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The Historic Tax Credit Issue



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HTCs, LIHTCs Help Reinvigorate History in Lewistown, Montana

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

A property in the central Montana city of Lewistown with history connecting back to one of its earliest settlers completed a renovation that turned the three-story site in its central business historic district into 16 affordable rental apartments and a medical clinic.

Missoula, Montana-based developer Homeward led the redevelopment of Crowley Block, a locale opened in 1913. The site started as a mixed-use development and will continue as one in its next chapter. The opportunity to reinvigorate a rich piece of Lewistown history was important to Homeward, said Julie Stiteler, project manager for the developer.

“Adaptive re-use historic projects are very rewarding,” said Stiteler. “Being able to bring new life back into buildings that form part of the essential fabric of our built environment is its own reward. Combining that with the ability to provide safe, affordable homes that

are critically needed is the icing on the cake—and the cherries on top.”

The site, rechristened Crowley Flats, used federal historic rehabilitation tax credits (HTCs) and low-income housing tax credits (LIHTCs) in its redevelopment. The property celebrates one year of operation this month. The 16 homes host those earning up to 40%, 50% and 60% of the area median income. One Health, a medical and behavioral care provider operating in Montana and Wyoming, occupies a clinic and pharmacy on the first floor.

Image: Courtesy of Homeward

Crowley Flats used federal historic rehabilitation tax credits and low-income housing tax credits to adapt a block in downtown Lewistown, Montana, into a mixed-use property that includes 16 apartments.



Image: Courtesy of Homeward
Sixteen apartments sit atop a medical clinic in Lewistown, Montana's Crowley Flats, an adaptive reuse rehabilitation that opened in 2023.

Meet Me in Montana

The site's namesake is Annie Crowley, widow of Daniel Crowley, one of Lewistown's earliest settlers. Daniel Crowley established the town's livery, the land which later became Crowley Block. Annie Crowley developed the site in the early 1910s. A three-story brick building in the Lewistown Central Business Historic District, Crowley Block initially hosted Sweitzer's Department Store on the ground floor with offices and a ballroom on the two upper floors. The modern apartments of Crowley Flats occupy those upper floors.

Wild Montana Skies

Homeward brought more than three decades of experience developing housing in the Big Sky State to the redevelopment. The company has developed or preserved 35 properties in 14 communities in Montana. It also manages housing, overseeing nearly 1,600 apartments. Stiteler said that managing so many homes in a state more than 147,000 square miles wide has its challenges.

"Adequate third-party property management services are also a big challenge in smaller communities and rural states like Montana," said Stiteler. "People back east don't really comprehend the geographical differences—it takes us five hours to drive from Missoula to Lewistown, and a 10-hour round trip in the middle of winter can be harrowing or just not possible if roads are closed. Finding

reliable site managers and maintenance staff for property management in the local community is generally very challenging."

Among the properties in its portfolio, Crowley Flats marks the firm's fifth historic adaptive reuse endeavor.

"Reusing existing buildings appeals to Homeward because it is inherently more sustainable than creating new structures, especially when those projects include demolition," said Stiteler. "We also love preserving the historic fabric of our communities by breathing new life into historic buildings. The upper floors of the Crowley Block were plagued by chronic vacancy for decades. Revitalizing those upper floors adds to the vitality of downtown Lewistown and supports a diverse economy by providing homes for workers."

To facilitate the separate components of Crowley Flats, Homeward created a condominium structure. In revitalizing the first floor, One Health deployed a capital stack that used new markets tax credits (NMTCs) and federal HTCs, among other sources. While it wasn't the first time Homeward used this approach—it had previously combined NMTCs and LIHTCs on a property in Missoula, Montana—Crowley Flats provided an additional layer of complexity as Homeward is not the owner of both parts of the structure.



Image: Courtesy of Homeward
Furnishings adorn one of the 16 apartments of Crowley Flats in Lewistown, Montana.

“It’s a lot less complicated if one entity is the ultimate decision maker,” said Stiteler. “However, One Health’s dedication to their community and clients, many of whom are also our residents and clients, led us to believe that we can make this a successful collaboration for years to come.”

Homeword broke ground in May 2022 on its piece of Crowley Flats, with One Health’s portion launching in February of that same year. Jackson Contractor Group served as general contractor. High Plains Architects and their consultants provided architectural and engineering services, including preparation of all parts of the National Park Services Historic Preservation certification applications.

Snowy Mountain Development Corporation provided an Environmental Protection Agency brownfields grant/loan to One Health that also cleaned up any hazardous materials such as asbestos-containing materials, lead-based paint, mercury from thermostats and polychlorinated biphenyls from fluorescent lighting on the upper floors.

Stiteler said one hurdle during the construction phase was procuring and receiving electrical gear, which arrived in August 2023 after some delays. Stiteler said while other communities rebounded more quickly from COVID-19-related supply chain delays, the ripple effect has taken longer to reach Montana.

“From what we understand from our colleagues around the country, most urban areas or states with larger populations are no longer experiencing these long delays supposedly related to COVID-19, but we are still seeing them in Montana,” said Stiteler. “Seeing the project completed and getting that last piece of electrical gear installed felt like major hurdles, so once that occurred, it felt like a significant accomplishment achieved.”

Inside Crowley Flats, Homeword took care to preserve the property’s original wood trim. Skylights and well

openings illuminate a shared atrium space between the apartments.

Of the 16 units, two apartments are set-aside for veterans or seniors. Some residents have Section 8 Housing Choice Vouchers.

“It is a good example of why the Section 8 Housing Choice Voucher program is so critical for Montanans trying to find homes they can afford to rent,” said Stiteler.

In keeping with its efforts in other Montana communities, Homeword plans to provide virtual financial skill building and first-time homebuyer classes to its residents.

Montana Melody

The \$5 million rehabilitation of Crowley Flats pulled together several financing sources.

Red Stone Equity Partners syndicated the tax credits, providing \$2.7 million in LIHTC equity and \$739,583 in federal HTC equity.

“The impact capital we invest has on a community often doesn’t correlate directly with the size of the investment,” said Matt Grosz, managing director and deputy chief investment officer for Red Stone Equity Partners. “High-impact investing in traditionally underserved communities is an important cornerstone of our business and Crowley Flats is a great example of how the LIHTC and HTC programs can be leveraged to help preserve and revitalize storied historic assets in rural communities like Lewiston.”

Stiteler said HTCs were a key gap filler for Crowley Flats.

“Preserving historic elements has an inherent cost, but the result is a building that would not be financially feasible to construct for homes people can afford to rent today and the historic equity pays for the added costs associated with preserving and restoring historic elements,” said Stiteler.

In addition to the tax credits, Homeword received a \$1.1 million Montana Housing Community Housing HOME grant award. The Federal Home Loan Bank of Des Moines awarded a \$160,000 Affordable Housing Program grant. Glacier Bank provided construction lending.

The Steele-Reese Foundation provided a \$30,000 grant that helped Homeword pay for the re-glazing of the original historic wood windows. The city of Lewistown awarded \$50,000 in tax increment funding for the windows as well as restoration of the original tile work at the site's Main Street entry. ❖

CROWLEY FLATS

FINANCING

- ◆ \$2.7 million in low-income housing tax credit equity syndicated by Red Stone Equity Partners
- ◆ \$1.1 million Montana Housing Community Housing HOME award
- ◆ \$739,583 in federal historic rehabilitation tax credit equity syndicated by Red Stone Equity Partners
- ◆ \$295,833 deferred developer fee
- ◆ \$160,000 Federal Home Loan Bank of Des Moines Affordable Housing Program grant
- ◆ \$50,000 tax increment financing from city of Lewistown, Montana
- ◆ \$30,000 grant from Steele-Reese Foundation

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