



## Beloved former Orphanage Becoming Iconic Affordable Housing

**BRAD STANHOPE, ASSIGNMENT EDITOR, NOVOGRADAC & COMPANY LLP**

**E**quity from low-income housing tax credits (LIHTCs) and historic tax credits (HTCs) is helping a former orphanage that is one of the most beloved buildings in Marquette, Mich., become affordable housing after sitting vacant for 35 years.

The Holy Family Orphanage was home to hundreds of children from the time it opened in 1915 until 1967, when it became office buildings. Since 1981, it sat vacant.

Until now.

HRS Communities of Farmington Hills, Mich., and Marquette, Mich.-based nonprofit Community Action Alger-Marquette are teaming up to turn the building into the Grandview Marquette, a 56-apartment complex that is drawing raves from residents.

“This community has been tremendous and extremely supportive in its support,” said Shannon Morgan, senior vice president of HRS Communities. “We had a groundbreaking event in August and more than 150 people turned out. The community really embraces this—it’s one of the most transformational buildings.

There’s a lot of emotion for it in the region. A lot of people have a storied history with it.”

The impact goes beyond the city limits. “It’s a natural building to be repurposed into affordable housing. If this building isn’t full at the close, it will be shortly later,” said Rich Lievense, chairman at LIHTC investor InSite Capital, a subsidiary of Chemical Financial Corporation. “It’s really a cool building. It’s not just big for the city; it’s big for the whole Upper Peninsula. Everyone in Marquette knows it and loves it.”

Amy Lerlie, executive director of nonprofit Community Action Alger-Marquette, which will also provide services to the residents, said the development is significant in her hometown. “This building is in the heart of downtown Marquette and has been deteriorating for 20-plus years,” Lerlie said. “There is such incredible sentiment in the community for it.”

It just took a few decades to make the journey from orphanage to affordable housing.



*Image: Courtesy of HRS Communities*

**The Holy Family Orphanage was home to hundreds of orphans for decades after opening in 1915. It is being turned into an affordable housing apartment complex.**

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### Historic Orphanage

The Holy Family Orphanage opened in 1915, housing mostly elementary-school-aged children, although infants and older children were added. Over the decades, it was the home to Native American children who were taken from their parents to be integrated into white culture, as well as a group of child refugees from Cuba. At its peak, it housed 200 children.

After the orphanage closed in 1965, it remained administrative offices for 16 years before closing. The nearly 80,000-square-foot complex was vacant for decades—and iconic.

“This has a long history of being noteworthy for being potentially haunted,” said Andy Martin, rental development director at the Michigan State Housing

Development Authority. “It was noteworthy for people breaking into it because of that.” In fact, over the years it was a rite of passage in Marquette to enter the “haunted” building.

### Redevelopment Finally Arrives

The building sat vacant until a local businessman announced development plans in the late 1990s. That started a series of ideas that rarely got off the ground, such that Lerlie said it got to the point that, “when another group would come in and say they were going to save the building, the eye-rolling would start.”

That changed in 2014. “We were actually approached by several state agencies to look at the city of Marquette. There’s been a lot of work done by the city and there are some unique approaches,” said Morgan. “Marquette is

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## Grandview Marquette Apartments



Image: Courtesy of HRS Communities

When completed, the Grandview Marquette will have 56 affordable apartments, thanks to equity from low-income housing tax credits (LIHTCs).

Statistics	
<b>\$16,000,000</b>	Budget in dollars for rehabilitation into apartments
<b>\$12,800,000</b>	LIHTC equity in dollars from Old National Bank and InSite Capital
<b>\$2,400,000</b>	HTC equity in dollars from Old National Bank
<b>\$100,000</b>	Cost of Holy Family Orphanage in dollars when it was built in 1915.
<b>75,000</b>	Size of building in square feet.
<b>200</b>	Children in orphanage at peak.
<b>101</b>	Age of building, in years.
<b>56</b>	Total affordable apartments (14 are supportive housing)
<b>52</b>	Years building operated as orphanage run by the Catholic Diocese of Marquette.

Sources: Old National Bank, Novogradac & Company LLP

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really the capital of the northern peninsula of Michigan, but it lacks much affordable housing. On our first trip, we discovered this iconic building that everyone there knows. It was a staple in the middle of the city and we were really quite enthralled. Our team fell in love with it.”

The next stage was to connect with a local partner. “We got involved because some folks at HRS contacted the MSHDA [Michigan State Housing Development Authority] and they recommended contacting us,” Lerlie said. When the HRS people walked in, “it changed everything,” said Lerlie.

Lerlie doesn’t try to disguise her joy at participating in the redevelopment of the former Holy Family Orphanage. “It’s incredibly emotional,” she said. “This is a gift to my hometown. Hands down, it’s the proudest moment of my career. I’m pretty lucky.”

Morgan said affordable housing is needed in Marquette and the location of the Grandview Marquette has an

additional benefit: it is a few blocks from a new, \$300 million hospital campus being built by UP Health System-Marquette, which broke ground last spring and is scheduled to open in 2018. “First and foremost, it’s a stunning historical structure,” Morgan said. “It’s all the items you hope for in an affordable building, in the case of location, availability of transportation and a new hospital with 3,500 employees.”

The involvement of Morgan’s company was crucial.

“One of the reasons we like HRS so much is they do a fantastic job of reaching out to the community and working together to build something that works within the local market,” said Chip Windisch, vice president of capital markets at tax credit investor Old National Bancorp.

Windisch also said the involvement of Community Action Alger-Marquette was crucial. “They are so well received,” Windisch said. “It’s really important to get

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someone who impacts a local market, someone who is a champion for it.”

### Construction Challenges

Demolition finished in October, which Morgan called “a challenge. It had been vacant four decades, so there was a lot of debris. There was a tree growing through it, but we found some great historic items.”

HRS Communities was prepared. “We have a history of working with unusual buildings and adaptive reuse,” Morgan said. “We knew from experience that it would be a complex project, but we don’t mind challenges.”

Morgan said her company met with local architect Barry Polzin, who studied the building in the early 1970s and had some progressive ideas. “Our architect has a tremendous history with this,” she said. “But that didn’t make it easy.”

“There are some unique components to the physical structure,” said Martin. “It’s on a good slope, so there’s a challenge to it. And because of the historic nature, there are additional costs.”

The construction plan is to keep a number of historic features, such as the front porch and original chapel, which will be used as community space. The mechanical, plumbing and electrical systems will be replaced and the building will meet the Enterprise Green Communities criteria for substantial rehab projects.

“In this particular case, because the building was in such disrepair, it was hard to preserve [everything],” Morgan said. “We preserved the floors and we want to replicate the former chapel. There are a lot of relics provided by the archdiocese. We will use that as community space.”

Rents will range from \$275 to \$865 per month. Of the 56 apartments, 14 will be reserved for formerly homeless individuals and families in need of rent assistance.

Morgan said she expects the building to open in late fall 2017.

### Financing

Old National Bank invested \$8.9 million in LIHTCs and \$2.4 million in HTCs, while InSite Capital made a \$3.9 million investment in LIHTCs. Old National Bank also provided an \$11.5 million construction and tax credit bridge loan and the \$600,000 permanent loan.

“The building’s rehabilitation will preserve an important piece of Marquette’s history while providing a one-of-a-kind affordable housing option,” said Windisch. “By applying unique capabilities in tax credits, capital markets and lending, Old National was able to make an impactful investment in the community.”

### ‘My Christmas Gift’

Those involved treasure the opportunity to participate in the development.

“One of the great things about this project is the different mission points it touches in reusing an historic space and the supportive housing component,” said Michele Wildman, chief housing investment officer at the MSHDA, who is also involved with the state historic preservation office. “You bring those things together, as well as bringing affordable housing to a community that needs it.”

Morgan said she continually hears raves. “It’s breathtaking. When I go places throughout the state and tell people about this, so many pull me aside and say it’s their favorite building,” she said.

Lerlie said the response “has really been overwhelming. I knew the community would be receptive and positive,” she said. “I would say it’s brought very positive feedback to our agency. We’re a nonprofit seen as an agency doing important things, but this brought attention.”



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She then considered the significance in her career. “We are just incredibly, incredibly grateful to work with Home Renewal Systems,” Lerlie said. “This [development] is my Christmas gift every year the rest of my life.” ♦

### Grandview Marquette Apartments

#### FINANCING

- ♦ \$11.5 million construction and tax credit bridge loan from Old National Bank
- ♦ \$8.9 million LIHTC equity investment by Old National Bancorp
- ♦ \$3.9 million LIHTC equity investment by InSite Capital
- ♦ \$2.4 million HTC equity investment by Old National Bancorp
- ♦ \$600,000 permanent loan from Old National Bank
- ♦ \$100,000 deferred developer fee

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*This article first appeared in the December 2016 issue of the Novogradac Journal of Tax Credits.*

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Alex Ruiz

alex.ruiz@novoco.com

415.356.8088

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Carol Hough

carol.hough@novoco.com

415.356.8040

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ISSN 2152-646X

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