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HISTORIC TAX CREDIT TOOL BOX

HTCs and RAD Projects on a Smaller Scale: The Case of Liberty Village and Liberty Square in Groesbeck, Texas



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While historic tax credits (HTC) are instrumental in rehabilitating grand monumental properties, they can also be critical resources for preserving public housing, particularly when combined with other resources.

The experience of Groesbeck's Liberty Village and Liberty Square is particularly instructive.

Groesbeck is a town of 4,400 in southeast Texas, north of Houston. In the early 1960s, when the town's population was just 2,500, the town government formed a public housing authority to gain access to federal public housing funds through the federal Public Housing Administration. Despite the town's comparatively small size, it faced a serious shortage of quality affordable rental units. Of the town's 914 housing units, 25 percent were substandard. Yet the town's vacancy rate was just 4 percent. In real terms, this meant that many of Groesbeck's low-income

residents were relegated to substandard housing units.

In 1963, the newly formed Groesbeck Housing Authority received a loan of \$479,213 from the Federal Housing Authority to build 40 units on two sites. These would become Liberty Square and Liberty Village. Collectively, the two projects would add 4 percent to the community's housing stock, all of it dedicated to housing low-income renters. Even as these were being completed, the housing authority starting working toward building more. In 1973, it was successful in adding half as many more. All of the units were similar, mostly one-story duplex

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properties with multiple units. Stylistically, buildings are ranch-style houses, similar to the style common in much of the rural southern United States.

Redevelopment

Forty years later, and near the end of their useful life, the building stock was in need of substantial work. Deterioration was accelerating, the properties were visually tired and all the systems were outdated.

To rehabilitate the two complexes, the Groesbeck Housing Authority partnered with Dallas-based Housing Solutions Alliance (HSA). Formed in 1999, HSA’s mission is to provide consulting services to public and assisted housing agencies and programs. It provides services for more than 130 agencies in seven states.

Conceptually, the rehabilitation would rely on federal HTC’s, Texas state HTC’s, low-income housing tax credit (LIHTC) funding, a first mortgage leverage by

the U.S. Department of Housing and Urban Development’s (HUD’S) Rental Assistance Demonstration (RAD) program and a soft loan from Groesbeck Housing Authority. In addition,

Housing Solutions also secured a \$500,000 Affordable Housing Program grant from the Federal Home Loan Bank of Dallas. Like many states, Texas has a state HTC that works parallel to the federal HTC but at 25 percent of rehabilitation costs. This credit helped secure nearly \$1.4 million in HTC equity.

Of particular importance was RAD funding. In 2012, Congress authorized RAD, which provided local PHAs with the ability to leverage private capital to finance improvements. This allowed PHAs to look to the private section as a partner in the redevelopment. In the words of Art Schuldt, HSA president, “So many public housing properties have severe deferred maintenance and rehabilitation needs due to the age of their properties. The leveraging of RAD to provide a stable subsidy platform, coupled with monetizing historic credits as a source of funding is a tool we highly recommend for any housing authority as a repositioning strategy.”

Certified Rehabilitation

The renovation of both projects was comprehensive and met the Secretary of Interior’s Standards. No significant additions or alterations were proposed to the buildings and there was no new construction on the site. The building envelopes were inspected and repaired. The brick and stone work was cleaned and

Image: Courtesy of Heritage Consulting Group; The Liberty Square public housing property in Groesbeck, Texas, was rehabilitated and preserved using historic tax credits and the Rental Assistance Demonstration program.

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mortar repaired. Existing siding was replaced with new fiber cement siding matching the original look. Porches were inspected and repaired. Existing windows were repaired. Exterior doors, which had been replaced previously, were replaced with new. To improve interior efficiencies, unit rear doors were modified into windows. Roofs were inspected and repaired with new compatible shingles installed. Site work retained the fundamental physical layout but new sidewalks and landscaping was installed. Additional parking was also integrated into the project.

On the interior, kitchens and bathrooms were reconfigured and modernized. In some units, spaces were slightly enlarged to accommodate Americans with Disabilities Act requirements. Finishes and appliances were all updated to create a more modern aesthetic. All systems were updated and upgraded, including electrical, plumbing, fire/smoke detectors, and heating and air conditioning.

The projects faced three particular design-related issues: First, original concepts proposed an open living room/kitchen plan to create a more airy and modern interior living space.

Image: Courtesy of Heritage Consulting Group; The Liberty Village public housing property in Groesbeck, Texas, was built in 1964, but qualified as a historic property.

Both the state historic preservation office (SHPO) and National Park Service (NPS) objected to the open concept, but compromised by allowing bulkhead installation between kitchens and living rooms to define the spaces. Second, to improve function and privacy, designs called for infilling the bathroom windows. The reviewers objected to the proposal but compromised by allowing a “shadow box” treatment that created a lights-out effect when viewed from the exterior. Finally, in the original concepts, the architects proposed some finish treatments, such as luxury vinyl tile, which the reviewers were not appropriate to the character of the space. Throughout the design process, ongoing discussions with the SHPO facilitated the resolution of design issues.

Certified Historic Structure

By far, the greatest challenge in securing the HTCs was listing the properties on the National Register. The buildings themselves did not evoke a sense of architectural notability. They did not feel historic in the traditional sense. For historic buildings, they were young, built in 1964, with another third built in 1973. By design, the buildings looked similar to the ranch-style housing stock in the rest of the community. When designed and built, Liberty Square and Liberty Village were not intended to look special.

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In 2004, the NPS prepared a historic context statement for “Public Housing in the United States, 1933-1949.” This document facilitated the listing of public housing on the National Register by providing a framework to consider public housing projects under Criterion A as part of the broad trend of federal public housing efforts. Unfortunately, the NPS analysis ended in 1949 and could not be used to support listing the Groesbeck properties on its own. Further, the existing body of research centered on public housing generally does not extend into the 1960s and 1970s.

Despite the end date of the NPS context statement, clearly the trends of public housing extended forward into the late 20th century. There is no question that the Groesbeck properties, like others of the era, fit into the framework detailed of the NPS context. Unfortunately, chronologically cultural resource analysis had not kept pace. This legwork fell to Heritage Consulting Group, which extended the earlier context statement to the 1960s and 1970s, while also exploring the public housing trends in Texas.

One challenge in the project’s history was a question regarding segregation in public housing generally and specifically in Groesbeck. The SHPO was critically interested in understanding whether the projects were segregated. Establishing sufficient documentation for this type of “bottom up” history is often challenging; in this particular instance, the project team was able to identify one-time residents who could shed insights on the discussion.

A second complication was that one-third of the units were built in 1973 and were only 45 years old. The National Register does have a process by which younger properties may be listed, but it is often thought these properties needed to be “exceptional.” In the case of Groesbeck, Heritage was able to document that while construction was not completed until 1973, the

buildings were conceived in 1967 fundamentally as an extension to the original proposal.

Establishing the broader historic context of public housing was certainly involved. That said, the ability to have access to the HTCs warranted the effort.

Lessons Learned

The Groesbeck experience has several important lessons. First, with the opportunities provided through RAD, it is extremely worthwhile for PHAs to approach redevelopment in an entrepreneurial way, using multiple funding sources. Second, regardless of location, it is possible to develop a solid and effective team that can successfully navigate complex state and federal programs. Third, even though often public housing redevelopments are narrow in scope, they often meet the HTC cost thresholds. Finally, though many public housing projects are chronologically young, owners should not dismiss the potential for securing HTCs.

As in the 1960s, Groesbeck today has a shortage of quality affordable housing units for rent. When built, Liberty Square and Liberty Village played a critical social role in meeting community needs. Now, 50 years later, that social need has not diminished. As expressed by the Executive Director of the Groesbeck Housing Authority, Jana Raymond, “The Board of Liberty Housing Alliance stepped out in faith from the security of HUD to pursue better and more abundant affordable housing for Groesbeck and rural Limestone County. The arduous work in this endeavor has paid off and through the historic tax credit opportunity, we can meet the demand of our community for affordable and adequate housing. For other small PHAs, we encourage them to investigate this course of action. The journey may end with opportunity.” ❖

John M. Tess is president and founder of Heritage Consulting Group, a national firm that assists property owners seeking local, state and federal historic tax incentives for the rehabilitation of historic properties. Since 1982 Heritage Consulting Group

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