Transformative Bricks and Sticks: Boosting Commercial and Mixed-Use Rehabilitation Projects in TDI Districts

by

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Submitted to the Department of Urban Studies and Planning in partial fulfillment of the requirements for the degree of

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and
Master of Science in Real Estate Development

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ABSTRACT

MassDevelopment’s Transformative Development Initiative (TDI) has brought coordination, local capacity building and in some cases, added investment to Gateway Cities struggling to bring investment into their cores. However, real estate development in weak markets remains fundamentally challenging, with each project requiring substantial development expertise and political support to cobble together a complex stack of public and private capital.

Existing knowledge on the community development ecosystem suggests that commercial and mixed-use projects that rehabilitate existing buildings can be the most challenging to implement due to capital intensiveness and risk. These projects can often also deliver significant place-making and economic development benefits. This client-based thesis seeks to consider the role that state equity investments could play across different project types.

After considering the policy and political context of TDI, this thesis will use the Brockton context as a lens for recommending an alternative strategy—the “condo approach”—for MassDevelopment to deploy its TDI Equity Investment funds. Client-based learning, market research, stakeholder interviews, and financial modeling help to inform this strategy.

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Title: Director of Transformative Development, MassDevelopment
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And finally, thank you also to my family and friends who helped me through major crunch time with their love and support.
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INTRODUCTION

Overview

As Massachusetts enjoys a robust cycle of economic growth, real estate development in Boston has been buoyed by historically high rents. This development has brought investment to many communities that had previously been left behind—even to a point of concern, with displacement pressure emerging as a major policy issue. However, many communities in the state—particularly Gateway Cities—have not been able to tap into positive quality of life and economic development benefits of the real estate boom and remain struggling with concentrated disinvestment. These 26 cities, many former-industrial hubs, have lower incomes than the state average and make up more than 25% of the state’s population, acting as a “launch pad” for many immigrant families. Economic development in these communities is seen as an opportunity to enhance equity and take advantage of underutilized infrastructure such as affordable housing stock.

Massachusetts is fortunate to have at its disposal myriad development incentives and alternative capital sources. The presence of these tools, unfortunately, does not guarantee that this beneficial development will occur. MassDevelopment’s Transformative Development Initiative (TDI) seeks to concentrate efforts in Gateway Cities, inducing development by strategically deploying existing and new tools and building capacity in local institutions and stakeholders through on-the-ground technical assistance. Even with these new resources in place, development projects in designated TDI Districts still must build a complicated capital stack from private and public sources.

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1 Alan Mallach, Benjamin Forman, and Margaret Keaveny, “Transformative Redevelopment: Strategic State Policy for Gateway City Growth and Renewal” (Gateway Cities Innovation Institute, January 2013), https://massinc.org/research/transformative-redevelopment/.

to get off the ground. Commercial development in TDI Districts, which can bring desirable livability externalities, is particularly difficult to finance and tenant. As a recent framing paper by the Boston Fed through its Capital & Collaboration effort observed, commercial development in particular is an "'odyssey of odysseys,'" especially compared to the "established and comparatively straightforward process" for affordable housing development. 3

Building on the framing outlined by the Boston Fed, with Massachusetts Development Finance Agency (MassDevelopment) as a client, this thesis uses mixed methods to propose a strategy for the Equity Investments component of TDI to enhance the potential pipeline of historic rehabilitation projects in TDI districts and deliver commercial space products that existing developers do not.

**Methods**

In order to develop a well-supported strategy, both qualitative and quantitative methods are necessary. Given that the Gateway Cities are a diverse group of communities with different markets and contexts, I chose to take a deep dive into Brockton. By grounding the strategy in the context of one community, I was able to tailor it more closely to local realities. This way, the strategy can be adjusted to fit other communities, rather than loosely fitted to no specific context at all. The specific methods to carry out this analysis include:

- **Client-based learning:** By establishing an ongoing dialogue with MassDevelopment's Transformative Development Initiative team, I was able to scope my analysis based on the

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needs of practitioners. Starting with a simple phenomenon – “stuck projects” – my research question evolved as I met with staff in semi-regular check-ins and site visits.

- **Policy and Market Research**: In order to build on (or occasionally complicate) the knowledge coming from encounters with MassDevelopment staff, to help build a richer thesis-level analysis, I supplemented what I heard with desktop research into the policy context for TDI and market context for Brockton. This included researching the political and policy origins of TDI itself, as well as an examination of Brockton’s history and current market conditions.

- **Stakeholder Interviews**: To build on my context research and create a dialogue with client observations, stakeholder interviews with key players in Brockton’s development pipeline helped to build a “private” perspective of the public-private cooperation necessary to get projects done in such challenging market conditions. After connecting with four market actors, I gathered the most salient themes to add depth to the failures that a MassDevelopment intervention could address.

- **Financial Modeling**: Finally, with a strong context in place, I created financial sketches of prototypical Brockton historic rehabilitation projects to draw insights on the ways an equity investment by MassDevelopment might be most impactful. With these investments outlined, I looked at rents the agency might collect for different payback periods on its investment using a riskier tenanting strategy than the private sector would entertain.

**Findings**

Given the substantial feasibility gap for commercial development in general, the lack of retail expertise among the housing developers most active in Brockton’s development ecosystem, and the difficulty of matching small business tenants with adequate space, I recommend that
MassDevelopment uses Equity Investments to acquire and control retail spaces in Brockton. Using a tenanting strategy that balances financial sustainability with economic development goals, I recommend dividing space to accommodate both a higher rent paying institutional or formula retail use as well as a set of smaller, combinable spaces suitable for small businesses.

From the perspective of using Equity Investments to get larger projects off the ground, I find that the cost of acquiring a retail condo could play a gap-filling role in housing historic rehabilitation projects. In particular, a market-rate project would likely have a larger feasibility gap than an affordable housing project; however, given the access to a deeper subsidy stack, the retail condo could likely be acquired at a lower purchase price as part of a LIHTC project as a substitute for tapped-out affordable housing soft debt funds. Both of these scenarios could deliver lower-cost retail space than a commercial-only project, and both housing scenarios enable MassDevelopment to play a unique convening role that could help improve capacity in the local development community. From a yield perspective, MassDevelopment could support the lowest possible rents in a LIHTC project where the basis for the retail condo could be the lowest.
CONTEXT: THE GATEWAY CITIES & THE TRANSFORMATIVE DEVELOPMENT INITIATIVE

"'Gateway municipality,' a municipality with a population greater than 35,000 and less than 250,000, a median household income below the commonwealth's average and a rate of educational attainment of a bachelor's degree or above that is below the commonwealth's average" – Massachusetts General Laws, 23A § 3A

Overview

It is critical that any intervention proposed as part of this analysis is sensitive of the robust policy context around the “Gateway Cities,” a politically defined category of smaller cities across the Commonwealth of Massachusetts. As MassDevelopment staff would say, these cities anchor regional economies but continue to face disinvestment challenges. This context document will first synthesize the significance of Gateway Cities as a unique economic development target for policymakers, both from a technical and political standpoint. From this foundation, I will then trace the emergence and significance of MassDevelopment’s Transformative Development Initiative.

How did the Gateway Cities become the Gateway Cities?

The notion of the Gateway Cities was arguably coined in a germinal 2007 report published jointly by MassINC and the Brookings Institution’s Metropolitan Policy Program. In this report, Muro et al. paint a binary picture of Gateway Cities as “traditional mill towns” that have struggled to “move from an industrialized past to a knowledge-based future,” in sharp contrast with “a narrow swath of towns in the Greater Boston area” that have enjoyed the vast majority of the state’s high-

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skill economic boom. The authors argue that this divergence is not only a missed opportunity and social equity concern, but also a threat to the state’s overall competitiveness and sustainability. With economic growth primarily concentrated in select parts of Greater Boston, high-paid employees could “bid up” housing prices in the core markets, encourage suburban sprawl and traffic congestion, and miss out on smart growth and human capital opportunities in former industrial centers with a dense urban fabric.

From a built environment perspective, one key commonality is the opportunity of historic building stock of the Gateway Cities, where significant capital flowed from industrial production into iconic mills, factories, and commercial buildings in central business districts. In his 2015 thesis analyzing adaptive reuse projects in gateway cities Lowell and Lawrence, among other communities, Easterbrooks-Dick finds significant value in the historic resources common in post-industrial cities where residents struggle to tap into regional economic growth. Eligibility for incentives such as the Federal and State Historic Tax Credit and the potential for conversion into affordable housing units subsidized by the Low Income Housing Tax Credit enabled catalytic rehabilitation projects that paved the way for later investment. However, in comparing projects like the Museum Square Apartments in Lawrence with the Francis Cabot Lowell Mill in Waltham and the Baker Chocolate Factory in Dorchester, the Lawrence project struggled the most to induce subsequent investment, highlighting the particular challenge of leveraging historic resources in Gateway City markets with weaker demand.

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5 Muro et al., “Reconnecting Massachusetts Gateway Cities.”
6 Muro et al.
8 Easterbrooks-Dick.
Although the Gateway Cities may share some economic realities and industrial heritage, in reality, the group of cities is more linked by politics than by a truly shared context. Weinstein’s 2014 thesis examining the emergence of a “small-cities” movement among Gateway Cities argues that political cooperation and the creation of a network enabled these smaller communities to gain prominence in a “Boston-centric” state government. Decades dominated by multi-billion-dollar state infrastructure investments in Boston such as the Big Dig and Silver Line underscored the need for increased advocacy for communities outside of the state’s “undisputed” core, and following the 2007 MassINC and Brookings report, mayors of the Gateway Cities signed the Gateway Cities Compact, agreeing to “work together and view each other as one.” A legislative caucus followed, and eventually, an economic development bill was passed that broadened the definition of Gateway Cities (and availability of incentives) from the “original eleven” in the report to 24 cities across the state (today 26 cities) with over 250,000 people and less than average income and educational attainment.9

Gateway Cities Demographics

It is critical to understand the demographic context that underpins the Gateway Cities, as well as the difference within the group of cities. In the 2007 analysis, Muro et al. documented a pronounced gap in per-capita income and educational attainment, among other metrics. The legislative definition enacted includes a wide swath of communities both within the Greater Boston area, which we will define as inside of I-495 for the purposes of this analysis, as well as in Central, Southern, and Western Massachusetts. Some communities, particularly those most accessible to

9 Weinstein, “How the ‘Underdog Cities’ Formed a Pack.”
10 Weinstein.
Boston, have seen growth in population, income and educational attainment as a tight housing market pushes more people into traditionally affordable communities. This section will examine U.S. Census Bureau American Community Survey data from 2011 through 2016 to help paint a more dynamic demographic picture of the Gateway Cities today. At the city level, I will identify key trends in population, median household income and educational attainment.

Population

Compared to a statewide rate ranging from 0.5% to 0.8% per year between 2011 and 2016, population growth in the Gateway Cities has generally trailed behind. Through this lens, the difference between cities inside and outside of Greater Boston is relatively stark. Chelsea and Everett, for example, have grown in population faster than the state each year. Lawrence, Lowell, Methuen, and Lowell have also exhibited comparable growth to the statewide average, while Brockton, Haverhill, Lynn and Quincy have also shown slower growth. Outside of Greater Boston, population growth has been slower each year, nearly across the board. Barnstable and Pittsfield, for example, have exhibited population decline each year. Growth by year is shown in Error! Reference source not found. below, with Greater Boston communities in grey rows. It’s worth noting that in many of the Gateway Cities, immigrant communities have driven population growth.11

11 Muro et al., “Reconnecting Massachusetts Gateway Cities.”
## POPULATION GROWTH IN GATEWAY CITIES, 2011-2016

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Figure 1: Year-over-Year Population Growth in Gateway Cities. Cities in Greater Boston are in grey, and Cambridge and Somerville are included for comparison. Source: Author's analysis of American Community Survey data

### Education

Statewide, educational attainment—measured as the share of adults 25 or older with a bachelor’s degree or higher—has increased each year in recent years, averaging around 36% in 2016. Near Boston, a couple of Gateway Cities have lingered near the statewide average, such as Salem and Quincy. Malden has seen its educational attainment grow four percentage points in the five years from 26% to 30%, while Peabody, Methuen and Haverhill have lingered around the 25% mark. Error! Reference source not found. below shows the rest of the Boston area cities. Outside
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Figure 2: Share of Adults over 25 in Greater Boston Cities with Bachelor's Degrees or Higher. Boston-area Cities are in Grey. Source: Author's Analysis of American Community Survey data.

of the metropolitan area, Gateway Cities demonstrate a similar dispersal, ranging from 13% in Fall River to 34% in Barnstable. This wide range demonstrates the heterogeneity of each community.
### MEDIAN HOUSEHOLD INCOME 2011-2016

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Figure 3: Percent Difference from State Average Median Household Income, 2011-2016. Darker reds indicate lower incomes. Source: Author’s analysis of American Community Survey data.

### Incomes

Given the difference in cost of living between Greater Boston and other regions of Massachusetts, a wide range of median household incomes is expected. As shown in Figure 3, communities outside of Boston tended to have relatively lower median household incomes than those closer to the capital. That said, it is worth noting that in some communities, the gap grew larger, while in others, it narrowed between 2011 and 2016. Brockton went from a 24% lower median household income to a 30% lower median household income than the state average, while Chelsea moved the opposite direction from 35% lower to 30% lower.

Overall, while the Gateway Cities category has paved the way toward a shared political status in a Boston-dominated state policy-making apparatus, there is a yawning divergence in the status and
trajectory of each community, whether near or outside of Greater Boston. This dissimilarity complicates the ability to create policy for the entire category of cities that is cognizant of radically divergent needs across the range of cities.

**Transformative Development Initiative**

From the context of political interest in investing in the highly diverse group of Gateway Cities, MassDevelopment’s Transformative Development Initiative (TDI) has emerged as a unique approach to the issue of disinvestment in real estate capital. Rather than a top-down, arms-length approach, overall, the program places an emphasis on local capacity-building and cooperation. This examination will briefly examine the “DNA” of TDI, provide an overview of the program as it stands currently, and outline some of the key advantages and challenges of the initiative.

**DNA of the Transformative Development Initiative**

Not unlike the coining of the Gateway Cities concept, the strategy of “transformative redevelopment” was introduced in a 2013 whitepaper written by MassINC. The paper reiterates the 2007 contention that Gateway Cities have significant “unrealized potential” to attract urban development that could enable smart growth as an alternative to suburban sprawl. Through a real estate development lens, the authors argue that significant construction costs and “weak markets” create a financing gap that necessitates substantial public subsidy; this subsidy would be well spent in Gateway Cities to help correct a statewide housing shortage, encourage more environmentally friendly development and open affordable sites for private enterprises to locate and expand.\(^\text{12}\)

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differentiates investment in “transformative” redevelopment from a more generic subsidy for a particular project or product type is the idea that when linked by a “coherent strategic framework,” a transformative redevelopment project can induce “significant follow-on private investment, leading over time to the transformation of an entire downtown or urban neighborhood.”

This definition was largely incorporated into enabling legislation establishing the Transformative Development Fund, with a specific definition of “transformative development” that includes “investment in new construction, rehabilitation and adaptive reuse, or multiple smaller investments on a sustained basis.” With this definition codified, the $16,050,000 fund, nested within MassDevelopment, was established with the purpose of making “equity investments,” providing “technical assistance to revitalize and support residential, commercial, industrial and institutional development,” and to give “financial assistance to promote collaborative workspaces in gateway municipalities.” This legislative action set the stage for a program with investment and technical assistance as its main tools, though with a relatively small pot of seed funding relative to the magnitude of possible projects across the state.

**Overview of MassDevelopment and the Transformative Development Initiative**

The Transformative Development Initiative (TDI) is housed in the Massachusetts Development Finance Agency, known as MassDevelopment, one of several quasi-independent commonwealth agencies involved in housing and economic development. MassDevelopment formed as a merger of the Massachusetts Government Land Bank and the Massachusetts Industrial

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Finance Agency in 1998 with a general anti-blight economic development mandate. The main tools available to MassDevelopment include tax-exempt bond financing, direct lending, grants and technical assistance, with a distinct emphasis on real estate projects and industrial development finance. According to the agency’s 2017 financial statements, MassDevelopment holds over $500 million in assets—primarily cash, investments, loans receivable and capital assets—and major revenue streams include revenue from the agency’s Devens holdings, loan income, and fees from loans, bonds and tax credits.

Despite the capital focus of the agency, TDI has a case-management approach to encouraging redevelopment. Rather than merely focusing on funneling money into projects, the various components of the initiative center around building development capacity within each city, helping to facilitate connections between various development stakeholders, and serving as a point of contact between local governments and state resources. In a recent update presentation, staff describe the program as “an integrated place-based approach designed to implement locally initiated, strategic, catalytic and sustainable revitalization activities.” This collaborative, place-based approach is a far cry from the traditional top-down economic development practices that focus on targeting infusions of subsidy into large companies. It is also a departure from existing real estate development tools—particularly those in affordable housing—that revolve around highly competitive, zero-sum grant making. To break a statewide program based on a classification of cities into a place-based effort, TDI has established core districts—generally downtowns—within a subset of Gateway Cities selected by a competitive process. MassDevelopment staff note that in addition to prioritizing a limited amount of funding, setting small districts is fundamental to the program’s

17 Massachusetts Development Finance Agency.
philosophy that concentrating more small efforts in a smaller area is the most effective way to
effectuate “transformative” development.

For most of the selected TDI Districts, in addition to technical assistance, coworking
support and small grants, a TDI Fellow—a full-time MassDevelopment employee embedded in the
TDI District—is placed locally for two to three years. The fellows build relationships and plug into
potentially transformative projects, acting as a point person between MassDevelopment and the
local community as well as a facilitator for upstart place-making opportunities. For the TDI Districts
visited by the author, the fellows noted a local and regional perception issue that led to a lack of
robust leasing brokerage; staff noted that brokers were more motivated to focus in the suburbs,
rather than in the city center. Fellows often described stepping into this sort of role by helping to
match entrepreneurs in their networks with vacant space. Another key function described by the
fellows was forging relationships with developers and property owners, keeping tabs on the actual
and potential project pipeline, paying close attention to the sites identified with the most potential
for “transformative development.” Finally, fellows also described acting as a local booster for the
cities they served, taking meetings with and giving tours to various stakeholders interested in the
districts, developing significant expertise in the local context and development challenges. Some
fellows described working with civic groups as well to build a constituency excited about
revitalization.

The last key piece of TDI that requires a special focus is the Equity Investments Program.
Through this program, MassDevelopment has the option of directly investing in potentially pivotal
projects in Gateway Cities. According to the program guidelines, options for an equity investment
include “a controlling interest in a company…a controlling interest in real estate” or “an equity
security."\(^{20}\) Two additional criteria cited by the agency that are particularly indicative of the vehicle’s goals are the desire to invest in “projects that are in need of site control” and “unsticking stuck projects that affect the perception of the district.”\(^ {21}\) In practice and with the controlling interest constraint, the tool has been used to acquire real estate in important locations within TDI Districts, such as Stearns Square in Springfield, that have failed to attract private development.

Overall, the benefits of the TDI program are rooted in its place-based philosophy, commitment to local capacity-building, and openness to smaller-scale projects that affect perception, rather than simply chasing the largest possible investments. In particular, the Equity Investments tool offers a new financial vehicle for capital investments in Gateway Cities that was not previously available. While the controlling interest requirement complicates the opportunity to invest in projects alongside local developers the way a traditional gap-filling subsidy would work, staff have noted that the site control aspect is a huge aspect of getting a project off the ground. Beyond simply having the capital to purchase sites, multiple staff described a considerable amount of sweat equity that goes into convincing recalcitrant property owners to sell. The site control strategy will likely remain a valuable use of the Equity Investments tool; however, additional strategies could address other market challenges. These challenges at the market level for Brockton will be discussed in the next chapter.


\(^{21}\) MassDevelopment.
MARKET AND REAL ESTATE DEVELOPMENT CHALLENGES IN BROCKTON

As noted in the previous chapter, the diversity among the different Gateway Cities leads to each place having its own unique challenges for economic development. While some challenges and experiences are generalizable to all of the cities, some are not. Ultimately, a rich understanding of each place depends not only on a thorough understanding of local information, but also familiarity with the local development community. This thesis zeroes in on Brockton, ultimately building a flexible continuum of ideas that could be adapted to other communities. In this chapter, I will first delve into the specific local context of Brockton, a relatively large city in Greater Boston with nearly 100,000 people. From there, I will establish some frameworks for the specific challenges of getting real estate development projects off the ground in Brockton from both the demand and supply sides.

“Meet Cute:” Brockton

As one of the larger cities on the outer periphery of Greater Boston, Brockton is an urban epicenter of its own in an area dotted by smaller, more suburban towns and cities. The city lies approximately eight miles from Metropolitan Boston’s important “front door” of Route 128 yet is still well within the “outer fence” of Interstate 495. By commuter rail, Brockton Station is only 35 minutes from South Station. Unfortunately, among many Bostonians, one of the defining features of Brockton is perception issues around crime; the city has one of the highest violent crime rates in the
This “meet cute” will reach beyond this simplistic “tough” reputation to sketch some of the history, economics, demographics and real estate realities of the city.

History

Brockton’s history stretches long before the founding of the country and even the arrival of European colonists, documented as a Wampanoag community before colonial times. Only few miles from Plymouth, colonists settled the area as Bridgewater in the 1600s, with the current Brockton area originally incorporated as North Bridgewater in the early 1800s. Through the mid and late 1800s, the town industrialized, with explosive growth in the shoemaking industry fueling exponential population growth which later led the town to incorporate as the City of Brockton in 1881. This shoe industry peaked in the early 1900s with nearly 100 factories, and then competition and the Great Depression precipitated an industry decline that persisted, though temporarily buoyed by World War II production; by 1964, only ten factories remained. The last shoe factory—FootJoy—closed in 2009 amidst declining demand for golf shoes during the financial crisis.

It’s worth noting that some of the city’s rich architectural heritage and notable commercial development was contemporaneous with the blossoming of the shoe industry. Archival photographs from Benson’s *Brockton Revisited* showcase some of the core block developments that constituted a

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thriving commercial district in the heart of Downtown Brockton, as well as some of the trade-offs that have been made to save one building at the cost of another. Figure 5 shows the Curtis, Goldthwaite, Howard and Lyman blocks at the corner of Main Street and Legion Parkway, all built around the turn of the 20th century and fortunately still standing today. Figure 7 shows the Bryant Building kitty-corner at the same intersection, with the neighboring Enterprise Building in the background; the Enterprise buildings have been restored, but the Bryant Building in the foreground has been demolished. Figure 8 shows the site of Taymor Shoes on the same block as the Enterprise Building; Taymor Shoes was a retail extension of the area’s massive shoe agglomeration, founded near the peak of the industry. The store building was demolished in 2008 to “make room

Figure 5: The Curtis, Goldthwaite, Howard and Lyman Blocks. Source: Benson, Brockton Revisited

29 Benson and Balzotti.
30 Benson and Balzotti.
for a housing development,” the site of which is now the parking attached to Enso Flats and Centre 50 apartments.

![The Bryant Building in the foreground with the Enterprise Building in the background. Source: Benson, Brockton Revisited](image)

Although the shoe industry had declined significantly in the latter half of the 20th century, suburbanization and highway development boosted Brockton’s population substantially, catalyzed in particular by the development of Route 24. The Cape Verdean community grew in Brockton through the 1970s after the country gained its independence, and the City’s population peaked around 95,000 in 1980. With the shoe industry nearly gone by now, the next decades were

31 “The Hub of Footwear.”
particularly trying. Economic stagnation exacerbated by a severe water shortage that stretched into the 1990s and led to a building moratorium. The inadequacy of the city's water infrastructure to connect water supply into the city eventually led to the development of a desalination plant. During this intermediate period of constrained water supply, the abandonment of over 200 buildings during this time created space that attracted crime. Development efforts today have been focused on turning around this decline and helping to grapple with the economic void left by the departure of an industry cluster.

34 Leo MacNeil, “Quality of Life Improves in Brockton,” Communities & Banking, June 1, 2004.
36 MacNeil, “Quality of Life Improves in Brockton.”
Brockton Today: A Snapshot

Today, Brockton’s economy has shifted from its shoe-making roots into a more diversified mix of sectors with a stronger service-oriented focus. According to Bureau of Labor Statistics Data accessed through the Longitudinal-Employer Household Dynamics Program, nearly 30% of jobs in Brockton are in Health Care and Social Assistance, with Retail Trade and Educational Services also making up significant shares at 12.6% and 11.9% respectively, as shown in Figure 9 below. The largest employers in the city include three hospitals, a community college, and the City’s schools; W.B. Mason, a major workplace products company, has its headquarters in Brockton. Also worth noting is the flow of workers in and out of the city. Of the over 39,000 employees in Brockton, over...

Figure 9: Jobs by Industry Share in Brockton. Source: LEHD Data

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28,000 come from outside the city and nearly 11,000 live and work within Brockton; of the 49,000 workers who live in Brockton, 38,000 work elsewhere.\textsuperscript{39} This imbalance suggests that though Brockton likely shrinks during the day, workers coming into the city should be considered as a part of the City’s critical mass of consumers.

Demographically, after the challenges of the 1990s, Brockton’s population shrunk by 0.5% between 2000 and 2010 while the state grew by over 3%.\textsuperscript{40} This trend of slower growth has continued in recent years, with the American Community Survey showing an annual growth rate of less than half that of the state in Brockton between 2011 and 2016; as of 2016, the population is estimated to be approaching its earlier peak of 95,000.\textsuperscript{41} Consistent with its status as a Gateway City, Brockton’s median household income in 2016 was near $50,000, or 70% of the statewide average, and the percentage of adults over 25 with a Bachelor’s degree or higher was 15%, less than half of the statewide average of 36%.\textsuperscript{42} Brockton’s downtown TDI district has the highest concentration of poverty in the city, with educational attainment and incomes significantly below the city average and a poverty rate over three times that of the city.\textsuperscript{43}

Brockton is also a city with a high level of ethnic, linguistic and racial diversity. According to Brockton Population Trends, a demographic report written for the City by researchers at UMass Boston, there has been significant growth in residents who identify as Black or Latino and a shrinkage in the white population over the past two decades. The Haitian and Cape Verdean communities in particular have grown, and the overall share of foreign-born residents has increased significantly.

\textsuperscript{39} U.S. Census Bureau, \textit{LEHD Origin-Destination Employment Statistics}.
\textsuperscript{42} U.S. Census Bureau.
Linguistically, while two-thirds of the city speaks only English at home, one third of the city speaks Portuguese or Portuguese Creole, French Creole, or Spanish.\textsuperscript{44}

**Real Estate Market Challenges**

With other parts of Greater Boston booming as Brockton’s economic growth has stuttered, real estate investment in the city can be a challenging proposition. On the demand side, low prices and rents demonstrate a limited need for new space, with house prices, apartment rents, and commercial rents among the lowest in the area. On the supply side, this creates two frameworks to consider when evaluating the participation in Brockton’s development market. First, a market feasibility gap between rents and construction costs means that development—particularly pricey historic rehabilitation—generally requires a subsidy. Second, given the complexity and number of coordinated players necessary for each subsidized deal, a well-oiled ecosystem is also required.

*Brockton’s Real Estate Market—Demand-Side Challenges*

Low housing rents and prices, combined with a limited market for commercial leasing, means that market-rate development is challenging for developers attracted to high-yield properties. Home prices and rents have trailed Boston’s in both growth and magnitude, and though retail and

commercial lease transactions are limited and difficult to generalize, rents are generally below those that prevail in the local submarket.

Figure 11: Rents in Brockton and Boston. Source: Zillow Rent Index

Figure 14: Home Prices in Brockton and Boston. Source: Zillow Home Price Index

On the housing side, according to the Zillow Home Value Index, home prices for Brockton track significantly below those in Boston, though single family homes have shown significant growth in the past few years to near their pre-recession peak. Boston, by contrast, exceeded its pre-recession home price peak nearly five years ago. The price of multifamily is worth noting, especially when considering the feasibility of potential condo projects. Although multifamily units have experienced
modest price growth, prices are still below pre-recession peaks, with an average value of less than $153,000 as of early 2018. For rentals, according to the Zillow Rent Index, the average apartment rent in Brockton is $1,649, nearly $1,000 below that of Boston. Apartment rents in Brockton show more volatility than those in Boston, which has exhibited steady growth since 2010; single family home rentals have exhibited more steady growth than apartments.

For commercial leasing, there were only fifteen transactions listed on the CompStak database since 2014, some of which were “credit tenant” type transactions. For example, in retail, CVS, H&R Block and EbLens—a New England regional sneaker chain store—ranged from $15-23 per square foot in 2015. Though this is a fraction of the $33 that retail in Boston yields, it is generally in line with the $19 ballpark for the Route 128 South submarket.\textsuperscript{45} Of course, these transactions do not characterize the prevailing types of retail in Downtown Brockton, where smaller, “mom-and-pop” businesses tend to rent for only a few dollars per foot. There were not enough office transactions to make a definitive estimate for Brockton’s market, though it’s worth noting the $38 per square foot lease signed by Signature Health, one of Brockton’s largest employers. Industrial transactions hovered around the $5 per square foot level, generally in line with the $6 per foot that is typical in the 495 South submarket.\textsuperscript{46}


Brockton Snapshot
Brockton Commercial Leasing Transactions
Source: Compstak

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Retail Weighted Average $/SF $19

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<td>2016</td>
<td>$5</td>
<td>24,000</td>
<td>O'Reilly Auto</td>
</tr>
<tr>
<td>170 Oak Hill Way</td>
<td>2016</td>
<td>$5</td>
<td>18,000</td>
<td>KLN Doors</td>
</tr>
<tr>
<td>353 Howard Street</td>
<td>2016</td>
<td>$5</td>
<td>40,000</td>
<td>EquipNet Direct</td>
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<tr>
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<td>2014</td>
<td>$8</td>
<td>4,035</td>
<td>M &amp; L Home Improvement</td>
</tr>
<tr>
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<td>2014</td>
<td>$6</td>
<td>40,000</td>
<td>Kenworth</td>
</tr>
<tr>
<td>1020 West Chestnut Street</td>
<td>2014</td>
<td>$4</td>
<td>41,000</td>
<td>Boston Fresh</td>
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</tbody>
</table>

Industrial Weighted Average $/SF $5

Institutional

<table>
<thead>
<tr>
<th>Location</th>
<th>Date</th>
<th>Net $/SF</th>
<th>Feet</th>
<th>Tenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>* 141-143 Main Street</td>
<td>2016</td>
<td>$14</td>
<td>30,000</td>
<td>New Heights Charter School</td>
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<tr>
<td>* 88 West Elm Street</td>
<td>2015</td>
<td>$20</td>
<td>600</td>
<td>Ecuadorian Baptist Church</td>
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</tbody>
</table>

* Downtown Transactions

Figure 15: Recent Commercial Leasing Transactions in Brockton. Source: Compstak
Real Estate Development Challenge Frameworks—Supply-Side

In many Gateway Cities, but Brockton in particular, low prices and rents across property types eliminates the key incentive for new space to come online. Figure 16 from Geltner et al.’s Commercial Real Estate Finance and Investments shows the link between space users, real estate asset purchasers and developers. Without brisk demand from tenants looking for space, low rents in the space market depress asset prices, which can make it challenging to develop profitable projects;
perceived risk by capital market players who invest in real estate also depresses asset prices and reduces profit-driven development.\textsuperscript{47} MassINC crystalizes this issue in their 2013 \textit{Transformative Redevelopment} paper, finding a host of cost factors that create a very large spread between the cost and market value of new development in Gateway Cities. Given that urban development shares in weak markets still incurs the high cost planning, environmental review, remediation and, in the case of the projects contemplated by this thesis, historic preservation, the value of a restored property can range from one to two thirds of the cost of construction.\textsuperscript{48} With this substantial gap in mind, the authors caution that feasibility gap fillers in Gateway Cities should take the form of patient equity that does not expect an immediate return, if any, but could enjoy an upside return should market conditions improve.\textsuperscript{49}

It’s important at this point to note a normative tension that is inherent in the mix of the capital markets with economic development policy. On one hand, when development is stymied by low rents, a lack of investment in real estate capital can lead to the gradual deterioration of historic assets; indeed, many historic buildings in Brockton have deteriorated to the point of needing to be razed. This neglect can deteriorate the community’s quality of life. On the other hand, affordable rents and prices are an asset for the people who live in Gateway Cities, especially in the housing supply crunch of Greater Boston. Affordable rents can also provide an opportunity for small businesses to get started and enable existing firms to expand. The normative perspective of this analysis is that community development and investment in Brockton should strive to create value by improving the quality of life and level of opportunity for existing residents and reducing the perceived risk of investing in Brockton.

\textsuperscript{47} David M. Geltner et al., \textit{Commercial Real Estate Analysis and Investments}, 3 edition (Mason, OH, USA: ONCOURSE LEARNING, 2013).
\textsuperscript{48} Mallach, Forman, and Keaveny, “Transformative Redevelopment.”
\textsuperscript{49} Mallach, Forman, and Keaveny.
While the availability of capital to fund and finance projects is likely the essential limiting factor for real estate development in Gateway Cities, it is critical to also consider non-financial factors. The Capital & Collaboration Initiative, a joint effort of the Boston Federal Reserve Bank, the Kresge Foundation and the Institute for Responsible Investment, has developed the “capital absorption” framework to help define the climate necessary to turn capital—including available public subsidies such as tax credits, abatements and grants—into projects. The three ingredients, they argue, is a coherent vision of “strategic priorities” endorsed by the community, a “pipeline” of actual projects that meets the priorities, and an “enabling environment” that supports the acrobatics necessary to get complex development deals executed.  

Overall, the challenges that face development in Brockton—both in general and for commercial space in particular—are rooted in market challenges and mirrored in the climate for development. Ultimately, these barriers shape the projects that come to fruition. The next chapter will analyze how the development pipeline and community reflects some of these challenges.

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50) Grace and Hacke, “Capital & Collaboration.”
THE PROJECT PIPELINE IN BROCKTON: UNPACKING BROCKTON’S DEVELOPMENT ECOSYSTEM

What Gets Done in Brockton?

Building on our understanding of Brockton’s economy and space market, in order to truly understand the city’s development climate, I will dig deeper into the development pipeline (both recent past and near future) for Downtown Brockton in particular and evaluate key projects through the development gap framework and capital absorption frameworks. With an eye toward the relative difficulty of commercial development and the deep subsidies available for affordable housing, I will briefly consider the nuances of this particular product type from an economic development perspective. From there, I will draw on the perspective of the developer. Using interviews with four stakeholders involved with development and investment in Brockton, I will paint a picture of the retail and commercial climate from the vantage point of the landlord.

Brockton’s Development Pipeline

Recent development in Downtown Brockton has included both residential and commercial uses, much of which has substantially restored existing buildings. Figure 18 below shows key recent and forthcoming projects in Downtown Brockton. Uses for these projects generally reflect the market realities of the area: three of five completed projects were substantially housing, many units
Station Lofts, completed by Capstone Communities in 2014, reused a manufacturing building to create 25 mixed-income units, leveraging historic rehabilitation tax credits, low income housing tax credits, mission-driven financing and affordable housing soft debt. The first phase of Trinity Financial’s two-phase Enterprise Block project has 113 residential units in the first phase, including artist live work, affordable and market-rate units, as well as 52,000 square feet of commercial space. According to recent reports, the commercial space has proved challenging to completely lease up; state employees occupy about half the building, with much of the office space and a 4,000 square foot restaurant space remaining vacant. Most recently, the Modern Standard lofts project developed by Geoffrey Anatole includes 24 relatively high-end units in a reuse of a manufacturing structure, financed with historic tax credits and the relatively recently market-rate Housing Development Incentive Program (HDIP). Currently in the planning process is 121 Main

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Street, the site of the former Kresge department store, where 48 affordable and workforce housing units on top of ground floor retail are planned.\(^\text{55}\)

Commercial uses have been primarily health related, with a supermarket as the only retail use recently developed downtown. The 2015 supermarket project, a second location for local grocery Vicente’s Tropical as well as an outpost clinic for Brockton Neighborhood Health Center, included $10.5 million in New Markets Tax Credits (NMTC) and debt from three community development financial institutions.\(^\text{56}\) A 2014 reuse project in the Scheibe building incorporated a mental health clinic run by South Bay Community Services. Under the Deval administration, funds were earmarked to redevelop the Ganley Building into the “Downtown Brockton Higher Education Collaborative,” a campus shared by Massasoit Community College, Bridgewater State University and the University of Massachusetts; as of 2016, this specific plan for the site was tabled by the Baker administration.\(^\text{57}\) It’s worth noting that outside of Downtown, several retail projects have been completed. According to the MassBuilds database, several chain restaurants have opened in the Westgate Mall area, directly adjacent to Route 24. A CVS Pharmacy and Aldi Supermarket, and Market Basket have also opened in this same area in recent years, helping to cement a regional shopping center.

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Products and Trade-Offs: Drilling into What Gets Built in Brockton

In Downtown Brockton, the pipeline reflects both the development gap and capital absorption frameworks discussed in the previous chapter. With the high cost of construction in Boston, retail and housing projects generally need a subsidy to be feasible, with LIHTC, Historic Tax Credits (HTC), NMTC and HDIP as the “bread-and-butter” resources to get projects off the ground and help to fill the substantial gaps described by MassINC. Although NMTC and HTC can be used for commercial projects as well as residential, retail development in particular faces an uphill battle in a low-income market like Brockton. Given the constrained footprints available in the downtown fabric, the new-construction, formula retail that has been developed in areas on the fringe of Brockton would be challenging to integrate into ground-floor retail uses. As the pipeline demonstrates, educational and healthcare uses, which are clustered in Brockton, tend to be an easier fit to support new development.

Market aside, from a capital absorption perspective, affordable housing has a deliverability advantage in a market like Brockton. As Hacke and Grace put it, non-housing uses in particular within mixed-use development presents “an odyssey of odysseys,” with both fewer sources of gap-filling subsidies and less of a guarantee of a demand to fill the space. Affordable housing, they argue, has a “comparatively straightforward process” where developers work in an ecosystem that is well accustomed to layering many sources of subsidy. The Trinity Financial Enterprise Block project is a good example of this challenge; with LIHTC and Chapter 40R incentives as prominent pieces of the project’s capital stack, housing has arguably driven the project’s success thus far, even with significant office and retail vacancy.

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59 Grace and Hacke, “Capital & Collaboration.”
60 Trinity Financial, “Enterprise Center.”
This soft market issue for non-institutional office and retail uses is well documented. In an MIT student group evaluation of five vacant properties in Downtown Brockton on behalf of Brockton 21st Century Corporation in Fall 2017, the group found that lenders and developers were underwriting 100% vacancy into assumptions for retail rents. Ultimately, the recommendations of this effort were that given the fact that affordable housing presents such a viable financing strategy given the deep subsidies available, “Brockton should prioritize residential rental development, which will eventually build demand for other uses.” This “wait and see” approach is reflected in the thinking of some of the development stakeholders as I will discuss later. However, it may not satisfy broader economic development goals. Incorporating commercial development not only can help augment the non-residential tax base and can help create space for employment, but it also can create “visible evidence of chance and potential in order to attract more capital and activity.”

Affordable Housing Considerations

The impact of delivering affordable housing in Brockton is worth discussion. First, Greater Boston faces a regional housing crisis where housing stock has not kept up with population growth, and of the development being permitted, much of it is within the City of Boston’s borders. Affordable units built in Brockton can help to meet the regional demand in a relatively dense community served by transit. What’s more, as Schwartz et al. have found, development of subsidized housing can have significant external benefits, often replacing vacant “disamenity” uses,

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62 Grace and Hacke, “Capital & Collaboration.”
providing a “demonstration effect” for subsequent investment, and creating a “population growth effect.”

With that said, with relatively soft rents and prices in Brockton, affordable housing is arguably more sorely needed in cities and towns with higher prices and more rapid price growth such as Boston, Cambridge and Somerville. Lower acquisition costs and less competition with more lucrative alternative uses in Brockton suggests that affordable housing development could be following a path of lesser economic resistance. Horn and O’Reagan explore whether incentives to build LIHTC developments in higher poverty areas contributes to heightened racial segregation, using data from three states (including Massachusetts). They find this not to be the case, even in Qualified Census Tracts (QCTs)—high poverty areas that “often have high minority concentrations”—where developers get an additional “basis boost” incentive.

Despite the potential benefits of affordable housing investment, many communities put up brisk opposition in many forms. Most classically, whiter, higher-income communities have been known to oppose developments associated with the “other,” a dynamic described in a recent Boston Globe examination of segregation across Greater Boston. Highly restrictive zoning is often the main lever in perpetuating concentrations of affluence. However, for Brockton, a diverse community with areas of high density but significant budgetary constraints, it’s important to consider the fiscal motivations behind zoning. Tax rates increase when spending per household increases without being offset by higher average property values, according to Wheaton and DiPasquale’s town budget.

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identity. To the extent that affordable housing is perceived as adding an outsize demand for local services such as children in the school system, there could be a budgetary disincentive for its approval.

On the whole, affordable housing unlocks a deep subsidy stack that opens up opportunities to turn around fast-depreciating historic assets in an uncertain commercial market. Though it is important to question whether more low-income housing in a high-poverty community could exacerbate segregation or concentration of poverty, the literature suggests that this is not the case and that the external benefits of improving “disamenities” are high. However, commercial revitalization remains an important priority that has had limited success so far. The perspectives of the development community help to bring this issue to the foreground.

Development Community Perspective

While the development pipeline and market data convey some of the challenges of getting retail and commercial projects off the ground in Brockton, the perspectives of the people on the implementation side crystalizes what these challenges look like on the ground. For this analysis, I conducted in-depth interviews with four development stakeholders who were involved in mixed-income residential, mixed-use and commercial developments in Brockton—three from a development perspective, and one from a financing perspective. All of the interviewees had worked on projects with the support of subsidies, ranging from LIHTC to HTC, as well as implicitly subsidized debt from government lenders. Each discussion was semi-structured, but focused on the largest risks, challenges and cost drivers of development in Brockon, as well as the barriers to

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commercial development. While each discussion took its own path depending on the experience of the interviewee, three common themes emerged: first, there was a somewhat pessimistic view of Downtown Brockton as a retail market, as well as a risky evaluation of commercial development; second, there was a focus on the subsidy stack as the deciding factor for many projects; finally, there was an emphasis of the importance of close cooperation and coordination among a project’s development team, lenders and local officials.

On the market side, most of the interviewees were quick to note the challenges. One noted that there wasn’t enough foot traffic Downtown, though retail might work better “on the outskirts.” Another described the city as a “donut with a hole in the middle” Downtown with few places to eat or have a drink, and limited demand for office space other than government. Against this backdrop, there was a pessimistic view of the potential for retail. Emphasizing agglomeration, one interviewee suggested that new retailers didn’t want to be “the only one on the island.” Another person suggested that people living Downtown today didn’t have any disposable income and wouldn’t shop or eat out in new retail development. However, there was some optimism about the spending potential of W.B. Mason and Brockton Neighborhood Health Center employees. In terms of tenanting, more than one interviewee mentioned the success of JJ’s Caffe. One developer noted that finding the right tenant was a challenge, especially with prevailing market rents around $5 per foot, and another was hesitant to lease to a “mom-and-pop” business that could quickly fold. There was also limited experience in developing or leasing Downtown-format retail, with most of the collective experience in housing and a couple of big-box formula retail projects that used NMTCs.

As expected, there was an emphasis on the importance of tax credits and other subsidies as the key enabling factor for every deal. One person noted, “it all comes down to money,” and another noted, “it’s all about the numbers to me.” In addition to LIHTC, everybody mentioned the
importance of the Historic Tax Credit by the virtue of its depth of subsidy, as well as some of the new opportunities available for housing closer to market rate through HDIP and other funding sources such as the Commercial Area Transit Node Housing Program (CATNHP). Overall, there was also a recognition of how little subsidy support there is for retail compared to the deep support for housing. One noted that “DHCD doesn’t care about retail space” despite the fact that for the city, it was likely as important (if not more so) than housing units. There were also several mentions of the potential for “backstops” of the retail risk to potentially mitigate some of the uncertainty of including commercial space in a project.

This uncertainty, combined with the complexity of satisfying so many funders and lenders, led all of the interviewees to emphasize the importance of cooperation within development ecosystem stakeholders, as Grace and Hacke would put it. A couple of people mentioned the relatively helpful cooperation of city officials. One person made a point of how important the team’s experience is, as one of the largest risks for a tax credit project was the possibility of being on the hook to repay the credits if regulations were run afoul. “First timers are a hard sell,” one person said, referring to the willingness of funders and lenders to take a risk on development community outsiders.

Overall, there was palpable ambivalence among the development community for bringing online new retail space in such a soft market, especially when retail space could be substituted for additional housing units. At best, retail space was seen as something potentially important to the community that nonetheless added another project expense. In addition, the generally negative perception of Downtown Brockton residents as consumers and small entrepreneurs as tenants also seemed to layer into this pessimism and shape behavior; there was more interest in a larger leases and larger tenants.
Given the fact that the development pipeline in Downtown Brockton is predicated on housing and the current community of developers is relatively risk averse in retail leasing, MassDevelopment could potentially play a market-making role in retail for a wider range of tenants than currently envisioned by developers and lenders. As the next chapter will discuss, this role could take the form of a controlling investment into a portion of an existing project driven by a private developer.
DEVELOPMENT AND FINANCE STRATEGIES FOR RETAIL PROJECTS IN BROCKTON

Revisiting Key Issues

To date, equity investments have been focused on the early stages of development, with MassDevelopment gaining site control of three properties through acquisition. For two properties, MassDevelopment has put out solicitations for development partners to take on redevelopment. For one property, the agency has taken on renovation work internally and partnered with a local business improvement district to tenant the property. This model of site acquisition satisfies the requirement of site control integral to the Equity Investment program. However, staff have expressed several key issues that remain:

- State-led property acquisition can lead owners to seek prices that are well above market value.

- For investments contemplated that include state-led value-add investments, especially for the smaller-scale, “catalytic” projects envisioned by TDI, a private developer may be nimbler than MassDevelopment in implementing small-scale construction work.

- The funding for Equity Investments is thin compared to the scale of capital needs for potentially catalytic historic asset rehabilitation in TDI districts across the state.

Of course, it is important to revisit the fact that equity investment should work to fill gaps in the private market and ecosystem. As discussed in previous chapters, for Downtown Brockton, retail and commercial uses tend to be the most difficult to pull off as they lack the deep subsidies

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69 E.g. Hotel Jess in Holyoke and 526-538 Main Street in Worcester
70 I.e. 8-12 Stearns Square in Springfield
available for housing. Given this fact, the development community involved in many of the key projects in Downtown Brockton tends to be less experienced in retail and more focused on delivering housing. This reality underscores the appropriateness of retail and commercial property as the most appropriate equity investment in Gateway Cities like Brockton. With these tensions in mind, I recommend a new equity investment strategy and explored how it looks financially in a few project scenarios.

**Strategy**

Purchasing sites to establish control over key locations will likely remain an important use of equity investment funds. However, given the lack of retail expertise among the development community and challenging market, it could behoove MassDevelopment to directly (or through a local partner) control retail space and lease to tenants that developers would not take on. Two key opportunities guide this intervention. First, by purchasing retail condos from housing projects, MassDevelopment could take advantage of site density to lower costs and lever a larger stack of housing subsidies. Second, by subdividing space between a larger, higher-paying tenant and a set of smaller business tenants, MassDevelopment could use its space as a means to help small enterprises succeed, expand and contribute to district-wide revitalization. This approach has the added benefit of providing an opportunity for the agency to create a convening role inside of a development project. Rather than acting as a subsidy disbursing agency that merely adds regulation and complexity to a project, an retail equity investment into a housing project could lend the “skin in the game” necessary to motivate lenders, other state agencies, and local officials to support a potentially catalytic rehabilitation for a historic asset.
**The Condo Approach**

An observation by one developer helped expose an opportunity for MassDevelopment to take control of a retail investment while simultaneously supporting the most viable current product type. It is not uncommon for developers to create retail condominiums within projects. For LIHTC funded affordable housing projects in particular, this developer noted that a separate condo structure can create an opportunity to integrate NMTC financing, which can’t mix with LIHTC, in the same building. As noted before, retail space is often underwritten as vacant, effectively riding onto a housing project for the sake of creating an opportunity for a community amenity should the right tenant come along. Integrating an Equity Investment into a retail condo within a larger redevelopment project could enable the equity investment to meet its controlling interest requirement while effectively filling a gap in a larger project.

**Program, Tenanting and Management**

With MassDevelopment in control of newly developed retail condos, there could be an opportunity to take a retail strategy that existing developers in Brockton may be too risk-averse or cash-flow conscious to implement. Among the housing developers in particular, there was a greater interest in leasing or selling one space to a single retail tenant. However, for many small business or start-up tenants, only a small space is necessary and/or affordable. As TDI fellows in a few of the districts noted, despite a preponderance of vacant retail space, finding suitable space for businesses could be challenging. As a recent student report analyzing MassDevelopment’s Lease It Local rent subsidy program found, the cost of fitting out disused space can be a key hurdle to matching entrepreneurs with suitable space. Rather than rent subsidies for tenants, which could lead to “cliff effects” at sunset, the team recommended integrating technical assistance into space market
interventions, development loans, and temporary programming to help businesses establish themselves.\textsuperscript{71}

If MassDevelopment were to control space for small business, the agency could leverage its local partnerships strengthened through TDI to integrate small business services and assistance for tenants. For a retail condo purchase, the agency could work with the project developer to deliver a frugal build-out or for a commercial-only building, implement a build-out directly. Rather than a rent subsidy to a tenant, contracting rents at a low yield could have the same effect without the need for cash to enter the private space market. Tenants with lower capital needs could be prime candidates for immediate occupancy, and more capitably intensive fit outs could come as the market improves.

To implement the most catalytic small business space while helping to pay back the cost of the equity investment, the space could be split in half to accommodate a longer lease to an institutional-type tenant who could sustain higher rents on one side, and the other side could be subdivided to host a few small businesses with shorter leases. This strategy of bringing in several smaller businesses into small spaces has a few key benefits:

- Vacancy risk related to fledgling business enterprises could be deconcentrated by having several small tenants. A relatively high vacancy rate could be assumed while still having most of the storefronts leased (e.g., 3 of 5). On the upside, a successful tenant could expand across more than one storefront

- Subdividing space helps small tenants only pay for space they need, and smaller spaces could also help drive higher rents per square foot. To the extent existing landlords are

\textsuperscript{71} Wan Chantavilasvong et al., "Revitalizing Storefront Retail in Transformative Development Initiative Cities" (Massachusetts Institute of Technology, December 2017).
renting inefficiently large spaces, small businesses may be able to afford higher rents for a smaller space.

- Choosing a complementary mix of tenants could introduce agglomeration effects

Figure 19 below shows a conceptual diagram of how a retail space could be divided. Splitting half (or more) of the space into an institutional tenant or credit tenant with guaranteed, higher rent payments could essentially buoy cash flows across the property-level to support lower rents for small businesses.

Figure 19: Diagram of conceptual tenanting strategy for retail projects
business tenants. To the extent the lease payments of the larger tenant could be guaranteed, this could help open up the opportunity for debt financing or a New Markets Tax Credit deal.

Having lower rents for the smaller businesses is contrary to the archetypical shopping center or mall structure in which an anchor tenant pays a lower rent than in-line tenants by virtue of attracting more traffic. Should the market improve, this type of structure could be introduced; in the meantime, the layers of subsidy should be targeted to using the leases to enhance a sense of place.

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Pockets</th>
<th>TI Needs</th>
<th>Turnover</th>
<th>Example</th>
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<td>Education</td>
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<td>Health</td>
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<td>$</td>
<td>Low</td>
<td>7-Eleven</td>
</tr>
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<td>Community Facility</td>
<td>$</td>
<td>$</td>
<td>Low</td>
<td>Community Connections of Brockton</td>
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<td>Full Service Restaurant</td>
<td>$</td>
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<tr>
<td>Merchandise</td>
<td>$</td>
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<td>$</td>
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<td>Cultural</td>
<td>$</td>
<td>$$$</td>
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</table>

Figure 20: Table of potential tenants

It’s important to explore the possibility of just who might lease both the small and the large spaces. The specifics of each site could be conducive to entirely different uses, both on the small tenant side and on the large tenant side. However, Figure 20 begins to compare the trade-offs of different potential tenants. For Brockton, government, education and healthcare are the most likely higher-paying space users, though a challenge could be utilizing a space of only a few thousand square feet. For healthcare, tenant improvements could be substantial as well. Another option could be a small-footprint formula retailer such as a convenience store. From a mission perspective, there could be trade-offs, as such a tenant may hurt existing independent retailers. Non-profit or community facility uses could also be beneficial, especially to the extent philanthropic dollars can be
leveraged (and guaranteed) to help pay rents that support refurbishment of the space. Smaller tenants could be existing businesses looking for smaller spaces, temporary uses such as pop-ups, or cultural opportunities.

Of course, it’s important to note that the retail sector in general is going through significant secular changes that affect not only weaker markets like Brockton, but also many of the core urban and suburban markets that have previously been lucrative. Market watchers have reported that consumers are demanding higher quality experiences, convenience, and value over quantity, particularly with the proliferation of cheap things available online. More innovative approaches to spaces may be important to consider in Brockton. For example, MIT start-up Spaceus proposes taking advantage of vacant retail space by creating subscription-type artist studios using a portable fit-out that can move between vacant spaces as landlords lease up space, creating a unique arbitrage opportunity for low rents in valuable locations. In Dudley Square, Kai Grant’s Black Market pop-up—though not “trendy,” as the founder put it, is focused on creating a space to place Black entrepreneurs at the center of economic development to fight wealth disparities. This model could prove to be both economically and socially meaningful, tapping into a more discerning “contemplative consumer.”

From a management standpoint, overseeing a larger number of leases that could turn over frequently could be a heavy lift. It could be beneficial to partner with a local entity with retail expertise as a property manager or master tenant, similar to the arrangement contemplated for 8-12 Stearns Square with the Springfield Business Improvement District. Bringing on a master tenant

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75 Colliers International and GlobalData, “Time for Change.”
could limit the upside for MassDevelopment should occupancy or market rents increase but could also create an incentive for the master tenant to thoughtfully manage the property.

Analysis

With this tenanting strategy in mind, there are a multitude of projects and properties that could receive an Equity Investment in retail. This section lays out a series of financial sketches of a set of prototypical projects to help determine the relationship between cost and rents. Though investing in a freestanding commercial building could unlock sites incompatible with housing development in need of investment, purchasing retail space from larger projects could directly unlock a larger overall subsidy stack and provide an opportunity for a lower basis.

Approach

To compare the economics of equity investments in retail across project types, this analysis uses the approach of comparing the capital stack of a couple of “prototypical projects” that could plausibly be undertaken in Brockton. Considering the key issue of housing subsidies versus a slimmer set of potential commercial subsidies, I considered an eight-story, “mixed-use” building with housing on the upper floors and retail on the ground floor and compared it to a single-story building with a similar footprint that could realistically host only commercial uses. I assumed that each of these buildings was a turn-of-the-century masonry structure and worked with a Walsh Brothers cost estimator to get high-level, per-unit cost estimates for a gut renovation of each structure. With this general cost estimate in place, I created a set of capital stack scenarios for how each building could be funded to see where an equity investment might plug in.
In reality, every real estate project is unique, and there is no true “prototypical project.” For a historic rehabilitation project in particular, differing conditions of the property acquired can play a huge role in determining the ultimate cost and revenue drivers. Differences across development teams and temporal factors can also affect the financial minutiae of each project such as tax credit pricing, grant funding availability and debt terms. Rather than portraying “fully cooked” development projects, the goal of this analysis is to begin to sketch the interaction between each prototypical capital/subsidy stack and retail rents. To achieve these sketches, each scenario incorporates development and operating assumptions into a ten-year stabilized operating pro forma. Using the modeled total project cost and the projected stabilized cash flows, I created prototypical capital stacks of tax credits, debt, equity and grants that could be supportable for each project scenario, given rent and occupancy assumptions. With these models, it’s possible to either determine the financing gap at a given market rent or look the other way and back into the rent necessary to close the financing gap.

There are a few limitations to this approach. First, development period and levered cash flows are omitted for the sake of simplicity, which limits the ability to generate all-in, developer-level equity returns or net present values, and gaps are potentially understated given the fact that construction debt is incorporated in a blanket fashion as a soft cost. However, for each scenario, given differing investment preferences and hold periods across each product, required returns would likely be very different and not easy to compare. In this case, property-level yields on cost are likely a more germane approach, particularly for a TDI Equity Investment in retail.

Figure 22 shows the scenarios I modeled. Given the focus of this thesis on historic rehabilitation, each project modeled received both federal and state historic tax credits. For the mixed use building, I examined a market rate housing project receiving HDIP tax credits and a
LIHTC project with several state gap-fillers. For the commercial building, I examined the necessary commercial rents to support a rehabilitation project levered by a 1.25 debt service coverage ratio senior loan and compared to a theoretical unlevered MassDevelopment project funded by an Equity Investment. I also explored yields on retail condos in LIHTC and HDIP projects, evaluating each by the same metrics as the stand-alone commercial project. For all scenarios with retail incorporated, the goal was to determine commercial rents (consistent with the tenanting strategy described above) that could sustain the project.

<table>
<thead>
<tr>
<th>Building</th>
<th>Project</th>
<th>Perspective</th>
<th>Scenario</th>
<th>Key Metrics Considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>8-Story Mixed-Use</td>
<td>HDIP</td>
<td>Building-wide</td>
<td>Retail underwritten at 50%</td>
<td>Development gap</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retail condo purchased by MDFA</td>
<td>Development gap</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retail condo</td>
<td>Condo divided into large tenant and 5 small-business tenants</td>
</tr>
<tr>
<td></td>
<td>LIHTC</td>
<td>Building-wide</td>
<td>Retail underwritten at 50%</td>
<td>Subsidy sources</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retail condo purchased by MDFA in place of housing gap filler</td>
<td>Subsidy sources</td>
</tr>
<tr>
<td>1-Story Commercial</td>
<td>Private</td>
<td>Building-wide</td>
<td>Construction financed by senior 1.25 DCSR senior debt</td>
<td>Required rent levels to close development gap</td>
</tr>
<tr>
<td></td>
<td>MDFA EI</td>
<td>Building-wide</td>
<td>Construction financed by MDFA equity</td>
<td>Yields and payback at given rent levels</td>
</tr>
</tbody>
</table>

Figure 22: Development scenarios modeled

In order to link these divergent scenarios together, this analysis seeks to answer two core questions. First, at the project-level, how could an Equity Investment in retail by MassDevelopment help to close financial gaps that keep buildings from being rehabilitated? Second, from the perspective of the retail investment, building from a model of a higher-paying tenant such as an institution or chain retailer helping to cross subsidize several small business tenants, what rents would be necessary to achieve a sustainable investment?
Prototypical Projects in Detail

8-Story Mixed Use Building

For the mixed-use prototypical project, I considered a historic eight story building with an approximately 8,000 square foot floorplate, a scale not atypical for Downtown Brockton. The upper seven stories of the building would be apartments, and the ground floor, minus 500 ft² for a residential lobby, could be allocated to retail uses at 90% efficiency, yielding 6,750 rentable square feet. All-in, carrying over $240 per square foot in soft costs plus 28% in soft costs and contingency, the project costs $20.5 million. Divided between the retail and residential uses, assuming a pro-rata split of acquisition costs and structural upgrades on the ground floor, the retail use cost approximately $1.9 million, also assuming a relatively bare-bones fit-out.

As a market-rate project, I assumed fifty generously sized one and two-bedroom apartments renting at market rates reflecting a premium on top of typical rental rates in Brockton for lower quality housing stock. With 10% vacancy and $7,000 in operating costs per unit per year, the project produced over $650,000 in net operating income each year. As a historic building in a Gateway City, the project qualifies for both HDIP and Historic Tax Credits, which cover less than half the total project cost. Using reasonably aggressive sizing for senior and subordinate permanent loans, the project ultimately supports less than half its cost in debt. After a $1 million developer equity contribution, this leaves a financing gap of over $2 million.

For the affordable housing project, I assumed 58 smaller apartments affordable to households earning 60% and 50% of Area Median Income for Brockton with a lower 5% vacancy rate. Though this project only yields half the operating income of the market rate project, a richer set of subsidies help pay for the project cost, including:
• Federal LIHTC, including a basis boost for being in a HUD-designated Qualifying Census Tract, as well as State LIHTC
• State and Federal Historic Tax Credits
• Aggressively sized permanent debt at a 1.15 debt service coverage ratio
• Soft debt from various DHCD-administered sources including HOME, HSF, CAHTNP, and the Affordable Housing Trust Funds, including $100,000 in matching funds from local sources such as CDBG.

With all of these sources in place, there is no financing gap projected. While many of the key sources are restricted to support housing units only, the Historic Tax Credits could fund the retail portion of the project, while soft debt sources could help pay for acquisition costs.

For the market-rate building, given the relatively large feasibility gap, I assumed a retail condo purchase that covered its construction cost, net of its pro-rata share of historic tax credit funding, which comes to approximately $1.3 million. This is likely substantially above its market price if sized at market rents, vacancies, and a high cap rate. However, this condo purchase cuts the development gap in half and makes the project approximately $1 million from feasibility. For the affordable housing project, a condo purchase would likely substitute for one or more of the soft debt gap fillers, many of which (such as CAHTNP) are oversubscribed. With this in mind, I swapped less than $500,000 in CAHTNP funding for an Equity Investment condo purchase.

After backing into these two separate condo prices based on a purchaser motivated to close development gaps, I modeled the cash flows from the perspective of the retail condo owner. Carrying through the strategy of allocating half the space to a higher-paying institutional or corporate tenant (e.g. government, education or healthcare) and the rest of the space to small businesses, I tested rents necessary to support a range of initial yields on the condo price basis and
calculated the payback period, assuming no resale. These higher paying “credit tenant” rents were assumed to be three times as high as the small business rents. Figure 26 and Figure 24 show the rents at a range of yields. If the condo in the LIHTC project could be purchased at a lower basis, it could support lower retail rents more in line with the market rates discussed previously.

### Sensitivity Analysis - LIHTC Retail Condo

<table>
<thead>
<tr>
<th>Yield</th>
<th>Payback Period</th>
<th>&quot;Credit&quot; Rent</th>
<th>&quot;Small&quot; Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0%</td>
<td>21 Years</td>
<td>$6</td>
<td>$2</td>
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<tr>
<td>4.5%</td>
<td>19 Years</td>
<td>$7</td>
<td>$2</td>
</tr>
<tr>
<td>5.0%</td>
<td>17 Years</td>
<td>$8</td>
<td>$3</td>
</tr>
<tr>
<td>5.5%</td>
<td>16 Years</td>
<td>$9</td>
<td>$3</td>
</tr>
<tr>
<td>6.0%</td>
<td>15 Years</td>
<td>$9</td>
<td>$3</td>
</tr>
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<td>13 Years</td>
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<td>12 Years</td>
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<tr>
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<td>$5</td>
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</table>

**Figure 26:** Sensitivity Analysis of Rents and Payback Periods to Initial Yields for a prototypical Retail Condo in a LIHTC Project

### Sensitivity Analysis - HDIP Retail Condo

<table>
<thead>
<tr>
<th>Yield</th>
<th>Payback Period</th>
<th>&quot;Credit&quot; Rent</th>
<th>&quot;Small&quot; Rent</th>
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<td>$14</td>
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**Figure 24:** Sensitivity Analysis of Rents and Payback Periods to Initial Yields for a prototypical Retail Condo in a HDIP Project
To compare a retail condo investment to that of gutting a one-story historic retail building is a story of cost. Given the smaller scale, hard costs are below $200 per square foot, with a similar additional 28% soft and contingency added. All-in, the total project cost tops $2.4 million, which reflects two key considerations when compared to the mixed-use project. Without a large, housing project on the upper stories, the full acquisition, structural and mechanical costs are allocated solely to the retail uses. Over $600,000 in historic tax credits—both federal and state—could optimistically reduce the bottom line for this project. To consider an approach to this project without a MassDevelopment Equity Investment, rather than taking a “gap” approach as I did for the housing projects, I looked at the rent levels necessary to support permanent debt sized off projected retail cash flows. With the addition of almost $200,000 of developer equity to the tax credits, about $20 per rentable square foot is necessary to support permanent debt that covers the rest of the total project cost. In the language of the “credit” and “small” tenant structure, this translates to $33 and $11 per square foot respectively, well above market rates. It’s also worth noting that at a 7.05% yield, there may not be sufficient profitability to attract a profit-motivated developer.
To consider a similar perspective to the earlier retail condos, let’s assume that MassDevelopment puts up an unlevered $1.8 million into the project, which is net of tax credits. A sensitivity analysis of rents for “credit” and small business tenants shows substantially higher rents required than the condo scenarios due to the much higher basis. Figure 28 shows these rents. If a public project would accept below a 7% yield, then lower rents could be charged than a private

**Sensitivity Analysis - Commercial Only Building**

<table>
<thead>
<tr>
<th>Yield</th>
<th>Payback Period</th>
<th>&quot;Credit&quot; Rent</th>
<th>&quot;Small&quot; Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0%</td>
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<td>$19</td>
<td>$6</td>
</tr>
<tr>
<td>4.5%</td>
<td>19 Years</td>
<td>$21</td>
<td>$7</td>
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<td>16 Years</td>
<td>$26</td>
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<td>15 Years</td>
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<td>$33</td>
<td>$11</td>
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<td>$12</td>
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<td>8.0%</td>
<td>12 Years</td>
<td>$37</td>
<td>$12</td>
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<tr>
<td>10.0%</td>
<td>10 Years</td>
<td>$46</td>
<td>$15</td>
</tr>
</tbody>
</table>

Figure 28: Sensitivity Analysis of Rents and Payback Periods to Initial Yields for a prototypical commercial-only project

version that depends on debt financing to pay for development costs. At a low yield of 4% with a 21-year payback period (ignoring potential reversion, likely at a price below construction cost), rents may just be feasible at $19 per foot for a “credit” tenant and $6 per foot for a small business.

**Deeper Subsidies & Financial Leverage**

It’s important to note that an equity investment in retail space—be it through the “condo approach” or in a standalone building—could take advantage of a few additional tools that could
further subsidize required rents for tenants or boost returns on MassDevelopment’s equity. While regulatory, risk, and non-financial considerations may decrease the attractiveness of complicating a potential project, each tool could potentially have an application:

- **New Markets Tax Credits (NMTC):** As the signature tax credit program for commercial economic development projects, NMTC can provide gap financing for nearly-viable commercial enterprise projects in low-income areas, providing a 39% subsidy for typical projects. The leveraged model typically used means that a long-term lease would likely need to be in place to support a debt service in support of the tax credit investor’s levered equity. Therefore, NMTC would likely only be useful for the “large tenant,” provided smaller tenants are projected for more frequent turnover. Transaction costs for leveraged NMTC projects are traditionally high.

- **Opportunity Zones (OZs):** A nascent program approved in the 2017 tax bill, Opportunity Zones are designed to funnel patient equity capital into low-income areas designated by each state. The investment is incentivized by enabling investors to defer taxes on capital gains for up to nine years by investing in qualified investments in OZ areas. The “kicker” is that gains made on the investment are exempt from taxation. It is likely these funds will be drawn to investments where there is a more certain tax-free return at the end of the holding period.

- **Sales Tax Subvention:** While Brockton already has in place District Increment Financing, a state sales tax subvention could provide a source of future revenue to offset project costs and put additional state resources into play. However, this resource would be fundamentally

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tied to the capacity of an enterprise to generate significant sales. For small business spaces and community facilities, this source may not be likely to yield much funding.

- Financial Leverage: Equity investments could be levered with debt. To the extent a longer lease could be financed with debt at a lower interest rate than the property’s yield, MassDevelopment could earn a higher return on its equity investment than the property as a whole. Even negative leverage could be worth considering—the opportunity to put equity into more deals and stretch a limited pool of funds further across the state could be worth accepting a slimmer return. However, the risk of the small business spaces may be too great for debt financing.

Findings

Retail Development as a Means to Fill Project Gaps

From a gap-filling perspective, for the 8-story mixed-use building, a retail condo investment could be a way to fill a relatively prominent financing gap for a market rate project where apartment rents do not yet support the cost of new development than for the 100% affordable project, which was eligible for several incentives on top of tax credits to help close the feasibility gap. However, this pressure to fill a larger feasibility gap in the project could raise the need on the developer side for a higher condo price, which will be discussed below.

On the commercial side, it’s important to note that current market retail and commercial rents paid in Brockton, particularly for smaller businesses, do not support the substantial cost of major historical rehabilitation projects. The only way to cover these costs would be securing a higher-paying tenant that could sign a long enough lease and fit in a smaller footprint. As the development pipeline demonstrated, the most likely candidate would be a healthcare use,
government, education, or a credit tenant retailer comfortable serving a lower-income customer base. Previous deals have leveraged New Markets Tax Credits to help shrink the feasibility gap. Although a MassDevelopment Equity Investment retail-only project would not shrink this market feasibility gap, the ability to entertain a lower yield than existing tools could open up the opportunity for new types of uses.

*Retail Equity Investments as a Means to Lease New Space at a Lower Cost*

Looking back at the commercial-only project, assuming rents sized to cover sufficient debt to finance the project, a retail developer would be required to collect rents substantially above the realm of possibility for retailers in the Brockton market. As noted above, for a commercial project, this would mean tenanting with corporate or institutional tenants capable of paying higher rents, even with subsidies. As described previously, although housing developers who built retail space see it as a “sunk cost,” there is still a reticence to lease to lower-paying tenants. One key benefit of the patient capital of an Equity Investment would be the opportunity to take on nascent local enterprises as tenants who other landlords in new spaces may not lease to. Keeping rents at affordable levels could open doors for less established tenants. Central to this ability is the basis at which a retail space is purchased. For the LIHTC project in particular, an opportunity for a lower-cost retail condo creates a higher yield opportunity for the same rental income as in the higher cost HDIP condo and the commercial-only project. If a lower yield is acceptable, then the lowest cost space could support the lowest rents.
CONCLUSION

A TDI Equity Investment should provide value not only to each TDI District’s stock of real estate capital, but also to the relationships and institutions that shape each district’s enabling environment. Today, the focus of the Equity Investment program is on securing the properties and sites most prominent to enhancing a sense of place in each District. While this strategy is important, it can lead to issues of paying above market acquisition prices, a heavy bureaucratic burden for a small construction project, and in the case of properties turned around for disposition to developers, the loss of creative control over tenanting. By considering investing in retail condos within housing projects, MassDevelopment could allow the developer to lead site acquisition and construction then take control of tenanting to take risks that the current market does not bear. This investment process could also create the opportunity to take a stronger leadership role to facilitate projects already in the pipeline. However, it is important to consider trade-offs when compared to

Stacking up the Prototypical Projects

<table>
<thead>
<tr>
<th></th>
<th>Construction Cost</th>
<th>Purchase Basis</th>
<th>Additional Capital Unlocked</th>
<th>Deal Complexity</th>
<th>“But-for” Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIHTC Retail Condo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HDIP Retail Condo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-Story Building</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 29: Comparing benefits and drawbacks of different project equity investments
investments in stand-alone projects. Figure 29 below compares the merits of investing in the two types of residential projects considered compared to a commercial only project.

For each project, I considered a few criteria to begin to make a comparison. On the cost side, the actual construction cost of each project provides a sense of any physical economies of scale. For the purchase basis, it is important to consider whether circumstances may help MassDevelopment obtain any discount over the full cost of construction for a retail space. As for economic development considerations, I considered whether a retail investment directly unlocked additional capital on site, as well as the complexity of undertaking such a deal. Finally, the “but-for” value column considers whether the space contemplated would have been built at all without an equity investment. Using a simple low/medium/high categorization, each project has benefits and drawbacks:

- The LIHTC retail condo could be built more affordably than a standalone project, and the condo investment occurs alongside a large housing investment. However, it could add a layer of complexity to a deal that likely already includes a host of different government capital sources, and without the condo investment, the project could still be built.

- For the standalone project, high construction costs and no additional uses on site mean that MassDevelopment would carry the full cost of construction to control the space, and other than applicable Historic Tax Credits or other commercial subsidies, would not unlock much additional investment on site. However, this could lead to a simpler deal, and such a building would not likely be developed without a patient public sector developer amenable to taking on a small project.
- The HDIP project presents somewhat of a hybrid. While it shares similar lower costs like the LIHTC project, given the slimmer subsidy stack available for market-rate projects, the condo investment could play a much more prominent role in unlocking the project.

With these criteria in mind, it would appear that a condo investment in an HDIP project could be the best of both worlds. However, it is important to revisit the wider economic development goal of “catalytic” redevelopment projects. To the extent that a commercial-only building anchors a strategic location with no other beneficial investment prospects, there could be significant external benefits to future projects that take advantage of new amenities enabled by the standalone equity investment. On the other hand, with the right retail tenants, there is no reason that a retail condo couldn’t help cement a similar positive place-making benefit that could also catalyze future projects. In addition, the added value of close collaboration with a housing developer and a convening role in the local development ecosystem could leave behind benefits just as catalytic as acquiring a building on a block in need of re-investment.

Ultimately, both mixed-use and standalone project types—in addition to the site control and disposition strategy—are important tools for the Equity Investment program. Especially in the Gateway Cities context where each community has its own unique context and needs, having an expansive view of investment types could help to maximize opportunities to enable catalytic projects. Whether sharing a building or going it alone, Equity Investments have the potential to guide the market toward bringing back more precious historic assets.
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