



CITY OF NORTHAMPTON, MASSACHUSETTS

**AD-HOC FLORENCE COMMUNITY CENTER  
RE-USE COMMITTEE**

**Mayor David J. Narkewicz**

**Douglas Loux**, Florence Congregational Church

**Tom Smith**, Florence Civic & Business Association

**Maureen Scanlon**, communications professional with an office in Florence  
**Rich Cooper**, State Street Fruit Store, Deli, Wines & Spirits & Cooper's Corner

**&**

**City Council Finance Committee**

**Council President William Dwight**

**Councilor Marianne LaBarge**

**Councilor David Murphy**

**Councilor Eugene Tacy**

Mayor's Office  
210 Main Street  
Northampton MA 01060

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**MEETING MINUTES**

**Tuesday, January 22, 2013  
5:00 p.m.**

**City Council Chambers  
Puchalski Municipal Building  
212 Main Street, Northampton**

Present: Mayor David Narkewicz  
City Council President William Dwight  
Councilor Marianne LaBarge  
Councilor David Murphy  
Councilor Eugene Tacy  
Douglas Loux  
Maureen Scanlon

Absent: Rich Cooper  
Thomas Smith

Also Present: Susan Wright, Finance Director  
David Pomerantz, Central Services Director  
Terrence Masterson, Economic Development Director  
Tenants:  
Steve Unkles, Audio-Visual Archives  
Sylvie, studio partner with Debja Steinberger @ Movement Innovations Studio

**1. Call to Order**

**Councilor David Murphy, Finance Committee Chair**, called the meeting to order at 5:05 pm. There being no objections, the Committee decided to take public comment as it arises rather than in a block at the beginning of this meeting.

## 2. Discussion of Florence Grammar School building appraisal

**Councilor Murphy, Chair** summarized the process to date. The City issued a Request for Proposals for an appraisal of the building. Springfield's Crowley & Associates and Greenfield's Kim Levitch responded to the RFP. Kim Levitch was the only one who could conduct the appraisal within our time frame and who accepted our price range.

**Councilor Murphy, Chair** read the synopsis of the building's current condition affecting its value (Appraisal, page 14, last paragraph):

The subject suffers from a number of types of depreciation. Most of these are typical of older school buildings of this vintage. They include the general physical deterioration of the property. Bigger issues are in terms of functional obsolescence. These items include most of the major systems. The HVAC is antiquated and for practical reasons at the end of its economic life. The wiring and plumbing are not up to current codes. Lighting is both inefficient and is not up to current expectations. Many of the windows in the building are older single pane units that are inefficient. There is a lack of insulation in the building. The lack of modern energy efficiency in the building results in low yields for use as office artist space. Finally, access into the building is not up to current handicapped access expectations.

There is positive news in the Appraiser's findings on what the building could be are in the HIGHEST AND BEST USE ANALYSIS, summarized at the end (Appraisal, page 19, last paragraph):

**Conclusion:** Current use, office and artist space rental with potential of a mixed use conversion in the future. Mixed use would include second floor live work space. The Appraiser evaluates our current use of the building as the best use of the building. It conforms with City zoning and will result in the building's highest value.

The Appraiser relied mostly on the income approach (Appraisal, page 23). The top half of that graph is simply a rent roll for the building. The bottom half of the chart starts with the building's Gross Potential Income at Full Occupancy: \$135,583. He has made the assumption in the next line, Market Rent Adjustment, that the rents are 15% below market rate; thus he adds \$20,337 to the Gross Potential Income. Then he subtracts 10% (\$13,558) for vacancies, standard for a building of this size and with its rental history. Thus, the Gross Effective Income is \$142,362.

From that number the Appraiser deducts the known expenses to arrive at the building's Net Operating Income. Real estate taxes, property insurance, utilities, building management fee, maintenance, etc. total \$122,674.

\$142,362  
- 122,674  
\$ 19,688 Building's Net Income before debt service

The one item not emphasized in the appraisal is a cause of great worry for the City: the building's heating system. There is NO reserve fund should that heating system fail.

**Mayor Narkewicz** noted that the report's assessment of rents being 15% undervalued is elaborated on extensively in the Appraisal, pages 8 through 12.

**Councilor Murphy, Chair** turned to the Income Capitalization (Appraisal, page 24). The Appraiser took the cash flow amount and used a factor to indicate the building's value. **Mayor Narkewicz:** Please explain Income Capitalization in laymen's terms.

**Councilor Murphy, Chair:** It is the relationship between rent roll and the ultimate value of the building; how much income a property will generate on a monthly basis and what its sale price would be. In a perfect world, such as the residential side, you are able to do direct capitalization, based on actual sales of a number of similar buildings. Schools, churches, post offices and the like are anomaly buildings, made to serve a specific function and they do not sell every day. Thus we are forced to extract a capitalization rate by other means. Appraiser came up with 3 capitalization rates (conservative, optimistic, and most likely) that do not vary by very much, approximately by 1%. It seems to defy logic but the lower the rate the higher the indicated value. He rounds out the average of those 3 rates to arrive at the Income Capitalization Conclusion: \$270,000.

**Maureen Scanlon:** We are in a unique position because we have renters in the building and thus have an actual rent roll to go by. What if there had been no renters?

**Councilor Murphy, Chair:** Earlier in the report the Appraiser generated the market rate rental amount by consulting his rental survey for the square foot price and applying that to the various spaces in the building. It is more reassuring that there are existing building rents.

**Sylvie, studio partner with Debja Steinberger @ Movement Innovations Studio, Florence Community Center:** What rental market did the Appraiser use? There is a big difference between Northampton and Florence prices.

**Councilor Murphy, Chair:** It would have been based on what he felt the market area was and also the kind of building he was evaluating.

**Councilor Marianne LaBarge:** Why is the City Assessor's assessment of the building 12 times more than what Kim Levitch's valuation?

**Councilor Murphy, Chair:** That assessment has been changed to \$1.4 million.

**Councilor LaBarge:** The City assessment still is 5 times more than the Appraiser's. Why?

**Councilor Murphy, Chair:** City Assessor Joan Sarafin used the cost approach. We've already reviewed the income approach. Mr. Levitch also used the market approach, evaluating similar buildings sold in Hampshire and Franklin Counties. The third approach is the cost approach, in which you reconstruct the building as if new and pristine and then depreciate it down to its current conditions and then add the land's value. That is the typical approach used by Massachusetts municipal assessors for anomaly buildings that do not sell very often. The computer program used by municipal assessors can crunch the numbers quickly and easily using this cost approach. These buildings are not taxed so taking the time to assess the taxes is an exercise whose results end up in a file cabinet and not applied. Thus, such values show up as much higher than you would expect. For example, the City Assessor pegged the Florence Community Center at \$3 million plus for Fiscal Year 2012.

**Councilor LaBarge:** Assessor Sarafin also valued the lot itself at \$270,000.

**Councilor Murphy, Chair:** Actually the land value carried in the Appraiser's report is \$775,690. Again I say that the values for these anomaly properties are whatever the computer system produces because the figures will not be acted upon. The building's quality grade is given as C+, a bit higher than what the building's condition is now.

**Councilor LaBarge:** What would be the total cost of repairs, maintenance, asbestos removal, handicap access, etc.?

**David Pomerantz, Central Services Director:** \$1.1 - \$1.3 million.

**Councilor Murphy, Chair:** If we were to add those repair costs to the \$270,000 value of the Appraiser, the City Assessor's value looks quite accurate.

**Councilor Tacy:** As with Kollmorgen on King Street the piece of land in its location is worth millions but with the building the value decreases. The building actually is a millstone around the neck of the valuation. The former Florence Grammar School has huge problems. Every floor tile in that building has asbestos. Drainage in back of the building is a huge problem. Every time it rains the basement floods.

**Steve Unkles, Audio-Visual Archives, Florence Community Center:** The tenants don't agree with that. I've experienced two instances of flooding, one of which was caused by a blockage in the building's sewage outflow. The building does not flood whenever it rains, but only in a torrential downpour.

**Councilor Tacy:** The ground absolutely slopes to the back of the building. Any developer would have to address that situation.

**Councilor Murphy, Chair:** If someone were to rehab the building the drainage would have to be addressed.

**Councilor Murphy, Chair:** There is one other approach to value the property, the sales comparison approach, using the sales of several other school buildings (Appraisal, page 27). He arrived at \$235,000.

To tie the Appraiser's analysis together, read his RECONCILIATION (Appraisal, page 28).

### **RECONCILIATION**

The sales comparison approach is based on my highest and best use conclusion which is for the subject as an office/artist rental space. I have also considered the potential for conversion to some type of housing on the second floor with a most likely use being artist live work space. My sales comparison approach is based on two sales of elementary schools. Both are multi story and are approximately the same age and design as the subject. I have added an older three story brick mill sale that was latter converted to a mixed use with office on the first floor and apartments on the second floor. The final sale is actually a pending elementary school sale. This is an older brick multi story building of similar vintage as the subject. It faces more difficult zoning restrictions than the subject for reuse and it is in a location with a lower overall rent structure and thus value than the subject. Overall the sales bracket the subject. There are two sales smaller, one larger and one about the same size. The sales also bracket the subject for condition and quality of construction. However, none of the sales are in Northampton, one is a pending sale and one was in fair to poor condition at sale. These weaknesses offset some of the similarities of the sales. My conclusion using the sales approach is \$235,000. This is considered to have moderate support.

I have also developed the income capitalization approach. The client has provided a rent roll and historical records for expenses back to 2006. From these along with some market adjustments for market rent, and accounting of some typical additional expenses I have calculated a value. Since my conclusion of highest and best use is for continued rental of the property by an investor this is the most appropriate method of valuation. It is also the best supported approach. My conclusion from this approach is \$270,000.

Based on my analysis and my experience as a real estate Appraiser, I have formed the opinion of the market value of the property, as of November 26, 2012, to be: **\$270,000**.

**Councilor Murphy, Chair:** The Appraiser developed a cost approach at all, which is the method favored by municipal assessors' computer programs. The cost approach is not useful with an old building; it would require too much number crunching, thus making it a less accurate valuation.

The cost approach is not appropriate for an older property such as the subject where there is a high percentage of physical depreciation and functional obsolescence. Depreciation is difficult to accurately measure in an older building where these levels become very high. As a result, I have not developed this approach." (Appraisal, page 23)

**Council President William Dwight:** I address this to the Mayor. In the best of all possible worlds, what outcome does the City prefer in order to:

- Reestablish the property on the City's tax rolls; and
- Unencumber the City from any additional investment in the structure.

**Mayor David Narkewicz:** The appraisal was done less to reach the final valuation number but to have an outsider assess the building's condition. I was struck by how low the sales prices were for school buildings in other towns. And the City is required by law to get a market appraisal if we end up selling the property.

**Council President Dwight:** This building is not a diamond in the rough that will yield a fortune if the City sells it. I ask the City Finance Director: Do these overvalued dollar amounts for non-profit properties get filed? Some residents say that because of the Dover Amendment the City owns all these highly valuable properties that are not being taxed.

**Susan Wright, Finance Director:** No.

**Council President Dwight:** If we developed the Payment In Lieu of Taxes (PILOT) agreements that some residents have called for, we certainly could not base the payments on these numbers. And if we were to attach a PILOT to the Florence Community Center building, how would that be assessed?

**Mayor Narkewicz:** No, we could not use the Assessor's computer-run easily obtained valuation. In the past when we've done PILOTS we have taken averages of values in the City and of average tax bills. When we sold a Water Department parcel on Prospect Street for the creation of the Solomon Schechter School a PILOT was derived based on the potential tax generation of that building would have been. It is the same with the Smith College Green Street area PILOT. We looked at those income generating properties using a formula of what income they would have generated had they not been taken off our tax rolls.

**Council President Dwight:** So a potential investor in this building would not be facing a \$3 million assessment but a number much more reasonable.

**Mayor David Narkewicz:** A more recent example is the sale of the Clarke School. There was that one computer generated number that was bandied about for a time. But the Assessor will use the sale price of the property for the year one assessment. Going forward every July 1 she will analyze what improvements have been made to the property and what income it has generated.

**Douglas Loux, Reuse Committee:** How much was the difference between what the Assessor assessed the Clarke property and what the sale price was?

**Mayor Narkewicz:** The City Assessor has not yet received notice from the courthouse that the sale has been completed.

**Douglas Loux:** Based on tonight's numbers the Florence Community Center rents would not support the cash outlay for the necessary maintenance to bring the building up to code. The rents do support the \$270,000 price. Why would anyone buy the building unless they intended to convert it to a different use?

**Councilor David Murphy, Chair:** That is exactly why buildings of this type are so hard to market. Is it economically viable even at \$270,000 with at least \$1 million of required improvements? What the building needs in upkeep gives the seemingly low price more credibility. That is why the City questions its desire to own the building any longer when it will take more than \$1 million to make the building reliable and stable. And the City is not in that business; it is outside the nature of the City's primary activities.

**Council President Dwight:** My line of inquiry is geared toward the tenants' possible interest in purchasing the building. I want to give them a clear sense of the building's potential as well as its liabilities. So while it is appropriate to speak in terms of a developer, at the same time there is a value that is not assessed by any Assessor. That is the value expressed by the tenants so eloquently at the 11/27/12 public meeting. As incubation space for artists, as affordable space for artists and even as live/work space. What would that process be?

**Mayor David Narkewicz:** You would want to request proposals from people or groups expressing what they would want to use the building for and what they would be willing to pay. The School Department has surplused the building from its inventory. **The purpose of the Ad Hoc Florence Community Center Re-Use Committee is to help determine if the City Council wishes to surplus the building from the City's inventory.** We could hire a broker or put the property up for auction, but given the attachment to this building by many residents and in keeping with the tenor of its neighborhood, we should develop an RFP seeking compatible uses.

**Councilor David Murphy, Chair:** That RFP certainly could state that consideration would be given to bidders who have that vision of the building and that consideration would be given to proposed uses consistent with what activities are occurring at Florence Community Center now. The renters could form an owners association and submit one RFP under those terms. With frontage on two streets the addition of another building is not out of the realm of possibility and makes things more profitable. You could rent out the first floor and have live/work condos on the second. There are any number of ways a party could respond to the RFP.

**Council President Dwight:** Do the Mass. General Laws have any restrictions as to whom or to what entity we could sell the building?

**Susan Wright, Finance Director:** The RFP to rent out, not sell, the Feiker School was so specific that we all but spelled out that we wished to rent to an entity providing daycare.

**Councilor David Murphy, Chair:** With all the consideration for similar uses as exist now, and any PILOT terms spelled out, it still remains market driven. It will be interesting to see what clever and creative people propose for the building.

**Council President Dwight:** It is important that everyone understand what is involved in bringing the building not just up to code (\$1.2 million) but up to the live/work level with all the extra electrical and plumbing work that entails. It is a significant investment. In even the best case scenario tenants there now will see a cost increase for no more than the services currently offered.

**Maureen Scanlon:** If we move forward to the RFP, does this Committee draft it?

**Mayor Narkewicz:** The Committee could offer a recommended RFP but only after the City Council determined that it wished to surplus the building. Even if we lease the space the Council must declare the space as surplus. The current leases run until June 30, 2013.

**Councilor David Murphy, Chair:** The Re-Use Committee would make a recommendation to the Mayor that we would like to see the City surplus the building, but emphasize: certain types of uses that should be specified in the RFP, that the City sell to someone who will retain small offices for non-profits, and will pursue the creation of live/work spaces. The Mayor would then ask the full Council to surplus the building and issue said RFP.

**Mayor Narkewicz:** Ultimately the Committee would make a recommendation to me on whether to surplus and sell the building or suggest another City use for it.

**Councilor David Murphy, Chair:** I suggest that we schedule our next meeting and ask the Mayor's Office to put together a sample RFP incorporating all those desired elements we discussed here. That draft RFP would be distributed before our next meeting so we could devote our meeting to working out the specifics. Current tenants are invited to our next meeting to openly participate, as you have tonight. Once we have finalized the RFP, the Mayor will bring it to the City Council for a vote. There will be public comment at those Council meetings as well. In light of our needing to calculate the next fiscal year's budget, we should have the work completed on the building's future before June.

**Susan Wright, Finance Director:** The beauty of the RFP process is that we get to value things other than the price. It would be helpful for this Committee to get some background on how it's possible to assign more points to certain elements, thus taking away emphasis on the price and assigning it more to the activities in the building.

**Maureen Scanlon:** I am reluctant to draft an RFP driven by the appraisal's recommendation because it is so specifically geared to one model of use. I prefer that we use broad criteria of what we think is right for the City, for the community, for the building, and viable so that the building doesn't fail in three years. The model recommended in the appraisal might be perfect but if we write the RFP specifically to that model, and if nothing comes through, we are stuck with that very specific RFP.

**Councilor David Murphy, Chair:** I view the draft RFP as our starting point. At our next meeting we discuss if and how we move forward.

**Susan Wright, Finance Director:** One thing we must be sensitive to is the cash flow of that building. There are vacancies because we could not guarantee the future of the building beyond two or three years. I could have filled those spaces but some businesses would not move in if they couldn't plan for the long term in that location. Should we lose existing tenants because of the building's uncertainty, the dwindling cash flow could drain the City's budget. We owe it to the tenants and to ourselves to make the decision as quickly and as thoughtfully as possible.

### **3. Next meeting:**

**Tuesday, February 26, 2013**

**5:00 pm**

**City Council Chambers**

**4. Adjourn** Council President Dwight moved to adjourn, seconded by Councilor LaBarge. The meeting adjourned at 6:10 pm.

Respectfully submitted,  
Corinne Philippides, Mayoral Aide  
January 28, 2013