

Former Chester Elementary School
Alternatives Report
- May 28, 2024 -



SUBMITTED BY:



95 Main Street, Brattleboro, Vermont 05301

802-246-2100

May 23, 2024

Chester Selectboard
15 Middlefield Road
Chester, MA 01011

Re: Project 23-117 - Former Chester Elementary Alternatives Report

Dear Chester Selectboard,

M&S is pleased to deliver this Alternatives Report for the proposed redevelopment of the Chester Elementary School project at 10 Middlefield Road in Chester (the "Property"). We enjoyed researching, discussing, and preparing this work.

I. EXECUTIVE SUMMARY

The Town of Chester, MA has started the process of exploring redevelopment opportunities for the former elementary school located at 10 Middlefield Road. Based on M&S's professional experience with the adaptive re-use of historic buildings, and the results of a community engagement process, we have undertaken a desk-based review of five potential redevelopment options and applied our professional judgement as to probable construction costs, likely tax credit and grant funding sources, operating expenses, and ongoing operational funding needed to sustain the various alternatives.

After some initial analysis of all five proposed alternatives, we looked deeper into three potential redevelopment opportunities based on feedback from town residents and officials. M&S has estimated a **total** budget for the three proposed projects as follows:

- Community Center: **\$3,501,600**
- Affordable Housing: **\$13,113,900**
- Market Rate Senior Housing: **\$14,315,340**

The following report goes into more detail about each of these alternatives and their various attributes and in addition includes an overview of the other two prospective alternative redevelopment options. We hope that this analysis will help to inform the town's decision making, and that the included data and insights can serve as a valuable guide for the town as it pursues the redevelopment of the historic former elementary school.

II. PROCESS OVERVIEW AND APPROACH

Community Engagement

The first phase of this project was a community engagement effort. M&S worked with Hilltown Community Development Corporation (CDC) to conduct public outreach via a digital and paper survey as well as a public “Issues & Concerns” meeting.

Due to the range of perspectives the community brought to the table it became clear that providing the town leadership and its residents with data-driven insights about a range of potential alternatives would do more to serve the town's ultimate desire of successful redevelopment than presenting a single “preferred” alternative.

Financial Analysis & Alternatives Review

A financial analysis was conducted for the five preferred alternatives distilled out of the community engagement process. For comparative purposes, summary sources & uses budget were created as well as annual operating budgets for each alternative to help compare the projects in terms of overall upfront costs as well as ongoing operating expenses. Each alternative was also considered in terms of its ability to attract public funds or private investments as well as the extent to which each alternative would serve the established set of five community goals that came out of the community engagement process.

After completing our initial analysis, an “Alternatives” meeting was held to share the results of our work with town residents. This meeting provided residents the opportunity to ask questions, provide feedback, and ultimately “vote” on the various alternatives.

Final Report

Our final report is a summary of this work and has been designed to help the town and its residents understand the tradeoffs inherent in such a redevelopment process and what would be necessary for the various alternatives to be undertaken. The town has expressed a desire to develop a Request for Proposal (RFP) using our analysis and included in this report is guidance related to developing an RFP that has the potential to pique the interest of developers while delivering on as many of the various community goals as possible.

III. COMMUNITY ENGAGEMENT RESULTS

Survey

The community engagement process was led by Hilltown CDC and included a paper survey mailed to town residents and a digital version that was available on the town's website and various social media platforms. The survey received over 80 responses with a majority selecting housing as the preferred redevelopment option. There was also support for redeveloping the property into town office space and various written responses for more creative community usage. A full overview of the survey results can be seen in the appendix.

Issues & Concerns Meeting

On March 27th, 2024, a public meeting was held at the Chester Town Hall to give town residents the opportunity to voice their ideas and concerns as it pertains to the redevelopment of the former elementary school. At this meeting it became clear that some residents had misgivings about the property being solely converted into housing and wished to see the property redeveloped in a way that creates and preserves community space.

Takeaways

The community engagement process gave town residents an opportunity to share their thoughts, which were catalogued and summarized into five community goals and five potential alternatives.

Five Alternatives

- Status Quo
- Municipal Use
- Community Center
- Affordable Housing
- Market Rate Senior Housing

Five Community Goals

- Building Preservation
- Community Green Space
- Public Building Access
- Property Tax Impact
- Successful Reuse

IV. FEASIBILITY ANALYSIS OVERVIEW AND APPROACH

MAJOR ASSUMPTIONS

A handful of major assumptions have been made in assessing the various alternatives and in the creation of the financial models discussed in this report. It is important to understand these assumptions as you review and consider each alternative and that the costs outlined here would be expected to be covered by a developer and not the town.

Construction Hard Costs

The largest assumption within the model is the dollars per square foot assigned to the building(s) for hard costs of construction. M&S has extensive experience in the adaptive reuse of historic buildings with several large-scale conversions completed. We rely on our prior experience and our active position in the current market to inform our assumption as to the probable cost of rehabilitation for the proposed uses of the former elementary school building as well as proposed new construction. Each alternative studied will have its own projected cost per square foot based on the expected degree of fit-up, renovation, or new construction necessary for the subscribed reuse.

Potential **total** hard costs by project are estimated to be:

- **Community Center: \$2,525,000 or \$162/sqft** (this is considered the bare minimum to bring the building up to code)

- Affordable Housing: **\$9,624,000 or \$356/sqft**
- Market Rate Housing: **\$10,986,000 or \$407/sqft**

Please note that these costs are exclusive of soft costs and as such the total project costs shared per project will be higher as they will account for the entirety of the projects' associated expenses.

Operating Expenses & Revenue

Annual operating budgets were created for each alternative based on our experience developing, owning, and managing similar properties. Each alternative has an estimated operating cost which varies depending on the projected reuse and is informed by a more detailed itemized pro forma that includes a capital reserve allotment based on anticipated capital expenditures. Revenue projections are also included with each alternative.

Capital Stack & Funding Sources

Each alternative has a projected capital stack with potential funding sources that M&S feels could be utilized based on the unique attributes and requirements of each alternative. Access to certain public funding sources such as grants, and tax credits are typically dictated by things like ownership structure, developer expertise, operational intent, and others. Debt and equity to fund an alternative requires there be a reasonable expectation of sufficient net operating income to either cover annual debt service or provide some return on investment.

Ownership

The varied nature of these alternatives means that ownership could plausibly be public, private, non-profit, or even a public-private-partnership (PPP) depending on the chosen reuse.

Site Control & Acquisition

The town of Chester owns the former elementary school which sits on a 1.52-acre lot as well as an abutting .86-acre lot with tax assessed values of \$438,300 and \$20,900 respectively. If the town decides to pursue a Request for Proposal (RFP) process it will have the flexibility to choose a redevelopment proposal based on the town's priorities for the property regardless of the proposed acquisition price. The town may choose to offer the property for little or no cost to attract a redevelopment proposal that aligns with the communities' priorities.

This is one of the key levers the town has control over in shaping the direction of the redevelopment of the property and is an important consideration when developing an RFP. For many of the tax credit programs mentioned in this report acquisition is included within the eligible cost basis when calculating the credit value.

In our financial analysis we have omitted an acquisition cost for the building paid to the town and just included an amount to cover potential appraisal and closing costs for both housing projects.

Design & Permitting

The largest figures within Design and Permitting come from architecture and engineering services expenses. This fee is estimated using the Royal Architectural Institute of Canada's 'Determining Appropriate Fees for the Services of an Architect'. For various use types explored and the estimated construction costs, the guide estimates that basic design services will cost between 5-7% of the total construction costs.

The models also budget for a Clerk of the Works, who is an on-site owners' representative who ensures that the contractor and subcontractors are installing as per the agreed construction contracts. This role helps an owner prevent disputes, ensures quality of work, and assists with approving invoices for payment. In new construction projects, it is typical to account for a municipal water/sewer allocation fee, which we've included as well.

Other Soft Costs

The Other Soft Costs portion of the budget includes a fee for development, legal and accounting services as well as historic preservation and environmental consultants. This section also includes the environmental site assessments, historic tax credit consultants and application fees, and our estimate for state and municipal construction permit fees. Development consultants typically size their fee based on a percentage of the total project budget, with more complex projects having higher percentage fees. This can range from ~5% for a relatively simple project to 15% or more in the case of a "twinned" Low Income Housing tax credit-Historic tax credit project.

Construction Contingency

The project budgets currently include an Owners Contingency of 15%. While in rare cases, hidden spaces can contain perfectly preserved historic details which enhance a project at no additional cost, in our experience, this is rarely the case. In recognition of the potentially extensive adverse hidden conditions, we have included a construction contingency line item equal to 15% of total hard costs. As the development process proceeds, and construction costs are firmed up, we expect this number could be reduced.

V. FIVE ALTERNATIVES ANALYSIS

STATUS QUO

In response to some feedback from town residents, M&S did some preliminary work to help show the financial and other realities related to keeping the building as is with no redevelopment plans.

This approach would require little capital; however, the property would remain in town ownership, and we estimate the annual cost to the town to be approximately **\$25,000**. This would include necessary operating expenses and budgeting for capital expenditures required to maintain insurance coverage as well as upkeep on key infrastructure items such as the parking lot and septic system that service the town hall across the street.

In this scenario the existing community green space would be retained, and a capital expenditure budget would be in place to help preserve the building, but it would not increase public access to the building, generate tax income, or result in any significant reuse.

MUNICIPAL

Project Vision & Cost

In response to our survey about 30% of respondents suggested the building should be repurposed to serve as town offices. In this scenario the building would remain in town ownership and taxpayers would be responsible for the redevelopment and fit-up costs to bring the building up to code including the installation of an elevator, which we've estimated to be **\$150/sqft** or **\$3.5M** in total.

Community Goals

The Municipal alternative does serve most of the stated community goals in that it preserves the physical structure, retains the existing community green space, offers the public interior building access, and would be a successful reuse of the building.

Funding Potential

To fund this kind of project the town would need to issue a municipal bond as public funding sources for municipal projects of this sort are unlikely to be available or very limited. To estimate annual payments on a bond of **\$3.5M** we utilized current market rates from Federal Home Loan Bank of Boston and anticipate the interest rate would be between 6-7% for such a bond, and we have carried a 6.2% rate for this analysis.

Operating Details & Expenses

We have assumed a **\$3.90** cost per square foot to operate the building including utilities, insurance, maintenance, and administrative expenses for a total of **\$60,000** in annual operating expenses. The estimated capital reserve is based on twenty years of projected capital expenditures averaged annually to maintain the buildings systems including the

parking lot and septic system shared with the existing town hall. In total the town would be liable for an estimated **\$285,000** in annual expenses that breaks down as follows:

- **\$60,000** annual operating expense
- **\$10,000** annual capital reserve
- **\$215,000** annual bond payment

COMMUNITY CENTER

Project Vision & Cost

Several town residents expressed that they would like to see the building repurposed as a shared community space. The vision for this space may be something akin to a small business incubator space with 10 rentable units in the former elementary school building.

We have estimated the redevelopment and fit-up costs for such an endeavor to be of the same magnitude as the municipal project with a cost of **\$150/sqft** or **\$3.5M** in total.

Chester Elementary		
Sources & Uses Summary		
Sources of Funds		
Community Donations	\$ 1,941,046	55%
Federal Historic Tax Credit Equity	\$ 560,271	16%
State Historic Tax Credit Equity	\$ 700,329	20%
Other Grants (IRA, EVT, etc)	\$ 300,000	9%
Total	\$ 3,501,600	100%
Uses of Funds		
Architectural, Engineering & Permits	\$ 276,670	8%
Financing, Reserves & Carrying Charges	\$ 102,563	3%
Soft Costs - <i>Dev Svcs, Permits, Studies</i>	\$ 219,413	6%
Hard Costs - <i>CM Contract</i>	\$ 2,525,000	72%
Owner's Contingency (15% hard costs)	\$ 378,000	11%
Total	\$ 3,501,600	100%
Current Funding Gap \$ -		

Community Goals

The community center does serve all the stated community goals in that it preserves the physical structure, retains the existing community green space, offers the public interior building access, would generate some tax revenue, and if operated by a non-profit or community organization capable of attracting and retaining enough tenants could be a viable successful reuse of the building.

Funding Potential

A community project like this could have the potential to attract public funding for a portion of the project. We've assumed the project could plausibly be eligible to receive approximately **\$1.2M** in historic tax credits and **\$300,000** in grant money from a program

such as the Community Development Block Grant (CDBG). As can be seen in the funding summary below the project would need to fundraise approximately **\$2M** to fund the fit-up necessary to get the building up to code and set up for a project of this nature.

Chester Elementary	
Funding Summary	
Community Equity	\$ 1,941,046
Grants & Tax Credits	\$ 1,560,600
Total Funding	\$ 3,501,600
% Non-Repaid Funding	44.6%

Ownership

The biggest challenge to making a project like this work is generating enough revenue to cover the baseline of expenses without pricing out the potential tenants. In this model it's assumed that a non-profit or other community organization would need to take over ownership as it operates at just above break even in this analysis. It's important to note that a non-profit would need to develop an ownership structure with a for-profit entity to take advantage of federal historic tax credits.

Operating Details & Expenses

In this scenario all leases are modeled as triple net (NNN) meaning the tenants would be responsible for most of the operating expenses including maintenance, taxes, and insurance. It's been estimated that the remaining operating expenses to the owner would be approximately **\$30,000** annually.

Additionally, we have modeled a **\$10,000** annual contribution into a capital reserve for a total of **\$40,000** in annual expense to the owner. The fit-up proposed here is a more basic rehab and it would be prudent to commission a more detailed capital needs study to ensure the proposed annual capital reserve contribution is adequate.

In this scenario we have assumed tenant rental rates could be as low as **\$5/sqft** or **~\$365** a month per unit plus the additional utilities and operating expenses, which we estimate to be approximately **~\$415** a month for a total of **\$780** per tenant.

Annual Owner Operating Expense Estimates

- Administrative: **\$14,300** or **~.90/sqft**
- Maintenance: **\$11,500** or **~.75/sqft**
- Utilities: **\$3,800** or **~.25/sqft**
- Taxes & Insurance: N/A

This would generate **\$43,750** in annual revenue and assumes a **95%** occupancy rate. If occupancy were lower than this, the operation would likely be operating at a loss annually. The thin margin a project with these characteristics would be operating with can be seen in the appendix.

Additional Project Considerations

One variation of this plan could see the town sign a lease as a tenant, helping to alleviate some of the crowding that has been a problem for some office members in the existing town hall. If the town served as a municipal anchor tenant for some of the rentable space it would help to ensure the project is financially viable.

AFFORDABLE HOUSING

Project Vision & Cost

Over 60% of survey respondents expressed their desire to see the property repurposed into housing. As part of our analysis, we looked at two different housing projects, one of which was an affordable housing project.

It's been determined that the former elementary school could feasibly be converted into 12 1-bedroom residential units. Our experience is that the baseline number of units for a financially viable housing project is 24 and as such, for this project to be viable, it would require a 2nd 12 unit building to be built. A conceptual site plan (Appendix 14) was created that shows the location of the 2nd building as well as the strategy for preserving and increasing the parking capacity as well as reorienting the existing town septic system.

We have estimated the hard costs of construction for renovation of the former elementary school building as well as the new building to cost **\$300/sqft** and **\$350/sqft** respectfully for a combined total of **\$13.1M**.

Chester Elementary		
Sources & Uses Summary		
Sources of Funds		
Developer Equity	\$ 382,393	3%
Senior Debt	\$ 745,900	6%
Low Income Housing Tax Credit Equity	\$ 9,736,877	74%
Federal Historic Tax Credit Equity	\$ 1,045,621	8%
State Historic Tax Credit Equity	\$ 703,067	5%
Other Grants (IRA, EVT, etc)	\$ 500,000	4%
		0%
Total	\$ 13,113,900	100%
Uses of Funds		
Acquisition	\$ 8,800	0%
Architectural, Engineering & Permits	\$ 801,163	6%
Financing, Reserves & Carrying Charges	\$ 476,043	4%
Soft Costs - <i>Dev Svcs, Permits, Studies</i>	\$ 761,003	6%
Hard Costs - <i>CM Contract</i>	\$ 9,540,000	73%
Other Hard Costs - <i>Solar, FFE</i>	\$ 84,000	1%
Owner's Contingency (15% hard costs)	\$ 1,442,850	11%
Total	\$ 13,113,900	100%
Current Funding Gap \$ -		

Community Goals

The affordable housing project has the potential to serve some of the stated community goals in that it will preserve the physical structure, generate tax revenue, and lead to the reuse of the building. It would not offer the town residents access to the interior of the building and the preservation of community green space would need to be negotiated with any prospective developer.

Funding Potential

An affordable housing project might attract significant public funding by combining State and Federal Historic Tax Credits and Low-Income Housing Tax Credits (LIHTC). We've estimated that the project could receive as much as **\$1.7M** in historic tax credits and **\$9.8M** in LIHTC for a total of **\$11.5M** or just below **90%** of the total project cost.

Additionally, it's plausible to imagine the project winning some amount of non-refundable grant money and we've included a **\$500,000** grant award from the Massachusetts Rural Development Fund as part of our projections. To complete the capital stack the project would carry a little less than **\$750,000** in debt that can be seen in the summary table below.

Chester Elementary	
Funding Summary	
Developer Equity	\$ 382,393
Amortizing Debt	\$ 745,900
Grants & Tax Credits	\$ 11,985,565
Total Funding	\$ 13,113,900
<i>% Non-Repaid Funding</i>	91.4%

For a more detailed overview of the Low-Income Housing Tax Credit program and its requirements and protocols see Appendix 11.

Ownership

This project would most likely be undertaken by a developer specializing in affordable housing projects. There are several such developers in the region and their expertise in developing and executing such a project would be essential to attracting the kind of public funding we've outlined above.

Operating Details & Expenses

It's been estimated that the operating expenses for these 2 buildings would be approximately **\$177,955 or \$6.60/sqft**. LIHTC projects typically include utilities like electric as part of the rental rate which significantly increases the annual operating expense to the owner. In this scenario rental rates would be capped at 60% of MFI and we have used a per unit rent of **\$964/month**.

Annual Owner Operating Expense Estimates

- Administrative: **\$39,300** or **~\$1.45/sqft**
- Maintenance: **\$46,500** or **~\$1.75/sqft**
- Utilities: **\$51,500** or **~\$1.90/sqft**
- Taxes & Insurance: **\$40,655** or **~\$1.50/sqft**

Based on our assumptions the project would generate a net operating income before debt service and reserves of **\$23,461** in Year 1 and rise to almost **\$105,000** by Year 15 as can be seen in the appendix.

MARKET RATE SENIOR HOUSING

Project Vision & Cost

As stated above many survey respondents expressed their desire to see the property repurposed into housing and when asked what variation of housing it was clear that senior housing was a priority. To address this community preference, we conducted an analysis on a market rate senior housing project.

The site layout for this project would be identical to the conceptual design suggested for the affordable housing project with the former elementary school converted into 12 1-bedroom residential units and a 2nd 12 unit building to be constructed on the same lot as can be seen in Appendix 14. As compared to the affordable housing project the market rate housing would require an increased project cost due to the higher-level finishes and fit-up attributes associated with market rate housing.

We have assumed the hard construction costs for renovation of the former elementary school building as well as the new building to cost **\$350/sqft** and **\$400/sqft** respectfully for a total of a little over **\$14.3M**.

Chester Elementary		
Sources & Uses Summary		
Sources of Funds		
Developer Equity	\$ 5,352,946	37%
Senior Debt	\$ 6,579,900	42%
Federal Historic Tax Credit Equity	\$ 1,378,556	10%
State Historic Tax Credit Equity	\$ 503,935	4%
Other Grants (IRA, EVT, etc)	\$ 500,000	3%
Total	\$ 14,315,340	100%
Uses of Funds		
Acquisition	\$ 8,800	0%
Architectural, Engineering & Permits	\$ 940,213	7%
Financing, Reserves & Carrying Charges	\$ 301,601	2%
Soft Costs - <i>Dev Svcs, Permits, Studies</i>	\$ 761,003	5%
Hard Costs - <i>CM Contract</i>	\$ 10,986,000	78%
Owner's Contingency (12% hard costs)	\$ 1,317,720	9%
Total	\$ 14,315,340	100%
Current Funding Gap \$ -		

Community Goals

The market rate housing project has the potential to serve some of the stated community goals in that it will preserve the physical structure, generate tax revenue, and lead to the successful reuse of the building. It would not offer the town residents access to the interior of the building and the preservation of community green space would need to be negotiated with any prospective developer.

Funding Potential

A market rate housing project would be more limited in the public funds that it could attract, but renovation of the former elementary school would likely be eligible for historic tax credits. Overall, the project would be much more dependent on debt and equity contributions to round out the capital stack.

It has been assumed that in this scenario a developer could receive approximately **\$1.8M** in historic tax credits and we've included a potential award of **\$500,000** in non-refundable money from the Massachusetts Rural Development Grant program. Additionally, we've estimated based on the projected net operating income and resulting building value the project could carry **\$6.5M** in debt and would require **\$5.5M** as an equity contribution to complete. You can see the summary capital stack below.

Chester Elementary	
Funding Summary	
Developer Equity	\$ 5,352,946
Amortizing Debt	\$ 6,579,900
Grants & Tax Credits	\$ 2,382,491
Total Funding	\$ 14,315,340

Ownership

This project would be undertaken by a private developer who would need to see the potential for a reasonable financial return to justify pursuing such an endeavor. Based on our projections it may be challenging for this project to generate enough of a financial return over the long term to attract a for-profit developer.

Operating Details & Expenses

It's been estimated that the operating expenses for these 2 buildings would be approximately **\$159,455** or **\$5.90/sqft**. Operating expenses attributable to the owner for market rate housing are lower as compared to LIHTC projects as tenants are responsible for their own utilities. We have assumed market rate upscale senior housing rental rates of **\$3,200/month** per unit generating a total of **\$921,600** in annual revenue. It is our recommendation that a market study be conducted to look at the potential demand for this kind of housing.

Annual Owner Operating Expense Estimates

- Administrative: **\$39,300** or **~\$1.45/sqft**
- Maintenance: **\$46,500** or **~\$1.75/sqft**
- Utilities: **\$21,000** or **~\$0.80/sqft**
- Taxes & Insurance: **\$40,655** or **~\$1.50/sqft**

Based on our assumptions we expect this project would generate a net operating income before debt service and reserves of **\$241,359** in year 1 which would rise to a little over **\$1M** by year 15 as can be seen in the appendix.

Additional Project Considerations

It's important to note that the estimated return on investment in this analysis would be unlikely to attract the equity contribution necessary to close the funding gap and incentivize a developer to pursue this project. Based on the projections it would take 18 years to recoup the initial **\$5.3M** investment. If we were to assume a benchmark expected return of **10%** as necessary to incentivize a developer to pursue the project, then the currently modeled net operating income would only warrant a **\$1M** developer investment which would leave a **\$4.3M** funding gap. We are unaware of non-repayable funding sources of this scale that would support a market-rate housing development.

VI. FUNDING SOURCES EXPLAINED

TAX CREDITS

State and Federal Historic Tax Credits

The Federal Historic Tax Credit (FHTC) program is administered by the Department of the Interior, the National Parks Service, and the IRS with a goal of encouraging private investment in the re-use and restoration of historic buildings. By completing a three-part application process, applicants work with the National Parks Service and a state's Historic Preservation Office to rehabilitate properties in exchange for a 20% tax credit on all Qualified Rehabilitation Expenditures (QREs).

The program requires that properties be listed on the National Register of Historic Places to be eligible. As far as M&S is aware, the former elementary school is part of the Chester Factory Village Historic District and therefore is part included in the National Register. The project will require a historic preservation consultant to lead the assessment and prepare the three-part application.

The State of Massachusetts administers the Massachusetts Historic Rehabilitation Tax Credit Program which has much of the same eligibility criteria as the federal program and has a 20% eligible cost basis. We expect that once qualified, the project could be eligible for such credits. Unlike the Federal Tax Credit program, which issues tax credits based on entitlements, the State tax credits must be applied for and are competitively awarded. Given this high level of competition, Massachusetts' state historic tax credits are awarded in partial awards several times per year. It is uncommon for recipients to receive the full amount of their application in a single award round and in some cases, it can take several award rounds and several years to receive a project's full application amount. Additional details about historic tax credits can be found in the appendix.

Low Income Housing Tax Credits

The Low-Income Housing Tax Credit (LIHTC) was created by Congress under Section 252 of the Tax Reform Act of 1986 to promote the construction and rehabilitation of housing for low-income persons. The tax credit provides a means by which developers may raise capital for the construction or acquisition and substantial rehabilitation of housing for low-income persons. Under the federal income tax code, investors in low-income rental housing are permitted to take credit against taxes owed the federal government.

In Massachusetts, the Executive Office of Housing and Livable Communities (EOHLC) is the allocating agency for tax credits. EOHLC is responsible for preparing the annual allocation plan and making it available for review by interested members of the public before final publication.

Developers of affordable rental housing projects apply to EOHLC for tax credit allocations. If they are awarded the credits, the developers (either for-profit or nonprofit) seek investors to purchase those credits in exchange for upfront equity contributions. Intermediaries (known as syndicators) act as a bridge between investors and projects and often pool investors' money into equity funds to access investor markets that otherwise would not invest in relatively small projects.

In exchange for providing development funds, the investors receive a stream of tax credits. Projects can qualify for two types of credits: a 9% credit, or a 4% credit. 4% tax credits are allocated by Mass Housing (formerly Massachusetts Housing Finance Agency) in conjunction with Mass Housing's tax-exempt bond financing. The Massachusetts Development Finance Agency (MDFA) also allocates 4% tax credits in conjunction with tax-exempt bonds. Tax credits can be claimed by the investors for 10 years. For example, based on an investor willing to pay \$.75/tax credit dollar, a project eligible for \$500,000 in annual credits, would receive \$3,750,000 ($\$500,000 \text{ in credit} \times 10 \text{ years} \times \$.75$) in equity.

Both for-profit and nonprofit developers can qualify for the credit. At least 20% of the units must be reserved for persons with incomes at/or below 50% of the area median income adjusted for family size; or at least 40% of the units must be made affordable for persons with incomes at/or below 60% of the area median income adjusted for family size. In addition, the project must be retained as low-income housing for at least 30 years.

LIHTC credit pricing is highly variable and current intel indicates that prices can range from \$0.84 to \$0.92 per credit depending on the project, the buyer, and the relationship between the two. For this affordable housing project, a \$0.02 change in LIHTC pricing equates to a ~\$210,000 change in tax equity proceeds. Similarly, FHTC pricing can range from \$0.75 to \$0.85 and a \$0.02 change in FHTC pricing equates to a ~\$25,000 change in tax equity proceeds. Additional details about historic tax credits can be found in appendix.

DEBT

Debt Financing

As previously mentioned, M&S assumes that both housing projects will require some portion of debt to fully fund the capital stack. To be conservative both housing alternatives financial

models have the primary debt carrying a market interest rate of 8%. This senior debt is modeled with a 30-year amortization schedule and a 15-year term that is based on an 80% loan-to-value (LTV) ratio. It's possible that a housing project with social impacts may be eligible for a lower interest rate through Federal Home Loan Bank of Boston's Community Development lending program through a member bank which could provide subsidized financing terms.

GRANTS

Community One Stop for Growth Program

The state of Massachusetts has created the Community One Stop for Growth program as a single application and review process for community development grant programs. This program streamlines the application process and places the state in a position to be an active partner in economic development strategy, priorities, and investment. The One Stop program provides the opportunity to be considered by more than one grant program simultaneously, removes redundant legacy program processes questions, and allows the state to take a broader view of community priorities.

For the fiscal year 2025 there are twelve programs administered through the Community One Stop for Growth program including the rural development fund that we've included as a funding source for a few of the alternatives. A single application to this program also means being considered for the various other programs offered by the Executive Office of Economic Development, Executive Office of Housing and Livable Communities, and MassDevelopment. Additional details about historic tax credits can be found in the appendix.

Community Development Block Grant

The Community Development Block Grant (CDBG) Program provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

Eligibility for participation as an entitlement community is based on population data provided by the U.S. Census Bureau and metropolitan area delineations published by the Office of Management and Budget. HUD determines the amount of each entitlement grantee's annual funding allocation by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing availability, age of housing stock and population growth lag in relationship to other metropolitan areas.

CDBG funds may be used for several activities, one of which is assistance to profit-motivated businesses to carry out economic development and job creation/retention activities. It's possible that a project such as the community center could be a contender for attracting this kind of grant funding by serving as an incubator space for rural small businesses.

VII. ADDITIONAL DEVELOPMENT CONSIDERATIONS

TOWN INFRASTRUCTURE CONCERNS

Septic System

It is our understanding that the existing septic system for the former elementary school also services the town hall across the street. Any redevelopment plan needs to account for this key infrastructure piece. We expect it may be possible to relocate the system on the same parcel or the abutting town owned parcel, but this should be inspected and verified by a septic engineer.

Parking Lot

A parking lot of approximately 25 spaces resides on the property and services the town hall and provides off-street parking for the downtown area. It was explained by town officials and residents that parking is at a premium for town events, especially in the summer months when the Chester theatre group is in town. Preserving and potentially increasing parking availability should be considered as part of any redevelopment plan. Based on our conceptual plans it's possible that the property may have the capacity to host the parking spaces necessary to satisfy the increased parking demand that would come with a housing project or other increased usage. The Institute of Transportation Engineers provides guidance on parking capacity and planning and has many resources that can be referenced when vetting potential parking plans.

COMBINING ALTERNATIVES

It's important to point out that none of these projects are mutually exclusive. It's possible that some combined version of these projects could be pursued to serve the multi-faceted needs and desires of the community.

Our analysis was designed to highlight the different attributes associated with the various chosen alternatives and should serve as a guide to help inform how to think about what could be done and what would be required.

For example, it's possible to imagine a housing project that combines affordable and market rate housing, where the minimum number of affordable units is created to be eligible for Low Income Housing Tax Credits and the remaining units are offered at market rates.

The viability of any project is dependent on specific attributes and goals. This analysis intends to help decision makers understand what could be, rather than what should be, and it should be noted that the alternatives analyzed do not represent an exhaustive list of opportunities and it could be possible for the property to be repurposed as a single-family home, duplex, professional office, or even light production space among other potential options.

The included information should empower rather than limit creative thinking as the town endeavors to decide how to redevelop the property in a way that best serves the needs and desires of its community members.

REQUEST FOR PROPOSAL

It's been discussed that the town should use the information in this report to help inform the production and distribution of a Request for Proposal (RFP). This process would help the town understand what kind of interest there is among developers in taking on a redevelopment project for this property.

The RFP is the town's opportunity to clearly state their desires for the property and the specific guidelines any developer would need to abide by if they were to pursue a redevelopment project. This process ensures there is the opportunity for the town to weigh in on the development process as compared to a sale or auction where the town would have no opportunity to influence the specifics beyond compliance with existing regulations.

An important consideration for the town when drafting an RFP is recognizing that as the number of prescribed requirements increases the pool of developers who will be willing and able to pursue it may well shrink. Striking the balance between what is desired and what is feasible is essential. As part of this process, it's advisable for the town to consult and work with their town counsel when moving forward with developing an RFP.

We've included some guidance as it pertains to key RFP considerations as well as a brief overview of the components of an RFP as can be seen in the appendix.

The RFP document we've shared in the appendix is to serve as a template and is not intended to be a final document. Some areas have been bulked out based on our experience so far and there are several areas where certain information will need to be filled out based on how the town decides to proceed. When looking at each section please consider the following notes.

Section 1 is an overview of redevelopment goals and has been tentatively filled in with some proposed language based on our experience working with the town so far, but as discussions around the RFP evolve it may be pertinent to add or change the goals and key development proposal items.

Section 2 addresses resources the town may offer a prospective developer such as this report or structural assessment as well as specific local points of contact. Any other resources the town has that may be applicable could be added here.

Section 3 is a brief project schedule that will need to be decided on before sending it out to prospective developers.

Section 4 is an evaluation criteria scorecard. We created some prospective scoring criteria, but the exact criteria and the weighting of each should be a point of discussion as the town formulates its RFP for its desired outcome.

Section 5 is a list of key questions for any prospective developer to help the town better understand their organization, experience, and how their proposal aligns with the town's stated development goals. For example, we've included a question related to acquisition and these terms should be a key consideration for the town. The list of questions included is not

exhaustive and is intended to serve as a reference for the town as they think about how to attract developers for the project(s) they hope to pursue.

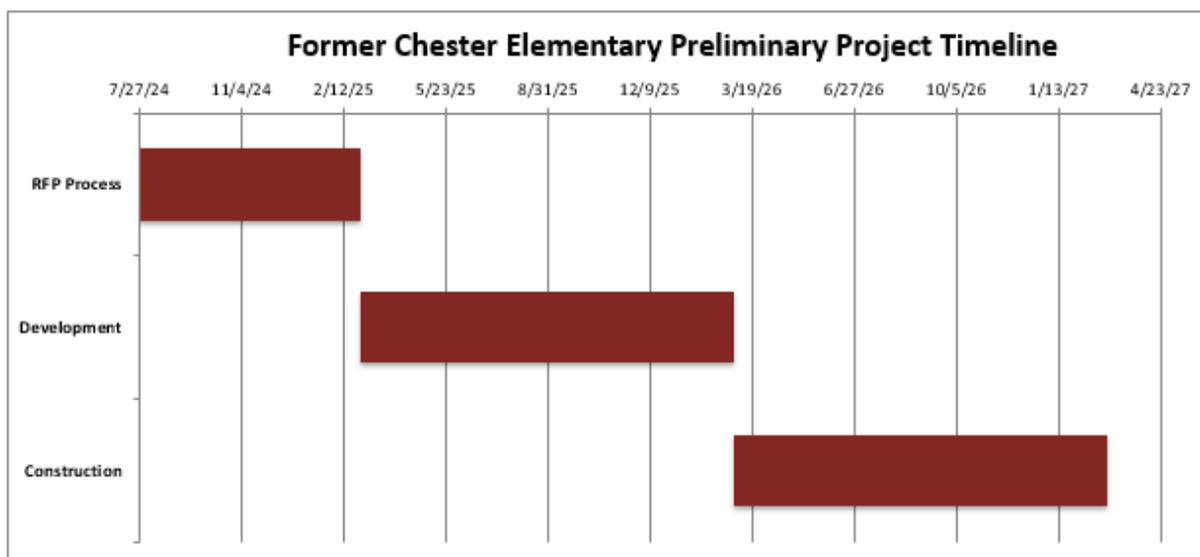
DEVELOPER & OPERATOR EXPERTISE

To ensure a successful reuse it’s important that the town approaches any proposed redevelopment project with a critical eye for project feasibility. It’s possible that a range of developers, community organizations, or individuals could step forward with interest in taking on a redevelopment project, but it’s important to consider the expertise and capacity of each interested entity. Development projects are highly complex and many of the funding sources utilized in our analysis are better suited for experienced developers than first time community groups. Project owners will need to be able to convince both public and private funders that they have a feasible plan for completing the project as a pre-requisite for raising the necessary upfront capital.

Additionally, the ability of an operator to run the project after construction is also an important consideration. Specifically, when considering a non-housing reuse such as the community center a sound business plan that clearly states its assumptions and shows financial viability is essential for long term success.

VIII. PROSPECTIVE DEVELOPMENT SCHEDULE

Below is a sample timeline that gives a rough estimate of how long the development process may take. The specifics of each project type and the funding sources pursued will ultimately dictate the development schedule and the speed at which progress is made.



IX. RISKS AND UNCERTAINTIES

Real estate development as an endeavour encounters challenges that are both complex and wide-ranging. As a process, successful development seeks to continually retire risk and uncertainty while investing only the minimum amount of capital necessary to complete each step in the process. Specific to these potential projects, there are several risks and uncertainties that are already apparent.

First, is the ability to attract a developer interested in taking on a project that serves the communities desire while also providing a meaningful enough financial incentive to convince a lender or other funder to believe in the plan.

The costs of construction included within this model is also an area of uncertainty which poses risk to the financial feasibility of any proposed project. Over the past several years we have seen meaningful changes both in the cost and availability of construction materials as well as in the cost and availability of labor and subcontracts able and willing to take on projects of this size. Even a 10% shift in the hard costs of certain elements of the construction project would have a significant impact on the finances of the overall project.

The capital stacks as currently proposed also contain certain contingent funding sources, including Federal and State Historic Tax Credits, as well as Low Income Housing Tax Credits which we believe to be appropriate for the associated projects. However, M&S makes no guarantees as to the actual availability, eligibility for, or likelihood of receipt of these funding sources. This work is preliminary, meaning that both the project costs and potential funding amounts and sources provided by M&S are estimates based on our professional experience and our knowledge of the market. The estimates contained within these preliminary analyses are based on information available to M&S at the time of this report and should be updated and refined as additional information is obtained.

The proposed project budgets also make certain assumptions about the pricing and availability of debt and tax credit equity based on our experience and current market conditions; however, these inputs are variables which can change without notice and which can have a material impact on project economics.

X. NEXT STEPS

It's been communicated that this report will help inform the development and distribution of an RFP. Our suggestion is that the different attributes of each project be looked at in detail and utilized to help inform a discussion about what kind of project the town would like to pursue.

Once the town has clarity on its desires it should issue an RFP clearly stating the parameters interested parties would need to operate within. Further, as the town starts to receive proposals it can use the data and insights shared here to help gauge the viability of the respondents' proposed projects.

APPENDIX ITEMS

- Community Survey Results
- Alternatives High Level Comparisons
- Detailed S/U for associated Alternatives (3)
- Operating Budget for associated Alternatives (3)
- LIHTC White Paper
- Federal Historic Tax Credits White Paper
- Mass Development One Stop Program Overview
- RFP Draft Template
- Conceptual Site Plan



CHESTER BOARD OF SELECTMEN
15 MIDDLEFIELD ROAD
CHESTER, MASSACHUSETTS 01011

413-354-7760

TownofChester.net

CHESTER ELEMENTARY SCHOOL REUSE SURVEY

Chester Residents,

We respectfully request your feedback on an issue of town wide importance.

What?

The former elementary school at 10 Middlefield Road is vacant once again. In 2003/04 the town decided to sell the building and it was purchased by a Broadway costume designer. Unfortunately, this owner's business became unsustainable during COVID and the property was returned to the town due to inability to pay taxes. In the hopes of breathing new life into this property the town of Chester has received a grant from Mass Development to explore what possible reuse may be feasible.

Why?

Potential Positive Redevelopment Outcomes:

- Provide town residents with the opportunity to facilitate redevelopment that returns this property to the viable property list.
- Increase the economic vibrancy of the local community with new business, housing, or community space.
- Create a tax generating entity that can lead to further investment in the local economy.

Vacant buildings can lead to several negative outcomes:

- Properties being removed from the viable property list and becoming liabilities incurring excessive maintenance and repair costs for the town.
- Infestation of rodents and insects which can lead to human health hazards.
- Fires due to lack of maintenance and upkeep. According to the US Fire Administration over 12,000 fires occur annually in the US resulting in \$73 million in property damage.

How?

- Public feedback from Chester residents via survey and three public meetings.
- Design and financial models created by development consultants based on the town's identified needs.
- Town decision on next steps for the vacant elementary school.

Our Request

Please take a moment and fill out this paper survey and return it by March 20, 2024. Paper copies of this survey can also be picked up and dropped off at the town hall.

Additionally, the survey can be accessed digitally at the following:

- Online at www.linktosurvey
- Via the town of Chester's [website](#) or [social media](#)

Public Meeting

A public issues and concerns meeting will be held at the Chester town hall on Wednesday 3/27/24 from 6-8pm to provide town residents with the opportunity to make suggestions for possible redevelopment. We encourage you to make your voice heard either via this survey or in person on 3/27.

If you have any questions please contact town administrator Don Humason via email at townadministrator@townofchester.net or by phone at [\(413\) 354-7760](tel:(413)354-7760)

SURVEY QUESTIONS

- 1. What should the future use of elementary school be?**
 - Housing
 - Municipal
 - Retail/Office
- 2. If Housing, what type?**
 - Senior
 - Affordable
 - Private
- 3. Is there another type of use not listed in question 1 you would like to be considered?**
- 4. If the land was to be repurposed, what should it be used for?**
 - Community Park or Green Space
 - Playground
 - Active Recreational area
- 5. Is there another type of repurposed land use not listed in question 4 you would like to be considered?**
- 6. Would you prefer to see the town:**
 - Sell the Property
 - or
 - Redevelop
- 7. What are your primary concerns with the building being left vacant?**
 - Vandalism/Crime
 - Fire
 - Infestation
 - Blight
 - Costs to operate a vacant building
- 8. Do you have other concerns with the building being vacant?**
- 9. Is there anything else you would like to share about the elementary school property?**

Chester Old Elementary School Survey Results

86 responses total - 618 surveys mailed to every household in Chester. 382 surveys distributed on paper in town. [Link on website](#)

Majority Preferences from the survey data collected 3/11/24-3/27/24

Future Use: Housing 63%

Type of Housing: Senior 47%

Repurpose Land: Community Park or Green Space 65%

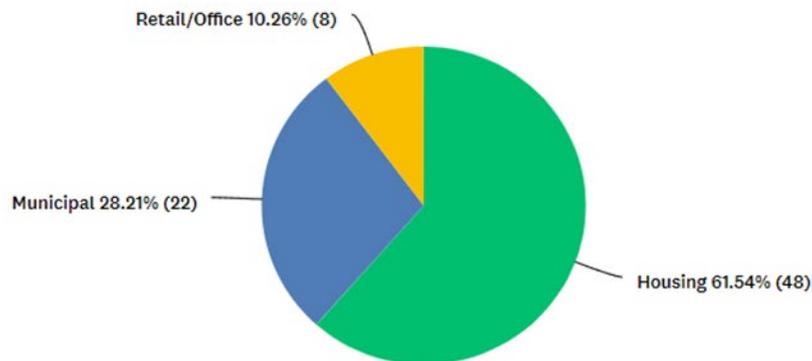
Sell or Redevelop: Redevelop 68%

Primary Concerns Left Vacant: Vandalism/Crime 55%

Question 1

What should the future use of the Old Chester Elementary School be?

Answered: 78 Skipped: 10

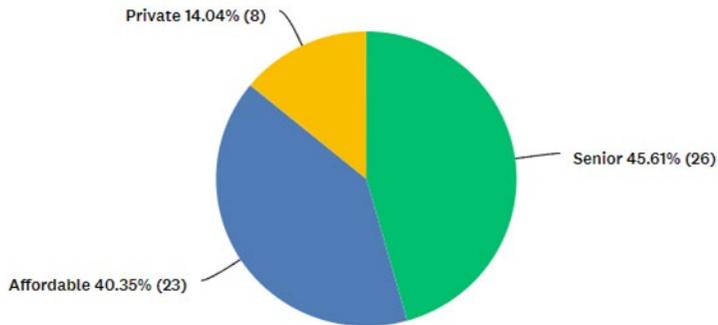


ANSWER CHOICES	RESPONSES	
▼ Housing	61.54%	48
▼ Municipal	28.21%	22
▼ Retail/Office	10.26%	8
TOTAL		78

Question 2

If Housing, what type?

Answered: 57 Skipped: 31



ANSWER CHOICES	RESPONSES
Senior	45.61% 26
Affordable	40.35% 23
Private	14.04% 8
TOTAL	57

Questions 3, 5, 8 and 9 ask people for more detail on reuse. Responses are below.

The comments generally support senior housing as a reuse. People are consistently concerned with it being vacant for all the reasons the survey asked. There are some other reasonable suggestions for reuse below worth thinking about. Many good ideas about how to reuse the land for a community green space.

Q3. Is there another type of use not listed in question 1 you would like to be considered?

For our homeless people.

use as a guest house

all of #1 and affordable housing

municipal use and affordable housing

private housing

private condos

ranger station to protect the land from being ruined with dangerous chemicals, you know, round up the small breed dogs

municipal and retail as well

library/rental space affordable

market

Ideally something that is accessible for all community members. Wellness classes, meeting space, local artisans and small businesses

For the library

community center/senior center, town municipal offices

low cost senior housing no housing

It should be sold so that something can be there that brings tax revenue and that we do not have to pay to maintain.

Yes, a town center with rooms for gatherings, classes, education. Some town offices. Outdoor gathering space. I also love the idea of a well with pure natural drinking water.

Senior center, town offices, library

Community clinic, or community hall for occasions, dances, etc. Possible senior center.

Unless there are planning, zoning or other covenants, occupancy type should not be a requirement of a sale or redevelopment. Keep it open to the widest possible pool of bidders.

If a new fire dept. were needed the land might be a good location, youth center, senior center, health center?

recreation

veteran only housing, especially disabled veterans

also retail/office

also municipal

also municipal

NOT SECTION 8!

None, the town doesn't maintain any parks they already have too much drinking and drug deals, etc.

My opinion is that the best use of the building would be as the Chester Town Hall.

Housing for people is always needed and would serve the public well. Having an organization who is supporting the housing with good maintenance would also be vital if it is under the same roof.

The cost of repurposing the school would likely be too expensive, either get it on the tax rolls or tear it down.

affordable housing

affordable housing

use the building as an extension of town hall, the police station and COA are squeezed

half housing, half business - like grocery or laundry

retail

municipal offices, police, tax collector, etc. Town usage.

a recreational facility for the residents, children and young adults, parents to use.

Housing for seniors would require grants to fund at least 95% of the project.

If not housing, then senior center, library, senior housing is my choice

no section 8 housing

affordable

gym/exercise use

Has there been a feasibility study on the cost of making it housing, a municipal building, or retail/office space?

Yes. A Community Center for Chester Townspeople and Municipal Center. This elementary school building is the "Gem of Chester". It sits high-up, above RT 20, and is the focal point of our town. This building must be treated with respect and honor and must serve all townspeople. First. The existing LAND behind the building. This land is used for free CLEAN DRINKING WATER via a WELL for all townspeople! This outdoor WELL (with a hydrant spigot) and the space around the WELL is a beautiful outdoor social gathering place for children, the elderly and all townspeople. This old Elementary School building must be historically preserved. With the floors, walls and wood features untouched. The Community Center 8 classrooms would include: -1 or 2 Municipal Rooms -holistic healing center -2 education rooms for young and old -art, exercise and performance space (separate from the Chester theatre). -hyper-local community eatery. farm-to-table community owned and operated eatery. -hyper-local produce and butchery store -public meeting space (separate from Chester townhall)

Demo the building and build a new shared Emergency Services (Police/Fire) and possibly Municipal Offices for both Blandford and Chester.

Mixed use. Short-term rentals for startups, apartment space - income generation for town. fix it cafe and library of things loan space, community kitchen for town fund raising meals and event rentals.

Unless there are planning, zoning or other covenants, occupancy type should not be a requirement of a sale or redevelopment. Keep it open to the widest possible pool of bidders.

Any use with a clear plan to generate taxes for the town.

Entertainment for 18 and under

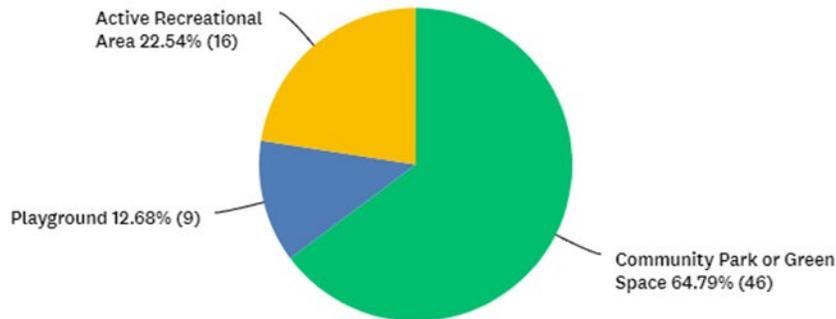
Remove building and replace with new municipal structure

Private use, mixed retail/housing. Something that puts the property back in private, taxpaying hands.

Question 4

If the land was to be repurposed, what should it be used for?

Answered: 71 Skipped: 17



ANSWER CHOICES	RESPONSES
Community Park or Green Space	64.79% 46
Playground	12.68% 9
Active Recreational Area	22.54% 16
TOTAL	71

Q5. Is there another type of repurposed land use not listed in question 4 you would like to be considered?

keep parking lot as is

all of #4

all of #4

multi-purpose parking, park with pavillion

all 3 of #4

playground, cultural center, ampitheater, performance space, incorporated art sculpture

hands on garden for families

no to #4

Leave it to the towns people.

Community garden

also playground, recreation area.

also playground

playground, dog park

or playground

all of 4. Not good to sell because the septic system for the town hall is on the property, as well as parking for town hall.

Incorporating a River Valley Coop, Deli and restaurant would be a good to put in that large space.

playground

All of #4, swimming pool, indoor hot tub.

No, just a recreation center

Additional Parking space for the town hall

recreation

skate park

Renovate the building with state grant money. then sell the building at cost to Chester townspeople. It becomes the community owned and operated Chester Community Center. 1 or 2 rooms in the building are gifted back to the town of Chester in perpetuity for Municipal offices.

Community food forest with nuts/berries/fruit, single community garden for produce for schools and senior center,

A park/playground/rec area will not be a tax generating entity.

parking lot

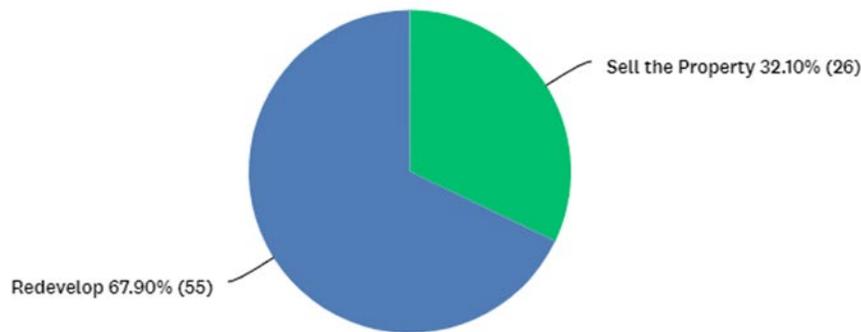
Any type of community space would be lovely!

New fire station

Question 6

Would you prefer to see the town:

Answered: 81 Skipped: 7

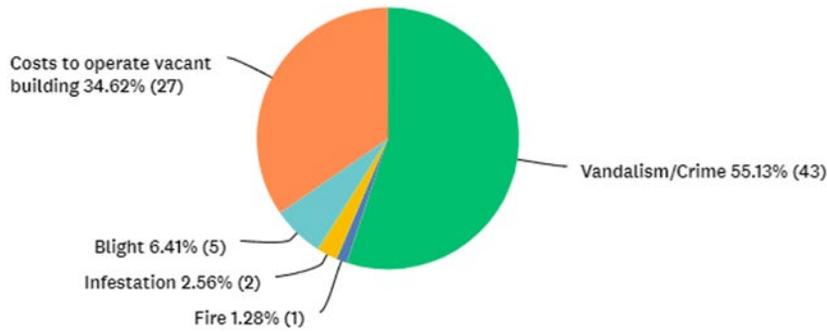


ANSWER CHOICES	RESPONSES
▼ Sell the Property	32.10% 26
▼ Redevelop	67.90% 55
TOTAL	81

Question 7

What are your primary concerns with the building being left vacant?

Answered: 78 Skipped: 10



ANSWER CHOICES	RESPONSES
▼ Vandalism/Crime	55.13% 43
▼ Fire	1.28% 1
▼ Infestation	2.56% 2
▼ Blight	6.41% 5
▼ Costs to operate vacant building	34.62% 27
TOTAL	78

Q8. Do you have any other concerns with the building being vacant?

It is going downhill not being used

all of #7

all of #7

also cost of operating vacant building

all of #7. deterioration of a landmark building

Deterioration

also cost to operate vacant building

Town is less vibrant when vacant

The historical aspects of the building need to be preserved or they will decay or be destroyed

town in decline, no self esteem

being wasted

all of #7, waste of a good space

It's costing tax-payers money while generating no income.

It is such a beautiful building on the inside...wooden floors and the craftsmanship is amazing. It would be a shame to let this building rot. The town community could really use it.

Blight, fire, infestation, town cost to operate, water leaks

all of #7 and depreciation

also cost of operating vacant building.

all of #7

also blight, if the building is demolished make it forested, plant trees.

all of #7

also fire

all of #7. constant drain on town resources. cost prohibitive for town to bring it up to ADA standards and maintain even if they own it.

also fire and cost to operate vacant building

also, blight and cost to operate vacant building

also fire

more drug use and places for people to do drugs in town.

and cost to operate vacant building.

blight and cost to operate vacant building. We need to sell it and collect taxes.

all of #7

Yes, it should not be left vacant which would be a terrible thing in the center of town. Also, it is a wonderful building the town should be proud of and which deserves renewal and reuse.

also, infestation and cost to operate vacant building. I would always prefer to see building occupied than vacant because it would draw revenue for whatever may develop there.

all of #7

all of #7

all of #7

all of #7

Interior damage from weather related leaking in if not detected.

all of #7. Yes, it is an eyesore and will cause problems down the line

infestation

No

yes, it lowers the town's appeal leaving most of the town to look "vacant" (main st shops)

all of #7. Yes, it is an eyesore and will cause problems down the line
continued deterioration

All of #7

It should be considered historic

All of #7. use it for senior housing, controlled rent is safe income for the town.

All of the above

Squatters

Depreciation with time due to infestation and inevitable lack of maintenance.

It's such a waste of space! The building looks nice and I would love to have it become something beneficial to the community.

All of the above

Vandalism, blight, fire, attractive nuisance.

Q9. Is there anything else you would like to share about the Old Chester Elementary School property?

Homeless people or a family dollar or dollar general or an Aldi's store

There should be grant funds for this historic building

It's a town icon and it's a shame to see it deteriorate. Our children attended it. It should have been handled many years ago

maintain historic character

I Like to walk my dog there chihauhau

The building was never ADA compliant. I wish there was a way to preserve it's historical value and include the whole community by making it fully accessible.

No section 8 housing

keep it as historic

beautiful, clock history, teacher summer programs in the arts

don't tear it down, it's history, renovate

Sell! Sell! Sell!

It's an historic piece of our town that should remain and rehabilitated for our growing senior community. Let's keep our towns people in town.

It has a history and is a beautiful old "sister building" more prominent in town than the others.

It is a part of Chester's history and should be for the town's benefit.

It is a nice looking building and would be a shame to see it wasted. Thank you for the opportunity.

Repurposing a building is expensive to bring to code but there are other ways that are cheaper. I.E. get elevator like Russel Town Hall instead of building addition to house elevator. Turn kitchen into "meals on wheels" and the like. (probably need funding for that) Make it useful - there is Fed money as well as state money (rural development fund) I would hate to see a private party but it then do nothing with it.

It is absolutely foolish to let a well constructed building like this go to ruin. Easthampton has converted old mills to much needed housing. That what all these towns need to remain viable.

We need to stop low-income housing in Chester. We will become the next Holyoke if not.

The town can't afford to rehab the building for offices.

Hold farmer's markets and tag sales.

I hope the survey and public meetings yield ideas for this building's new life.

Housing is definitely the number one priority, with its management being two, then maintenance as three, a River Valley Coop as four, then a deli as five.

Tearing it down would be the best thing to do. Renovating it will be prohibitively expensive. No More section 8 people like the Commons. Seniors, YES Welfare trash. NO

It is a shame to see it in disrepair. Such a history but understand that any rehab is so costly.

preschool playground included, older kids playground, place for basketball, soccer T ball for younger kids.

anything for memories of the school left inside - offer to historical society museum before discarding.

It could be used for police, senior center, both or retail.

We would just like to see a local piece of Chester's History restored and protected. Thank you.

The town will continue to need the parking area and septic system on the property.

Make it the new Town Hall.

It is a beautiful building and certainly can be repurposed.

Don't remove the clock. It's a town symbol.

check for treasure before demolition

It's a beautiful building with a nice footprint. If the infrastructure is still intact and relatively up to date, it would make a great apartment/condo building. Too bad city offices and library couldn't have consolidated here...or could they?

My main concern would be an increase in taxes. If there is no clear plan for generating tax income, it should be sold, torn down or left alone.

Any future use by the Town will be too costly for the taxpayers, the repairs, upgrades and the expense to bring to the building to would be in the millions. Even just maintaining an empty building until any required repairs can be done are dollars wasted.

I would be most happy with any community/public use of the space but I also see the value in selling/renting it to a business or businesses that could benefit the community.

I would like to see it back on the tax rolls in some productive use that brings people into Chester.

PROJECT COSTS AND CAPITAL STACK COMPARISON

STATUS QUO

MUNICIPAL

COMMUNITY CENTER

FFORDABLE HOUSING

MARKET RATE SENIOR HOUSING

\$0

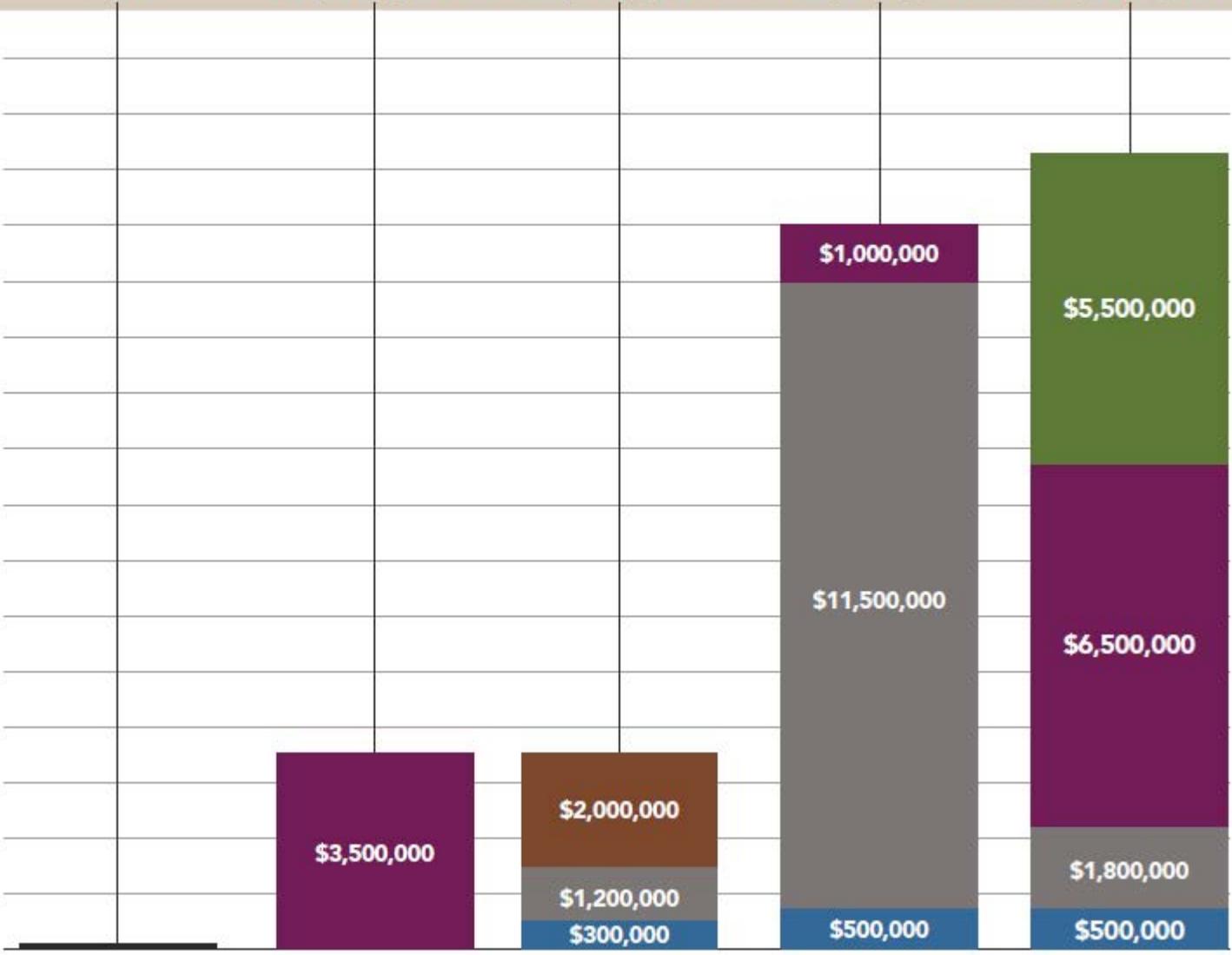
\$3,500,000

\$3,500,000

\$13,000,000

\$14,300,000

\$16,000,000
 \$15,000,000
 \$14,000,000
 \$13,000,000
 \$12,000,000
 \$11,000,000
 \$10,000,000
 \$9,000,000
 \$8,000,000
 \$7,000,000
 \$6,000,000
 \$5,000,000
 \$4,000,000
 \$3,000,000
 \$2,000,000
 \$1,000,000
 \$0



GRANTS TAX CREDITS DEBT EQUITY FUNDING GAP

COMMUNITY GOALS COMPARISON

	STATUS QUO	MUNICIPAL	COMMUNITY CENTER	AFFORDABLE HOUSING	MARKET RATE SENIOR HOUSING
BUILDING PRESERVATION					
COMMUNITY GREEN SPACE					
PUBLIC ACCESS TO BUILDING					
PROPERTY TAX IMPACT					
SUCCESSFUL REUSE					

Community Center Project Budget		Total SF	15,600
Sources:		Amount	% Contribution
Equity	Community Donations	1,941,046	55.43%
Tax Credits	Federal Historics @ \$0.85	560,271	16.00%
	State Historics @ \$0.95	700,329	20.00%
Grants & Rebates	Community Development Block Grant	300,000	8.57%
Total Sources:		3,501,646	100%
Uses:			
Final Design & Permitting	Building Design Feasibility Phase	48,000	1.37%
	Building Design Basic Services (at 5.55%)	129,870	3.71%
	Cost Estimate	4,000	0.11%
	Structural (@ 1. % of construction costs)	23,400	0.67%
	Boundary & Subdivision	5,000	0.14%
	Building Assessments	6,400	0.18%
	Site Design - Civil Engineer/Landscape Architect	15,000	0.43%
	Clerk of the Works	45,000	1.29%
Total Design & Permitting		276,670	7.90%
Other Soft Costs	Legal	15,000	0.43%
	Accounting	10,000	0.29%
	Development Services @ <10%	86,000	2.46%
	Permit Fees Estimate	62,083	1.77%
	Fiscal Management During Construction	10,000	0.29%
	Market Study	5,710	0.16%
	Historic Tax Credit Consultant	15,000	0.43%
	Historic Tax Credit Application Fees	6,500	0.19%
	Asbestos Inspections/Lead Inspection Allow	3,500	0.10%
	Phase I & EA Assessment	5,000	0.14%
	Lead Testing	620	0.02%
Total Other Soft Costs		219,413	6.27%
Financing, Reserves & Carrying Charges	Deficit/Lease Up Reserve	25,000	0.71%
	Operating Reserves	15,936	0.46%
	Bank's Construction Inspector / IE Fee	10,000	0.29%
	Builder's Risk	22,944	0.66%
	Cost Certification	10,000	0.29%
	Taxes during Construction	18,683	0.53%
Total Financing, Reserves		102,563	2.93%
SUB TOTAL PRE-DEVELOPMENT COSTS			
Hard Costs	GMP Total	2,340,000	66.83%
	Site Work-Paving, Curbs, Sidewalks, Drainage, Landscape	150,000	4.28%
	Materials Testing (concrete breaks, compaction, etc.)	10,000	0.29%
	Interior/IT/Security Allowance	20,000	0.57%
	Water / Sewer Connection	5,000	0.14%
Total Hard Costs		2,525,000	72.11%
Owner's Contingency (15% hard costs)		378,000	10.79%
Total Project Costs:		3,501,646	100%

Chester Elementary Community Center

Operating Cash Flow - Summary

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Commercial Rent	13,778	41,976	43,235	44,532	45,868	47,244	48,662	50,121	51,625	53,174	54,769	56,412	58,104	59,848	61,643
Gross Income*	13,778	41,976	43,235	44,532	45,868	47,244	48,662	50,121	51,625	53,174	54,769	56,412	58,104	59,848	61,643
Total Operating Expenses*	9,813	29,894	30,791	31,715	32,666	33,646	34,656	35,695	36,766	37,869	39,005	40,176	41,381	42,622	43,901
NOI	3,966	12,081	12,444	12,817	13,202	13,598	14,006	14,426	14,859	15,304	15,764	16,236	16,724	17,225	17,742
Capital Reserve	3,315	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cash Flow After Debt & Reserves	651	2,081	2,444	2,817	3,202	3,598	4,006	4,426	4,859	5,304	5,764	6,236	6,724	7,225	7,742
Cumulative Reserves															
Operating Reserves	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936	15,936
Debt Service/Lease Up Reserve	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Reserve	3,315	13,315	23,315	33,315	43,315	53,315	63,315	73,315	83,315	93,315	103,315	113,315	123,315	133,315	143,315
(Use)/Addition	(2,500)	(2,500)	(2,500)	(7,500)	(27,500)	(7,500)	(37,500)	(7,500)	(2,500)	(3,500)	(2,500)	(92,500)	(3,500)	(7,500)	(12,500)
Aggregate Reserve Balances	41,751	51,751	61,751	66,751	56,751	86,751	66,751	69,251	76,751	83,251	90,751	8,251	14,751	17,251	14,751
Net Cash Flow	1	31	94	67	52	48	56	76	9	54	5,764	6,236	6,724	7,225	7,742

* Assumes 3% annual increase in rents, 3% annual increase in expenses

Affordable Housing Project Budget		Total SF	27,000
Sources:		Amount	% Contribution
Equity	Developer Equity	382,393	2.92%
Tax Credits	Low Income Housing @ \$0.92	9,736,877	74.25%
	Federal Historics @ \$0.85	1,045,621	7.97%
	State Historics (Rnd 2) @ \$0.95	703,067	5.36%
Debt	Sr. Loan (80% LTV)	745,900	5.69%
Grants & Rebates	Mass Rural Development Fund	500,000	3.81%
Total Sources:		13,113,858	100%
Uses:			
Acquisition	Closing Costs (incl. tax title and recording)	4,000	0.03%
	Appraisals As-Is	2,400	0.02%
	Appraisal As renovated	2,400	0.02%
Total Acquisition Cost		8,800	0.07%
Final Design & Permitting	Building Design Feasibility Phase	75,000	0.57%
	Building Design Basic Services (at 5.55%)	487,013	3.71%
	Cost Estimate	5,000	0.04%
	Structural (@ 1.5% of construction costs)	87,750	0.67%
	Boundary & Subdivision	5,000	0.04%
	Building Assessments	6,400	0.05%
	Site Design - Civil Engineer/Landscape Architect	60,000	0.46%
	Clerk of the Works	75,000	0.57%
Total Design & Permitting		801,163	6.11%
Other Soft Costs	Legal	100,000	0.76%
	Accounting	50,000	0.38%
	Development Services @ <10%	500,000	3.81%
	Permit Fees Estimate	64,673	0.49%
	Fiscal Management During Construction	10,000	0.08%
	Market Study	5,710	0.04%
	Historic Tax Credit Consultant	15,000	0.11%
	Historic Tax Credit Application Fees	6,500	0.05%
	Asbestos Inspections/Lead Inspection Allow	3,500	0.03%
	Phase I & EA Assessment	5,000	0.04%
	Lead Testing	620	0.00%
Total Other Soft Costs		761,003	5.80%
Financing, Reserves & Carrying Charges	Deficit/Lease Up Reserve	25,000	0.19%
	Operating Reserves	30,898	0.24%
	Debt Service Sinking Fund	7,880	0.06%
	Construction Period Interest	185,261	1.41%
	LIHTC Reservation Fee	42,406	0.32%
	Escrow & Disbursement Fees	19,689	0.15%
	Bank's Construction Inspector / IE Fee	20,000	0.15%
	LIHTC Audit & Fees during Const	16,230	0.12%
	Builder's Risk	87,503	0.67%
	Cost Certification	10,000	0.08%
	Taxes during Construction	18,683	0.14%
Total Financing, Reserves		463,550	3.54%
SUB TOTAL PRE-DEVELOPMENT COSTS			
Hard Costs	GMP Elementary Renovation	4,050,000	30.91%
	GMP Total New Construction	4,725,000	36.06%
	Site Work-Paving, Curbs, Sidewalks, Drainage, Land	600,000	4.58%
	Insurance & P&P	120,000	0.92%
	Materials Testing (concrete breaks, compaction, etc.)	20,000	0.15%
	Interior/IT/Security Allowance	20,000	0.15%
	Appliances & FFE Allowance	84,000	0.64%
	Water / Sewer Connection	5,000	0.04%
Total Hard Costs		9,624,000	73.46%
Owner's Contingency (15% hard costs)		1,442,850	11.01%
Total Project Costs:		13,101,366	100%

Chester Elementary Affordable Housing

Operating Cash Flow - Summary

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent	87,435	266,373	274,365	282,596	291,073	299,806	308,800	318,064	327,606	337,434	347,557	357,984	368,723	379,785	391,178
Gross Income*	87,435	266,373	274,365	282,596	291,073	299,806	308,800	318,064	327,606	337,434	347,557	357,984	368,723	379,785	391,178
Total Operating Expenses*	63,974	194,898	200,745	206,768	212,971	219,360	225,940	232,719	239,700	246,891	254,298	261,927	269,785	277,878	286,215
NOI	23,461	71,475	73,619	75,828	78,103	80,446	82,859	85,345	87,906	90,543	93,259	96,057	98,938	101,907	104,964
Annual Debt Service	21,772	65,675	65,675	65,675	65,675	65,675	65,675	65,675	65,675	65,675	65,675	65,675	65,675	65,675	65,675
Debt Service Coverage Ratio	0.93x	0.94x	0.97x	1.00x	1.04x	1.07x	1.11x	1.15x	1.19x	1.23x	1.27x	1.31x	1.35x	1.40x	1.45x
Capital Reserve	3,315	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cash Flow After Debt & Reserves	(1,625)	(4,199)	(2,055)	153	2,428	4,771	7,185	9,670	12,231	14,868	17,584	20,382	23,264	26,232	29,289
Cumulative Reserves															
Operating Reserves	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898	30,898
Debt Service/Lease Up Reserve	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Capital Reserve	3,315	13,315	23,315	33,315	43,315	53,315	63,315	73,315	83,315	93,315	103,315	113,315	123,315	133,315	143,315
(Use)/Addition	(4,125)	(6,699)	(4,555)	(7,500)	(27,500)	(7,500)	(37,500)	(7,500)	(2,500)	(3,500)	(2,500)	(92,500)	(3,500)	(7,500)	(166,500)
Aggregate Reserve Balances	62,968	62,514	74,658	81,713	71,713	101,713	81,713	84,213	91,713	98,213	105,713	23,213	29,713	32,213	(124,287)
Net Cash Flow	25	51	95	203	2,478	4,821	7,235	9,720	12,281	14,918	17,584	20,382	23,264	26,232	29,289

* Assumes 3% annual increase in rents. 3% annual increase in expenses

Market Rate Senior Housing Project Budget		Total SF	27,000	sf
Sources:		Amount	% Contribution	
Equity				
	Developer Equity	5,474,308	37.39%	
Tax Credits				
	Federal Historics @ \$0.85	1,404,922	9.63%	
	State Historics (Rnd 2) @ \$0.95	511,302	3.52%	
Debt				
	Sr. Loan (80% LTV)	6,579,900	45.96%	
		-	0.00%	
Grants & Rebates				
	Mass Rural Development Fund	500,000	3.49%	
Total Sources:		14,470,432	100%	
Uses:				
Acquisition				
	Closing Costs (incl. tax title and recording)	4,000	0.03%	
	Appraisals As-Is	2,400	0.02%	
	Appraisal As renovated	2,400	0.02%	
Total Acquisition Cost		8,800	0.06%	
Final Design & Permitting				
	Building Design Feasibility Phase	75,000	0.52%	
	Building Design Basic Services (at 5.55%)	561,938	3.93%	
	Cost Estimate	5,000	0.03%	
	Structural (@ 1.5% of construction costs)	151,875	1.06%	
	Boundary & Subdivision	5,000	0.03%	
	Building Assessments	6,400	0.04%	
	Site Design - Civil Engineer/Landscape Architect	60,000	0.42%	
	Clerk of the Works	75,000	0.52%	
Total Design & Permitting		940,213	6.57%	
Other Soft Costs				
	Legal	100,000	0.70%	
	Accounting	50,000	0.35%	
	Development Services @ <10%	500,000	3.49%	
	Permit Fees Estimate	64,673	0.45%	
	Fiscal Management During Construction	10,000	0.07%	
	Market Study	5,710	0.04%	
	Historic Tax Credit Consultant	15,000	0.10%	
	Historic Tax Credit Application Fees	6,500	0.05%	
	Asbestos Inspections/Lead Inspection Allow	3,500	0.02%	
	Phase I & EA Assessment	5,000	0.03%	
	Lead Testing	620	0.00%	
Total Other Soft Costs		761,003	5.32%	
Financing, Reserves & Carrying Charges				
	Deficit/Lease Up Reserve	25,000	0.17%	
	Operating Reserves	18,784	0.13%	
	Construction Period Interest	169,729	0.00%	
	Escrow & Disbursement Fees	107,199	0.00%	
	Bank's Construction Inspector / IE Fee	10,000	0.07%	
	Builder's Risk	97,302	0.67%	
	Cost Certification	10,000	0.07%	
	Taxes during Construction	18,683	0.13%	
Total Financing, Reserves		456,696	3.16%	
SUB TOTAL PRE-DEVELOPMENT COSTS				
Hard Costs				
	Renovation of Elementary School Building @ \$350	4,725,000	32.65%	
	New Build @ \$400/sqft	5,400,000	37.32%	
	Site Work-Paving, Curbs, Sidewalks, Drainage, Lan	600,000	4.15%	
	Insurance & P&P	120,000	0.83%	
	Materials Testing (concrete breaks, compaction, etc	20,000	0.14%	
	Interior/IT/Security Allowance	20,000	0.14%	
	Appliances & FFE Allowance	96,000	0.66%	
	Water / Sewer Connection	5,000	0.03%	
Total Hard Costs		10,986,000	75.92%	
Owner's Contingency (12% hard costs)		1,317,720	9.11%	
Total Project Costs:		14,470,432	100%	

Market Rate Senior Housing Project Budget		Total SF	27,000	sf
Sources:		Amount	% Contribution	
Equity				
	Developer Equity	5,474,308	37.39%	
Tax Credits				
	Federal Historics @ \$0.85	1,404,922	9.63%	
	State Historics (Rnd 2) @ \$0.95	511,302	3.52%	
Debt				
	Sr. Loan (80% LTV)	6,579,900	45.96%	
		-	0.00%	
Grants & Rebates				
	Mass Rural Development Fund	500,000	3.49%	
Total Sources:		14,470,432	100%	
Uses:				
Acquisition				
	Closing Costs (incl. tax title and recording)	4,000	0.03%	
	Appraisals As-Is	2,400	0.02%	
	Appraisal As renovated	2,400	0.02%	
Total Acquisition Cost		8,800	0.06%	
Final Design & Permitting				
	Building Design Feasibility Phase	75,000	0.52%	
	Building Design Basic Services (at 5.55%)	561,938	3.93%	
	Cost Estimate	5,000	0.03%	
	Structural (@ 1.5% of construction costs)	151,875	1.06%	
	Boundary & Subdivision	5,000	0.03%	
	Building Assessments	6,400	0.04%	
	Site Design - Civil Engineer/Landscape Architect	60,000	0.42%	
	Clerk of the Works	75,000	0.52%	
Total Design & Permitting		940,213	6.57%	
Other Soft Costs				
	Legal	100,000	0.70%	
	Accounting	50,000	0.35%	
	Development Services @ <10%	500,000	3.49%	
	Permit Fees Estimate	64,673	0.45%	
	Fiscal Management During Construction	10,000	0.07%	
	Market Study	5,710	0.04%	
	Historic Tax Credit Consultant	15,000	0.10%	
	Historic Tax Credit Application Fees	6,500	0.05%	
	Asbestos Inspections/Lead Inspection Allow	3,500	0.02%	
	Phase I & EA Assessment	5,000	0.03%	
	Lead Testing	620	0.00%	
Total Other Soft Costs		761,003	5.32%	
Financing, Reserves & Carrying Charges				
	Deficit/Lease Up Reserve	25,000	0.17%	
	Operating Reserves	18,784	0.13%	
	Construction Period Interest	169,729	0.00%	
	Escrow & Disbursement Fees	107,199	0.00%	
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	Renovation of Elementary School Building @ \$350	4,725,000	32.65%	
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	Site Work-Paving, Curbs, Sidewalks, Drainage, Lan	600,000	4.15%	
	Insurance & P&P	120,000	0.83%	
	Materials Testing (concrete breaks, compaction, etc	20,000	0.14%	
	Interior/IT/Security Allowance	20,000	0.14%	
	Appliances & FFE Allowance	96,000	0.66%	
	Water / Sewer Connection	5,000	0.03%	
Total Hard Costs		10,986,000	75.92%	
Owner's Contingency (12% hard costs)		1,317,720	9.11%	
Total Project Costs:		14,470,432	100%	

FEDERAL HISTORIC PRESERVATION TAX CREDITS

A Source of Funding for Redevelopment

OVERVIEW: The Federal Historic Preservation Tax Incentives program provides a 20% income tax credit for the rehabilitation of historic, income-producing buildings that are determined by the Secretary of the Interior, through the National Park Service, to be “certified historic structures.”

The State Historic Preservation Offices and the National Park Service review the rehabilitation work to ensure that it complies with the Secretary's Standards for Rehabilitation. The IRS defines qualified rehabilitation expenses on which credit may be taken, which include hard construction costs related to the building, architectural and engineering fees, site survey, legal fees, development fees

HISTORIC TAX CREDITS (HTC) AS A CATALYTIC TOOL: At 20% of qualified rehabilitation costs, the historic tax credit alone is not enough to finance a project. Instead, it was intended to leverage private investment in projects that were costlier and riskier than new construction—and thus harder to finance—but important to the revitalization of a community.

HOW HTCS WORK: Developers typically transfer the historic tax credits to investors in exchange for equity. Syndication through limited partnerships is allowed and is the common tool to bring investors into rehabilitation projects. Investor equity lowers the amount of debt that the developer needs to finance the project, while making lenders more comfortable with the property's loan-to-value and the size of the loan needed. In this way, the tax credit effectively draws the private capital—both equity and debt—needed to make the project feasible.

Note: As a result of the new federal tax bill enacted at the end of 2017, the credits must now be claimed at a rate of 4% per year over a five-year period.

IRS REQUIREMENTS FOR HTC PROJECTS: To be eligible for the 20% rehabilitation tax credit, a project must meet the following requirements:

- The building must be depreciable—i.e. used for a business such as an office, retail establishment, industrial activity, rental housing, etc.
- The rehabilitation must be substantial—exceed the greater of \$5,000 or the adjusted basis of the building and its structural components. Adjusted basis is typically the purchase price of the building less the cost of the land plus improvements already made less depreciation already taken.
- The building must be a certified historic structure (on or eligible to be listed on the National Historic Register) at the time it is placed in service (Part 1 of application to NPs)
- The work to be performed must meet Department of Interior's Standards for Rehabilitation (Part 2)
- A final cost certification must be approved by the NPS (Part 3) and filed with investor's tax return in order to claim the credits.

HOW HTCS CAN BENEFIT THE PROJECT: Assuming the project has a total of \$5,550,000 in qualified rehabilitation costs. All of the buildings are in a Federal Historic District; applications detailing proposed repairs for each building have been submitted and approved by the NPS (Parts 1 and 2). \$5,550,000 in rehab costs will yield \$1,110,000 in tax credits for an investor. Pricing at 0.90/\$1 would yield \$1,000,000 in equity for the project. Because the project will be in construction for 15-18 months and then will take 4-6 months for placed in service/NPS approval of Part 3, the investor will begin claiming credits in Year 3 of the project and continue through Year 7 at the end of the NMTC compliance period. An IRR of 2.7% is projected for the investor.

EQUITY INVESTMENT	YEAR						
	1	2	3	4	5	6	7
HTC Investment \$0.90 per \$1 FHTC	-1,000,000						
Tax Credit	0	0	222,000	222,000	222,000	222,000	222,000
	-1,000,000	0	222,000	222,000	222,000	222,000	222,000
IRR	2.7%						



LOW INCOME HOUSING TAX CREDITS

The Low-Income Housing Tax Credit program (LIHTC) finances the construction, rehabilitation, and preservation of housing affordable to lower income households. The LIHTC program encourages private investment by providing a tax credit: a dollar-for-dollar reduction in federal taxes owed on other income. Although housing tax credits are federal, each state has an independent agency that decides how to allocate the state's share of federal housing tax credits within a framework formed by the Internal Revenue Code.

The LIHTC program finances the construction, rehabilitation, and preservation of housing affordable to lower income households. LIHTC can be used to support a variety of projects: multifamily or single-family housing; new construction or rehabilitation; special needs housing for elderly people or people with disabilities; and permanent supportive housing for homeless families and individuals.

LIHTC is designed to encourage private individuals and corporations to invest cash in housing affordable to lower income people by providing a tax credit over a 10-year period: a dollar-for-dollar reduction in federal taxes owed on other income. The cash investors put up, called equity, is used along with other resources to build new affordable housing or to make substantial repairs to existing affordable housing. Tax credits are not meant to provide 100% financing. The infusion of equity reduces the amount of money a developer has to borrow and pay interest on, thereby reducing the level of rent that needs to be charged.

Although housing tax credits are federal, each state has an independent agency, generally called a housing finance agency, or HFA, that decides how to allocate the state's share of federal housing tax credits. Tax credits are allocated to states based on population. For 2014, each state received \$2.30 per capita, with small states receiving a minimum of \$2.635 million.

Each HFA must have a qualified allocation plan (QAP), which sets out the state's priorities and eligibility criteria for awarding federal tax credits, as well as tax-exempt bonds and any state-level tax credits, to housing projects. Developers apply to an HFA and compete for tax credit allocations.

Once awarded tax credits, a developer then sells them to investors, usually to a group of investors pulled together by someone called a syndicator. Syndicators sometimes pool several tax credit projects together and sell investors shares in the pool. The equity that the investors provide is used by the developer, along with other resources such as conventional mortgages, state loans, and funds from the HOME program to construct or substantially rehabilitate affordable housing.

When applying to an HFA for tax credits, a developer has two lower income unit set-aside options, and must stick with the chosen option during a required lower income occupancy period. The two lower income unit set-aside choices are:

- Ensuring that at least 20% of the units are rent-restricted and occupied by households with income below 50% of area median income (AMI).
- Ensuring that at least 40% of the units are rent-restricted and occupied by households with income below 60% AMI.

Tax credits are available only for rental units that meet one of the above rent-restricted minimums (20/50 or 40/60). With these minimums it is possible for LIHTC projects to have a mix of units occupied by lower income people and moderate and middle income people. These are minimums; projects can have higher percentages of rent-restricted units occupied by lower income people. In fact, the more rent-restricted lower income units in a project the greater the amount of tax credits provided. Some HFAs choose to create deeper targeting in order to serve households with even lower incomes.

The law requires units to be rent-restricted and occupied by income-eligible households for at least 15 years, called the compliance period, with an extended use period of at least another 15 years, for a total of 30 years. Some states require low income housing commitments greater than 30 years or provide incentives for projects that voluntarily agree to longer commitments. Where states do not mandate longer restricted-use periods, an owner can submit a request to the HFA to sell a project or convert it to market rate during year 14 of the 15-year compliance period. The HFA then has one year to find a buyer willing to maintain the rent restrictions for the balance of the 30-year period. If the property cannot be sold to such a preservation purchaser, then the owner's obligation to maintain rent-restricted units is removed and lower income tenants receive enhanced vouchers enabling them to remain in their units for three years.

HFAs must monitor projects for compliance with the income and rent restriction requirements. The IRS can recapture tax credits if a project fails to comply, or if there are housing code or fair housing violations.

There are two levels of tax credit, 9% and 4%, formally known as the applicable percentages. Projects can combine 9% and 4% tax credits. For example, buildings can be bought with 4% tax credits and then substantially rehabilitated with 9% tax credits. Instead of 9% and 4%, tax credits are sometimes referred to by the net present value they are intended to yield, either 70% or 30%. This is just another way of saying, in the case of a 9% credit, that the stream of tax credits over the 10-year credit period has a value today equal to 70% of the eligible development costs.

The 9% tax credit is available for new construction and substantial rehabilitation projects that do not have other federal funds. Federal funds include loans and bonds with below market-rate interest. Rehabilitation is substantial if the greater of an average of \$3,000 is spent on each rent-restricted lower income unit or 10% is spent on the eligible basis during a 24-month period.

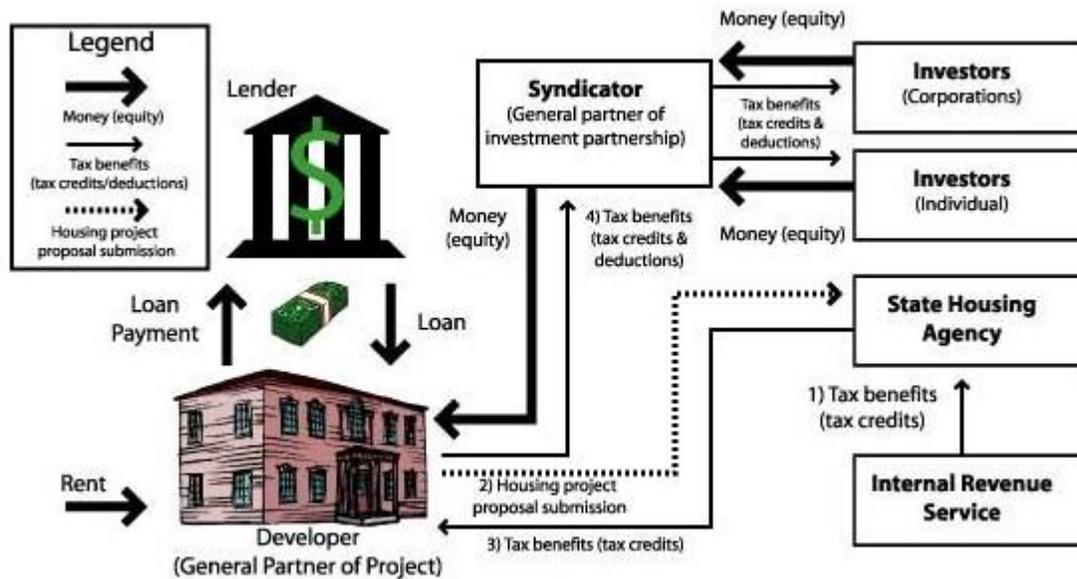
The 4% tax credit is available for three types of activities:

- Acquisition of existing buildings for substantial rehabilitation;
- New construction or substantial rehabilitation subsidized with other federal funds; and,
- Projects financed with tax-exempt bonds. (Every year, states are allowed to issue a set amount, known as the volume cap, of tax-exempt bonds for a variety of economic development purposes.)

The amount of tax credit a project can receive, and therefore how much equity it can attract, depends on a several factors. First, the eligible basis must be determined by considering cost such as building acquisition, construction, soil tests, engineering costs, and utility hookups. Land acquisition and permanent financing costs are not counted toward the eligible basis. The eligible basis is usually reduced by the amount of any federal funds. The eligible basis of a project can get a 30% increase, or basis boost, if the project is located in a census tract designated by HUD as a low income tract (Qualified Census Tract, or QCT) or a high-cost area (Difficult to Develop Area, or DDA). HERA expanded the use of this basis boost to areas designated by a state as requiring an increase in the credit amount in order to be financially feasible.

Next, the applicable fraction must be determined. This is a measure of rent-restricted lower income units in a project. There are two possible percentages: the ratio of lower income units to all units (the unit fraction), or the ratio of square feet in the lower income units to the project's total square feet (the floor space fraction). The lowest percentage is the applicable fraction. The applicable fraction agreed to by the developer and IRS at the time a building is first occupied is the minimum that must be maintained during the entire affordability period.

The qualified basis is the eligible basis multiplied by the applicable fraction. The amount of annual tax credits a project can get is the qualified basis multiplied by the tax credit rate (9% or 4%).



COMMUNITY ONE STOP FOR GROWTH

Overview: The Community One Stop for Growth is a single application portal and collaborative review process of community development grant programs that make targeted investments based on a Development Continuum. This process streamlines the experience for the applicant and better coordinates economic development programs and staff on engagement and grant making. It also reorients the State from a passive reviewer of funding requests to an active partner in economic development strategy, priorities, and investment.

Benefits:

- **Ability to be considered by more than one grant program simultaneously**, saving time on research and applications to different agencies and programs.
- **Guidance and State partnerships**, allowing applicants to receive key feedback before dedicating valuable staff time completing a full application, and allowing the State to holistically and directly engage with local leadership.
- **Direct referrals to additional programs** that applicants otherwise may not realize could support their priorities.
- **Removal of redundant legacy program processes and questions** to streamline the application experience.
- **A broader view of community priorities**, allowing the state to understand community vision beyond four corners of a single, discrete application.
- **Collaborative review**, allowing for State funding coordination and enhanced State awareness and support for community development goals.

Development Continuum: The One Stop framework is modeled around a Development Continuum that represents the life cycle of a major community development endeavor, from the initial community visioning to final construction. The Development Continuum shapes the Full Application and serves as a guide to help applicants understand where their project falls within the One Stop, both in terms of timing and readiness. The Development Continuum includes five distinct categories, broken into two broad groups:

Categories Related to Preparing for Growth

Grants to support activities and initial steps by community-based actors to attract and guide private investment in a community.

- Community Activation and Placemaking
- Planning & Zoning
- Site Preparation

Categories Related to Catalyzing Specific Projects

Grants to support implementation of construction activities to leverage private, commercial, industrial, residential investment projects, and other improvements that further the community vision.

- Buildings (vertical construction)
- Infrastructure (horizontal construction)

One Stop Programs:

For the FY25 Round, twelve (12) programs will be administered through the Community One Stop for Growth - one application door to access programs offered by the Executive Office of Economic Development, Executive Office of Housing and Livable Communities, and MassDevelopment.

Executive Office of Economic Development

- MassWorks Infrastructure Program
- Urban Agenda Grant Program
- Massachusetts Downtown Initiative
- Rural Development Fund

Executive Office of Housing and Livable Communities

- Housing Choice Grant Program
- Community Planning Grant Program
- HousingWorks Infrastructure Program

MassDevelopment

- Brownfields Redevelopment Fund
- Site Readiness Program
- Underutilized Properties Program
- Collaborative Workspace Program
- Real Estate Services Technical Assistance

Request for Proposals
Chester Elementary School Redevelopment
June 3, 2024

The Town of Chester is seeking qualifications for Developer to redevelop the historic former Chester Elementary School. The site is located at 10 Middlefield Road in Chester, Massachusetts and is currently under Town ownership. The building is approximately 15,600 square feet and is sited on an approximately 1.52-acre parcel with a contiguous 0.86-acre parcel also available for development. The Town seeks to support the successful re-use of the existing building and is open to a variety of development options. In submitting proposals, please address the items below and include any relevant information regarding your firm and the proposal.

1. Redevelopment Goals

The Town of Chester completed a public outreach and engagement process in the Spring of 2024 to identify the community's primary goals in the redevelopment of the property. The key communities' goals were determined to be:

- Historic Preservation
- Community Green Space
- Interior Building Access for the Public
- Property Tax Generation

Potential redevelopment alternatives were also discussed and seemed to coalesce around two general categories:

- Housing (Market Rate Senior Housing or Affordable)
- Community Space (Small Business Incubator, Municipal Space, Other Community Focused Space)

Any proposal must include considerations for the following key infrastructure components:

- Preserving the existing public parking capacity
- Retaining or replacing the existing septic system that services the town hall across the street.

2. Available Project Resources

- Town Manager
- M&S Development Site Alternatives Report
- Structural Assessment Report
- **Example**
- **Example**

3. Project Schedule

Deadline for response to RFP	XXXX
Informational Site Tour	XXXX
Interviews of potential candidates, if necessary	XXXX
Notice of award	XXXX

4. Proposal Evaluation Criteria

Weighted Scoring Criteria	
Project Criteria	50 Points
Historic Preservation	20
Community Green Space/Access	15
Housing Created	10
Property Tax Generation	5
Developer Criteria	50 Points
Net worth	Developer's minimum net worth should be the greater of \$XX or XX% of the total development cost
Liquidity	Organization should have enough financial stability to manage the long timeline associated with a development project
Financial track record	Audited financial statements without defaults
Property management	At least XX years experience
Grant Experience	It is the owner's intent to interview at least XX references on similar projects completed in the past XX years.
Project experience: past & pipeline	Financial strength documented by audited financial statement and bonding capacity letter from bonding agent.
Financial reserves & asset management	Does the developer have at least XX months of total operating expenses in reserve?

5. Submission Requirements

Please use the following categories to organize your proposal and address each of the following questions:

Experience:

1. Describe your firm's experience with community focused development in rural locations.
2. Please provide a list of similar projects involving historic preservation that you can take us through, with the current management, which will permit us to view similar work, and discuss your performance.
3. Please explain your experience with historic tax credit programs and low-income housing tax credits if planning to pursue an affordable housing project.
4. Please share the total dollar value of total projects completed over the past 5 years.

Organization:

1. Please be prepared to bring your critical team members to your interview.
2. Please indicate the specific, relevant experience of your team members.
3. Please include any potential development partners you intend to bring into the project, if known.

Proposal:

1. Please describe how you would intend to redevelop the property or properties and which of the community goals your proposal would satisfy.
2. Please explain how you would address the key infrastructure elements of retaining the same level of existing parking capacity and the septic system that services the town hall across the street.
3. What are your proposed acquisition terms?
4. What would be your proposed project budget? Please include a breakdown of soft vs. hard costs.
5. Please provide a development schedule for the proposed project.
6. XXX
7. XXX

Please submit 1 (one) electronic original of your proposal to XXX at [\(email\)](#) no later than **Time/Date**. It is the intent of the Town to make its decision on the choice of a developer as soon as possible. The Town may choose to interview candidates prior to making its final decision. The Town reserves the right to accept or reject any or all of the proposals.

Please address any questions to XX at (email). No questions will be entertained after Time/Date.

The site walk-through is optional, interested parties should meet at the site at Time/Date.

Electronic Proposals are required – no other form of proposal will be considered.

Exhibits:

Town Parcel Map
M&S Development Site Alternatives Report
Existing Conditions Report

- End of Request for Proposals -

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CHESTER TOWN OF

TOWN OF CHESTER

