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Opportunity Zones, HTCs Help Finance Key Hotel Near Site of ‘Bloody Sunday’ Events

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A historic hotel in Selma, Alabama—ground zero of the Civil Rights Movement—has been redeveloped thanks to a \$2 million investment by the Woodforest CEI-Boulos Opportunity Fund and \$2 million in federal and state historic tax credit (HTC) equity.

The St. James Hotel Selma, Tapestry Collection by Hilton is the only full-service hotel in Selma after a \$7.5 million acquisition and renovation. The boutique, 55-room hotel was renovated and is managed by Birmingham, Alabama-based Rhaglan Hospitality, with the Woodforest CEI-Boulos Opportunity Fund as the only outside investor.

The hotel, which opened in early February, is just one block from the Edmund Pettus Bridge, a National Historic Landmark where, on “Bloody Sunday” in 1965, civil rights activists were attacked by law enforcement at the start of a planned march from Selma to Montgomery. That event ultimately helped lead to the passage of the Voting Rights Act and was the focus of an Academy Award-nominated film in 2014.

Image: Courtesy of St. James Hotel LLC

The St. James Hotel Selma, Tapestry Collection by Hilton, is a block from the historic Edmund Pettus Bridge. The renovation was financed by historic tax credit equity and opportunity zones funding.

Selma's history is difficult and the hotel's redevelopment—a key piece in the town's plans for Civil Rights tourism—had to overcome obstacles, especially capitalization. That led to the use of the opportunity zones (OZ) funds and HTCs.

Hotel History and Renovation

The St. James Hotel was built in 1837 and is the last pre-Civil War riverfront hotel in the Southeast. Its history goes beyond that: Following the Civil War, the hotel was operated by Benjamin Sterling Turner, the first African American elected to Congress in 1870. After closing as a hotel in the 1890s, the property was used for commercial and industrial purposes for a century before reopening again as a hotel in 1997. After going through multiple management challenges, it closed again.

In came Rhaglan Hospitality, led by CEO Jim Lewis.

"Rhaglan is a very experienced developer, but they had a hard time getting traditional debt to invest in downtown Selma," said Sam Spencer, CEO and managing director of CEI-Boulos Capital Management.

American South Real Estate Fund (ASREF), an impact fund focused on low-income communities of color throughout the South, provided the \$3.5 million first mortgage debt for the initial renovation scope. However, when Lewis connected with the Woodforest CEI-Boulos, there was an opportunity to finance further renovation. The HTCs came because Rhaglan focuses on historic properties with renovations reflecting a classic, timeless product.

"The hotels reach the point that they're aging gracefully," Lewis said. "We're not forced to keep up with the latest and greatest; we're just responsible for protecting the classic attributes already there."

That happened to the St. James and it included an expansion.

"When we acquired the hotel, it was a 42-room property," Lewis said. "Under renovation, it grew to 55 rooms within the existing footprint."

Lewis said the OZ funding and the HTC equity were both crucial.

"We would not have done the deal without the historic tax credit equity, which provided a critical aspect of our initial funding," Lewis said. "The opportunity zones investment added \$2 million, allowing us to build the additional rooms, create more jobs and further stabilize our operational economies of scale."

'Bloody Sunday'

A few months after the passage of the Civil Rights Amendment—March 7, 1965—approximately 600 marchers set out from Selma to Montgomery, where they intended to petition Alabama Gov. George Wallace for reforms to the voter-registration process in Alabama. Black residents of Dallas County, where Selma is located, made up more than half the population, yet just 2% of the registered voters.

With Wallace having ordered state troopers to use "whatever measures are necessary to prevent a march," the protesters were led by Hosea Williams and future Rep. John Lewis, then a 25-year-old activist. As the protestors went over the Edmund Pettus Bridge, they were met by law enforcement officers. Troopers advanced on Lewis and Williams, then knocked marchers to the ground. Deputies on horseback chased the men, women and children back across the bridge, swinging clubs.

Television cameras captured the entire assault and the event became a national civil rights moment. It was shown on TV that night, including ABC, which interrupted the network's broadcast of "Judgement at Nuremberg" to air the footage.

In the subsequent weeks, Selma became a rallying cry for sit-ins, traffic blockades and other demonstrations.

Ten days later, a U.S. District judge granted the authority to march and protestors again began their journey to Montgomery. By the time they reached the state capital, there were 25,000 marchers and Selma was a turning point in the nation's awareness of how Black citizens were treated, although the move for equal rights continues.

Developing Selma

Fifty-five years after “Bloody Sunday,” Selma remains complicated.

“Selma is world-renowned for its role in the fight for racial equality, but it still retains a high level of poverty,” said Noelle St. Clair, vice president of impact investing and strategic initiatives at Woodforest National Bank.

Spencer echoed those sentiments.

“This project is critical to revitalizing Selma's downtown,” Spencer said. “Despite its worldwide fame, Selma is really a small rural city with a high poverty rate.”

Dallas County is one of 431 persistent poverty counties in the nation, meaning it's had a poverty rate of at least 20% for 30 years. The poverty in the specific census tract is 56%, according to Spencer.

At the time of “Bloody Sunday,” Selma had a significant affluent white population and large low-income African American population. In the years since, many local banks were hesitant to invest in downtown Selma.

However, Lewis believes this is the start of something significant.

“We landed on the beach, but we're in a position that will not get knocked off,” Lewis said. “We didn't come to Selma to just stabilize the St. James. This is the beginning of what we believe is a new era for Selma. We think there is a lot of opportunity there, built upon the indefatigable foundation of the bridge.”

‘Civil Rights Tourism’

The St. James Hotel will provide a first-of-its-kind full-service hotel in Selma, key to other economic development related to “Civil Rights tourism.”

“Many people come to Selma to go across the bridge and go to the National Park Service's Selma Interpretive Center and the National Voting Rights Museum and Institute, but most of them travel to Montgomery [54 miles away] to stay in a quality hotel,” said Spencer. “There's also no hotel to cater to the area's large employers, like International Paper.”

Spencer said community support is high.

“Community support and involvement is very important to our fund,” Spencer said. “This project is a public-private partnership reflecting overwhelmingly positive support for the project.”

Deborah La Franchi, managing partner of ASREF, underscored those sentiments.

“When our team first toured the site and community, we were struck by the degree of shuttered businesses in the central business area,” she said. “The community and city officials were so enthusiastic about the St. James redevelopment as it offered the catalyst needed to reverse the economic decline and create new opportunity.”

Lewis is betting that Selma will develop more tourism.

“We adamantly believe that Selma will grow around this spectacular asset,” Lewis said. “We think the St. James is very complimentary to the overall mission. The city sells itself as ‘From Civil War to Civil Rights.’ It's absolutely not going to hurt the city that travelers—who were, to a large extent, being displaced to Montgomery—now have a legitimate full-service [hotel] alternative.”

Financing, Benefits

Woodforest National Bank had a large capital gain event in 2019 and used the OZ incentive to help grow

its Community Reinvestment Act investment portfolio. That led to connecting with Spencer and the team at CEI-Boulos Capital Management and the creation of Woodforest-CEI Boulos Opportunity Fund, a \$22 million fund that looks to invest in CRA-eligible projects across Woodforest's 17 states. The fund has committed investments to 10 properties, but this is the first hotel.

In addition to the catalytic economic activity created by a hotel, there is a simpler metric for the benefit: The hotel will create 45 permanent jobs that have training, health insurance and other benefits. Rhaglan Hospitality intends to hire local low-income residents.

"One of the wonderful things about the hotel industry is that it's one of the few remaining industries that an individual can start work with a GED and, if they're good at the service and management of people, they can rise to the top," Lewis said. "We really like that aspect of the industry, especially within a struggling area like Selma."

'Absolute Fabric of History'

The hotel opened in early February and those involved are very high on its potential.

"I think the opportunity zones program has the potential, if used correctly, to allow places like Selma to realize their full potential," said St. Clair. "Selma has this wonderful asset that just needed investment to bring it back to its original beauty. This is a great example of the 'but-for' quality of the opportunity zones incentive. This investment fosters quality job creation, allowing Selma residents to build wealth."

Lewis sees the hotel as tying into a crucial point of American history.

"The first time the marchers reached the crown of the bridge and could see the other side, they saw troopers who charged on horseback and attacked the unarmed civilians with clubs," Lewis said. "Two days later, they marched a second time, came over the crown of the bridge, and faced the same thing—civilians against armed troopers—and they didn't retreat, but kept marching, and this time, the troopers let them pass. About two weeks later the marchers completed the planned march to Montgomery." ♦

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