

## Overview

The Springfield School District has contacted with Stevens & Associates for obtaining a development study of the Park Street School. The following study is intended to provide prospective developers with an overview of the building, including the challenges and opportunities inherent in redeveloping the School. It will also serve the School Board and Town officials with an update set of tables on Employment, Commercial and Residential space.

The Alternates shown at the end of the study show how elements of a project could come together. They are not meant to be specific recommendations of the team but rather how funding sources and space may be used. In any project, as large and complex as this, there are many ways to utilize existing space. In some cases, it may involve the removal of a portion of the buildings.

The market, employment and housing data sections will be useful to potential developers in assessing the viability of the region. It can provide an introduction to out-of-state developers in addition to working with the regional SRDC and State agencies.

## Contents

<b>Overview</b>	<b>1</b>
Background	3
Challenges	3
Potential Uses	5
<b>Market</b>	<b>7</b>
Market Data	8
Employment	13
Housing	18
Commercial	21
<b>Funding</b>	<b>22</b>
Funding Programs	22
Sources and Uses	23
Alternate 3	
Alternate 4 – Condo 1	
Alternate 4 – Condo 2	

## Background

Located at 60 Park Street, Springfield, Vermont, the Park Street School is a 2-story, 80,000 SF building which was last used as a school in 2005-2006. The School currently sits vacant except for a small space on the ground floor used as district administrative offices. The School was constructed in two parts—a 2-story brick and masonry structure with a half basement was built in 1895; and another 2-story brick/masonry addition, which houses a 6,300 SF gym/locker room and 4,200 SF auditorium/stage, was built in 1929. The School is sited on a 5.6-acre sloping parcel of land which lies to the south of Park Street, about 200 yards from Springfield’s downtown center.

Prior to closing the school in 2006, a facilities assessment was done to determine the scope and cost of system upgrades which would need to be done for the school to meet building and safety codes. That assessment identified substantial improvements needed to upgrade HVAC systems, electric service, fire safety, roof, walls, windows, floors, and handicapped accessibility. A magnitude of costs estimate at that time ranged from \$6-\$8 million (see attached Facility Assessment, Banwell Architects).

A market appraisal of the building was done for the School District in 2010. At the time, the appraiser found four comparable school buildings in the state which had been sold during the previous 3-6 years. The appraiser settled on a market value of \$300,000 for the Park Street School (\$3.75/SF x 80,000 SF), with the assumption that it would take 18-30 months to complete a sale (see attached Appraisal, Russell Rice).

## Challenges

Anyone redeveloping the building will face several challenges. The Springfield commercial market is relatively depressed. Due to a glut of empty manufacturing buildings of varying condition, there are many available spaces. In this climate, attractive, well-located commercial space might rent for \$10/SF. Though unemployment is relatively low in the area, there is no “anchor” business sector which drives the local economy. The housing market is also challenging. Though area home sales have improved the past couple years, as Springfield is beginning to act as a bedroom community for Dartmouth Hitchcock, there is still a strong supply of smaller average to-below average condition single-family homes. Within the market area, 1 bedroom apartments rent for \$900; 2 bedroom apartments rent for \$1,050.

The School building itself presents a substantial challenge. With wide hallways, large classrooms, and seven stairways, there is much wasted space—when the school was in operation, only 50,000 of 80,000+ gross SF was usable as classroom or office space. The “half basement” under the older section is also has limited lighting, making much of that space only appropriate for storage. Over 10,000 SF on the first floor in the new section is devoted to a gymnasium, two locker rooms, an auditorium, and a stage. To use this space for any other purpose, a costly second floor would need to be constructed. Factoring in the cost of system upgrades to a building that has largely sat empty for 10 years, and substantial capital will need to be invested to make the building attractive.

**Given the market and the building, it seems virtually impossible to conventionally finance a redevelopment of Park Street School. Substantial below-market public funding and tax credit investment will be needed to do a gut rehab of the building and to keep rents affordable and debt service manageable.**

The leading businesses, organizations, and the public sector in Springfield would also need to play key roles in the redevelopment, including serving as equity investors and/or acting as tenants and service providers within a redeveloped building. For example, Springfield Hospital, Community College of Vermont, Springfield Savings & Loan, the Town of Springfield, or the Springfield School District could rent office space in the building at above market rates to leverage tax credit investment, a senior lender, and small prospective tenants.

## Potential Uses

The Park Street School building is a significant structure that contains a significant amount of usable space – we roughly estimate 80,000 square feet. Because downtown Springfield and adjacent areas contain a significant amount of vacant space it is essential that the school building be thoroughly assessed, with consideration to demolition of building sections that are either in too poor condition or that are not well suited to redevelopment. Removal of a building section(s) has the potential to make maintenance more efficient and to open additional exterior area for parking or green space.

There are several uses that offer a potential fit for the Park Street School Building:

- **Commercial Office Space** – the building offers former classroom spaces that could be converted to individual offices. As noted above, the site offers easy access to downtown restaurants and services, on-site parking and potential views from upper level spaces.
  - As a variant of traditional leasing of office space, the creation of a co-working office space might also be an opportunity. This would involve the creation of central services for office users (Office Technology, Administrative, etc.) as well as flexible workspaces for short and longer term users.
- **Residential** – there are many examples of older school buildings that have been repurposed as rental (or ownership condominium) residential projects in the northeast. The Park Street School offers: a location within easy walking distance of downtown services – yet removed from downtown traffic and noise; potential views from upper building levels; potential for provision of on-site amenities in the school's larger spaces.
- **Multi-Use & Function Center** – a potential strategy for revitalizing the school and creating a stream of income is the management and marketing of the building as a multi-use and function center. Simply put, the building's small and large spaces could be marketed to a variety of local and regional groups, including those looking for regular meeting or working spaces, as well as those seeking a large space for a single function or public event. This approach to building use can also provide a start-up businesses seeking small or part-time working space – providing low-cost space during their formative stages. These start-ups would have the potential to become long-term users of building space.

This redevelopment strategy could be relatively low cost; primarily relying on effective management and marketing.

- **Satellite Education Campus** – there is a current, concerted, local effort to attract a satellite higher education campus to Springfield. Although the focus has been on a facility with health-

oriented programs, this could extend to other fields as well. If a regional institution is drawn to the community, it is apparent that the Park Street School is a potential host site.

- The school's location provides easy access to downtown, 100 River Street and Springfield Hospital;
- The building is already configured as an education facility, including office space, classroom space and larger assembly spaces.
- On-site parking.

## Site Context and Assessment

Market-relevant observations regarding the Park Street School building are summarized below:

- Although the building is separated from the downtown core, it is immediately adjacent to the downtown area and is within a three-minute walking distance. This would be significant to persons living or working in the building; allowing them to shop, seek services or visit a downtown restaurant.
- In addition to a location that is within easy walking distance of the downtown core, the school building is located within an approximate three-minute walk of the 100 River Street Complex, within an eight-minute walk of the Springfield Plaza (Retail Center) and within 0.6 mile of the Springfield Hospital complex off Ridgewood Road.
- The building is located immediately 'up the hill' from the Vermont state office complex off Mineral Street.
- The upper levels of the building offer views easterly and southeasterly toward the Black River Valley – potentially offering either a pleasant office or residential environment.
- The site offers on-site parking – this is a significant asset in Springfield, where buildings with on-site parking are more likely to find active uses.
- The Park Street School building is attractive and, based on reports, in relatively good condition. Like many former school facilities, the classroom spaces lend themselves to re-use as office or residential spaces. Further, the building's large spaces (Auditorium, Gym) have several historic features that could make them attractive for functions, meetings, or other events.

## Relevant Market Factors

- While Springfield continues to deal with the lingering effects of major manufacturing employment losses over the past few decades, we note that several core components are in place that offer future opportunity:
  - Infrastructure – the community’s water, sewer and utility systems have the capacity to handle substantial new development;
  - Internet – the downtown has access to high capacity internet;
  - Springfield has direct access to I-91 and a state highway system that provides for travel in all directions;
  - Setting & Lifestyle – while severely underutilized at present, the downtown is directly adjacent to a highly scenic waterway and falls (Black River) and has a dense commercial area that provides for walking access.
- While the process of winnowing down excess downtown building space has been occurring over the years, it remains essential that this process continue. The downtown continues to have too much industrial and commercial building space that is either in too poor a condition to allow redevelopment, or that stands directly in the way of better access to the Black River. This process will require cooperation from both the public and private sectors;
- Springfield’s downtown area needs a more diverse residential population. While subsidized/affordable housing is clearly important and essential for social welfare, diversity in this instance means finding ways to attract more moderate or higher income households into the downtown. This will entail both making the downtown more attractive from a lifestyle perspective and making quality housing choices available;
- A significant building investment *or* public sector investment (Park, Riverwalk, Public Parking, etc.) will create impetus for further development in adjacent properties. The downtown needs a ‘bold stroke’ to reverse years of inertia.

## Springfield – Background Economic & Market Conditions

### *Market Demographics*

We defined three geographic areas for purposes of demographic assessment. They are:

1. The defined downtown area – as shown below:

### Springfield Downtown



2. The 'Market Area' – the area within approximately 13 minutes' drive-time of the downtown, as shown below:



**Springfield Market Area**



- 3. The 'Market Region' – the area within 20 to 25 minutes' drive-time of the downtown, as shown below:

## Springfield Market Region



Recent and projected population trends for the three areas are shown in the table on the following page, along with comparisons for Vermont and Springfield Town.

**Population Trends:**

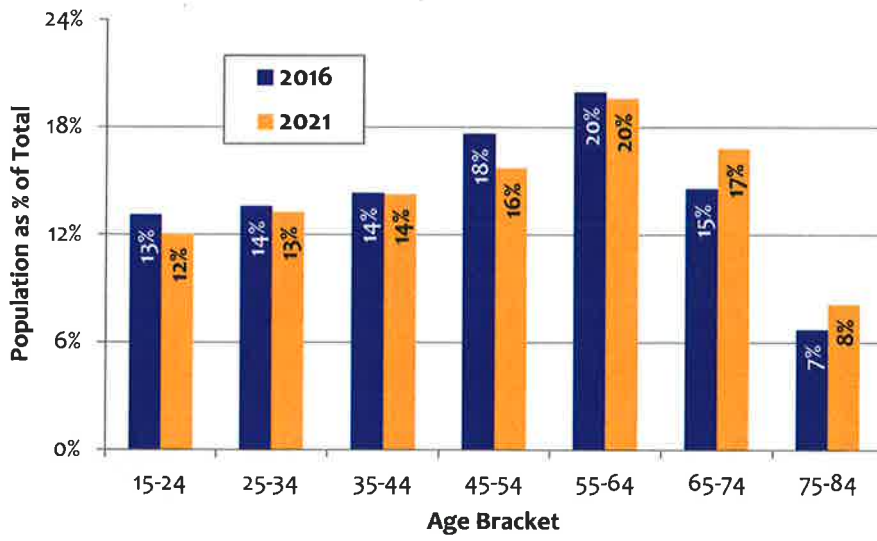
**Springfield Downtown, Market Area, Market Region (2000 – 2021)**

	2000	2010	2016	2021
<b>Study Area</b>	2,273	2,836	2,794	2,773
<i>Change</i>		563	-42	-21
<i>% Change</i>		24.8%	-1.5%	-0.8%
<b>Market Area (13+ /- Min. Drive)</b>	12,957	13,546	13,529	13,519
<i>Change</i>		589	-17	-10
<i>% Change</i>		4.5%	-0.1%	-0.1%
<b>Market Region (20-25 Min. Drive)</b>	24,508	25,236	25,204	25,169
<i>Change</i>		728	-32	-35
<i>% Change</i>		3.0%	-0.1%	-0.1%
	2000	2010	2014	
<b>Springfield Town</b>	9,078	9,373	9,301	
<i>Change</i>		295	-72	
<i>% Change</i>		3.2%	-0.8%	
	2000	2010	2014	
<b>Vermont</b>	608,827	624,741	626,562	
<i>Change</i>		15,914	1,821	
<i>% Change</i>		2.6%	0.3%	

While total population is relatively static, the area population is dynamic from an age cohort perspective. The graphic on the following page compares age group population as a percentage of the total for 2016 and (Projected) 2021 - for the defined Market Area.

### Age Group Population as Percent of Total:

Market Area (2016, 2021)



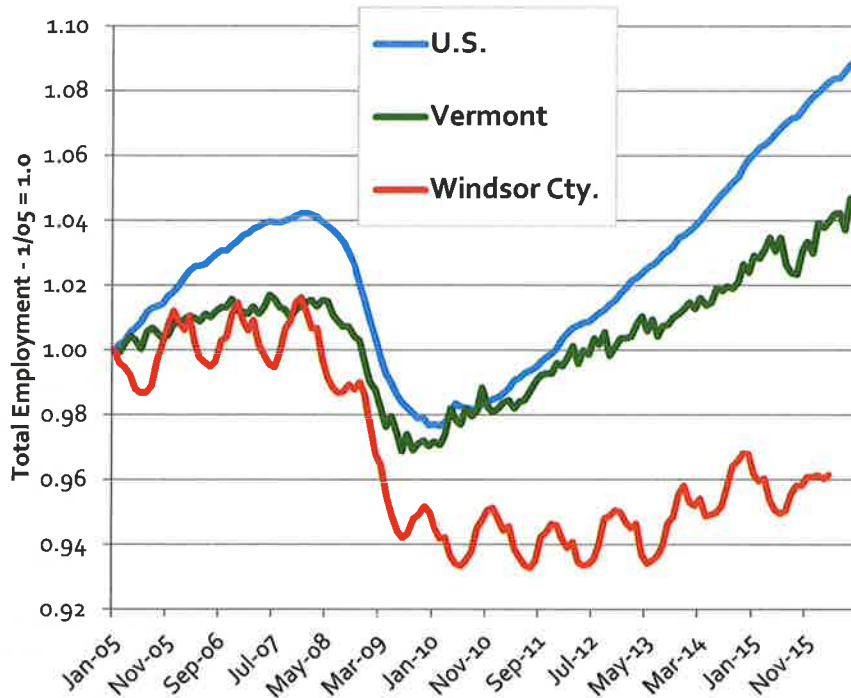
While the population is not projected to increase over the next five years, the number of persons aged 65+ years will increase by 10.7 percent.

## Employment

The following graphic compares trends in Windsor County, Vermont and U.S. employment from year 2005 to current. (2005 Employment Level = 1.0)

### Indexed Employment Trend Comparison:

Windsor County, Vermont, U.S. (2005 – 2016)

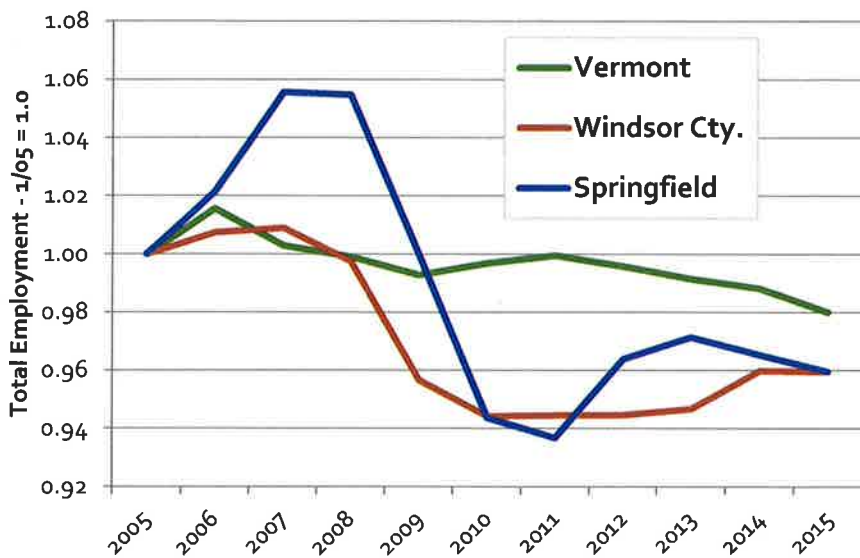


While Windsor County's employment picture is gradually improving, the county's performance clearly lags the recovery at the statewide and U.S. levels.

The following graphic brings the comparison down to a more local level, comparing employment trends in Springfield, Windsor County and Vermont.

### Indexed Employment Trend Comparison:

#### Springfield, Windsor County, Vermont (2005 – 2016)



While the recession of the late 2000s clearly had a local and regional impact, unemployment rates have retreated to relatively low levels in the past few years. In August of 2016, the Windsor County unemployment rate was 3.1 percent, while the rate for Springfield Town was 3.7 percent. Labor force and stagnant *total* employment locally are a factor of demographics – the number of workers is decreasing as workers ‘age-out’ of the labor force.

We also took a closer look at employment trends by industry for the Springfield Labor Market Area (LMA). The table following shows the LMA's employment by industry trends for years 2000, 2010 and 2015.

**Employment by Industry:**

**Springfield LMA (2000, 2010, 2015)**

	2000		2010		2015	
	Employment	% of Total Employ.	Employment	% of Total Employ.	Employment	% of Total Employ.
Natural Resources & Mining	89	1%	88	1%	80	1%
Construction	559	6%	464	6%	473	6%
Manufacturing/Durable	1,117	12%	679	8%	657	8%
Manufacturing/Non-Durable	614	7%	247	3%	297	4%
Trade/Transportation & Utilities	1,297	14%	1,126	14%	1,191	15%
<i>Wholesale Trade</i>	157	2%	225	3%	259	3%
<i>Retail Trade</i>	1,075	12%	762	9%	866	11%
<i>Transportation</i>	<i>na</i>		<i>na</i>		<i>na</i>	
Information	375	4%	243	3%	247	3%
Financial Activities	263	3%	194	2%	229	3%
Professional & Business Services	467	5%	629	8%	432	5%
Education & Health Services	1,202	13%	1,046	13%	1,331	16%
<i>Education</i>	36	0%	38	0%	40	0%
<i>HealthCare</i>	1,166	13%	1,007	12%	1,291	16%
Leisure & Hospitality	1,527	17%	1,601	20%	1,582	19%
Other Services	228	3%	195	2%	204	2%
Government	1,373	15%	1,567	19%	1,475	18%
Private Sector	7,738	85%	6,512	81%	6,723	82%
Public Sector	1,373	15%	1,567	19%	1,475	18%
<b>Totals</b>	9,111	100%	8,079	100%	8,198	100%

Although LMA employment declined by 13.1 percent between 2000 and 2015, it rebounded by 3.2 percent between 2010 and 2015.

Although employment in Springfield LMA's Durable Manufacturing industry declined by 41 percent between 2000 and 2015, there are industries that are showing solid increases – and which represent market opportunities. The table on the following page shows employment *change* by industry both for the 2000 to 2015 period and the 2010 to 2015 period. Particularly notable *increases* are shown in blue in the 2010 to 2015 column.

### Employment by Industry Change: Springfield LMA

(2000 – 2015 and 2010 – 2015)

	<i>Change 2000-'15</i>		<i>Change 2010-'15</i>	
	Employ- ment	%	Employ- ment	%
Natural Resources & Mining	(9)	(10.1%)	(8)	<b>(9.1%)</b>
Construction	(86)	(15.4%)	9	<b>+1.9%</b>
Manufacturing/Durable	(460)	(41.2%)	(22)	<b>(3.2%)</b>
Manufacturing/Non-Durable	(317)	(51.6%)	50	<b>+20.2%</b>
Trade/Transportation & Utilities	(106)	(8.2%)	65	<b>+5.8%</b>
<i>Wholesale Trade</i>	102	+65.0%	34	<b>+15.1%</b>
<i>Retail Trade</i>	(209)	(19.4%)	104	<b>+13.6%</b>
<i>Transportation</i>				
Information	(128)	(34.1%)	4	<b>+1.6%</b>
Financial Activities	(34)	(12.9%)	35	<b>+18.0%</b>
Professional & Business Services	(35)	<b>(7.5%)</b>	(197)	<b>(31.3%)</b>
Education & Health Services	129	<b>+10.7%</b>	285	<b>+27.2%</b>
<i>Education</i>	4	+11.1%	2	<b>+5.3%</b>
<i>HealthCare</i>	125	+10.7%	284	<b>+28.2%</b>
Leisure & Hospitality	55	+3.6%	(19)	<b>(1.2%)</b>
Other Services	(24)	(10.5%)	9	<b>+4.6%</b>
Government	102	+7.4%	(92)	<b>(5.9%)</b>
Private Sector	(1,015)	(13.1%)	211	+3.2%
Public Sector	102	+7.4%	(92)	(5.9%)
<b>Totals</b>	(913)	(10.0%)	119	+1.5%



We note:

- Solid increase in Non-Durable manufacturing; this reflects statewide trends and is often related to food production activities;
- An increase in Retail employment – this runs counter to statewide and regional trends;
- A strong increase in Health Care employment – a reflection of growth at Springfield Hospital and related businesses and the Springfield Health Center.

## *Housing Market*

Activity in the Springfield area housing market has increased incrementally during the past few years following the severe downturn of the late 2000s. However, pricing is a concern, as the local market has not kept pace with U.S. or Vermont trends. The table below summarizes 2005 to 2015 activity in the Springfield Town housing market, showing: Total Sales; Sales Volume (\$Millions) and Median Sale Value.<sup>1</sup>

### **Housing Market Summary: Springfield Town (2005 – 2015)**

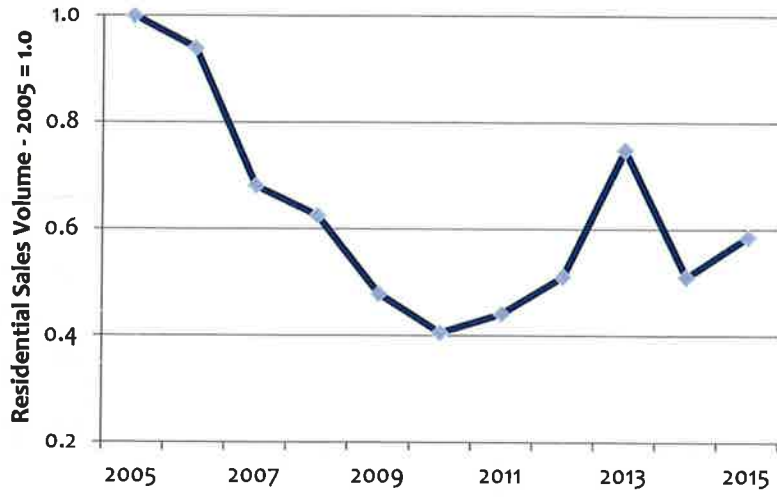
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	187	155	119	99	95	85	98	109	127	127	137
Volume (\$Millions)	\$22.81	\$21.43	\$15.53	\$14.26	\$10.92	\$9.25	\$10.05	\$11.65	\$17.08	\$11.64	\$13.36
Median Sale	\$117,422	\$132,000	\$40,807	\$124,825	\$114,474	\$115,106	\$101,781	\$110,236	\$119,067	\$89,396	\$87,462

<sup>1</sup> Sales categories include: R1, R2, Mobile w/Land; Mobile No Land – Seasonal housing market not included. Source: Vermont Department of Taxes.

The indexed *volume* trend is shown in the graphic below.

**Indexed Housing Market Volume: Springfield Town**

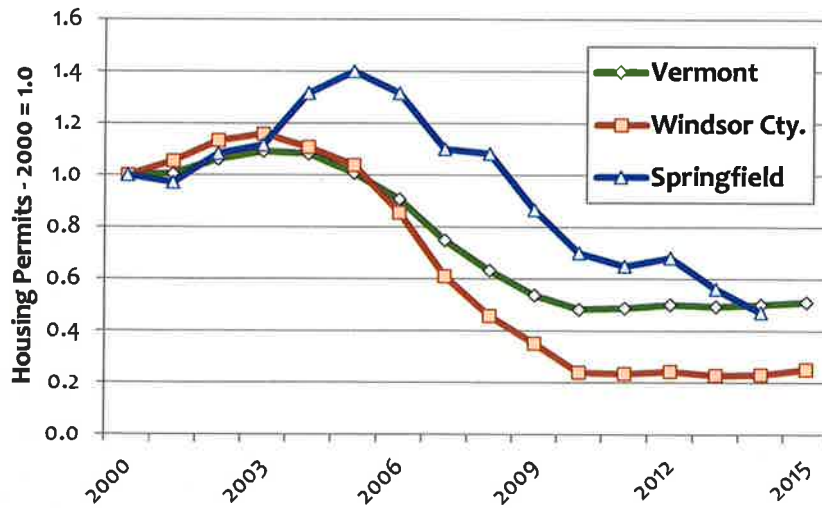
(2005 – 2015)



Housing development remains at a *low* level in this market. The graphic below compares indexed trends in housing permits for Vermont, Windsor County and Springfield Town.

**Indexed Housing Permits: Vermont, Windsor County, Springfield**

(2000 – 2015)



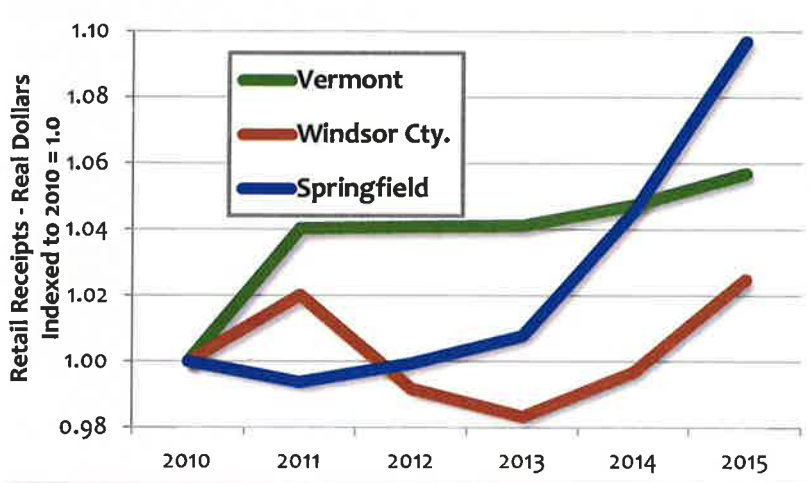
### ***Commercial Real Estate Market & Retail Trends***

The market for Springfield’s commercial real estate is relatively small, but has shown an uptick in activity during the past couple of years, as several commercial buildings have found buyers. While dollar volume in the commercial market averaged only \$830,000<sup>+</sup>/- from 2009 to 2014, the average annual volume for 2015 to 2016 exceeded \$2.7 million.<sup>2</sup>

We also note that Springfield’s retail receipts have increased in real terms during the past four years (2012 – 2015) and are almost 10 percent higher than their 2010 level. This is shown graphically on the following page – with comparisons to trends in Vermont and Windsor County.<sup>3</sup>

#### **Indexed Retail Receipt Trends (Real Dollars):**

##### **Vermont Windsor County, Springfield (2012 – 2015)**



<sup>2</sup> Source: Vermont Department of Taxes. Based on volume through 8/31/16 only.

<sup>3</sup> Receipts shown in real dollars based on CPI and indexed to 2010 = 1.0. Sources: Vermont Department of Taxes and Federal Reserve Bank, Boston.

## Funding Programs

Park Street School is in Non-Metro Census Tract 50027966600, which makes it eligible to utilize New Markets Tax Credit (NMTC) equity. Renovation of the School at a rough projected cost of \$24 million (80,000 SF x \$300/SF) could yield about \$8 million, or 33% of total project cost, in NMTC's.

The school's history and architectural features also make it a historically significant building eligible for both Federal and State Historic Tax Credits. A complete rehab done to the specifications of the Federal National Park Service and State Historic Preservation Office could generate approximately \$4 million in Federal HTC's and \$500,000 in State HTC's.

The project could also be eligible for a HUD Community Development Block Grant (CDBG) through the Town of Springfield and the State Community Development Program. The funds would need to benefit predominately low-to moderate-income persons through activities such as housing or economic development (job creation). Town's may apply for up to \$1 million/program year in implementation funding, and may apply for more via a multi-year application.

Two sub-market loan programs may be appropriate for redeveloping the school building. The Vermont Economic Development Authority (VEDA) provides loans of up to \$1.5 million for real estate and equipment. Rural Development's USDA Community Facilities loan program also provides low-interest 30-year loans to non-profit organizations for building fit-up and equipment. In our projections for a Park Street redevelopment project, we have included \$1 million+ in USDA loan funds.

A developer might also consider creating a condominium to gain access to other funding sources. For example, the Low-Income Housing Tax Credit (LIHTC) and NMTC programs are not allowed to be used in tandem. Thus, in one of our redevelopment examples, we propose dividing the property essentially between the 1895 and 1929 sections, with the old section redeveloped for assisted living. By virtue of age and assets, most frail elders are low-to moderate-income, making an affordable assisted living facility eligible to use LIHTC's. In the sample, we project over \$4 million raised from LIHTC equity, \$2 million from FHTC's, and over \$1 million in additional funds from state agencies targeting low-income housing.

In addition to public funding, a good deal of private funding—through fund raising, bequests, and equity investment—would also be required to fully renovate the Park Street School. The Springfield community has been successful in raising funds to accomplish several significant revitalization projects. A grassroots effort raised \$5 million to transform the Vermont Foundry building on Clinton Street into the Edgar May Health and Recreation Center. The community also turned an abandoned railway corridor along Route 5 into the attractive, paved Toonerville Recreation Path, linking the Town's business district with residential areas to the south.

## Sources and Uses Examples

Attached are two sample scenarios which outline sources and uses for redeveloping the building, 10-year cash flow projections for operations, and rent assumptions. Uses include above market-rate housing for young professionals, affordable assisted living for seniors, offices, and uses for the gym (fitness club) and auditorium/stage (performing arts/screening room) that are in keeping with that portion of the building's original design.

Alternative 3 has office space and storage on the basement level. The Town is an anchor tenant on the first floor, with the gym and auditorium run by community-based organizations. The balance of the first and second floor are micro, one and two-bedroom apartments for professionals.

The total cost for the project is \$23,733,940, with a total of \$2 million in equity investment needed, and \$12.5 raised in tax credit equity.

Alternative 4 condos' the building, with the newer section (Condo 1) devoted to offices, the gym and auditorium/stage as above, and 14 market-rate apartments; the older section (Condo 2) is redeveloped as a 40-unit affordable assisted living facility, with a commercial kitchen, various common spaces, offices, and exam rooms.

The projected cost for renovating the newer section of the building is \$11,133,533, with \$1.5 million in equity investment needed. The cost of the assisted living facility is projected at \$12,882,971. The condo options raise a total of \$12.6 in tax credit equity and \$2.8 million in federal and state grants between them.