



# 1894 City Market Roadmap to Redevelopment

*Prepared for:*  
The City of Texarkana, AR &  
David Peavy, Developer of 1894 City Market

*Prepared by:*  
Council of Development Finance Agencies

October 2017



**Contents**

About the Roadmap to Redevelopment ..... 4

Background & History ..... 5

Recommendations: Financing 1894 City Market ..... 6

    Part I: Investigate Resources Available Through Arkansas Capital Corporation..... 6

    Part II: Explore Use of Low Income Housing Tax Credits (LIHTC)..... 6

    Part III: Pursue Grant and Loan Opportunities ..... 7

Recommendations: Downtown Redevelopment Financing Strategies ..... 8

    Part I: Engage the Community in Updating Comprehensive Plan ..... 8

    Part II: Consider Creating a Joint-City Committee focused on Downtown Revitalization ..... 8

    Part III: Implement a TIF District Downtown ..... 8

    Part IV: Build a Relationship with Arkansas Capital Corporation ..... 9

    Part V: Utilize Federal Funding Programs to Attract Redevelopment Downtown ..... 9

    Part VI: Establish a Revolving Loan Fund for Downtown Redevelopment ..... 11

    Part VII: Consider Creating a Land Bank ..... 12

Additional Resources ..... 13

Acknowledgements..... 14

About the Authors ..... 15

# About the Roadmap to Redevelopment

The *Roadmap to Redevelopment* is a product of the [CDFA Brownfields Technical Assistance Program](#), which is funded through a grant from the U.S. Environmental Protection Agency. The program provides technical assistance to brownfields communities on redevelopment finance. For communities that require detailed, hands-on assistance for their redevelopment efforts, CDFA Brownfields Project Response Teams comprised of CDFA staff and technical assistance partners are available to conduct site visits and provide recommendations. The goal of these visits is to offer communities specific, actionable advice that can transform brownfields into economically-productive sites in accordance with the goals and plans of the community. CDFA will coordinate 36 Brownfields Project Response Teams over the life of the program.

The *Roadmap to Redevelopment* was developed through a two-day process that included interviews with numerous stakeholders from the government, business, and non-profit sectors. The plan provides a framework for the financing of the redevelopment of the Ritchie Grocery Building, newly named 1894 City Market.

The *Roadmap to Redevelopment's* recommendations combine the input of development finance experts, CDFA staff, and the interests of stakeholder groups gathered during the Project Response Team site visit.

# Background & History

1894 City Market, formerly known as the Ritchie Grocery building, is a three-story brick and masonry historic commercial building located at Front and Olive Streets in Texarkana, Arkansas. It was built in 1894 by Francis Mullins, owner of the Texas Produce Company. Texas Produce operated there until the Ritchie Grocery Co. bought the building in the 1920s. With the decline of family-run, independent grocery stores, Ritchie Grocery went out of business and sold the building in the 1970s. An office furniture company operated in the building until 1990; since then the building has been vacant. It is listed on the National Register of Historic Places.



*The Former Ritchie Grocery Building, now named 1894 City Market*

David Peavy, the developer, is reinventing the property as a mixed-use building featuring residential, commercial and arts space. This new use of the building has inspired a renaming of the Ritchie Grocery building as 1894 City Market. Mr. Peavy has additional plans to open a speakeasy style bar in the lower levels of the building, and wants to turn the dock into stage space for community event use.

1894 City Market is one of many downtown buildings in Texarkana that have been vacant for years. The downtown area of Texarkana is divided between Arkansas and Texas and both sides have many opportunities for redevelopment. CDFA previously provided financing recommendations for the City of Texarkana, TX regarding the redevelopment of the Grim Hotel, another long-abandoned building in Texarkana that is now poised to get a new life as an apartment building.<sup>1</sup> Stakeholders on both sides of the state line acknowledge that the redevelopment of buildings like the Grim Hotel and 1894 City Market can be catalytic in spurring additional downtown revitalization.



*The Post Office/Courthouse is the only federal building in the country split by two states.*

The City of Texarkana, AR is interested in supporting the redevelopment of many of these privately-owned properties that are falling into disrepair, but has few financial resources to do so. The objective of the Project Response Team was two-fold: 1) to provide specific recommendations for the 1894 City Market and 2) to provide recommendations to the City to support redevelopment of a greater number of downtown properties.

<sup>1</sup> Grim Hotel: Roadmap for Redevelopment. (n.d.). Retrieved from [https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=2015078\\_GrimHotelRoadmap](https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=2015078_GrimHotelRoadmap)

# 1894 City Market

# Roadmap to Redevelopment

## Recommendations: Financing 1894 City Market

As mentioned previously, 1894 City Market will be a mixed-use redevelopment which will include eighteen market-rate loft apartments, an art gallery, and commercial space on the ground floor. Peavy has invested a substantial amount of his personal resources into the project to remediate hazardous building materials and begin construction and stabilization of the property. Additionally, he is pursuing Historic Tax Credits (HTC) at the state and federal levels. Arkansas HTC will reimburse 25 percent of eligible project costs up to \$1.6M, while the federal program will provide a 10 percent tax credit. Despite the assistance provided through the HTC program and the amount already invested, Peavy's most urgent need is to provide additional collateral to qualify for a bank loan for the next phase of the project. At the time of the site visit, the amount needed was about \$330K. The following recommendations are intended to assist in securing additional capital for the project.

### Part I: Investigate Resources Available Through Arkansas Capital Corporation

Community Development Financial Institutions (CDFIs) such as the Arkansas Capital Corporation promote small-business lending with a focus on entrepreneurship and reviving distressed communities. Traditional financial institutions tend to be more "risk averse" and are often reluctant to lend in distressed markets like downtown Texarkana. Peavy should contact Arkansas Capital to investigate how one or more of their programs can support the project.

### Part II: Explore Use of Low Income Housing Tax Credits (LIHTC)

Although Peavy's current plans for the property do not include any income restrictions, his projected rents for the new apartments are in a range that could serve a low to moderate income population. With few changes to the existing plan, 1894 City Market could qualify to receive a 4 percent LIHTC. The LIHTC is designed to subsidize either 30 percent or 70 percent of the low-income unit costs in a project. The 30 percent subsidy, which is known as the automatic 4 percent tax credit, covers new construction or rehabilitation costs. To comply with LIHTC regulations, 1894 City Market must have at least 20 percent of its units rented to households with incomes of 50 percent or less than the area median income (AMI) OR at least 40 percent of the units rented to households with incomes of 60 percent or less than the AMI.<sup>2</sup> To meet the 20 percent unit requirement, only four of the 18 planned units at the 1894 City Market, would need to be income restricted. As noted previously, the projected rents are already quite moderate and may qualify without much modification. In Arkansas, LIHTC is run through the Arkansas Development Finance Authority (ADFA). The leveraging of HTCs with LIHTCs is subject to many rules, therefore an experienced tax advisor is highly recommended.

---

<sup>2</sup> Low-Income Housing Tax Credits. (n.d.). Retrieved from <https://www.huduser.gov/portal/datasets/lihtc.html>

## Part III: Pursue Grant and Loan Opportunities

Throughout the meetings with city officials, and local stakeholders several opportunities were uncovered that can assist with aspects of the 1894 City Market project.

i. American Electric Power Foundation

American Electric Power Foundation offers funding to organizations and projects that enrich the quality of life in communities through art, music and cultural heritage. Mr. Peavy has plans to add a rooftop viewing for train enthusiasts. This grant can support activities related to this historically and culturally significant aspect of the project, as well as the elevator that would be needed to access the rooftop viewing deck.

ii. Arkansas Historic Preservation Program

In addition to administering the state and federal Historic Tax Credits in Arkansas the AHPP awards \$1.5M in grants for the rehabilitation of historic structures. These grants provide assistance to historic properties, county courthouses and downtown areas, as well as funding projects that further an understanding of Arkansas history and historic preservation.<sup>3</sup>

iii. Arkansas Development Finance Authority (ADFA) – Tourism Development Loan Program

The Tourism Development Loan Program by ADFA has direct loans for new business start-up or expansion in the tourism industry. Loans will be a 50/50 match with local financial institutions. The local financial institution will service all loans. There is no maximum or minimum project size. State loan proceeds must be for fixed costs only such as acquisition of land and buildings, new construction or renovation of an existing building,<sup>4</sup> 1894 City Market has become a destination for locals and tourists alike, thanks in part to Peavy's personal tours of the building which he offers in exchange for donations. Even in its current state of construction, the former Ritchie Brothers Building is listed as the fourth best thing to see in Texarkana on Trip Advisor. As an emerging tourist draw, the project should garner consideration for funding under this program.

---

<sup>3</sup> Arkansas Historic Preservation Program. Retrieved from <http://www.arkansasheritage.com/Agencies/arkansas-historic-preservation-program>

<sup>4</sup> Tourism Development Loan Program. Retrieved from <http://adfa.arkansas.gov/tourism-development-loan-program>

# Recommendations: Downtown Redevelopment Financing Strategies

This second set of recommendations is intended for the City of Texarkana, AR to increase their capacity to support redevelopment activities downtown.

## Part I: Engage the Community in Updating Comprehensive Plan

Many stakeholders mentioned the desire for the downtown to be reinvented as a lively district offering a unique opportunity for residents and visitors to eat, shop, and live. Strategic redevelopment of the critical blocks downtown requires vision, planning, and cooperation between governments, civic groups, and the public. The last comprehensive plan for Texarkana, Arkansas was codified in 1988. It is recommended that the City undertake a comprehensive planning process to involve stakeholders and the public in a formal process. The resulting Comprehensive Plan will inform public policy priorities in terms of transportation, utilities, land use, recreation, and housing.

The City of Texarkana, Texas adopted a new downtown plan in early 2017, utilizing a steering committee comprised of residents, council members, and city staff. The City of Texarkana, AR should follow a similar process and should consider working with the City of Texarkana, TX to see what elements of their downtown plan can be incorporated on both sides of the state line or how they might complement one another. A consultant from a local university or perhaps from a planning organization should be engaged to assist in facilitating the public engagement and planning process.

## Part II: Consider Creating a Joint-City Committee focused on Downtown Revitalization

Fragmented approaches to economic planning and development within different jurisdictions can make it difficult to plan holistically for the future. This can have real cost implications on the community and over the long term prevent Texarkana from achieving the desired economic activity level. A joint-city strategy that involves carefully coordinating streetscapes, signage, storefronts and other aesthetics will create a seamless experience for visitors while enhancing the lives of downtown residents. A committee dedicated to leveraging resources from both jurisdictions would have a positive impact on downtown revitalization, complementing the cities' larger efforts to locate businesses and support redevelopment in the urban core.

## Part III: Implement a TIF District Downtown

The City should consider creating a TIF district that encompasses targeted properties in the downtown region. Once established, the TIF district will capture the increased incremental taxes from improvements made to the property as the value increases. The TIF funds can be used to pay for present development costs based on future improvements. TIF is frequently used to address blight when the market would not otherwise support redevelopment. Considering other brownfield redevelopment projects that the City has on the horizon, property values could increase significantly over the next several years.

TIF districts in Arkansas have a max limit of 25 years and are limited to property tax.<sup>5</sup> The City should educate stakeholders about the financing tool and its capacity to fund infrastructure and other needed improvements. Careful TIF analysis should inform where the TIF boundaries should be drawn, and consideration should be given to how the boundary might be broadened over time to encompass a greater area.

## Part IV: Build a Relationship with Arkansas Capital Corporation

Private land owners on both sides of the state line are interested in redeveloping their properties but need financial resources to assist them in the process. The City should explore programs aimed at targeting reinvestment through lending programs that are more risk averse, such as those offered by the Arkansas Capital Corporation. Arkansas Capital Corporation provides an alternative source of financing for small businesses, utilizing a double bottom line approach to lending – meaning they measure their performance not only in terms of return on investment, but also in terms of positive social impact. Arkansas Capital offers long-term loans for purchasing real estate, working capital, as well as for the construction, conversion, and expansion of facilities. Furthermore, Arkansas Capital has programs that facilitate entrepreneurship and a private investment in the form of EB-5.

Additionally, Arkansas Capital has several New Markets Tax Credit (NMTC) affiliates who are actively working to deploy the credits to create jobs and provide catalytic economic impacts throughout Arkansas in underserved communities. Companies must have a job creation or retention aspect and show a positive economic impact to the state’s economy through an econometric model. More information about NMTCs can be found in Part V.

## Part V: Utilize Federal Funding Programs to Attract Redevelopment Downtown

Although not suitable for every project, the City of Texarkana does qualify for federal funding through various programs. The City should familiarize themselves with the rules and applications of the programs and use them as tools to market to potential developers who are looking for opportunities downtown.

### i. New Markets Tax Credits (NMTC)

Much of downtown Texarkana is located in an NMTC eligible census tract. The New Markets Tax Credits Program is a great way to funnel private capital to distressed communities. The Community Development Financial Institutions Fund (CDFI Fund), which administers the NMTC Program, holds a highly competitive application process through which it awards tax credit authority to Community Development Entities (CDEs) like Arkansas Capital. These CDEs serve as financial intermediaries through whom private capital flows from an investor to a project in a low-income community. The investor chosen by the CDE receives a tax credit totaling 39 percent of the cost of the investment that is claimed over a period of

---

<sup>5</sup> CDFA TIF State-By-State Map. (n.d.). Retrieved from <https://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/tif.html>

seven years.<sup>6</sup> NMTCs can be used in combination with Historic Tax Credits and may be fitting for some of the future redevelopment projects downtown, including the Municipal Auditorium<sup>7</sup>, which many stakeholders referenced as a desired future restoration project.

The City should build a relationship with a CDE such as Arkansas Capital to better understand the types of projects that would be most competitive for NMTC. A list of CDEs that work in Arkansas can be found on the CDFI website.

ii. Housing and Urban Development (HUD) Community Development Block Grant (CDBG)

The City receives annual allocations of CDBG funding to be used toward preserving affordable housing, providing services for residents, and creating jobs. Typically, each activity under the CDBG program must be qualified either by benefiting low- and moderate-income persons or preventing or eliminating slum or blight. Currently, the City commits these funds to public facilities, public services, housing demolition, and home repairs. However, if alternative funding streams could be identified for the activities listed above, some of the CDBG funds could be set aside to support redevelopment of vacant downtown buildings.

iii. United States Department of Agriculture (USDA) Rural Development Programs

USDA has several financing programs available to communities with populations under 50,000 that are not contiguous with urban areas of populations greater than 50,000. By this definition, Texarkana may qualify for The Business & Industry Loan Guarantees Program, the Intermediary Relending Program, Rural Business Development Grants, and the Rural Microentrepreneur Assistance Program. The first three programs could help with the basic project financing needs, and the latter could help very small operations that might wish to open in the 1894 City Market. The City should reach out to the regional USDA office to discuss their qualifications for these programs.

iv. Small Business Administration (SBA) 504 Loans

The SBA 504 Loan is a real estate and equipment loan for small operating businesses that is delivered by Community Development Corporations (CDCs). Though not appropriate for residential projects such as 1894 City Market, the program could reduce the need for other capital for the other small business development or expansion. This long-term, fixed-rate financing is available only to for-profit companies whose net worth is less than \$15M and average net income less than \$5M after taxes for the preceding two years. SBA 504 could also be used to leverage funds for the New Markets program. Both Arkansas Capital Corporation and Six Bridges Capital Corporation out of Little Rock offer SBA 504 loans.

---

<sup>6</sup> New Markets Tax Credits: Unlocking Investment Potential. (n.d.). Retrieved from <https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open=open&id=occ-nmtc-insights-0813.html>

<sup>7</sup> The Municipal Building built in the 1920's is a multipurpose building that originally served four functions – City Hall, Fire Station, City Jail and a 1000 seat auditorium. The auditorium has hosted acts such as Elvis Presley, Fats Domino and Johnny Cash. The building still houses City Hall and the Fire Station, but the auditorium as fallen into disrepair.

## Part VI: Establish a Revolving Loan Fund for Downtown Redevelopment

The City should investigate opportunities to capitalize a revolving loan fund (RLF) targeted to development projects in the downtown region of Texarkana. As a self-replenishing pool of money, a RLF can provide gap funding to multiple projects over time, utilizing interest and principal payments on old loans to issue new ones. There are several methods to establish a RLF.

Most revolving loan funds have at least one local public source for capitalization combined with other sources. If capitalization is exclusively local, the RLF may have greater flexibility in lending, as state and federal involvement tend to include restrictions that may not fit local business needs. A RLF capitalized with private capital and philanthropy could also be designed to creatively fulfill a variety of needs while serving multiple jurisdictions. Philanthropies that should be considered include the Arkansas Community Fountain and the Winthrop Rockefeller Foundation, both of which invest in community economic development projects.

State and local governments often use one or a combination of the following to capitalize a RLF: tax set-asides, general obligation bonds, and direct appropriations from the state legislature, annual dues from participating counties or municipalities, and funds directed from the state lottery.

The federal government is another common source of capitalization. Communities may apply for funding from the United States Department of Agriculture (via the Rural Economic and Community Development Administration), Housing and Urban Development (via Community Development Block Grants), the Department of Commerce (via the Economic Development Administration), and the Environmental Protection Agency (via Brownfields Grants).<sup>8</sup> Each of these funders will restrict the use of the RLF to fit within the eligible activities of the respective programs.

The RLF can be an ideal way to partner with the City of Texarkana, TX and ARK-TEX Council of Governments. This alliance would be beneficial for both cities as the overall health of the shared downtown directly affects both municipalities. A shared RLF would allow both municipalities to come together as stakeholders, with the goal of attracting private sector capital and investments to downtown.

---

<sup>8</sup> Capitalizing a Revolving Loan Fund. (n.d.). Retrieved from <https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=rlffactsheet.html>

## Part VII: Consider Creating a Land Bank

Land banks are created to acquire and maintain vacant properties with the goal of transferring them into responsible ownership and productive use in accordance with local land use goals and priorities. Land Banks were created as an efficient and effective system to eliminate blight. Traditionally land banks deal with vacant residential properties, however agencies such as the Genesee County Land Bank have positioned commercial buildings in Flint, MI for more than \$70M in investment.<sup>9</sup> Creating a Land Bank can be complicated; the City should seek assistance through an experienced organization or partner. Little Rock, AR has a Land Bank Commission and may be willing to share their knowledge and experience with Texarkana. Additionally, the following resources offer guidance for establishing land banks:

i. Center for Community Progress

The Center for Community Progress offers two forms of Technical Assistance for Land Banking. The first is a “Fee-for-Service” where Community Progress will operate as a consultant in starting a land bank. The second is a competitive merit scholarship program for select communities that are ready to engage in a forward-thinking technical assistance process to assess, reform, develop, and/or implement systems to address large-scale vacancy and abandonment in their communities.<sup>10</sup>

ii. Department of Housing and Urban Development: Neighborhood Stabilization Program – Land Banking Toolkit

The Neighborhood Stabilization Program through HUD has a Land Banking Toolkit intended for use in the planning and program design phase of NSP projects. Resources include sample policies and procedures, program manuals, checklists, and sample agreements.<sup>11</sup>

---

<sup>9</sup> Genesee County Land Bank History. (n.d.). Retrieved from <http://www.thelandbank.org/history.asp>

<sup>10</sup> Community Progress Technical Assistance. (n.d.). Retrieved from <http://www.communityprogress.net/capacity-building-pages-45.php>

<sup>11</sup> NSP Land Banking Toolkit. (n.d.). Retrieved from <https://www.hudexchange.info/nsp/toolkits/land-banking/#program-setup>

## Additional Resources

CDFA Brownfields Financing Toolkit |

[http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201502\\_BF\\_Toolkit/\\$file/CDFA%20Brownfields%20Financing%20Toolkit%2002.02.15.pdf](http://www.cdfa.net/cdfa/cdfaweb.nsf/ord/201502_BF_Toolkit/$file/CDFA%20Brownfields%20Financing%20Toolkit%2002.02.15.pdf)

CDFA Online Resource Database |

<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordsearch.html>

CDFA Federal Financing Clearinghouse |

<https://www.cdfa.net/cdfa/cdfaweb.nsf/ffcsearch.html>

Types of Brownfields Grant Funding (Environmental Protection Agency) |

<http://www.epa.gov/brownfields/types-brownfields-grant-funding#tab-1>

Tax Credit Reference Guide |

<https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=taxcreditfinrefguide.html>

USDA Rural Development Summary of Programs |

[https://www.rd.usda.gov/files/RD\\_ProgramMatrix.pdf](https://www.rd.usda.gov/files/RD_ProgramMatrix.pdf)

Arkansas Capital Corporation |

<https://arcapital.com>

Six Bridges Capital Corporations |

<http://www.sixbridges-capital.com/>

HUD Land Bank Toolkit |

<https://www.hudexchange.info/resources/documents/LandBankOverview.pdf>

Little Rock Land Bank Commission |

<https://www.littlerock.gov/city-administration/city-departments/housing-and-neighborhood/land-bank-commission/>

Community Development Financial Institutions Fund |

<https://www.cdfifund.gov/awards/state-awards/Pages/state-result.aspx?state=AR&Name=Arkansas>

## Acknowledgements

A Project Response Team site visit requires a significant commitment of time and resources. The authors would like to recognize the commitments of many individuals throughout this process. Firstly, the authors would like to thank the following individuals and organizations for their involvement:

### *Individuals*

---

Ruth Penny Bell  
Travis Odom  
Cody Slater  
Linda Teeters  
Tim Johnson  
Terri Peavy  
Beverly Rowe  
Barbra Minor  
Jimmy Parker  
David Orr  
Jeff Witten  
Kenny Haskins  
Mary Beck  
Tyronda Henderson  
Tracie Lee  
Ina Mcdowell  
Georgia Hubnit  
David Mallett  
Michael Malone

### *Organizations*

---

Texarkana Mayors Office  
Texarkana, AR City Council  
Main Street Texarkana  
Texarkana Chamber of Commerce  
Downtown Neighborhood Association

## About the Authors

The *Roadmap to Redevelopment Plan* was authored by the Council of Development Finance Agencies (CDFA), a national association dedicated to the advancement of development finance concerns and interests. Learn more about CDFA at [www.cdfa.net](http://www.cdfa.net).

The CDFA project team consisted of the following individuals:

Emily Moser, Program Manager  
Blake Williams, Program Coordinator

CDFA was advised during the Brownfields Project Response Team site visit by of the following technical assistance advisor:

Michael Pehur, Development Finance Consulting Director,  
Duane Morris Government Strategies LLC



The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit [www.cdfa.net](http://www.cdfa.net) or e-mail [info@cdfa.net](mailto:info@cdfa.net).

Toby Rittner, President & CEO  
Council of Development Finance Agencies  
100 E Broad Street, Suite 1200  
Columbus, OH 43215

The information contained within is intended to provide accurate and authoritative information. The authors are not herein engaged in rendering legal, accounting, or other professional services, nor do they intend that the material included herein be relied upon to the exclusion of outside counsel. Those seeking to conduct complex financial deals using the tools mentioned are encouraged to see the advice of a skilled legal/consulting professional.

*Disclaimer: This publication was developed under Assistance Agreement No. TR-83576801-0 awarded by the U.S. Environmental Protection Agency. It has not been formally reviewed by EPA. The views expressed in this document are solely those of Council of Development Finance Agencies and EPA does not endorse any products or commercial services mentioned in this publication.*