

## Frequently Asked Questions

### Ames Shovel Works Redevelopment Proposal

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The following answers to Frequently Asked Questions has been prepared by Department of Planning & Community Development staff with assistance from residents and Beacon Communities. For more information, please contact Planning Director Alice Savage at 508-230-0630 or [asavage@easton.ma.us](mailto:asavage@easton.ma.us)

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### General Questions about the Project Proposal

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#### Why is the Shovel Works important?

The Ames Shovel Works are located on an 8.2 acre parcel of land in the heart of Easton’s historic district, and are a unique survivor of America’s industrial past. Built in 1852, the site comprises the core of the North Easton Historic District, a 500-acre district with approximately 160 structures, which is one of the oldest and largest National Register districts in Massachusetts.

The Ames Shovel Works is historically significant for its role in the industrial transformation of 19th century America. At the height of its success in the 1870s, the Oliver Ames & Sons Company controlled 60% of the world market for shovels. The shovels manufactured here by generations of the Ames family helped build America: Ames shovels were used during the California Gold Rush, the Civil War, and the building of the Transcontinental Railroad. The buildings that remain standing today are monuments to that time.

In 2009, [The National Trust for Historic Preservation](#) named the Ames Shovel Works to its list of [The Top 11 Most Endangered Historic Places](#) in America. [Preservation Massachusetts](#) listed the site as one its [Most Endangered Historic Resources](#) in 2008.

### **What is the current status of the original proposal?**

The original developer currently has a permit from the Zoning Board of Appeals to build a 40B development on the site. Several conditions were placed on that permit to decrease the impact to the historical structures. The developer is appealing that decision to the Housing Appeals Court (HAC), and that process is ongoing. The Town is actively fighting that appeal. In a large majority of cases, appeals to the HAC have been historically settled in the developer's favor, or there is a negotiated settlement. Very rarely are the decisions in favor of a community.

The original developer has a preliminary permit from the Department of Environmental Protection for wastewater discharge on the site. The original developer also must go through the Massachusetts Environmental Protection Agency permit process. Neither of these factors have an impact on the HAC appeal process.

Also, the original developer has an application for demolition of the entire site. The Historical Commission has imposed a one year demolition delay on the project, which expires in August. At that point, the original developer has the right to demolish the buildings on the site.

### **What is the revised proposal for the site?**

Beacon Communities, in partnership with the Town, proposes to restore the historic industrial buildings for residential use. The proposal is based on the detailed preservation plan developed by the [Friends of the Ames Shovel Works](#), and includes:

- Historic Restoration of the Shovel Works complex to National Park Service standards, with a recorded historic preservation deed restriction, to protect the site forever
- Creation of 119 units of housing, of which 20% will be affordable housing in perpetuity
- A new 2.4 acre public park in the North Easton Village Center
- On-site wastewater treatment plant with capacity to serve a portion of the North Easton Village
- Restoration of pedestrian access through the site, connecting Main Street to Oliver Street

- Creation of new public exhibition space/museum to house artifacts relating to the Shovel Works, with a self-guided walking tour and signage
- Environmentally-friendly design and LEED certification

### **Will the homes be for sale or for rent?**

The market-rate units will initially be rented, and after 5 years will be sold as condominiums. The affordable units will be rented for at least 15 years, in order to comply with the requirements of the Federal Low Income Tax Credit program, and then can either be converted to affordable condominiums or kept as affordable rental apartments at the Town's discretion.

### **Who can I contact if I have additional questions about this project?**

Please contact Planning Director Alice Savage at the Department of Planning and Community Development at 508-230-0643 or [asavage@easton.ma.us](mailto:asavage@easton.ma.us)

## **Costs and Benefits of the Proposal**

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### **How will this project benefit the Town of Easton?**

There are numerous benefits to the community, including the following:

#### ***Historic Preservation***

The only way to preserve the Shovel Works Buildings is to use them. Left as is, they will continue to deteriorate. This proposal will result in the restoration of Ames Shovel Works complex, forever preserving a nationally unique resource for the next generation and enhancing the historic character of the North Easton Village.

#### ***Revitalized Main Street***

The development will include a wastewater treatment plant with potential to provide treatment to a portion of North Easton Village, which would allow for new businesses. New residents in the heart of North Easton Village also mean new customers for Main Street businesses. The proposed public pedestrian walkway through the site and the restoration of the Mechanic Street underpass will also encourage activity around Main Street.

#### ***New Community Resources***

The proposal includes a 2.4 acres public park and public open space, as well as community space in the single family cape currently located on the property, which will be donated for use by the Historical Society and/or Stonehill College.

### ***Increased Affordable Housing***

70% of the affordable homes will be available on a priority basis to Easton residents and Town employees. The project will also accomplish a significant step towards the Town's 40B goal, enabling Town to reject unwanted 40B developments.

### ***Positive Economic Impact***

Increased tax base will generate revenue to the Town, in contrast to the existing owner's rental apartment plan that will result in a net loss to the Town

Fewer units than the current owner's plan would mean less traffic and fewer Town expenses

The CPA funds will be utilized twice through repayment of the Town investment

### ***Excess Wastewater Capacity***

The onsite wastewater treatment plant that will serve the development will be constructed and operated by the Town. The proposed WWTP will have significant excess capacity for additional users and the Town will have full discretion and authority to allocate the WWTP's excess capacity to private or public users. This proposal assumes that each of the 119 units will pay its full share of the WWTP's operating and maintenance costs.

### **Isn't the town taking a significant risk by investing in this project?**

Part of the Town's investment in the redevelopment project is proposed to be repaid to the CPA fund through a combination of revenue sharing from the rental proceeds and sales proceeds from the condominium conversion. The Town has worked with Beacon to structure this loan in a way that minimizes risk.

First, no Town money will be distributed to the project until all other funding sources for the project are firmly in place. If for some reason the developer was unable to secure any other required funding sources, the project would not go forward and the Town would keep its CPA funds.

During construction, the loan from CPA funds will be placed in escrow and distributed on a schedule that will be negotiated to protect the Town. The Town will require the developer to be subject to financial review at several points throughout the process, and release money from escrow as appropriate. The developer will also face the scrutiny and vetting of the first mortgage lender, which, in the current economic environment, has significantly increased. There will also be a construction bond on the project to financially secure the contractor's performance in case the contractor does not perform its duties under the contract.(This scenario actually occurred during the high school construction project, and the bond allowed

the town to quickly hire a new contractor at no additional cost. The project was completed on time, and on budget.)

Second, Beacon's construction lender (most likely Bank of America) will agree to secure the Town's loan through the riskiest part of the development process, construction and leasing. If for any reason the project is not completed, or, if after it is completed, the project fails to attract sufficient renters to obtain permanent financing, the Town's investment will be repaid by the construction lender. If the project is not completed by the developer, or the developer becomes insolvent before the project attracts sufficient renters to obtain permanent financing (typically 70% of the units), the bank will return the funds to the Town of Easton or insure the project is successfully completed. The \$3,000,000 preservation easement restriction will be guaranteed by Beacon's construction lender through construction completion, at which time the restoration work will be complete under the requirements of the preservation easement.

Third, at the time of permanent financing (which happens when the project is complete and the majority of units have been rented), the town's investment will be secured by a second mortgage on the property. If for some reason the developer is unable to sell the condos during the 16-year term of the loan and therefore unable to repay the full principal of the loan, the Town will have a security interest in the property.

Fourth, the track record of the developer, Beacon Communities, is excellent. Beacon Communities has never defaulted on any of its financial obligations.

Although there is always some risk involved in any financial arrangement, the Board of Selectmen are confident that the risk of loaning \$4.5M to the project has been minimized by the construction bond, construction lender's guarantee, and the second mortgage. At the time of project completion, even if the loan were not repaid, the Town will have obtained a preservation easement to permanently protect the Shovel Works site from future demolition, 24 units of new affordable housing, a 2.5 acre public park, and a new wastewater treatment plant with capacity to serve a portion of the North Easton Village.

The risk of *not* lending the money is that, in addition to forgoing all of the above, the current owner could demolish or significantly alter the Shovel Works site. The proposed plans include constructing buildings that will be a visual eyesore, inappropriately scaled and without any green space. The current owner's plan will adversely impact the heart of our beautiful North Easton downtown neighborhood forever. The loss to the Town's character in this case would be immeasurable. If the current owner's redevelopment project is constructed instead, the Town will also face a fiscal shortfall over the life of the project in terms of increased costs of public

education, public works, and public safety that won't be adequately offset by property tax revenue. Because the Beacon proposal converts rental units to higher taxed condominium units after 5 years it provides a more significant revenue stream to the Town to more than offset the costs of Town services.

### **Will this project prevent the purchase of other CPA priorities?**

No. This project will not prevent the purchase of other CPA priorities. The Town accountant ran various "worst case" scenarios that assumed no new CPA funding from the state, no investment income, etc., and despite these conservative estimates, determined that even after the proposed appropriation of CPA funding to the Shovel Works, there will always be sufficient funds to purchase all three of the open space parcels that are the Community Preservation Committee's top priorities. [Click here to access the Town Accountant's report.](#)

### **Will this project increase our taxes?**

No. The CPA funds which would be used to support this project have already been collected from the CPA surcharge on property taxes and a state match obtained through deed registration fees. The funds in this account can only be used for CPA purposes and can neither support general government operations or be refunded to taxpayers, even if the CPA bylaw were repealed. Because the Beacon proposal converts rental units to higher taxed condominium units after 5 years, it provides a more significant revenue stream to the Town to more than offset the costs of Town services. If the Town does not support this project and instead the current owners' project is constructed, the Town will face new costs which will not be offset by the new revenue of the current owner's proposal.

## **Project Financing & Funding Sources**

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### **What are the terms of the agreement between the Town of Easton and Beacon Communities?**

Town financial investment is crucial to successfully restoring and rehabilitating the buildings. The current investment proposal includes four components.

- \$3 million will be used to purchase a preservation restriction that will prohibit the demolition or major alteration of the existing Shovel Works buildings, and the building of the additional 63 units and 35,000 square feet of commercial space proposed by the previous developer

- \$4.5 million will be invested into the development to fund construction costs. The \$4.5 million investment will be loaned at 3% compounded interest. Repayment will begin as soon as the development begins to rent, in the form of a share of the rental income from the property. The remainder will be repaid when the market rate condominiums are sold after the 5-year period. After the Town is repaid its investment and Beacon is paid its full fee, the Town and Beacon will share any additional proceeds 50/50. The investment will be secured by a second mortgage on the property.
- A tax increment financing (TIF) district will be established that will freeze real estate taxes at their current level, plus an annual inflation factor. The tax freeze on each unit would be lifted as soon as it is sold as a condominium, at which time it would be assessed and taxed at its full market value.
- A sewer enterprise fund will be established to fund \$1.5 million in bonds necessary to construct the wastewater treatment plant. Under the law governing enterprise funds, only those homes or businesses connected to the waste water treatment plant will pay a for the waste water treatment.

### **Why is there a five-year waiting period before the market rate units can be sold as condominiums?**

Various state and federal subsidies are required to make the redevelopment work. These include state and federal historic tax credits as well as other tax credits and loans. The historic tax credit program requires that all the units be rented for at least five years, after which time they can be sold as condominiums.

### **How will the cost of the preservation restriction be calculated?**

The seller's comprehensive permit application, which is currently under appeal, allows for 182 housing units and 35,000 square feet of commercial space. In contrast, Beacon's proposal consists of 119 apartments, or 98 fewer equivalent units than the Seller's proposal. The historic preservation restriction, in essence, is a payment to stop those additional units from being built. Based on previous appraisals of comparable 40B land costs per unit, it is estimated that each unit's land value is worth approximately \$30,000-\$35,000. Therefore, the historic preservation easement purchased by the Town would result in a \$3M (98 x \$30,000) reduction in value and lost opportunity cost to the seller. These assumptions will be verified by an independent, accredited appraiser.

The \$3,000,000 preservation easement restriction will be guaranteed by Beacon's construction lender through construction completion, at which time the restoration work will be complete under the requirements of the preservation easement.

## **Structure of the Proposed Loan/Investment**

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### **What is the potential return to the Town from this investment?**

According to George Cole, the Town's independent financial reviewer, the Town could receive more than \$10 million if the units sell for \$375,000 (gross) in 2017.

### **How much do the units need to sell for so that the Town can be returned its investment plus interest?**

The units would need to sell for \$285,000 (gross) per unit in 2017.

### **The \$4.5 million investment would not be provided by a traditional bank, so why should Easton taxpayers fund it?**

Through this investment, the Town is investing in Easton's quality of life by revitalizing our downtown, preserving Easton's history, and creating open space and affordable housing. The Ames Shovel Works rehabilitation is closely aligned with the CPA's purpose and further leverages state funding (both CPA and others). In addition, the financial participation aligns our interests with Beacon's and allows an opportunity, in addition to the public benefits, to recapture a significant portion of the public funds that we will have committed, and potentially profit from the investment.

### **Will the Town investment be repaid to the Town's general fund, or to the CPA fund?**

It is important to the Town that the money is repaid directly to the CPA fund. This will enable the Community Preservation Committee to use the funding twice, as the loan repayment proceeds can then be used to fund future projects.

### **What is the Town doing to assure that Beacon is financially stable?**

Beacon has an exemplary track record of developing quality housing for many decades. In its many years of existence, Beacon has never defaulted on a loan or commitment. However, the Town will thoroughly assess Beacon's financial state at several times throughout the process.

### **What risk is Beacon taking?**

Beacon is providing all the significant upfront capital to obtain its permits and financing. These costs include legal fees, architectural fees, option payments, etc., which Beacon will not recoup if the transaction fails. Beacon is also formally guaranteeing construction completion and building lease-up, thereby putting the company's assets at risk during construction. Beacon is also deferring 50% of its fee until the units are converted to condominiums.

### **When will the Town's CPA money be paid to Beacon?**

The Town will not be contributing any money to the development until Beacon receives all of its permits and financing commitments. The Town's funds will be distributed at the financing closing, which will coincide with Beacon's other financing sources contributions.

### **What happens if Beacon defaults on the Town's investment?**

Through the construction and lease-up period, the Town's investment is guaranteed by Bank of America. The only way that the loan will not be repaid is if either: a) **after** a majority of the project is leased up, the project becomes financially insolvent; or b) after 16 years, the condos cannot be sold **and** there is not enough equity in the project to repay the loan if the project is foreclosed on. Both of these scenarios are possible, but are highly unlikely. The Town's \$4.5M investment is further protected by the self-interest of the developer. In the structuring of the transaction, the ability of the developer to reap significant financial returns from the development is tied to the repayment of the Town's funds. If the Town is not fully repaid, then the developer's returns are capped and relatively small, essentially equal to their fee and investment of time and money.

In either case, the Town would, at a minimum, have a permanent historic preservation restriction on the property and a completed project in the heart of its downtown. The completed project would include a new public park, as well as a wastewater treatment plant, 24 new affordable housing units, and tax revenue from the property.

Please see the response above under **"Isn't the town taking a significant risk by investing in this project?"** For a full explanation of the risk involved with this investment.

## **Construction and Environmental**

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### **The site was previously utilized as a factory. If there any environmental problems are uncovered, will the Town be required to clean them up?**

The Town will not be required to clean up any environmental contamination. Previous owners have conducted extensive testing and remediated contamination on the site. Beacon intends to conduct additional testing to ensure there is no additional contamination. If additional contamination is found, it will be the responsibility of the existing owners to clean up the contamination. Beacon's various funding sources will utilize independent environmental experts to complete a thorough review of the environmental issues before agreeing to initiate the financing closing.

### **How safe is the wastewater treatment plant?**

The wastewater treatment plant discharges effluent (processed wastewater) seven times cleaner than a standard septic system. The proposed wastewater treatment plant will discharge effluent below the requirements set forth by the Massachusetts Department of Environmental Protection.

### **In what ways will the development be green?**

Beacon has committed to constructing the development under the LEED program. This will ensure that healthy building materials are utilized; energy efficient HVAC, appliances, and lighting are installed; and low impact development measures are incorporated.

The proposed redevelopment will include low impact development features such as vegetated swales and rain gardens that will permit stormwater to be reabsorbed into the ground rather potentially harming Queset Brook and subsequently the nearby pond. Roof water will also be captured in basins onsite and reused for irrigation. Finally, much of the existing paving will be converted to public open green space that will assist in retaining stormwater onsite. These measures will help protect the wetlands and Queset Brook.

### **Will the potential South Coast Rail project have an impact the development?**

No. Beacon Communities has successfully built housing near active train lines and near busy highways in several other communities. Beacon's construction plans include soundproofing measures that will prevent residents from being disturbed by any additional noise that might occur if Easton's rail line becomes active in the future.

## **Use of Community Preservation Act (CPA) Funds**

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### **What is the Community Preservation Act (CPA)?**

The Community Preservation Act (CPA) was created to allow cities and Towns to exercise control over local planning decisions. The CPA can provide a community the funds needed to control its future. CPA funds can help communities preserve open space and historic sites, and create affordable housing and recreational facilities.

Property taxes traditionally fund the day-to-day operating needs of safety, health, schools, roads, maintenance and more. However, until the CPA, there was no steady funding source for preserving and improving a community's quality of life and character. CPA funding comes from a 3% surcharge on property taxes and is matched by the state (through revenue raised by statewide registry fees). Until recently, the state fully matched all local surcharges.

According to the CPA legislation, the local community preservation committee “shall make recommendations to the legislative body for the acquisition, creation and preservation of open space; for the acquisition, preservation, rehabilitation and restoration of historic resources; for the acquisition, creation and preservation of land for recreational use; for the acquisition, creation, preservation and support of community housing; and for the rehabilitation or restoration of open space, land for recreational use and community housing that is acquired or created as provided in this section. With respect to community housing, the community preservation committee shall recommend, wherever possible, the reuse of existing buildings or construction of new buildings on previously developed sites.”

### **What are the legal uses of CPA funds?**

CPA funds can be used for three purposes:

- Acquisition of land for open space preservation or recreation
- Creation and support of affordable housing
- Acquisition and preservation of historic buildings and landscapes
- A minimum of 10% of the annual revenues of the fund must be used for each of the three core community concerns. The remaining funds can be allocated for any combination of the allowed uses. This gives each community the opportunity to determine its priorities, plan for its future, and have the funds to make those plans happen.

**Every year, the Town’s annual budget is stretched thin to pay for firefighters, police, and schoolteachers. Why don’t we use CPA money to fund the Town Budget instead of this project?**

CPA funds can only be used for the uses described above. Any use of CPA funds for Town operating costs would be illegal.

**Can the Town borrow against future CPA funds?**

Yes. Communities may borrow against the local CPA surcharge revenue they expect to receive in future years. Any bonds issued under the CPA are payable from future revenues.

**Can the Town legally use CPA funds to partner with a for profit developer, such as Beacon Communities?**

Yes. A city or town may partner with other public entities and, in certain circumstances, with private entities, including for-profit and non-profit entities, to undertake allowable uses.

**What approvals are required to allocate these funds?**

The Town of Easton Community Preservation Committee (CPC) must vote to approve Beacon’s application for funding. If the CPC approves Beacon’s request, then the TIF, CPA loan/grant, and sewer enterprise fund must be approved by a 2/3 vote at a Town Meeting.

## **Questions about the Previous Proposal**

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**How does this proposal differ from the proposal by the previous developer?**

The previous developer proposed 182 rental housing units, and 35,000 square feet of commercial space. The plan incorporated the demolition and significant alteration of the existing buildings, including separating the historically significant long building. The proposal also included significant paving of the site for parking. In contrast, this proposal includes retaining all the significant historic buildings with only minor changes to enable residential uses. Where the previous proposal included paved parking, this proposal includes open space and a park open to the public. This proposal also anticipates converting the market homes to condominiums after 5 years, which provides a significant increase in tax base to the Town (homeownership tax revenue is significantly higher than rental apartment revenue).

### **Aren't we being held hostage by developers?**

No. When someone buys a piece of property, they have the right, within law, to develop or build on that property. An historic preservation restriction is a voluntary, legal agreement that protects a significant historic, archaeological, or cultural resource. The restriction provides assurance to the restriction's owner (in this case, the Town of Easton) that a historic property will be preserved forever. By granting a preservation restriction to the Town, the property owner will give up the right to build additional, more profitable structures on the lot, in exchange for compensation appropriate to offset that loss.

### **If the Town approves this proposal, won't the previous developer profit?**

Yes. Business is about profit, for everyone. It is important to note, however, that no matter what happens to this property, the previous owner will profit. If they build under the prior proposal, they will profit. If they demolish the existing buildings and build a new apartment complex or commercial buildings, they will profit. The Town is working to provide the best outcome for our community.

### **Will the previous developer have an interest in the property, or a contracted right to participate in the construction?**

No.

## **Other Questions**

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### **Who is Beacon Communities?**

[Beacon Communities](#) has developed, owns and manages over 30 apartment communities, consisting of almost 10,000 units, throughout New England, NY, PA, and Virginia. Beacon Communities has rehabilitated a number of historic properties, including the Wilber School in Sharon, MA. Through its property management company, Beacon Communities is a long term investor in the communities in which it develops. In contrast to some developers that develop and then quickly sell, Beacon's reputation is dependent on its commitment to the long term success of each of its communities.

### **What is the definition of an historic preservation restriction?**

Historic preservation restrictions preserve the facade and surroundings of historic structures or historic land areas, and limit a developer's ability to fully develop a property. An historic

preservation restriction is a legal agreement used to protect historic buildings from change. The restrictions are drawn up by the property owner and a government entity that is in charge of their enforcement.

**If this is one of the 11 most endangered national historic landmarks in the country, why aren't any of these preservation groups or the federal government pitching in? They came out here with the podium and posed for pictures and talked a good story, but is that all they do?**

The [National Trust for Historic Preservation](#) and [Preservation Massachusetts](#) are non-profit private organizations, with no connection to the federal or state government. Both of these are advocacy organizations; they use their limited resources to raise public awareness about the value of historic preservation. When faced with threats to resources such as the Shovel Works, they can be very influential in helping to bring together public and private stakeholders to craft a solution.

Independent of these groups, the federal and state governments give significant support to the preservation of sites like the Shovel Works, by offering tax credits for projects that restore historic buildings, in conformance with standards that are set by the U.S. Secretary of the Interior. A significant part of the funding subsidies that will make the Beacon proposal feasible is the use of these federal and state historic tax credits.