



City of New Bedford, Massachusetts

Office of Housing & Community Development

Patrick J. Sullivan, Director

HOUSING DEVELOPMENT INCENTIVE PROGRAM

The City of New Bedford is seeking to expand residential development within its downtown business district by creating an incentive zone utilizing the newly developed program offered through the state of Massachusetts Department of Housing and Community Development.

The Housing Development Incentive Program (HDIP), established as M.G.L., Chapter 40V, provides Gateway Cities with a development tool to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization in designated geographic target areas.

The program provides two tax incentives to developers to undertake substantial rehabilitation of properties for lease or sale as multi-unit market rate housing:

- 1) A local-option tax exemption on increased property values
- 2) A State tax credit of up to 10 percent of qualified rehabilitation costs.

Project Specifics:

Substantial rehabilitation of an existing property resulting in:

- Two or more units for sale or lease as market rate housing
- Minimum of 80% of total units as market rate
- One or more buildings on one or more contiguous parcels of land permitted and financed as single undertaking. May be mixed-use, including commercial
- No restrictions on size of HD Projects
- Must be substantial rehabilitation of an existing property

HD Tax Increment Exemption Agreement authorizes annual exemption from local property tax

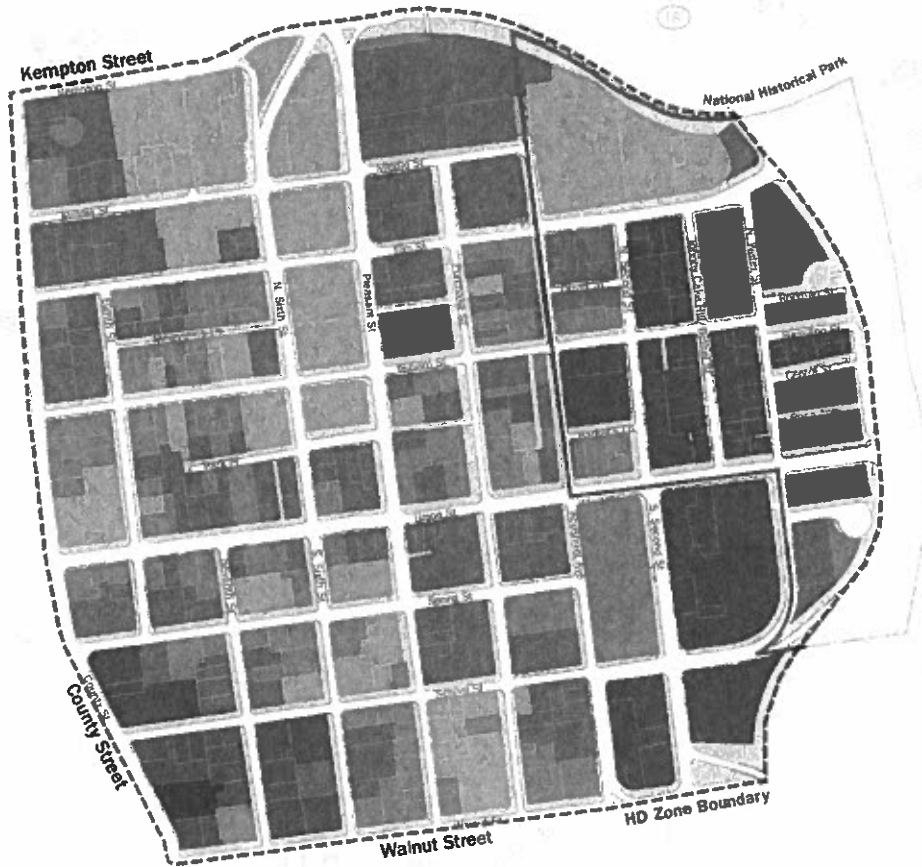
- Exemption percentage of 10-100% of incremental value of market rate units
- % may vary among HD Projects
- % may change from year-to-year for individual HD Projects
- Duration of Agreement 5-20 years
- Effective as of the 1st fiscal year following DHCD's certification of HD Project and approval of Agreement
- DHCD will also approve Agreements for HD Projects not seeking/not awarded HD Tax Credits

State Investment Tax Credit up to 10% of qualified substantial rehabilitation costs of market rate units

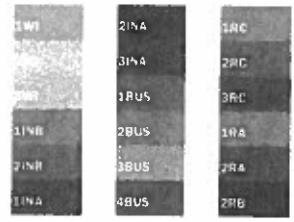
- Credit of up to \$2M for individual HD Projects
- Credit allowed in taxable year in which project completed and certified by DHCD
- Credit is transferable and can be carried forward for up to 5 years
- Total annual program cap of \$10M

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The City's HD Zone constitutes the core of New Bedford's downtown. It is bounded on the east by Route 18; on the south by Walnut Street; on the west by County Street; and on the north by Kempton Street.



Existing Zoning



HOUSING DEVELOPMENT INCENTIVE PROGRAM



CITY OF NEW BEDFORD
TAX INCREMENT FINANCING BOARD

1213 Purchase Street
New Bedford, MA 02740

Tel. (508) 991-3122
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Jonathan F. Mitchell, Mayor

TIE/HDIP PROJECT OVERVIEW

Project: National Downtown Club LLC Eighteen and Union 2135 & 319 Commercial Street and 10 Front Street, New Bedford, MA	Contact Information: Sean LaFrance, Director of Facilities LaFrance Hospitality Telephone: 508.294.7097 Email: sean@lafrancehospitality.com
Prepared By: Patrick J. Sullivan Director Office of Housing and Community Development	Date: October 13, 2020
Company Background: LaFrance Hospitality began in 1955 when it opened a family restaurant in Westport, MA, named it White's. Richard LaFrance took over operations and in 1985 created the addition of the Grand Salon at the restaurant which added 9,800 square feet, and greater flexibility to the business. LaFrance Hospitality Company took a step in a new direction in 1989, with the opening of it's first limited service Hampton Inn hotel, adjacent to White's of Westport. This Hampton Inn was joined by two more in 1995 and 2000, respectively, with the Fairhaven/New Bedford Hampton Inn and the Franklin, MA Hampton Inn. With the sale of the Fairhaven and Franklin Hampton Inn properties in 2007 to the Claremont Company, LaFrance launched its first non-owned Hotel Service Contracts. The restaurant/banquet side of the business expanded, also, with the purchase of what was to become Bittersweet Farm Restaurant and Tavern in Westport, in 1998 and Rachel's Lakeside, a banquet/function facility in Dartmouth, MA in 2002. LaFrance Hospitality Company has opened hotels in: Comfort Inn and Suites, in Dover, New Hampshire. a 122 room Hampton Inn & Suites in Plymouth, MA, Comfort Inn & Suites in Wilton, Maine, Hampton Inn and the Homewood Suites, the Fairfield Inn & Suites by Marriott & Waypoint Event Center, New Bedford, MA, Holiday Inn Express in Milford, Massachusetts, TownePlace Suites by Marriott Wareham Buzzards Bay hotel at Rosebrook Place: a mixed-use development by the A.D. Makepeace Company just off I-495/I-195 in Wareham, MA. The hotels have received many awards from local and international organizations, including "Best Hotel Opening" from Marriott International, and Economic Impact Awards from Boston based MassECON, and the New Bedford Area Chamber of Commerce. In addition to the company's New England hotel properties, LaFrance Hospitality also acquired four hotel properties in Florida through various partnerships while assuming management control in a select few. LaFrance Hospitality sold their Dover, NH Hampton Inn in 2015, and later, in 2016, the Comfort Inn & Suites, Dover, NH hotel to the same company. In 2016, LaFrance Hospitality added three new hotel properties within six months of each other. Courtyard by Marriott Boston Littleton, located at The Point in Littleton, MA, a mixed-use retail destination on I-495, opened in May of 2016 and soon after, a Fairfield Inn & Suites hotel in Plymouth, NH, opened in September 2016, the company acquired the Residence Inn North Conway hotel in New Hampshire from True North Hotel Group.	

Proposed Project

The project is located within the downtown New Bedford Historic District on lower Union Street. The project named "Eighteen and Union", is proposing to completely renovate three separate, but contiguous buildings. The frame building is particularly historically significant, built in 1783 with the second and third buildings build between 1843 and 1845.

The project will involve the substantial rehabilitation of these three buildings resulting in a total of 28 residential units - 23 market rate units, 5 affordable units, and 2 commercial spaces. The apartments will be structured as follows: 20 – two (2) bedroom units, and 8 – one (1) bedroom units. The proposed use for the commercial spaces is for a barber and restaurant.

The apartments will be structured as follows: 18 – two (2) bedroom units, and 8 – one (1) bedroom units. The proposed use for the commercial spaces is for a barber and restaurant. The project is estimated to cost \$13 million and will total 26,788 square feet. The proposed construction start date is September 2020 with a project completion date of September 2021.

The owner of the project will be a newly created LLC named; National Development LLC. The Development team includes: Developer – LaFrance Hospitality, General Partner -Lanagan and Associates, Development Consultant – WHALE, Architect – Newport Collaborative, Construction Manager – LaFrance Hospitality, Management Agent – Lanagan & Associates, Attorney – Klein Hornig, Syndicator – Dorfman Financial.

The project is fully permitted with the Zoning Board, Planning Board, and Historic Commission. The City of New Bedford, through the Office of Housing and Community Development will be providing federal HOME funding to support the project.

Financing Summary:**SOURCES OF FUNDS**

Owner Mortgage	\$5,519,885
Opportunity Zone	\$1,700,000
State Historic Tax Credits	\$1,727,189
Federal Historic Tax Credits	\$2,007,857
HDIP	\$1,840,000
City HOME	\$ 500,000

TOTAL SOURCES **\$13,294,930**

USES OF FUNDS

Acquisition	\$2,350,000
Construction Frame Building	\$2,643,124
Construction Masonry Bldg	\$4,057,890
Construction National Club	\$1,138,960
Contingency	\$ 700,000
Acquisition and Construction:	\$10,889,974
Subtotal Soft Costs:	\$1,404,956
Developer Overhead and Fee	\$1,000,000

TOTAL USES **\$13,294,930**

Rehabilitation Investment

The project proposes to renovate three historic buildings utilizing several funding sources identified in the Development Budget including State and Federal Historic Tax Credits. The Beckman buildings consist of a stone building (21-35 Commercial Street) and a wood framed building (11-19 Commercial Street) that were constructed in three phases between 1843-1851.

The Project will restore and rehabilitate the Beckman buildings into a mix of 26 affordable and market rate one-and – two -bedroom units, as well as one commercial space. The stone building will contain solely residential spaces. The building will be re-roofed, and dormers will be added. Original doors and windows will be restored wherever possible. The interior will be partitioned into residential apartments and townhomes. All mechanical, electrical, plumbing, fire protection systems will be replaced with new code-compliant systems. The Frame building will be primarily residential with one commercial space on the first story of the eastern portion of the building. The frame building presents multiple structural challenges and will require some restructuring and reconstruction to render the building sound, habitable and compliant with building codes. Following structural repairs, the Framed building will be renovated utilizing original windows, siding and doors whenever possible. An elevator will be installed to provide accessibility to both the Framed and the Stoned building.

The estimated construction costs total \$8,539,974 (including a \$700,000 contingency). In accordance with the HDIP requirements, I have requested, from the developer, a breakdown of the actual eligible construction costs associated with the market rate residential units only. The 5 affordable units and the commercial space construction costs will have to be subtracted from the total construction cost of the project.

Proposed Tax Increment Exemption

The developer is requesting a TIE for a term of 10 years. The TIE Tax Exemption % would begin at 100% the first year and then would be at 20% for years 1-5. The TIE exemption would then increase by 10% for years 6-10 resulting in 100% after the ten years. The current assessed tax of the buildings is \$49,471 based on a current appraised value of \$1,472,800. The proposed construction costs totaling \$8,539,974 and the current value of \$1,472,800 are being utilized to compute the new assessment totaling \$8,652,256. The new tax derived from the proposed renovations and the base value would total \$290,169 in year 2. Based on the proposed TIE agreement, the developer would pay the base value of the property each year plus the new assessed value less TIE exemption. The tax would increase by TIE percentages outlined above until the property would become fully taxed in 15 years.

Attached to this summary is the proposed Tax Increment Exemption Schedule, as well as site and building plans for the project.

National Downtown Club, LLC
 18 & Union
 New Bedford, MA
 TIE Calculation

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[10]	[12]	[13]	[14]	[15]	[16]	[17]	[18]
Fiscal Year	Base Value	Improvement Value	New Assessment	Tax Rate	Base Tax @ 100% Value	New Invest Tax @ 100% Value	Total Tax	TIE % Payment Each Year	TIE Exemption %	Tax Paid By National Downtown Club on New Investment	Tax Exemption to National Downtown Club on New Investment	Tax Paid By National Downtown Club Each Year	Tax Benefit To National Downtown Club Each Year	Average Local Annual Spend (based upon 28 units)	Local Tax	Tax Benefit to City of New Bedford	
2020	\$1,472,800		\$1,472,800	33.59	\$49,471	\$0	\$49,471	100%	0%	\$0	\$0	\$49,471	\$0	\$0	\$0	\$49,471	
2021	\$1,502,266	\$5,395,000	\$6,897,266	33.59	\$50,481	\$181,218	\$231,679	20%	80%	\$36,244	\$144,974	\$86,704	\$144,874	\$336,000	\$23,520	\$110,224	
2022	\$1,532,301	\$5,502,900	\$7,035,201	33.59	\$51,470	\$184,842	\$236,312	20%	80%	\$36,968	\$147,874	\$88,438	\$147,874	\$342,720	\$23,960	\$112,428	
2023	\$1,562,947	\$5,612,958	\$7,175,905	33.59	\$52,499	\$188,538	\$241,039	20%	80%	\$37,708	\$150,831	\$90,207	\$150,831	\$349,574	\$24,470	\$114,677	
2024	\$1,594,206	\$5,725,217	\$7,319,423	33.59	\$53,549	\$192,310	\$245,859	20%	80%	\$38,462	\$153,848	\$92,011	\$153,848	\$356,566	\$24,960	\$116,971	
2025	\$1,626,090	\$5,839,722	\$7,465,812	33.59	\$54,620	\$196,156	\$250,777	20%	80%	\$39,231	\$156,925	\$93,852	\$156,925	\$363,687	\$25,459	\$119,310	
2026	\$1,659,612	\$5,956,516	\$7,615,128	33.59	\$55,713	\$200,079	\$255,792	50%	50%	\$100,040	\$100,040	\$155,752	\$100,040	\$370,971	\$25,968	\$181,720	
2027	\$1,691,784	\$6,075,646	\$7,767,431	33.59	\$56,827	\$204,081	\$260,908	60%	40%	\$122,449	\$81,632	\$178,276	\$81,632	\$378,391	\$26,487	\$205,763	
2028	\$1,725,620	\$6,197,159	\$7,922,779	33.59	\$57,964	\$208,163	\$266,126	70%	30%	\$145,714	\$82,449	\$203,677	\$82,449	\$385,858	\$27,017	\$230,684	
2029	\$1,760,132	\$6,321,102	\$8,081,235	33.59	\$59,123	\$212,326	\$271,449	80%	20%	\$169,661	\$42,465	\$228,964	\$42,465	\$393,678	\$27,557	\$256,541	
2030	\$1,795,335	\$6,447,524	\$8,242,859	33.59	\$60,305	\$216,572	\$276,878	90%	10%	\$194,915	\$21,657	\$255,220	\$21,657	\$401,551	\$28,109	\$283,329	
TOTALS					\$602,003	\$1,984,287	\$2,586,290			\$921,591	\$1,062,896	\$1,523,584	\$1,062,696	\$3,879,106	\$257,537	\$1,781,131	

46% 54%