

# **The Arcade Development Project & Impact on Local Businesses in Framingham, Massachusetts**

## **Analysis & Strategy Plan for the Client**

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### **Overview**

This report presents research on the Arcade Project, a mixed-use development planned for downtown Framingham, MA, and provides recommendations to the Client, a Brazilian-American non-profit organization, for responding to the project by working with existing businesses in the Arcade building to manage the anticipated change. The Town and developer have positioned the Arcade project as the catalyst to revitalize the downtown business district, which has been portrayed as an economically weak, blighted, and unsafe area. As a result of the project, existing businesses owned by the Town's significant Brazilian population, which are often cited as key to the gradual improvement of the district over the past several years, face the potential of displacement.

In addition, the report aims to offer strategies that specifically address the need for the existing Arcade businesses to organize and promote their interests. The story being told by the Town and developer describes shifting the downtown area away from the predominant Brazilian influence towards a "new customer base." In response, the businesses have an opportunity to reframe the issue as one in which the Town and developer can collaborate with business owners to create a mutually beneficial plan.

This report has been prepared by a team of graduate students from the Department of Urban Studies & Planning, Massachusetts Institute of Technology, in May 2005. Students are participants in the course, "Race, Immigration & Planning," taught by J. Phillip Thompson and Alethia Jones.

### **I. The Local Context of Framingham, MA**

The Town of Framingham, MA, situated approximately halfway between Boston and Worcester, is a relatively affluent community that functions as the commercial and residential hub of the MetroWest region. Its strategic location for transportation spurred the development of mills in the 19<sup>th</sup> century, and the town continues to be an industrial center, with firms such as Bose Corporation and Genzyme. Framingham can be characterized by a division into north and south; the north side of the Town is largely

residential, while the south side includes a residential area as well as the commercial downtown district.

The Town of Framingham is governed by a Town Manager and Board of Selectmen, while a representative Town Meeting functions as the legislative branch. A Planning Board reviews all residential and commercial projects.

### *Population*

The population of Framingham is predominantly middle and upper-middle class White, with a strong Brazilian presence. According to the 2000 U.S. Census, the town's population is nearly 67,000. Seventy-five percent of the population identifies as non-Hispanic White, 5% as non-Hispanic Black, and 11% as Hispanic/Latino. Significantly, 21% of the population is foreign born, and 6.6% (4,408 total) identifies as Brazilian. This figure for the Brazilian population is significantly undervalued, however; local sources, including MetroWest Daily, have estimated the Brazilian population at 10,000. Of the foreign born population, 31% are naturalized and 69% are not citizens. Further, 58% of the foreign born arrived in the U.S. between 1990 and 2000—in Massachusetts as a whole, only 40% of the foreign born population arrived during the same period—and 90% of these new arrivals to Framingham are not citizens. Thus, the local Framingham population is strongly characterized by the presence of groups from diverse backgrounds.

### *Civic Capacity*

Framingham's civic capacity can be largely understood through the presence of its non-profit and civic organizations working on various issues in the Town. There are several organizations, such as Framingham Community Partners, the Framingham Civic League, and MetroWest Latin American Center. In addition, a group called Framingham Downtown Renaissance has worked with landlords and small business owners on cooperative efforts to improve the downtown area.

The Client, a Brazilian-American non-profit, is a volunteer-based organization that works to assist the area's Brazilian population and organize constituents around specific issues in the community. Over the past several years, the environment in Framingham has become increasingly hostile to Brazilians. An anti-immigrant group, called Concerned Citizens for Immigration Law Enforcement (CCFILE), has formed to openly oppose the Client and attempt to rally support against the Brazilian population. The presence of the Brazilian community in Framingham has thus started to become a divisive issue in the Town.

### *Housing*

Framingham has documented the need for an improved housing stock, including affordable units for a diverse population. The Town's median household income (\$54,288<sup>1</sup>) and per capita income (\$27,758) are both above the state average, although towards the low-end of the spectrum within the affluent MetroWest area. Meanwhile, 8% of the population falls below the poverty level, which is comparable to the state average,

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<sup>1</sup> All figures included in this report have been collected from the 2000 U.S. Census

and there is a growing population that cannot afford the high housing prices. Framingham's median gross rent is \$835, well above the state level of \$684. Sixty-three percent of households are families (16,500 out of 26,000), and so the Town is clearly dominated by this group more than single-person households. Further, the vacancy rate is exceptionally low, at 2%, and 56% of housing units are owner-occupied.

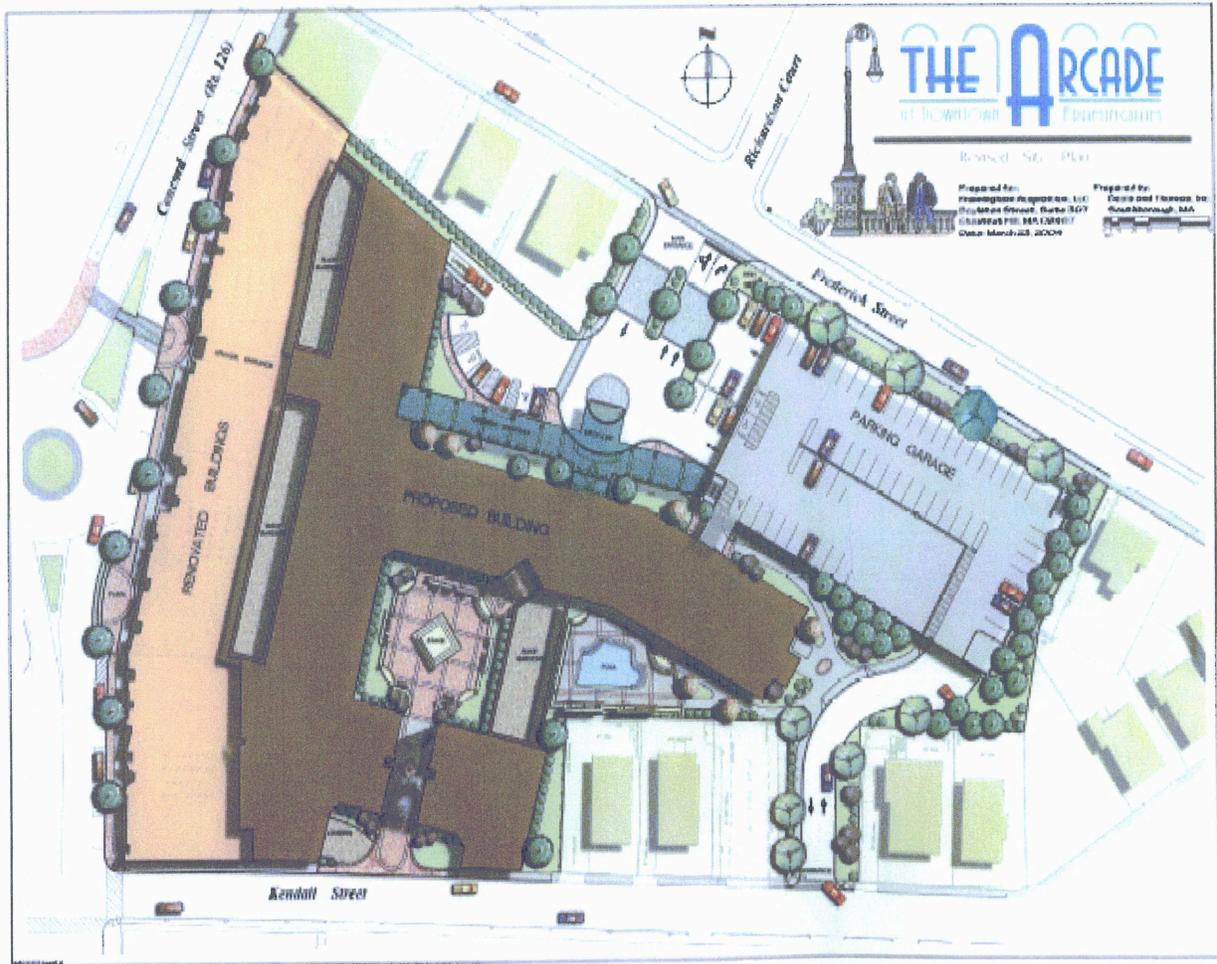
### *Business Districts*

Framingham includes two main shopping areas. The periphery of Framingham, along State Route Nine, has developed into a regional retail destination. The Shopper's World mall includes major national chains such as Best Buy and Barnes & Noble, while Target, Home Depot and Filene's also have large stores. Meanwhile, the central business district is dominated by local businesses, which are predominantly Brazilian-owned; in fact, there are approximately 225 Brazilian businesses in the downtown district, representing nearly 50% of the total. These businesses greatly contributed to the revitalization of the downtown district over the past several years. In general, there are differing perceptions of the downtown area; while some view the district as vibrant with a mix of food, convenience, and some comparison retail stores, others believe that the area is in need of redevelopment and a new identity.

## **II. The Arcade Project**

This section provides information on the Arcade Project, including background on the development process and timeline, key stakeholders, financing, and critical issues of concern to the local businesses currently located in the Arcade building.

The Arcade Project is defined as the redevelopment and new construction at 101-175 Concord Street, 80 Kendall Street, and 29-47 Frederick Street in Framingham (see Appendix for Site Plan). Two key components comprise the Project: 1) the rehabilitation of four historically significant buildings along Concord Street—the Arcade, Armsden, Prindiville, and Mullaney—and, 2) the construction of a new building on the site of an existing parking lot and multi-family homes (which will be demolished). The four existing buildings were constructed in the early 20<sup>th</sup> century and comprise part of the Concord Square Historic District.



The Arcade Project seeks to dramatically alter downtown Framingham. The interior commercial space in the existing buildings will be reconfigured for different kinds of retail and commercial uses, while the newly constructed building will include residential and commercial space. Currently, there are 76 businesses operating in the Arcade buildings, the large majority of which are Brazilian-owned. However, the project is presented as conforming to the Town's ongoing effort to revitalize the downtown business area, including upper-level residential space and improved streetscape. Moreover, project documents clearly indicate that its intent is to establish a new image for downtown Framingham that includes new commercial activity. Clearly, the Arcade project is being promoted by the Town and developer as the first phase in the creation of a new—and presumably non-Brazilian—identity for downtown Framingham that will change resident and visitor perceptions of the area, as well as attract a new customer base to the area.

The total cost of the project is estimated at \$60 million, which includes \$50 million for the residential component and \$10 million for the commercial space. The developer will contribute \$1.5 million for off-site improvements in the downtown area, which includes \$250,000 already paid for improved sewage systems. In addition, the developer has

proposed a spending plan for enhanced sidewalks, landscaping, street lights, signage, and traffic flow. The Town estimates a net financial gain from the project of \$11.6 million; this figure is based on expected revenue of \$5 million from the existing Arcade site without any new investment, while the new project will generate revenue of \$16.6 million.

Some additional key facts on the Arcade Project include:

- Covers 4.5 acres of total land area.
- Adds 50,000 square feet of commercial space to existing 70,000 square feet.
- Builds a six-story garage, which includes 563 parking spaces. Existing multi-family homes are slated to be demolished to create area for the garage.
- Creates 10 new permanent jobs (as estimated by Town) as well as dozens of full-/part-time positions with new retailers and numerous temporary construction jobs.

The project will also create 290 residential apartments in the new construction. Of these units, 176 one-bedroom units are projected at \$1350/month market rent, while 114 two-bedroom units are projected at \$1750/month market rent. These residential units are targeted at single households, young professionals, or empty-nesters, as well as some small families. However, state and Town inclusionary zoning regulations mandate that at least 10%, and likely 20%, of the residential units be affordable. This would maintain 29 units at an affordable level for 40 years and another 29 units affordable in perpetuity. The affordability level has not been defined as yet, and will likely be set at either 50% or 80% of median household income. The affordable one-bedroom units are projected at \$1040/month rent, while two-bedroom units are projected at \$1375/month rent. Even these affordable units are priced well above the median rent for the Town, suggesting another attempt to change the local demographic in the district.

The timeline for the Arcade Project is unclear. The project has received all of the local approvals necessary to move forward, and the developer is currently seeking additional funding in order to initiate. Current estimates place the beginning of construction as early as Fall 2005 to Spring 2006. The planned order of development begins with construction of the garage and new residential building, with the rehabilitation of the four existing buildings to follow.

Market rents for the commercial and retail units are expected to be in the range of \$14.50 to \$22.50 per square foot. According to the Town and developer, CVS is the only existing tenant that is expected to remain; in fact, the national chain plans to double its square footage in the new development. However, anecdotal evidence suggests that current rents for the existing Arcade businesses are within this range, and so some may be able to afford to remain.

### *Process*

Several key stakeholders have been involved in the evolution of the project over the past three years. These include:

- Town of Framingham Board of Selectman

- Town of Framingham Planning Board
- Town of Framingham Department of Planning & Economic Development
- Framingham Acquisitions, LLC (the developer and property owner)

Beginning in 2000, Framingham adopted a set of goals that were adopted into zoning regulations for downtown. These goals include increasing the number of people in the downtown area, increasing foot traffic to improve safety, creating a nightlife, and improving uses of upper floor units. In addition, the goals seek to raise market share for downtown businesses and generate greater property taxes for the Town.

In 2002, the developer assembled a team of architects, engineers, and consultants to create its plans for the Project. Then, from October to November 2002, five public forums were conducted to gather information and solicit feedback. According to the developer's documentation, these meetings provided an opportunity for residents, Town representatives, and local businesses to provide input and express their concerns. The issues covered include streetscape design, historic preservation, traffic circulation, parking, and building use and design. Existing businesses did not participate in these meetings. Several reasons might explain this, including lack of time, not being comfortable with an English language meeting, and concerns about participating in a public forum when some business owners may have uncertain legal status.

Meanwhile, the Framingham Planning Board has discussed the Arcade Project at numerous meetings over the past two years. On several occasions, participants have inquired about what will happen to the businesses currently located in the Arcade. Currently, the developer is to create a plan with a detailed strategy.

### *Financing*

The Arcade Project creates an Urban Center District in downtown Framingham, which allows for a mixed-use, commercial and residential area eligible for Tax Increment Financing (TIF) under a new state program. A TIF is a real estate tax exemption on all or a portion of the increased value of a project, and for the Arcade Project, the proposed duration is 20 years for the commercial component and 10 years for residential portion. The Town receives an incremental increase in tax revenue over the length of the project. The Arcade is the first mixed-use development in Framingham, and one of the first in Massachusetts, to receive a TIF (previously, TIFs could only be used for commercial projects).

A review process for the TIF lasted several weeks and was approved in early May by the Town Meeting. Meanwhile, the developer continues to seek additional funding to cover the remaining costs of the project. Potential funds include the Massachusetts Department of Housing and Community Development and the U.S. Department of Housing & Urban Development. There is a \$3 million contingency plan if residential or commercial units fail to rent or are undervalued. Clearly, the banks and others supporting the project cannot afford to let it fail.

Several requirements accompany the granting of the TIF. It encourages the retention of existing businesses in redevelopment and preservation of existing jobs. Also, funds are to be used towards costs for assisting existing tenants. The TIF can be decertified should these guidelines not be followed.

The next steps for the TIF focus on the Town Meeting developing a plan for the Urban Center District. This process includes drawing district boundaries, identifying existing conditions, public investments for private projects, zoning compliance, and affordable housing standards.

### *Salient Points & Key Questions*

The Arcade Project has been positioned as the impetus for large-scale identity change to downtown Framingham. For example, the documentation states that the project will “bring together a myriad of compatible uses to Downtown Framingham while stimulating both the local economy and the social atmosphere of the area” (Site Plan Review, Section 3, Page 8). The project will also “restore vibrancy” to the area. Clearly, the current state of the downtown area has been characterized as in need of redevelopment—beyond simple façade improvements, the language here is of a change in businesses. The project will allow for this change in retail mix by reconfiguring the buildings’ interior space and potentially raising rents above a level that is affordable to existing tenants.

However, the existing Arcade businesses still have an opportunity to work with the developer and Town in a productive manner that serves all stakeholders’ mutual interests. Several key questions about the Arcade Project remain, and may serve as strategic openings for the businesses:

- Who are the potential tenants to fill the new commercial and retail units?
- What is the plan for the existing businesses while renovation occurs?
- What information will the developer provide to the businesses?
- How much notice will businesses receive regarding the redevelopment?
- What will be the configuration of the new commercial and rental units?
- What will be the new rental prices?
- Will the developer provide financial support to the businesses during renovation?
- How will the developer spend the funds set aside for community improvements?