



**FXM Associates**

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**Aerovox Facility Superfund Site Pre-development Analysis**

Technical Memorandum

*Market Overview of Industrial/Commercial Reuse and Redevelopment*

**To:** The Cecil Group  
**From:** FXM Associates  
**Date:** October 18, 2006

Superfund Remedial Action  
Site No. Aerovox  
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The City of New Bedford (CNB) Planning Department contracted with The Cecil Group, FXM Associates, and Tighe & Bond for land use planning, site planning and design services to evaluate proposed reuse options for the Aerovox Facility site. This study was commissioned by the City of New Bedford Planning Department, and funded by an EPA Superfund Redevelopment Initiative Grant for the preparation of conceptual development plans for the Aerovox site. FXM Associates, an economic development research and planning consulting firm, assisted The Cecil Group in an evaluation of physical and market conditions affecting potential reuse and future redevelopment of the Aerovox site.

Part I of this technical memorandum summarizes key findings and recommendations, and Part II presents the preliminary report documenting the market study effort.

**I. Summary of Findings**

- From the viewpoint of a prospective owner or developer, the key issues affecting level of interest and acceptability of risk in the Aerovox Facility reuse project include:
  1. Who is responsible for future pollution liability? Will EPA, US Department of Justice, Massachusetts Department of Environmental Protection, Massachusetts Attorney General, and CNB provide protection agreements to hold harmless and limit the new owner/developer's liability? When and how will this occur?
  2. Does the site have a good location? Is there high demand for the proposed industrial and commercial uses, or identified market niches? Are there any prospective developers or tenants?
  3. How well-informed and supportive are the neighbors? What are their fears; how are these fears being addressed; and how much of a burden will these fears be for a new owner/developer?

4. What would the market value of the site be if there were no environmental cleanup required?
  5. When and how will EPA and CNB provide the funds committed for site remediation, and are there any other legal or regulatory issues constraining the proposed reuse and redevelopment of the site?
- Four of the five EPA “Short Term Cleanup Options” for the Aerovox Facility site include partial or complete off-site disposal of contaminated building materials (Alternative #1, Alternative #2, Alternative #3, New Alternative #2).<sup>1</sup> The estimated costs for these four alternatives range from \$14,511,302 to \$18,074,142; however, it is unclear whether these costs include a discount factor for combining this Superfund site cleanup with the on-going New Bedford Harbor Superfund cleanup project.<sup>2</sup> The fifth alternative (New Alternative #1) did not include removal of any of the contaminated building materials from the property. Disposing of contaminated building material from the Aerovox Facility Superfund site in conjunction with the on-going New Bedford Harbor Superfund cleanup may reduce mobilization and transportation costs of off-site disposal. It is our understanding that the EPA EECA did not anticipate disposing of Aerovox Facility Superfund site contaminated building materials using the Superfund Confined Disposal Facility at the Herman Melville Shipyard. It is critically important that this cost analysis be completed to prepare Phase IV Level Site Concept Plans and complete pre-development feasibility studies.
  - Demand for industrial space in the New Bedford area is for distribution and warehousing facilities, not traditional manufacturing processes; and the Aerovox site lacks easy access (direct arterial street) to the regional highway system (Rtes. 140 and I-195). Location and highway accessibility are the most frequently referenced criteria for suitability and marketability (sale and lease) of industrial space in the area. FXM research and interviews found no evidence of potential market support for the proposed construction of 150,000+ sq. ft. of new industrial space at the Aerovox Facility site, which would probably cost \$6 to \$7 million, and lease prices of \$10 to \$12 per sq. ft. A more detailed market analysis is required to determine whether the site is suitable for development of “flex space” to meet existing demand for modern commercial/industrial space and emerging technology-based industries, possibly in combination with other commercial retail uses.

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<sup>1</sup> “Making the Vacant Aerovox Site Safe,” EPA Aerovox Site, June 2006

<sup>2</sup> The EPA and CNB constructed a railway facility at the Herman Melville Shipyard to remove of PCB and other contaminated sediment for the New Bedford Harbor Superfund Site cleanup project, which began in 2003, and is expected to be complete in 2030.

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- The majority of commercial real estate brokers and developers interviewed by FXM considered neighborhood-oriented retail uses the most realistic redevelopment plan for the Aerovox Facility site, based on inquiries they received from regional store operators and local merchants seeking new locations. While acknowledging that any new retail uses should avoid competition with the Acushnet Avenue Business District shops and services, these professionals were generally optimistic about the retail potential of the Aerovox site. The suggested niche markets that would warrant more detailed investigation include mid-level grocery store, 'small-box' and other specialty retail, restaurant, and professional services and health care. The customer profile and expansion plans of new and existing retail businesses seeking a North End location will need to be explored for prospective tenants; however, FXM's review of secondary sources documenting the North End's demographic profile and retail business activity indicated that there is not much retail potential for the Aerovox Facility site.
- There is an oversupply of office space in the New Bedford and Fall River areas, largely as a result of numerous mergers of financial institutions that have resulted in many surplus bank office buildings in downtown New Bedford as well as the surrounding suburbs. Moreover, the recent sale of the AT&T facility in Fairhaven has increased the amount of Class A office space available in the local market area. Local real estate brokers describe the demand for leased office space in New Bedford as "non-existent." They cautioned that any significant amount of "spec" office space (50,000+ sq. ft.) programmed for redevelopment at the Aerovox Facility site would need to be marketed correctly and very creatively and would probably be part of a larger "flex space" facility.
- Reportedly, there is more than 6 million sq. ft. of mill building space in New Bedford, approximately 1.5 million sq. ft. of which is vacant. This space rents for \$3.00 to \$10.00 per sq. ft., in spaces ranging from 500 sq. ft. to 100,000 sq. ft., and is best suited for new and start-up industrial and commercial businesses, warehouse companies, artists and artisans, and other firms with limited capital for space needs. Mill buildings and complexes exist throughout the City's North End and South End areas. There are mill buildings with active uses located immediately to the north and south of the Aerovox Facility site, and several other mill buildings within a 5-minute drive.
- The New Bedford Business Park routinely refers companies seeking to locate in the City, but uninterested in the Business Park or needing smaller-scale facilities, to the New Bedford Economic Development Council (NBEDC). The North End Business Association and the New Bedford Area Chamber of Commerce also regularly refer businesses seeking to locate, relocate or expand to a new location in the City to the NBEDC. Reportedly, the NBEDC maintains a city-wide database and analyzes real estate activity in neighborhood business districts. FXM requested, but did not receive, this information for consideration by the consultant team in this market study.

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- During the course of FXM's interviews, the following companies expressed an interest in the Aerovox Facility site redevelopment and requested a copy of the finished Conceptual Development Plan and notification or copy of the City's RFP:
  1. Joseph Castelo, ERA Castelo Real Estate, 1815 Acushnet Avenue, New Bedford, MA 02746
  2. Chris Erb, Developers Diversified Realty
  3. Eli J. Levine, Vice President, Brownfields Recovery Corp., 222 Berkeley Street, Boston, MA 02116
  4. John M. Kalisz, Nash Pond Business park, 404 Nash Road, New Bedford, MA 0274P
  5. Elizabeth Carroll, Partner, Blue Wave Strategies

## II. Technical Report

### Background to the Study

The EPA Superfund Redevelopment Initiative Grant to the City of New Bedford (CNB), which funded this study to prepare conceptual plans for the Aerovox site redevelopment, was not made available to the consultant team for review during this study. However, it is our understanding that the EPA and CNB have a cooperative agreement for the cleanup and redevelopment of the Aerovox site that includes approximately \$9 million in federal funds for building demolition and site remediation costs. The EPA-recommended remediation option, New Alternative #1, assumes continued commercial/industrial use, and commercial/industrial cleanup standards, which leaves some levels of PCB-contaminated soil or concrete under the new protective cap.<sup>3</sup> The EPA's 2006 "Supplemental Engineering Evaluation and Cost Analysis" (EECA) estimates the cost of New Alternative #1 'Short Term Cleanup' at \$7,899,685; CNB officials indicate there may be an additional \$1.9 million available for site cleanup contingency costs. The CNB expects to issue a Request for Proposals (RFP) and will select one entity to perform both the site remediation and redevelopment functions. This integrated approach is intended to ensure that the Aerovox site cleanup design and remediation construction will incorporate the infrastructure required for industrial or commercial redevelopment.<sup>4</sup> The EPA and CNB expect the Aerovox Facility building demolition to start during 2007 and last approximately one year.<sup>5</sup>

### Approach and Methodology

FXM Associates evaluated market conditions influencing the proposed industrial and commercial reuse and redevelopment of the Aerovox Facility site. FXM conducted selective research, interviewed professionals knowledgeable about Brownfields cleanup and investment, and advised the study participants about market and financial factors that are crucial considerations for private developer involvement. FXM prepared a market overview of industrial and commercial uses based on the EPA-selected remedial action and the site organization plans drafted by The Cecil Group. The **Market Overview of Industrial/Commercial Uses** section of this report describes FXM's assessment of overall demand and trends for industrial and commercial (retail and office), historical characteristics of the local supply, and potentially competing planned or 'pipeline' projects. For this conceptual planning stage, the FXM analysis does not include financial feasibility of the proposed industrial and commercial uses or *pro forma* illustrating projected income and expenses.

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<sup>3</sup> "Aerovox Site," EPA New England Publication (June 2006)

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

FXM Associates conducted more than 25 interviews with commercial real estate brokers, local planning officials and economic development agency representatives, EPA Superfund site managers, selected firms with specialized expertise in Brownfield reuse projects, owners of manufacturing buildings adjacent to the Aerovox site, and others knowledgeable about business and real estate activity in the greater New Bedford area. In addition to a review of recent prior studies and citywide and North End neighborhood planning documents, FXM also reviewed secondary data sources as well as various websites pertaining to Brownfield reuse and redevelopment. Additional relevant information was obtained from participants in the public meetings convened by the EPA and CNB to discuss the Aerovox Facility study.

### **Brownfield Redevelopment**

Massachusetts and its historically industrial manufacturing centers have provided numerous opportunities for regional and national companies to invest in remediation and redevelopment of environmentally contaminated sites. In New Bedford, public and private sector efforts have cleaned up and reused acres of Brownfield sites at Standard-Times Field, the New Bedford Business Park, the former railroad depot, and many mill buildings. Redeveloping Brownfields is a critically important strategy in the City's on-going efforts to reinvent its manufacturing sector and gain a more competitive status in the southeastern Massachusetts economy.

According to those knowledgeable about Brownfields' cleanup and reuse, there is tremendous precedent for successful industrial and commercial redevelopment on capped sites, and most real estate developers are familiar with the process and cost of long-term monitoring and liability.<sup>6</sup> Although there is an additional layer of responsibility and cost, developers can purchase insurance products for capped sites (pollution legal liability), and obtain 'comfort letters' from federal government agencies, including EPA prospective Purchase Agreement holding owner/developer harmless for certain subsequent contamination issues. As part of the Massachusetts Brownfields Act, prospective land owners that have not contributed to the contamination are eligible for statutory liability relief and are protected from Commonwealth of Massachusetts claims for response action costs and natural resource damages and from claims by third parties for contribution, response action costs and property damage under Massachusetts General Law Chapter 21E.

When EPA is funding and involved in remediation of sites contaminated with PCBs or heavy metals, the developer's cost of long-term monitoring is not substantial, since these potentially carcinogenic materials comprise stable elements that generally do not migrate into

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<sup>6</sup> FXM Associates interviews with E. Carroll, *Blue Wave Strategies* (August 2006), and C. ERB, *Developers Diversified Realty* (September 2006)

groundwater and the air, unless transported by water or air currents.<sup>7</sup> Brownfields cap monitoring is performed by a Licensed Site Professional (LSP) on a regular basis to determine the physical condition (integrity) of the cap; the annual cost is estimated to be \$10,000 to \$15,000. Typically, owners/developers of Brownfield sites with long-term monitoring requirements 'pass through' these costs to commercial and industrial tenants of office condominium common area maintenance fees. The brownfields experts interviewed by FXM, for this study, agreed that the probable cost and risks associated with long-term monitoring of capped sites would not deter prospective developers from investing in an urban site that has good location and market support for industrial or commercial reuse.

The EPA provided the consultant team with the following examples of three comparable New England Superfund sites with contamination conditions similar to the Aerovox Facility site, and for which the EPA successfully implemented integrated plans for remediation and redevelopment.<sup>8</sup>

- *Norwood PCB Site, Norwood, Massachusetts*, is a 10-acre site located at the Route 1 and Dean Street intersection of the commercial zone referred to as the 'Auto Mile.' The one-story manufacturing building was demolished and, left on-site in a 4-acre capped area that now has a slightly raised grade; this capped area is a parking lot. The property developer/owner, the Potentially Responsible Parties (PRPs), and the EPA worked in concert to undertake an integrated approach to remediation and redevelopment for an auto dealership. The cap was designed and built with utility corridors and light posts for the parking lot; although the reuse scheme did not materialize, there was no lack of interest in the site as a result of the capping because of its Route 1 location. EPA has restrictions through easements on future site uses and prefers that buildings be located on the uncapped portion of the site; however, buildings could be constructed on the capped site area with EPA approval, and would not be prohibitively expensive based on the development value of the land. There were plans for 'big box' retail development that would have been built over the capped area. These plans faltered due to local concerns regarding traffic and other planning issues. Currently, the property owner/developer is now considering 'small box' commercial retail uses.<sup>9</sup>
- *Industriplex Superfund Site, Woburn, Massachusetts* includes a 6-acre site owned by W. R. Grace that is within the Wells G&H Superfund site, which had VOC (volatile organic compounds) contamination in groundwater sources, and PCBs in the paint and building materials. EPA reached a settlement with the property owners and determined that site cleanup required groundwater extraction and long-term monitoring; the site will not be capped. W. R. Grace is accommodating reuse/redevelopment by demolishing the

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<sup>7</sup> Ibid, and S. Alfonso, City of New Bedford Environmental Steward (August 2006)

<sup>8</sup> David Dickerson correspondence, EPA New Bedford Superfund Manager (August 16, 2006)

<sup>9</sup> FXM Associates interview with Robert Cianciarulo, EPA Norwood PCB Superfund Site Manager (August 2006)

building and disposing of all contaminated materials off-site. Paint will be remediated, steel will be recycled, and other building materials will be disposed of as low-level toxic waste. During building demolition, the developer's 'due diligence' will require air monitoring and abatement measures to ensure that contaminants aren't spread into adjacent properties. W. R. Grace marketed the site, and is entering a long-term lease with the developer with provisions that the developer's uses/activities do not contaminate the site; W. R. Grace will keep the obligation for monitoring the site and maintaining the treatment facility. The site will be redeveloped as an office park and decathlon sporting goods retail store. A lease was executed in 2005, building demolition is underway, the developer is pursuing local and state permits, and construction is expected to begin during 2007.<sup>10</sup>

- *Raymark Superfund Site, Stafford, Connecticut*, was redeveloped as a 'cutting edge' Brownfield project in 1996. The site is approximately 35 acres and has PCB, asbestos, copper, and lead contamination in soil and building materials. EPA response action removed contaminated soil from adjacent residential property (100,000 cu. yds.) to the facility for storage in steel containers; the entire site was then capped. This site is zoned for industrial/commercial use, located right off Interstate 95 along the NY Metro route. It is across from an existing shopping mall and has high visibility. During the remediation planning and cap construction process, EPA worked with an interested developer to integrate infrastructure that would meet redevelopment requirements (utility corridors, drainage, pilings for big box stores). The new buildings (WalMart, Shaw's, Home Depot) were constructed over the former Raymark facility structure and required extra foundation support and extensive unanticipated soil compaction due to spongy soil conditions. The cost of integrating infrastructure for redevelopment was offset by the \$12 million sale price EPA received from auction of the property when the original developer was unable to acquire the site from the Town for tax arrearage. The final project cost of \$80 million includes about \$13 million for redevelopment infrastructure, and \$13 million for change orders related mostly to unexpected conditions. The Record of Decision (ROD) remedy had been estimated at \$55 million for facility demolition and site cap. The key to success of the project was the site's prime location, and the involvement of an interested developer from the beginning of remediation work,<sup>11</sup>

The EPA and CNB plan to issue a single request for proposals to select one entity that will perform EPA-recommended removal actions (demolish buildings and properly manage demolition wastes on or off-site), cap the entire site to restrict access to residual PCB soil contamination and any contaminated building debris contained on-site, and redevelop the Aerovox site. This approach differs from any of the implementation methods used for the identified comparable Superfund redevelopment sites. In both the Norwood and Raymark projects, there were interested developers involved from the beginning and throughout the

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<sup>10</sup> FXM Associates interview with Joseph Lemay, EPA Industriplex Superfund Site Manager (August 2006)

<sup>11</sup> FXM Associates interview with Michael Josinsky EPA Chief RI, CT, NH Superfund Sites (August 2006)

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remediation/redevelopment planning, notwithstanding the fact that neither of the original reuse schemes actually materialized. The owner of the Industriplex site assumed responsibility for cleanup costs, including long-term monitoring and treatment facility maintenance and solicited a developer to build out the site on a long-term lease basis. Moreover, each of these Superfund sites are located in prime commercial areas surrounded by other retail, office, or other commercial uses and are very visible with easy highway access. In that regard, the land value of these sites was potentially greater than the cleanup costs. The EPA and CNB also may have an expectation that a Brownfield insurance company would take on the remediation liability (cleanup cost and long-term monitoring) and sell the site to a developer at nominal cost. This concept of Brownfield insurance company or broker redevelopment became prevalent in the 1990s and is a viable approach if the property has market value. Typically, the contaminated site is acquired at nominal or no cost, and when the cost of cleanup approximates what the site acquisition cost would have been, then it may be worth taking on the risk of cleanup liability because the company will realize a profit at the end of cleanup through sale or long-term lease.

### **Project Description**

#### *Aerovox Facility Site and Environs*

The former Aerovox Facility is located at 740 Belleville Avenue, abutting the Acushnet River shoreline, in the North End neighborhood of New Bedford, Massachusetts. The 10.5-acre site consists of a two-story brick building (built in 1903) and a surface parking lot. In 2006, the land value was assessed at \$575,000, the building value at \$761,100, and the total property value at \$1,456,2000.<sup>12</sup> The property is owned by the 740 Belleville Avenue LLC, formed by the CNB and the New Bedford Redevelopment Authority “to facilitate the orderly transfer of the property to a Brownfield redeveloper.”<sup>13</sup> It is zoned for manufacturing uses and is subject to Massachusetts C.91 licensing requirements, as well as FEMA flood-plain regulations and CNB setback requirements for the Riverway open space system that facilitates public use of the Acushnet River. Hadley Street, a discontinued public way, and Ingraham Street, a private road, border the property on the south and north, respectively. Although I-195 is only a few miles south, the highway is not easily accessible from the Aerovox site. The most direct route to Rtes. 18, I-195 or 140 is through side streets connecting with Acushnet Avenue and Ashley Boulevard, the major arterials serving the North End. Physically, the site is long and narrow, has limited street frontage along Belleville Avenue, and there are two- and three-story buildings with active manufacturing plants on both sides of the Aerovox Facility site.

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<sup>12</sup> City of New Bedford Assessors 'Parcel Lookup,' [www.ci.new-bedford.ma.us](http://www.ci.new-bedford.ma.us)

<sup>13</sup> “Land Use Planning, Site Planning, and Design Services RFP #758,” City of New Bedford Planning Department (March 2006)

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The Aerovox Facility site includes regulated wetland resources along the Acushnet River, which forms the eastern boundary of the property. This includes a small area of vegetated wetlands at the river's edge, the FEMA 100-year A1 floodplain, and a portion of filled tidelands regulated under Chapter 91.

The Aerovox Facility site is located in the eastern and central part of the North End, where there is a mix of multi-family residential uses, small businesses, and considerable industrial land east of Belleville Avenue and along the Acushnet River. Many North End mill building complexes are vacant or underutilized; others are being converted to mixed-use: residential, live-work lofts, specialty retail, business incubator, and creative arts industry space. Parking is primarily available on-street with some off-street parking at municipal and private lots. The Aerovox Facility site is adjacent to the North End Target Area, which begins at Belleville Avenue and includes all of US Census Tract-Block Group 7-1 to the west, south, and north of the site. According to the CNB Office of Housing and Community Development North End neighborhood profile, "Revitalization tasks include upgrading of older storefronts, rehabilitation of degraded housing stock, and improvements of infrastructure."<sup>14</sup>

Although FXM was unable to determine the condition, use, occupancy, or future plans for the properties surrounding the Aerovox site; the following descriptions were obtained from information available on the CNB Assessors property descriptions for 2006.<sup>15</sup>

- The Acushnet Rubber building, owned by the Rubber Company (Titleist), is located at 700 Belleville Avenue, <sup>south</sup> north of the Aerovox Facility site. This property contains 9.5 acres of land (\$924,700 assessed value), zoned Manufacturing and has a total assessed value of \$4,903,900. The three-story brick exterior mill building (built in 1903) has an assessed value of \$3,942,700.
- The Precix Building, owned by ARC Acquisitions, Inc., is located at 74 Howard Street, <sup>north</sup> south of the Aerovox Facility site. This property contains 8.5 acres of land (\$822,800 assessed value), is zoned Manufacturing, and has a total 2006 assessed value of \$1,372,400. The two-story mill building (built in 1914) has an assessed value of \$429,500.
- There is a fifty percent (50%) chance that the EPA and CNB will construct a shoreline Confined Disposal Facility (CDF) near Hadley Street, at some future point.

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<sup>14</sup> "North End Target Area Profile," City of New Bedford Office of Housing and Community Development, Office of Planning [www.ci.new-bedford.ma.us](http://www.ci.new-bedford.ma.us)

<sup>15</sup> Op Citation

as part of the New Bedford Harbor Superfund Cleanup Project; and, that air monitoring of occupied buildings on the Aerovox site may also be required.<sup>16</sup>

*Proposed Site Redevelopment Program*

The Cecil Group prepared two conceptual site plans one (Site Concept Plan A) for mixed residential/commercial reuse and alternatively only small-scale, neighborhood commercial reuse, and the other (Site Concept Plan B) for mixed industrial/commercial reuse and alternatively only commercial reuse of the Aerovox site. The first Site Concept Plan is for small scale neighborhood commercial uses and the latter for larger scale commercial uses in a 'strip mall.' These conceptual reuse options were the basis for FXM's discussion of market conditions influencing potential market support for EPA's proposed commercial or industrial redevelopment of the Aerovox site within the next three years (2010). Residential reuse was not considered given that the preferred remediation plan leaves PCB-contaminated materials on the site, that this would severely hamper marketing for residential units, and that this would increase total remediation and monitoring costs to permit this use of the site.

Site Concept Plan A shows a building running across the Belleville Avenue frontage with parking in the rear. This design could provide about 38,500 sq. ft. of retail, with about 20,000 sq. ft. of that space fronting on Belleville Avenue in small storefronts according to the depth of the building.

The Site Concept Plan B for commercial reuse of the Aerovox parcel proposes 150,000 sq. ft. of retail or office buildings located on the southern portion of the site (existing parking lot), with a 450-space parking area on the northern portion of the site (existing building). The site plan organizes the long and narrow Aerovox site to provide buildings with standard size and dimensions for retail stores, as well as visibility for the parking lot entrance off Belleville Avenue. The proposed one-story structures would have approximately 160 feet of street frontage along Belleville Avenue from mid-block to Hadley Street, and a landscaped streetscape to Ingraham Street with the main entrance and egress for the 40,000-sq. ft. parking lot. The Aerovox parcel slopes only slightly toward the east (the Acushnet River is visible from Belleville Avenue), and stores located toward the middle and rear of the site would be visible from the street. The configuration is very similar to many urban neighborhood strip malls, sited essentially perpendicular to the street.

This conceptual site plan could accommodate five retail spaces ranging in size from 20,000 sq. ft. to 55,000 sq. ft., with the largest space located at the eastern end of the site and substantially within the flood zone. Commercial delivery trucks would use Hadley street for access to shipping and handling (loading docks), if the discontinued street were reactivated by the CNB and access agreements negotiated with abutting property owners. Similarly, additional parking lot access along Ingraham Street could be provided through access

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<sup>16</sup> M. Richards, Tighe & Bond e-mail to study team (October 12, 2006)

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agreements or restrictions of existing easements with abutting property owners.<sup>17</sup> This redevelopment site organization concept could accommodate neighborhood-oriented retail uses (grocery store, restaurant, pharmacy, discount merchandise), specialty retail (beauty/barber shop, clothing boutique, sporting goods retail outlet, pet grooming), professional services or office (accountant, specialized health care, insurance agency).

The same site organization of the Aerovox parcel would accommodate approximately 200,000 sq. ft. of industrial building with 350 parking spaces. Legal action and agreements may be needed to provide adequate vehicular access from Hadley Street for shipping and delivery trucks and from Ingraham Street to serve the parking lot. All or most of the space could be occupied by manufacturing uses or office and retail uses could be located in a portion (10,000 to 20,000 sq. ft.) along the Belleville Avenue street frontage. This industrial reuse site plan could accommodate one large light manufacturing plant (165,000+ sq. ft. facility) for light assembly, technology-based, or other specialized production not requiring direct or easy highway access; or smaller light industrial uses combined with commercial businesses.

The EPA New Alternative #1 remediation plan may restrict construction of new buildings to the southern portion of the site as illustrated in The Cecil Group's reuse conceptual site plan. Alternative site organization concepts with new building construction over the capped foundation area (existing facility footprint) also may be permitted, which could increase Belleville Avenue street frontage and visibility of new commercial uses; however, this site redevelopment approach may require EPA approval to construct specialized foundation/footings built over the capped foundation of the former Aerovox building. Typically, there are 'premium' development costs associated with specialized foundation construction on capped Superfund sites, according to Brownfields developers and environmental engineers interviewed by FXM; however, any such additional construction costs at the Aerovox Facility site are likely to be minimal or non-existent.<sup>18</sup> Since determining land value will be an important consideration for prospective owners or developers, the Phase IV Level Conceptual Site Plan should include cost estimates for foundations that would support more than single-story buildings.

### **Market Overview of Industrial/Commercial Uses**

FXM Associates investigated overall market conditions in southeastern Massachusetts, CNB, and the North End area to identify characteristics of existing real estate activity, patterns and trends that will influence the viability of proposed industrial and commercial reuse of the Aerovox Facility site. This preliminary examination identified critical market factors and economic conditions affecting the potential land use of the property, issues of concern to potential Brownfields developers who may be interested in the CNB's anticipated request for

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<sup>17</sup> New Bedford Aerovox Commercial Option, The Cecil Group (August 2006)

<sup>18</sup> K. Buckland, The Cecil Group and M. Richards, Tighe & Bond communication (September 11, 2006)

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proposals (RFP). The focus and detail of this market assessment are consistent with the CNB's EPA Superfund Redevelopment Initiative Grant award to prepare conceptual development plans for industrial/commercial reuse of the Acrovox Facility site. This analysis does not evaluate market support for specific types or amounts of industrial and commercial uses at the Acrovox Facility site, nor the financial feasibility of the expenses and income for the proposed redevelopment project.<sup>19</sup>

### *Regional Context: Southeastern Massachusetts*

The southeastern region of Massachusetts is a geographically, economically and ethnically diverse area, renowned for its rich cultural history and miles of coastline, as well as its fishing, agricultural, and technology-based manufacturing firms. The area has long-standing commercial and transportation connections with Providence (30 minutes west), Boston (45 to 60 minutes north), and Cape Cod (45 to 60 minutes east), as well as an established international trade network. The 27 cities, towns and rural areas stretch from the Rhode Island border on the ~~east~~<sup>west</sup>, including the Route 495 corridor near the northern and eastern edges, and the Buzzards Bay coast along the south. CNB and Fall River are the major cities of the coastal sub-region (SouthCoast), and are implementing cooperative economic development strategies to retain, expand and reinvent existing manufacturing industries and to attract more firms with products and services related to marine sciences, electronics, computer technology, and health care.

The SouthCoast Development Partnership provides assistance for businesses looking to expand or relocate in the region. This regional collaboration is administered by the University of Massachusetts Dartmouth and has successfully marketed New Bedford and Fall River business locations using exhibits at tradeshow for Medical Device/Life Science, Marine Science, Biotechnology, and Tourism industries.

The Southeastern Regional Planning Economic Development District (SRPEDD) Comprehensive Economic Development Strategy (CEDS), published in 2006, reported that southeastern Massachusetts is the fastest growing region in the state.<sup>20</sup> Between 1990 and 2000, the region's population increased 14% (524,384 to 597,294), and is projected to reach 697,414 by 2010 and 747,474 by 2030, when ten percent of the state's population will live in southeastern Massachusetts.<sup>21</sup> The largest percentage population increases occurred in five inland communities (Berkley, Carver, Lakeville, Mansfield, Rochester); population in two of the region's principal cities increased by 23% and 24% (Attleboro and Taunton) and decreased in the other two principal cities, the CNB and Fall River, by 4.3% and 0.7%, respectively.

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<sup>19</sup> T

<sup>20</sup> CEDS, SRPEDD – Section I and II (June 2006)

<sup>21</sup> Ibid.

Although job growth rate did not keep pace with the rapid population growth, the region's share of employment in the manufacturing industry remained consistently higher than the statewide rate. As of 2005, the Manufacturing sector of the regional economy still employed more than 50,000 of the region's workforce, and still represented a large share of the state's manufacturing jobs for technology-based products, computer and electronic products, electrical and communications equipment, and represented one-third of the state's employment in primary metal manufacturing.<sup>22</sup> SRPEDD planners have also identified two important specialized segments within the region's manufacturing industries that are small but growing: (1) intricate electronic and laser-type medical instruments, equipment and supplies; and (2) bio-technological products and medical devices. The Southeastern Massachusetts Regional Competitiveness Council issued a recent report identifying 'priority target regional clusters' representing the 'growth engines' for the region's future economy.<sup>23</sup> Some the key clusters (Life Sciences,<sup>24</sup> Marine Technology, Precision Manufacturing) may include industrial/commercial businesses with location, facility and infrastructure needs that could be accommodated in the Aerovox site reuse/redevelopment.

The SRPEDD CEDS also reported a gradual increase in the region's retail trade and a variety of services, as well as a rise in health care and related services.

### *Local Context: New Bedford and North End Area*

Real estate brokers in the CNB and Fall River report that the steadiest industrial demand is for "modest" 'flex-space' ranging in size from 9,000 to 20,000 sq. ft., and that there is a shortage of new industrial space that meets contemporary physical and efficiency standards (e.g. open spans, high ceilings, shipping facilities, utility and fiber optic systems, etc.).<sup>24</sup> There is also agreement that mill buildings are best suited to new companies and start-up businesses with limited capital, or companies needing warehouse space that are unlikely to be able to afford the increased price of new construction. According to these sources and others knowledgeable about commercial development, since 2001, the cost of steel, copper, lumber, and other building materials has doubled or even tripled.

Commercial real estate brokers serving the New Bedford and Fall River communities describe the office market as virtually "non-existent in both cities and definitely absent in the North End of New Bedford," largely due to the abundance of surplus bank office buildings in downtown CNB and suburban communities. The recent series of mergers among state and regional financial institutions, and subsequent consolidation and staff reduction, have generated a substantial amount of Class A office space leasing at approximately \$12/sq. ft.,

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<sup>22</sup> CEDS, SRPEDD – Section I and II (June 2006)

<sup>23</sup> Ibid. - Section II-10

<sup>24</sup> Ibid.

some with high-quality office finishes and fiber optic, telecommunication building systems. Local commercial real estate developers have also noticed that businesses often locate in bank buildings and then move from one bank building to another.<sup>25</sup> Another factor that has increased the supply of commercial office space in the CNB is the recent sale of the AT&T office complex in Fairhaven now leasing space at \$12/sq. ft.; this Class A office facility is about 15 minutes from the Aerovox site in the North End and has easy access to I-195 via Rte. 240. During the past few years, new commercial buildings have been constructed in Dartmouth for office businesses and “flex” space complexes, with lease rates of \$7 to \$9 sq. ft. NNN, and also having relatively direct access to I-195.

Several of those interviewed for this study indicated that many SouthCoast companies prefer to purchase rather than lease space, and the new construction of commercial or industrial buildings is attributable to the reluctance of local financial institutions to invest in speculative (“spec”) commercial development.<sup>26</sup> Typically, these firms locate in an owner-occupied, free-standing structure in one of many commercial complexes, small business parks, or adjacent to retail strips and shopping malls, in urban and suburban communities where commercial building prices average \$65 to \$70 per sq. ft.

### **Comparable and Competitive Projects**

#### *Industrial Space*

The New Bedford Business Park is located in the Far North End of the CNB and eastern portion of Dartmouth, at Exit 7 off Route 140, approximately five miles from the Aerovox Facility site. The Business Park is owned and managed by the Greater New Bedford Industrial Foundation and has aggressively and successfully marketed its facilities, excellent highway access, high-profile companies, and on-site amenities to gain a very strong industrial market. The 30 businesses occupying the 3 million sq. ft. of built space on 1,300 acres employ more than 4,200 workers and include several large, well-established national firms as well as new and expanding businesses requiring larger space and highway access. The Park’s vacancy rate averages 6% and will reach full build-out within the next three years, when the remaining 190 acres of developable land will be sold as 10 or 11 lots for \$80/acre.<sup>27</sup> Existing, fully renovated, manufacturing Park space is priced at \$4.25/sq. ft.; new construction costs range from \$100/sq. ft. for smaller buildings (~20,000 sq. ft.) to \$60 per sq. ft. for larger buildings (200,000+ sq. ft.).<sup>28</sup> Other business parks in the North End area include the Nash Pond Business Park on Nash Road and the Welby Park Business Park on

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<sup>25</sup> Ibid.

<sup>26</sup> FXM Associates interview with SouthCoast commercial real estate brokers, developers, business park operators (August, September 2006)

<sup>27</sup> FXM Associates interview with R. Borden, CD Richard Ellis, T. Davis, New Bedford Industrial Foundation (August 2006)

<sup>28</sup> Ibid.

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Phillips Road, both of which have direct access to Rte. 140, but are considerably smaller than the New Bedford Business Park.

The North End Business Association represents merchants and property owners on matters affecting the economic vitality of the neighborhood, provides supportive services to member businesses, and works with the New Bedford Economic Development Council (NBEDC) to promote commercial development in the area. The NBEDC tracks commercial and industrial real estate activity in the North End and citywide, including properties for sale and rent, inquires about available storefront, buildings and land, and has maintained a database of this information for the past two years.<sup>29</sup> This information was not made available to FXM during the preparation of this report. Commercial brokers report there is on-going demand in the North End for commercial space (retail, service, and office uses) ranging in size from 1,500 sq. ft. to 10,000 sq. ft., if the location has high traffic volume and visibility; there is little demand for locations without these features, such as the Aerovox Facility site.<sup>30</sup>

### *Commercial Office and Retail Space*

The Acushnet Avenue business district is located just one block west of the Aerovox Facility site, and is an important, well-established commercial corridor serving the North End neighborhood of New Bedford. This commercial district begins at Coggeshall street (south) and continues to Baylies Square in the Far North End of the CNB. There is a mix of residential uses above and next to free-standing retail, service, professional offices and other commercial uses, including several banks and franchise businesses, as well as merchants who have operated on 'The Avenue' for the last 75 years. The Kings Highway Shopping Plaza is located about three miles west (10-minute drive) from Belleville Avenue and the Aerovox Facility site. This community commercial center has a prominent location on both sides of the road, and is easily accessible from Tarkiln Hill Road, the Mt. Pleasant ramps to Route 140, and other arterials serving the West End and center city neighborhoods. Rents at the Kings Highway Plaza are \$12 to \$14/ sq. ft. for most tenants, with anchor tenants paying slightly less, and are considered typical for commercial retail rents in the North End area.<sup>31</sup>

Downtown New Bedford is about a 10-minute drive south from the Aerovox Facility site, and has experienced considerable real estate development activity during the past five years. The rehabilitation of several major commercial buildings for mixed-use residential and commercial uses, as well as UMass Dartmouth classroom and office space, has created a supply of newly constructed space ranging in size from 600 sq. ft. for boutique retail or service uses on Purchase Street to 2,000 and 3,100 sq. ft. spaces on Union Street. Lease prices (triple net) at the low end range from \$10 to \$12/sq. ft., increasing to \$14 to \$16/sq. ft.

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<sup>29</sup> FXM Associates interview with L. Morad, North End Business Association (September 2006)

<sup>30</sup> FXM Associates interview with Joe Castelo, ERA Castelo Real Estate (August 2006)

<sup>31</sup> FXM Associates interview with Rick Barnes, Sea Watch Realty (August 2006)

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for space that is not built out in newly rehabilitated buildings.<sup>32</sup> However, realtors and property owners are still struggling to find suitable, stable businesses for many of the vacant storefront spaces, which have been renting at \$10 to \$12/sq. ft.<sup>33</sup>



FXM performed a 'retail gap' analysis for the North End area, which compared resident spending potential with actual store sales within 5-minute and 10-minute drive times of the Aerovox Facility site. This analysis indicated that within a 5-minute drive time, there may be some market support for General Merchandise Stores and Electronics and Appliance Stores as well as limited opportunity for some types of clothing stores. Within a 10-minute drive time there are opportunities for Electronics and Appliance Stores as well as Building Material and Garden Equipment stores. The attached table presents the results of the analysis.

### *Mill Buildings*

In addition to the mill complexes surrounding the Aerovox Facility site (Acushnet Rubber/Titleist, and Precix), there are other North End Mill buildings nearby with suitable space for certain industrial and commercial uses, as well as several mill buildings in the Hicks-Logan and South End sections of the CNB. Space in some mill buildings is marketed for a variety of start-up and expanding industrial and commercial (retail, office, service) businesses including technology-based, light manufacturing, trucking, storage, artisan, and creative arts. Other mill complexes throughout the CNB are being redeveloped primarily for residential use, with ancillary commercial uses often marketed as on-site amenities (specialty shops, restaurants, health clubs, etc.). Existing mill space rents vary from \$2.50 to \$3.50/sq. ft. for unimproved leased space (2,500 sq. ft. to 25,000 sq. ft.), to \$600 to \$750 monthly rent (including utilities) for 2,000 sq. ft. of subdivided space with large, new windows and doors.<sup>34</sup> There is an estimated 6 million sq. ft. of mill building space in New Bedford, of which 1.5 million sq. ft. is estimated to be vacant;<sup>35</sup>

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<sup>32</sup> FXM Associates interview with commercial real estate agents (August 2006)

<sup>33</sup> FXM Associates interview with J. Pontiff, R. Mitchell Pontiff Real Estate (August, September 2006)

<sup>34</sup> Ibid.

<sup>35</sup> FXM Associates interview with B. Giroux, Giroux & Company (August 2006)

**Industrial and Commercial Comparables**

Location	Sq. Ft. Space	Type & Uses	Prices, Vacancy	Features
New Bedford Industrial Park  (Far North End)	3 million total; 114,000 sf for lease, 64,000 sf for sale	New construction, rehab of existing buildings Manufacturing, distribution, office, med/tech	- land @ \$80/acre - new construction @ \$60-\$100/sf? - rehab @ ?	Direct Rte. 140 access; on-site trilingual child care facility, a bank, restaurant, planned health club, and future hotel
Nash Road Business Park  (North End)	5-acre site, 6 bldgs; with ~ 50,000 sf total; 7 <sup>th</sup> in progress 3-10,000-sf spaces, average 6-9000 sf	New construction, flex-space, office and distribution	\$5/sf as is; \$7.50/sf new bldg. \$10 sf built-out  35% occupancy	Large boxes, high ceilings, concrete floors, loading docks Good highway access
Mill Buildings <sup>36</sup>  (North End and South End)	Industrial @ \$500 – \$100,000 sf Office @ \$500 – \$18,000 sf	Renovated, and as-is/unfinished Industrial and commercial uses; some office, artist studio; and retail	\$3.00 - \$10/sf \$2.50/sf for larger spaces  \$8-\$10/sf - finished office space	Loading docks, freight elevators; Easy access to Rte 18, I-195 Some historic, some detached office buildings
Acushnet Avenue Business District  (North End and Far North End)		Storefronts, retail bldgs., small-box stores, franchises		Traditional, urban commercial corridor of retail, office, restaurant, service, single bldg., store fronts
Kings Highway Shopping Plaza (North End)		Community shopping center with – stores, restaurants, and RMV office	\$12 to \$14/sq. ft.	Major arterial street, near Rte. 140 interchange
Downtown Commercial	600-2,000 sf, a few larger @ 3,100 sf	Ground floor, some in rehab buildings  Grocer, specialty retail, restaurants, Brooks, boutiques	\$14-\$16/sf rehab bldg., not built out  \$10-\$12/sf as-is storefront	Central Business District employees, UMD, BCC, arts & entertainment  Direct access to Rte. 18 to I-195 and Rte. 140

<sup>36</sup> Commercial real estate brokers and developers estimate New Bedford has a mill building supply of approximately 6 million sq. ft., of which approximately 1.5 million sq. ft. is vacant.

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## Aerovox Site

### Supportable Retail Activity: Selected Opportunities

Store Types with NAICS code	Opportunity Gap (Leakage)	Median Sales Per Sq. Foot	Supportable Sq. Footage	Median Store Size	No. Supportable Stores
<b>Retail Opportunities within 5 minute drivetime</b>					
Home Furnishing Stores-4422	\$2,341,586	\$162.72	14,390	4,789	3
Electronics and Appliance Stores-443	\$6,177,026	\$296.60	20,826	2,340	9
Building Material, Garden Equip Stores -444	\$13,111,966	\$228.43	57,400	15,250	4
Clothing and Clothing Accessories Stores -448	\$8,465,445	\$206.69	40,957	6,000	7
General Merchandise Stores -452	\$13,325,513	\$105.15	126,729	11,200	11
Total Retail	\$43,421,536	\$166.81	260,303		34
Estimated employees	310				
<b>Retail Opportunities within 10 minute drivetime</b>					
Home Furnishing Stores-4422	\$5,251,399	\$162.72	32,273	4,789	7
Electronics and Appliance Stores-443	\$16,642,551	\$296.60	56,111	2,340	24
Building Material, Garden Equip Stores -444	\$30,536,265	\$228.43	133,679	15,250	9
Specialty Food Stores-4452	\$4,253,334	\$499.98	8,507	3,140	3
Other Health and Personal Care Stores -44619	\$2,484,929	\$319.20	7,785	1,527	5
Men's Clothing Stores-44811	\$4,080,208	\$203.31	20,069	3,114	6
Book Stores-451211	\$2,001,549	\$105.96	18,890	4,410	4
Total Retail	\$ 65,250,235	\$235.29	277,313		27
Estimated employees	466				

Sources: Claritas, *Site Reports*, 2005; Urban Land Institute, *Dollars and Cents of Shopping Centers*, 2004; and FXM Associates.

### **Preliminary Recommendations**

To attract the interest and investment of experienced Brownfields developers, there are legal, policy, and regulatory issues pertaining to the Aerovox Facility site remediation and reuse that need to be addressed. This clarification and additional information will enable the CNB to issue an RFP for the Aerovox Facility that facilitates 'due diligence' review by a prospective owner/developer, expedites site cleanup and redevelopment, and returns the property to productive (taxable) status.

- Determine cost for off-site disposal of contaminated building materials from the Aerovox Facility Superfund site undertaken in conjunction with the EPA New Bedford Harbor Superfund cleanup project. Refined remediation alternatives should be presented that would be consistent with proposed reuse scenarios, which could take into account the relocation of certain contaminated soils to the former building footprint.
- Describe Aerovox Facility site property disposition, permitting, regulatory, and public agency site remediation funding process, the timetable and anticipated dates when funds will be available to new owner/developer.
- Describe specific protection measures that will be taken by the EPA, Department of Justice, Massachusetts DEP and Attorney General, and the CNB limiting the new owner/developer's future environmental liability.
- Prepare a Phase IV Level Conceptual Site Plan suitable for pre-development cost estimates for remediation costs, construction costs, and financial feasibility assessment of proposed redevelopment program for the Aerovox Facility site.
- Conduct market analysis to define target market segments for future industrial and commercial uses, evaluate the projected development costs and expenses that will determine the project's feasibility, and estimate economic impacts.
- Provide or prepare inventory of existing conditions of adjacent property, the Acushnet Avenue Business District, and any planned public improvements that could affect the marketability of proposed Aerovox site reuse.
- Provide synopsis of North End neighborhood planning goals and issues related to CNB 2010 Master Plan process, and other policy initiatives affecting the Aerovox Facility site reuse or redevelopment (e.g. Riverway open space and public access, and Coalition for Buzzard's Bay Acushnet River restoration plans).

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- Kelley Collins, Collins Commercial Real Estate
- Robert Cianciarrula, EPA Norwood PCB Superfund Site Manager
- Robin Costa, New Bedford Economic Development Council
- Thomas G. Davis, Executive Director, New Bedford Industrial Foundation
- Chris Erb, Developers Diversified Realty Corporation
- Bernie Giroux, Giroux & Company
- Michael Hennessey, New Bedford Chamber of Commerce
- Michael Josinsky, EPA Chief Rhode Island, Connecticut Superfund Sites
- John M. Kalisz, Nash Pond Business Park
- Ellen M. Lee, Milestone Real Estate Services
- Joseph Lemay, EPA Woburn Industriplex Superfund Site Manager
- Eli J. Levine, Vice President, Brownfields Recovery Corporation
- Daniel McGee, Hunneman Company
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- William Whelan, Jr., Whelan Associates

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