

## RECIPE FOR REDEVELOPMENT...

### Arch Street brings right ingredients for Clark Biscuit rehab

BY BRAD JOHNSON

A complex recipe of tax credits, grants and other funding ingredients is being used to facilitate the redevelopment of the former Clark Biscuit Mill building in North Adams.

Colin O'Keeffe and Rich Relich, partners in Boston-based Arch Street Development, have been busily blending an assortment of financing sources for the \$13 million project, which will transform the long-vacant commercial structure into an attractive and much-needed affordable housing complex in the city's downtown.

"There is a growing need – a dire need – for this [type of housing] in our city," said North Adams Mayor John Barrett. "This project with the Clark Biscuit Mill will impact the working poor in a very positive way by providing a new supply of affordable apartments."

Barrett said the project will also impact the section of the city surrounding the complex, which is situated on Ashland Street just to the south of the city center and adjacent to the campus of Massachusetts College of Liberal Arts. "It's an important development for that neighborhood, and I think it will lead to other improvements down the road," he said.

In North Adams and other communities throughout New England, the escalating need for affordable housing and the renewed interest in revitalizing historic but long-vacant former mill buildings and other outdated facilities provide the public policy platform for companies like Arch Street Development to build upon.

This is reflected in the availability of tax credits, grants and other financial incentives that are targeted toward specific public policy goals such as low-income housing or historic preservation.

According to the principals with Arch Street Development, these tax credits have



With the former Clark Biscuit Mill (background), Rich Relich and Colin O'Keeffe found a perfect project for their firm's specialty in utilizing low-income and historic tax credits for redevelopment purposes. The long-vacant North Adams facility will be converted into 43 units of low-income rental housing.

become an integral factor in achieving commercial feasibility for projects that meet specified public policy goals. "It's a niche business," said O'Keeffe regarding the process of applying tax credits to qualified development purposes.

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Before establishing their own firm, he and Relich had participated in this specialized sector for several years as tax credit syndicators for major financial institutions. O'Keeffe explained this function as basically connecting developers of projects utilizing tax credits with investors who purchase the tax credits at a discounted rate. This allows the near-full value of the tax credits (which are typically al-

lotted incrementally over a multi-year period) to be made available up front as development costs are actually incurred. While not reducing the overall amount of debt carried on a given project, this process minimizes the amount that comes from mortgages or other conventional financing sources.

"Our area of focus was in affordable residential housing," said Relich, noting that these types of projects are particularly challenging due to the vital role that tax credits and other non-traditional funding sources play. "It can be a lengthy and complicated process," he said.

O'Keeffe agreed, adding that his and Relich's inside knowledge of the process was a primary factor in starting their own firm. "We established Arch Street because we felt we had expertise in putting the financial pieces together for affordable housing development," he said.

The company's website ([www.archstreet-development.net](http://www.archstreet-development.net)) describes Arch Street as

“committed to creating, preserving and operating affordable housing with the goal of strengthening neighborhoods and ultimately attracting private capital for continued community revitalization.”

The company cut its teeth two years ago on a modestly sized adaptive reuse project in the Rhode Island city of Woonsocket. There O’Keeffe and Relich undertook a \$7 million redevelopment of a former school and convent complex into 25 units of affordable housing.

As part of the historic St. Ann’s Church complex, the building was able to qualify for substantial state and federal historic tax credits as well as low-income housing credits and other funding sources. This amalgam

provided the basic template that Arch Street plans to use on subsequent projects.

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***“The city has been very supportive of our efforts to get this project going.”***

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“The combination of historic tax credits and low-income housing credits is an important advantage,” said O’Keeffe. “It gives you a little more leverage for these types of projects.” That leverage, he said, is useful in terms of securing overall funding for the project, but also for meeting the interests that many communities have in preserving their historic buildings and architectural heritage.

That combination of goals resonates with Barrett in terms of the city’s interest in redevelopment of the Clark Biscuit Mill. He noted that Arch Street’s initial project in Woonsocket reflects well on their prospects for success in North Adams.

“I have a very good feeling about them,” Barrett said. “Their Rhode Island project looks very nice. It brings new life to the building itself and is also bringing new activity to the neighborhood around it. I believe these gentlemen can achieve similar results here with Clark Biscuit.”

### **Long process**

Bolstering Barrett’s optimism is the perseverance Arch Street’s principals have exhibited over the lengthy preliminary stages of the process. “There are a lot of people who talk about affordable housing but never get around to doing anything about it,” he said. “They’ve stayed the course for almost three years now, and that demonstrates to me their commitment to making this much-needed project a reality.”

Arch Street’s involvement in the North Adams project began in 2005 when it responded to the city’s request for proposals for redevelopment of the building. The city had taken possession of the vacant property in foreclosure proceedings a few years earlier.

The RFP caught Arch Street’s attention. “We had been looking in western Massachusetts in several different markets for projects that would be a good fit for us,” said Relich. “The Clark Biscuit building looked like an ideal situation for us.”

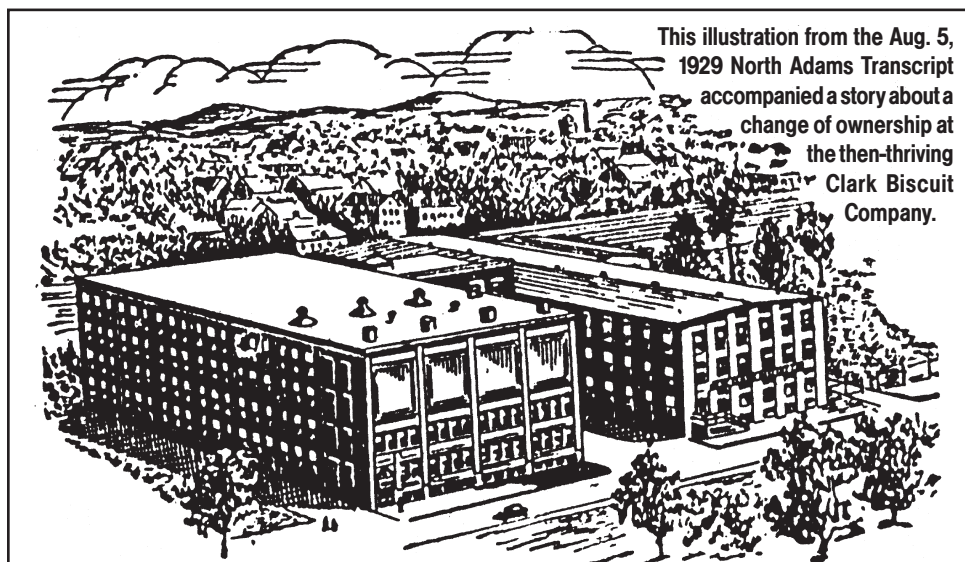
Arch Street’s proposal to convert the building to low-income housing was accepted by the city, and the company took an option to purchase the property. In the months and years that followed, O’Keeffe and Relich have been grinding through the cumbersome process of applying for the array of tax credits, grants and other funding sources that the project will require.

In some cases their efforts were met with success, while in others their initial applications did not make the cut. “It can be an ultra-competitive process,” said Relich.

O’Keeffe agreed, noting that the company has had to resubmit applications for some of the funding components needed for the project. In the meantime, they have worked on initial schematic design and other logistical aspects of the process of converting the former commercial complex for residential use.

Their perseverance paid off, and, as of this summer, all of the major pieces of the financial package had been secured.

Key among them are \$6.7 million in federal low-income housing tax credits that were awarded in June, and a combination



This illustration from the Aug. 5, 1929 North Adams Transcript accompanied a story about a change of ownership at the then-thriving Clark Biscuit Company.

## **Factory played prominent role in city’s history**

While the imposing commercial structure has sat vacant and blighted for several years, the Clark Biscuit Mill once had a prominent role in the city’s economic picture.

The main components of the factory were constructed in 1920 as an expansion of the H.W. Clark Biscuit Company. That company had been in operation since 1897 at various locations in the city, including several years at a smaller plant at the Ashland Street site.

According to press files provided by local historian Paul W. Marino, the newly expanded facility was considered at the time to be one of the most up-to-date factories of its kind, featuring cutting-edge automation and other advanced production systems.

With a wide range of product lines, the company became a significant employer in the city and one of the largest independent baking concerns in the country.

The fate of the factory over the next 30 years followed that of the Clark Biscuit Company itself, which went through various ownership changes, consolidations and other market-related adjustments that gradually eroded its role in the local economy.

By 1952 the last aspects of production at what had then become part of the Carr-Consolidated Biscuit Company were shut down as operations were moved to more modern facilities in other parts of the country. The North Adams facility continued to be used for storage and distribution purposes, and later was sold to the Consolidated Textile Corporation.

Over the next several decades the facility was used for a variety of manufacturing and warehousing purposes by a succession of occupants, the last of which was Tartan Manufacturing in the 1980s. A portion of the complex was converted for use as a restaurant for a short time in the late 1980s.

More recently, the facility was held by owners whose unsuccessful claims of tax-exempt status as a religious organization left the property in limbo for a number of years. About four years ago the city foreclosed on the property for back taxes and began seeking redevelopment proposals for the blighted complex. ♦

of just over \$4 million in state and federal historic tax credits that had been awarded earlier. These major pieces are augmented by loans from the federal HOME program (\$715,000) and the Massachusetts Affordable Housing Trust Fund (\$700,000), a \$120,000 redevelopment grant from MassDevelopment, and a \$500,000 mortgage through the Massachusetts Housing Partnership.

This nearly \$13 million financing package will be used to convert the existing 100,000-square-foot complex into 43 one- and two-bedroom rental units that will all be designated for qualified low-income applicants.

"It will be 100-percent affordable," said O'Keeffe. This distinguishes the Clark Biscuit project from other housing developments in which a mix of market-rate and affordable units is adopted primarily to facilitate local review and permitting processes.

With the funding picture complete, O'Keeffe said the project will now move forward in more tangible ways. That includes actually taking possession of the property for a reported purchase price of \$169,000. "We hope to close on the property in November," he said, adding that "the city has been very supportive of our efforts to get this project going."

In the meantime, Arch Street will be seeking bids for formal design and construction work on the project. Construction is expected to take about 18 months, with the first units ready for tenants by spring or summer of 2009.

"It will basically be a gut rehab, bringing it back down to bare bones," said O'Keeffe.

In addition, he said, the actual size of the facility will be reduced to about 80,000 square feet with the razing of some smaller outbuildings that were added to the main facility over the years.

O'Keeffe and Relich said the completed project – to be known as the Clark Biscuit Apartments – will be owned primarily by a limited partnership established through the tax-credit syndication process. Arch Street will serve as general partner with a nominal ownership stake in the facility.

In that capacity, they said, they will remain involved in the project over the long term. "We'll be hands-on in all aspects from construction through lease-up," said O'Keeffe. He said they will be looking to contract with a property management firm for ongoing operation of the apartment complex.

As it moves forward with the Clark Biscuit Apartments, Arch Street will also be scouting out other potential projects. "We're looking around for other properties that would be a good fit for us," said O'Keeffe.

That may include others in the Berkshire market, and some that involve market-rate residential redevelopment. For example, O'Keeffe said that the company is involved

in preliminary discussions with the city of North Adams for the potential purchase and redevelopment of the former Notre Dame Church on East Main Street.

Under that plan, the city would purchase the three-building complex from the Roman Catholic Diocese in Springfield and then resell it to Arch Street. That company would then convert the 28,000-square-foot school building into residential condominium units.

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Two other buildings – the 6,000 square-foot rectory and 15,000-square-foot church building – would be conveyed to the Contemporary Arts Center (CAC), which would use the facilities for gallery/exhibit space and artist-in-residence housing. (The CAC has been looking for facilities for these purposes since vacating its longtime location in the Beaver Mill complex last year, and had earlier submitted its own proposal for the church property.)

"We're excited about the prospect of working with the city and the CAC," said O'Keeffe. Noting that it was too early to discuss more specific details of the proposed project, he did acknowledge that the residential component would involve market-rate rather than low-income units.

"As we move on to new projects, we'll be looking at different ways to bring capital development to communities [like North Adams]," he said. While not all of these will lend themselves to affordable housing and historic tax credit consideration, O'Keeffe said that "projects like Clark Biscuit will remain the core of what we do at Arch Street."◆