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Making the Two-for-One Deal: Twin Projects; Twin Tax Credits at the Adler

Historic Adler Theatre / Mississippi Hotel in Davenport, Iowa

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2007 Annual Conference of the League of Historic American Theatres
Boston, Massachusetts

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Adler Theatre: Financial Considerations

Adler Theatre / Mississippi Hotel

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Financial Considerations

- Assembly of Financing Team
- Budget Reconfiguration
- Twinning Potential
- Operations Projections
- Timing for Deal Closure
- Coordination with 2nd Project for Payout

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Assembly of Financing Team

- National Trust for Community Investment Corporation
- Reznick Group
- Holland & Knight, LLP
- Iowa Community Development
- US Bank
- Local Accounting & Legal Counsel
- Bank of America – Construction Loan

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Budget Reconfiguration

- Initial Budget by Construction Manager
- Add Soft Costs & Contingencies
- Add Financing Costs & Related Fees
- Reconstruct in Format for Potential Investors
- Develop Monthly Flow Forecasts

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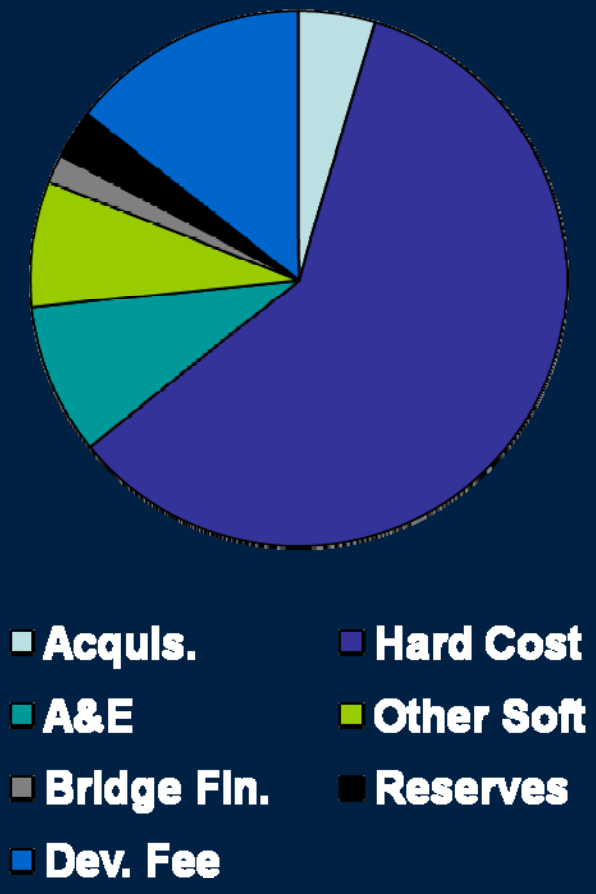
Budget

Uses:	$000
Acquisition	805
Hard Costs	10,343
A & E Costs	1,558
Other Soft Costs	1,328
Bridge Financing	340
Reserves	486
Developer Fee	2,526
TOTAL	17,386



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Twinning Potential

- Eligible for Federal & State Historic Tax Credits & New Market Tax Credits
- NTCIC Committed to Invest in Federal Historic Tax Credits and Related NMTC
- State Tax Credits Unusually Structured-Mature in 4 to 5 years
- NTCIC Identified CDE and Investor to Enhance Rest of Investment

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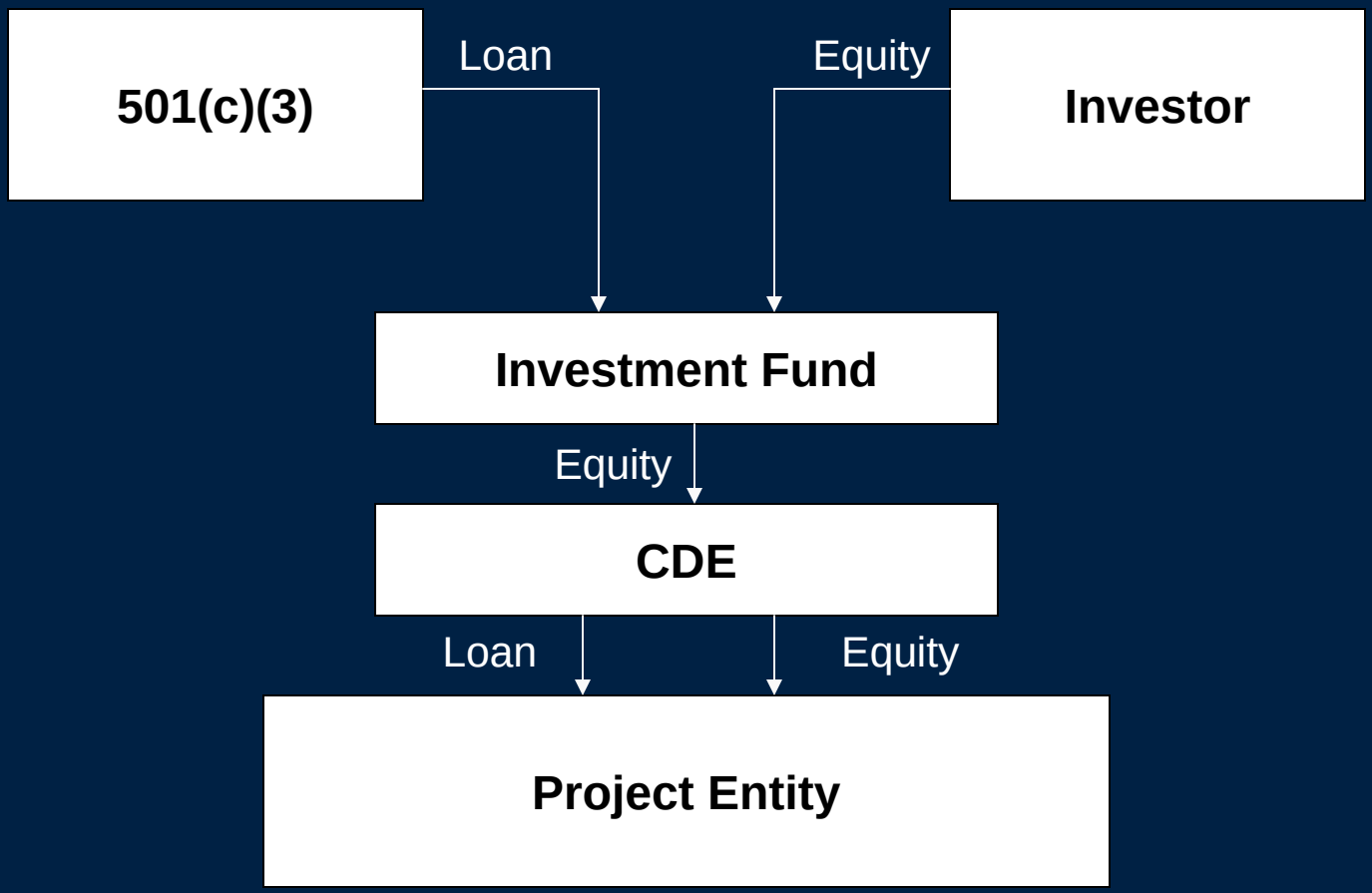
Twinning Potential



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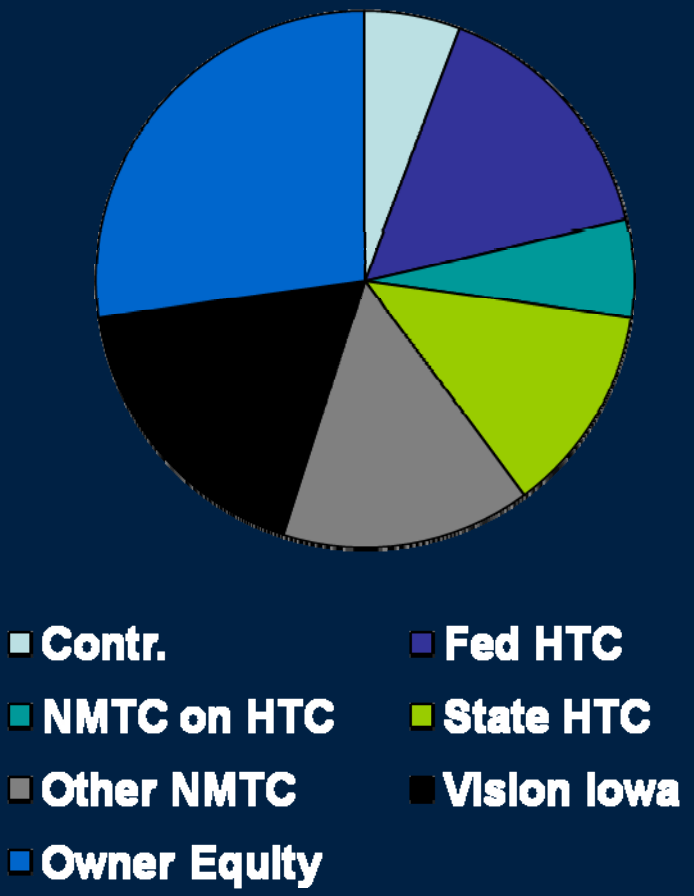
Twinning Potential

Sources:	$000
Contributed Equity	1,003
Federal HTC Equity	2,702
NMTC Equity-HTC	1,015
State HTC Equity	2,228
Add'l NMTC Equity	2,626
Vision Iowa	3,100
Other Owner Equity	4,712
TOTAL	17,386



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Operations Projections

- History Combined with Convention Center
- Change in Presentation Mix
- New Facility Configuration
- Economic Benefit Quantification

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Timing for Deal Closure

- HTCs-Ownership in Place before Completion
- State HTCs-Follow Profits
- 2nd CDE and Investor Pay in
  - Usage as Qualified Application
  - Impact on First CDE payouts
  - Minority Interest rules
  - Timing of Future Exit Strategy

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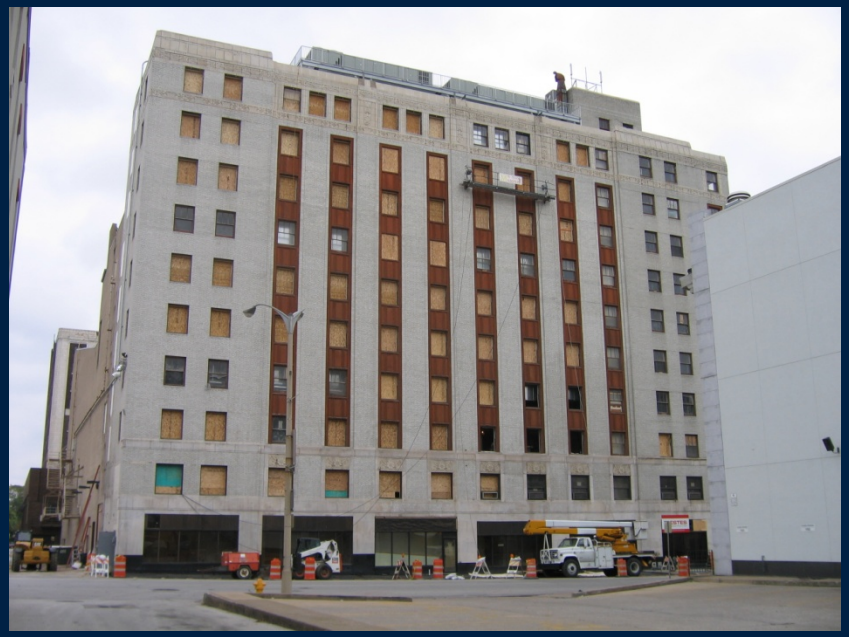
Coordination with Second Project for Payout

- Theatre & Hotel -1 Listing on Register
- Theatre completed and Part 3 done 12/06
- Hotel Part 3 just submitted 6/07
- No payout till both approved- $$$ cost



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League of Historic American Theatres

- There is “No Free Lunch”
- Credit Process is time consuming and has costs
- Payout is Significant
- Need to plan ahead, prepare, have right team

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Adler Theatre: Stage House Expansion

Adler Theatre / Mississippi Hotel, aerial before construction

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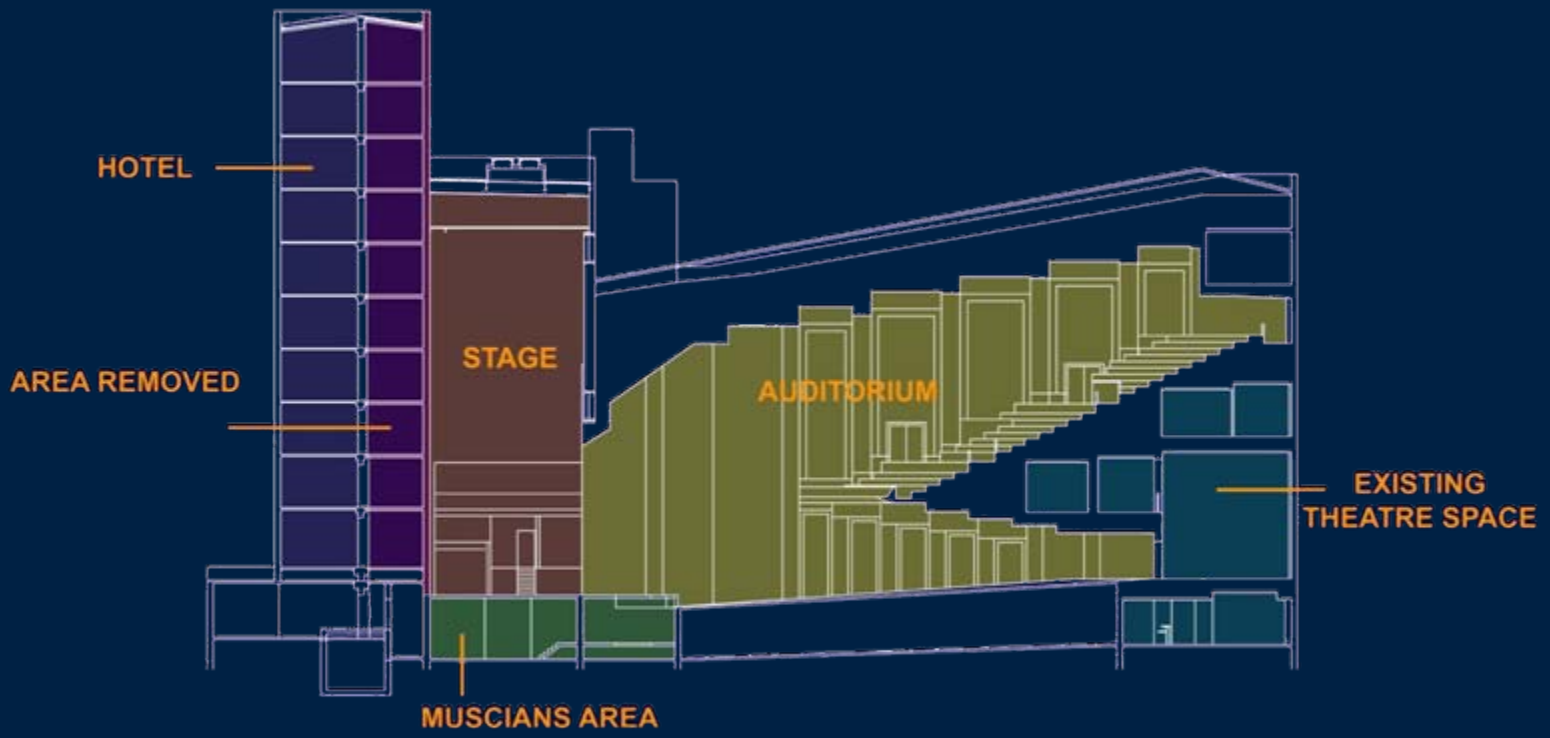
Stage House Expansion



EXISTING SECTION

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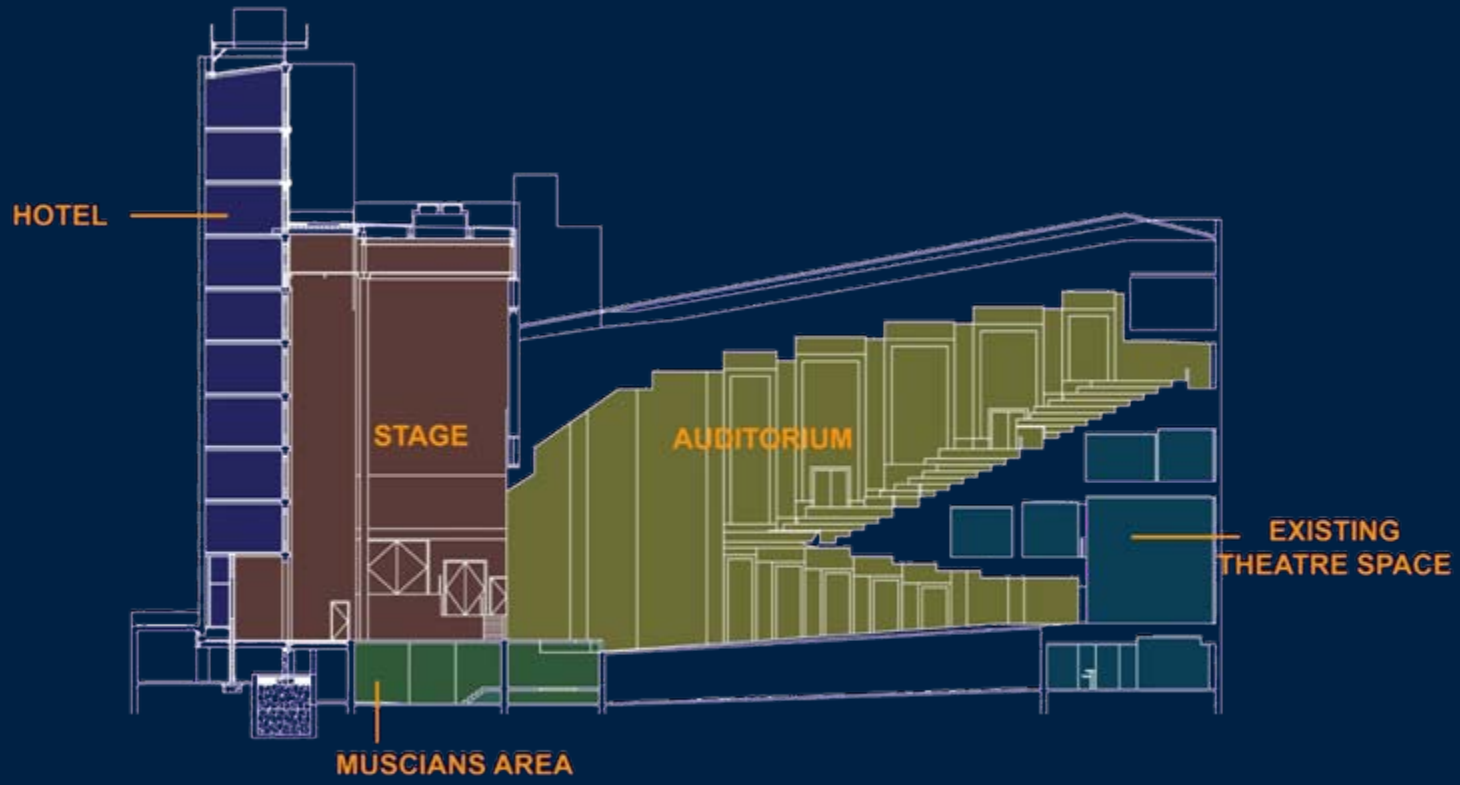
Stage House Expansion



NEW SECTION

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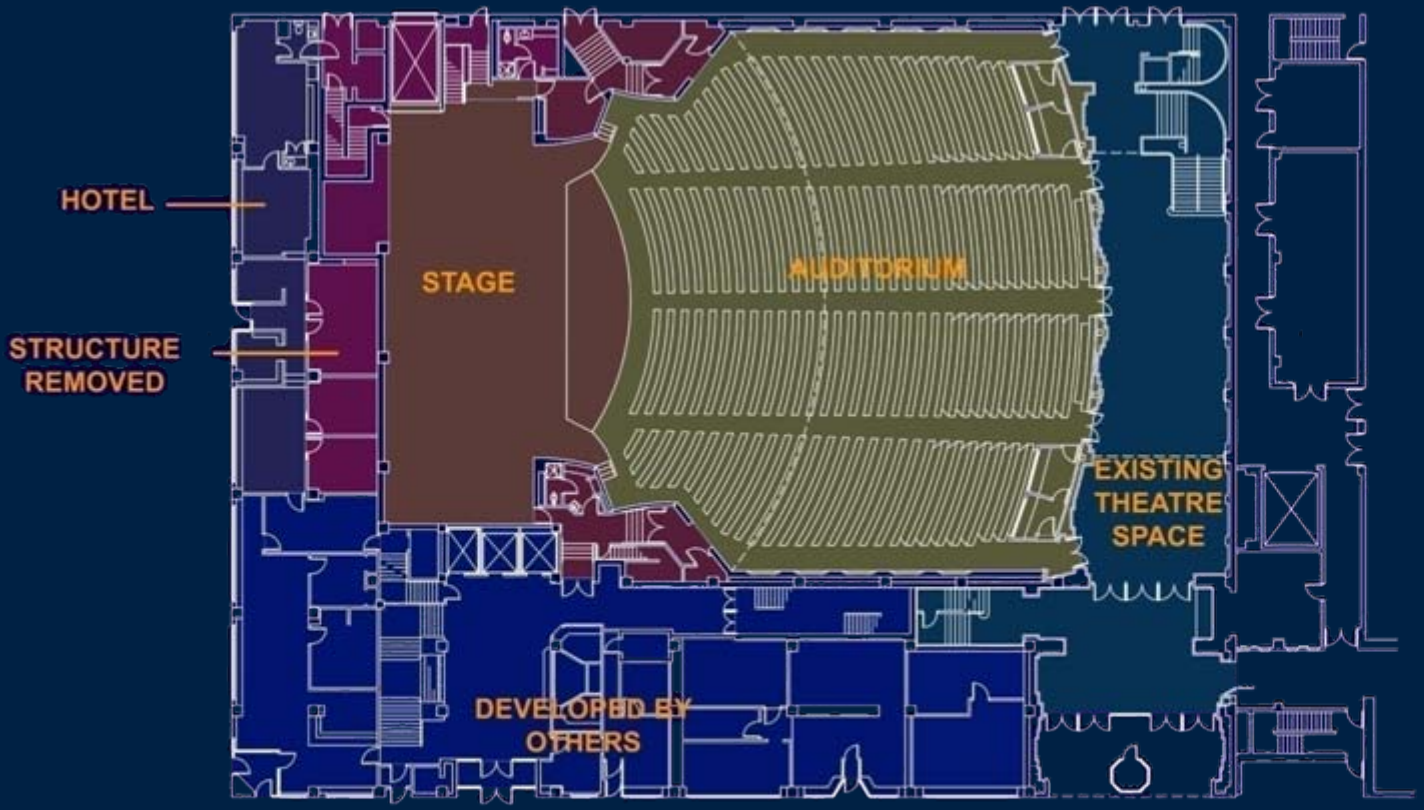

EXISTING ORCHESTRA LEVEL PLAN

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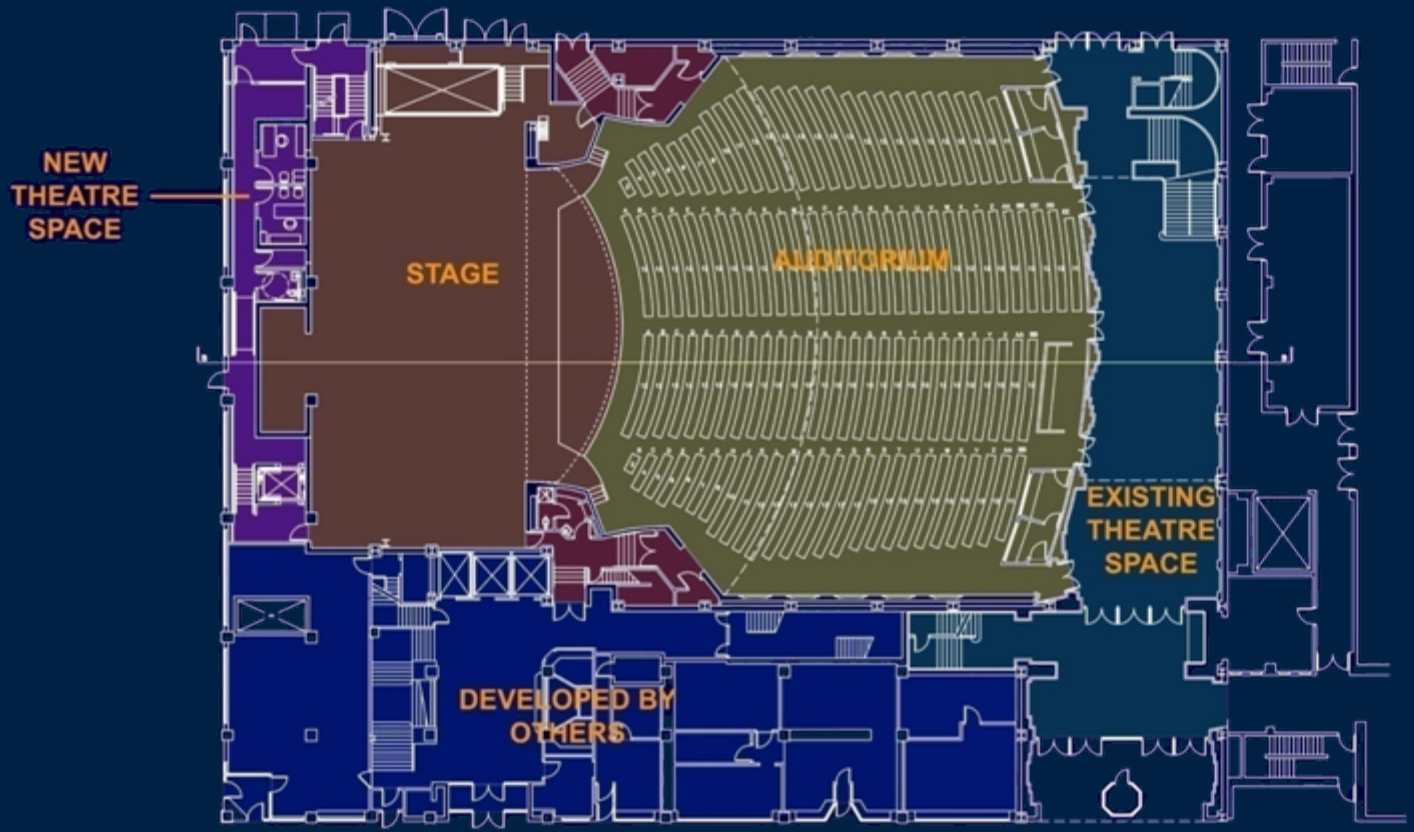
Stage House Expansion



NEW ORCHESTRA LEVEL PLAN

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Stage House Expansion – Step 1

Installation of new shear wall and vertical truss column foundations

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Stage House Expansion – Step 2

Installation of new concrete shear walls followed by masonry shear walls

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Stage House Expansion – Step 3

Installation of new concrete shear walls enables demolition of upper floors to proceed

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Stage House Expansion – Step 4

New steel framing installed to support existing stage roof and grid iron

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Stage House Expansion – Step 5

Installation of 78 ft. long, 13 ton vertical steel truss inside existing stage house

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Stage House Expansion – Step 6

Progressive demolition of lower floors to create enlarged stage house volume

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Stage House Expansion – Step 6

Partial wall and floor remain to be integrated into new stair tower

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Stage House Expansion – Step 7

New rigging beams, gridiron extensions and new roof are installed

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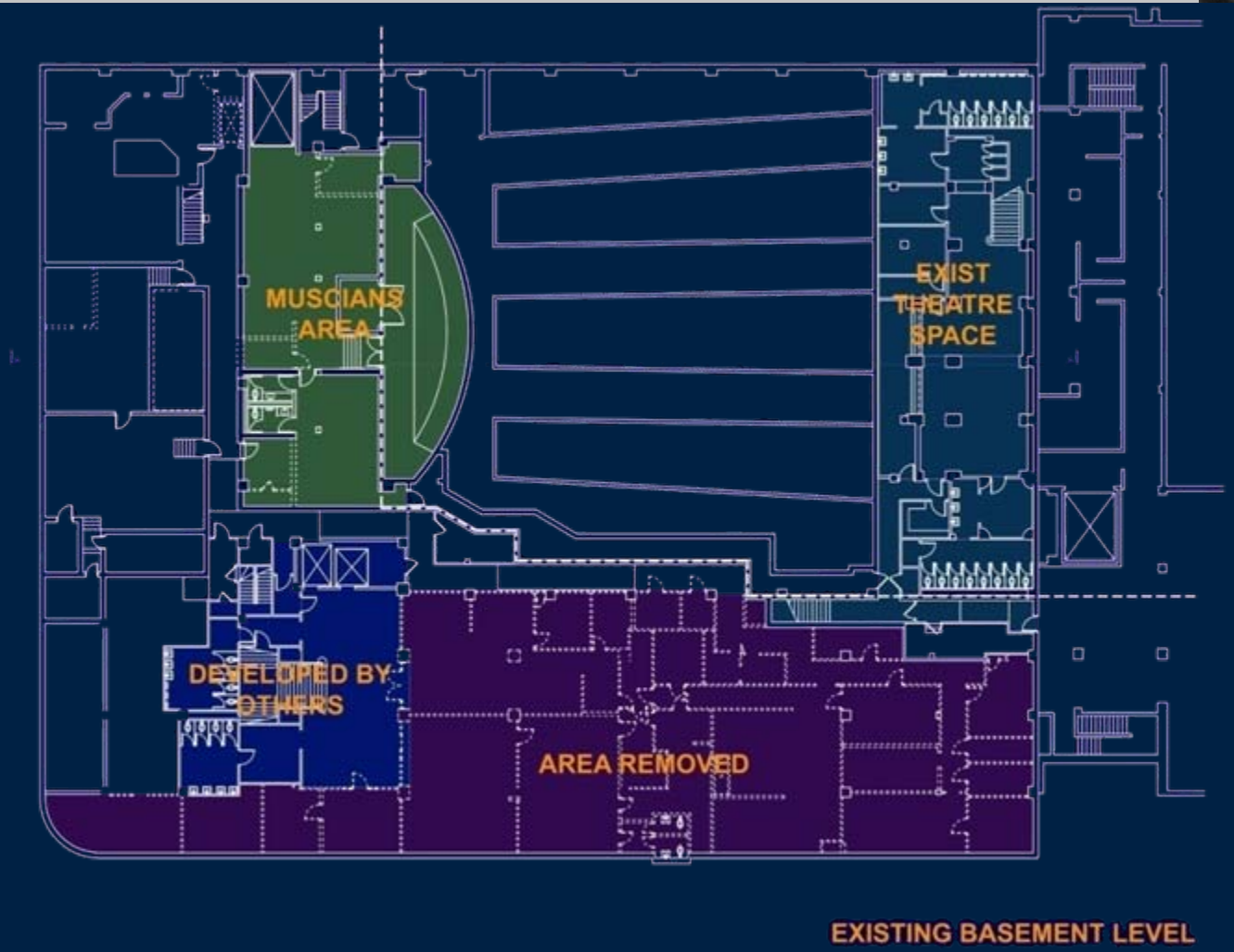
Stage House Expansion



EXISTING BASEMENT LEVEL

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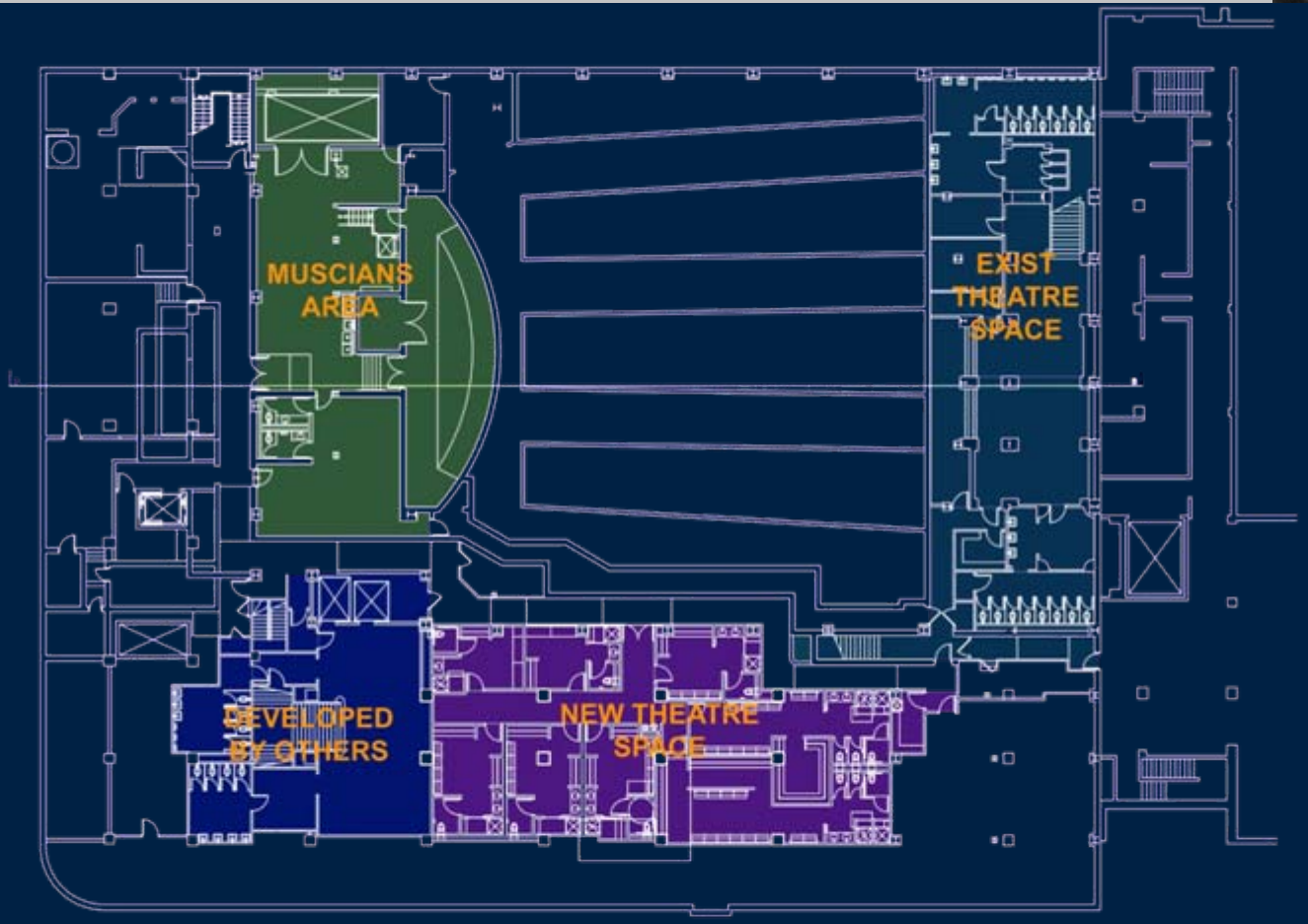
Stage House Expansion



NEW BASEMENT LEVEL PLAN

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Stage House Expansion

Basement during demolition

New performance support areas in renovated basement

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Stage House Expansion

New stage house roof and wall

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Stage House Expansion

New grid installed in expanded stage house

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Stage House Expansion

Expanded stage as completed

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Adler Theatre: An Historic Tax Credit Project

Adler Theatre / Mississippi Hotel, West Elevation

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Key Issues

- Retain integrity of exterior appearance
- Demolished vs. Rehabbed space
- Restore façade and rehabilitate or repair windows
- HVAC placement

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Tradeoffs

- Mississippi Hotel/Adler Theater already listed on National Register of Historic Places as “one” integrated structure.
- No need to prepare a PART I – the historic significance and architectural priorities were already established.

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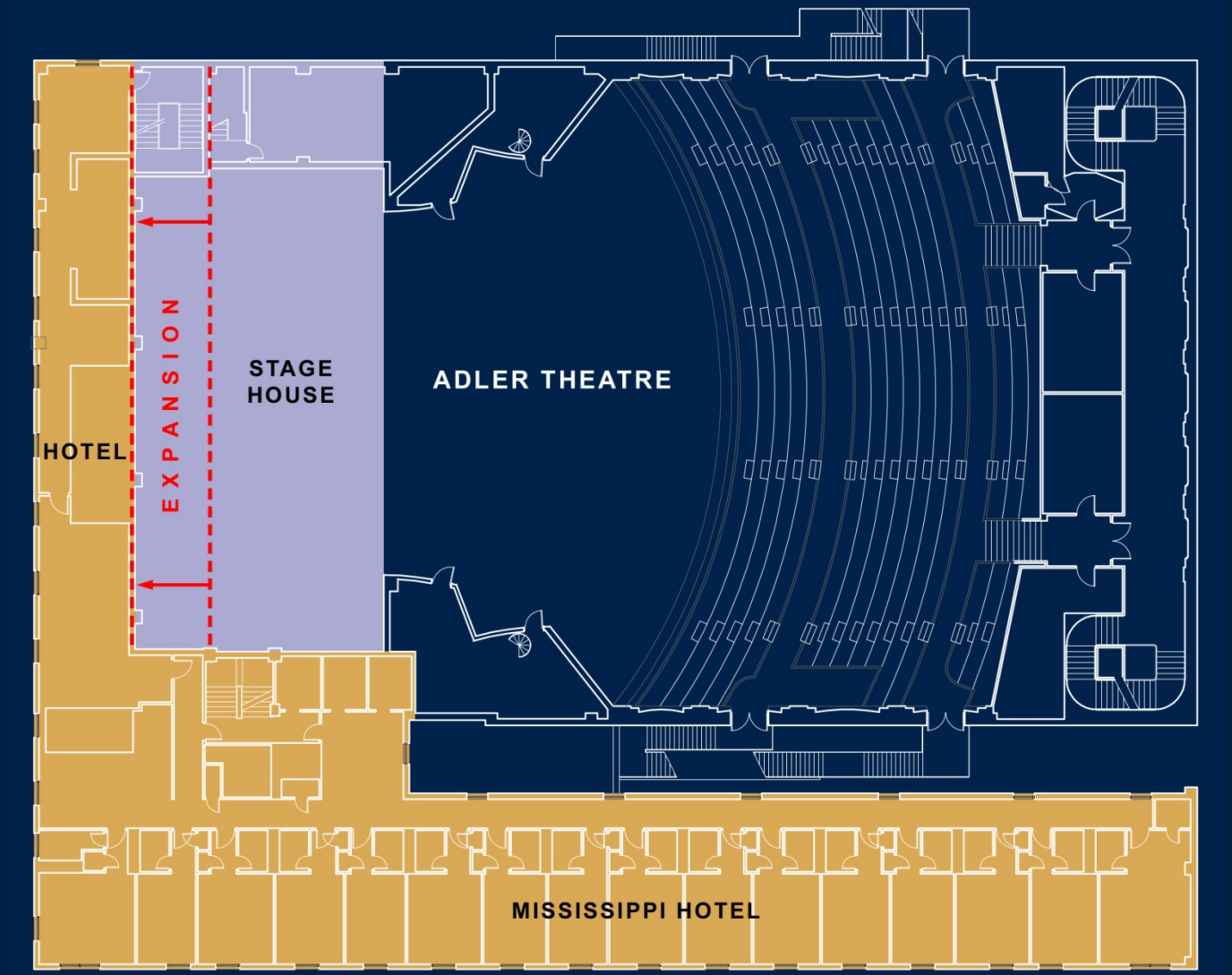
Tradeoffs



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Tradeoffs

- Walk through Building with SHPO – crucial to proposing the demolition aspects, and reach consensus that the “tradeoff” was acceptable. SHPO conferred with NPS.
- Established that there were TWO projects, effectively concurrent, both with same Tax Credits review requirements, both facing same review challenges, building conditions.

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Tradeoffs

Mississippi Hotel rooms to be removed

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Tradeoffs

Mississippi Hotel rooms to be removed

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Mississippi Hotel rooms to be saved

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Tradeoffs

Mississippi Hotel, floor 10 – hotel rooms removed

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Tradeoffs

Structure for new stage house in former hotel space

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Historic Window Rehabilitation

Salvage Plan

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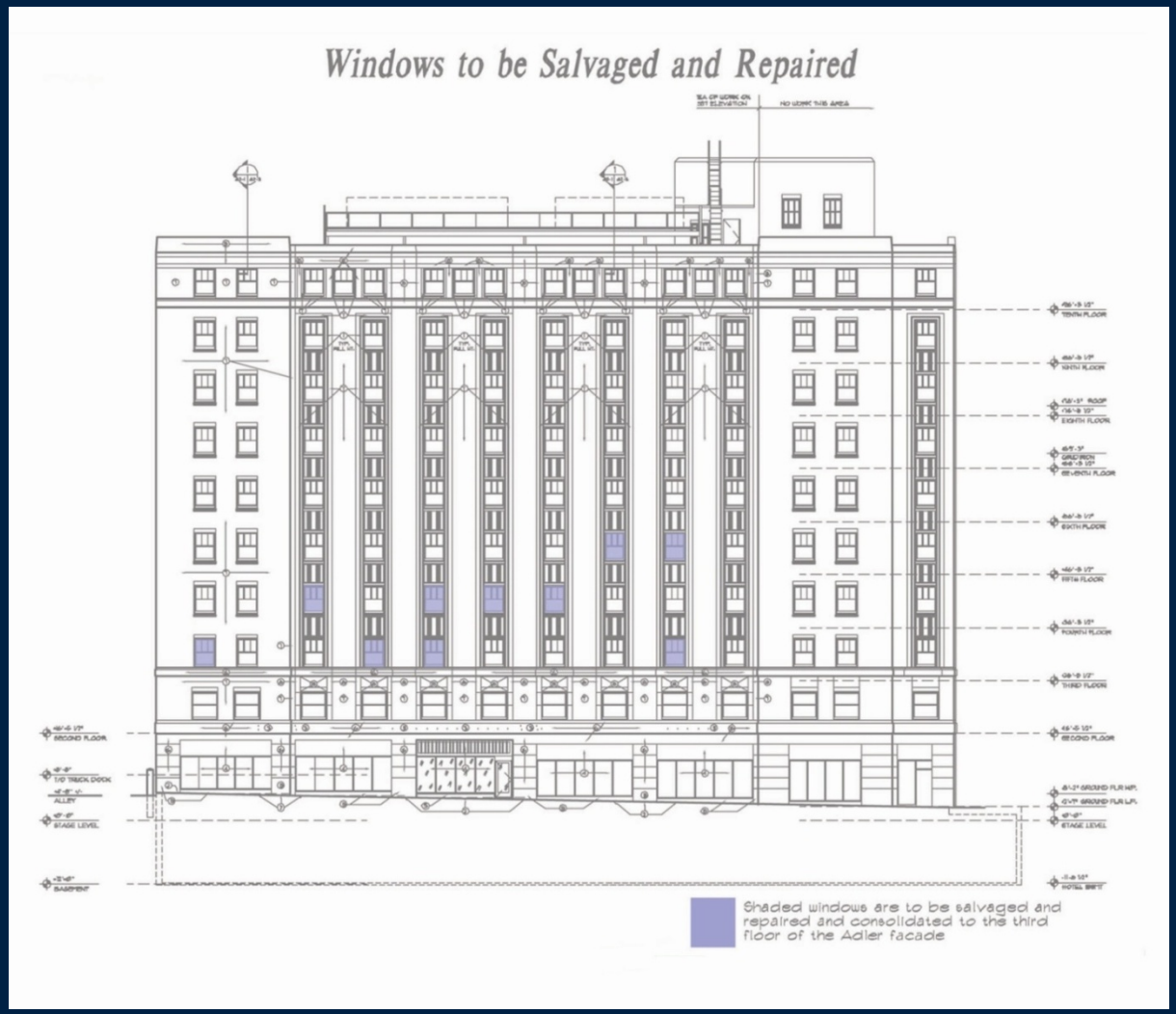
Historic Window Rehabilitation



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Historic Window Rehabilitation

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Historic Window Rehabilitation

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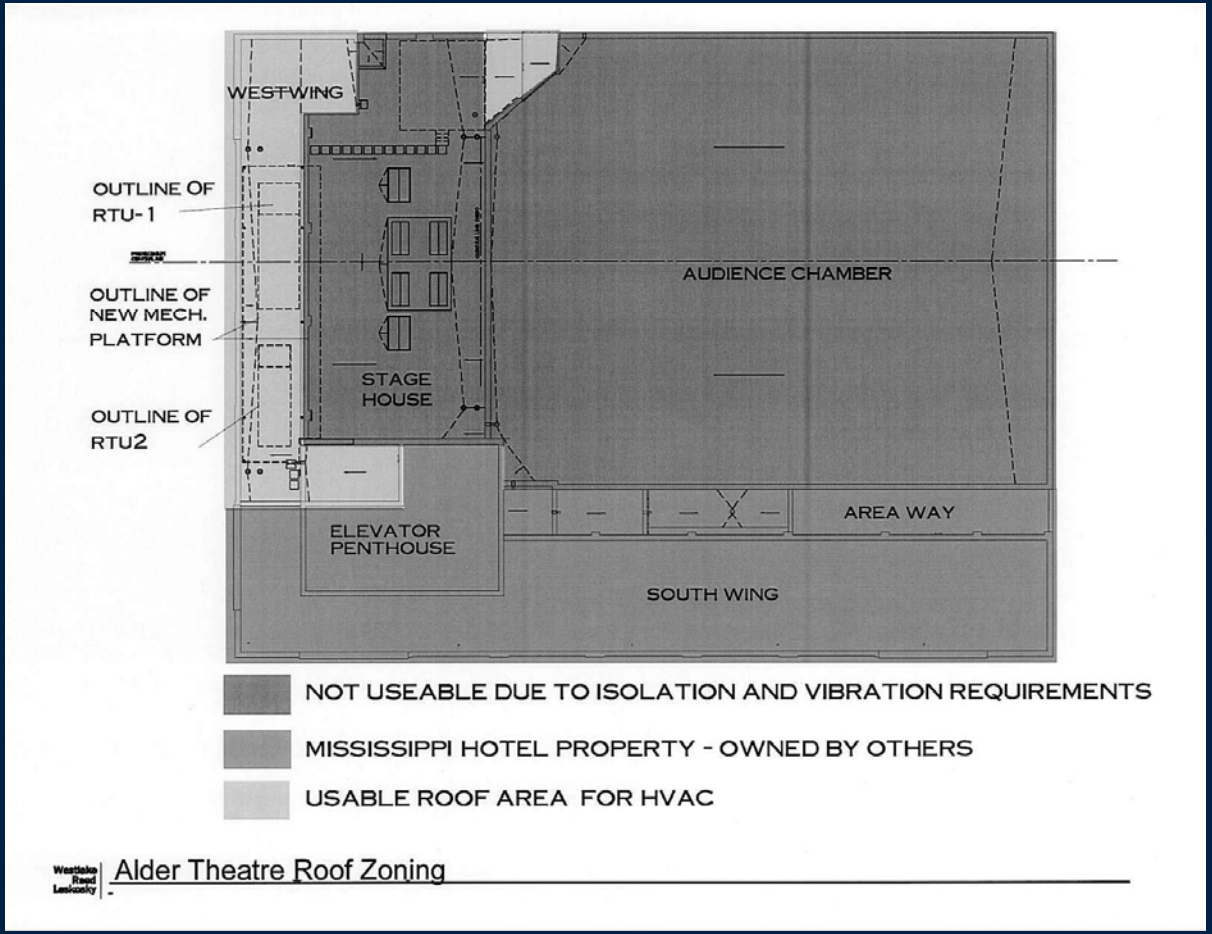
Rooftop Equipment Visibility



Alder Theatre Roof Zoning

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Rooftop Equipment Visibility

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Rooftop Equipment Visibility

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Rooftop Equipment Visibility

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Character Defining Features

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Character Defining Features

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Appendix: Historic Tax Credits

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Historic Tax Credits Application Process

PART 1

- Establishes or Clarifies Significance of Building
- to Historic District, and Listing Status.
- Sets forth the Character Defining Features, and
- highlights (or downplays) components of the building.
- Not required for individually listed NR properties

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Historic Tax Credits Application Process

PART 2 - This is the “legal commitment”

- Detailed Description of ALL work, discusses the treatment of the **“character-defining features,”**
- their condition, and the impact of the proposed work.

- Keyed to architectural plans and photographs

- Ideally written at Schematic Design Phase, in
- consultation with design team, and sequenced so there is time for review by SHPO and NPS.

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Application Process Timing and Review

- Site visit for definition of “Character Defining Features”

- Dialogue between SHPO – Design team – 2-3 months

- Response to SHPO concerns – 30 days,
- Anticipate some design changes

- Application – ongoing discussion
- between architect/preservation/SHPO

- Submittal to SHPO – Forward to NPS.
- Both have 30 days to *respond.* ***Schedule waiting period***

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Character Defining Features

- Entrances and Doors
- Lobby/Foyer
- Audience Chamber
- Proscenium
- Sculptural Ornament
- Corridors and Stairwells
- Newel Posts and Railings
- Fireplaces/Fountains
- Wall Articulation – Tile, wainscoting, plasterwork

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Character Defining Features

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Character Defining Features

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Character Defining Features

Character defining interior fabric must be retained

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Integrity Considerations

- Loss of Integrity Impacts Eligibility for National Register
- Who Made the Changes?
- Is Further Demolition Anticipated?
- Is there still a 10% credit option?

  Note: This is only if you are NOT listed on National Register

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Architectural Challenges for Theatre Projects

- Restoration of Façade Components
- Ticket Booth Restore/Reconstruct/Replace
- Lobby Expansion
- Working with Internal Floor Plan
- Internal Linkage to Adjacent Buildings
- Inserting Elevators and Stairs
- Theatrical Upgrades in Audience Chamber
- Code Compliance

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Architectural Challenges for Theatre Projects

- Install acoustic improvements
- Update all theatrical, rigging, lighting systems
- Upgrade to new MEP
- Fire protection
- ADA
- Provide patron amenities
- Expansion Needs

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Stage House Expansion

- IRS rules do not allow the credit to be used for expanding the volume of the historic building.
- If the project involves expansion of the stage house, some of which is “ADDED VOLUME” to the historic building, the cost of construction of the expanded volume must be prorated.
- This rule has yet to be challenged for a theatre project. BUT, as long as the expansion itself is approved in the PART 2 by the NPS, it is considered part of the rehabilitation.
- What goes inside that volume should be considered as “QRE” expense, since it all relates to **functionality and serviceability**

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Stage House Expansion

Tradeoffs – Demolition and Compatible New Construction

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Stage House Expansion

- Is it all significant ?
- Primary, Secondary, Tertiary Elevations
- If the Stage House is Demolished, What Goes in its Place?

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Confronting Demolition Rules

- The 75% Rule. Regulations say that 75% of the exterior walls must be left in place. There is however some flexibility here, if the demolition is essential to making the project work, and NPS does not raise an objection for architectural reasons.
- Costs for demolition of a historic building cannot be deducted as part of the credit.
- One “historic” building cannot be demolished in order to preserve another “historic” building.

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Pushing the Limits

- Historic?
- Can these be demolished as part of a tax credit project?…