

Case Studies in

AFFORDABLE HOUSING Through Historic Preservation



Number 3: Shelly School Apartments, West York, Pennsylvania



Case Study Highlights

- **Combined use of Historic Rehabilitation Tax Credit and Low-Income Housing Tax Credit**
- **Retention of historic floor plan**
- **Code compliance – enclosure of stairs**
- **Code compliance – accessibility**

The Shelly School Apartments, West York, Pennsylvania, consist of two former public school buildings built in 1897 and 1905. Historically, both buildings were expanded as the community's school population increased. Built as a one-room schoolhouse, the 1897 building, the Annex, was added to between 1898 and 1903. The 1905 building, the William Shelly School, was added to in 1908 and substantially rebuilt in 1919 after an extensive fire. Both buildings continued in use as schools until 1958. As a result of municipal school district consolidation, the buildings were sold in 1960 to a moving and storage company for office and storage use. In 1997, PFG Capital acquired the property for the purpose of developing affordable housing. Completed in 2002, the two buildings were rehabilitated into 17 apartments: 4 units in the 1897 building and 13 units in the 1905 building, 5 of which are accessible.

Project Overview

Formed in 1986, PPG Capital Corporation rehabilitates existing buildings, believing that new construction requires more funding and is more expensive to undertake. Starting with its first low-income tax credit project in 1986, PPG Capital has gone on to complete eleven projects, with more planned. The company uses its in-house general contractor to insure a seamless process between development and construction and to provide greater control over the construction schedule and meeting deadlines.

PPG Capital became interested in the Shelly School buildings in 1997 because of its experience in developing affordable housing and because it understood the value of combining the Low-Income Tax Credit and the Historic Rehabilitation Tax Credit for development projects. Since the Shelly School buildings were not listed in the National Register of Historic Places, the development company contracted with Historic York, Inc., a local not-for-profit historic preservation organization, to research and prepare

PROJECT DATA

Current Name:	Shelly School Apartments
Historic Name:	William Shelly School and Annex
Address:	1415 Stanton Street, West York Borough, PA
Building type:	School
Date of Construction:	School, 1905 and 1908, 1919 rebuilt after fire; Annex, 1897-8, 1903
Date of rehabilitation:	2001-2002
Original use:	School, office and storage
New use:	Affordable Housing
Type of construction:	Brick



National Park Service
U.S. Department of the Interior
Heritage Preservation Services

October 2005

a report on the history and significance of the buildings for submission to the Bureau for Historic Preservation, Pennsylvania Historical and Museum Commission, which is Pennsylvania's State Historic Preservation Office (SHPO). After conducting a site visit in March 1998 and reviewing the documentation, the SHPO advised the owner that the property appeared to meet National Register criteria A and C for education and architecture and would be nominated for listing in the National Register.

Rehabilitation Work

The Shelly School buildings retained a significant amount of historic features and fabric on both the interior and the



William Shelly School (right) and Annex (left) before rehabilitation. All the original windows remained beneath the plywood.

DEVELOPMENT SCHEDULE	
Event	Date
Project initiated	August 1997
Preservation consultant hired	November 1997
SHPO site visit	March 26, 1998
SHPO Determination of Eligibility	April 14, 1998
Architect hired	July 1999
HOME Fund approval	November 1999
LITC reservation approval	September 2000
L & I variance approval	September 26, 2000
HRTC Part 1 approval	November 6, 2000
Financing approval	November 2000
First L & I variance hearing	December 12, 2000
Construction begun	January 2001
Second L & I variance hearing	April 25, 2001
Listing in National Register of Historic Places	May 2, 2001
HRTC Part 2 approval	May 21, 2001
Leasing begun	September 2001
Leasing completed	October 2001
Construction completed	October 2001
LITC allocation	February 2002
HRTC Final Certification approval	March 5, 2002

Notes
HRTC – Historic Rehabilitation Tax Credit
L & I – Pennsylvania Department of Labor & Industry
LITC – Low-Income Housing Credit
SHPO – State Historic Preservation Office

exterior when PFG Capital acquired them. These features included all the original double-hung sash windows, both interior staircases located at the ends of the east-west corridors that extended the length of the 1905 building on all floors, wainscoting in both the corridors and classrooms, window and door trim, original classroom doors and transom sash, and light fixtures. In order to qualify for the Historic Rehabilitation Tax Credit, the Shelly School buildings needed to retain these character-defining features *in situ* while accommodating the new use as apartments.

The William Shelly School, the 1905 building, had a number of intricate rehabilitation issues. The proposed program called for re-establishing the original entrance on the south elevation of the 1905 building and making the entrance, which is four to five feet above grade, accessible for disabled residents; maintaining the intact east-west corridor with the original wainscoting, classroom doors, transoms, and trim; preserving the symmetrical staircases that served all three floors; maximizing the use of the classroom space and auxiliary spaces; providing a safe means of egress without having to add new emergency stairs; and meeting the energy efficiency requirements for affordable housing of the Pennsylvania Housing Finance Agency.

PFG Capital wanted to reestablish the original south entrance, which had been infilled in 1960, and to reconstruct the exterior steps. Historically the stairs ascended directly into the recessed entry; there was no stoop. The architect applied for and was granted a variance by the Pennsylvania Department of Labor & Industry (L & I), the statewide building code review agency, so that two accessible exits and an elevator were not required. The architect's first design for making the re-established historic entrance accessible called for a long switchback ramp that traversed the entire east side of the south elevation. The SHPO had concerns about the impact of adding a ramp of this scale across the principal



elevation of the building. Accordingly, the owner proposed instead to add a lift on the east side of the reconstructed exterior steps. This solution, which was included in the L & I variance, had a minimal effect on the principal elevation and allowed the historic main entrance to be utilized by all residents.

Of critical importance to the building's historic integrity was the intact interior floor plan, which likely dated to the rebuilding of the school after the 1919 fire. In the corridors, all the historic features and finishes survived, including wainscoting, doors, frames, and transoms on all three floors, and the two staircases with arched windows on the landings at the opposite ends of the corridors. The statewide building code in place at that time (2000) required a one-hour rated corridor in order to provide a safe means of egress from the building. Working with the SHPO, the architect applied for a second L & I variance that allowed for the retention of the intercommunicating stairs and existing classroom doors and that waived the requirement for a one-hour fire rating between the units. This required that the building be equipped with automatic and manual fire alarm systems, sprinkled according to NFPA 13(r), equipped with emergency lighting, and that all the glass in the historic doors and transom sash be retrofitted with



Shelly School classrooms (top) and halls (above) prior to rehabilitation; historic features and finishes were preserved in the rehabilitation.



The historic main (south) entrance was reopened and an accessible lift placed to the right of the rebuilt steps, enabling all residents to use this entrance.

¼” wire glass. L & I granted this second variance. Thus, the historic features and finishes and architectural detailing in the corridors could be preserved, while making the stairs and corridors safe means of egress.

A more complex issue remained, however. In granting the second variance that allowed for the retention of historic materials in the corridors, L & I ruled that a smoke barrier must be installed between the staircase and the corridor on the ground and first floor, although the second floor corridor could remain open. This requirement presented a dilemma. The symmetrically located open staircases at each end of the first floor corridor were architecturally significant and character-defining; therefore, the visual connection between the first floor corridor and the stairs needed to be retained. Additional discussion between the

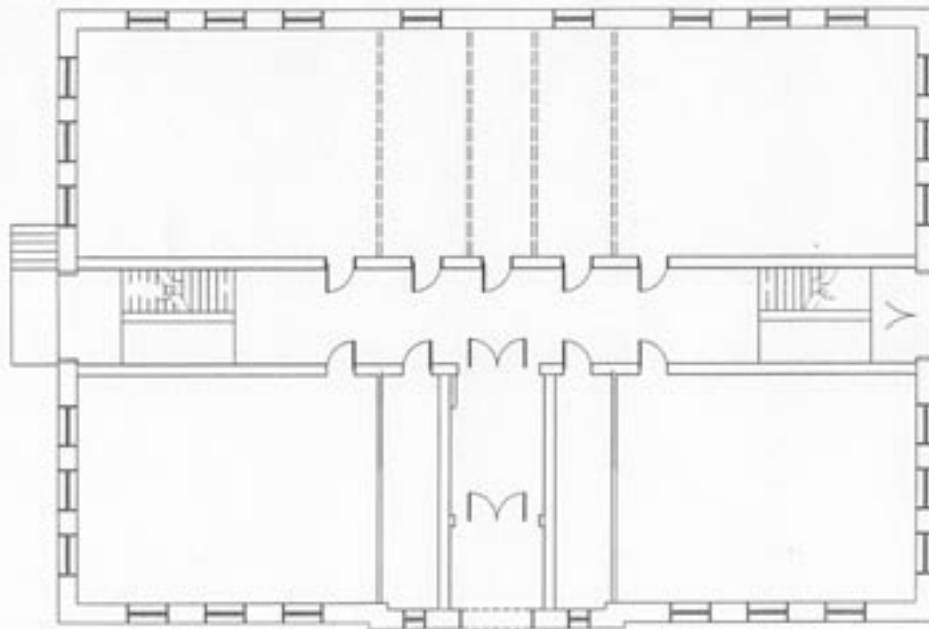
The Shelly School rehabilitation successfully retained the historic corridors and their connection to the original stairs, while creating apartments in the former classrooms.

SHPO and the project architect resulted in the following solution: construct a one-hour fire-rated wall at the bottom of each staircase on the ground floor and construct glass wall smoke barriers at the top of each staircase on the second floor landing. This allowed the staircases to remain open on the first floor corridor. With some reluctance, the project architect proposed this solution for a third variance to L & I. After a private hearing, an unusual procedure, it was approved with the provision that all doors were to be fitted with automatic closures.

Mechanical ductwork and sprinkler piping were concealed in an 18” deep bulkhead that crossed the corridors.

Historic pendent lights similar to those remaining in the classroom were acquired from a community architectural warehouse to highlight the historic character of the corridors.

The high level of historic features and finishes remaining in the classrooms posed a challenge to the unit design because of the need to retain the historic materials, to provide comfortable units for the tenants, and to meet the Pennsylvania Housing Finance Agency’s energy requirements. Geo-thermal heating systems that operate at costs 25% less than conventional systems and are more



First Floor Plan before

ecologically sensitive were installed. Mechanical systems for each of the apartments were placed above the ceilings in the kitchen and bathrooms, which allowed the historic ceiling height to be maintained in the living and bedroom areas. In order to insulate each of the units to meet the International Energy Conservation Code, the original wood trim was carefully removed from the exterior walls, the walls were furred out with R-13 insulation, gypsum board was applied to the furring channels, and the historic trim was reinstalled. In addition, exterior storm windows were installed on all windows. Because the original slate blackboards were generally located on interior walls that did not require re-insulation, they were retained in some units as decorative features.

Project Financing

Several layers of conventional and government-funded financing were utilized to meet the development and rehabilitation costs for the Shelly School project. This included a construction/bridge loan in the amount of \$285,000 from The Drovers & Mechanics Bank, York, Pennsylvania, and HOME funds in the amount of \$340,000 provided as a below-market rate loan by York County through the HOME Investment Partnerships Program of the U S Department of Housing and Urban Development. Even with this financing, the owners had a gap to close and, therefore, sought other avenues for funding. Since the project was to provide residential rental units for low-income families and individuals, an application was made to the Pennsylvania Housing Finance Agency for an allocation of Federal Low-

PROJECT FINANCING

Total Cost of Project

Acquisition	\$ 160,000
Rehabilitation*	<u>\$1,724,700</u>
<i>Total</i>	<i>\$1,884,700</i>

Total rehabilitation cost per unit \$101,453
**Represents total costs, not just qualifying costs*

Sources of Funds

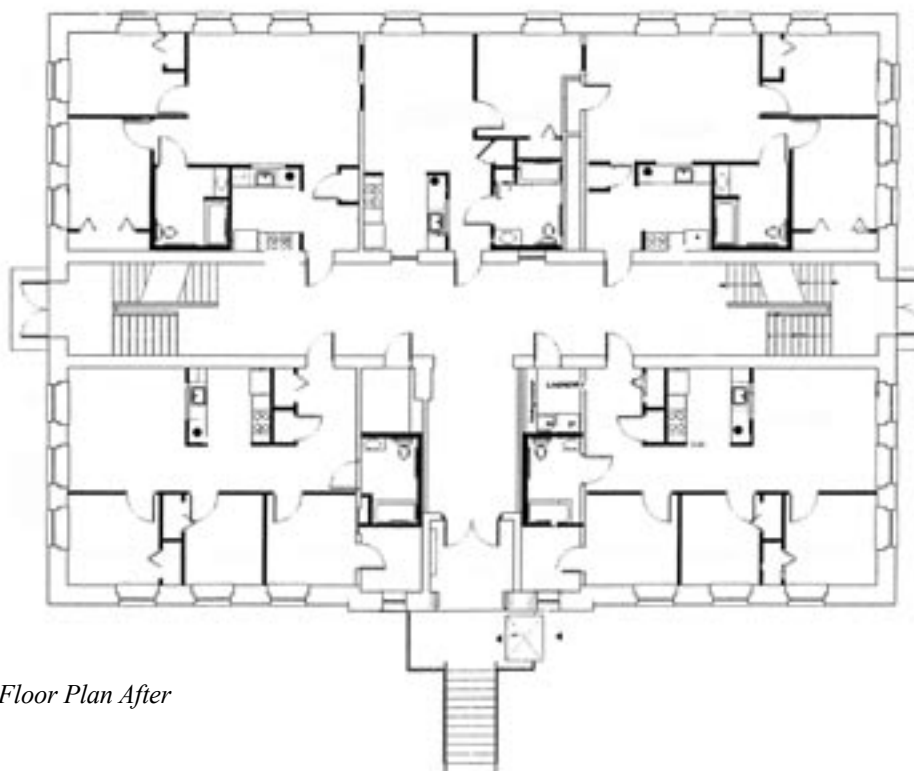
The Drovers & Mechanics Bank (Bridge Loan)	\$285,000
York County HOME Funds	\$340,000
Developer Fee Reinvestment	<u>\$ 98,700</u>
<i>Total</i>	<i>\$723,700</i>

Equity

The Drovers & Mechanics Bank	\$1,160,000
Housing Initiatives Community Development Corporation	<u>\$ 1,000</u>
<i>Total Financing Sources and Equity</i>	<i>\$1,884,700</i>

Tax Credits

Low-Income Housing Tax Credits	\$109,160/year
Historic Rehabilitation Tax Credits	\$303,162



First Floor Plan After

Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code. In addition, due to the historic significance of the property, an application for the Federal Historic Rehabilitation Tax Credit, a 20% tax credit on qualified rehabilitation expenditures, was submitted to the SHPO.

Ultimately, the project received an allocation of Low-Income Housing Tax Credits for a ten-year period. The project qualified for both the Low-Income Housing Tax Credit for the rehabilitation of the building as well as



The glass smoke barrier at the top of the stairs is compatible and retains the visual connection between the stairs and the second floor corridor.

for its acquisition. Projects may qualify for the acquisition credit if the property has not changed hands in the ten years preceding its purchase by the owner who will rehabilitate it, and if the owner during that ten-year period made improvements of no more than 25 % of the building's basis. The Low-Income Housing Tax Credit and the Historic Rehabilitation Tax Credit provided the financial incentives needed to undertake this project.

The combination of the two tax credits gave the project owners the opportunity to obtain additional equity by syndicating the project. To position the project for syndication, a limited partnership was formed in which PFG Capital Corporation and Housing Initiatives Community Development Corporation, a local not-for-profit organization, served as the general partners. The general partners owned, in the aggregate, a one-percent interest of the partnership's net earnings, losses, and tax credits. The Drovers & Mechanics Bank was subsequently admitted to the partnership as a limited partner, owning a ninety-nine percent interest of the partnership's net earnings, losses and tax credits. As consideration for its



The historic corridors and their features and finishes convey the historic character of the former school and provide distinctive public spaces for residents.

TAX CREDIT ANALYSIS

Historic Rehabilitation Tax Credit

Total development costs	\$1,883,860
Total qualifying expenditures	\$1,515,809
Tax credit %	20%
Total Historic Rehabilitation Tax Credit	\$303,162
Equity yield for Historic Rehabilitation Tax Credit	87.4¢
Equity raised from Historic Rehabilitation Tax Credit	\$265,000

Low-Income Housing Tax Credit

Total development costs	\$1,883,860
Total qualifying rehabilitation expenditures	\$1,553,783
Less Historic Rehabilitation Tax Credit	\$303,162
Eligible rehabilitation basis	\$1,250,621
Low-income proportion	100%
Qualifying rehabilitation basis	\$1,250,621
Annual rehabilitation credit %	8.42%
Annual rehabilitation credit amount	\$105,302.29
Qualifying acquisition basis	\$154,362
Annual acquisition credit %	3.61%
Annual acquisition credit amount	\$5,572
Total eligible Low-Income Housing Tax Credit	\$1,108,748
Actual credit award (based on reserved credits)	\$1,091,600
Equity yield for Low-Income Housing Credit	81.99¢
Equity raised from Low-Income Housing Credit	\$895,003

Total Combined Equity **\$1,160,000**

partnership interest and the benefits it would obtain as a partner, including its share of the Low-Income Housing and Historic Rehabilitation Tax Credits, the Bank contributed \$1,160,000 to the project. This contribution, together with the reinvestment of PFG Capital Corporation's developer fee in the amount of \$98,700 and \$1,000 in capital contributions made by Housing Initiatives Community Development Corporation, closed the project's financing gap, and the owners were in a position to begin the rehabilitation.

Summary/Project and Community Benefits

The rehabilitation of the William Shelly School and Annex into the Shelly School Apartments successfully brought affordable housing to a mix of elderly, singles, families,

and individuals with disabilities. The project resulted in a significant improvement to the neighborhood: it rehabilitated two vacant historic buildings, returning them to a use consistent with the residential neighborhood in which they are located, and added affordable housing into a community that needed such housing. New landscaping provided additional aesthetic benefits to the neighborhood. Although the residents of the neighborhood were initially skeptical about having neighbors with income and social service needs, these concerns were allayed by having on-site property management around the clock. The on-site staff guides potential residents with the tenant application process and pays attention to both the maintenance needs of the building and the needs of residents. Additionally, the on-site staff maintains a relationship between the management and

the residents and functions as a liaison between management and the various community service providers.

The Historic Rehabilitation Tax Credit added the financial incentive needed to undertake this project. However, the requirements that significant features, such as the corridors and stairs, be preserved accompanied the credits. Early consultation with the State Historic Preservation Office resolved rehabilitation concerns presented by these requirements. In the final analysis, the developers believed that the benefits outweighed the requirements. If both the Historic Rehabilitation Tax Credit and Low-Income Tax Credit had not been utilized, the building would have likely continued in a marginal use or been abandoned. The rehabilitation created unique and desirable living units, as demonstrated by the fact that the Shelly School Apartments were fully leased within two weeks of opening, and the management maintains a waiting list for new residents.

This CASE STUDY in AFFORDABLE HOUSING was prepared by Bonnie Wilkinson Mark, Bureau for Historic Preservation, Pennsylvania Historical & Museum Commission, with assistance from Dan G. Deibler, former Division Director, Bureau for Historic Preservation, Pennsylvania Historical & Museum Commission. Financial analysis provided by Barbara Gall, Esq., Keefer Wood Allen & Rahal, PC, and by Susan M. Belles, Pennsylvania Housing Finance Agency.

CASE STUDIES IN AFFORDABLE HOUSING are designed to provide practical information on innovative techniques for successfully preserving historic structures while creating affordable housing. This Case Study was prepared pursuant to the National Historic Preservation Act, as amended, which directs the Secretary of the Interior

Ownership Structure

Shelly School Apartments Limited Partnership

General Partners

Housing Initiatives Community Development Corporation
PFG Capital Corporation

Limited Partner

The Drivers & Mechanics Bank, a division of
Fulton Bank

Developer

Daniel U. Dygert, President
PFG Capital Corp.
3415 Concorde Road, Suite A
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Architect

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to develop and make available to government agencies and individuals information concerning professional methods and techniques for the preservation of historic properties.

Comments on the usefulness of this information are welcomed and should be addressed to Affordable Housing Case Studies, Heritage Preservation Services, National Park Service, 1849 C Street NW (Org. 2255), Washington, DC 20240.