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## **Holyoke library project: A New Markets Tax Credit success, helping to revitalize surrounding area**

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The \$14.5 million renovation and expansion from 25,000 s/f to 40,000 s/f of the Holyoke Public Library last fall represents a larger opportunity for a Gateway City that has endured many challenges. Using a unique combination of financing approaches, the library's vision was realized, with the help of the New Markets Tax Credits, and creative financing. As a result, the library's restored and renewed presence is now positively affecting the entire city block. The library has accomplished its goal of becoming a community resource, but also of transforming its neighboring area as a new project - Library Commons - introduced to the city in April by HAP Housing.

"What is wonderful about these kinds of projects is that they have multiple impacts. We had many boarded up buildings around the building - and the library was in very bad condition," Deborah Favreau, senior investment officer, Mass. Housing Investment Corp. "The new library has really expanded the support system and provided opportunity for the lowest socio-economic levels. We have expanded impact - there were 200-250 people per day, now we have 1,000 people per day. There is more impact, vibrancy, safety. The library is having great impact on the street - and the surrounding area. It is real reversal. The architecture of the building is inviting and phenomenal. As you are walking by it draws you inside - and then there is the gorgeous historic side as well. The town has one of the highest levels in the state of children living in poverty so this is real change, not just for the building but for the entire city," Favreau added.

"Buildings can be inspirational - and it has been really cool to see the development around the library. This is almost completely vacant and was one of the worst blocks in the city. Adjacent to the library were three vacant single-family homes, properties, the old Providence Hospital - and another apartment building. The development of new housing units across the street would be inspirational. In fact, the whole block is identified for renewal, and we look forward to helping make that happen," said Marcos Marrero, director, Planning and Economic Development, city of Holyoke.

In the 'internet' era, public libraries are no longer simply 'reading rooms' and book lenders, but more importantly serve as technology centers, early-childhood education centers, as well as small-business and workforce-development centers. A modernized and expanded library facility can play a significant role in community revitalization.

In Holyoke, a team of volunteers, staff, and municipal leaders employed a flexible strategy to secure both traditional funding streams (municipal bonding, grants, and private fund-raising) and innovative ones (New Markets Tax Credits), according to Matt Blumenfeld, Principal, Financial Development Agency, Inc. "Massachusetts offers an effective, highly competitive state construction-grant program under the Mass. Board of Library Commissioners (MBLC) that incentivizes municipalities to revitalize their public libraries and has helped to build or renovate more than 175 library buildings since its establishment in 1987. Thus, the library, an independent 501(c)(3) organization, first

engaged in a comprehensive needs assessment and planning process. Then, in 2005, it began seeking funds for renovation and expansion. Libraries that complete building projects through the Public Library Construction Program are also eligible for a Green Library Incentive, created by the MBLC to encourage sustainable energy-efficient public library construction."

Constructed in 1903, age, water damage and wear and tear had taken a toll on the 25,000 s/f building. By 2009, only 10,000 s/f was available to the public. Portions of the building's limestone facade were falling off, with safety fences constructed around the perimeter.

Holyoke was facing harsh social, educational and economic circumstances. U.S. Census Bureau data shows Holyoke's median household income level to be \$33,915, which is half the state average, and the second lowest in the state; 31% of the population lives below the poverty level. Dropout rates, unemployment, and teen-pregnancy rates remain among the highest in New England. Education is a cornerstone of revitalization efforts, and the ability to read is a key indicator. Key officials worried that the library no longer contributed in a significant way to the overall literacy and education of its populace.

"The library applied to MBLC for a construction grant in 2005, but the request was waitlisted until 2010, at which time the Library received a \$4.4 million grant contingent upon obtaining full project funding (\$14.5 million) within a year," adds Blumenfeld. "After hiring outside counsel to conduct a fund-raising feasibility study, the library's board projected that costs would be covered by the \$4.4 million state grant, a \$2.5 million capital campaign, \$7.1 million in municipal bonding, and a \$0.5 million contribution from the HPL endowment fund." The Board was hesitant to tap into the endowment, but felt that it was critical to use it to help leverage bonding from the city. At the same time, the library's advisers began to develop a contingency plan to access New Markets Tax Credits (NMTC) to fill a potential funding gap. NMTC had never been used on a stand-alone library project in New England, but seemed to be an ideal source for a project located in the center of four of the poorest census tracts in the state. The contingency plan suddenly grew in importance when the cash-strapped city was only able to commit \$5.5 million in bonding support.

A further city requirement demanded that the library guarantee any budgetary shortfall from the endowment. It was time to pursue New Markets.

"Marrying a New Markets structure to the project was no easy task even though all parties involved believed that the intent of the New Markets program applied to the library's situation," says Blumenfeld. "The team of experts worked tirelessly to create the appropriate structure and to clear all regulatory hurdles. Throughout 2011, while final building design was being completed by Finegold Alexander and the bid package was underway, the Library team worked to secure a full project allocation of New Markets from Massachusetts Housing Investment Corporation (MHIC), and to structure a complex transaction that involved city and state procurement regulations, the pledging of the majority of the total endowment to back the deal, and drawing on private funding sources." Ultimately, the city was able to act as the leverage lender. Blumenthal explains that the library used proceeds from its bond sale, short-term borrowing backed by the endowment, and the MBLC grant and capital campaign proceeds to provide the loan that attracted U.S. Bancorp Community Development Corporation to become the equity investor in the tax credits themselves.

With full project funding achieved upon the closing of the NMTC deal, renovation and construction proceeded smoothly, and the library was completed by fall 2013. The city accomplished its goal while remaining within budget, the library's endowment was sustained at pre-project levels thanks to a successful capital campaign, and the building is now one of the most beautiful and functional

libraries in the state. The library has already seen usage rise dramatically. Children's programs that used to attract 20-30 attendees, now frequently see 70-80 children and caregivers. The library will meet its projections for doubling usage to more than 200,000 visits per year within the first full year of operations.

The library project has inspired property owners in adjacent parcels to renovate and rehabilitate their buildings. A multi-story residential building across the street from the Library has been taken off of the condemned list and is slowly being restored for residential use; several empty lots are being prepared for new construction; and the nearby Masonic Lodge is about to undergo a façade facelift. In addition, the library has also secured grant funding to rehabilitate Library Park to make it more attractive to children and families. Lastly, the library is on track to receive LEED (Leadership in Energy and Environmental Design) gold certification by late 2015.

Innovation, risk taking, entrepreneurship and creative financing are not terms typically associated with public libraries, but the expanded social payback that Holyoke is experiencing thanks to HPL's leadership, should serve to inspire others in Gateway Cities to employ mechanisms like NMTC's to develop their own 21st Century Learning Centers.

The block, area and city will benefit in ways that relate far beyond that of the library. Developers at HAPHousing are poised to propose a plan for a 55-unit housing complex that would be across the street from the Holyoke Public Library as it lays out its plan on April 9 at the library. The Springfield-based developer has options to acquire vacant properties and lots on Chestnut, Essex and Elm streets and plans to build a complex of residences to be called Library Commons. This is truly a library and a city to model for other exciting urban transformations.

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