

Memorandum

To: Tom Moore
From: Brian Connors, Deputy Director of Economic Development
Cc: Tim Sheehan, Phil Dromey, Alvin Allen, Marcos Gonzalez
Subject: Build Back Springfield Project Review
Date: April 4, 2022

The Build Back Springfield Review Committee met with Honore LLC Pellegrino on February 10, 2022 and have since reviewed a completed project application for a planned multi building redevelopment at 250-302 Worthington Street in Metro Center. The meeting was attended by the following Review Committee representatives:

- Brian Connors, Deputy Director of Economic Development
- Phil Dromey, Deputy Director of Planning
- Alvin Allen, Principal Planner
- Marcos Gonzalez, Project Manager – Economic Development

The Office of Planning & Economic Development has prepared this memo to support a decision by the ARPA Advisory Committee to consent to allocation of funding from the ARPA Build Back Springfield Fund to support this project.

Analysis of COVID-19 Economic Impact

On March 10, 2020, Massachusetts Governor Charlie Baker declared a State of Emergency in response to the emerging and unprecedented coronavirus pandemic.¹ Numerous executive orders followed the initial declaration of a state of emergency. Those orders included restrictions on gathering sizes, shutdown of normal business operations for businesses across the Commonwealth and closure of schools.²

While the emergency measures were necessary to curb the spread of coronavirus and respond to the COVID-19 pandemic, they also had significant impacts for the economy. Massachusetts experienced the highest unemployment rate in the country and Springfield experienced the 2nd highest unemployment rate in the state at over 25%³.

Prior to the COVID-19 pandemic, the economic outlook for residents in Springfield lagged behind the country and the state at large. The percentage of Springfield residents

¹ Commonwealth of Massachusetts, [COVID-19 State of Emergency | Mass.gov](https://www.mass.gov/info-details/covid-19-state-of-emergency)

² Commonwealth of Massachusetts, [COVID-19 State of Emergency | Mass.gov](https://www.mass.gov/info-details/covid-19-state-of-emergency)

³ WBUR, “Unemployment Squeezing Mass. Cities, Communities of Color, August 26, 2020

living below the poverty level was approximately 30%, nearly triple the state average and family median income trailed most Massachusetts cities⁴. An estimated 55% of Springfield residents aged 25 years or older had a high school degree/GED or less in 2010⁵.

According to U.S. Department of Treasury, communities like Springfield, with high social vulnerability have fared more poorly than the national average, with the understanding that underlying social and health vulnerabilities have contributed to more severe public health and economic outcomes for these residents.⁶ Residents in these communities suffered from disproportionate impacts from both the virus and the necessary actions taken by public health officials to contain the spread of the virus.⁷ This is especially true in the census-tracts with the highest concentrations of poverty and social vulnerability.⁸

Springfield’s QCTs have experienced high unemployment, limited economic opportunity, and housing insecurity. Nearly half of the population is low income, with the median income in the metro center census tract being \$13,877.⁹

<u>Census Tract</u>	<u>Median Income</u>
8007	\$17,898
8006	\$15,802
8008	\$14,516
8011.01	\$13,877
8020	\$20,202
8019.02	\$22,232
8018	\$28,015
8012	\$20,537
Average Household Income:	\$19,134.88

Significantly, with the ARPA Final Rule taking effect on April 1, 2022 it now offers a very clear framework for whether small businesses are considered "impacted" and "disproportionately impacted." Under the Final Rule all small businesses located within Qualified Census Tracts (QCT) are considered "disproportionately impacted" and are thus eligible for a broader list of place-based support, including storefront renovation and other physical improvements.

Worthington Street, and particularly this stretch of properties, represents the core of Springfield’s downtown commercial district and is within a QCT. These buildings house a few remaining small businesses, vacant commercial space, and are considered part of the historic fabric of the downtown with buildings that date back as far as 1891.

The properties that are included in this application fell into foreclosure in 2021 in the midst of the pandemic. The properties suffered mounting vacancies and closures, as the

⁵ Regional Employment Board/MassHire Hampden County Workforce Board, 2017

⁶ ARPA SLFRF Interim Final Rule

⁷ ARPA SLFRF Interim Final Rule

⁸ ARPA SLFRF Interim Final Rule

⁹ American Community Survey Data, U.S. Census Bureau

remaining small businesses located at the property were restaurants that were held to multiple lengthy closures and capacity restrictions that significantly reduced revenue from pre-pandemic levels. These vacancies and business closures represented a loss of job opportunities for residents within the QCT.

In August of 2021, the properties were put to public auction and the applicant to this program became the accepted bidder and eventual owner of the properties. The development entity used by Honore, LLC Pellegrino is a woman owned business based in Springfield.

The applicant has proposed a full redevelopment of the property, addressing long neglected exterior, deferred maintenance, systems, and preservation related issues in order to fully retenant the building to city and state building code standards. The application estimates total job creation in the completed redevelopment of all properties to total approximately 250 jobs, available to low and moderate income residents in the QCT.

The project proposal is also significant in that it proposes the historic redevelopment of the Underwood Building at 280-302 Worthington Street, which had been slated for demolition by the previous owner as recently as 2018. The Underwood Building was built in 1916 and originally housed the Underwood Typewriter Company. The building was also home between 1917-1949 to “The Big E/Eastern Exposition” main offices, as the fairgrounds were being developed West Springfield to what is there presently.

The building was heavily damaged in a nearby gas explosion in 2012, and has been left largely vacant and damaged since that time. That this proposal seeks to preserve this historic building and adaptively reuse it to restore for productive use again became a strong element of the project proposal. This building was also a concern for community health being vacant, boarded, with unknown environmental and public safety conditions. The ARPA Final Rule specifically addresses commercial properties of this kind as being part of eligible reuse categories so as to not further negative impacts.

Addressing the Impacts

The City of Springfield recognizes the impact to small businesses and commercial property owners in Springfield’s QCT’s. The necessary closures due to the pandemic sent an economic ripple effect from small businesses to property owners. These closures resulted in loss of job opportunities to Springfield’s low-income residents living within Qualified Census Tracts, and contributed to Springfield’s unemployment rate reaching a record high of 25.9% in June, 2020.

The City of Springfield Development Division has designed the Build Back Springfield program to address a variety of COVID-19 related capital improvement needs associated to these community impacts within Qualified Census Tracts. The key components to the program application were to attract private investment in redeveloping historic properties that were experiencing significant economic instability, increased vacancy, and deferred

maintenance and structural concerns. Adaptive reuse of vacant space is a key component of the program.

Projects would only be considered by the program in eligible tracts and be designed to offer benefits to the residents within these tracts. They would provide public services to communities that are underserved by businesses, job opportunities, and the project would be required to address existing disproportionate health, economic and social disparities that were exacerbated by the COVID-19 pandemic and improve health outcomes for the impacted community. Eligible projects within this program could include commercial rehabilitation, soft cost investments in development and/or tenant fit-out for eligible businesses.

The Build Back Springfield Review Committee has reviewed the application and request submitted by Honore LLC Pellegrino to utilize ARPA funding to redevelop this collection of historic mixed use buildings on Worthington Street. This will result in the preservation of historic properties as per the program goals, as well as significant job creation for local residents, and new and existing small business growth opportunities.

The project location is located on public transit lines and within a two-minute walk from Union Station, which is the downtown hub for PVTA busses.

The following program criteria would be met by the proposed project:

- Located and designed to serve residents of Qualified Census Tracts and would provide an essential public service to residents within Qualified Census Tracts to offer new, attainable job opportunities for low and moderate income residents
- Would address pre-existing health disparities, exacerbated by the COVID-19 pandemic by low-income residents of a qualified census tracts and would contribute to improved health outcomes for low-income residents within Qualified census tracts through the redevelopment of currently vacant property currently a public safety hazard
- Would activate a several vacant storefronts within the downtown neighborhood business district, thus improving walkability and public safety
- Preservation of multiple historic buildings suffering deferred maintenance issues as well as long term commercial vacancy exacerbated by the COVID-19 pandemic

As noted, businesses and communities within QCTs are a presumed disproportionately impacted community in the ARPA Final Rule by the U.S. Treasury¹⁰ and investments in disproportionately impacted neighborhoods to promote improved economic and health outcomes is an enumerated project recognized by the U.S. Treasury to respond to the disproportionate impact of the pandemic on such communities.¹¹

Final Recommendation

¹⁰ ARPA SLFRF Final Rule Federal Register / Vol. 87, No. 18 / Thursday, January 27, 2022

¹¹ ARPA SLFRF Final Rule Federal Register / Vol. 87, No. 18 / Thursday, January 27, 2022

It is our determination that the project proposed would meet the criteria set-forth by the Build Back Springfield Program design and the ARPA Final Rule. It is also our determination that the investment needed in Metro Center's commercial core with increased vacancy and deteriorating historic properties is essential to the economic well-being of the district as a job creation center. The harm created by increased vacancies in downtown Springfield and particularly in this district and at these properties experienced by the impacted communities far exceeds the cost of this subsidy of ARPA funds and is both reasonable and proportionate to address some of the harm and long-standing disinvestment within Springfield's QCTs and core urban neighborhoods. Without public subsidy to support this investment, the project would not move forward as a significant project financial gap exists.

Based on all of the described factors the Build Back Springfield Review Committee is submitting this memo and application to the ARPA Advisory Committee to approve and support an award of \$2,400,000 in ARPA funding for Honore LLC Pellegrino to redevelop these key buildings in downtown Springfield.

We would recommend that the award be conditioned on the following requirements prior to execution of a contract:

1. Honore LLC Pellegrino is required to submit additional supporting documentation for completion and submission of the three part analysis for capital improvements that exceed \$1 million as required by the U.S. Treasury
2. Completion of Section 106 review for any exterior changes to the building
3. Submission and approval of detailed final line item budget
4. Submission of quotes for goods and services that exceed \$3,500 to be reimbursed with federal funding
5. Submission of full financing commitment for privately funded portions of project
6. Submission and approval of schematic/floor/elevation/parking plans for the project
7. Full tax certification/debarment/exclusion review of all entities to receive federal funding

Site photos on following pages.

Photos



