



# THE VALUATION ISSUE

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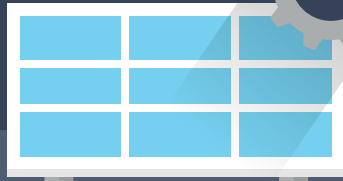
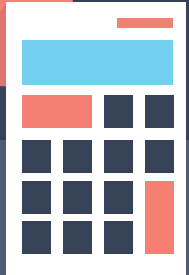
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# Massachusetts Property Combines LIHTCs, HTCs, ‘Checks a Lot of Boxes’

BRAD STANHOPE, SENIOR EDITOR, NOVOGRADAC

608 Broadway in Lawrence, Massachusetts, is an elite development.

“608 Broadway checks a lot of boxes for us with our work and mission,” said Cynthia Lacasse, director of rental business development at MassHousing, an independent, quasi-public agency that provides financing for affordable housing in Massachusetts. “It’s transforming a former vacant, blighted property in a region of Lawrence that is ripe for redevelopment. It’s mixed-income, so it provides affordable housing to low- and moderate-income residents across a range of incomes. It’s in a great location, plus it’s in Lawrence, which is a Gateway City.”

*Image: Courtesy of ICON Architecture*

A portion of the historic Marriner Mill complex in Lawrence, Massachusetts, will be transformed into 87 apartments thanks to a mixture of state and federal low-income housing tax credit (LIHTC) and historic tax credit (HTC) equity.

Developer Trinity Financial is turning a portion of the historic Marriner Mill complex in Lawrence into 87 affordable apartments thanks to equity from low-income housing tax credits (LIHTCs) and historic tax credits (HTCs). This is the second part of a multiphase project: Trinity Financial completed neighboring Arlington Point in 2019. That 102-apartment complex received more than 1,000 residential applications.

“There’s been a lot of enthusiasm and support,” said Dan Drazen, vice president of development at Trinity Financial. “The governor came out to Lawrence in July and actually made the LIHTC award announcement for 608 Broadway in front of our Arlington Point

project. Elected officials, from local all the way up to the state, are really happy to see it.”

When finished in mid-2023, 608 Broadway will be the next step in the redevelopment of the Marriner Mill complex specifically and that area of town generally.

The mill building has a significant history in Lawrence.

### Wool, Flannel and Fleece

The Marriner Mill building was built in 1896 as part of a larger complex for Arlington Woolen Mill Company, which was a leading manufacturer of wool and flannel shirts. In the 1950s, the Malden Mills Company purchased the building and relocated its operations from Malden, Massachusetts. It was there that modern synthetic fleece was introduced in 1981.

A fire in 1995, one of the worst in the state’s history, destroyed multiple buildings and 40% of the plant was damaged. Despite the devastating setback, then-CEO Aaron Feuerstein continued to pay his workers while the factory was rebuilt. Ultimately, the company was unable to regain its footing and, in 2007, Malden Mills sought bankruptcy protection for a third and final time. The company was acquired by a private equity firm that renamed it after Malden Mills’ flagship product, Polartec. By 2016, Polartec closed operations in Lawrence and moved to sites in New Hampshire and Tennessee.

Other mill buildings had similar fates over the past several years and the city has encouraged development in the Arlington Mills Smart Growth Overlay District, which is zoned for up to 1,000 residential units and includes 608 Broadway.

“This is really the continuation of the revitalization of this historic mill district,” Drazen said.

Lauren Henry, director of acquisitions at Red Stone Equity Partners, the syndicator for the property, said Red Stone began its work revitalizing the neighborhood with Trinity and TD Bank with the Arlington Mills project. The opportunity to continue

the work by revitalizing the historic Marriner Mill property was attractive.

“Personally, I’m always interested in historic buildings,” said Henry. “It’s amazing that the LIHTC pairs so well with the federal and state historic tax credits, so you can have projects that bring new life into an old abandoned building. You’re not just building, you’re creating a community in a market that has a huge need for this type of housing.”



*Image: Courtesy of Picasa*

The entire Marriner Mill Building will be redeveloped, starting with a portion that will become affordable housing through a combination of historic tax credit and low-income housing tax credit equity.

### Housing Now, Mixed-Use Later

Lawrence Community Works (LCW) collaborated with Trinity on a condominium structure for the property. Trinity Financial will develop the residential portion and LCW will conduct a mixed-use redevelopment of the remainder of the property.

“It’s an exceptionally large building and that part was very interesting,” Henry said. “They had to figure out the dynamics of splitting it into two parts. Both parts aren’t being rehabilitated at the same time, as the second part will be developed in the future. Trinity really had to be creative and problem-solve to consider how the work to be done in the future would be integrated.”

Drazen said 608 Broadway will echo many of the features in Arlington Point.

“Our design plan will have many of the same finishes and the same amenity package,” Drazen said. “One

obvious difference is that this is a large building. This represents just a quarter of [the whole building].”

Of the 87 units, 17 will be restricted to those earning at or below 30% of the area median income (AMI), 49 will be for those earning at or below 60% of the AMI and 21 will be for those earning up to 80% of the AMI. There will be 27 one-bedroom apartments, 40 two-bedroom apartments and 20 three-bedroom apartments.

There will also be a community room/lounge, indoor play space for children and a fitness center. Trinity Financial will include a solar array on the roof, although it must not be visible from ground level to meet federal HTC criteria.

Drazen said the property will likely get a formal name at a later date, but the working name is 608 Broadway. He credited city leaders with providing the impetus.

“From the permitting and approval perspective, the city has really set the framework to catalyze development,” Drazen said. He said he expects the rest of the building to be finished in five to 10 years.

### **‘No Greener Way to Approach Development’**

To be eligible for HTCs, the property must align to requirements of the National Park Service (NPS) and Massachusetts Historical Commission (MHC). Drazen said the historic issues involved in the property are “pretty straightforward” and that the experience of completing Arlington Point helped give his team an understanding of what the NPS and MHC want.

“People talk a lot about green development and design and we’re strong believers in the idea that there’s no greener way to approach development than to take an existing structure and breathe new life into it,” Drazen said. “What’s true here also holds true for Arlington Point. We feel strongly that this is the most sustainable way to do development. That’s what we like best about it—taking a historic asset like this that’s underutilized and was closed for a few years.

There is a real need for housing and this property is responding to that demand.”

### **Huge Demand in Lawrence**

As evidenced by the 1,000 applicants for housing in Arlington Point, affordable housing is in short supply in Lawrence.

“There’s an overwhelming a need for housing in Lawrence,” Drazen said. “We saw a staggering amount of demand.”

Lacasse said Trinity Financial is meeting a significant need.

“That there’s a 10-to-1 demand isn’t surprising and it’s why what we do what we do,” said Lacasse. “Arlington Point is an incredible development and the good news is this is a big campus. This is one phase of many phases, so the people who weren’t able to rent an apartment in Arlington Point will have another opportunity in 18 months or so when 608 Broadway comes online.”

Henry said the demand is a key factor for 608 Broadway.

“The need in Lawrence was a significant part of our analysis,” said Henry. “The number of people who wanted to rent at Arlington Point shows the need for affordable housing. The lack of quality, affordable housing is a problem across the country, but particularly in Lawrence.”

### **Strong Partnership**

The financing partners had praise for Trinity Financial.

“Trinity is one of the top developers in the country and working with them is always appealing to us,” Henry said. “Their entire team is great, transparent and creative. We enjoy our partnership with them.”

Lacasse agreed.

“We’re fortunate to have Trinity doing a lot of development in Massachusetts,” said Lacasse. “We’re happy to partner with them on something like this that’s so complicated.”

Lacasse added that Trinity’s work doesn’t end when the building is placed in service.

“Trinity builds the buildings, then they manage them,” she said. “The word ‘manage’ doesn’t even begin to describe the organization’s long-term contribution. Trinity’s staff supports a community of people who now have homes, so they can focus on the rest of their lives. ... It’s inspiring to see how the professional teams work so closely day in and day out with the residents in their developments.”

### Major Equity Investment in LIHTCs, HTCs

With Red Stone Equity Partners functioning as the syndicator, TD Bank provided \$36.4 million total equity—\$26.1 million for state and federal LIHTCs, the remainder for state and federal HTCs. MassHousing provided the permanent loan, bridge loan financing and \$2.1 million from its Workforce Housing Initiative.

“TD has been involved in multiple phases of this site’s redevelopment as a lender and investor, and Trinity always proves to be both creative and thoughtful about the impact their project’s plan and design will make for residents,” said Andrew Warren, senior vice president at TD Bank.

Warren said the result is positive.

“We love retaining the historic character of Lawrence and its industrial past while providing critical affordable housing that’s needed in the community today, which is what makes this project special,” said Warren. “What’s also very meaningful to us is that we’re cleaning up environmental issues on-site, which will make the community safer overall. Combining social and environmental benefits makes this an important investment in the city and makes us proud to be a partner. ❖

### 608 BROADWAY

#### FINANCING

- ◆ \$17.7 million federal low-income housing tax credit (LIHTC) equity from TD Bank
- ◆ \$8.4 million state LIHTC equity from TD Bank
- ◆ \$7.9 million federal historic tax credit (HTC) equity from TD Bank
- ◆ \$4.9 million state Affordable Housing Trust Funds and Housing Stabilization Funds
- ◆ \$2.4 million state HTC equity from TD Bank
- ◆ \$2.3 million MassHousing permanent mortgage
- ◆ \$2.1 million MassHousing Workforce Housing funds
- ◆ \$800,000 deferred developer fee
- ◆ \$200,000 City HOME funds

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