to Energy-Efficient, Affordable Living Space

**By Jennifer Hill, Staff Writer, Novogradac & Company LLP**

Even though the two buildings that used to comprise the St. Stanislaus School and Convent in West Rutland, Vt. hadn't been used for educational purposes in more than 30 years, not-for-profit developer Housing Trust of Rutland County (HTRC) cleared away textbooks that remained on the shelves as part of its project to redevelop and incorporate both buildings into an affordable community.

Constructed in the 1920s, the kindergarten through eighth-grade Catholic school had closed its doors by the late 1970s. Then-owner St. Stanislaus Kostka Church sold the structures in 1980, to a group of developers that planned to add a floor to the school building and build condos, selling each unit as it was completed. Only one of the three units they managed to complete sold, and in the 1990s the developers were forced to put the property on the market, where it remained until HTRC acquired it in July of 2010. Where the private market had failed, not-for-profit developer HTRC found an opportunity to convert both buildings into energy-efficient affordable housing and lift up the neighborhood while restoring a piece of Vermont's history.

When the redevelopment work is completed in April, Stanislaus Housing's three buildings will provide 21 housing units, 20 of which will serve households earning no more than 40 to 60 percent of the area median income. The third building is around the corner from the school and convent; HTRC is renovating four units at 259 Marble Street, which houses the Vermont Carving Studio and Sculpture Center's carved marble art gallery. The school building will include 12 one- and two-bedroom units and the convent will have five one- and two-bedroom units.

HTRC and architect Laz Scangas are using historical photographs to restore the school and convent buildings' exteriors, according to HTRC executive director Elisabeth Kulas. Both buildings were structurally sound but needed a huge reinvestment of resources. The convent, which was built in the 1890s and housed nuns who taught at the school, once featured a wraparound porch that HTRC plans to rebuild. A parapet on the school's brick exterior will be repaired. Inside, the developer is exposing the original tin ceilings that the former owners had covered up in their attempt to convert the building to condominiums. Kulas said HTRC will leave the former classroom wall structures in place and build them into the units to give Stanislaus Housing's future residents the sense that they're in what used to be a school-room.

At the same time, both buildings are undergoing a deep energy retrofit that will include spray foam insulation, double- and triple-glazed windows, LED lighting, rooftop solar panels for domestic hot water and a wood pellet-fired boiler. HTRC aims to reduce Stanislaus Housing's heating energy usage by 60 percent and reduce carbon emissions by 80 percent, in comparison with the average Vermont weatherization project, which typically saves 20 to 30 percent on energy consumption. New mechanical, electrical and plumbing systems for both buildings will be installed in the former convent's basement. In addition, Stanislaus Housing is the first historic tax credit (HTC) project in Vermont for which the National Park Service has approved triple-glazed windows. To minimize their appearance from the street, the side and rear windows will be triple-glazed, with more historically accurate double-glazed front windows.

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Stanislaus Housing's residents will be within walking distance of a public school and library, a park, a grocery store, restaurants and a bus station. A neighboring HTRC community, a senior development called Colonial West, offers monthly health clinics, Meals on Wheels, and other programs available to all of HTRC's senior tenants. Kulas said HTRC plans to pool the two communities together for resident activities on an HTRC-owned open space that they can use for community gardening or any other function of their choosing.

Stanislaus Housing's financing structure reflects the \$4.6 million rehabilitation project's key elements, with a combination of low-income housing, historic rehabilitation and energy retrofit incentives, according to syndication consultant Jeff Kantor. The development received a \$528,000 federal HTC allocation and more than \$1.4 million in private investor equity generated by state and 4 percent federal low-income housing tax credit (LIHTC) allocations. To help HTRC meet its ambitious energy goals for the project, U.S. Sen. Bernie Sanders secured a \$175,000 Department of Energy energy efficiency grant for the school building's rehabilitation. Although the HTCs were allocated only to the school and convent, all three buildings will benefit from federal and state LIHTCs.

Housing Vermont's Green Mountain Housing Equity Fund and Merchants Bank monetized all of the federal LIHTCs and HTCs. "In Vermont we're dealing with scarce resources," said Ken Sasorossi, Housing Vermont's vice president of partner relations. "The condition of these two properties is a break on maintaining the viability of downtown, and now we're bringing them back up and achieving public policy." Other financing sources include \$450,000 from the Vermont Housing and Conservation Board, \$315,000 in HOME funds and a \$1.25 million Neighborhood Stabilization Program grant.

"We're combining affordable housing with historic preservation and doing proven energy improvements at the same time," Kulas said. "We're showing Vermont that it's possible and that it makes sense." ❖

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