



Eagle Mill
Roadmap to Redevelopment

Prepared for:
Berkshire Regional Planning Commission

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Council of Development Finance Agencies

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About the Roadmap to Redevelopment

The *Roadmap to Redevelopment* is a product of the [CDFA Brownfields Technical Assistance Program](#), which is funded through a grant from the U.S. Environmental Protection Agency. The program provides technical assistance to brownfields communities on redevelopment finance. For communities that require detailed, hands-on assistance for their redevelopment efforts, CDFA Brownfields Project Response Teams comprised of CDFA staff and technical assistance partners are available to conduct site visits and provide recommendations. The goal of these visits is to offer communities specific, actionable advice that can transform brownfields into economically-productive sites in accordance with the goals and plans of the community. CDFA will coordinate 36 Brownfields Project Response Teams over the life of the program.

The Roadmap to Redevelopment's recommendations reflect the input of development finance experts, CDFA staff, and stakeholder groups gathered during the Project Response Team site visit. The recommendations presented are intended to assist the Town of Lee with financing the redevelopment of the Eagle Mill.

Background & History

Lee, Massachusetts is a small New England town in the Berkshires with a quaint downtown charm and lovely setting along the Housatonic River. With a population of about 6,000 residents, Lee is a rural town whose economy now relies heavily on tourism. In the late 1800s, Lee was the leader of the nation in papermaking, and home to 25 paper mills. Several innovations took place in Lee’s paper mills, including use of wood pulp to make paper. The largest paper production equipment then made in America could be found at the Eaton-Dikeman Company’s mill in the early 1900s. Over the years, such operations have dwindled. In 2008, paper company Schweitzer-Mauduit closed its four remaining mills. As a result of those closures, over 350 jobs were lost and all four of the mills now sit vacant, awaiting redevelopment.

One of the four mills, the Eagle Mill, has been under contract with a developer for the past four years. The Eagle Mill sits on 8.4 acres of land on both sides of the Housatonic River. Six of those acres sit on the south side of the river with a historic building occupying just over 100,000 square feet. The remaining 2.4 acres of land on the north side of the river is undeveloped and exists in its natural state. Redevelopment plans on the seven acre portion of the site include a boutique hotel (50,000 square feet) that would be located in a portion of the historic building that will be preserved, office/retail (50,000 square feet) to be located in a new building following demolition of a portion of the existing structure, and a separate building with approximately 60 units of housing, 80 percent of which will be affordable units. The project is expected to cost about \$60M to complete.



Figure 1 Front facing view of Eagle Mill



Figure 2 View of Eagle Mill along Housatonic River

The developer has been pursuing various financing sources and working closely with the Berkshire Regional Planning Commission and the Town of Lee to move the project forward. Funding sources for the project include federal Historic Tax Credits (HTC); approval for the second phase of the application for HTC is expected by the end of 2016. State Historic Tax Credits through Massachusetts Historical Commission may also be available in awards of up to 20 percent of the qualified rehabilitation cost. However, the state awards are highly competitive and are not designed to match the federal HTC. Other sources of funding that are anticipated for the project include Low Income Housing Tax Credits (LIHTC) for the housing portion.

Despite the various sources of funding identified above, substantial financing gaps remain for the remediation, building rehabilitation, and infrastructure improvements at the site. Current estimates for abatement and remediation of environmental conditions are estimated at \$1M. Additional assessment funds will be needed to sample soils beneath the existing structure. Should the state historic tax credits be unavailable for the project, the developer anticipates a potential gap of over \$3M. Finally, the Town of Lee is working to address needed municipal water distribution system improvements in order to meet fire suppression system requirements. The infrastructure project is needed not just for the Eagle Mill site, but will be critical to the redevelopment of any of the vacant mill sites and/or future development of any mixed use, multi-story properties along the west side of downtown. Estimated costs for the water distribution system improvement are over \$6.5M.



Figure 3 A portion of the Eagle Mill grounds



Figure 4 Inside the former Eagle Mill

Recommendations

Part I: Financing a Site Cleanup Plan

The following recommendations discuss financing options for the remaining assessments needed for the property, in addition to the anticipated remediation costs.

- i. Utilize available U.S. Environmental Protection Agency (EPA) Funds and Mass Development loans as needed to complete assessments

The Town of Lee recently received \$300K in assessment funds through two brownfields assessment grants awarded by the EPA. The funds can be used to conduct Phase I and Phase II environmental site assessments and to support cleanup plans. The Town should utilize the funds to complete assessments at the Eagle Mill as needed. Assessments for the remaining mill sites will also be required; however, the Town will have a better chance of receiving additional assessment funds if they have effectively utilized the existing funds.

The Town of Lee previously took advantage of the EPA's Targeted Brownfield Assessment (TBA) Program to complete a Phase II Assessment at the Eagle Mill. Through TBA, assessments are conducted by qualified professionals contracted with EPA to conduct assessments on properties at no charge to community. In addition, a Phase I Assessment was prepared under the Regional Assessment Program operated by the Berkshire Regional Planning Commission (BRPC). Updates to the Phase I Assessment will be required before the developer takes control of the site. If assessment funds beyond the \$300K granted are needed by the Town, the Town should request additional TBA services or EPA assessment funds.

For any assessments beyond what the TBA program and EPA funds cover, interest free financing can be obtained through MassDevelopment's Brownfields Site Assessment Program in amounts up to \$100K per redevelopment site. These funds are available to non-profits and municipalities.

- ii. Pursue EPA direct cleanup grants for multiple parcels on site

The EPA offers direct cleanup grants to non-profits and municipalities in amounts up to \$200K per site. The Eagle Mill has the potential to be parceled in to six or more sites based on the different uses planned for each area of the site. The annual limit on cleanup awards to one entity in a single year is \$600K: three sites with a \$200K maximum award. The developer could apply for these funds directly if he chooses to take ownership of the structure as a non-profit organization. The developer should create a strategy to phase the project cleanup over the course of at least two years in order to be eligible for the maximum amount of direct cleanup grants for each site each year. Over the course of two years, there is potential to secure \$1.2M in EPA funds for the project. Use of EPA funds will require engagement of a Licensed Site Professional (LSP) to ensure that the state's cleanup regulations are met.

Additionally, the EPA requires a 20 percent match for cleanup grants awarded. Other sources of loans, such as the Mass Development Loans described in the next section, may qualify as a match for the funds.

- iii. Access Berkshire Regional Planning Commission Revolving Loan Fund and Mass Development Loan to finance the cleanup gap

Additional cleanup funds are available through the Berkshire Brownfield Cleanup Revolving Loan Fund as loans and subgrants. Although the Cleanup Revolving Loan Fund is also funded by EPA, the funds are considered separate from the EPA direct grants, and there is no limit to the amount that can be borrowed as long as funds are available. The funds would be available to the developer as a loan regardless of non-profit or for-profit ownership structure. The funds could be available as a sub-grant (up to \$200K per site) if the site is owned by a tribe, governmental entity, or non-profit; however, these grant funds are limited.

Loan terms are set on a case by case basis and are intended to have flexible terms below market rate. Funds may only be expended toward eligible activities and some additional requirements do apply such as the requirement to meet Davis Bacon wages.

For cleanup costs in excess of what the EPA direct grants and the BRPC revolving loan fund can support, the developer or Town may wish to access MassDevelopment's Brownfields Remediation Loan Program which offers flexible financing terms for loans up to \$500K per site.

- iv. Engage Insurance Archaeology professional to research potential for cost recoupment

For sites that were contaminated prior to the 1980s, former insurance policies may cover the costs of environmental remediation. Some consultants specialize in locating former site owners and their insurance policies to determine, with assistance from a law firm if necessary, if any coverage can be obtained for cleanup costs. It should be noted that sizeable deductibles (up to \$1M) are common for most insurance cost recovery policies, so the cleanup costs may or may not exceed the amount of the deductible. Although the outcome of this investigation is uncertain, it has potential to be a very worthwhile investment. The developer has been provided with the name of an insurance consultant that provides insurance archeology services. A contingency fee arrangement is one option to explore.

- v. Explore cost recovery from former site owners

The Town should also consider pursuing the former polluting site owner to request remediation of the site. The Town should consult with EPA's in house legal counsel to further advise on this subject.

Part II: Financing Infrastructure

One of the largest barriers to the redevelopment of the Eagle Mill site is the anticipated infrastructure cost, which is estimated between \$6-8 million. Currently, the water distribution system that services the Town of Lee, including the Eagle Mill, does not have the necessary capacity for the fire suppression systems required for the redevelopment, or the increased load it would place on the city's existing systems. While it's unlikely that the funds necessary to meet the financing gap will come from a single financing source, the following recommendations for project financing may be layered in order to cover the costs associated with infrastructure improvements. Pursuing a variety of funding sources concurrently will also enhance the competitiveness of the project by demonstrating a commitment to leveraging these resources.

i. MassWorks Infrastructure Program

The MassWorks Infrastructure Program provides infrastructure grants to municipalities and other eligible entities seeking funds for their infrastructure projects. According to local sources, previous award amounts in Western Massachusetts have been between \$2-3M. While the grants are competitive, the Town of Lee is well positioned to compete for the funds considering plan designs for improvements are already completed and additional funds committed to the project have already been identified. However, site work associated with the private development must be concurrent with MassWorks construction projects. The project is expected to be more competitive when financing has been secured and construction can proceed in conjunction with MassWorks.

The Town should plan ahead for an anticipated application deadline of August or September 2017 and prioritize completing the steps necessary to be ready to submit an application by this deadline.

ii. USDA Rural Development Community Facilities Program

The USDA Rural Development Community Facilities program provides a significant source of financing to rural communities through grants, loans, or a combination of grants and loans, as well as a loan guarantees. Under the program, grant assistance can cover up to 75% of the total project cost.¹ The loan guarantee program offers credit enhancements that guarantee the lender up to 80% of the loan. Applicants for any of the Community Facilities programs must be public entities or non-profit organizations to be eligible for funding. To meet this requirement, the developer should consider forming a separate non-profit organization or work with the Town or existing Community Development Corporation to take ownership of the property.

iii. Economic Development Administration (EDA) Public Works Program

The EDA offers funding through its Public Works Program to help distressed communities leverage private resources, create jobs, and improve economies. Grant awards vary depending on project, but awards of up to \$3M are available.² Given the Town's previous experience with

¹ USDA RD Community Facilities Program. (2016). Abbreviated Fact Sheet. Retrieved from: <http://www.rd.usda.gov/programs-services/community-facilities-direct-loan-grant-program>

² EDA. (2016). Public Works Program Grant Opportunity Sheet. Retrieved from:

an EDA planning grant, an effort should be made to initiate a conversation with the EDA planning grant contact or Regional Director to familiarize them with the Eagle Mill project. The Town should also take this opportunity to ensure that the Eagle Mill and any planned future development, such as the other mill sites located in Lee are integrated into the 2016 Berkshire Comprehensive Economic Development Strategy (CEDS).

iv. Mass Department of Environmental Protection (DEP) Clean Water State Revolving Fund

The Clean Water State Revolving Fund (CWSRF) loan program receives funding from the EPA in the form of an annual grant, supplemented by state matching funds and funds paid back by previous borrowers.³ The funding provides low-interest loans to communities for the purpose of improving water quality, including replacing aging water infrastructure. If attempts to garner grant dollars and other non-traditional financing have not closed the gap on infrastructure, the CWSRF funds could function as an affordable source of project financing.

v. District Improvement Financing (DIF)

In Massachusetts, District Improvement Financing (DIF) enables municipalities to finance infrastructure improvements and other costs associated with redevelopment projects in targeted areas. Once established, the DIF district will capture the increased incremental taxes from improvements made to the property as the value increases. The DIF funds can be used to pay for present development costs based on future improvements.

The creation of a new district incorporating the Eagle Mill could provide a significant source of revenue for the project for the considering the projected \$60M investment and future property tax increase. Because DIFs are complex financing tools, the Town should engage a consultant to aid in the analysis and process of creating a district.

In Massachusetts, a DIF may comprise up to 25 percent of a town or city's land.⁴ Given the proximity of the three other former mill sites, the DIF analysis should include evaluation of the future redevelopment activity at those sites and consider where the district boundaries should be drawn. Establishing a broader district while base values are low could be a preemptive way to capitalize on future revenue capture.

A DIF is not required to be backed by municipalities, and instead can be financed through a pay-as-you-go structure, or backed by developer. As such, a development agreement could be established between the Town and the developer with certain benchmarks for phasing of construction, revenue generation, and municipal financing of improvements in order to mitigate risk.

<http://www.grants.gov/web/grants/view-opportunity.html?oppld=279842>

³ Mass DEP. (2016). Clean Water Trust 2015 Annual Report. Retrieved from:

<http://www.mass.gov/eea/agencies/massdep/water/grants/clean-water-state-revolving-fund.html>

⁴ Mass.gov. (2016). Smart Growth Toolkit. Retrieved from:

http://www.mass.gov/envir/smart_growth_toolkit/pages/mod-diftif.html

Part III: Leveraging Additional Resources

To the extent that additional funds are needed to complete the project, the following sources may help cover costs associated with the redevelopment of the Eagle Mill.

i. Tax Increment Financing (TIF)

In most states, TIF is understood as a financing tool that functions the way a DIF in Massachusetts functions (as described in Part II above). However, in Massachusetts, a TIF refers to legislation under which a landowner may be granted property tax exemptions of up to 100 percent of the tax increment for terms up to 20 years. Such TIFs are common in Massachusetts. The Town (or City) can initiate a TIF by an approval vote of the governing body for the designated TIF zone and improvement plans, which should include a thorough analysis of the projected public and private cost associated with the improvements and maximized impact of economic benefit to the tax zone.⁵

The TIF directly benefits the developer by providing tax relief, and therefore allows more of the developer's resources to flow to construction costs. Like DIF, TIF can be used as a funding mechanism for the project and ultimately lead to improved property values within a targeted area, however, a TIF will not contribute to funding infrastructure or other amenities.

ii. MassDevelopment Lending

MassDevelopment partners with banks to provide loan participations and loan guarantees for all stages of development. This type of lending takes on several forms, but could be most helpful to the Eagle Mill developer in the form of an "elevator loan" that provides financing for non-equity building improvements, such as what may be needed for the planned fire suppression improvements.

iii. MassSave Financing for Business Program

As a resource for the end user and developer, the MassSave program provides loans to assist with the installation of qualified energy-efficient improvements such as lighting, HVAC, natural gas equipment to a facility. Eligible participants include multi-family and non-profits. Interest free loans are available up \$500K with a seven year maximum term.⁶ Conditional on the ownership structure of the Eagle Mill, these dollars could help fill financing holes left if the State Historic Tax Credits are not available for the affordable housing planned for the site.

⁵ Mass.gov. (2016). Smart Growth Toolkit. Retrieved from:
http://www.mass.gov/envir/smart_growth_toolkit/pages/mod-diftif.html

⁶ MassSave Financing for Business Program. (2016). Financing Brochure. Retrieved from:
<http://www.masssave.com/~media/Files/Business/Information-and-Edu-Docs/About-MassSave-Financing-Brochure.pdf>

iv. Community Preservation Act (CPA)

The Community Preservation Act provides a source of revenue through the creation of a Community Preservation Fund to help fund the preservation of open spaces and historic buildings, and create affordable housing. The monies for the fund are raised through the imposition of not more than 3 percent of the tax levy against real property.⁷ This is accomplished without raising the tax rate for the adopting community, but through assessing a surcharge on the previously calculated property tax bills at the community's current rate.⁸ The CPA statute also creates a statewide Community Preservation Trust Fund, administered by the Department of Revenue (DOR), which provides distributions each year to communities that have adopted CPA. These annual disbursements serve as an incentive for communities to pass CPA. Municipalities can adopt a CPA by ballot referendum. For the purposes of funding larger projects such as the Eagle Mill, communities can also issue bonds against their future CPA revenue stream.

Part IV: Increasing Access and Capacity

The following sources may be helpful in expanding the connectivity of the Eagle Mill to the Town of Lee and the surrounding area's bike and pedestrian trails by leveraging other federal, state and local funds.

i. Land Trust

The central location of the Eagle Mill in the Town of Lee presents an opportunity to create a greater connectivity to the community through bike and pedestrian access. Approximately two of the nine acres of the Eagle Mill property are located directly across the Housatonic River. Given the sites location along the river, an opportunity exists for the landowner to sell or donate a conservation easement through a land trust organization, which may help offset project expenses through lower property taxes or through a federal income tax deduction if the land is donated. To this end, the amount of the donation is the difference between the land's value with the easement and its value without the easement. Placing an easement on property may or may not result in property tax savings.⁹

ii. Bicycle/Pedestrian Trail

The Berkshire Bike Path Council is currently working to create and promote a multi-state, multi-use recreational trail, which will potentially run through the Town of Lee. The Lee Bikeway Committee is currently overseeing the development of an off-road bicycle/pedestrian segment between the Rt 20/Rt 103 intersection north to West Park Street and is also investigating possible routes to take it north to Center Street, near the Eagle Mill. The Committee also envisions a bikeway north, connecting Center Street to Lenox Dale, with the route possibly passing directly by the Niagara Mill. The developer and Town of Lee should work to engage the

⁷ Community Preservation Coalition. 2016). Retrieved from:

http://www.communitypreservation.org/CPA_Funding

⁸ Community Preservation Coalition. 2016). Retrieved from:

http://www.communitypreservation.org/CPA_Funding

⁹ Land Trust Alliance. (2016). Benefits to Landowners. Retrieved from:

<http://www.landtrustalliance.org/what-you-can-do/conserves-your-land/benefits-landowners>

Lee Bikeway Committee to tie the Eagle Mill development to the bike trail, which may open up additional dollars for infrastructure projects for the project. Additionally, providing access via the recreational trail would increase traffic to the site, benefiting retail businesses. The Rails to Trails program provides planning and management technical assistance to communities looking to create new trails and methods that can generate political and funding support for your project.¹⁰

iii. Surface Transportation Program

Used primarily for Federal Highways and Bridge and Tunnel repair, the Surface Transportation Program also provides flexible funding for pedestrian and bicycle infrastructure. Additionally, 15 percent of a state's rural suballocation may be used for minor collector roads.¹¹ These additional dollars could be utilized by the Town or the developer to increase additional access to the Eagle Mill site. For example, an additional access point for automotive traffic could be established or the decommissioned dam could be repurposed into a pedestrian bridge to connect the mill site to the additional acreage across the river.

¹⁰ Rails to Trails Conservancy. (2016). Powerful Tools for Trails. Retrieved from: <http://www.railstotrails.org/build-trails/>

¹¹ Federal Highway Administration. (2016). Surface Transportation Block Grant Program. Retrieved from: <http://www.grants.gov/custom/viewOppDetails.jsp?oppId=282434>

Eagle Mill

Roadmap to Redevelopment

Additional Resources

MassWorks Infrastructure Program |

<http://www.mass.gov/hed/economic/eohed/pro/infrastructure/massworks/>

USDA Rural Communities |

<http://www.rd.usda.gov/programs-services/community-facilities-direct-loan-grant-program>

http://www.rd.usda.gov/files/RDCFIToolkit_Jan2016.pdf

EDA Public Works Program |

<https://www.eda.gov/pdf/about/Public-Works-Program-1-Page1.pdf>

Mass DEP State Clean Water Revolving Fund |

<http://www.mass.gov/eea/agencies/massdep/water/grants/clean-water-state-revolving-fund.html>

District Improvement Financing |

http://www.mass.gov/envir/smart_growth_toolkit/pages/mod-diftif.html

http://www.mbta.com/uploadedfiles/About_the_T/Panel/EOHEDGuidebookonPublicFinanceforInfrastructure.pdf

Mass Development Lending |

http://www.massdevelopment.com/assets/pdfs/lending_brochure.pdf

Community Preservation Act |

<http://www.communitypreservation.org/content/cpa-overview>

Berkshire Natural Resources Council |

<http://www.bnrc.org/>

Surface Transportation Program |

<https://www.massdot.state.ma.us/planning/Main/PlanningProcess/FundingConsiderations.aspx>

https://www.massdot.state.ma.us/Portals/17/docs/STIP/DraftSTIP2016_2019.pdf

CDFA Brownfields Financing Toolkit |

<http://www.cdfabrownfields.org/cdfa/cdfaweb.nsf/pages/brownfields-resources.html>

CDFA Online Resource Database |

<http://www.cdfa.net/cdfa/cdfaweb.nsf/ordsearch.html>

Types of Brownfields Grant Funding (Environmental Protection Agency) |

<http://www.epa.gov/brownfields/types-brownfields-grant-funding#tab-1>

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The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit www.cdfa.net or e-mail info@cdfa.net.

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