

NMTCs Bring Supportive Housing, Retail Space to Downtown Detroit

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A historic neighborhood near downtown Detroit is getting new affordable housing and retail space thanks to new markets tax credits (NMTCs). Preservation of Affordable Housing (POAH) and Develop Detroit are working together to bring a new mixed-income, mixed-used development to the Sugar Hill Arts District near midtown Detroit. The development will provide 68 apartments, 14 of which will be supported by Veteran's Affairs Supportive Housing vouchers.

"We got involved with this development about three years ago," said Konrad Schlater, vice president, Chicago area at POAH. "We responded to a request for proposals from the city of Detroit's Housing and Revitalization Department. We had a strong interest in doing work in Detroit. We were approached by Develop Detroit and we had a similar vision for what the project could be."

Challenges Bring Rewards

Sugar Hill Arts District is historically a vibrant hub for music and art, and is still home to many museums and arts centers, including the Detroit Institute of the Arts and the Museum of Contemporary Arts Detroit.

"There's a very cool constellation of artists and community members that are working to expand the arts district there," said Schlater. "We are contributing to that by hiring local artists and creating spaces where they can work."

"It's an area that became very depopulated and is now seeing a resurgence," said Julie DeGraaf Velazquez, vice president, community redevelopment for POAH. "That's why [we feel] it's important for us to come in and continue to help develop these amenities."

For Schlater and DeGraaf Velazquez, bringing the Sugar Hill development to Detroit has been challenging, but rewarding.



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“One thing we’re encountering is any time you’re working in an underinvested urban area, people want and need more than affordable housing,” said Schlater. “They want a comprehensive approach that includes housing, retail and services – something that involves place-making and brings vitality to the sites that you’re working on. That requires a lot more work, but from our perspective, we find it particularly gratifying.”

“I think of this as a complicated development as far as the scale of the improvements on a small site, as well as the financing structure,” said DeGraaf Velazquez. “We had to create a happy marriage [among all of these things] and our partners have been extraordinarily cooperative in getting this all together.”

Even when the COVID-19 pandemic hit and the development was affected by delays and construction cost increases, everyone continued working hard to get the deal to closing.

“[COVID] could have disrupted the whole process,” said DeGraaf Velazquez. “We had to restructure a few

things and we had some construction cost increases because of delays, but partners at the city of Detroit helped identify additional financial resources. Nobody wanted to let this project fail. As hard as it was, it was very reassuring to feel that community and the drive.”

“Sometimes we bring in only financial partners, but that was not the case here,” said Schlater. “Develop Detroit is a true partner from the get-go on the design and pulling together financing. It certainly couldn’t have been done without all of their expertise about working in Detroit.”

Midtown Detroit Inc., a local organization that has been working in the area for several decades, has also been very supportive of the Sugar Hill development.

A Need for NMTCs

It took about three years for POAH and Develop Detroit to get all of the financial elements together for the development.

“One of the biggest problems we faced was construction costs in Detroit,” said Schlater. “There’s a lot of development in Detroit and the economy at the time had increased construction pricing.”

Image: Courtesy of Preservation of Affordable Housing
The development in the Sugar Hill Arts District near midtown Detroit will provide 68 affordable apartments with set asides for veterans.

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What POAH imagined would be a low-income housing tax credit development just wasn't feasible when discussing the additional parking garage and retail space. They quickly shifted to NMTCs.

"Midtown is very walkable so our site is very dense and compact, but many people still drive to and from Midtown so there's a need for parking in the area. We will have a 160-space parking garage for residents, visitors and local businesses," said DeGraaf Velazquez.

"When we thought about the needs of the area and the fact that the site is across from the John Dingell VA Medical Center, we thought there was a nice synergy to do some veterans' housing," said Schlater. "It is because Midtown is developing pretty rapidly and what makes this project unique and special is that it will help support the revitalization in a way that provides community development and a variety of housing."

POAH is also working to bring in local partners who can work specifically with veterans to serve as a liaison between residents Veteran's Affairs and property management.

"For the commercial space on the ground floor, we are working with retailers who will serve the neighborhood and social enterprises that have community impact as part of their mission," said Schlater. "For example, one group will offer culinary training for people who

were formerly incarcerated, and we hope to find other nonprofits that work in and around Detroit. With its focus on providing much-needed affordable housing combined with services and economic development, we think this development can contribute significantly to the vitality and diversity of midtown."

"At Develop Detroit, we believe in high quality housing for all," said Sonya Mays, president and CEO of Develop Detroit in a press release. "This development not only will become home to Detroiters of all walks of life, but is also one that reflects the needs and desires of our neighbors in the community." ♦

Sugar Hill Development

FINANCING

- ♦ \$29.5 million in new markets tax credit (NMTC) allocations from Building America CDE, PNC New Markets Investment Partners LLC, Cinnaire New Markets LLC, Michigan Community Capital
- ♦ \$10.6 million in Section 108/CDBG/HOME funds from the city of Detroit
- ♦ \$9.8 million in NMTC equity from PNC
- ♦ \$5 million loan from Prudential Financial
- ♦ \$4 million senior loan from PNC
- ♦ \$4 million loan from Michigan Economic Development Corporation
- ♦ \$2.4 million Michigan Brownfield Tax Credits (Cinnair bridge loan)
- ♦ \$1 million in equity from owner
- ♦ \$500,000 in additional grants

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