Publications from the Mastering Mills Symposium

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Mastering Mills: Lessons in Financing and Creating Public Partnership Agreements

April 12, 2016

Presented By:
Westmass
Westmass Area Development Corporation
Westmass Area Development Corporation

- Westmass is a Private Private/Not for Profit Corp. w/ 52 years of operations
- Mission: creation of Jobs and Taxes in Western Massachusetts by Providing Sites for Business Development
- Developed 16 Business Parks & Projects in 11 Municipalities
- Businesses in the Parks Employ More than 9,000 People and Furnish in Excess of $10 million in Property Taxes Annually to Cities and Towns.
- Current Inventory of Developable Industrial Land is 300 acres
- Projects Range from 10,000 SF Machine Shops to 1.5 million SF Ludlow Mills
- Ludlow Mills cited by EPA as the largest Brownfield Redevelopment in New England

Financing Mill Redevelopment Projects
An Historic/Brownfield Mill Redevelopment Project is Still A Real Estate Project

- Investors Expect a Return – 10-20% annually
- Lenders Expect to be Paid Back (with Interest)
- Developer Expects to Be Compensated for Knowledge, Effort and Risk

Virtually All Mill Redevelopment Projects are Upside Down Financially
Financing Brownfield Redevelopment Projects
Common Opportunities

- Historic mill districts present a valuable cultural asset
- Revitalizing mill districts can provide an economic boost to the entire community.
- Redeveloping mill buildings accomplishes multiple goals at once:
  - Reuse of existing structures
  - Compact, infill development
  - Environmental restoration
  - Increase in housing and job opportunities
  - Puts buildings back on the tax rolls
  - Restore access to a waterway
Financing Mill Redevelopment Projects
Common Constraints

- **Physical Limits – Large Scale = Large Cost**
  - Hazardous Materials Limit Future Use
  - Densely Developed – Limited Parking and Vehicular Circulation
  - Buildings are Not Functional – Low Ceilings, Close Column Spacing
  - Buildings, Heating Systems, Electrical Distribution, Roofs, Walls, Windows have Deteriorated and Need Significant Repairs or Replacement.
  - Off Site Infrastructure (Public Works) Is Not Adequate for Planned Redevelopment
  - Usually on a Waterway, with Retaining Walls, Dams, and Obsolete Infrastructure.

- **Legal Constraints**
  - Zoning Reflects Prior Industrial Age
  - Difficult to Subdivide Property to Segment Profitable Buildings or Sites
  - Heavily Regulated by Environmental Authorities, Army Corps, State and Local Building Authorities
Financing Brownfield Redevelopment Projects

Common Constraints

- Economic Constraints
  - Limited Market for Existing Space – High Vacancy/Low Rents
  - High Operating Costs – Maintenance/Repairs
  - Cost of Renovation Exceeds Cost to Build New
  - Cost of Remediation and Demolition Far Exceeds the Market Value of Underlying Land
Financing Brownfield Redevelopment Projects
How Much is Needed – The Business Plan

- Estimating Revenue & Expenses
  - Tax Returns and Financial Statements
  - Real Estate Appraisals
  - Market Analysis
  - Environmental Engineering
  - Structural Engineering
  - Civil Engineering
  - Mechanical Engineering (Plumbing, HVAC, Electrical, Fire Protection)

- Cash Flow Analysis

- Proforma Statements
  - Sources & Uses/Balance Sheet/Profit & Loss
Financing Brownfield Redevelopment Projects

- Develop Network of Consultants, Contractors, and Tradesmen that you can rely on
- Carry Large Contingency Factors, even for Firm Quotes
- No Matter How Thorough, Experienced and Meticulous You Are, You Will Miss Things
- It is What You Do Not Have In Your Budget That Will Sink the Project
# Financing Brownfield Redevelopment Projects

## Sources
- Owner Financing
- Developer Equity Investment
- Net Rental Income
- Conventional Loans
- Tax Credit Syndication Proceeds
  - New Markets Tax Credits
  - Historic Tax Credits
  - Low Income Housing Tax Credits
- Grants
  - EPA, EDA, MassWorks
- Developer Equity

## Uses
- Property Acquisition
- Environmental Assessment
- Environmental Remediation, Asbestos Remediation
- Demolition
- Permitting/Engineering, Site Design
- Other Soft Costs
- On-Site Building/Mechanical Improvements
- Public Infrastructure Improvements
- Sales & Marketing
- Operating Costs At Transition
- Loan Interest (Multiple Years)
Closing the Gap

- Additional Revenue from Lease or Sales
- Public Cleanup & Infrastructure Grants – Partner w/ Municipality
- Seek Zoning Changes
- Cost Savings from Utility Upgrades & Rebates
- Low Interest Lending Programs - MassDevelopment
- EPA Assessment and Remediation Funds (Brownfield Assessment & Cleanup Grants)
- State Site Remediation Funding, EOEEA, MA DEP
- Tax Increment Financing (TIF) – Working w/ Municipality
- US Economic Development Administration (EDA)
Leveraging a Mixture of Sources

Ludlow Mills Preservation and Redevelopment Project
Total Grants & Project Investments

Total Investment $67,145,700

52,500,000  78%
6,650,000  10%
1,235,200  2%
6,760,500  10%

PUBLIC GRANTS
PRIVATE GRANTS
WESTMASS INVESTMENT
HEALTHSOUTH /WINNDEVELOPMENT INVESTMENT
New England Mill Town Development
(A Mixed Use Development)

Ludlow

Springfield

Wilbraham

(Bird’s-Eye View of Mills of the Ludlow Manufacturing Associates at Ludlow, Massachusetts)
Ludlow Mills Clock Tower – Mill 8
“THEN”
Ludlow Mills Clock Tower – Mill 8
“NOW”
Master Plan in 2012 combined w/ MRD Zoning Change which Incorporated Expedited Permitting - Positions Ludlow Mills as Attractive to Developers & Tenants and Provides a Project Vision for the Town
Financing Brownfield Redevelopment Projects

Why We Do This

Mill 10 Ludlow Mills at Acquisition in 2011

Winn Development
75 Unit Senior Independent Living Apartments
Community First Approach

- Conducted Due Diligence (3 Years)
  - Spent time in the neighborhood
  - Listened to the Stakeholders
  - Identified likely constraints & challenges w/ help of EPA and the Community
  - Performed economic development modeling
  - Performed financial modeling & aligned sources/uses
  - Developed market understanding through analysis
Our Essential Partnerships

Predicates:
- Partnerships are essential
- Shared Vision and Goals with the Community

Absolutely Essential Partnerships include:
- The Community & Neighborhood
- Political Leaders & Town’s Boards & Staff
- EPA Region One (Brownfield Coordinator)
- MA Executive Office of Housing & Economic Development
- MA Executive Office of Energy & Environmental Affairs
- MA DEP Brownfield Coordinator
- MADEP Regional Interdisciplinary Team
- Local and State Historic Commissions
- Lenders & MassDevelopment
2015 Brownfield Renewal National Award Winners

- HealthSouth/Ludlow Mills Preservation and Redevelopment
  “Project of the Year” in the sustainability category at EPA National Brownfield Conference

- Brownfield Person of the Year Award  Jim Byrne, EPA Region 1, Project Mgr. for Ludlow Mills

- Panel at National EPA Brownfield Conf., Chicago  Ludlow Mills: Roadmap To Redevelopment – Largest Brownfield in New England
# For More Information - Resources

## FUNDING OPPORTUNITIES:

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<th>Organization</th>
<th>Website</th>
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<tbody>
<tr>
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## BROWNFIELDS:

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## ADAPTIVE REUSE/HISTORIC STRUCTURES

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## OTHER

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Thank You:

Eric Nelson, Sr. Vice President
e.nelson@westmassdevelopment.com

Westmass

225 Padgette Street ▪ Chicopee, MA 01022
(413) 593-6421
www.westmassdevelopment.com