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Tax Credit Equity Gives Historic West Virginia Theater a Curtain Call

BRAD STANHOPE, SENIOR EDITOR, NOVOGRADAC & COMPANY LLP

It looked like curtains for the Robinson Grand Performing Arts Center in Clarksburg, W.Va., but a combination of historic tax credit (HTC) and new markets tax credit (NMTC) equity has the historic theater ready for a second act.

“We will have the opportunity to show movies and have plays and bring in everything from national entertainers all the way down to grade school and high school artists,” said Martin Howe, Clarksburg city manager and a member of the Clarksburg Development Authority, which serves as developer for a \$21 million renovation of the property. “This gives us a wide range of opportunities.”

Clarksburg residents are enthusiastic about the renovation of the 105-year-old property.

“The theater was still in operation as late as the early 1990s,” said Kate McAnnar, project manager at tax credit investor U.S. Bancorp Community Development Corporation (USBCDC). “People remember going to that theater as a kid.”

Construction should be complete in late May, followed by a soft opening and then a grand opening in the fall to kick off the arts and culture season, capping a four-year effort by the city to renovate a key downtown hub.

“It’s been dormant for approximately 15 to 20 years,” Howe said. “There was no activity taking place within the structure, so the overall concern was the future of the building. It was headed toward falling into disrepair, there was no maintenance or upkeep and it kept switching ownership.”

Investors foreclosed on the property in 2014, providing an opportunity for the city to acquire it. After completing the purchase and planning, construction began.

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“This will make a big difference in Clarksburg,” said Rob Bryant, a principal in Novogradac & Company LLP’s Dover, Ohio, office, who provided consulting services and financial projections for the transaction. “Without the tax credits, it couldn’t have happened, but now the city will benefit both in terms of entertainment and in additional economic development.”

Vaudeville, Sound Equipment Pioneer

The theater opened Feb. 7, 1913, about three years after a previous opera house in Clarksburg burned, leaving the city without a major venue. Owners Claude and Rube Robinson were involved in the theater business from a young age and Claude managed several theaters in New York City.

The theater was built with a large stage, since the Robinson brothers knew it would be easier to expand the seating than the stage. The theater was part of the vaudeville circuit and hosted such acts as ventriloquist Edgar Bergen, Jack Benny, and Amos and Andy.

In 1927, the Robinson Grand was enlarged and remodeled, becoming the 13th movie theater in the nation with sound equipment. Seating capacity grew from 1,000 to 1,500 and the interior was extravagantly decorated with murals painted to look like stone walls, trees, flowers, hillsides and more.

A 1939 roof fire destroyed most of the stage and house, closing the theater for seven months. The updated version (which remains), kept the 1927 façade, but added a new house and stage. The theater was a movie house through the 1980s, but also hosted plays, concerts and community events. In 1984, the building was sold, remodeled and renamed the Rose Garden Theater, but use declined. It closed, sat vacant and the city purchased it.



Image: Courtesy of City of Clarksburg, W.Va.
Renovation of the Robinson Grand Performing Arts Center in Clarksburg, W.Va., is being funded largely by equity from new markets tax credits and historic tax credits.

Renovation required following National Park Service (NPS) requirements to qualify for the federal HTC.

“When we went down the road for historic tax credits, we thought issues would arise,” Howe said. “We wanted to keep the integrity of the 1930s and bring it into the modern area. We thought there would be hurdles with the state historic preservation office and the NPS, but we found they were very willing to work with us.”

City’s Role Key to Success

The fact that Clarksburg was the de facto developer simplified things. “I think it’s positive from a couple of perspectives,” said Brian Oxford, manager, new markets for CAHEC New Markets LLC, a subsidiary of Community Affordable Housing Equity Corporation (CAHEC), which provided \$10 million of NMTC allocation. “We know the city is not a new organization; it has the funding and authority to make it work. The city understands the community’s needs and will stand behind the project.”

Bryan Phipps, chief development officer of People Incorporated Financial Services, which also allocated \$10 million in NMTCs to the development, agreed.

“One of the things that jumped out was it was evident that the city really did its homework,” Phipps

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Image: Courtesy of City of Clarksburg, W.Va.

The Robinson Grand Performing Arts Center in Clarksburg, W.Va., sat vacant for 15 to 20 years before the city began a renovation using historic tax credit and new markets tax credit equity.



Image: Courtesy of City of Clarksburg, W.Va.

When complete, the Robinson Grand Performing Arts Center in Clarksburg, W.Va., will be available for everything from grade school artists to national entertainers.

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said. “They did an excellent job of explaining why rehabilitating and restoring the theater was a key to economic vitality in the area. ... From a community development entity (CDE) standpoint, we look for local government support. We’re not going to go into communities and tell them what they need, but we will help them achieve what they want. Having the backing of the local administration really helps.”

Why CDEs Like Property

The development was attractive to CDEs for other reasons, too.

Phipps said the Robinson Grand Performing Arts Center is the third performing arts center transaction by People Incorporated. “We’re a rural CDE and this is a rural Appalachian community,” he said.

For Oxford, geography was important. “CAHEC has invested in affordable housing throughout West Virginia [as a low-income housing tax credit syndicator] but it has been difficult finding NMTC opportunities,” Oxford said. “The Robinson Grand is an impactful project for the city and the region. It will provide cultural and economic development opportunities in a community where we have invested in affordable housing. West Virginia’s designation as an NMTC

underserved state and the location in a rural county was also a positive for the project.”

Phipps agreed. “I think anytime you deal with real estate, location, location, location is really important,” he said. “You can see this property is on the outskirts of the downtown district in a visibly distressed neighborhood. We see this as a jewel in the middle of dilapidated buildings and once everything gets in order, it could have some dramatic catalytic growth.”

The investor echoed the thoughts. “We have an affinity for rural, historic town deals on main street that are a lynchpin to reinvigorate part of a community that’s been in some decay,” said Jennifer Westerbeck, vice president at USBCDC. “This is in a gateway to the city that is very blighted and in need of improvement. It’s in the mountains of West Virginia and [to arrive there,] you go past another deteriorated historic building. The city is very much in this deal and we’ve seen their commitment and pride in it. As a result, we’ve been trying to generate a pipeline in West Virginia.”

Education a Key to Deal

In addition to the general renovation, the development includes a restored exterior, a 950-seat performance hall, a high-definition projector and screen, an

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1,800-square-foot banquet room, 3,500-square-foot education room, new dressing rooms, a caterer's kitchen, a circular bar and new loading dock.

"There's event space and talking to the city, there are limited options for that in Clarksburg," McAnnar said.

Education was crucial. "They expect that the school district will use classes," said Westerbeck. "[The schools] don't have the capacity to teach preforming arts now. This will attract people."

Howe said the educational element was deliberate. "Both (CDEs) had allocations that could be put toward the project, so we had to sell this project to them to be sure it's a good partnership," Howe said. "Part of their missions is education and this has arts, culture and education. We partnered with the board of education and with surrounding counties for their schools to use the venue and offer classes in the future. They'll have seminars, classes and camps."

Financing: New Ground for City

Both People Incorporated and CAHEC allocated \$10 million. USBCDC invested \$6.6 million for the NMTCs, \$2.5 million for the federal HTC and \$1.3 million for the state HTCs.

For the city, it was new ground. "This is the first new markets tax credit and historic tax credit project that the city has done, so it was new territory from the funding side," Howe said. "There was a large learning curve. It took a little over a year to get the partners to the table."

Benefits go Beyond Theater

For Clarksburg, a city of about 17,000 residents, there is broad awareness. "The public in the region is very

aware of the project," Howe said. "It's a mixed opinion about it. The public-sector project, but at the same time, there's a large amount of citizens who understand why we're protecting a historic structure and the community development side. The other side says it's public funds and their view is that the money could be used elsewhere. We say that money would *not* be able to be used elsewhere. The new markets tax credit and historic tax credit would be untapped funds."

The impact is already felt. Phipps said the city has already received interest from owners of adjacent buildings who may do renovations.

"We definitely believe this will help support existing businesses," Howe said. "It adds another attraction within the district. There also will be a benefit of new businesses—restaurants, night life and adding to the overall quality of life." ♦

Robinson Grand Performing Arts Center

FINANCING

- ♦ \$11.4 million bond anticipation note from MVB Bank
- ♦ \$10 million new markets tax credit (NMTC) allocation from Community Affordable Housing Equity Corporation
- ♦ \$10 million NMTC allocation from People Incorporated Financial Services
- ♦ \$6.6 million NMTC equity from U.S. Bancorp Community Development Corporation (USBDCD)
- ♦ \$2.5 million in federal historic tax credit (HTC) equity from USBDCD
- ♦ \$1.3 million in state HTC equity from USBDCD
- ♦ \$1.2 million equity from Clarksburg Development Authority

This article first appeared in the February 2018 issue of the Novogradac Journal of Tax Credits.

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alex.ruiz@novoco.com
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