



New Markets Tax Credit Connection

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CASE STUDY: Revitalizing a Former Massachusetts Industrial Hub

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The recently completed Enterprise Building project, located in the central business district of one of Massachusetts' historic industrial hubs—the City of Brockton, is an example of the extraordinary outcomes the NMTC Program can generate within distressed low-income communities in New England. This project was developed by Boston-based Trinity Financial. Its mixed-use, mixed-income developments in disadvantaged communities are consistently recognized for their high caliber of execution and multi-dimensional impacts that strengthen communities and ensure long term success.

Background

Formerly known for its shoe manufacturing industry—Brockton became the nation's largest shoe producer through the procurement of government contracts during the Civil War—and subsequently suffered from decades of disinvestment. The city's population began to decline by 1920 when jobs grew scarce with cheaper, unorganized labor becoming readily available outside New England. By 1940, shoe production had dropped more than 40% from its peak and, in the ensuing decades, many of Brockton's downtown industrial and commercial structures were lost to urban renewal and demolition by neglect.¹

The Enterprise Building is the former home of the Brockton Enterprise newspaper, the City's first and longest publishing daily newspaper, as well as the city's first radio station which was launched by the newspaper as a local news and sports outlet. The Enterprise was first published in 1880 and quickly became the major source for news in the city, and the building became a central gathering place where passers-by could read headlines posted on the storefront windows.²

The Enterprise moved out of the complex in 2006 leaving the building largely vacant and further contributing to the disinvestment in this highly distressed area. Brockton has a 47% poverty rate, income levels at 26% of area median income, and a 33% unemployment rate. Trinity was able to place the building complex under agreement in 2010, then spent three years assembling the entire site, which included three privately owned parcels (inclusive of the Enterprise Building), and a publicly owned parking lot.

¹ See Massachusetts Historical Commission application by Taya Dixon, Epsilon Associates, Inc.

² Ibid.

³ Ibid.

Project Overview

The Enterprise Building project closed in December 2013 through the collaborative efforts of Trinity and its financing partners: co-CDEs Massachusetts Housing Investment Corporation (MHIC), MassDevelopment, and Bank of America Merrill Lynch (BAML); lenders Boston Private Bank & Trust Company and Boston Community Loan Fund (supported by a state agency lease signed prior to closing); and public funding from the Commonwealth of Massachusetts. In addition to providing an NMTC allocation, BAML was the investor for both the Enterprise Building project and Trinity's two adjacent multi-family housing developments that also closed in December 2013. Those projects, financed through the state's low-income housing tax credit program, along with redevelopment of the Enterprise Building, have made possible this large-scale, multi-faceted, mixed-use development.

The 107,000-square-foot Enterprise Building complex was an assemblage of six interconnected buildings constructed between 1887 and 1979.³ The development plan called for the demolition of a 33,450-square-foot press wing, located at the rear of the complex, and the gut rehabilitation of the remaining building sections that face Main Street (the original four-story 1887 Enterprise Building, the adjacent four-story 1889 Field's Block building, and the adjacent three-story component constructed in 1979) to convert the complex into a service-focused property with new commercial and retail tenants. Construction of the Enterprise Building, which contains approximately 56,000 square feet of space, was completed in February 2015. The two residential projects were completed in April 2015.

In order to close the transaction on schedule and meet the senior lender's pre-leasing requirements, Trinity attracted a subordinate bridge loan from a nonprofit, community-based lender for the loan tranche supported by future leasing. Prior to closing, approximately 29,000 square feet of space was pre-leased by two state agencies—the Department of Transitional Assistance and the Department of Developmental Services. Leasing efforts for the remaining office space are proceeding quickly with additional state service uses, medical office uses, and other potential private office tenants. Additionally, Trinity is seeking to identify a first-class restaurant operator for approximately 4,000 square feet of first floor retail space. The project created 60 construction jobs, and Kenan Bigby, Trinity's executive who has headed the development team, estimates that tenants within the building will create approximately 200 full-time jobs.

Financing Sources

Sources of financing for this challenging transaction included:

- \$5.8 million in NMTC equity from BAML which was generated by \$17.6 million in NMTC authority from the three CDE partners
- \$2.3 million in developer financing that included \$550,000 in equity contributed to the QALICB and a \$1.76 million developer loan from a Trinity affiliate
- Additional leveraged debt from a Trinity-affiliated master tenant that included a \$6.2 million subordinate loan from Brockton 21st Century Corporation (B21), a local economic development agency
- \$2.175 million senior loan from Boston Private Bank & Trust Company
- A \$3 million junior loan from Boston Community Loan Fund

B21's loan was funded by a portion of the \$15 million in total MassWorks funding that Trinity was awarded for the entire redevelopment initiative. MassWorks is a state program that provides public infrastructure funding to support economic development or housing opportunities and job creation in "Gateway Cities."⁴

Benefits to the Brockton Community

The redevelopment of the former Enterprise Building complex is expected to yield substantial community benefits including:

- The creation of a safer, walkable neighborhood in which low-income persons can access social services and jobs
- The reestablishment of downtown Brockton as an economically-viable location for residents, commuters, and new businesses
- Downtown business expansion by virtue of the work-based spending (usually for food and convenience goods) by the estimated 200 new downtown employees
- Green impacts that include health benefits from a LEED-certifiable building
- Sustainable transportation through its location within an urban center with numerous adjacent bus routes and a major rapid transit commuter rail station within a block of the site
- Energy conservation and clean energy practices through enhanced building envelope insulation and the utilization of Energy Star and high efficiency mechanical equipment; water conservation through the use of low flow water-conserving plumbing fixtures; and waste reduction and recycling through the separation and transportation of construction debris to recycling sites and the incorporation of recycling programs by the tenants of the building.

⁴A Gateway City, as defined by MassINC., an independent think tank based in Boston, is "a mid-size urban center that anchors regional economies around the state and because of its existing infrastructure and strong connections to transportation networks and major institutions and disproportionately young and underutilized workers, open up new opportunities to leverage these untapped assets."

Seeing the Results

The Enterprise Building project, and the two adjacent multi-family housing developments, have already transformed this central business district from an urban wasteland into an attractive, inviting urban neighborhood. The modern stucco arches that had been applied to the facades of the two historic Enterprise Buildings have been removed and the original Classical Revival facades, with their richly detailed swags and decorative cast stone panels, now serve as embellishments to this entire neighborhood. Of critical importance is the fact that people and new businesses are being attracted to downtown Brockton for jobs, housing, shopping, and investment.

A second phase of development, which includes an additional 102 residential units, 530 parking spaces, and office and retail space, will complete the transformation of a predominantly vacant inner city block into a vibrant mixed-use, mixed-income community. This multi-phase project, of which the Enterprise Building was a central component, was designed to comply with the goals of the Downtown Brockton Smart Growth Overlay District. It was permitted using the Commonwealth of Massachusetts' 40R permitting process which is intended to expand and expedite development in certain distressed central business districts.

Trinity Financial's \$100 million downtown Brockton revitalization initiative represents an extraordinary achievement. Bank of America Merrill Lynch, MassDevelopment, and MHC, in conjunction with the Commonwealth of Massachusetts, Brockton 21st Century Corporation, Boston Private Bank & Trust Company, and the Boston Community Loan Fund, are proud to have participated in its financing. We look forward to the fulfillment of the vision of a rejuvenated central business district and the renovated Enterprise Building complex regaining its former stature as a major downtown gathering place.

Contact

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