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The Historic Tax Credits Issue

State Historic Tax Credits Demonstrate Importance of 'Local' Funding for Community Development

States with HTCs attract more federal HTCs, resulting in more community development, economic activity and local tax revenues.

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Interinvest, Hunt Capital Partners Team up to Preserve History, Create Senior Affordable Housing in Tupelo, Mississippi

MARK O'MEARA, SENIOR COPY EDITOR, NOVOGRADAC

Thanks to a bevy of tax credits, Interinvest and Hunt Capital Partners are preserving a piece of history in Tupelo, Mississippi, with the adaptive reuse of the Carnation Milk Plant.

Built in 1927, the plant was a long-time economic engine for the region's dairy industry, serving thousands of dairy farmers until it closed in 1972. The property has sat vacant for more than 40 years, considered for several other uses, from a police department and jail to city offices to a new home for the Oren Dunn Museum. However, none of these plans came to fruition.

Until now.

The aging dairy plant is being transformed into Carnation Village, a 33-apartment affordable housing development for seniors 55 and older.

"This preserves an important structure in a city that is growing and expanding," said Pam Thornton, vice president of development and acquisition at Interinvest, which owns the property. "I'm really excited about Carnation Village. It's been vacant for quite a while.

Image: Courtesy of Interinvest

The aging dairy plant is being transformed into Carnation Village, a 33-apartment affordable housing development for seniors age 55 and older in Tupelo, Mississippi.

The development will provide housing to a population [seniors] who often struggle financially largely because of medical expenses.”

“We are excited to partner with Intervest to breathe new life into the historic Carnation Milk Plant and transform it into affordable housing,” said Hunt Capital Partners executive managing director Dana Mayo in a press release. “In its heyday, the Carnation Milk Plant was a staple, not only for Tupelo residents, but also for the entire Northeast Mississippi dairy industry. The factory employed dairy farmers for two and a half generations, even surviving the Great Depression. With this historic rehabilitation, the factory will remain an important beacon for the community, now operating as Carnation Village and ushering in a new age where seniors will have a stable and safe place to call home.”

This is the second historic tax credit (HTC) and low-income housing tax credit (LIHTC) twinned development on which Intervest and Hunt Capital Partners have partnered. The first was Preservation Crossing in Hattiesburg, Mississippi. That development converted the Old Hattiesburg High School into 74 senior affordable housing apartments.

“The last project we worked on together with Intervest was Preservation Crossing in Hattiesburg, Mississippi, and it was a success,” said Roy Gonda, assistant vice president of project management at Hunt Capital Partners, the tax credit syndicator on Preservation Crossing and Carnation Village.

With two developments in the books, this partnership will continue.

“We would certainly work with Hunt again,” said Thornton.

From Dairy Plant to Affordable Senior Housing

At Carnation Village, 31 apartments will be reserved for seniors earning between 30% and 60% of the area median income and the remaining two apartments

will be market-rate. The development will have 27 one-bedroom apartments and six two-bedroom apartments.

Residents will enjoy a clubhouse with a full kitchen, an exercise facility and a central laundry facility. The 33 apartments will be in the plant itself while the community room will be new construction.

The property will also have many exterior amenities as well from a landscaped area with a gazebo and pavilion with a sitting area to a trail with exercise stations. The walking trail will also feature a butterfly garden.

Additionally, the location itself is an amenity. Carnation Village is a short distance from grocery and drug stores, places of worship, restaurants and medical services.

“Carnation Village is not far off of Main Street close to retail and restaurants,” said Thornton.

Intervest will also provide supportive services to residents, including personal development services to promote awareness of health and nutrition, counseling programs such as financial and budgeting classes, and community engagement events such as a health fair.

The groundbreaking of Carnation Village took place May 31, and construction will be complete in August 2024.

Historic Preservation

From 1927 to 1972, the Carnation Milk Plant was a key distributor of evaporated milk. Because of the plant’s importance to the city of Tupelo, the Carnation Milk Plant was listed on the National Register of Historic Places in 2009. And thanks to the federal and state HTCs, many of the plant’s historic characteristics will be preserved.

“The mill had a huge impact on the community and we get to bring it back to life,” said Gonda. “The pictures

don't do it justice. That smokestack is so tall, which is, of course, incorporated into this project.”

“The smokestack is a huge attraction of the building,” said Thornton. “We will put lights on it to make it the focal point of this project.”

Thornton went on to say that windows are always a challenge with historic rehabilitation. In addition to restoring the windows, the interior columns and beams will be preserved along with the building's concrete exterior.

“The rehabilitation and conversion of historic structures can be extremely challenging to say the least but knowing that you can save a vital part of an area's history, and also provide much needed housing to an underserved population is so rewarding,” said Thornton. “Carnation Village has overcome the struggles of a global pandemic, increased construction costs and skyrocketing interest rates; and together we prevailed.”

Financing

As the syndicator, Hunt Capital Partners provided \$2.5 million in state HTC equity, \$2.2 million in federal HTC equity and \$11 million in 9% LIHTC equity through its Hunt Capital Partners Tax Credit Fund 43.

“It is in a multi-investor fund for Community Reinvestment Act purposes. Cadence Bank was the

main investor of the credits,” said Gonda. “This was an impactful investment from a historic preservation perspective and because of the need for senior affordable housing in Tupelo.”

The capital stack was rounded out with a \$10.9 million construction loan from Cadence Bank, a \$600,000 deferred developer fee and a \$475,000 permanent loan from the Financial Institutions Housing Opportunity Pool.

“With the commencement of the renovation of the old Carnation building, Intervest is proud to become a member of this vibrant Tupelo community,” said Steve Nail, president of Intervest. “We are anticipating being a vital and lengthy part of the neighborhood by housing its welcoming citizens.” ❖

CARNATION VILLAGE

FINANCING

- ◆ \$11 million in 9% low-income housing tax credit equity from Hunt Capital Partners
- ◆ \$10.9 million construction loan from Cadence Bank
- ◆ \$2.5 million in state historic tax credit (HTC) equity from Hunt Capital Partners
- ◆ \$2.2 million in federal HTC equity from Hunt Capital Partners
- ◆ \$600,000 deferred developer fee
- ◆ \$475,000 permanent loan from the Financial Institutions Housing Opportunity Pool

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CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Teresa Garcia
teresa.garcia@novoco.com
925.949.4232

ADVERTISING INQUIRIES

Christianna Cohen
christianna.cohen@novoco.com
925.949.4216

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