

# Holyoke

## Building Redevelopment Studies



Prepared for:  
The City of Holyoke, MA  
& MassDevelopment

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McCabe Enterprises

with Project Management & Cost

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# overview

MassDevelopment in collaboration with the City of Holyoke is working to encourage property owners in the downtown area to reinvest in and market properties that have been vacant or significantly underutilized. MassDevelopment asked McCabe Enterprises to assess four properties for their potential for redevelopment in downtown Holyoke. The City of Holyoke's Planning & Economic Development identified four properties with interested property owners for an assessment of potential re-use and redevelopment plan.

For each property, the team visited the site and toured the property, reviewed existing reports and documentation, met with the property owner, Holyoke Planning & Economic Development and MassDevelopment staff. For each property, this report outlines existing building and site conditions, reviews the regulatory context, identifies market potential and alternative re-use scenarios, reviews redevelopment costs and assesses the feasibility of alternative redevelopment scopes. The properties studied are:

- 106-120 High Street;
- 276 High Street;
- 200 Race Street; and
- 386 and 386R Dwight Street.

These four properties are all located in Downtown Holyoke and the Canalwalk area.

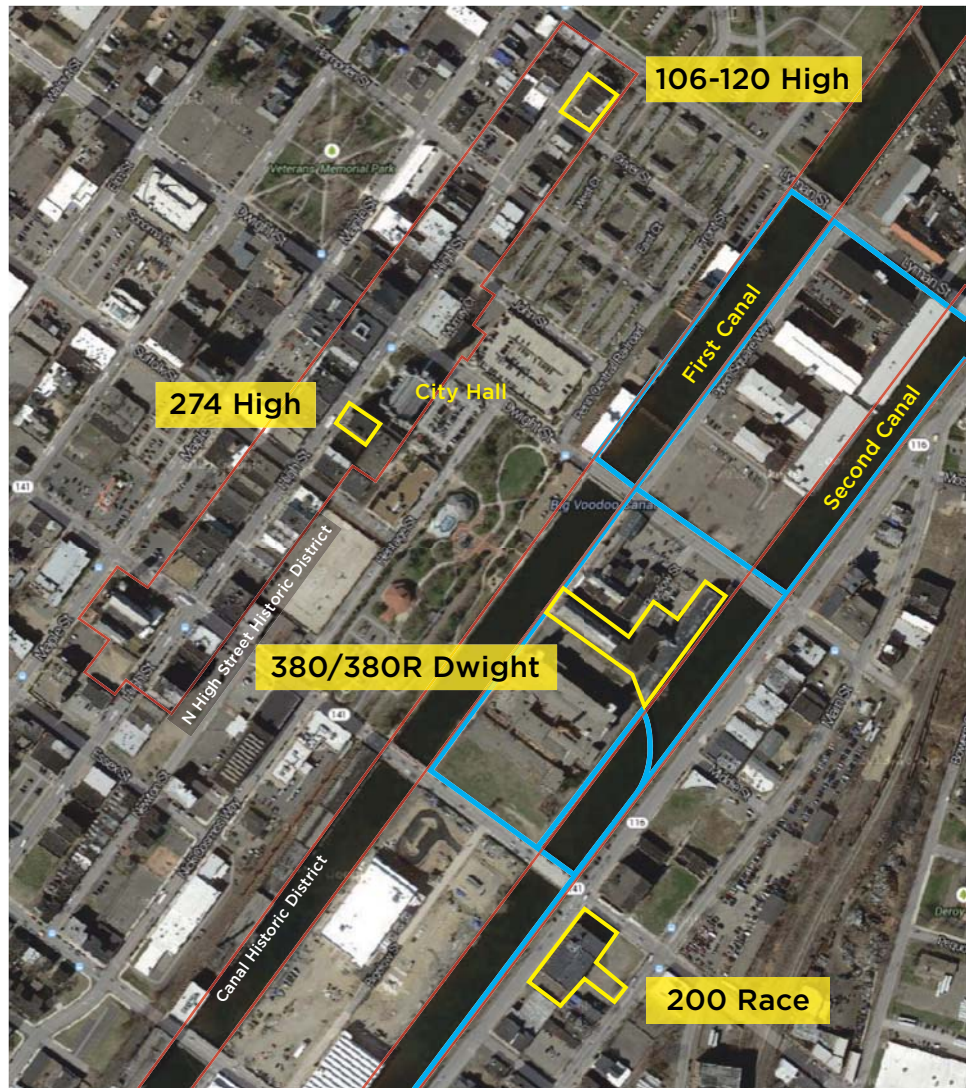
Holyoke is one of the first planned industrial cities in America. In 1847 the industrialists drew upon Holyoke's location at the bend of the Connecticut River to build a water power and canal system that harnessed energy from the fifty foot plus drop in the Connecticut River to power industry and numerous paper mills. Holyoke grew and prospered attract-

ing immigrants to work in its mills. The area now known as Downtown or Center City housed many large-scale mills and worker housing, as well as the commercial, retail and governmental center of Holyoke. Holyoke has a rich architectural legacy much of which remains intact in the Center City area.

Holyoke is designated as a Gateway City in Massachusetts. Although manufacturing continues to be an important part of Holyoke’s economic and employment base, manufacturing has declined in the last half of the twentieth century. For the past fifty years, the City has also lost population. Holyoke, however, started to reverse this trend slightly in 2010, when the population increased very slightly to 39,980 people.

Although Holyoke is a city of just less than 40,000 people, one quarter of city residents live in the Center City downtown core which spans approximately 700 acres or 5% of the City’s land area. Holyoke in 2010 created a Vision Plan for its Center City area capitalizing on its architectural heritage and extensive canal system. In 2012, Holyoke officially adopted an urban renewal plan for the Center City to guide future development.

### Building Locations in Downtown Holyoke



- study building
- planned CanalWalk
- historic district

## Holyoke's Overall Goal for the future of Center City

To promote economic development and growth in Holyoke by capitalizing on the City's unique characteristics, connecting people and places, constructing infrastructure and creating a more vibrant and prosperous City Center.

The core principles of the urban renewal plan for Holyoke's Center City are:

- Revitalize the Center City;
- Increase the density and types of development (more residents, more jobs);
- Create an active Center City with a variety of 24/7 uses (events, retail, restaurants, family destinations, etc.);
- Preserve Holyoke's historic urban character and valuable architectural resources (blocks, streets, buildings);
- Increase housing choices with building styles that complement the character within each urban neighborhood (multi-family, townhouse, duplex, etc.);
- Improve downtown circulation with walkable, safe and pedestrian-friendly streets and open spaces; and
- Promote local utilities, green technology and the innovative sectors as economic development initiatives (HG&E's water power, renewable energy, creative jobs).

The City's revitalization planning efforts have spurred additional interest in Downtown and the Center City amongst existing and new property owners. The opening of the new \$95 million LEED certified Green High Performance Computing Center on Bigelow Street in late 2012 in the Center City core built by the partnership of five major universities, CISCO Systems and EMC Corporation has generated new interest and confidence in Holyoke. In 2010, John Aubin with the assistance of MassDevelopment loans began the transformation of a 685,000 SF mill complex into a mixed-use redevelopment, known as Open Square. These two projects marked a significant change in investment trends in Holyoke's downtown core, which saw only 4,900 SF of new commercial development and 125 residential units in the preceding decade, 1998 to 2008.<sup>1</sup>

It is with this backdrop of renewed interest and a vision for Holyoke's future that MassDevelopment and Holyoke Planning & Economic Development is seeking to engage private sector owners in redeveloping private properties that have been languishing as largely vacant in the City's core.

<sup>1</sup> RKG Associates: Baseline Economic Conditions and Market Characteristics, The Center City Urban Renewal District, Holyoke, Massachusetts, October 2010, pages 35-36.





# approach for a Gateway City

## 2.1 Approach

Holyoke, like many Gateway Cities in Massachusetts west of Boston, has had difficulties in attracting developers and new investment for major building renovation and rehabilitation. Corporate branded retail and new office development has gravitated to the Holyoke Mall at the edge of the city at I-91 over the past two decades. Holyoke and its neighboring industrial cities, Chicopee and Springfield, have experienced slower growth and development than eastern Massachusetts, especially in the downtown urban core areas. Despite the Great Recession, Holyoke has become an area of opportunity attracting urban pioneers, entrepreneurs and artists seeking lower cost space and drawn in part to Holyoke with its rich industrial and architectural history and vision for a creative, walkable, multi-cultural, green urban future. Some of these pioneers are persons who have found Northampton, Amherst and New York to be too pricey and now see potential in Holyoke.

The predominant approach to development is new construction, which is what many developers and bankers are most familiar and comfortable with. Holyoke's rich architectural heritage and existing building stock in the city's core lends calls for a rehabilitation strategy and approach to new investment. Redevelopment is typically more difficult to undertake and finance, because there are often unknowns hidden under foundations and behind walls creating uncertainty for developers. Staging redevelopment can be challenging particularly in urban cores like Holyoke where buildings are aligned with shared walls, adjacent canals, and limited access. The very essence of Holyoke, its rich architecture, canals, and dense urban character are what make redevelopment more challenging, particularly in a soft economic market. Holyoke's rich mill history likewise is an asset that attracts interest and provides potential for its future.

There are essentially two approaches to redevelopment. One is the more traditional approach of getting the rehabilitation done in a single endeavor entailing design and engineering, permitting, gut rehab, and leasing or sale. The traditional approach may draw upon use of innovative financing tools, such as New Market Tax Credits and other incentives as well as bank financing. The hallmark of the traditional approach is that it is conceived and undertaken in a comprehensive manner, capitalizing on economies of scale and timeliness. The cost of construction loans are often an additional inducement to complete rehabilitation improvements in a timely manner in the traditional approach. Use of public incentives in today's environment often requires timely completion so that results and benefits can be demonstrated. The traditional rehabilitation development approach can be phased. However, a phase consists of a building or multiple-buildings, not a portion of a building.

The second is the sweat equity approach and it is phased by its incremental nature. This approach has typically been used on small buildings with one to six commercial or residential units ranging in size from 1000 SF to 5,000 SF or on sites with multiple small buildings. The urban pioneer, in addition to operating their own business from the building, typically focuses on getting one to two units fixed up, so that they could be rented and a cash flow generated, which in turn finances not only the mortgage but continued improvements on additional units. So it is a cycle of fix-up a unit, lease it, apply new revenues to fixing up another unit, lease the next unit, and then apply the money to the next unit until the project is complete. The urban pioneer/developer keeps carrying costs reduced by locating their own business/office in the target building, resulting in an owner-occupied property for financing and insurance considerations. The urban pioneer developer also becomes the in-place marketer for new tenants and users.

The underlying assumption using the sweat equity approach for smaller scale buildings is that building systems and life safety codes, such as a roof to keep the building dry or building electrical systems are completed at the outset of improvements. This can often be done for relatively small amounts of capital in smaller buildings. For example, a three story building with only three residential units does not require a sprinkler system; a one or two story 5,000 SF building requiring a new roof may cost \$8,000 or could be just patched for less buying time until sufficient revenues are generated for a complete new roof.

While this model is attractive and fits the entrepreneurial spirit which is alive in Holyoke, the scale, height, type and siting of many of Holyoke's downtown and Canalwalk buildings present challenges. Moreover, many of the buildings reviewed as part of this assignment have suffered from delayed or minimal maintenance over the past several decades. Roof leaks, open holes, and crumbling brick and stonework were all observed. The buildings reviewed are large ranging from 24,000 SF to 130,500 SF, and range from three to ten stories in height. All four building sites have challenges as to constructability and access, requiring utilization of streets and public ways or access from abutting property owners to easily undertake building renovation and rehabilitation. While use of a public way or a neighbor's property is not an insurmountable problem, this can more easily be undertaken if the rehab activities are of a shorter duration.

For purposes of this assignment, a hybrid approach has been developed drawing upon both the traditional redevelopment approach and elements of the sweat-equity model of entrepreneurial improvements. The Incremental Rehabilitation Approach utilizes the traditional model at the outset in the initial phase to establish compliance with basic life safety codes and ensuring

that the building envelope is secure and not leaking. This phase in the Incremental Hybrid Approach to rehabilitation sets things up for entrepreneurs and urban pioneers to continue improvements in later phases. The Incremental Hybrid Approach is better suited to commercial and larger scale buildings. While some urban pioneers/developers may have skills and licenses to undertake commercial design and construction, thereby enabling a reduction of some costs, the owners of the properties reviewed do not.

The first phase of the Incremental Hybrid Approach uses a phased approach with the first phase dedicated to securing the building envelope and addressing basic life safety systems such as second means of egress, sprinkler system, and fire alarms/smoke detectors. In some cases, the first phase may also require ADA compliance. In the second and subsequent phases, the urban pioneer property owner can utilize a sweat equity/do-it-yourself approach to tenant finishes responding to a specific tenant or general market demand, or lease the raw space enabling tenants to do their own fit-out and finishes. However, the core life safety improvements and enclosure of the building (e.g., roofing) are undertaken by licensed professional construction contractors in the Incremental Hybrid approach. The Incremental Hybrid approach can also be done in a phased fashion enabling time for the Holyoke Center City market place to more easily absorb additional office, flex, live/work or residential units.

## 2.2 Code Considerations<sup>1</sup>

The purpose of building codes is to provide minimum standards to safeguard life, to ensure safety and health, and to protect property and public welfare by regulating the design, construction, quality of materials, use and occupancy, location and maintenance of all buildings and structures.

Building upgrades or redevelopment of existing structures very often trigger unforeseen requirements to bring structures to current code standards, which can create a financial barrier to redevelopment in difficult economic conditions. In Holyoke, the balance of code upgrades with desired improvements is even more complex due to the fact that mill buildings, with large footprints and high gross square footage areas, are the predominant building stock. In order to move such large projects forward and ensure long-term success, it is essential for property owners to work in partnership with the Holyoke Building Department, the Holyoke Fire Department, the Holyoke Redevelopment Authority, and the Holyoke Planning & Economic Development Department.

### Life Safety

As a baseline for occupancy, buildings must meet basic life safety requirements of the building code. Egress, fire alarm/notification systems and fire suppression (sprinkler) systems typically are in need of upgrades in older mill structures. Additionally, plumbing and electrical stan-

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<sup>1</sup> The McCabe Enterprises site visit to the buildings did not include an assessment of environmental conditions. Issues raised in this section are for general information based on best practices in redevelopment.

dards have changed considerably over time and upgrades to these systems are often needed as well, since they often interface with sprinkler and fire alarm systems. Seismic codes have also become more stringent overtime and alteration/ reuse of mill structures can occasionally trigger requirements for increased structural reinforcement.

## Environmental Concerns

Environmental concerns must also be addressed as part of renovation of these structures. Property owners should consider retaining a Licensed Site Professional (LSP) to undertake a brownfields assessment to discern the presence, if any, of lead, asbestos, petroleum and other contaminants that are often found in older buildings. Assessment of environmental issues is beyond the scope of this report and assignment. The environmental hazards that may be found in mill structures and older buildings could include:

**Lead Paint.** Lead paint is often found on wood columns, beams and ceilings, and on brick exterior walls on buildings built prior to 1978. Lead paint must be removed or encapsulated during renovation, depending on the re-use scenario for the building. Buildings being used for residential purposes that receive any federal assistance will need to comply with the federal Residential Lead-Based Paint Hazard Reduction Act of 1992. A HUD/EPA informational handout on lead paint disclosure can be found in the Appendix.

**Asbestos.** Asbestos is often prevalent in a number of materials in mill buildings. Insulation on steam pipes and ducts and mastic on floor tiles are the most common materials in need of remediation. In some older buildings asbestos can also be found in the window glazing and caulk. Buildings should be surveyed for sources of asbestos and proper remediation measures should be taken as part of the first phase of the redevelopment process.

**Petroleum Products.** As light and heavy industrial manufacturing facilities, mill structures often have residue of petroleum products from machinery, equipment and vehicles on the property and in the buildings itself. Additionally, railroad sidings used for transport of goods are often sources of such contamination. Any stored petroleum products should be removed and properly disposed of; all contaminated interior materials and surfaces should be removed and replaced. Contaminated soils should be removed or capped.

**Chemical Contaminants.** As with petroleum, a range of chemical contaminants – the raw materials for manufacturing processes, or the by-products thereof, are often found abandoned in mills and need to be properly removed and disposed of, and contaminated areas cleaned.

## Accessibility

Architectural accessibility for persons with disabilities should be accommodated as part of any new construction in a publicly accessible building. Currently in Massachusetts, there are a few key construction cost thresholds that would come into play with the study buildings. Within any three-year period, if the total of work being performed under a single permit or multiple permits:

- If work being performed amounts to less than 30% of the full and fair cash value of the building and a construction cost is less than \$100,000, then only the work performed must comply with 521CMR.
- If work being performed amounts to less than 30% of the full and fair cash value of the building and a construction cost is greater than \$100,000, then in addition to the work performed being required to comply with 521CMR, an accessible public entrance, accessible toilet room and drinking fountain will need to be provided.
- If work being performed amounts to more than 30% of the full and fair cash value of the building, then the entire building must be brought into compliance.
- Additionally, any change in use from a private use to a use that is open to and accessed by the public, an accessible entrance and accessible route must be provided.

These are fairly low thresholds relative to the gross floor area of many mill buildings in Holyoke, and a requirement for increased accessibility accommodations could apply for 200 Race Street, 276 High Street and 380/380R Dwight Street. Exemptions exist for work under \$500,000 that is limited to hazardous material abatement; retrofit of sprinklers, mechanical, electrical or plumbing systems; building envelope work including roof repair, window replacement and masonry work; and site work. Refer to Massachusetts Architectural Access Board 521CMR: 3.00: Jurisdiction for more information.

For 106-120 High Street, if each address is renovated individually over time, the total number of residential units in each address would be below the minimum number of units requiring upper level accessibility improvements. The ground floor retail spaces however, would need to be improved to provide accessible access.

## Stretch Energy Code

The City of Holyoke is a Green Community, and adopted the Stretch Energy Code in an effort to address energy consumption and work toward sustainability. The Stretch Energy Code establishes a higher standard for energy efficiency, which is approximately twenty percent (20%) higher than the existing building energy conservation requirements in the Massachusetts State Building Code (780 CMR). The stretch energy code for commercial buildings from 5,000 SF to 100,000 SF is based on the International Energy Conservation Code (2009). Commercial buildings exceeding 100,000 SF are required to show a percentage reduction below ASHRAE 90.1-2007 energy standards. The performance approach for large (greater than 100,000 SF) buildings is also applied to smaller commercial buildings (less than 5,000 SF).

## Approach to Code Related Upgrades

Challenges for Holyoke buildings are many, and costs to meet basic life-safety and building envelope needs in structures with large gross areas can be high. Any one component – upgrades

to sprinkler systems, energy-code compliant windows, or base level fire detection systems and emergency lighting can prove to be a financial burden in structures with low-occupancy rates and small, start-up businesses or arts uses.

There are several strategies for redevelopment can help address the need for improved life-safety, accessibility and energy use through code compliance. Strategies include:

**Phased Development.** An incremental approach to redevelopment can balance costs while also ensuring that the amount of space being developed is proportionate to market needs/demands. By focusing on a limited number of floors or a particular area/square footage,

**Agency Advocates.** As part of redevelopment planning, property owners are encouraged to work with building officials and fire safety officials to create a phased plan for upgrades that protect occupied areas, while allowing others to be upgraded over time. Recognizing that development is a partnership, and if properly planned, can ensure safety, provide a sound base for long-term development plans and economic growth.

**Bulk Purchasing.** Many of the same building envelope and building systems upgrades are needed across the historic structures in Holyoke – whether mill structures or High Street buildings. Exploring the potential for cost savings through “bulk buying” is encouraged, particularly for sprinkler system upgrades, roof repair/ replacement, and window replacement. Bulk purchasing or shared selection of a contractors can help identify qualified contractors with the appropriate licenses, sufficient commercial, large structure experience, and the necessary bonding and insurance. Although public procurement of construction contractors is often cited for higher costs, the involvement of the City of Holyoke or the Redevelopment Authority working on the solicitation of qualified contractors can also provide prospective bidders confidence as to payment.

**Technical Assistance Programs.** Proper planning is the key to successful redevelopment projects, particularly where phasing is crucial to economic success. Establishing a City-sponsored technical assistance programs to provide owners with initial architectural, engineering and development planning assistance can help set projects on a path to success.

**Tenant Participation.** There are several models for tenant participation in the development process, ranging from standard Tenant Improvement agreements to cooperative management and ownership models. “Sweat equity” participation can help defray costs and simultaneously build a sense of co-investment. Some property owners reduce rents in return to tenants making improvements. Other owners with financial capacity may incorporate tenant-specific improvements in their building improvement plans and recoup the tenant improvements over the lease term. Where tenant participation in improvements and construction are part of the development process, the owner should take the lead in ensuring tenant construction meets building codes for the intended occupancy. Ultimately, the property owner is responsible for code compliance, even when a tenant undertakes the improvement.

The specific building redevelopment scenarios in Chapter 3 provide case-by-case options for applying the above strategies.

## 2.3 Artist Work Space: Planning for Success

The large open floor plates, factory windows, weight-bearing floors, loading docks and freight elevators have attracted artists to Massachusetts' underutilized mill buildings for decades; Holyoke's historic mill structures are no exception. In many instances the artist pioneers, creative entrepreneurs and small businesses – as tenants, advocates and owners – are responsible for having contributed to the preservation and stability of the Commonwealth's mill heritage.

At the same time, while many mill tenants undertook improvements to their leased areas, base building upgrades did not always keep pace with changes in the building code. While the reasons for this are as varied as the buildings, the underlying dilemma is one of economy versus scale. While the pioneering days of the 1970's and 1980's are over, the need for affordable workspace for the creative economy persists.

There are several models for successful artist live-work and work-only space that can provide guidance for similar uses in Holyoke. A "sweat equity" approach, by which tenants contribute to construction is one possible model for helping keep development costs affordable. As part of such a tenant participation strategy, overall building stewardship must first be provided for, either by an ownership entity, or by a tenant-owner partnership. Prior to tenant construction, base development work should provide for code compliance and basic build-out including:

- fire safety including: detection/ alarm systems, emergency signs and lighting and means of egress;
- building envelope such (roof, wall, and window);
- corridors and demising walls between lease areas;
- plumbing stubs for kitchen, bath and work areas
- base lighting/ electrical
- building heating / HVAC systems

Additionally, the building owner or management should be actively involved in promoting safe, code compliant construction within tenant areas. Pro-active measures include:

### DIY: 249 A Street Cooperative, 1983

After a two-year pre-development process, artists obtained a variance to allow for live-work use, purchased a building and hired a contractor to do base life-safety changes and subdivided space. Construction within the individual live-work units was done by the occupants themselves.

- The project was the first limited equity artists' co-op in Massachusetts, and has served as a model for others nationally.
- 44 live-work studios in 70,000sf
- Development (in 1983 dollars): \$1.5 million project: \$1,050,000 conventional financing; \$160,000 low-interest loan from City; \$100,000 mortgage from seller; and \$250,000 artists' down payment.
- Total development cost \$22/sf, not including kitchen/bath improvements to individual units.



## The Artists Building at 300 Summer Street, 1995

Developed by the Fort Point Arts Community, a non-profit arts organization, in partnership with Keen Development

- Cooperative ownership structure: 48 live-work studios, 7 business condos (café, frame shop, and 5 offices), and a non-profit gallery = 55 units total
- 111,978sf over 8 floors
- Equates to 1750 sf gross building area needed per unit
- Development (in 1995 dollars): \$5.7 million
- Cost \$72/sf or \$103,600/per unit was achieved through use of community development loan funds.



Image from the Boston Public Library collection.

- Reviewing tenant plans for improvements prior to construction.
- Plumbing and electric work should be completed by a licensed professional. Arts groups could consider working with a specific contractor as a “building contractor;” this could have a cost advantage, as well as save effort by working with someone who is familiar with building systems.
- Reviewing tenant space annually as part of a lease renewal.
- Provide guidelines for proper safety materials handling.

In many creative spaces, particularly those that mix live-work and work-only type uses, it is particularly important to plan for life-safety that balances small business growth. Many creative businesses often straddle a line between art and light manufacturing, and often may cross thresholds of increasingly more stringent code requirements due to materials and methods. For example, an artist or entrepreneur working in wood must address a range of issues from dust generation to flammable liquids. Paints may require proper disposal of liquids or storage of materials.

There are several development / ownership models that could serve as templates for Holyoke. A typical owner-tenant model would provide a basic scenario for proper fiscal management and building maintenance. Where existing artist-owner partnerships exist, a cooperative management model could be considered; this model would have the benefit of artist and creative business active involvement in self-managing building safety.

In addition to construction, on-going education and management, in partnership with City agencies, can help promote safe creative spaces and help businesses to flourish. Potential education sessions could include:

- live-work safety workshops.
- hazardous chemical storage & disposal
- materials handling and ventilation strategies
- fire extinguishers: types and use

Providing information and training for artist, entrepreneurs and small business can help establish a culture of safety in the City’s creative spaces.



## Maker Space

The “Maker Space” model for creative business space is a popular model in Massachusetts and nationally. This model features large, open shared work-spaces in lieu of individual artists’ studios. These spaces reduce initial construction costs by eliminating a need for studio partitions and utility infrastructure. They often operate on a membership fee model or an hourly rental rate structure, rather than a square foot rental rate. This fee structure is financially beneficial in areas with a high demand for space and high real estate costs. The cost savings of a shared workspace could help off-set some development costs, but would need to be measured against market demand and similar spaces in the area, the prevailing rental rates for space, and the amount of vacant space available for traditional studio scenarios.

## 2.4 Market Conditions

Holyoke is part of the Springfield metro area. While many prospective tenants and users of redeveloped space tend to live or run businesses in the existing community, persons frequently move and work throughout the Springfield metro area and Pioneer Valley. Attractive, convenient, and sensibly priced housing, live-work or office space can attract residents, businesses and new ventures from communities in and beyond Holyoke.

Holyoke is perceived to have two local real estate markets, one being the Center City core area that encompasses the Downtown/Prospect Heights area, Churchill, the Flats and South Holyoke neighborhoods, and the balance of the City. The principal commercial and business area outside of Downtown is the Holyoke Mall on Route 5 and I-91. Other competitive retail and commercial spaces can be found in the I-91/Route 5 corridor which runs north and south through Holyoke connecting with Northampton to the north and West Springfield to the south. Real estate valuations and new construction has historically been stronger city-wide in Holyoke, and weaker in the Downtown area/Center City area. This is in part due to older age of the building stock in the Center City/Downtown area as well as limited reinvestment over the last several decades.

As part of the assessment of real estate redevelopment feasibility, a review of market conditions for residential uses, office, and retail uses was undertaken. Review of existing asking rents was undertaken, along with discussions with local brokers, Co-Star, and Warren Group data.

### Residential

The primary residential housing product in the Downtown and Canalwalk area are residential rental units. A review of existing on-line advertisements from Craig’s List was undertaken to determine current asking residential rent prices. Masslive.com, the web site aligned with the leading newspaper, the Springfield Republican, was also consulted, but had no rental listings for Holyoke. Apts.com also had apartment listings for apartments in Holyoke. These listings tended to be in the more “suburban-like” areas of Holyoke and in apartment complexes. Asking rent levels found on-line were confirmed with local real estate brokers. Table 1 summarizes the findings of residential rents for apartments in Holyoke and nearby Chicopee.

**Table 1: Residential Rents in the Holyoke Area**

Locale	Listing Source	Apartment Size			
		1 bdrm	2bdrm	3bdrm	Studio
Holyoke	Craigslist.com	\$742	\$927	\$1,101	
Holyoke	Apts.com	\$880	\$997	\$997	
Chicopee	Craigslist.com	\$933	\$1,067	n/a	\$751
HUD FMR 2014		\$761	\$951	\$1,187	\$634
Average Asking Rent		\$824	\$975	\$1,095	\$690

**Table 2. Holyoke’s Projected Likely Rents in 2016**

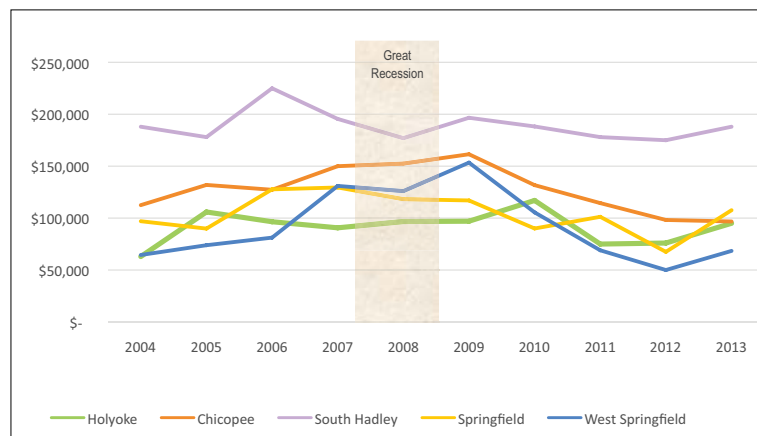
2 yr. Acceleration of Rents with 4% per annum increase	1 bdrm	2 bdrm	3 bdrm	Studio
	\$ 874	\$ 1,034	\$ 1,162	\$ 733

Many apartments in Holyoke advertised that heat was included in the base monthly rent. Since many multi-family and apartment buildings in Holyoke are older and have not been substantially renovated, a single furnace or boiler provides heat for several apartments, making it easier for landlords just to include heat as part of the rent to avoid the capital cost.

Table 1 also presents HUD’s Fair Market Rent schedule for Holyoke for 2014. Fair Market Rents (FMR) are the rental price for “affordable units” based on Section 8 rent levels. FMRs in Holyoke, depending upon unit size, are \$20 to \$85 a month higher than “market rate” residential rents. In many gateway cities, including Holyoke, so-called “market rents” are below the Fair Market Rent levels established by HUD. This can be an opportunity for property owners to access affordable housing programs on the federal and state levels that can be used to help close the financing gap.

For purposes of the feasibility study, the 2014 rental rates were projected for two years out with a 3% annual increase. FMRs over the past thirty years have averaged a rental increase of 3%, and since 2000 FMR rents have increased on average 3.1%. The resulting anticipated rent structure for 2016 can reasonably be assumed to be \$874 to \$1162/month, as noted in Table 2.

**Figure 1:  
Comparative Median  
Condo Sales, 2004-2013**



Sources: Warren Group and McCabe Enterprises.

Year	Holyoke	Chicopee	South Hadley	Springfield	West Springfield
2013	3	81	69	67	30
2012	1	99	42	58	27
2011	0	54	27	52	19
2010	2	89	38	81	34
2009	4	117	39	78	34
2008	7	125	58	92	57
2007	2	145	55	124	80
2006	6	130	98	176	69
2005	2	211	64	219	63
2004	6	132	97	155	65

**Table 3:  
Number of  
Condominium Sales  
in Holyoke & Nearby  
Communities**

Source: Warren Group.

Year	Holyoke	Chicopee	South Hadley	Springfield	West Springfield
2004	\$ 63,000	\$ 112,500	\$ 188,000	\$ 97,000	\$ 64,500
2005	\$ 105,900	\$ 131,950	\$ 178,000	\$ 89,900	\$ 73,900
2006	\$ 96,500	\$ 127,300	\$ 225,000	\$ 127,700	\$ 81,200
2007	\$ 90,650	\$ 150,000	\$ 195,500	\$ 129,500	\$ 131,000
2008	\$ 96,700	\$ 152,500	\$ 177,000	\$ 118,250	\$ 126,000
2009	\$ 97,000	\$ 161,500	\$ 196,628	\$ 117,000	\$ 53,450
2010	\$ 117,000	\$ 131,750	\$ 188,250	\$ 90,000	\$ 105,500
2011	\$ 75,000	\$ 114,450	\$ 178,000	\$ 101,250	\$ 69,000
2012	\$ 76,000	\$ 98,200	\$ 175,000	\$ 67,500	\$ 50,000
2013	\$ 95,000	\$ 96,750	\$ 188,000	\$ 107,600	\$ 68,415

**Table 4:  
Median Sale Price  
of Condominiums in  
Holyoke and Nearby  
Communities**

Source: Warren Group.

## Condominium

In addition to apartment, re-use of former mill buildings and downtown properties could include development of condominiums. The current condominium market in Holyoke is very small. However, the trend of millennials and empty nesters looking for smaller residences with minimal upkeep (no lawns to mow or driveways to shovel) creates an opportunity and condominiums could be a viable option. A review of condominium sales over the past decade for Holyoke and the nearby communities of Chicopee, South Hadley, Springfield and West Springfield was undertaken using sales data from the Warren Group, and is shown in Tables 3 and 4. Although the number of condominium sales is low, the 2013 median sales price in Holyoke has returned to pre-recession levels, unlike other communities in the region as depicted in Figure 1. In 2013, condominium sales in Holyoke comprised 9.7% of all residential sales transactions.

## Live Work

Live/work space is a different product than residential apartments or condominiums. Live/work spaces tend to be larger than many apartments to more easily accommodate work as well as residential living activities. Live/work spaces often are a loft-style unit. Some have limited features, enabling tenants to do their own fit-out. There are few competitive examples of live/work space in the Pioneer Valley.

Eastworks in Easthampton has converted an old mill with 46 live/work apartments ranging in size from 775 to 3500 SF each. Eastworks' live/work apartments are fully leased. Office space rents vary at Eastworks depending upon the size of the space, as well as condition and fit up. Office rents range from \$9 to \$13/SF. Eastworks is a 500,000 SF former mill in Easthampton. Eastworks has focused on developing an artistic community, and hosts special events, networking events to build a sense of community amongst tenants and users. In addition to an extensive number of nonprofits and artist tenants, Eastworks also leases to the Registry of Motor Vehicles and several restaurants. Eastworks has become a community asset, with local real estate ads often citing proximity to Eastworks in their marketing materials.

## Office

Holyoke is in the Springfield metro area from an office market perspective. Office rents in Springfield metro area average \$15.00 to \$15.50 per SF. Office rents in downtown Springfield tend to be higher, as are rents in newer office buildings and medical office buildings in the region. In Holyoke a review of Co-Star listed properties and other commercially advertised properties indicate that asking office rents range from \$7.00/SF to over \$18.00/SF. Rents in medical office buildings and Class A/B buildings near the Holyoke Mall are higher than older building properties in the Center City and Downtown. Open Square, a mixed-use redevelopment in Downtown reports rents in the \$12.00-\$12.50/SF range.

For purposes of preparing pro formas to assess the financial feasibility of improvements, \$15.00/SF rents were used for properties if the building is being fully upgraded and renovated using the traditional approach to rehabilitation, which would come on-line in approximately two years in 2016. Office rents in buildings using the Incremental Hybrid Approach will likely be lower, since renovation is not complete and a fair degree of tenant improvements and upgrades are anticipated from the prospective tenants. Projected rents using the Incremental Hybrid Approach to building rehabilitation for 2016 are pegged at \$11.00/SF.

In reality, rents will be negotiable and first tenants may pay less initially so that the building can be occupied, an initial cash flow generated, and additional tenants can be attracted. This loss leader strategy to tenant recruitment could easily be applied to a "retail amenity use," such as a café that can in turn become a draw.

The University of Massachusetts' Donahue Institute in 2013 at the behest of the Pioneer Valley Planning Commission, Common Capital, the Western Massachusetts Economic Development Council and others authored the Pioneer Valley Growth Business Study, which included a detailed survey of business needs in the Valley. Amongst the key findings were that business growth was occurring amongst small firms. The two fastest growing sectors were in firms with the ten to nineteen employees (37% of the fastest growing firms) and with the twenty to forty-nine employees-sized firms (32% of the fastest growing firms). Forty percent of the firms surveyed anticipated adding employees in the next three years. The results of the Pioneer Valley Growth Business Study point to the need for smaller sized offices and space that can be flexible and right-sized for tenants. Employee growth is when firms consider new locations. However, growing small businesses differ from the start-up entrepreneur and may desire move-in ready space with the need for only a small amount of tenant fit-up enabling the business to focus on their primary product and sales.

The fastest growing sectors in the Pioneer Valley according to the Donahue Institute's survey are specialized types of construction, financial services, manufacturing and retail. These sectors had a higher proportion of firms growing at a faster rate.

## Retail

Asking retail rents in Holyoke range from \$6.50/SF to \$16.50/SF, with higher retail rental rates at or near the Holyoke Mall. Average retail asking rents in the Downtown area range between \$8 and \$12 per SF. Many Downtown retail spaces lease on a monthly storefront rate, and not a per SF rental rate. Overall, the Downtown/Center City retail space market is very soft. The Holyoke Mall and adjacent pad sites is the regional retail center drawing customers from throughout the Pioneer Valley. Retailers are also attracted to this area due to its visible abundance of parking.

Downtown Holyoke is the government and cultural center of Holyoke. Retail in the Downtown and the Center City area is more convenience retail for area workers and residents. Retail uses in the re-use scenarios will be most likely in the food, restaurant and café sector. As the buildings in the Center City are repopulated with people and active uses, the demand for more amenities, including food, cafes and restaurants will increase. The need for additional comparative goods retail Downtown will be limited. Cultural offerings, such as galleries, can capitalize on lower cost spaces and advance Holyoke's strategy of the Center City as part of the creative and arts economy attractive to both residents and visitors.

For purposes of the pro forma analysis, average retail rents of \$10 to \$12 per SF have been used.