



Photo: Valley House Flats



# COMMUNITY LEADERS USE OPPORTUNITY ZONES TO BRING NEW LIFE TO SMALL TOWN INDIANA

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Brookville, Indiana, a town of about 3,000 people, had seen no new development in more than 20 years. Town leaders sought to transform their community and began by organizing a redevelopment plan for the historic downtown.

The leadership approached a local developer with a strong track record in redeveloping similar projects near and around Brookville. Bruce Rippe and his associates had completed several affordable housing, adaptive and historic reuse projects in small towns. Along with Brookville town leaders, Rippe's team formulated an innovative project that would assemble a collection of properties with historical significance along Brookville's main historic business corridor.

The project proposed to provide mixed-income apartments with an assisted living component for seniors and retail on the first floor, including a pharmacy, restaurant, primary care facility, and other community-servicing amenities. The project also entailed rehabilitation of the historic buildings along the corridor as well as new construction components to support apartments to meet workforce needs of the area.

Town leaders wanted to focus on a central Brookville block that included a historic cornerstone, the Valley House Hotel building. Built in 1852, the hotel is one of the oldest in the state. The building was put on the Indiana Landmarks' list of endangered buildings in 1991 and stood vacant for over 20 years.

The Indiana Housing and Community Development Agency (IHCDA) issued a call for proposals, soliciting applications for a unique innovation round of the state's Low-Income Housing Tax Credit (LITHC) program. The Valley House [project](#) was awarded affordable rental housing tax credits and other federal financing from IHCDA to assist in funding the affordable residential component of the deal. Bruce and his team would need to find financing for the remainder of the project.

Rural communities like Brookville often face several hurdles in obtaining funding for development. The integrated design and combined mixed-income/mixed-use elements made the Valley House Flats project an even more challenging deal stack.



Apartments in small towns are notoriously difficult to finance, regardless of whether they are affordable, market rate, or workforce housing.

Furthermore, the lack of development in Brookville's Main Street district in previous decades made appraisals and real estate comparisons challenging, and subsequently made traditional financing difficult to secure.

The original concept was to provide just over 50 apartment units, mixing rents at and below market rates. Due to the financing challenges, the concept had to be modified and phased-in incrementally.

The financing for Phase I closed and the project began construction on the affordable assisted living units and retail when Brookville was designated as one of Indiana's Opportunity Zones by Governor Eric Holcomb. The Tax Cuts and Jobs Act of 2017 created the Opportunity Zone initiative to encourage long-term private capital investment in low-income communities by offering federal tax deferral on capital gains invested in designated Opportunity Zones. This designation prompted local investors Mick and Jenny Wilz to reach out to the developer directly to discuss how they could collaborate on the project.

The Wilz family has a longstanding personal and professional commitment to the Brookville community. Mick, Jenny and their family have lived in Brookville for nearly 40 years and have invested time and resources in various local organizations and projects in that time. They had already invested in the Brookville Main Street, opening a tavern and pizzeria with partial volunteer staff along the commercial corridor – just blocks away from Valley House Hotel – with the hopes of bringing residents back to the long-vacant area. They named the endeavor, "[Third Place](#) Brookville," representing the need for a community to gather and convene outside of their immediate household or workplace.

When the Wilzes sold the family business – Sur-Seal – in June 2018 and incurred significant capital gains, they saw Opportunity Zones as a chance to further invest in their community. They had been following the evolution and struggles of the Valley House...  
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Flats project, and the designation of the Opportunity Zone allowed the Wilzes to form a unique partnership with the developer.

The Wilzes committed to financing the remaining components of the deal – allowing the developer to move forward with the full concept as initially planned. The finished project will now fully realize both the rehabilitated historic and new construction components.

The upper floors will be a mix of 27 studio, one- and two-bedroom apartments for seniors with assisted-living services, along with 20 market-rate apartments supporting talent attraction and retention for the area. The main level commercial space will bring back a pharmacy, restaurant, and movie theater for the residents, among other amenities, to the corridor. The Valley House Flats project is currently under construction and nearing completion.

[Valley House Flats](#) demonstrates how a small and creative group of individuals were able to utilize the Opportunity Zone tax incentive to support the hopes and dreams of a small, rural community. Every aspect of this mixed-use project had barriers to traditional finance and the Opportunity Zone designation opened a new avenue to round out critical gaps. It also demonstrates how local investors can be mission-minded with their personal wealth and willing to take risks on behalf of their community.

The experience of using an Opportunity Zone Fund to invest in a real estate project allowed the Wilzes to confidently seek other Opportunity Zone investment opportunities with their remaining capital gains. The Wilzes were approached by a legacy business in town, the local newspaper and the second oldest newspaper in Indiana, [Whitewater Publications](#). The family owners had run the paper since 1833 but were at a difficult place in the company's development as they needed working capital to modernize and upgrade operations and equipment. The family owners were relieved when the Wilzes agreed to "steward the company into its next iteration," as the Wilzes describe their acquisition of the company. Using their gains through a business-related Opportunity Zone investment purchase structure, allowed the paper to continue to serve as the heartbeat of Brookville.

Furthermore, the Wilzes went on to convene other local leaders to co-invest in a third Opportunity Zone Fund, one that would bring the first hotel to the area. This third investment was through a franchise structure with Stay Cobblestone. The hotel is breaking ground now and underway. Track the progress at: <https://www.staycobblestone.com/brookville>.



*This case study was created by the [Opportunity Investment Consortium of Indiana](#) with generous support from the Fifth Third Foundation. The goal of the consortium is to help more intentionally encourage the transformation of Opportunity Zone neighborhoods into vibrant places for residents and businesses.*

