

December 19, 2016

(By email billr@fairhaven-ma.gov)

William D. Roth, Jr. AICP,
Town of Fairhaven
Planning & Economic Development Director
40 Center Street
Fairhaven, MA 02719

RE: Rogers School; Fairhaven, MA

Dear Mr. Roth:

We have reviewed and analyzed property and market data in preparation for our second public meeting where we will outline our preliminary findings and conclusions about the Rogers School. In advance of that meeting we have prepared a short memorandum outlining some of the market data that we have collected and analyzed as it relates to the feasibility of the Rogers School redevelopment. We have surveyed and analyzed national and regional economic data sources in order to contextualize the overall real estate and capital markets and understand the influences on the local and regional property and capital markets. Recent changes in national monetary policy and expectations are already having real impacts on local capital markets and necessarily have direct impact on project feasibility. Regional employment pressures, coupled with an understanding of local population and household growth, housing starts, and the nature of local property markets, informs ultimate utility and feasibility of the project.

As we previously discussed, we have engaged the architecture firm of 3 Point Design to provide us a measured set of architectural plans for the Rogers School as well as a building code compliance review so that we can better facilitate discussions on cost, reuse, and suitability for various use alternatives. The results of that work will be available for our public meeting and presentation. In advance of that analysis, we have analyzed local supply and demand data in order to understand various reuse scenarios, including reuse of the property as a public school, municipal office building, and various housing-related uses. Based on the available data and projections, and once building plans and code reviews are complete, we will refine our recommendations as to the feasibility of each use.

REAL ESTATE COUNSELORS

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The majority of the responses from the public on future reuse revolved around the Town of Fairhaven maintaining ownership and reusing the facility as a public school or municipal office or community space. In response to those requests, we spent additional time and effort reviewing population, household, and housing unit growth projections, school attendance statistics, and demographic trends in age and household size in order to understand the potential need for additional school or municipal space in the near future. Our findings are included within this memo and as we develop our feasibility models, we can refine our conclusions and answer any questions you may have. It is our intention to prepare and present a PowerPoint presentation at the second public meeting that will outline the current physical condition of the property, informed by the pending code review, outline the existing demographic data and projections, along with preliminary feasibility analysis for a number of various reuse scenarios.

The attached memorandum serves as a summary of some of our preliminary findings. All of our conclusions are based on preliminary research and analysis and information related to the property provided by the town and publicly available sources. Our conclusions are subject to additional analysis and information and are iterative in nature. We are delighted to be of service to you. If you have any questions regarding the content of this memorandum please feel free to contact us.

Sincerely,



David S. Kirk, MAI, CRE®



Brett N. Pelletier

Subject Property – Existing Conditions





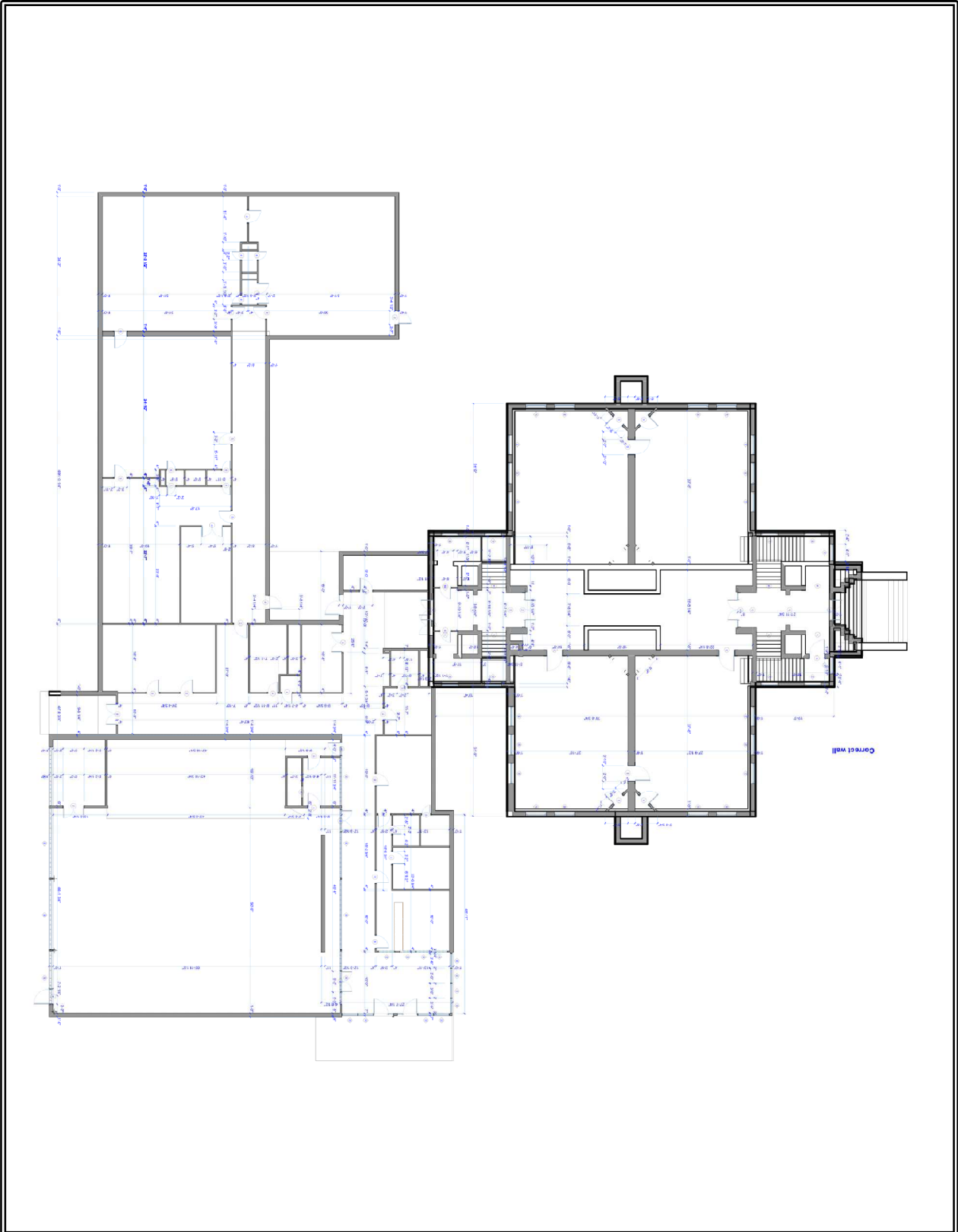






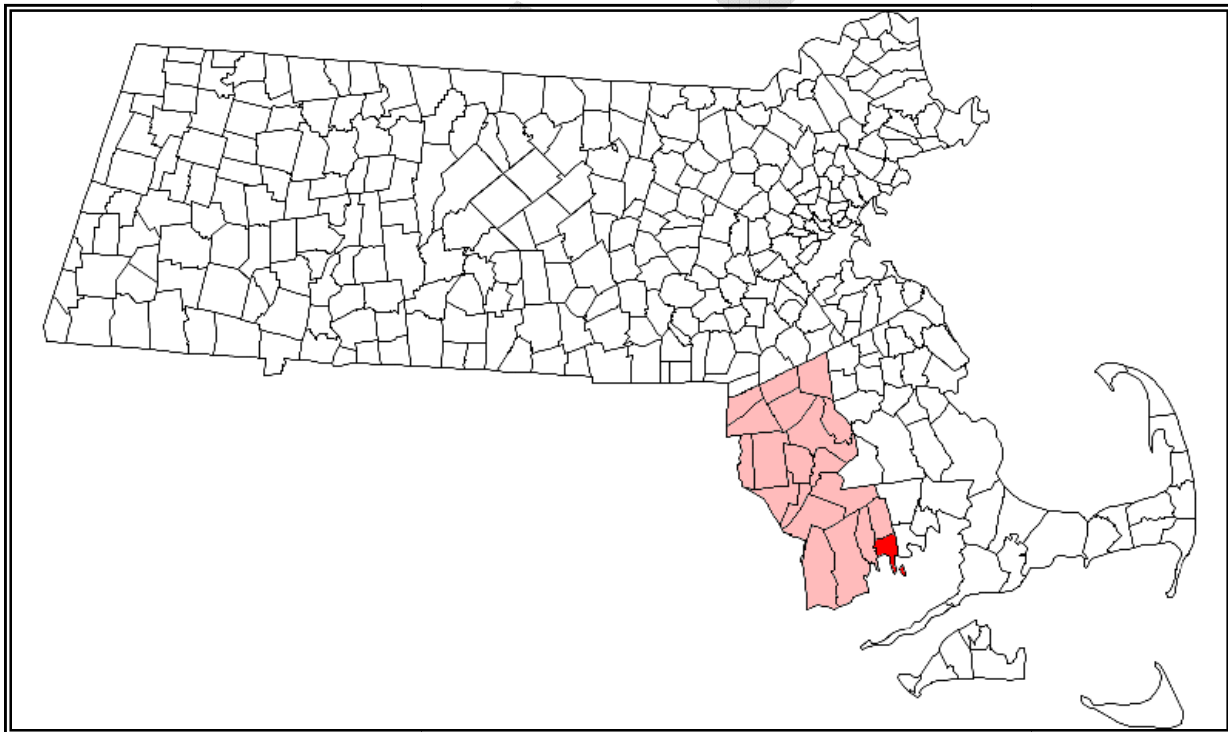
**Preliminary Architectural Rendering
Preliminary Architectural Plan**





Regional Economic Overview

We have surveyed and analyzed regional economic trends and their impact on the subject real estate and capital markets. National and regional economic trends have direct influence on the local suitability and sustainability of various proposed reuse scenarios at the property and serve to contextualize the local market. The subject property is located in the Town Center of Fairhaven, Massachusetts, located in Bristol County. Fairhaven is located in southeastern Massachusetts, bordered by Mattapoisett on the east, Acushnet on the north, the Acushnet River and New Bedford to the west, and Buzzard's Bay to the south. Fairhaven is located approximately 50 miles south of Boston, 30 miles southeast of Providence, RI, and 2 miles east of New Bedford. The principal highways servicing Fairhaven are Interstate 195 which connects the town to Cape Cod and points west and north, US Route 6 and State Route 240. Therefore, the subject is heavily influenced by the geographic, social, political and economic conditions of the South coast Region and to a lesser extent Greater Boston and Providence regions and the overall New England region. Accordingly, the economic strength of the region and Commonwealth are indications of the neighborhood stability and strength. Boston, the capital of the Commonwealth of Massachusetts, serves as the center of finance, commerce, and culture for the New England region. The capital city is often referred to as "the Hub" because of its role as the center of New England for business, cultural activities, transportation and education.

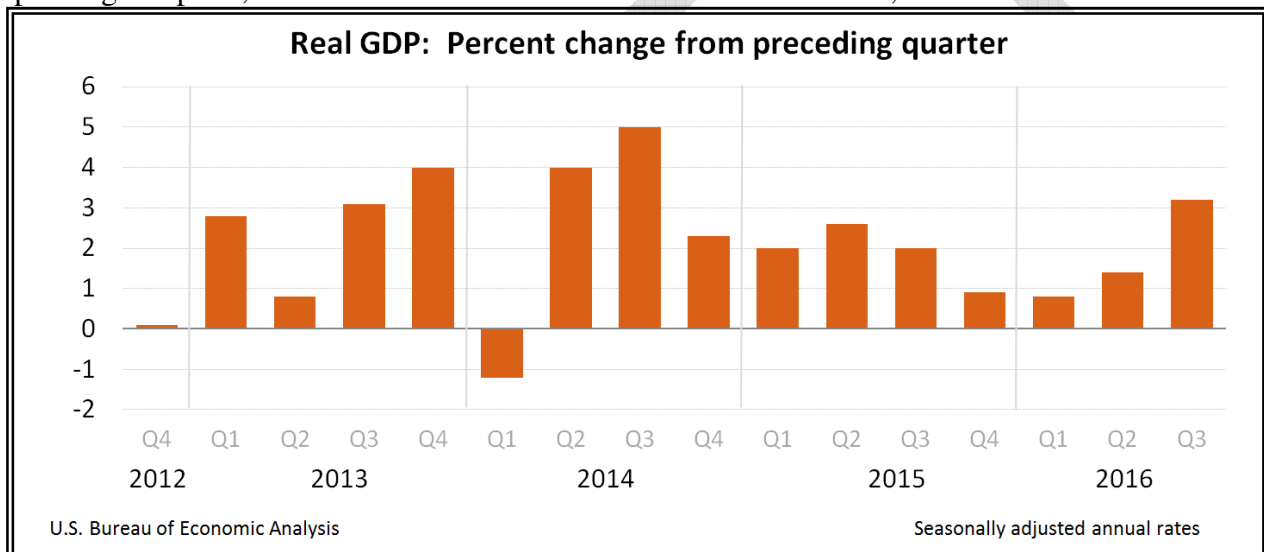


Source: Wikipedia.com

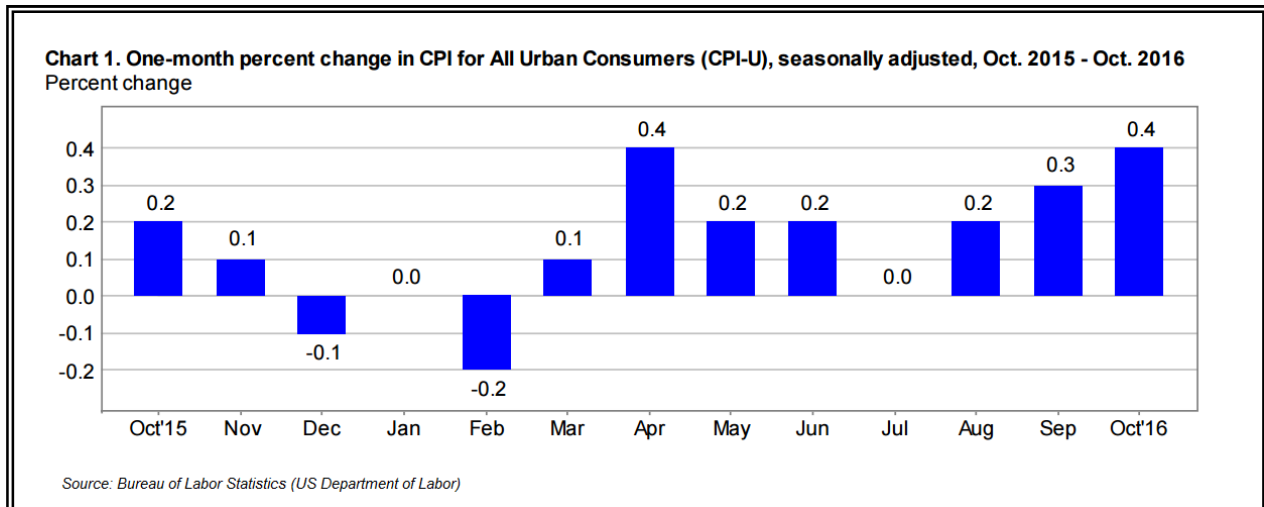
Nationally and regionally economic conditions have improved over the past 12 months after the severe economic crisis that has lingered in various markets throughout the United States and region. Recent improvements in both the national the regional economy indicate signs of recovery and overall general improving economic conditions. The Federal Reserve Board (Fed), in its October 19, 2016 publication of the Beige Book, for the Boston (First) District, reported that economic activity continues to increase in the First District, mostly at a modest to moderate

pace. Although both retailers and commercial real estate contacts reported mixed results in recent weeks and months, revenues or sales for responding manufacturers and in residential real estate markets are more consistently positive. In addition, relative to recent Beige Book reports, a larger fraction of contacts in both manufacturing and retail mentioned raising wages moderately to retain and attract employees. Retailers and manufacturers said their own prices and those of their suppliers were relatively stable. By contrast, the median sales prices of single-family homes rose year-over-year in all six New England states. Outlooks are positive, although contacts in several sectors cited the upcoming presidential election as a source of near-term uncertainty, delaying some business decisions.

According to estimates released by the U.S. Commerce Department's Bureau of Economic Analysis (BEA), the gross domestic product (GDP) increased 3.2% in the third quarter 2016 after increasing 1.4% in the second quarter of 2016. The increase in real GDP in the third quarter primarily reflected positive contributions from personal consumption expenditures (PCE), exports, private inventory investment, and federal government spending, that were partly offset by negative contributions from residential fixed investment and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased.



The consumer price index (CPI), as reported by the U.S. Department of Labor, increased 0.4% in October according to the most recent report of November 17, 2016. The CPI for the nation has increased 1.6% over the past 12 months before seasonal adjustment. According to the Bureau of Labor Statistics, increases in the shelter and gasoline indexes were the main causes of the rise in the all items index. The gasoline index rose 7.0% in October and accounted for more than half of the increase in the all items index. The shelter index increased 0.4% for the second straight month. The energy index increased 3.5%, its largest advance since February 2013. The indexes for fuel oil and gasoline were up 5.9% and 7.0%, respectively, while the indexes for electricity and natural gas saw relatively smaller increases of 0.4% and 0.9%. In contrast, the index for food was unchanged for the fourth consecutive month, as the food at home index continued to decline.



A national consumer confidence index, published monthly by the Conference Board, has increased significantly in November, after declining in October as reported in their November 29, 2016 survey. The consumer confidence index currently stands at 107.1 which was up from 100.8 in October. The Conference Board reported, "Consumer confidence improved in November after a moderate decline in October, and is once again at pre-recession levels. A more favorable assessment of current conditions coupled with a more optimistic short-term outlook helped boost confidence. And while the majority of consumers were surveyed before the presidential election, it appears from the small sample of post-election responses that consumers' optimism was not impacted by the outcome. With the holiday season upon us, a more confident consumer should be welcome news for retailers."

Nationally, current mortgage rates are still hovering around historical lows. According to Bankrate, the average for a 30-year fixed conventional mortgage is currently 4.20% in the Boston, MA area, as indicated by the chart below. At the most recent meeting of December 13, 2016, the Fed decided to raise the target range for the federal funds rate to 0.50% to 0.75%. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a return to 2.0% inflation. The direct impact of Fed interest rate hikes is yet to be fully realized, however, the anticipation of three additional interest rate hikes in 2017 will likely ripple through capital markets at the local level. In the two weeks preceding the Fed action, interest rates were surveyed in the metropolitan Boston area and compared to surveyed rates from the week of November 23, 2016. Interest rates on consumer mortgages have steadily increased leading up to the December 13th Fed interest rate hike, as indicated by the charts below and currently stand 14 basis points above pre-hike levels.

Weekly mortgage survey

Results from Bankrate's survey of mortgage lenders conducted 12/14/2016. Monthly payments are for a \$165,000 loan. The jumbo rate is for the minimum jumbo loan amount of \$523,250 in the Boston area.

	<u>30-year fixed</u>	<u>15-year fixed</u>	<u>5-year ARM</u>	<u>30-year jumbo</u>
This week's rate:	4.20%	3.27%	3.40%	4.13%
Change from last week:	+0.11	+0.04	+0.05	+0.11
Monthly payment:	\$806.88	\$1,161.01	\$731.74	\$2,537.45
Change from last week:	+\$10.63	+\$3.21	+\$4.58	+\$33.56

Weekly mortgage survey

Results from Bankrate's survey of mortgage lenders conducted 11/23/2016. Monthly payments are for a \$165,000 loan. The jumbo rate is for the minimum jumbo loan amount of \$523,250 in the Boston area.

	<u>30-year fixed</u>	<u>15-year fixed</u>	<u>5-year ARM</u>	<u>30-year jumbo</u>
This week's rate:	4.06%	3.19%	3.40%	3.95%
Change from last week:	+0.12	+0.14	+0.06	+0.02
Monthly payment:	\$793.45	\$1,154.60	\$731.74	\$2,483.02
Change from last week:	+\$11.50	+\$11.23	+\$5.50	+\$6.02

Source: bankrate.com

Real Estate Market

Both nationally and in Massachusetts, economic fundamentals continue to improve, however, at a modest continual pace. The nation has experienced a slower recovery pace since the recovery began and has yet to fully recover to below-crash levels with elevated unemployment and sluggish economic growth. *Marcus & Millichap 2016 Apartment Forecast* indicated that According to Marcus & Millichap's report, Boston-area tech and professional firms will lead job growth in 2016, boosting apartment demand in the core and immediately surrounding areas. Tech companies expanding into Kendall Square include Google, which has grown its Cambridge Center campus. Those employed at nearby tech and bioscience firms seek residences close to work and the amenities that areas inside the Route 128 loop offer. While homeownership is an option for some residents, the cost remains out of reach for the majority of those employed in this area, generating additional need for apartments. Developers are responding to tenant demand with new luxury towers that are changing the local landscape in areas such as Cambridge, Fenway, the Seaport District and the South End. Strong demand for

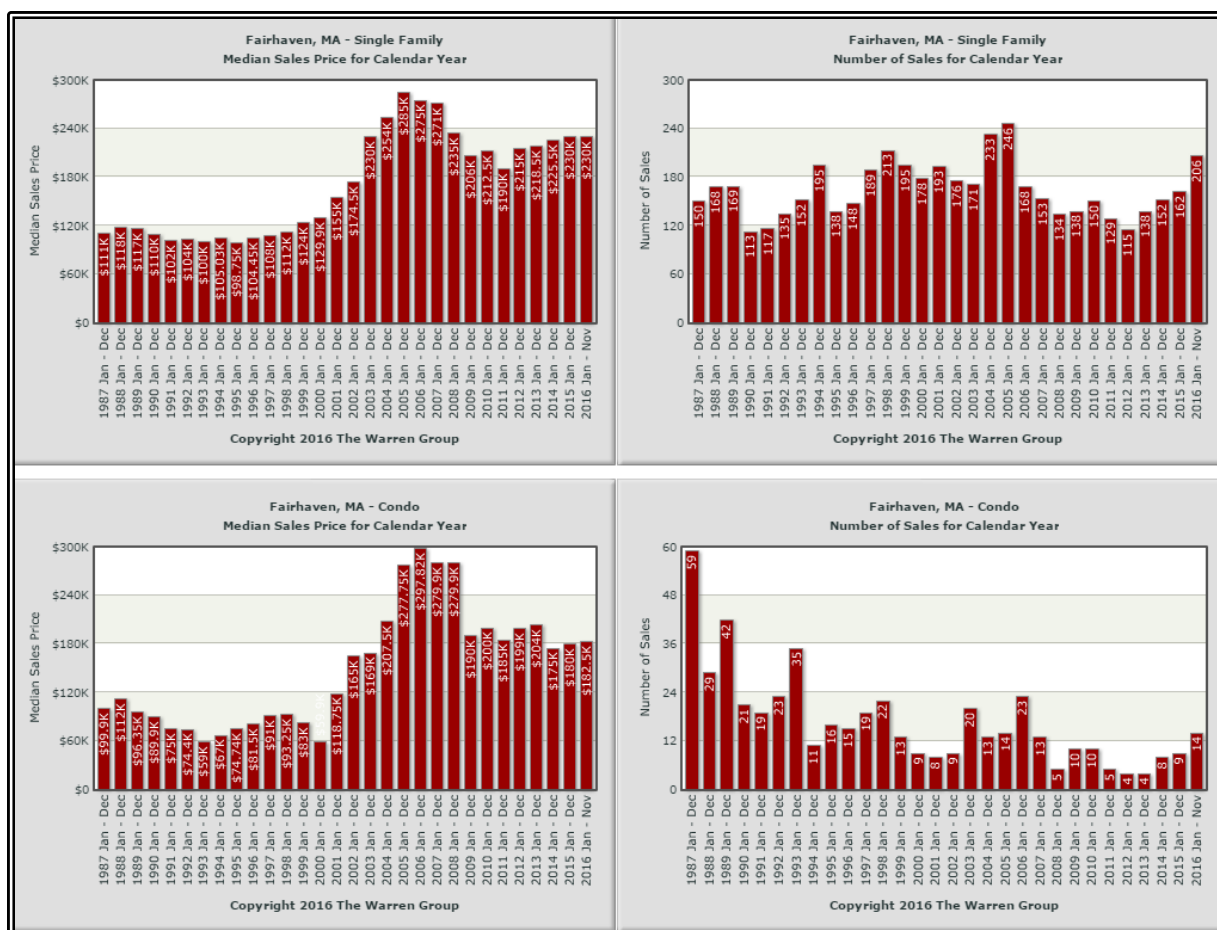
new rentals with the latest amenities will support further occupancy gains in core-based units. This absorption of apartments combined with a slowing construction pipeline will slash vacancy more than last year, allowing rents in the market to rise.

Investors will broaden their investment parameters in order to obtain desired yields in Boston, heating up competition for all apartment classes. Overall, assets can trade at cap rates in the 5 percent area metrowide, with properties in core areas trading at less than 4 percent. After an influx of completions last year, this year's easing output will reduce the availability of marketed upper-tier properties. Investor demand will exceed listings, triggering intense bidding and pressuring prices. As a result, some buyers will also move down the quality tier or to outlying geographies as competition increases. Some local investors will target such assets to obtain yields that can hover 100 basis points above the average, seeking properties as far out as the I-495 loop while also scouring the metro for value-add opportunities.

Additionally, according to the *Marcus & Millichap Multifamily Research Market Report* for the Boston Metro Area, the first quarter of 2016 indicates that buyers are bullish on Boston's apartment market, driven by strong fundamentals and a growing pool of corporate employers. The local market is teeming with institutional investors who compete for new Class A assets, trading into sub-4% initial yields. Private clients seek to divest while interest rates remain low and reinvest capital into the next asset class or lower-management options. Many individual buyers seek value-add opportunities metrowide. The spread between buyers and sellers is widening; however, many investors will purchase at lower first-year yields, with pro-formas projecting increases in the near future. Others, not willing to forgo returns move outward toward the 128 beltway and beyond, with cap rates rising 100 to 200 basis points.

Overall, sources of capital are available within the market and interest rates and financing terms are generally favorable for commercial real estate transactions, however, financing sources are underwriting risk more cautiously than in past markets, putting a high premium on cash-on-cash return analysis versus pro-forma underwriting and weighing reserves for tenant improvements and vacancy and turnover. Major regional banks are active within the market and issuing non-recourse debt for quality assets with well-capitalized sponsors, however, the reaction to recent Fed interest-rate hikes has yet to be realized within the local property and economic markets. Additionally, national and international banks and insurance companies have been active participants in the Boston Metropolitan and Suburban property underwriting and acquisition, indicating an increased interest and strength within regional property markets.

According to data compiled The Warren Group, 2016 sales of single-family homes in Fairhaven increased 6.58% to 162 over 2014 levels of 152 with median sale prices increasing 2.0% over the year to reach \$230,000 from \$225,500 in 2014. The sale of condominiums in Fairhaven increased 12.5% to 9 over 2014 levels of 8, with average sale prices increasing 2.86% over the year to reach \$180,000 from \$175,000 in 2014. The current median sales price of a single family home in Fairhaven is unchanged at \$230,000 and 206 have been recorded from January-November 2016 and the current median sales price of a condominium in Fairhaven is \$182,500 and 14 have been recorded from January-November 2016. The low level of condominium sales transactions and relatively low median sales price is an indication of the temperate condominium market in Fairhaven and the relatively low demand for condominium units within the market, as further indicated by the charts below.



There have been no multi-family building permits issued in the town of Fairhaven and a modest amount of single family building permits annually. The majority of building permits issued within the town have been for the new construction of single-family homes, additions, and improvements, with a small number of commercial permits. The lack of large tracts of available developable land in the town combined with restrictive zoning and entitlement regulations has contributed to the low number of building permits issued. The number of single-family building permits is evidence of the low density and development character of the Fairhaven market area and similar surrounding communities.

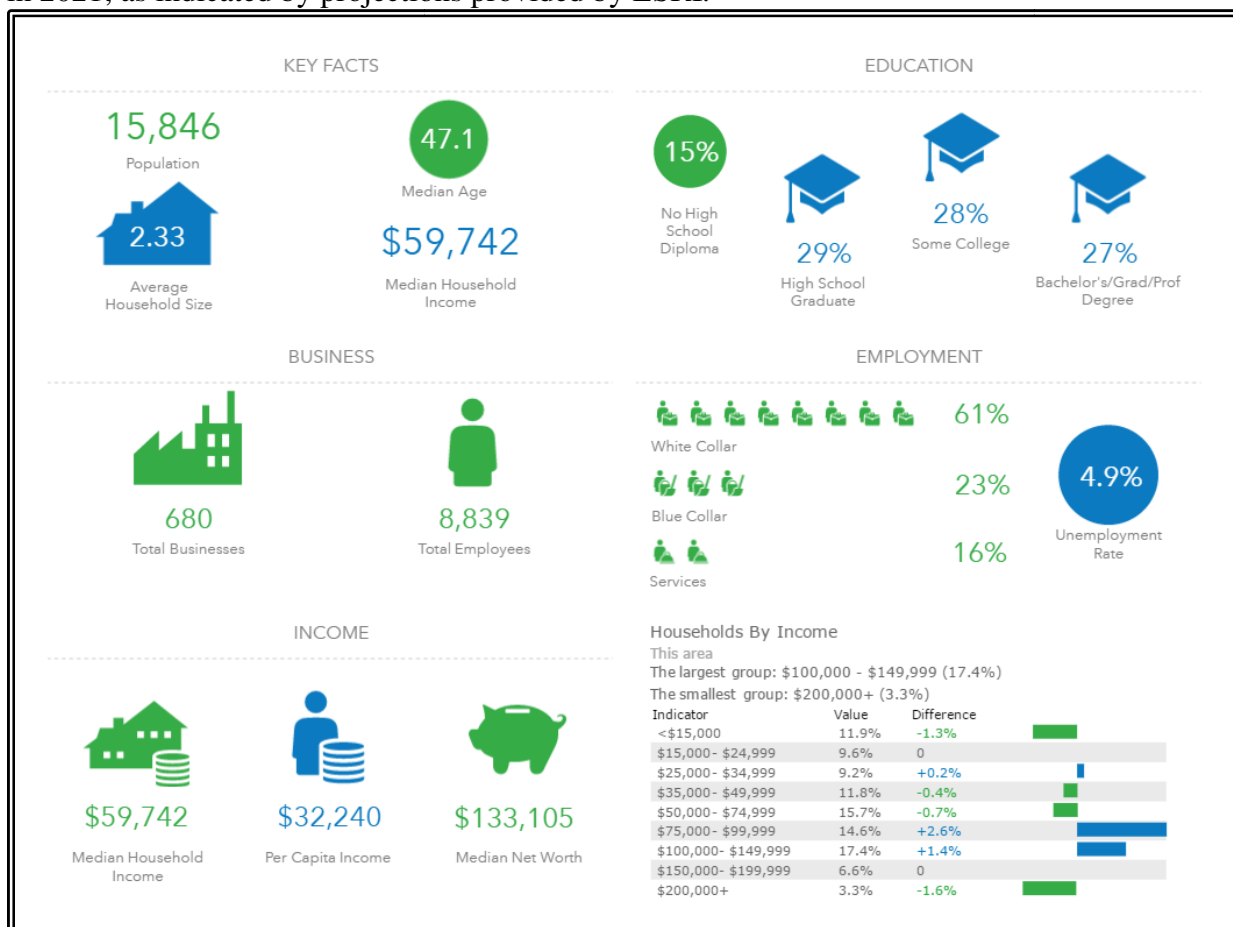
New Privately-Owned Residential Building Permits - Fairhaven, MA

October Year to Date Item	YTD 2016		2015		2014		2013		2012	
	Buildings /Units	Construction Cost	Buildings /Units	Construction Cost	Buildings /Units	Construction Cost	Buildings /Units	Construction Cost	Buildings /Units	Construction Cost
Single-Family	13/13	\$2,820,100	9/9	\$2,407,800	12/12	\$2,158,700	11/11	\$2,153,300	13/13	\$2,432,000
Two Family	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Three/Four Family	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Five or More Family	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Total	13/13	\$2,820,100	9/9	\$2,407,800	12/12	\$2,158,700	11/11	\$2,153,300	13/13	\$2,432,000

Source: U.S. Census Bureau

Below we have prepared a demographic 'snapshot' of Fairhaven which highlights some of the fundamental indicators that variously influence project feasibility. These conclusions are consistent with our observations within the Fairhaven market and with data sources reconciled within this report. The population in Fairhaven is decidedly older than the region as a whole

with a median age of 47.1 years old compared to Bristol County at 40.8 years and the Commonwealth of Massachusetts at 39.8 years. Further, population projections outlined within this memorandum indicate an aging population with a median age of residents increasing to 48.2 in 2021; as indicated by projections provided by ESRI.



Employment


In Massachusetts, the labor force has increased over the past 12- and 24-month periods. Employment levels have increased over the same periods and most recently increased 2.6% over the past 12 months. The seasonally unadjusted unemployment rate in Massachusetts as of October 2016 was 2.7%, 4.5% as of October 2015, and 5.0% as of October 2014. The unadjusted national unemployment rate was 4.7% in October 2016. The labor force in the town of Fairhaven has decreased by 0.4% over the past 12 months and employment has increased at 1.9%, over the same period indicating stabilizing employment conditions as the unemployment rate reached 3.3% as of October 2016. Regionally and locally, the economies are close to full employment of most recent estimates. Improvements have been made in the past 12-months showing additional signs of recovery and eventual returns to pre-recession levels. The town of Fairhaven has unemployment levels, which have been historically comparable to that of the region, however slightly behind the Commonwealth of Massachusetts and County. The outlook for improving employment conditions remains cautiously optimistic as the Massachusetts economy continues to outperform the nation, however, at an increasingly slower pace.

Employment Trends

				24 month	12 month
<u>Massachusetts</u>	<u>October 2014</u>	<u>October 2015</u>	<u>October 2016</u>	<u>% Change</u>	<u>% Change</u>
Labor Force	3,574,700	3,558,000	3,584,800	0.3%	0.8%
Employed	3,394,700	3,399,000	3,486,900	2.7%	2.6%
Unemployed	180,000	159,000	97,900	-45.6%	-38.4%
Unemployment Rate	5.0%	4.5%	2.7%	-45.8%	-38.9%
<u>New Bedford, MA</u>				24 month	12 month
<u>Metropolitan NECTA</u>	<u>October 2014</u>	<u>October 2015</u>	<u>October 2016</u>	<u>% Change</u>	<u>% Change</u>
Labor Force	83,298	83,266	82,588	-0.9%	-0.8%
Employed	77,376	77,939	79,280	2.5%	1.7%
Unemployed	5,922	5,327	3,308	-44.1%	-37.9%
Unemployment Rate	7.1%	6.4%	4.0%	-43.7%	-37.4%
<u>Bristol County</u>	<u>October 2014</u>	<u>October 2015</u>	<u>October 2016</u>	<u>% Change</u>	<u>% Change</u>
Labor Force	287,961	286,536	287,133	-0.3%	0.2%
Employed	270,433	270,964	277,500	2.6%	2.4%
Unemployed	17,528	15,572	9,633	-45.0%	-38.1%
Unemployment Rate	6.1%	5.4%	3.4%	-44.9%	-38.3%
<u>Fairhaven</u>	<u>October 2014</u>	<u>October 2015</u>	<u>October 2016</u>	<u>% Change</u>	<u>% Change</u>
Labor Force	9,351	9,333	9,300	-0.5%	-0.4%
Employed	8,782	8,828	8,992	2.4%	1.9%
Unemployed	569	505	308	-45.9%	-39.0%
Unemployment Rate	6.1%	5.4%	3.3%	-45.6%	-38.8%

Source: Massachusetts Department of Employment and Training

Additionally, below is a demographic summary of the Fairhaven population, including statistics on employment and transportation characteristics. The majority of employed residents (92.6%) commute by car and most employed have a commute of less than 25 minutes, as indicated by the chart below. This concentration of regional employment is consistent with observations within the market.

 esri			
ACS Population Summary			
Fairhaven town, MA Fairhaven town, MA (2500522130) Geography: County Subdivision		Prepared by Esri	
	2010 - 2014		
	ACS Estimate	Percent	MOE(±)
WORKERS AGE 16+ YEARS BY PLACE OF WORK			
Total	8,004	100.0%	387
Worked in state and in county of residence	6,095	76.1%	370
Worked in state and outside county of residence	1,555	19.4%	242
Worked outside state of residence	354	4.4%	158
WORKERS AGE 16+ YEARS BY MEANS OF TRANSPORTATION TO WORK			
Total	8,004	100.0%	387
Drove alone	6,826	85.3%	372
Carpooled	583	7.3%	182
Public transportation (excluding taxicab)	152	1.9%	108
Bus or trolley bus	28	0.3%	25
Streetcar or trolley car	0	0.0%	19
Subway or elevated	0	0.0%	19
Railroad	91	1.1%	99
Ferryboat	33	0.4%	43
Taxicab	0	0.0%	19
Motorcycle	22	0.3%	25
Bicycle	25	0.3%	31
Walked	98	1.2%	55
Other means	23	0.3%	21
Worked at home	275	3.4%	107
WORKERS AGE 16+ YEARS (WHO DID NOT WORK FROM HOME) BY TRAVEL TIME TO WORK			
Total	7,729	100.0%	400
Less than 5 minutes	170	2.2%	82
5 to 9 minutes	1,223	15.8%	276
10 to 14 minutes	1,494	19.3%	264
15 to 19 minutes	1,373	17.8%	237
20 to 24 minutes	1,046	13.5%	223
25 to 29 minutes	466	6.0%	162
30 to 34 minutes	474	6.1%	147
35 to 39 minutes	124	1.6%	91
40 to 44 minutes	146	1.9%	80
45 to 59 minutes	463	6.0%	127
60 to 89 minutes	509	6.6%	164
90 or more minutes	241	3.1%	103
Average Travel Time to Work (in minutes)	23.8		2.6

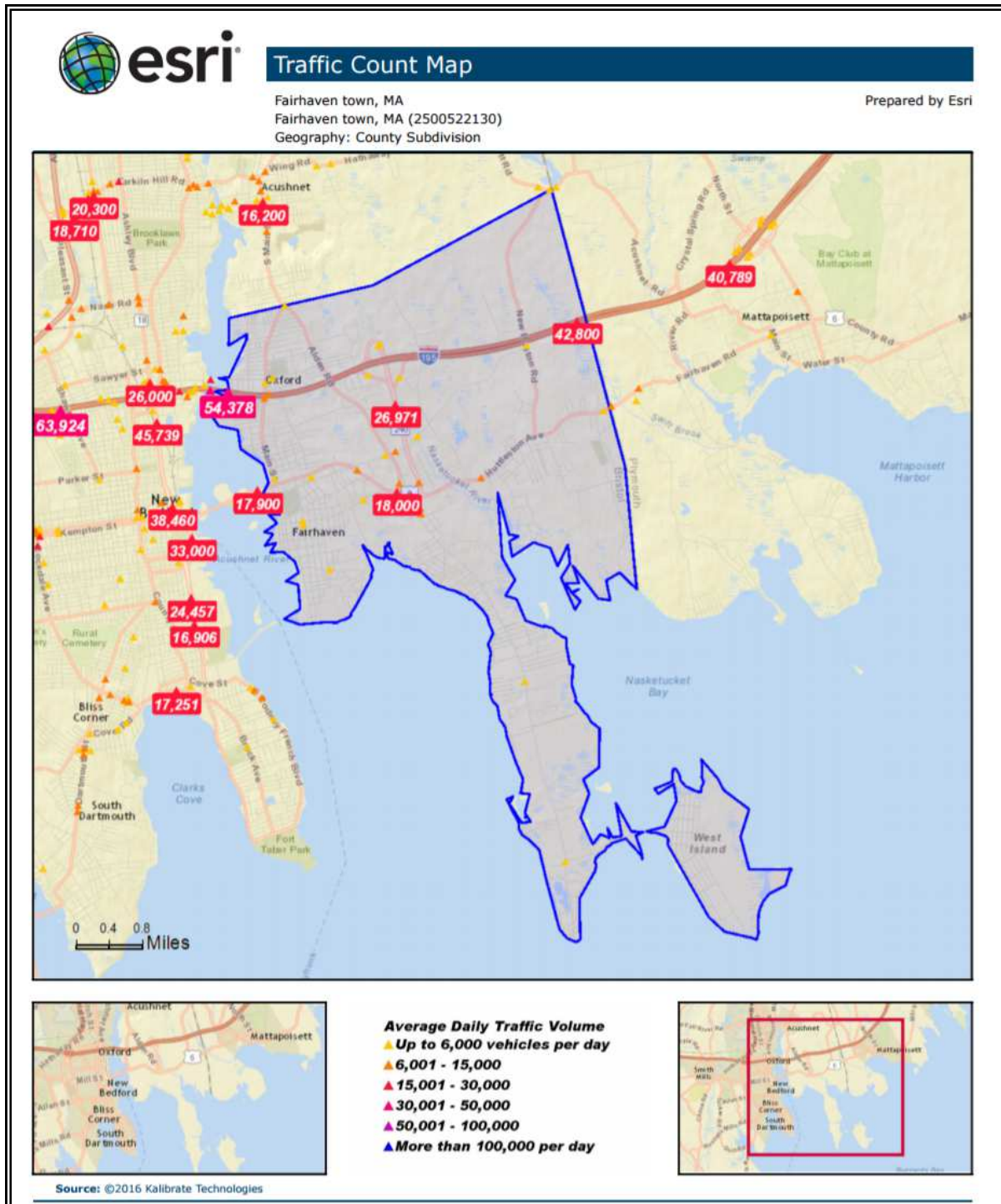
Transportation

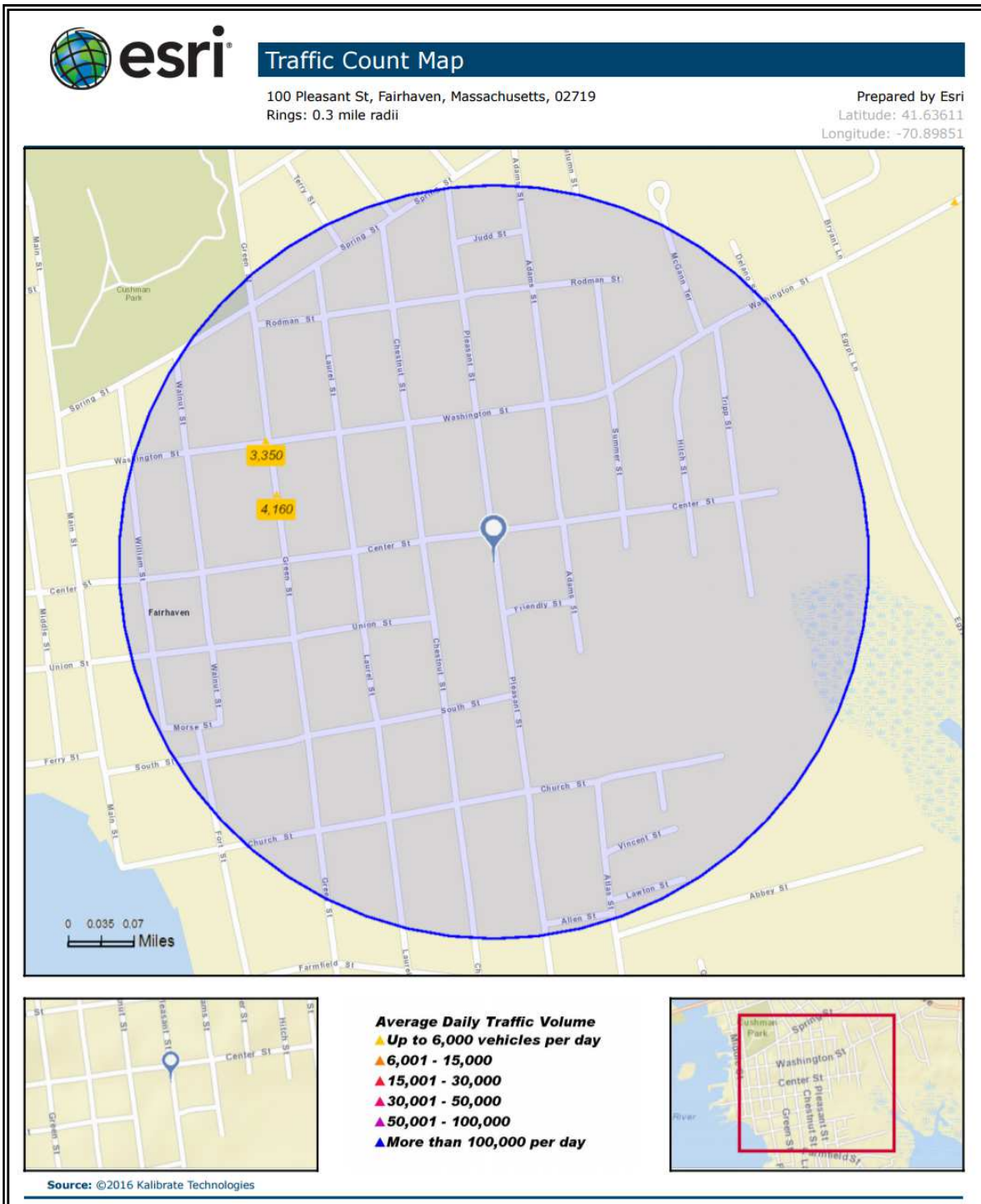
Massachusetts benefits from a broad-based and well-established transportation network. Logan International Airport, located in the city of Boston, is one of the country's most active terminals serving both domestic and international travelers. A large interstate highway system connects Massachusetts with the rest of New England and the country. Interstate 95 connects with State Route 128 and forms the inner loop around Boston, while Interstate 495 forms the outer loop, both of which run in a generally north-south direction. The Massachusetts Turnpike (Interstate 90) originates in Boston and connects the city with points west and upstate New York. The John F. Fitzgerald Expressway (the Central Artery) runs north-south through Boston and connects the north and south shores. The Central Artery Project has expanded and depressed the

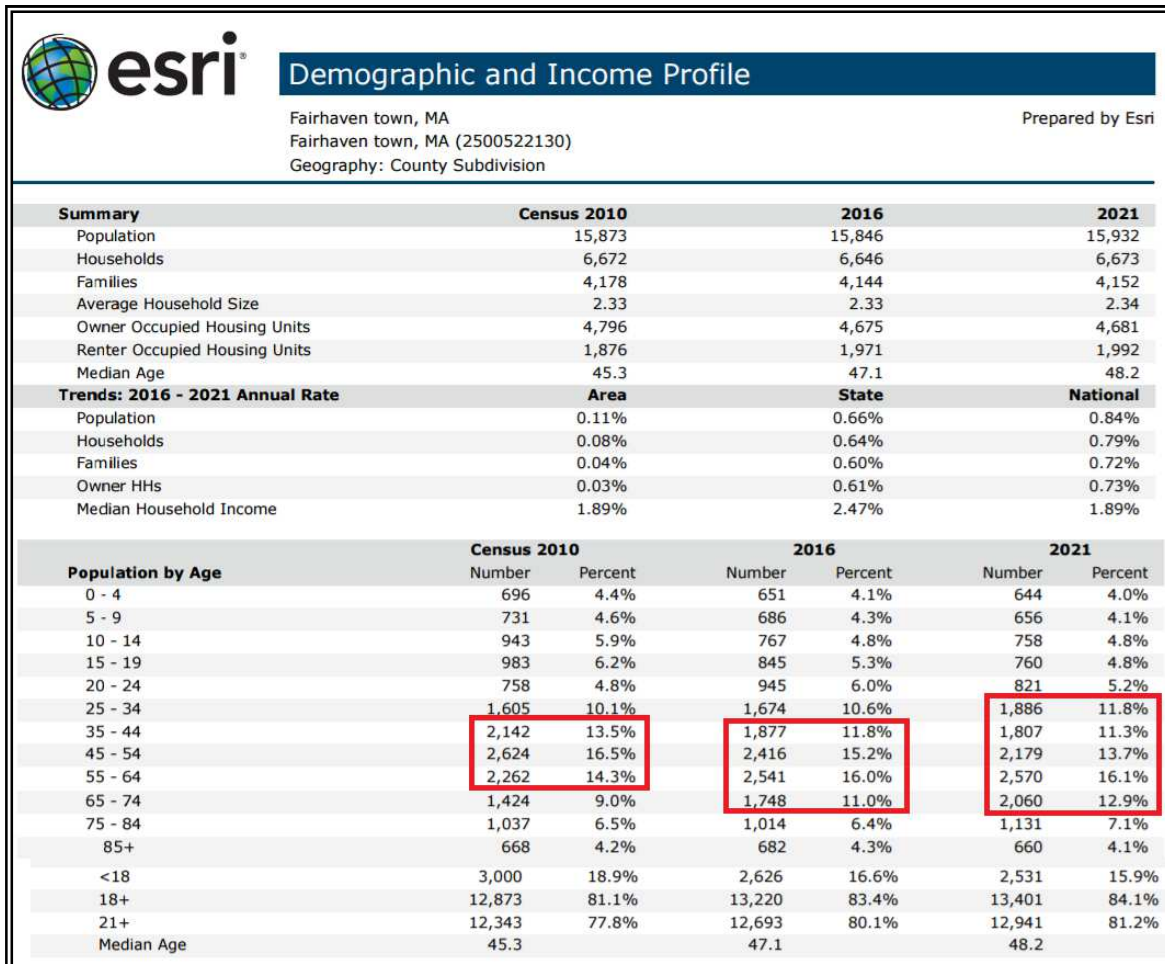
Southeast Expressway and connects the Massachusetts Turnpike to Logan Airport through the Ted Williams Tunnel in an effort to ease traffic congestion and beautify the city of Boston.

According to traffic count estimates provided by ESRI, the intersection of Washington Street and Green Street is the most traveled non-highway intersection in Fairhaven. The Route 240/Route 6 traffic counter indicated an average of 18,000-26,971 car trips per day traveling in a north-south direction, and between 3,350 and 6,700 daily car trips along Washington Street and Green Street. The concentration of car trips around the subject property is considered significant when compared to known regional high traffic areas along Interstate 195 of between 40,789 and 63,924 car trips per day, as indicated by the below maps. The subject property benefits from excellent access to transportation and exposure to vehicular and pedestrian traffic.

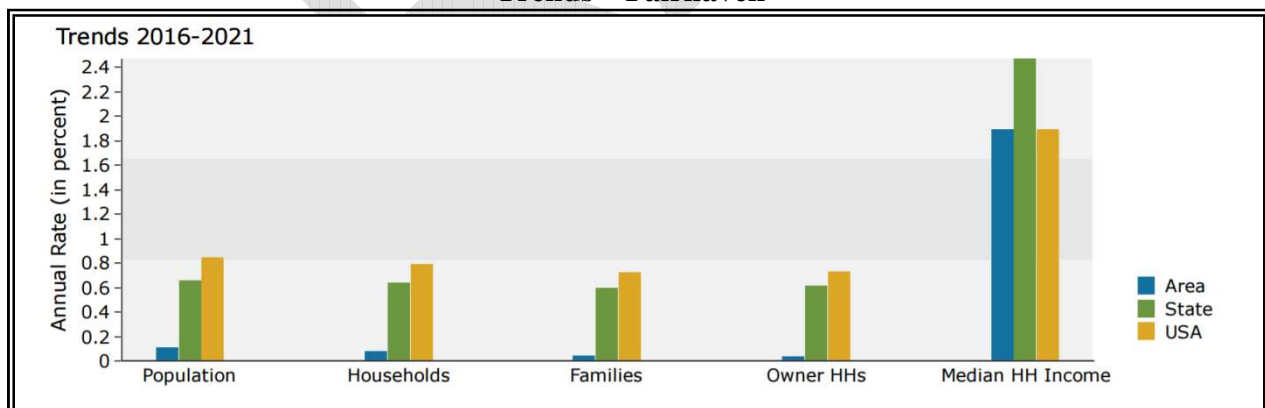
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Trends – Fairhaven

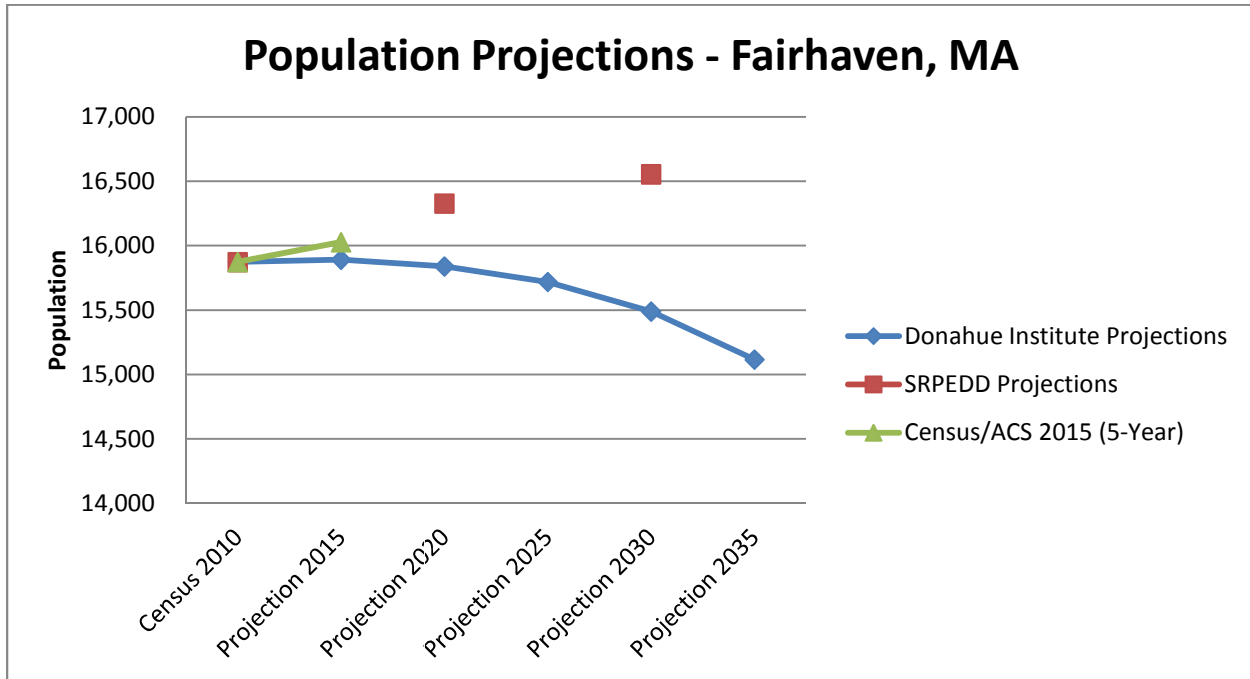


Source: STDBOnline

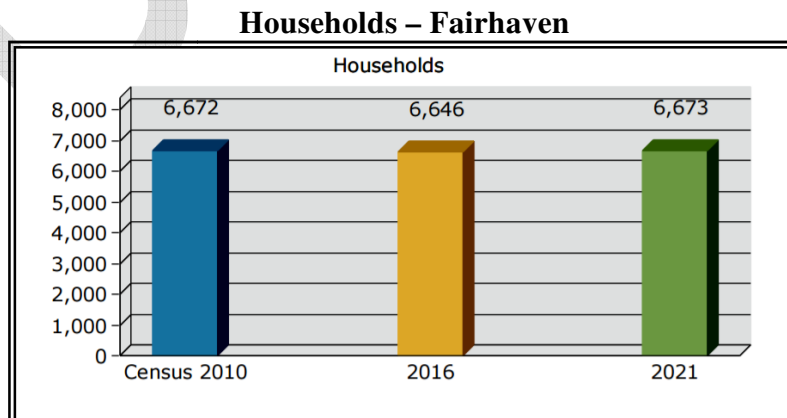
Population

Fairhaven is an established commercial and residential community and had a 2000 population of 16,159. According to demographic data provided by *STDBOnline*, the population of Fairhaven had decreased since 2000 for a 2010 population of 15,873, with an estimated 2016 population of 15,846; an annual decrease of 0.03% over the period, and with an estimated 2021

population of 15,932; an annual increase of 0.11% over the period. Additionally, we have compiled various population projections for Fairhaven. The Donahue Institute projections are the most comprehensive and indicate a decline in overall population of Fairhaven into the future, as indicated by the chart below, however those projections are compared against projections from the Census Bureau's American Communities Survey and the Southeast Regional Planning and Economic Development District.

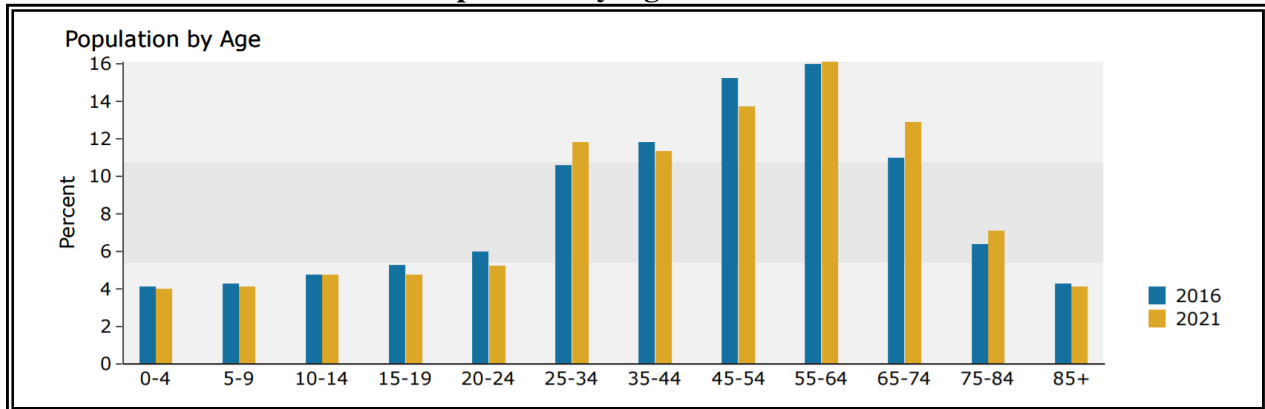


Household growth and formation is generally anemic and lags the overall population growth; indicating that residents are potentially unable to form new discrete households or chose not to. Data indicates Fairhaven households growing at a rate of 0.08% since 2000 for a 2010 count of 6,672 households, with an estimated 2016 household count of 6,646, an annual decrease of 0.06% over the period, and an estimated 2021 household count of 6,673, an annual increase of only 0.08% over the period. Few additions to supply and a relatively small (25%) of rental units may contribute to slow household formation and growth rates within Fairhaven, as compared to the region.



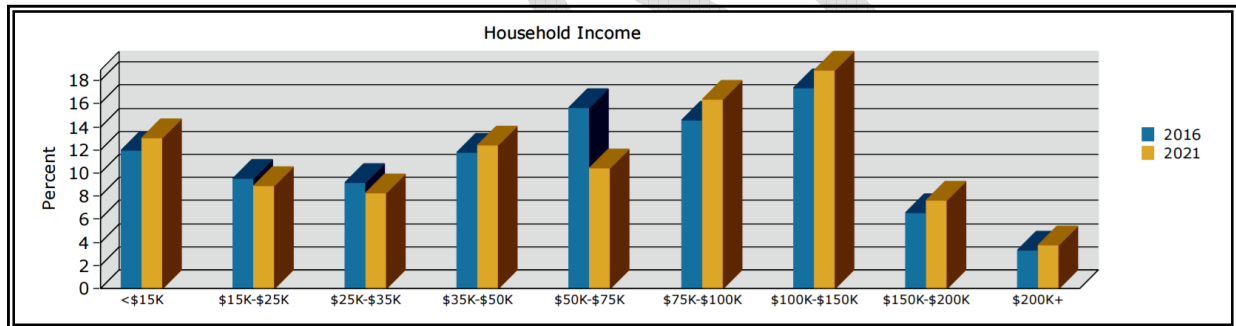
Source: STDBOnline

Population by Age –Fairhaven



The cohort charts depict an abnormal population distribution in the Fairhaven market compared to the State and Nation with a population density heavily weighted in 45-64 year old age brackets and a gradual decline after age 65+ age groups. What is also of note is the population trends projected over the next 5 years with the largest population growth in 25-84 year old age cohorts and a decline in <25 populations in every age bracket. This data is consistent with various surveyed sources throughout this report and indicates an aging population and population growth in older households.

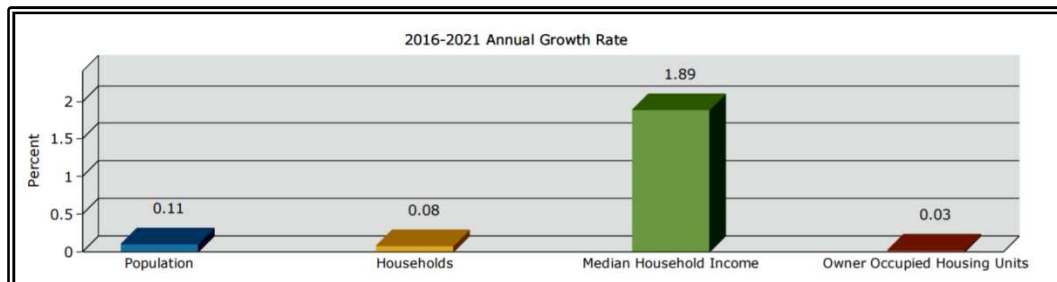
Household Income – Fairhaven



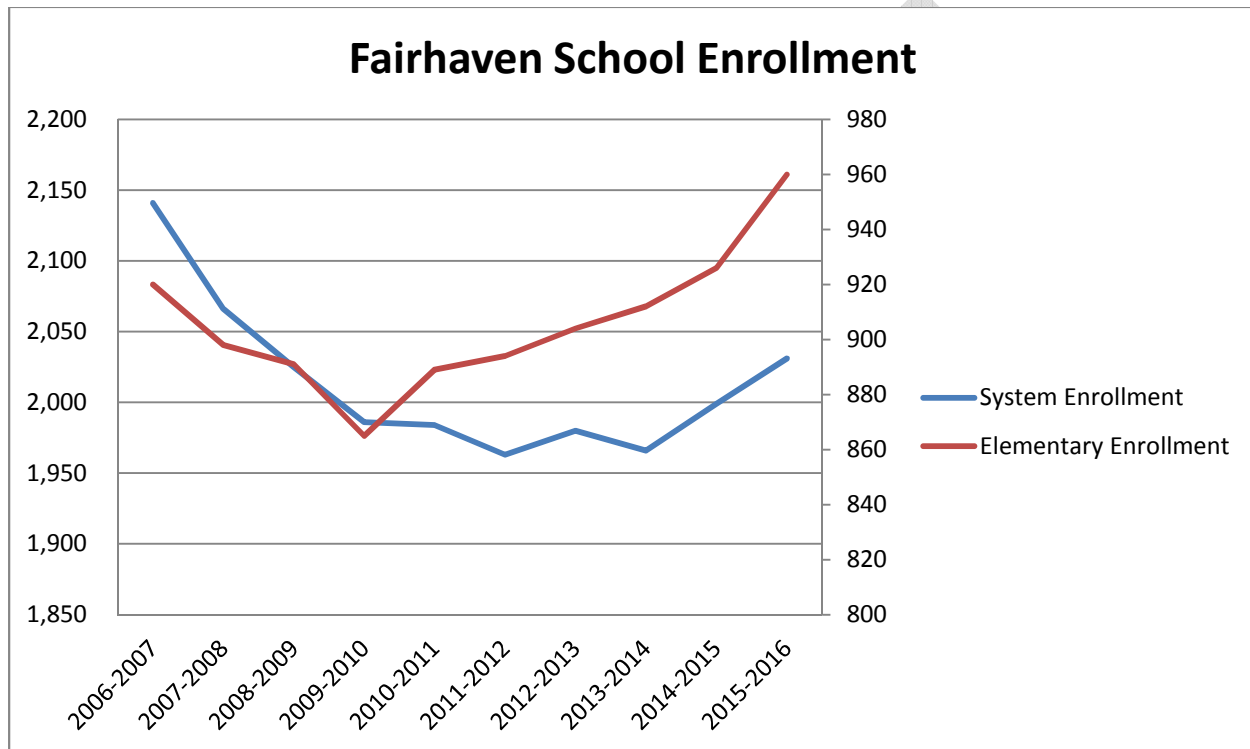
Income

A study conducted by *STDBOnline*, estimates the median household income (MHI) of households in Fairhaven at \$59,742, compared to a MHI estimate of \$65,597 for 2021. The household income trends in the above chart indicate an increase in two distinct cohorts; <\$15,000 and \$75,000-\$150,000+ per year groups, consistent with a stable, long-term population group that is aging.

Annual Growth Rates – Fairhaven



Additionally, we have reviewed and analyzed published attendance statistics for the Fairhaven public school system to attempt to quantify need and demand for additional school buildings or classrooms. The data indicates a declining system enrollment from 2006 through 2014 and more recently, an increase in overall enrollment, however, still well below peak levels in 2006. Elementary enrollment data indicates recent increasing enrollment overall, however, marginal in overall increase. Historic and current school enrollment, coupled with projected population and household formation statistics outlined within this report are considered significant and do not indicate a strong future need for additional school development.



Source: Massachusetts Department of Elementary and Secondary Education

Preliminary Retail Demand Analysis

As an exercise in analyzing potential retail demand, we have reviewed data provided by ESRI Business Systems in a report titled *Retail MarketPlace Profile*. The report is included below and classifies existing retail establishments into 27 industry groups in the retail trade sector, as well as four industry groups within the food services and drinking establishments subsector. The report estimates sales to consumers by existing establishments and demand in the form of retail potential estimates the expected amount spent by consumers at existing retail establishments. The Leakage/Surplus Factor represents a snapshot of potential retail opportunity and is a measure of the relationship between supply and demand. A positive value represents leakage of retail opportunity outside the trade area and a negative value represents a surplus of retail sales; a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales, as indicated by the chart below, and serves to illustrate the unsatisfied local demand.



Retail MarketPlace Profile

Fairhaven town, MA
Fairhaven town, MA (2500522130)
Geography: County Subdivision

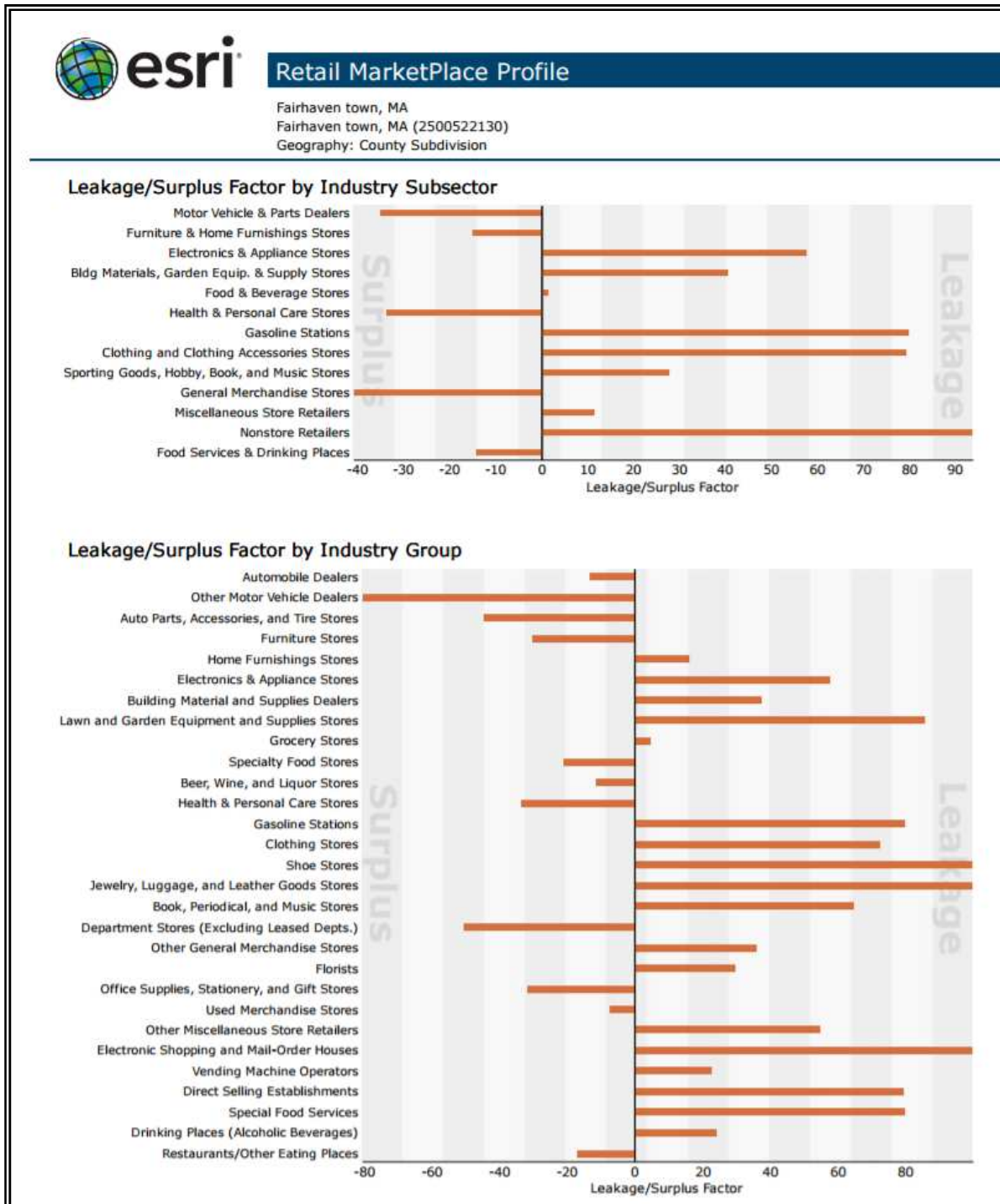
Prepared by Esri

Summary Demographics

2016 Population	15,846
2016 Households	6,646
2016 Median Disposable Income	\$47,056
2016 Per Capita Income	\$32,240

Industry Summary	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	\$270,807,607	\$336,540,925	-\$65,733,318	-10.8	163
Total Retail Trade	44-45	\$245,838,867	\$303,315,869	-\$57,477,002	-10.5	104
Total Food & Drink	722	\$24,968,740	\$33,225,056	-\$8,256,316	-14.2	59

Industry Group	NAICS	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	\$55,115,262	\$114,643,655	-\$59,528,393	-35.1	24
Automobile Dealers	4411	\$47,138,967	\$61,738,932	-\$14,599,965	-13.4	11
Other Motor Vehicle Dealers	4412	\$4,741,385	\$44,417,800	-\$39,676,415	-80.7	9
Auto Parts, Accessories & Tire Stores	4413	\$3,234,910	\$8,486,923	-\$5,252,013	-44.8	4
Furniture & Home Furnishings Stores	442	\$6,116,928	\$8,286,297	-\$2,169,369	-15.1	9
Furniture Stores	4421	\$3,371,260	\$6,315,809	-\$2,944,549	-30.4	5
Home Furnishings Stores	4422	\$2,745,668	\$1,970,488	\$775,180	16.4	4
Electronics & Appliance Stores	443	\$15,475,568	\$4,163,392	\$11,312,176	57.6	5
Bldg Materials, Garden Equip. & Supply Stores	444	\$14,378,909	\$6,061,938	\$8,316,971	40.7	8
Bldg Material & Supplies Dealers	4441	\$13,095,948	\$5,963,537	\$7,132,411	37.4	7
Lawn & Garden Equip & Supply Stores	4442	\$1,282,961	\$98,401	\$1,184,560	85.8	1
Food & Beverage Stores	445	\$49,269,538	\$47,912,312	\$1,357,226	1.4	14
Grocery Stores	4451	\$42,355,927	\$38,495,959	\$3,859,968	4.8	8
Specialty Food Stores	4452	\$2,473,160	\$3,794,313	-\$1,321,153	-21.1	1
Beer, Wine & Liquor Stores	4453	\$4,440,451	\$5,622,040	-\$1,181,589	-11.7	5
Health & Personal Care Stores	446,4461	\$14,865,712	\$30,030,073	-\$15,164,361	-33.8	8
Gasoline Stations	447,4471	\$13,946,998	\$1,552,684	\$12,394,314	80.0	1
Clothing & Clothing Accessories Stores	448	\$14,759,990	\$1,703,908	\$13,056,082	79.3	2
Clothing Stores	4481	\$10,626,000	\$1,703,908	\$8,922,092	72.4	2
Shoe Stores	4482	\$1,725,055	\$0	\$1,725,055	100.0	0
Jewelry, Luggage & Leather Goods Stores	4483	\$2,408,935	\$0	\$2,408,935	100.0	0
Sporting Goods, Hobby, Book & Music Stores	451	\$8,431,933	\$4,757,909	\$3,674,024	27.9	10
Sporting Goods/Hobby/Musical Instr Stores	4511	\$7,324,225	\$4,522,717	\$2,801,508	23.6	9
Book, Periodical & Music Stores	4512	\$1,107,708	\$235,192	\$872,516	65.0	1
General Merchandise Stores	452	\$31,574,815	\$75,307,699	-\$43,732,884	-40.9	5
Department Stores Excluding Leased Depts.	4521	\$23,271,797	\$71,402,616	-\$48,130,819	-50.8	3
Other General Merchandise Stores	4529	\$8,303,018	\$3,905,083	\$4,397,935	36.0	2
Miscellaneous Store Retailers	453	\$10,745,554	\$8,546,376	\$2,199,178	11.4	15
Florists	4531	\$666,363	\$358,663	\$307,700	30.0	1
Office Supplies, Stationery & Gift Stores	4532	\$2,893,541	\$5,593,283	-\$2,699,742	-31.8	7
Used Merchandise Stores	4533	\$585,869	\$679,236	-\$93,367	-7.4	3
Other Miscellaneous Store Retailers	4539	\$6,599,781	\$1,915,194	\$4,684,587	55.0	4
Nonstore Retailers	454	\$11,157,660	\$349,626	\$10,808,034	93.9	3
Electronic Shopping & Mail-Order Houses	4541	\$8,728,046	\$0	\$8,728,046	100.0	0
Vending Machine Operators	4542	\$150,763	\$94,992	\$55,771	22.7	1
Direct Selling Establishments	4543	\$2,278,851	\$254,634	\$2,024,217	79.9	2
Food Services & Drinking Places	722	\$24,968,740	\$33,225,056	-\$8,256,316	-14.2	59
Special Food Services	7223	\$954,984	\$105,446	\$849,538	80.1	1
Drinking Places - Alcoholic Beverages	7224	\$1,194,370	\$726,020	\$468,350	24.4	4
Restaurants/Other Eating Places	7225	\$22,819,386	\$32,393,590	-\$9,574,204L/	-17	54



Economic activity in the U.S. continues to improve; however, the economic growth of the nation can be characterized as modest as the economy of the nation is in recovery. Employment, GDP, investment spending, consumer confidence, and availability of capital for investment are showing signs of improvement on a national basis. Massachusetts and the region have outpaced the national recovery and are showing signs of stabilized economic and employment situations. On December 15, 2015, the Federal Reserve Bank decided to increase the target range for the

federal funds rate to 0.25% to 0.50%. The Committee judged that there had been considerable improvement in labor market conditions throughout the year, and it was reasonably confident that inflation would rise, over the medium term, to its 2% objective. Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to raise the target range for the federal funds rate. At the most recent meeting of December 13, 2016, the Fed decided to raise the target range for the federal funds rate to 0.50% to 0.75%. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a return to 2.0% inflation.

Real estate recoveries are driven mainly by employment growth and when GDP, and the labor markets begin to add jobs again, the real estate markets can begin to recover. Real estate recoveries are driven mainly by employment growth and when GDP, and the labor markets begin to add jobs again, the real estate markets can begin to recover. Fairhaven has a population and household growth rate that has historically been substantially lower than the region and state, and has population and household formation projections either increasing at a nominal rate, or declining, which provides the demographic context for our feasibility analysis going forward.

Historic Financing Sources

Given the analysis above and the lack of response to previous development oriented RFPs, it is clear that the project will require additional subsidy no matter the use. Below are some typical forms of financial sources utilized in historic buildings across the Commonwealth. These sources were discussed at the first public meeting.

Federal Historic Rehabilitation Tax Credits The federal historic rehabilitation tax credits are available for income-producing buildings which are listed in the National Register of Historic Places and which are substantially rehabilitated according to the Secretary of Interior's Standards for Rehabilitation. Under this program, 20 percent of the total qualified rehabilitation expenditures ("QRE's") are returned to the owner in the form of a dollar-for-dollar credit on federal income taxes.

A three-part Historic Preservation Certification Application ("HPCA"), together with project plans and photographs are submitted to the Massachusetts Historical Commission (MHC) and the National Park Service (NPS). The MHC has a review and comment role in the process, but the NPS has the final decision making authority regarding certification of the completed rehabilitation. Successful certification of the completed project and, obtaining the subsequent tax benefits, is dependent upon rehabilitation work that meets the Secretary of the Interior's Standards for Rehabilitation.

The Massachusetts Historic Rehabilitation Tax Credit ("MAHRTC") is available on a competitive basis for income-producing buildings which are determined a "qualified historic structure" by the MHC and which are substantially rehabilitated and determined a certified rehabilitation by the MHC. Under the Massachusetts tax credit program, up to 20 percent of the total qualified rehabilitation expenditures is returned to the owner in the form of a dollar-per-dollar credit on state income taxes. The three-part MAHRTC application, together with the additional supporting information required for the competitive process and photographic documentation, is submitted to the MHC to qualify for consideration in application rounds. Successful certification of the completed project by the MHC and securing the subsequent tax

benefits is dependent upon rehabilitation work that meets the Secretary of the Interior's *Standards for Rehabilitation*.

The two programs follow the same basic standards from a design review perspective and both are at least partially administered by the MHC. The major differences lie in the fact that the federal program is a guaranteed 20% of the QRE's while the state program funds are "up to 20%", competitive and allocated to a project during three application rounds that take place annually in January, April, and August. Other differences between the programs include that MAHRTC having a lower basis test, being available to non-profits and only requiring the building be eligible for listing on the National Register, but not actually listed. The capped nature of the state program makes it very difficult to both receive state tax credit allocations in any sizable amount as well predict what the total amount of state credit will be relative to the project's sources.

The Massachusetts Preservation Projects Fund (MPPF) is a state-funded 50% reimbursable matching grant program established in 1984 to support the preservation of properties, landscapes, and sites (cultural resources) listed in the State Register of Historic Places. Applicants must be a municipality or nonprofit organization.

Historic cultural resources in public and nonprofit ownership and use frequently suffer from deferred maintenance, incompatible use, or are threatened by demolition. These important resources represent a significant portion of the Commonwealth's heritage. By providing assistance to historic cultural resources owned by nonprofit or municipal entities, the Massachusetts Historical Commission hopes to ensure their continued use and integrity.

Requests may be submitted to conduct studies necessary to enable future development or protection of a State Register-listed property, such as feasibility studies involving the preparation of plans and specifications, historic structures reports, and certain archaeological investigations. With planning projects, the architectural/engineering fees to conduct such studies are eligible for funding. Costs associated with the project sign, photography, and legal ads are also eligible for reimbursement.

Requests may be submitted for construction activities including stabilization, protection, rehabilitation, and restoration. Grant funding can only be used to cover costs of material and labor necessary to ensure the preservation, safety, and accessibility of historic cultural resources. Development of universal access is allowable as part of a larger project (ideally, no more than 30%). With construction or "bricks & mortar" projects, therefore, the architectural or engineering fees for any project work are not eligible for funding or use as matching share.

Allowable costs: Overall building preservation, building code compliance, and barrier-free access where historic fabric is directly involved are eligible as well as the cost of a project sign, photography, recording of the preservation restriction, and legal ads.

Non-allowable costs: Projects consisting of routine maintenance, upgrading of mechanical systems (i.e., heating, ventilation, air conditioning, electrical, plumbing), renovation of non-historic spaces, moving of historic buildings, or construction of additions will not be considered. Projects involving the interior of buildings actively used for religious purposes are generally not considered eligible. Architectural or engineering fees for any project work are not eligible for funding or use as matching share.

Requests may be submitted to acquire State Register-listed properties that are imminently threatened with inappropriate alteration or destruction.

The Massachusetts Preservation Projects Fund is currently funded for one grant round through fiscal year 2016. Requests for pre-development projects can range from \$5,000 to \$30,000; requests for development or acquisition projects may range from \$7,500 to \$100,000. Work completed prior to grant award is ineligible for funding consideration.

A unique feature of the program allows applicants to request up to 75% of total construction costs if there is a commitment to establish a historic property maintenance fund by setting aside an additional 25% over their matching share in a restricted endowment fund.

Emergency funds are available at the Secretary's discretion for stabilization of resources considered in imminent danger. There are no deadlines for the submission of emergency fund requests.

The State Register of Historic Places is the official list of the state's cultural resources deserving preservation consideration. The State Register is a compilation of eight different types of local, state, and federal designations. The most common designations on the State Register are National Historic Landmarks, National Register properties, and local historic districts.

The largest single category on the State Register is from National Register nominations. The MHC can only accept National Register nominations from communities that have completed a comprehensive survey of their historic properties. National Register listing involves substantial lead-time and therefore procedures for nominating eligible unlisted properties should be implemented well ahead of the next grants cycle. Properties can be listed individually or as contributing elements of a National Register District. To find out if your community has a comprehensive survey or to initiate the process of evaluating a property for listing on the National Register, contact the Preservation Planning Division of the MHC.

Applicants should contact the Massachusetts Historical Commission or their local historical commission to ascertain State Register status of the property before applying for grant funds.

Selection Criteria

- Level of historical significance of the property
- Potential for loss or destruction of the property
- Administrative and financial management capabilities of the applicant
- Appropriateness of proposed work for the property
- Demonstrated financial need
- Extent of public support and benefit from users, professionals, and community leaders
- Consistency with state and local preservation and community revitalization plans
- Use of traditional materials and building techniques
- Geographic distribution and first-time grant for community/project

The owner of a property funded for a development or acquisition project must enter into and record a preservation restriction and maintenance agreement in perpetuity. Owners of properties funded for pre-development projects shall enter into a preservation restriction for a term of years, depending on the grant amount awarded.

Potential Uses

The first public meeting was an opportunity to hear from the residents of Fairhaven regarding their thoughts relative to a future use. A number of citizens commented on that they

felt the school should be considered for reuse as a school. The available statistical data reviewed for this initial report does not show demand for a new school as growth in Fairhaven is limited and is not trending upward. If the data did point to additional growth, then the question is could the building be returned to its original use and how would the costs of rehabilitation and ongoing operating compare to schools of similar size.

Bringing the building up to code compliance for any use will be challenging but as a school, there are even more issues that would need to be addressed. We will be preparing a general code analysis a component of the final report. Additional requirements for schools that make the reuse as a school challenging include items like separate bathrooms for adults and children. There are also size requirements for different spaces within in the school that are not achievable in the current footprint. State funding for schools is also very competitive and once a school has been closed it is much more difficult to receive funding to repair it to be reopened. We will more closely examine the components around the potential reopening but it does not appear to be a likely reuse on several fronts.

Other comments from the meeting focused on trying to find low-impact reuses as the building sits in a well-established residential neighborhood and concerns were expressed about non-compatible reuses and whether high –end housing, condominiums would be a viable option. We are still exploring the physical layout of the building, but our initial sense is that the floor plan of both buildings do not layout well for residential reuse due to the size and relationship of the different spaces. The large classrooms in the historic buildings are of particular difficulty as any housing reuse could most likely mean the loss of a significant portion of historic fabric to introduce kitchens and baths into the space. As we develop general rehabilitation costs for the buildings, we will calculate the yield on rental and for sale housing based on existing data and see if there is any feasibility to the reuse. Based on the fact that there was little response to the development RFPs, housing does not appear to be a viable reuse.

We are continuing our dialogue with the Town administration to understand potential municipal reuse. The issue with civic reuse is the lack of funding programs available creating a need for long-term capital investment by the town or more of a mothball approach where very low impact uses are introduced, these still may be challenging as the pursuit of a certificate of occupancy may increase costs relative to meeting code requirements.

There was one suggestion at the meeting of some type of wedding or other reception venue. We have seen this done successfully in other historic buildings and are doing more thorough review of the surrounding demographics and a competition related to this use. Likewise, we will be further examining specialized retail or office that might be a good fit. Data show that there is an established retail core in the downtown and this may be able to contribute to it. There is an understanding about the concerns noted earlier regarding the residential nature of the neighborhood, but there may be a 9-5 use that is compatible.