



Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

January 2016 • Volume VII • Issue I

Published by Novogradac & Company LLP

Bevy of Tax Credits Rehabilitate Theater in Cincinnati

MARK O'MEARA, STAFF WRITER, NOVOGRADAC & COMPANY LLP

The Over-the-Rhine neighborhood in Cincinnati is thought to be one of the largest urban historic districts in the United States. It was listed to the National Register of Historic Places in 1983 and is comprised of 1,458 contributing buildings, according to the National Park Service. With the help of federal and state historic tax credits (HTCs) as well as federal and

state new markets tax credits (NMTCs), another one of the neighborhood's historic structures was recently preserved: Memorial Hall.

The 1908 Beaux Arts building, across from Washington Park, is a 600-seat theater that has been in use since it was built. The space plays host to everything from

Image: Courtesy of Cincinnati Memorial Hall Society

The rehabilitation of Memorial Hall used federal and state historic tax credits (HTCs) and state new markets tax credits (NMTCs).

continued on page 2





Image: Courtesy of Cincinnati Memorial Hall Society

Memorial Hall, in Cincinnati's Over-the-Rhine neighborhood, is a 600-seat theater that has been in constant use since it was built in 1908.

continued from page 1

performing arts to lectures to weddings and numerous other events. But development partners note that the facility has been drastically underused in recent years as it has not been retrofitted in more than two decades and it no longer meets the needs of a 21st-century events space.

“Hamilton County tried to sell [the building] about six years ago to a couple of different restaurants and to a school,” said Christian Sigman, county administrator at Hamilton County, which owns the building. “They were not interested because of how much money had to be put into the project.” Sigman said that the building had a leaky roof and no air conditioning, which made it difficult to host events in the summer months. Sigman said that this rehabilitation will address those issues and add a true commercial kitchen and Americans with Disability Act- (ADA-) compliant bathrooms. In addition, mechanical systems as well as the sound, lighting and production capabilities of the hall will be upgraded. Sigman is happy to see this building under rehabilitation because “this is a wonderful events space. The acoustics are great and the original seating is in pristine condition.”

The redevelopment of Memorial Hall took a unique partnership. Hamilton County owns the building, while Cincinnati Memorial Hall Society (CMHS) manages the space with help from Cincinnati Center City Development Corporation (3CDC), which is also acting as the developer.

William Baumann, president of CMHS said, “Although the building had been underutilized for many years, our board recognized in 2012 that the revitalization of

Washington Park and its Over-the-Rhine neighborhood presented an opportunity for the rebirth of Memorial Hall. If we could demonstrate an increased community need for this venue with its midsize 600-seat theater and large reception rooms, we hoped the partners and funding could be secured to undertake a comprehensive renovation and modernization of this architectural treasure.” With an expanded marketing program, more than 300 performances, events, meetings and weddings were held at the Hall in 2013 and 2014, which helped solidify support for the rehabilitation of the building, said Baumann.

“This county-owned facility is underutilized as a civic and performing space because of outdated systems and amenities,” said Anastasia Mileham, 3CDC vice president. “Rather than a revenue-generating asset to the neighborhood, it has become a drain on the county’s operating budget due to no air conditioning in summer months, no ‘back of house’ to the stage which limits the types of performances it can host, too-small seats, not enough restrooms and an outdated kitchen that can’t support large catered events. Although it’s a beautiful historic building, it has not been renovated in two decades.”

Demolition began in mid-November 2015 and Sigman hopes to start booking dates for weddings and corporate events at the building in late fall 2016. “It will be packed every weekend,” said Sigman.

Preserving History

“The most interesting historic aspects being preserved are the plush velvet seats. Although they are too small to satisfy today’s patrons, the seat structures will be

continued on page 3

continued from page 2

preserved and simply widened for larger seats,” said Mileham. “Additionally, the tiffany chandeliers, bas-relief plaster scrollwork and sky ceiling mural will all get cleaned and preserved.” In addition, the original windows and floors will be preserved.

“The façade was in impeccable shape. The interior looked great as well,” said Nathaniel Kaelin, Ohio preservation tax credit program manager at Ohio Development Services Agency (ODSA). “The building had clearly been well cared for in the past and the HTCs helped keep it that way.” There are a cluster of arts and entertainment buildings being renovated in the area in addition to Memorial Hall, said Kaelin. In fact, the building is located next to the Cincinnati Music Hall, which also received federal and state HTCs to be rehabilitated.

Financing the Rehabilitation

Fifth Third invested in all four credits, providing \$797,000 in state HTC equity, \$2 million in federal HTC equity and \$1.2 million in federal and state NMTC equity. It will also provide a bridge loan to be used until the tax credits become available. The amount of the loan has yet to be determined. “Fifth Third is not only a big supporter of community development, but also the arts,” said Catherine Cawthon, president of Fifth Third Community Development Corporation. “This is a catalytic project that will help continue the redevelopment of the area.” Fifth Third does more than \$250 million per year in various tax credit investments.

ODSA provided the \$996,000 state HTC allocation. “This was a good opportunity to save a neighborhood anchor. It allowed Memorial Hall to increase its programs and activity and it will draw people to the area,” said Kaelin. Kaelin said that ODSA looks to provide allocations to vacant and underutilized buildings, making this a great fit for a state HTC allocation.

3CDC manages the Cincinnati New Markets Fund, which provided the \$780,000 federal NMTC allocation and the \$1 million state NMTC allocation. “Preserving the historic nature of the building also adds to the costs. Additionally, the facility is located in one of the most economically distressed neighborhoods in the country, creating further challenges to finding financial resources to bring the building back into full use,” said

Mileham. “The Ohio Historic Preservation Tax Credit program, along with the National Trust for Historic Preservation, enables us to find equity investors to make the project a reality. The same goes for the federal [and state] New Markets Tax Credit program[s]. Layering these credits together helps close the gap to make the project feasible.”

The development also received \$3 million in grants, including a \$1 million grant from the Annie W. and Elizabeth M. Anderson Foundation, a second \$1 million grant from an anonymous donor and \$980,000 in other smaller grants from various foundations. The development also received a \$2 million grant from the state of Ohio and a \$1.5 million grant from Hamilton County.

Memorial Hall

FINANCING

- ◆ \$3 million in grants:
 - \$1 million grant from the Annie W. and Elizabeth M. Anderson Foundation
 - \$1 million grant from an anonymous donor
 - \$1 million in smaller grants from various foundations
- ◆ \$2 million grant from the state of Ohio
- ◆ \$2 million in federal HTC equity from Fifth Third
- ◆ \$1.5 million grant from Hamilton County
- ◆ \$1.2 million in federal and state NMTC equity from Fifth Third
- ◆ \$1 million state NMTC allocation from Cincinnati New Markets Fund, which is manager by 3CDC
- ◆ \$996,000 state HTC allocation from the Ohio Development Services Agency
- ◆ \$797,000 in state HTC equity from Fifth Third
- ◆ \$780,000 federal NMTC allocation from Cincinnati New Markets Fund, which is manager by 3CDC
- ◆ Bridge loan from Fifth Third to be used until the tax credits become available

“While using these four tax credit programs on one development can create some inherent challenges, the benefit it provides to a development is astronomical,” said John Sciarretti, partner in the Dover, Ohio, office

continued from page 3

at Novogradac & Company LLP. Novogradac provided financial and tax consulting services to the project, including assistance with the design of the financial structure and preparation of the financial forecast. “Completing this rehabilitation will have a dramatic impact on the surrounding community as more property owners will look to enhance their buildings in the neighborhood.” ❖

This article first appeared in the January 2016 issue of the Novogradac Journal of Tax Credits.

© Novogradac & Company LLP 2016 - All Rights Reserved

Notice pursuant to IRS regulations: Any U.S. federal tax advice contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any advice expressed in this article is limited to the federal tax issues addressed in it. Additional issues may exist outside the limited scope of any advice provided – any such advice does not consider or provide a conclusion with respect to any additional issues. Taxpayers contemplating undertaking a transaction should seek advice based on their particular circumstances.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.novoco.com.

EDITORIAL BOARD

PUBLISHER

Michael J. Novogradac, CPA

EDITORIAL DIRECTOR

Alex Ruiz

TECHNICAL EDITORS

Michael G. Morrison, CPA

James R. Kroger, CPA

Owen P. Gray, CPA

Thomas Boccia, CPA

Daniel J. Smith, CPA

COPY

ASSIGNMENT EDITOR

Brad Stanhope

SENIOR WRITER

Teresa Garcia

STAFF WRITER

Mark O'Meara

EDITORIAL ASSISTANT

Elizabeth Orfin

CONTRIBUTING WRITERS

Christian Ayson

Frank Buss

Scot Keller

Peter Lawrence

Forrest Milder

Mark Shelburne

John M. Tess

Katie White

ART

CARTOGRAPHER

David R. Grubman

PRODUCTION

Alexandra Louie

James Matuszak

Jesse Barredo

CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Alex Ruiz

alex.ruiz@novoco.com

415.356.8088

ADVERTISING INQUIRIES

Carol Hough

carol.hough@novoco.com

415.356.8040

EDITORIAL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED OTHERWISE.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX ADVISOR.

ADVISORY BOARD

LOW-INCOME HOUSING TAX CREDITS

Bud Clarke

BOSTON FINANCIAL INVESTMENT MANAGEMENT

Jana Cohen Barbe

DENTONS

Tom Dixon

BOSTON CAPITAL

Rick Edson

HOUSING CAPITAL ADVISORS INC.

Richard Gerwitz

CITI COMMUNITY CAPITAL

Rochelle Lento

DYKEMA GOSSETT PLLC

John Lisella

U.S. BANCORP COMMUNITY DEV. CORP.

Philip Melton

BELLWETHER ENTERPRISE

Thomas Morton

PILLSBURY WINTHROP SHAW PITTMAN LLP

Mary Tingerthal

MINNESOTA HOUSING FINANCE AGENCY

Rob Wasserman

U.S. BANCORP COMMUNITY DEV. CORP.

PROPERTY COMPLIANCE

Michael Kotin

KAY KAY REALTY

Michael Snowden

HIGHRIDGE COSTA HOUSING PARTNERS

Gianna Solari

SOLARI ENTERPRISES INC.

Kimberly Taylor

HOUSING DEVELOPMENT CENTER

HOUSING AND URBAN DEVELOPMENT

Flynnan Janisse

RAINBOW HOUSING

Ray Landry

DAVIS-PENN MORTGAGE CO.

Denise Muha

NATIONAL LEASED HOUSING ASSOCIATION

Monica Sussman

NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Frank Altman

COMMUNITY REINVESTMENT FUND

Merrill Hoopengardner

ADVANTAGE CAPITAL

Scott Lindquist

DENTONS

Matthew Philpott

U.S. BANCORP COMMUNITY DEV. CORP.

Matthew Reilein

JPMORGAN CHASE BANK NA

Ruth Sparrow

FUTURES UNLIMITED LAW PC

Elaine DiPietro

ENTERPRISE COMMUNITY INVESTMENT INC.

HISTORIC TAX CREDITS

Jason Korb

CAPSTONE COMMUNITIES

John Leith-Tetrault

NATIONAL TRUST COMM. INVESTMENT CORP.

Bill MacRostie

MACROSTIE HISTORIC ADVISORS LLC

John Tess

HERITAGE CONSULTING GROUP

RENEWABLE ENERGY TAX CREDITS

Bill Bush

BORREGO SOLAR

Ben Cook

SOLARCITY CORPORATION

Jim Howard

DUDLEY VENTURES

Forrest Milder

NIXON PEABODY LLP

© Novogradac & Company LLP

2016 All rights reserved.

ISSN 2152-646X