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Town of Easton
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TO: Town of Easton Board of Selectmen
FROM: David Colton, Easton Town Administrator, and Howard Cohen, Jason Korb and Pam Goodman of Beacon Communities Development LLC
DATE: October 28, 2009
RE: Proposed Alternative Redevelopment Plan for the Easton Shovel Shops

Introduction

In late 2008, a group of concerned citizens and community leaders formed an organization whose mission was to preserve the historic industrial complex at the heart of the North Easton Village. The Friends of the Ames Shovel Works presented a widely hailed plan for restoration and reuse of the site as a mixed-income residential community that would carefully restore and preserve the architectural integrity of the Shovel Shops. This proposal, which we are pleased to present jointly as a collaboration between the Town of Easton and Beacon Communities Development, is based directly on that plan. Beacon Communities is committed to working with the Easton's residents and Board of Selectmen to implement the Town's vision for the site.

Today, the site known as the Shovel Shops is threatened by inappropriate development, disuse, and outright demolition. The overall goal of the project is to historically restore the buildings and to create a community that enhances public access to the site, integrating a new neighborhood into the North Easton Village.

This proposal is presented in several sections:

- Project Outline (pg. 2)
- Proposed Financial Structure (pg. 4)
- Developer Profile (pg. 6)

Project Outline

Project Elements

- Restoration of the Historic Shovel Shops complex to National Park Service standards & recordation of a preservation easement
- Development of ~119 new homes (20% affordable)
- Wastewater treatment plant with capacity to serve the North Easton Village
- Restoration of pedestrian access through the site, connecting Main Street to Mechanic Street
- Installation of interpretative signage and development of a self-guided walking tour
- New 2.3+ acre public park in the North Easton Village Center
- Creation of new public gallery space/museum to house artifacts relating to the Shovel Shops within the “Tenement” house
- Environmentally-friendly design (LEED certification)
- Condominium conversion of market rate apartments after 5 years
- Public-private financing partnership

Beacon Communities, in partnership with the Town, proposes to restore these historic industrial buildings in Easton’s center for residential use and, for the first time, make the site accessible to the public. The projects consists of 119 or fewer units of housing, a 1.5 acre public park, new gallery/museum space, and pedestrian access to integrate the new “neighborhood” into the North Easton Village. No major exterior modifications are proposed to the Machine Shop, Engine House, Power House, Store House, Plate-Polishing Shop, New Plate-Polishing Shop, Antrim Opening Shop, Tenement, or Stables; however, in some cases, shed dormers/additional windows may be added, per the Friends’ guidelines. The project will be permitted under the existing Comprehensive Permit (under MGL c. 40B), and 20% of the units will be affordable. The housing units will be rented for the statutory period of the tax credits (five years for market rate units; 15 for affordable) and then sold as condominiums.

Key Components of Historic Preservation

- Purchase of historic preservation easement ensures long-term protection for the structures on the site
- Long Shop to remain intact
- Rooflines of all granite buildings to be preserved; no major exterior modifications to
- Windows to be replaced with historically accurate windows (most likely aluminum)
- Steam Hammer Shop’s original pitched roof to be replicated
- Demolition limited to post-industrial period additions
- Glass Store (metal building) modified to accommodate indoor parking and residences

Public Park

This proposal emphasizes the creation of public space and incorporates a 1.5 acre public park along Oliver Street. Beacon and the Town would work together to establish a public, self-guided walking tour of historic Easton's downtown that prominently features the Ames Shovel Shop buildings. The proposed site plan provides public walkways starting at the Children's Museum and linking the Historical Society, select Shovel Shop buildings and the other historic buildings in the North Easton Village. This walk would serve to enrich Easton's history, educate the general public and students and actively engage the Shovel Shop's important position in the industrial revolution.

The public park along Oliver Street would be substantial in size and could include outdoor public activity and celebration space for spring, summer and fall concerts and festivals. NStar currently owns a small parcel of land that the Town and Beacon may wish to obtain through an easement or other types of ownership in order to ensure the park's continuity.

Proposed Museum/Gallery Space

The small red Cape on site (known as the "Tenement") is proposed to be historically rehabilitated and then leased, free of charge and in perpetuity, to the Historical Society for use as a public exhibition hall/museum. It is proposed that the hall will be a stop on the downtown Easton historical tour and will contain relevant artifacts from the complex's industrial heritage. A .85 acre public open space will be provided adjacent to the Tenement.

Environmental Design and Construction

A key component of Beacon's mission is constructing environmentally sustainable communities. To this end, Beacon is committed to the Leadership in Energy and Environmental Design (LEED) certification for all of Beacon's new developments.

Financing Structure: A Public-Private Partnership

This project is proposed to be funded in partnership with the private resources of Beacon Communities Development, and public funds dedicated to historic preservation and the development of affordable housing. The proposed financing structure takes advantage of private equity, state and federal tax credits and affordable housing funding sources; however, the project cannot go forward without local support. Local investment is sought in four general categories:

- Local support for wastewater infrastructure
- Real-estate tax freeze for at least 5 years
- Purchase of an historic preservation easement
- Loan of CPA funds

The following more detailed discussion of each element of the local financial contribution to the financial structure of the plan is designed to inform further discussions, only.

Town Development of Wastewater Treatment Plant

The estimated cost of the wastewater treatment plant is \$1.5 million. It is proposed that it would be an appropriate public purpose for the Town to use general obligation funds to build the onsite wastewater treatment plant (“WWTP”) that would serve both the development and other uses at the Town’s discretion. The Town’s building of the treatment plant would have to be coordinated with the construction of the development. The draft Ground Water Discharge Permit approved by the DEP to the Easton Shovel Shop, LLC allows for discharge of up to 36,000 GPD. Based on Beacon’s current plan, it anticipates utilizing approximately 21,500 GPD, resulting in 14,500 GPD of net capacity that can be utilized by the Town. Additional opportunities to further expand the WWTP for even greater capacity are being explored.

It is proposed that the Town construct and manage the WWTP. The owner of the development would remit to the Town on a regular basis charges for its share of operating and maintenance costs. The Town could provide the excess capacity to businesses and/or abutting homes in the Village, which was identified as the highest needs area in Easton’s most recent wastewater study.

Real-Estate Tax Freeze via Tax Increment Financing

In order to obtain the required amount of debt necessary to finance the development, it is crucial that real estate taxes remain at their current level until the market units are converted to condominiums or twenty years, whichever occurs first. Preliminarily, the development meets the standards for an Urban Center Housing Tax Increment Financing (“UCH-TIF”) that permits the

freezing of real estate taxes. The tax freeze on each unit would be lifted after conversion to condominiums.

Loan to Owner Using CPA Funds

It is proposed that \$4 million of CPA funds be loaned to the developer at low or no-interest to defray the upfront costs of historic development and affordable housing. Although by default this loan would be repaid to the General Fund, the loan could be structured in one of a number of ways in order to dedicate the repaid loan to CPA purposes.

Historic Preservation Easement

It is proposed that the Town purchase directly from the sellers an historic preservation easement on the property that would prohibit alterations and additions to the existing historical buildings and prohibit construction of new, non-accessory buildings on the site, and that the value of that easement be based on the value of the residential units that could not be constructed as a result of the restriction.

The seller's comprehensive permit application that is currently under appeal contemplates 182 housing units and 35,000 square feet of commercial space (equivalent to 35 housing units, for a total of approximately 217 units). In contrast, the historic preservation easement and restriction would reduce the capacity of the site to 119 apartments, or 98 fewer than the Seller's proposal. Based on previous appraisals of comparable 40B land costs per unit, it is estimated that each unit's land value is worth approximately \$36,000. Therefore, based on this valuation approach, the historic preservation easement purchased by the Town would result in a \$3.5M (98 x \$36,000) reduction in value. These assumptions will be verified by an independent accredited appraiser.

Tax Credits and Other State Resources

Federal and state affordable housing credits are allocated via a competitive process by the Department of Housing and Community Development ("DHCD") and state historic credits are allocated via a competitive process by the Secretary of State. Only rental projects are eligible for federal and state historic and affordable tax credit programs; however the requirement for historic tax credits is limited to the first 5 years of the project and the requirement for the affordable tax credits is 15 years. The project is more economically feasible and more fiscally advantageous to the Town if proposed as a homeownership project; therefore, it is proposed that the project would initially be rented, and then converted to condominiums after the 5 year requirement is over. At least initially, only the market-rate units would be converted to for-sale units in order to comply with federal and state affordable housing tax credit program requirements.

Tax credits will be donated to a nonprofit intermediary (which could be a new, local nonprofit or an existing nonprofit set up for this purpose) and then loaned back to the developer. This is done in order to maximize the funds available to the project from the tax credit programs.

Developer Profile

Proposed Ownership Structure

The owner of the development will be either a limited partnership or limited liability company which will be controlled by a subsidiary of Beacon Communities and will include limited partners/members as investors.

Beacon Communities Development LLC (“Beacon Communities”)

Beacon Communities is a long term investor in its communities. Unlike institutional investors that build and sell, Beacon Communities is strongly connected to the communities in which it works. Beacon’s in-house management company manages each apartment community that it owns and it is recognized by many organizations as an industry leader for its commitment to the communities in which it builds.

Beacon Communities was originally founded as Beacon Construction Company in the 1940’s and later transitioned to development work as The Beacon Companies. The Beacon Companies developed signature office properties in downtown Boston such as Center Plaza, Rowes Wharf, South Station, and Post Office Square. The Beacon Companies also developed a significant residential housing portfolio of over 6,000 units, mostly concentrated in Massachusetts but also extended as far south as Virginia and as far west as upstate New York.

Beacon Communities, established in 2003, has continued The Beacon Companies’ legacy by developing and managing market rate and mixed income housing. As of this date, Beacon owns and manages approximately 10,000 homes. Beacon Communities also specializes in historic restorations of 19th and early 20th century buildings. Some examples of recently completed historic communities are Wilber School Apartments in Sharon, MA and The Cordovan at Haverhill Station and Haverhill Lofts in Haverhill, MA. Attached to this memorandum are photographs depicting these buildings prior to, and after, renovations.

Conclusion

The Town Administrator and Beacon look forward to working with each other and the Board of Selectmen to realize the Town’s plan for the Ames Shovel Shop by preserving the historic buildings, creating open space, developing affordable housing and significantly increasing the tax rolls. A number of public forums are planned to discuss this plan, with opportunities to modify both the

physical and financial aspects of the proposal. Specifically, on November 10 the plan will be presented to the Historic Commission, on November 16 it will be presented to the Selectmen, and on November 23 it will be presented to the Planning Board. Beacon and the Town look forward to working with the Town's various interests to ensure that it meets the goals set forth during these meetings.

CC: Donna Abelli, Finance Committee
Fred Ames, Friends of the Ames Shovel Works
Steve Delano, Finance Committee
Melanie Deware, Historical Commission
Patricia Haederle, Conservation Commission
Patricia Hunt, Community Preservation Committee
Christine Santoro, Planning & Zoning Board
Stephanie Danielson, Land Use Agent
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