1992

Highest and Best Use Analysis Athol Industrial Mall

UMass Amherst Center Economic Development

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HIGHEST AND BEST USE ANALYSIS
ATHOL INDUSTRIAL MALL

ATHOL, MASSACHUSETTS

SPRING, 1992
Principal Investigator
Meir Gross, Ph.D.
John R. Mullin, Ph.D., AICP

The Center for Economic Development would like to thank
the Research Team

Zenia Kotval, Project Director
Celeste Comeau
Edward Murray

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University of Massachusetts.
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SECTION I

INTRODUCTION

Town Economic History

Athol, Massachusetts population 11,451, is located in the rural north central section of North Worcester County. Historically, the Athol labor force has been blue collar and overwhelmingly dominated by employment in manufacturing. "The original shoe, textile, and furniture factories, drawn to the area by water power, labor, or raw materials, were complemented and then supplanted by metal working, machinery, and tool producers". (Tooled for Growth, 1984) Manufacturing suffered severe losses during the recessions of the past two decades. The Athol/Orange Labor Market Area (LMA) lost more than one in seven manufacturing jobs between 1973 and 1975. "The deep recession of the early eighties eroded fourteen percent of the job base (including 1,100 manufacturing jobs), drove unemployment to 16%, and lowered per capita income to less than 75% of the State average." (OEDP, 1991) The decline in the metalworking industries has had a profound impact on the economy of Athol.

The largest employer in Athol is the L.S. Starrett Company, currently employing approximately 1,000 people. Starrett, manufactures measuring tools, saws, and stone cutting tools. Other major employers of the labor force in the region include the Erving Paper Mill (emp. 326) manufacturer of paper, paper towels and paper napkins and the Rodney Hunt Company (emp. 225) manufacturer of fabricated structural metal.

In view of the economic decline of Athol, this study was undertaken by the Town of Athol to evaluate the potential of the Athol Industrial Mall (AIM) for revitalization. The objective of this effort was to attract new uses and investment into the AIM complex which are consistent with the planning goals and objectives of the Town of Athol. This report represents an effort to prepare an action plan for the recovery of the area.

This report is being written in economically hard times with Athol and much of North Central Massachusetts in a severe recession. Conditions in the short term are likely to get worse. Yet, there are projects that have the potential to dramatically change the region. But those projects, for example the Athol Industrial Park, are only in the formulative stages. The Athol Industrial Mall complex is the short term focus for the Town of Athol because
the facility is available to be utilized now and has the immediate potential to impact the region positively. This report is written with this in mind. Based on the hard realities of the moment, it also takes into consideration the fact that a positive future is ahead. The Athol Industrial Mall is a valuable resource for the community of Athol and should receive increased community support and attention in order to prosper once again.
SECTION II

SOCIOECONOMIC ANALYSIS

As part of the Massachusetts Small Cities Program (MSCP) Community Development Block Grant Application dated September 13, 1991, the Town of Athol proposed "a community-based planning effort for the purpose of developing wide-ranging and extensive economic development activities for the future." The application identified the Athol Industrial Mall complex as one of the Town's important industrial resources to be included in a comprehensive planning approach to address the serious socioeconomic problems of the Community. However, in preparing the MSCP Application the Town recognized that a shortfall existed within the Community Economic Development Needs Indicator, citing the limited availability of current socioeconomic data and the limited resources available to the Town for conducting surveys and producing new data. To this end, the following socioeconomic analysis is provided to document and substantiate the Community's economic development needs, and to further the Town's existing planning effort.

1. DEMOGRAPHIC CHARACTERISTICS

Population and Households

The Town's MSCP Application correctly notes a population decline between the decades of 1960 - 1980. However, according to recent 1990 U.S. Census figures this pattern has been reversed. During the decade of the 1980's the Town's population grew from 10,634 to 11,451 representing a 7.7 percent increase. The population increase compared favorable with other communities in the region. The following Table lists population changes from 1980 - 1990 in selected cities and towns within Northern Worcester and Franklin County.

TABLE I

<table>
<thead>
<tr>
<th>City/Town</th>
<th>Population Increases (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenfield</td>
<td>1.2</td>
</tr>
<tr>
<td>Orange</td>
<td>6.8</td>
</tr>
<tr>
<td>Fitchburg</td>
<td>4.1</td>
</tr>
<tr>
<td>Gardner</td>
<td>12.4</td>
</tr>
<tr>
<td>Leominster</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Source: Central Massachusetts Regional Planning Commission
According to Census figures provided by the Central During the 1980's, the Town of Athol also experienced a significant increase in the number of households from 3,814 in 1980 to 4,379 in 1990 representing a 12.4 percent increase. Total families also increased from 2,753 to 3,057 which is indicative of new residential growth.

**Age Composition**

With the release of 1990 U.S. Census data a changing perspective evolves as to the age composition and distribution of the Town of Athol's population. Prior to the 1980's Athol's population was characterized as both declining and aging. However, the Town's current population reverses these trends as evidenced in Table I above and Table II below:

**TABLE II**
Age Composition

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1980 Percentage of Total</th>
<th>1990 Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 10 years</td>
<td>1,495 14.1</td>
<td>1,876 16.3</td>
</tr>
<tr>
<td>10-17 years</td>
<td>1,435 13.5</td>
<td>1,264 11.0</td>
</tr>
<tr>
<td>18-24 years</td>
<td>979 9.2</td>
<td>957 8.3</td>
</tr>
<tr>
<td>25-34 years</td>
<td>1,434 13.5</td>
<td>1,998 17.4</td>
</tr>
<tr>
<td>35-44 years</td>
<td>985 9.3</td>
<td>1,530 13.3</td>
</tr>
<tr>
<td>45-54 years</td>
<td>1,042 9.8</td>
<td>953 8.3</td>
</tr>
<tr>
<td>55-64 years</td>
<td>1,259 11.8</td>
<td>978 8.5</td>
</tr>
<tr>
<td>Over 64 years</td>
<td>1,810 17.0</td>
<td>1,895 16.5</td>
</tr>
</tbody>
</table>

Source: 1980-1990 U.S. Census

Several observations can be drawn from the above Table. First, and typical of those communities which experienced new residential growth during the building boom of the mid
1980's was a concurrent increase in the under 10 years of age population. The Town's increase of 381 children are predominantly within the 5 and under population who now comprise greater than 10 percent of the total population. A second observation were the significant increases in the 25-34 and 35-44 age groups. In 1980 these groups comprised 22.8 percent of the Town's population. The age group now comprises 30.7 percent or nearly one-third of the Town's population. These figures are consistent with increases in the child population as this combined age group represents the child-bearing years.

The over 64 age group declined from 17.0 percent to 16.5 percent of the total population and the 55-64 age group decreased from 1,259 (11.8 percent) to 978 (8.5 percent) between 1980-1990.

2. INCOME CHARACTERISTICS

The Town of Athol's MSCP application notes that there exists many indicators of the financial hardships which affect individuals, families and the community in general. Specifically, the MSCP application cites income figures below the State's average with 57% of households classified as low/moderate income. In addition, 6% or 180 families were below the poverty line based on 1980 U.S. Census data. Table III below compares income data for the Town from 1980-1990:

Table III
Income Levels (1980 - 1990)

<table>
<thead>
<tr>
<th>Per Capita</th>
<th>Median Household</th>
<th>Median Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,226</td>
<td>$12,444</td>
<td>$15,000</td>
</tr>
<tr>
<td>$18,432</td>
<td>$33,263</td>
<td>$18,432</td>
</tr>
</tbody>
</table>

Source: 1980-1990 U.S. Census

Despite substantial increases in all levels of income between 1980-1990, it is estimated that approximately 54 percent of all households within the Town are of low and moderate income. In addition, 317 families or 10.4 percent of all families are below the national poverty level representing a marked increase since 1980. The following table delineates income levels by income type for 1990 by the total number of households:
Table IV
Income Types (1990)

<table>
<thead>
<tr>
<th>Income Type</th>
<th># of Households</th>
<th>Mean Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage &amp; Salary</td>
<td>3,151</td>
<td>$32,649</td>
</tr>
<tr>
<td>Non-Farm Self-Employment</td>
<td>391</td>
<td>$18,579</td>
</tr>
<tr>
<td>Farm Self-Employment</td>
<td>50</td>
<td>$2,890</td>
</tr>
<tr>
<td>Social Security</td>
<td>1,340</td>
<td>$7,698</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>437</td>
<td>$4,257</td>
</tr>
<tr>
<td>Retirement</td>
<td>921</td>
<td>$6,615</td>
</tr>
</tbody>
</table>

Source: 1990 U.S. Census

Income characteristics are valuable in assessing the over-all economic vitality of a community. Income data analysis is also critical when weighing job loss and job creation. Targeting and correlating economic development and new employment opportunities to local job skills and age groups can help generate increased income levels.

3. LABOR CHARACTERISTICS

The Town of Athol's employment picture has changed drastically since the 1960's. The deindustrialization that has occurred throughout the Northeast and particularly within mature-industrial communities has resulted in substantial job loss in manufacturing. The "Northern Tier Report" noted that gains in service sector employment have not offset the losses in manufacturing, and the jobs that have been created typically pay less than manufacturing jobs. The following Table of Average Annual Employment in the Town of Athol depicts this declining trend in manufacturing employment and gradual rise in service sector employment:
TABLE V
Average Annual Employment (1981 - 1990)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Employment</th>
<th>Manufact &amp; Retail</th>
<th>Whole &amp; Retail</th>
<th>Finance Insurance</th>
<th>Real Estate</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>4,852</td>
<td>2,844</td>
<td>667</td>
<td>121</td>
<td>599</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>4,398</td>
<td>2,501</td>
<td>506</td>
<td>121</td>
<td>657</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>4,028</td>
<td>2,049</td>
<td>521</td>
<td>117</td>
<td>693</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>3,932</td>
<td>1,898</td>
<td>545</td>
<td>136</td>
<td>677</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>3,933</td>
<td>1,431</td>
<td>648</td>
<td>153</td>
<td>684</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>4,036</td>
<td>1,708</td>
<td>767</td>
<td>163</td>
<td>697</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>3,977</td>
<td>1,605</td>
<td>739</td>
<td>118</td>
<td>755</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>4,018</td>
<td>1,641</td>
<td>732</td>
<td>140</td>
<td>722</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>4,012</td>
<td>1,628</td>
<td>705</td>
<td>143</td>
<td>788</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>4,224</td>
<td>1,536</td>
<td>809</td>
<td>130</td>
<td>1,084</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Employment and Training

The preceding Table indicates a total employment decline of 628 jobs between 1981 and 1990. However, manufacturing jobs fell by 1,308 jobs or 46 percent during this time period. Major increases in employment were found in wholesale and retail trade (142 jobs) and services (485 jobs)

Unemployment

The unemployment rate within Athol has been reflective of loss in manufacturing jobs. The Town's unemployment rate, consistently among the highest within the State, peaked during the latter part of the 1970's when the rate was nearly 20 percent. The Town's average unemployment rate has declined overall during the 1980's but still remains comparatively high.

TABLE VI
Average Unemployment (1983-1990)

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>12.5</td>
</tr>
<tr>
<td>1984</td>
<td>9.0</td>
</tr>
<tr>
<td>1985</td>
<td>6.8</td>
</tr>
<tr>
<td>1986</td>
<td>5.7</td>
</tr>
<tr>
<td>1987</td>
<td>5.6</td>
</tr>
<tr>
<td>1988</td>
<td>5.9</td>
</tr>
<tr>
<td>1989</td>
<td>7.4</td>
</tr>
<tr>
<td>1990</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Source: Department of Employment and Training
It is important to note that the decline in the average unemployment rate during the mid-1980's was determined by the Northern Tier Report to be not the result of the availability of jobs, but rather "the exit of a large number of workers from the labor force through retirement, out-migration, discouragement, and entrance into an 'underground economy' of off-the-books labor."

Irregardless, the Town's unemployment rate has once again continued to rise during the period of the late 1980's to the present. Based on the most recent unemployment data released by the Department of Employment and Training, the Town is currently experiencing a 14.8 percent unemployment rate. The gradual increase in the Town's unemployment rate since 1989 coincides with the Town's increase in population. While the Town continues to shed manufacturing jobs, the most recent increase in the Town's unemployment rate is probably reflective of the types of employment of the newer residents of the Town of Athol.
SECTION III

REVIEW AND EVALUATION OF THE FACILITY

The Center for Economic Development (CED) has inspected the subject property, and the surrounding neighborhood and has examined its competitive advantages and disadvantages. CED evaluated potential environmental problems, the need for physical improvements to the structures as well as the site, existing tenant mix and future possibilities, on-site parking and off-site traffic issues, and existing infrastructure and utilities.

Summary

The Athol Industrial Mall has substantial potential for mixed-use redevelopment. The building possesses many positive factors including a good scale for a strong nucleus development, excellent views, and good open space. The building is fortunate in that there is the ownership of Mr. Vincent J. Purple, President of the L.P. Athol Corporation, who has been affiliated with the facility for many years.

Truck access to the AIM facility is provided via the Chestnut Hill Avenue Bridge (Route 32). The bridge, which is slated for major repairs in Fiscal Year 1995, (as stated by the Transportation Improvement Programs of the Montachusett Regional Planning Commission) allows the only vehicle access to the entrance of the facility. The site is also located approximately two miles from Route 2, which limits reuse potential. Submitted below is a more detailed discussion of the advantages and disadvantages.

Location

The Athol Industrial Mall is located at 134 Chestnut Hill Avenue in Athol, Massachusetts 1/2 mile east of downtown along Main Street (Route 2A) Approximately two miles from Route 2 via Routes 32 and 2A.
Access

The Athol Industrial Mall (AIM) is centrally located on Chestnut Hill Avenue immediately off Routes 32 and 2A, along Miller River. Traffic approaching the site from the west may either travel Route 2A or exit from Route 32 onto Route 2A and travel west. Only one stop light is located one Route 2A in Downtown Athol and there are several pedestrian crosswalks.

AIM is located approximately three (3) miles from Route 2, a narrow, single lane highway and twenty-two miles from two interstates: Route 91 and Route 495. Truck access into the facility is available through nine (9) existing loading docks with expansion possibility. For rail access, a spur is feasible from the Boston and Main Railroad.

The Orange Municipal Airport is located approximately five miles from the site and is equipped with three (3) paved 5,000 ft. railways, servicing passenger and freight.

Site Building Layout and Floor Size

The Athol Industrial Mall is easily visible from Main Street and by many vantage point is the town. It is situated on fifteen (15) acres. The previous tenant of the site was Union Butterfield, manufacturer of metal cutting tools, taps, dies, reamers, counterbores, drills, endmills, cutters, and carbide tools. (When Union Twist closed in the early 1980's the town lost 650 jobs.)

CED conducted a tour of the facility and concluded that the buildings were structurally sound. L.P. Athol Corp has on file a documented completed and acceptable 21E report for the site. Significant external and internal structural improvements have been made. A regular maintenance schedule along with twenty-four hour security has preserved the exterior and interior of the structures.

The site consists of 322,600 square feet of manufacturing building space, (at present 20% is utilized) and 37,400 square feet of office building space. The buildings offer a variety of spaces ranging in character (sky lights) and function (50,000 contiguous square feet). Ceiling clearance ranges from 13' to 19.5' at various points in the facility. There presently exist two passenger elevators and eight freight service elevators.
The buildings on the site range from one to four stories. The estimated building area in square feet are shown below, and give a total area of approximately 360,000 for the whole complex.

<table>
<thead>
<tr>
<th>BUILDING</th>
<th>GROSS AREA (SQ.FT.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>38,000</td>
</tr>
<tr>
<td>1A</td>
<td>13,000</td>
</tr>
<tr>
<td>2</td>
<td>17,500</td>
</tr>
<tr>
<td>2A</td>
<td>24,000</td>
</tr>
<tr>
<td>2B</td>
<td>8,000</td>
</tr>
<tr>
<td>2C</td>
<td>18,500</td>
</tr>
<tr>
<td>2D</td>
<td>2,000</td>
</tr>
<tr>
<td>3</td>
<td>52,500</td>
</tr>
<tr>
<td>3A</td>
<td>3,500</td>
</tr>
<tr>
<td>4</td>
<td>100,500</td>
</tr>
<tr>
<td>9</td>
<td>23,500</td>
</tr>
<tr>
<td>11</td>
<td>1,500</td>
</tr>
<tr>
<td>12</td>
<td>47,500</td>
</tr>
<tr>
<td>13</td>
<td>10,000</td>
</tr>
</tbody>
</table>

* see attached floor plan

On a floor wide basis the estimated area of each floor for all buildings is as follows: 136,000 square feet on the first floor, 100,000 square feet on the second floor, 75,000 on the third floor, and 49,000 square feet on the fourth floor.

The tenants presently operating in the facility include;

- three warehouse and distribution facilities
- a dance studio
- a gym / martial arts studio
- ceramic manufacturer
- mail order distributor
- Raincoat and apparel, distributor
Parking at the site is adequate and can accommodate 700 vehicles. The site has three parking areas with parking lot #1 having direct access to the site. Parking lot #2 is located to the south of the facility and is traversed by a railroad track to its north. Pedestrian access to the site is gained by passing through a tunnel into parking lot #1. Parking lot #3 is on the west side of the site and is bordered by the Chestnut Hill Ave. bridge.

All utilities in the buildings are in place. Power is provided by Massachusetts Electric Company through a 13,800-volt primary service; 600-volt secondary service. Heat is provided for manufacturing areas with steam and gas fired units and for office areas with electric baseboard units. Water is supplied by public water supply system and sewer is an on-site system that pumps directly to a municipal filtration and treatment facility. A 170,000 square foot wet system of sprinklers is also in place.

The potential exists to divide the facility into mixed use and/or mixed ownership patterns. The facility is capable of being used for commercial, office, and light industrial uses. There is not enough demand for any of these uses alone such that the structures would be fully utilized. (Please see Section IV for more detail)

Zoning

The site is zoned General in the town current zoning by-law. Because of the large size of this facility it is unlikely that a single user can be secured for this property, and as such, mixed-use development offers the best potential for re-use. Mixed uses under General zoning includes; commercial, light industrial, office, and retail.
SECTION IV

MARKET POTENTIAL

A. COMPARATIVE ANALYSIS

A comparative analysis of industrial space comparable to the AIM facility was conducted in Athol and the surrounding region. There is an availability of industrial and commercial space but few properties offer as much space as the AIM facility. The average quote for leased space in older mill buildings was approximately $1-1.50 a square foot, triple net. Depending on use, the lease spaces shown range as high as $2.50 per square foot. Many of the property owners were hesitant to give a definite figure for lease rates which implies their willingness to negotiate a price. The figure below is a sample of available properties in the region.

<table>
<thead>
<tr>
<th>Location</th>
<th>Use</th>
<th>Total Space</th>
<th>Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATHOL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROSES BUILDING</td>
<td>COMMERCIAL</td>
<td>21,000</td>
<td>21,000</td>
</tr>
<tr>
<td>COLO BUILDING</td>
<td>COMM / IND</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>ORANGE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HUNTINGTON HOME</td>
<td>COMM / OFFICE</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>ORANGE FOUNDRY</td>
<td>IND / OFF</td>
<td>37,000</td>
<td>37,000</td>
</tr>
<tr>
<td>BEDROOM FACTORY</td>
<td>COMMERCIAL</td>
<td>100,000</td>
<td>15,000</td>
</tr>
<tr>
<td>LEOMINSTER</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>125 FIRST ST.</td>
<td>INDUSTRIAL</td>
<td>116,500</td>
<td>116,500</td>
</tr>
<tr>
<td>TILTON &amp; COOK</td>
<td>INDUSTRIAL</td>
<td>114,000</td>
<td>114,000</td>
</tr>
<tr>
<td>LOCKWOOD PRODUCTS</td>
<td>COMM / IND</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>FITCHBURG</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>310-356 BROAD STREET</td>
<td>INDUSTRIAL</td>
<td>236,140</td>
<td>100,000</td>
</tr>
<tr>
<td>ANWELT SHOES</td>
<td>INDUSTRIAL</td>
<td>313,000</td>
<td>260,000</td>
</tr>
<tr>
<td>12 BALTIC LANE</td>
<td>INDUSTRIAL</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>
B. INDUSTRY POTENTIAL FOR THE ATHOL INDUSTRIAL MALL

1. MANUFACTURING POTENTIAL

Is there a market for manufacturing uses in the Athol Industrial Mall? The North Central Massachusetts Region continues to shed manufacturing jobs rather than attract new firms. Neither is there an expansion of the workforce. Therefore, the short term outlook is somewhat bleak. The nature of manufacturing is changing: to be competitive, Athol must invest in the latest technical advancements which will increase output and increase quality. At the same time, labor and energy cost must be minimized. Firms adapting to these conditions inevitably require a modern facility with maximum horizontal space that is inexpensive to heat. (CED is cognizant of the cost of fuel. Approximately 43% of manufacturers in the Northeast use oil to heat their buildings as opposed to 4%, for example, in the Southwest. Given the price of fuel today, this too becomes a major importance.)

The state of manufacturing:

* Manufacturing continues to decline in Worcester County. Manufacturing declined 5.2% in the state between 1980-1990
* Manufacturing, while still important, provided 1,536 jobs in Athol in 1990 while in 1981 it provided 2,844 jobs, a substantial decline
* There was some growth in plastics, printing, and publishing industries, though minimal

Potential Growth Areas-Manufacturing:

* There is some potential growth in Plastics, Mold Injection, Specialty Papers, Paper Industry Machinery and Data Processing
* The Plastics Industry involves many small companies - some of which may be attracted to the Athol Industrial Mall

* Source: Private Industry Council
2. COMMERCIAL POTENTIAL

As with manufacturing, the nature of retail is also changing in the North Central region. The current recession has resulted in national chains cutting back while local stores have adopted risk averse positions. Nonetheless, Athol has a compact, attractive downtown and a tradition of customer loyalty. Under these circumstances, it is not likely that there will be an active market for additional retail activity at the moment, particularly for a facility as expansive as AIM.

AIM is off of Athol's Main Street, and within walking distance from the downtown area. If small retail and/or commercial uses are found for the structure, there will be mutual benefits for both AIM and the downtown: As shoppers travel down Main Street, they may stop at AIM and vice-versa.

CED studies in Holyoke and Springfield Massachusetts, have shown an increased demand for artist work space. In this area, the actual cost of space is of less issue than finding the space itself. AIM, with its freight elevators, strong floors, spaces easily subdivided, loading dock and large windows, lends itself to this type of activity. The question remains whether or not there is a market for artists space. Clearly there can be a strong reciprocity of interests in a combination of the outlets, the artisans market and artist work spaces. In Maynard, the "Mill Outlet" was juxtaposed to Raytheon and Digital (DEC) in the Assabet Mill. As DEC expanded it replaced the outlet which then moved to the center of Maynard where it prospered for many years. Perhaps of greater significance, several of the old mills in Fall River are now housing Mill Outlets. This has been so successful that they are collectively advertising and are even in the "Senior Citizen Tour Program".

The artist studio concept has been particularly successful in the Ho-Ho Mill building owned by David Scher in Holyoke. Renovated through private funds, there is a manufacturing facility in the basement while artisan studios are located on the upper floors. The building is full and additional artisans are now moving into a nearby mill.

3. OUTLET CENTERS

Not many outlets centers exist in North Central Massachusetts, and as such, Athol can draw on existing markets. There are a number of communities that have successfully utilized such centers to stimulate recovery. Among these are Fall River, Massachusetts and
Martisburg, West Virginia. There is an organization, "Dear DOC" in Nashville, TN. (Phone #800-33-OUTLET) which deals with the art and science of outlet and off price retailing, marketing and development. It is CED's recommendation that the town contact this organization for further information.
C. THE IMPORTANCE OF INCUBATOR FIRMS IN THE REGION

The primary purpose of most incubator projects is to promote the formation and growth of small businesses, and to create jobs. Incubator programs do this primarily by providing to small businesses, low rents. Typically, incubators will charge rents that are below market rates. In addition to providing low rents, many incubators offer their tenants access to office support services, such as a copier or a fax machine. Many incubators provide a receptionist. Generally, the reason incubators offer office support services, is that the services are viewed as a way to lower tenant operating costs. In house support services are also viewed a means to provide to tenants, access to equipment and technologies that might not otherwise be available to them. Offering office support services is also often a good strategy for marketing an incubator facility. However, many privately and publicly operated incubator programs, have found that is not enough to provide low cost space and office support services. Indeed, many incubators fail. To complement the low cost space and office services, many incubators actively promote business networks. These networks help to integrate incubator tenants with the surrounding business community. While there are no simple explanations as to why some incubators succeed and why others fail, there are some indicators to look for that can help to predict whether or not an incubator will succeed. The indicators include:

Market
Before an incubator is developed, a study should be conducted as to the market for office, industrial and retail space. If space is available to small businesses, then an incubator may not be necessary or feasible. A market study should also look closely at whether or not there is a high level of entrepreneurial talent in an area. For example, University professors are good source of commercial ideas and entrepreneurial talent. Successful incubators will generally have conducted a thorough market analysis.

Financing
Incubators that do not have a heavy debt load do better than incubators that do. Many incubators receive some form of public assistance. The assistance often takes the form of low interest loans or grants. The public assistance is typically used for the purposes of acquiring and renovating a building. With a low debt load, incubators are better able to provide low cost space.
Networking
Successful incubators often provide for their tenants, business networking services. In an incubator network, the tenants of an incubator are integrated into the business community. For example, in the case of an incubator tenant, who might have a question regarding a legal issue, the management of the incubator will put the tenant in contact with a firm or an individual, who can answer their question, at little or no cost to the tenant. Indeed, business support service firms can often be persuaded to offer discounts on their services, to incubator tenants. The service firms understand that incubator firms represent future customers. However, in order to make networking possible, it is important that an incubator has a manager and an advocate, who can speak to the community on behalf of the incubator and its tenants.

The Franklin County business incubator is the area's most notable incubator. In fact, the Franklin County incubator in Greenfield was the only incubator in the area that our study team was able to locate. While certain facilities offer arrangements that are similar those offered by incubators generally, the Franklin County incubator was the only facility to offer a full range of incubator-type services. The Franklin County incubator is considered by many to be a success incubator. Presently, the facility is almost fully leased, and it is covering its expenses. However, while the Franklin County project can be useful, in terms of providing information as to how to successfully manage an incubator, it is important to understand that are important differences between that project and the Mall project.

The Franklin County incubator benefitted from public assistance. The Community Development Corporation (CDC) received loans and grants from the Massachusetts Land Bank ($325,000), the Community Development Block Grant Program (over 300,000), the town of Greenfield ($66,000) and the Massachusetts Jobs Program for Entrepreneurial Development and Training ($20,000). This type of financial assistance has not been made available to the Athol Industrial Mall. In order for the facility to remain viable, the owner must make an adequate return on his investment. Secondly, the incubator's management is a non-profit organization, that includes a full time staff of economic development specialists. The staff is continually working to assist small businesses, and to promote their interests. Notably, two of the incubator's tenants (both manufacturers) are former CDC clients.
L.P. Athol Corp has a full time maintenance staff, but not with the economic development expertise of the FCCDC. The mall is owned by L.P. Athol Corporation whose responsibilities include the management of several different companies.

Finally, while the Franklin County incubator is almost fully leased, the building has only 37,000 sq. ft. of leasable space, and an anchor tenant that occupies almost 45% of this space. The anchor tenant provides for the incubator a steady income and financial stability.

Though there are important differences between the Franklin County incubator project and the Mall project, certain features of the incubator are, in fact, common to successful incubators. Two of these features are: The management and operational policies are very flexible. For example, while the incubator was originally set up to provide space primarily for businesses that work with metal, businesses producing wood related products currently take up most of the space in the facility. Secondly, the incubator has established a successful business network. The network includes a Board of Trustees, that is appointed by the CDC to serve as a subcommittee. The Board's members include representatives from the Franklin County Chamber of Commerce and from University of Massachusetts, bankers, accountants and managers from local manufacturing firms. Involving members of the community, who have the expertise that can help small business, is a form of networking that is typical of successful incubators.
V. FINANCIAL INCENTIVES FOR THE ATHOL INDUSTRIAL MALL

Before public agencies will commit resources to a business venture, agencies generally require that the agency's resources be used in an innovative manner, and that its resources be applied towards investments in plant and equipment. Moreover, finance agencies typically require that businesses be able to prove to the agency that they are not able to obtain financing from conventional sources. The Athol Industrial Mall really does not meet these conditions. For example, the Athol Industrial Mall offers mostly conventional manufacturing space, in what is a typical mill building. Further, the facility is in good condition and major capital improvements can be suited to clients needs. Public finance agency's could potentially assist the Mall project in two ways. First, there are finance agencies, that have in the past, been involved in incubator projects. Secondly, finance agencies could assist the project indirectly. Finance agencies could assist the Mall by providing assistance to the Mall's tenants. The following is a list of finance agencies and finance programs that could benefit the Mall project.

I. Massachusetts Industrial Finance Corporation (MIFA)
The Massachusetts Industrial Finance Agency (MIFA) was established in order to stimulate private investment and job creation through a variety of finance mechanisms. To date, MIFA has financed almost 2,500 projects totaling over $6 billion.

A. Tax Exempt Industrial Bond Program
The Federal Tax reform Act of 1986 reduced the availability of private activity tax-exempt bonds and placed them under a state wide volume limit. The remaining tax-exempt Industrial Industrial Development Bond capacity is targeted at manufacturers undertaking capital expansion projects - land and new equipment purchases and the acquisition, renovation and construction of buildings. Under current Federal law, the program is scheduled to be terminated on June 30, 1990. However, the program may be renewed. In general, projects range from approximately $1 million, for bond financing to be economical, to a maximum of $10 million. Recently, the state legislature gave MIFA the authority to issue tax-exempt bonds for capital projects on behalf of Massachusetts' cities and towns. MIFA also issues tax-exempt bonds for research and development projects and environmental projects, including recycling facilities.
B. Taxable Industrial Bond Program
MIFA structures taxable financings for small business borrowers no longer eligible for tax exempt funding, as well as for a wide array of industrial, commercial, and economic development projects. Proceeds can be used for acquisition, construction or renovation of buildings, for purchase of land and equipment, for refinancing existing asset-based debt and, in some cases, for working capital. There are no limits on bond amounts, and there is substantial flexibility in terms of rates and terms. For these reasons, taxable financings can be structured and issued more easily and more quickly than tax-exempt financings.

C. Thrift Fund
MIFA is one of five quasi-public authorities designated to originate, service and monitor direct loans from the Thrift Fund, a $100 million pool of capital designated to serve businesses that cannot find conventional financing. MIFA originates all Thrift Fund loan requests over $250,000 for plant expansions and equipment purchases.

II. Community Development Finance Corporation - State CDFC
The CDFC is a quasi-public organization which provides flexible financing for small business and real estate development projects with a demonstrated potential for public benefit. CDFC assistance aims to increase employment in low-income areas. The financing is offered through partnerships with local Community Development Corporations (CDFC's). CDFC has invested over $10 million in real estate and development projects. CDFC aims to:

- Create and retain skilled jobs in low income neighborhoods.
- Stabilize deteriorating business districts.
- Work with and support CDC’s to develop affordable housing and revitalize commercial and industrial property.
- Streamline the process of providing smaller amounts of capital businesses operating within CDC target areas.

A. Venture Capital Program
Provides debt and equity financing to small businesses. Investments range from $100,000 to $300,000.
B. Small Loan Guarantee Program
Broadens the availability of commercial credit to very small businesses located in CDC targeted areas. CDC provides the cash collateral to secure a guarantee of %50, up to $25,000 of an approved bank loan to a small business.

C. Thrift Fund
The CDFC is one of five loan agencies that administers the Thrift Fund, a $100 million dollar fund created by banks for business investment.

III. Economic Development Administration (EDA)
EDA has a wide variety of programs aimed at encouraging economic development including public works programs, business loans, and economic planning and grants.

A. Title I Public Works and Development Facilities
States, municipalities, special authorities and public or private non-profit organizations are eligible to apply for grants for the acquisition, development, or expansion of public works facilities. Included are: water and sewer systems, site improvements for industrial parks, and factories. The funds can not be used for the acquisition of land. Grants are for %50 to %80 of the project. In order to apply for grants, an area must have an approved Overall Economic Development Program (OEDP)

B. Title III Economic Development Planning Grants
Government entities and organizations engaged in planning economic development activities can apply for direct grants to fund planning, staffing and administrative expenses related to economic development planning projects. A 25% non-federal match is required. Grants are for one year, and ordinarily renewed.

IV. Massachusetts Business Development Corporation (MBDC)
The MBDC is a private corporation under state charter which provides loans to private for-profit and non-profit firms which are unable to obtain financing from conventional lenders. Loans may be used for the purchase or construction of fixed business assets (land, plant, equipment) and for working capital loans. If necessary, MBDC will help secure an FMHA or SBA guarantee for the loan.

The MBDC has created the Massachusetts Certified Development Corporation (MCDC) for the purposes of providing expansion financing for Massachusetts' businesses. MCDC is a
statewide certified development company licensed under the U.S. Small Business Administration's Section 504 Program.

V. Massachusetts Government Land Bank
The Land Bank is a quasi-public state agency that provides financing and development assistance for real estate projects with a clear public purpose. The Land Bank typically provides below market mortgage financing to economic development projects lacking sufficient public or private investment. The Land Bank offers:

*Permanent mortgages from $200,000 to $4,000,000;
*Below market fixed rate interest rates with 15 to 30 year amortization schedules;
*Technical assistance and development assistance for economic development projects to evaluate project feasibility, structure financing and to carry out development tasks.

Economic development projects that eliminate blight, create jobs and stimulate investment in areas of high unemployment or economic distress including:

* industrial parks that include at least three sites;
* business incubators that serve start-up or diversifying businesses, have the capacity to make business loans, provide shared services and have long term job creation potential.
*Private developers, non-profit organizations, cities and towns can apply.

VI. Massachusetts Small Cities Program (MSCP)
The MSCP program is a federally funded program established by Congress to make available to Massachusetts' communities and towns the Community Development Block Grant Program (CDBG). Funds are available to communities with fewer than 50,000 and that have not been designated as an "entitlement" community. MSPC funds local projects which enable municipalities to undertake a variety of community development activities. Examples of MSPC programs include public facility projects including infrastructure improvements. Funds are administered by the Executive Office of Communities and Development (EOCD).
VII. Economic Development Set-Aside Program (EDSA)
The EDSA program, which is administered by (EOCD), provides flexibly structured debt financing primarily for manufacturing businesses that provide significant public benefits for smaller communities. Eligible municipalities apply to EOCD for EDSA grants on behalf of the local business or non-profit organization. The maximum EDSA loan is $500,000 per recipient annually, the minimum feasible loan is $100,000. EDSA will provide up to one-third of the projects cost.

VIII. Small Business Administration
The federal Small Business Administration (SBA) administers various programs which provide financial and management assistance to small businesses.

A. Small Business Loan Guarantee Program (Section 7A):
Eligible applicants include small manufacturers, wholesalers and service enterprises. Qualified applicants are those which are independently owned and operated, not dominant in their field of business, and fall within SBA size guidelines.

B. Certified Development Company Loans (Sections 504)
The SBA 504 Program is an alternative form of expansion financing. The Program provides second mortgage financing at a fixed rate for small business concerns acquiring real property and/or equipment, when such financing is not available from conventional sources. Loans are usually limited to $750,000. The loan may be applied to fixed assets:

* purchase of land
* machinery and equipment
* construction
* renovation/leasehold improvements

VI. RECOMMENDATIONS

1. Role of key players


The town of Athol "intends to pursue a wide range economic development activities in the future. The Town's Board of Selectmen have identified economic development as a future priority for the Office of Planning and Development. This Office will works with the new Administrative Assistant, (Hugh Campbell) and other members of the development community in this effort. In developing this program, maximum input will be sought from various members of the business and financial community, the development community and the Town as a whole. The committee that was formed to explore the potential of the Athol Industrial Mall represents one of the first steps in this effort. (CDBG application, 1991)."

Restating the Town's goal in the 1991 CDBG application for funding, stresses the importance of total community involvement for the success of a community based planning effort.

B. Potential user of the Athol Industrial Mall.

CED recommends that the Athol Industrial Mall be used as a combination facility of multi-tenant/incubator space. These include but are not limited to; warehousing, outlet centers, office space, light industrial, manufacturing, and artisan studios.

C. Athol Industrial Development Commission

CED recommends the Town of Athol reconstitute the Athol Industrial Development Corporation as an essential agent to economic development. IDC's have the capability of promoting and marketing a community to developers and businesses. This organization can focus on recruitment and "early" deal making with prospective developers and tenants.