

"McFarland is an icon. What other buildings in this community should we be looking at that are key to reinvestment here?"
— Linda Figueroa, executive director, Community Action Commission

Old structure to get new uses

BY PAT CARROLL
OF THE PATRIOT-NEWS

Will the happy new face of public housing look like J. Horace McFarland? A sobering concept. The McFarland Press building is such a heavy piece of bricklayer's art, sitting stolidly beside the Mulberry Street Bridge to Allison Hill. From where we are, deep in December 1996, it's hard to look back and see the smile of this man who brought civic grace and beauty in practical ways to Harrisburg.

Just as hard is seeing ahead, to when McFarland's building is renewed—hollowed out and retooled into apartments filled with people and new life, with flamenco dancers in the lobby.

Doing public good with a dash of culture was McFarland's style. Now that Philadelphia developer John B. Rosenthal has come to revitalize McFarland's building, his thoughts are in harmony, particularly with the cultural emphasis.

Of all the different elements involved in converting this old press building into 49 apartments, Rosenthal said a Latino art and dance group ultimately was the catalyst.

"Danzante was the reason we did this project. This was an important building in the history of Allison Hill, but a little outside our project area. We have been concentrating on the Derry Street corridor.

"What really put it over for us was the opportunity to do something for Danzante, Rosenthal said. "They have a major role to play in using this space for dance studios and all sorts of kids' programs."

The permanent cultural arts studio for Danzante will occupy 7,700 square feet of the \$5.7 million McFarland project. The rest of the 75,000 square feet in several adjoining structures will be apartments, and about 60 interior parking spaces.

Besides the press building, the conversion also includes the former Penn-Harris Taxi garage on Mulberry Street next to the bridge, and about half the back yards of several lots on Crescent Street, which were bought for parking.

Pennrose is the equity partner (the money man), while the Pro Development Company of Lancaster will be responsible for the construction aspects of the project. Pro Development partners W. Edwin Miller and Quentin Miller got high marks for the makeover of the old Governor Hotel at Fourth and Market streets earlier in the '90's.

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Building on the future



W. Edwin Miller crouches on top of the McFarland Building which is being renovated into apartments and an art center.

Gary Dwight Miller / of the Patriot-News



GARY DWIGHT MILLER / OF THE PATRIOT-NEWS

A view of the McFarland Building from Chestnut Street. A Philadelphia developer, John B. Rosenthal, will convert the old structure into apartment units and an arts center.

Here's what the units are offering

The one-bedroom apartments in the McFarland Building will average about 750 square feet, and rent for \$285 a month, with utilities expected to cost around \$105 a month.

There will be 22 two-bedroom units, with some 900 square feet of space. Rent will be \$345, plus about \$122 for utilities.

For the 20 three-bedroom units, rents will be \$400 a month, with utilities estimated at \$138. Generally, these apartments will be 1,050 square feet, but a few on the top floor will be larger, with loft bedrooms in the skylights.

All units will have range and refrigerator, gas heat and central air.

Floors will be carpeted, though where feasible the original wood flooring will be retained and refinished. Kitchen and bath floors will be rolled vinyl.

—PAT CARROLL

Old structure to get new uses *Continued from previous page*

Once the apartments are ready, Pennrose will handle leasing and management. The Community Action Commission will take care of social services for the moderate-income tenants.

Though historical preservation is part of the mix, some things will change. The 10-foot ceilings will come down to contemporary standards, about 8 feet, because of the energy problems with high ceilings. Similarly, the characteristic industrial windows will be reproduced in Thermopane, to promote heating and cooling efficiency.

Some elements that might have been included now cannot be, because of neglect. The building stood empty for enough years that wooden floors have buckled into 18-inch waves around the remaining press units. The building is structurally sound, according to Pro Development's Edwin Miller, but many interior elements have been lost.

In 1990, the last union printer walked away from the McFarland Press Building, the result of the changing economics of the printing business. Only a few years before, there was still such startling beauty in this massive structure that it was on the annual Candlelight House Tour.

First on the work site checklist was the removal of decades of lead paint, going on this month. But this project actually began three years ago, and took this long to energy from the tangled web of red tape.

Pennrose's self-description is "developer of affordable housing."



GARY DWIGHT MILLER / OF THE PATRIOT-NEWS
This is what the McFarland Building will look like after it becomes apartments and an art center.

Since 1970, Pennrose has done more than 40 projects across the state. It has a development division, a property management division, and a service company for repairing building components from appliances to HVAC systems.

Pennrose works, however, in the convoluted public sphere, where profit is usually a bad word. "We do our work for a development fee in accordance with a schedule provided by the Pennsylvania Housing Finance Agency, which is the agency responsible for disposition of low income housing tax credits," said Rosenthal. "There are a lot of strings in the kind of construction we do."

First is the assembly of capital through the use of tax credits and public funding, which is what took three years. Then, in addition to satisfying design and code standards, historical considerations prevail.

The building is in the Mount Pleasant Historic District, and part of the funding is contingent on

preservation of the valued past. Then, once actual work begins, sub-contractor bids must reflect what politicians call "prevailing wage," because the use of federal funds calls the Davis-Bacon Act into play.

"It's not necessarily similar to what a conventional builder would do," Rosenthal said. "The programs that are set up have specific requirements. If you want to use these dollars, you have to do it this way."

Part of that way is having the persistent counsel of very interested neighborhood groups. Community Action Commission has not brought a lot of money to the deal, but Executive Director Linda Figueroa's energy often appears to be driving events.

"Non-profits are often seen as the tail wagging the dog," Figueroa says. "But we're a big tail, with a lot of wind. We're nudgers."

Actually, her ability to nudge people and push projects has a McFarland feel to it.

After all, he was the one who decades ago strong-armed Harrisburg into building the Mulberry Street Bridge because he felt Allison Hill was too isolated.

Figueroa started by doing surveys at community meetings in what she calls South Allison Hill.

What she learned from surveying was "the issues are not terribly different from the issues of other people in other communities."

"They want drug traffic to cease and desist. They would like to see service businesses in their area, so they don't have to traipse out to malls. They'd like to see more home ownership here ..."

The next part of the plan is making a plan. The City of Harrisburg is going in with the Community Action Commission to hire an experienced urban consultant to develop a formal plan, one that will encompass the range of needs and realities in the area from Cameron to 18th Street, Market to Paxton.

"We want to identify more icons in the community," Figueroa said. "McFarland is an icon. What other buildings in this community should we be looking at that are key to re-investment here? We're specifically interested in the neighborhood retail and small business revitalization, and what we have to do to attract businesses and professionals."

Seem unlikely? "If it were easy, it would have been done already by the private sector," she added.

Tax credits work as rent subsidies for the poor

PAT CARROLL
OF THE PATRIOT-NEWS

As developer W. Edwin Miller says, "Nobody would do this kind of project without tax credits."

Which are what exactly?

Tax Credits are ... a Virtual Rent Subsidy. The feds do not like to say Rent Subsidy, because government programs to give money away have become unpopular with people whose money it used to be (taxpayers).

Functionally, though, it's the money that absorbs the difference between what a tenant can afford and what the rent would be in the Real World.

This kind of funding from community Action Commission, the Pennsylvania Housing Finance Agency, Tri-County Housing Development Foundation, and the Federal Home Loan Bank Board, along with the City of Harrisburg's

\$1.25 million in Enterprise Zone development funds, is how public entities and non-profits help fund projects.

How? Let's start at the finished product.

Say the building is done, the signs are up, and people are moving in, people who can't afford to pay \$500 a month for an apartment. By reducing the federal income tax liability of the builder, tax credits in effect pay the difference between what a tenant can afford and what the apartment would bring in the Real World.

The low rents not only lease up the building faster in the first place, but also mean the tenants will be more secure, stay longer, and be a better risk.

Investors are the people who take those risks.

So let's unbuild the building again, now that we know the result is long-term tenants who are good risks.

In order to start a project a developer first seeks investors. The investors don't care if the kitchens are cute or the closets are big enough. They want a reasonable return on the money they give to the developer to buy bricks.

The fact that expense (federal income tax) is lowered means risk is lowered. The income stream is little safer, a good bet. In turn, that means the project can attract investors.

The process has worked so well that nationally, investors are putting in 60 percent to 65 percent of a project as equity, way more than when the tax credit program started in 1986. Current return on investment is about 15 percent.