



NOVOGRADAC

Journal of Tax Credits™

January 2022 ♦ Volume XIII ♦ Issue I

Published by Novogradac

EXCERPT

# *The* Public Housing Authority *Issue*

## Post-RAD Challenges

*PHAs encounter hurdles after RAD conversion*

Page 45

## Faircloth-to-RAD Recommendations for PHAs and Developers

*A new development opportunity for affordable housing expansion*

Page 47

## HUD Assistance Mitigates Effects of Eviction Moratorium Expiration

*PHAs were already looking at ways to reduce evictions*

Page 42

## Emergency Rental Assistance Program is Effective, Difficult to Administer

*Pandemic relief funds help residents stay housed, but pose administrative challenges*

Page 40



# Amped Kitchens Uses NMTCs to Add Chicago Location to its Menu

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

When Two Fish Crab Shack, a Cajun seafood boil in Chicago, had an opportunity to grow its business, it turned to Amped Kitchens. Amped is a food production complex that provides lease-ready kitchen space for growing food producers. Two Fish used Amped's kitchens to scale up its production, including using cold-area storage.

This is the role Amped plays in the food industry, offering a collocated collection of cooking spaces to help makers of consumer-packaged goods, restaurants needing commissary space, meal-delivery firms, and companies needing pilot production, as well as research-and-development space the opportunity to

expand while easing some of the traditional hurdles to doing so.

In October 2021, Amped served up its newest location, a \$25 million renovation of a long-vacant, 117,000-square-foot former Zenith factory on the northwest side of Chicago. The site, financed in part with new markets tax credit (NMTC) equity, is diced into 64 private kitchen spaces varying in size from 150 to 2,000 square feet. Amped is geared toward

*Image: Courtesy of Amped Kitchens*  
Workers talk in December 2021 at Amped Kitchens' Chicago location. Amped's Chicago location opened in October 2021 with 64 private kitchen spaces.

wholesalers who use contract manufacturers, often called “co-packers.”

Mott Smith, co-owner and chief executive officer of Amped Kitchens, is excited to grow his own business as well as those of their food-producing tenants, such as Two Fish Crab Shack.

“They’re going to be with us as long as they need to be,” he said. “It may make sense [for them] to go to co-packer to go to their own special-purpose facility. They can stay with us while they discover their needs and hone their process.”

Between its new Chicago location and two previous spots in Los Angeles, Two Fish Crab Shack joins a platter of current and former Amped Kitchens tenants that includes Beyond Meat, CookUnity, Halo Top Creamery, Applebee’s, Soul Vegan and more.



*Image: Courtesy of Amped Kitchens*  
Mott Smith leads visitors in October 2021 on a tour of the new Amped Kitchens in Chicago. The firm offers collocated cooking spaces for food-production wholesalers.

## All Things Go, All Things Go

The first Amped, also built with NMTC equity, launched in 2015, with a 54-kitchen, 50,000-square-foot space in Los Angeles under the name L.A. Prep.

“We were pretty much the only place in the country that offered food companies a place to go for those who were too big for an incubator, but not quite ready to use what, in the industry, is known as contractor

manufacturers,” Smith said. “Most of the food you eat is manufactured at these places.”

Smith called Amped the commercial equivalent of mixed-income housing for food companies. Tenants with a nationwide customer base work alongside neighborhood startups.

“Think of it as apartment building for food companies,” Smith said. “It works very much like that, with everybody having their own space. Unlike an apartment building, you get a sign on your door, but you have your own exclusive space.”

## Via Chicago

One of the luxuries of Amped’s model is that it gives companies space to build and expand. Monetary and practical resources are often required to move from what Smith called benchtop kitchens—small test kitchens or labs where new products are born—to mass producing 10,000 units or more. Smith said such growth generally requires a company to have big resources and facilities to become a wholesaler.

“Launching a new food product, whether you’re a new company or established, can cost hundreds of thousands, if not millions, of dollars,” Smith said. “If you can save a brand 18 months and a million dollars in capital costs, that’s just as appealing to the Blue Bottle Coffees of the world as the pasta-making project down the street.”

Smith said one of the challenges of growing a small food business into a larger one includes changing recipes, processes, ingredients, suppliers and more. Smith said one of the strengths of Amped’s model is shared resources such as loading docks, packing rooms, dry storage, cold storage, open office space and more. Most leases run for one year.

Several tenants have had what Smith called “massive, life-changing” orders they might not have been able to deliver without the scope and possibilities that a space such as Amped Kitchens provides. In Los Angeles, Smith said one such tenant was 4<sup>th</sup> & Heart,

which makes ghee, a clarified butter that is a popular ingredient in Indian cuisine.

“They rented one of our smallest kitchens,” Smith said. “And then they got one of those life-changing orders. They upgraded their space. They took over the packing room for four hours a day and became America’s second-largest ghee company. They eventually did graduate and move to a co-packer, but even during their time at Amped, they were able to manufacture very efficiently.”

The Chicago location marks the beginning of Amped’s own scale up as it hopes to expand to more spots around the country. Smith called the Chicago site “Version 3.0 of Amped Kitchens.”

“We’re very pleased to have a foothold now in what is the nation’s largest center of food production,” Smith said. “Our main goal is to be a bustling beehive of activity that provides an excellent platform for growth for Chicago’s food community.”



*Image: Courtesy of Amped Kitchens*  
**Mott Smith, co-owner and creator of Amped Kitchens, speaks in October 2021 at the opening of its Chicago location. The Windy City spot is Amped’s third and the first outside of Los Angeles.**

### Sweet Home Chicago

Smith said coordinating financing was the greatest challenge in bringing Amped Kitchens’ third location to existence.

PNC’s Tax Credit Solutions group, a PNC Real Estate business, provided an NMTC equity investment.

Three leverage lenders—Local Initiatives Support Corporation (LISC), Bluehub Capital, Chicago Community Lund Fund; Property Assessed Clean Energy financing from Counterpointe Sustainable Real Estate; offered financing along with tax credits from four different Community Development Entities (CDEs)—Consortium America, Southside Community Optimal Redevelopment Enterprise (SCORE), LISC’s New Markets Support Company (NMSC) and FirstPathway Community Development. Breckenridge Consulting Services served as tax credit consultant.

“Being able to use new markets tax credits to do exactly what the program was designed for is a thrill,” Smith said. “Without NMTC as an option, Amped wouldn’t exist. Amped Kitchens is a case study in what you can do with new markets in terms of economic development and job creation.”

FirstPathway allocated \$9 million in NMTCs.

Jabari Johnson with Consortium America said job creation was a catalyst for his firm’s \$5 million allocation. “The main purpose of the NMTC program is to encourage investment in distressed communities and improve access to jobs and other important community and commercial goods that are frequently unavailable to low-income persons,” Johnson said. “This project renovated a 1920s-era Chicago warehouse and transform it into a facility supporting growing food production businesses. This project not only reinjects capital into the community by way of rehabilitating an abandoned building, but is already a major contributor to the local economy through its job creation and provision of important community and commercial goods.”

Johnson said 100% of the construction jobs created used union labor, a big focus for Consortium America. Also, 100% of the permanent jobs created under Amped’s operating company will offer benefits and on-the-job training in a variety of food manufacturing areas, such as food safety, good manufacturing practices and fork-lift operation. At least 75% of the



estimated 260 other permanent jobs at the facility will be accessible to low-income people and residents of low-income communities.



*Image: Courtesy of Amped Kitchens*  
A worker collects grapes at Amped Kitchens' Chicago location. Amped Kitchens offers co-located cooking spaces for makers of consumer-packaged food goods and more.

Much like Consortium America, Donna Nuccio, vice president of NMTC investing for NMSC, said the firm's \$5 million allocation supports NMSC's own backyard.

"The project is located in the Belmont Cragin neighborhood of Chicago where NMSC's parent company, LISC (Chicago) has worked with Northwest Side Housing Center for years on the Belmont Cragin Quality of Life Plan, which highlights the need for new job creation," Nuccio said. "The Amped Kitchen project fits into the plan well. LISC provided the sponsor a predevelopment loan and was also a leverage lender into the project, making it a great opportunity to leverage our NMTC allocation with LISC's capital and community partnerships. NMSC manages LISC's NMTC allocations."

SCORE, a Chicago-based CDE, allocated \$6 million of the \$24.5 million NMTC allocation. Giving the local economy a boost was important to SCORE, said Mike Reicher chief financial officer for McCaffery Interests Inc., which operates SCORE.

"We were interested in how Amped Kitchens provided local entrepreneurs with the ability to build and grow

successful food-based businesses and create living wage jobs accessible to persons with educational attainment no greater than high school," Reicher said. "The most rewarding part was being able to help revitalize a low-income community in our own backyard with a median family income of 53% the area median while creating quality jobs for persons with limited educational attainment."

David Gibson, senior vice president and manager of specialty tax credit investments at PNC Bank, which invested \$8.5 million in NMTC equity, said investing in Chicago was important to the firm.

"For us, it's not simply about adding assets to our portfolio, it's about the impact our investments have in the places where we live and work," Gibson said. "Our investment in Amped is a fantastic compliment to other NMTC investments we have made in Belmont Cragin and in its surrounding Chicago neighborhoods."

Gibson said that collaboration with CDE partners, Amped and the leveraged lenders provided PNC with confidence in the impact that Amped Kitchens' latest venture would have in Chicago.

"It also combines two of our favorite things: thoughtful community development and food," Gibson said. ❖

## AMPED KITCHENS

### FINANCING

- ◆ \$9 million new markets tax credit (NMTC) allocation from FirstPathway Community Development
- ◆ \$8.5 in NMTC equity from PNC's Tax Credit Solutions group
- ◆ \$6 million NMTC allocation from Southside Community Optimal Redevelopment Enterprise
- ◆ \$5 million NMTC allocation from Local Initiatives Support Corporation's New Markets Support Company
- ◆ \$5 million NMTC allocation from Consortium America

---

© Novogradac 2022 - All Rights Reserved.

*This article first appeared in the January 2022 issue of the Novogradac Journal of Tax Credits. Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.*

*Notice pursuant to IRS regulations: Any discussion of U.S. federal or state tax issues contained in this article is not intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any discussion on tax issues reflected in the article are not intended to be construed as tax advice or to create an accountant-client relationship between the reader and Novogradac & Company LLP and/or the author(s) of the article, and should not be relied upon by readers since tax results depend on the particular circumstances of each taxpayer. Readers should consult a competent tax advisor before pursuing any tax savings strategies. Any opinions or conclusions expressed by the author(s) should not be construed as opinions or conclusions of Novogradac & Company LLP.*

*This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit [www.novoco.com](http://www.novoco.com).*

## EDITORIAL BOARD

PUBLISHER

**Michael J. Novogradac, CPA**

EDITORIAL DIRECTOR

**Alex Ruiz**

TECHNICAL EDITORS

**Thomas Boccia, CPA**  
**Chris Key, CPA**  
**Diana Letsinger, CPA**

**Matt Meeker, CPA**  
**John Sciarretti, CPA**  
**Stacey Stewart, CPA**

## COPY

SENIOR EDITOR

**Brad Stanhope**

SENIOR MARKETING MANAGER

**Teresa Garcia**

SENIOR COPY EDITOR

**Mark O'Meara**

SENIOR WRITER

**Nick DeCicco**

CONTRIBUTING WRITERS

**Matthew B. Wachter**  
**Victor Cirilo**  
**Ryan Rieger**

**Cindy Hamilton**  
**David Graff Jr**

## ART

CREATIVE DIRECTOR

**Alexandra Louie**

GRAPHIC DESIGNER

**Brandon Yoder**

## CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

**Teresa Garcia**  
**teresa.garcia@novoco.com**  
**925.949.4232**

ADVERTISING INQUIRIES

**Christianna Cohen**  
**christianna.cohen@novoco.com**  
**925.949.4216**

ALL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS PROFESSIONAL ADVICE OFFERED BY NOVOGRADAC OR BY ANY CONTRIBUTORS TO THIS PUBLICATION.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX AND/OR LEGAL ADVISOR.

## ADVISORY BOARD

### OPPORTUNITY ZONES

<b>Dan Altman</b>	SIDLEY AUSTIN LLP
<b>Glenn A. Graff</b>	APPLGATE & THORNE-THOMSEN
<b>Shay Hawkins</b>	OPPORTUNITY FUNDS ASSOCIATION
<b>Martin Muoto</b>	SOLA IMPACT

### LOW-INCOME HOUSING TAX CREDITS

<b>Jim Campbell</b>	SOMERSET DEVELOPMENT COMPANY LLC
<b>Tom Dixon</b>	BOSTON CAPITAL
<b>Richard Gerwitz</b>	CITI COMMUNITY CAPITAL
<b>Elizabeth Bland Glynn</b>	TRAVOIS INC.
<b>Rochelle Lento</b>	DYKEMA GOSSETT PLLC
<b>John Lisella III</b>	U.S. BANCORP COMMUNITY DEV. CORP.
<b>Derrick Lovett</b>	MBD COMMUNITY HOUSING CORP.
<b>Thomas Morton</b>	PILLSBURY WINTHROP SHAW PITTMAN LLP
<b>Rob Wasserman</b>	U.S. BANCORP COMMUNITY DEV. CORP.

### PROPERTY COMPLIANCE

<b>Jen Brewerton</b>	DOMINIUM
<b>Kristen Han</b>	WNC
<b>Michael Kotin</b>	KAY KAY REALTY CORP.

### HOUSING AND URBAN DEVELOPMENT

<b>Victor Cirilo</b>	NEWARK HOUSING AUTHORITY
<b>Flynann Janisse</b>	RAINBOW HOUSING
<b>Ray Landry</b>	DAVIS-PENN MORTGAGE CO.
<b>Denise Muha</b>	NATIONAL LEASED HOUSING ASSOCIATION
<b>Monica Sussman</b>	NIXON PEABODY LLP

### NEW MARKETS TAX CREDITS

<b>Frank Altman</b>	COMMUNITY REINVESTMENT FUND
<b>Maria Bustria-Glickman</b>	US BANK
<b>Elaine DiPietro</b>	BLOOMING VENTURES LLC
<b>Chimeka Gladney</b>	ENTERPRISE COMMUNITY INVESTMENT INC.
<b>Merrill Hoopengardner</b>	NATIONAL TRUST COMMUNITY INVESTMENT CORP.
<b>Scott Lindquist</b>	DENTONS
<b>Tracey Gunn Lowell</b>	U.S. BANCORP COMMUNITY DEV. CORP.
<b>Ruth Sparrow</b>	FUTURES UNLIMITED LAW PC
<b>William Turner</b>	WELLS FARGO

### HISTORIC TAX CREDITS

<b>Irvin Henderson</b>	HENDERSON & COMPANY
<b>Bill MacRostie</b>	MACROSTIE HISTORIC ADVISORS LLC
<b>Claudia Robinson</b>	BANK OF AMERICA
<b>Donna Rodney</b>	MILES & STOCKBRIDGE
<b>John Tess</b>	HERITAGE CONSULTING GROUP

### RENEWABLE ENERGY TAX CREDITS

<b>Jim Howard</b>	DUDLEY VENTURES
<b>Elizabeth Kaiga</b>	DNV GL
<b>Forrest Milder</b>	NIXON PEABODY LLP

© Novogradac 2022 All rights reserved.

ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.