

THE Holyoke Public Library's Role in Revitalizing a City

Matthew A. Blumenfeld
FINANCIAL DEVELOPMENT AGENCY INC., AMHERST



photos Finegold Alexander Architects

An initiative combining traditional fund-raising and financing with innovative sources of capital to expand the Holyoke Public Library may provide useful ideas for similar cities.

For Holyoke, Massachusetts, a city that has endured many challenges over recent decades, the successful renovation and expansion of the Holyoke Public Library (HPL) has been a welcome shot of adrenaline. The vision for the library is now fully realized, thanks in large part to a skillful blending of different financing approaches.

Addressing the Challenge

Since the beginning of the Internet era, public libraries have been called upon to provide new services to their communities while maintaining traditional ones. In addition to offering reading rooms and lending out materials, they often serve as technology centers, allies in early childhood and supplemental education, and small-business and workforce-development centers. A new or modernized and expanded library facility can play a significant role in a community's revitalization, attracting residents and businesses and helping to improve the educational system.¹

In Holyoke, a dedicated team of volunteers, staff, and municipal leaders employed a flexible strategy to secure both traditional funding streams (municipal bonding, grants, private fund-raising) and innovative ones (New Markets Tax Credits).² Included was a construction grant from the Massachusetts Board of Library Commissioners (MBLC), which has helped to build or renovate more than 175 library buildings since 1987.³

To get started, the Holyoke Library, an independent 501(c)(3) organization, launched a comprehensive needs-assessment and planning process. The 25,000-square-foot building was old. Constructed in 1903, it had begun to see the effects of age, water damage, and general wear and tear. In 2004, the entire children's room had to be moved from the lower level. The library's large local-history collection had to be transferred to Holyoke Community College. By 2009, only 10,000 square feet were available to the

public. In addition, portions of the building's limestone façade were falling off, and safety fences had to be constructed around the perimeter.

Meanwhile, the city itself had been dealing with harsh social, educational, and economic circumstances for years. It is not a wealthy city. U.S. Census Bureau data show Holyoke's median household income as \$33,915, which is half the Massachusetts average and the state's second lowest; 31 percent of the population live below the poverty level. Over the last 30 years, while total population has remained relatively stable, Holyoke's Hispanic population has seen a 170 percent increase. Currently, the city is approximately 48.4 percent Hispanic, and 51 percent of those residents live at or below the poverty line. Dropout rates, unemployment, and teen-pregnancy rates remain among New England's highest.⁴

Despite such challenges, many in the city have a positive attitude about the future. The 2007 Gateway Cities Initiative and the Compact for Community and Economic Development have helped by creating a context in which Holyoke could begin to envision enhanced workforce-training opportunities, a revitalized urban core, and vibrant housing and commercial stock.⁵

Education is another key factor in revitalization, starting with the ability to read. Before the library renovation, Terry Plum, HPL's board president, worried that services such as the summer reading program for children were stunted by the poor quality of the facility. And Maria Pagan, HPL's director (the only Latina library director in the Commonwealth), pointed out, "If a child reads just 10 books over the summer, she or he is much more likely to return to school in the fall at the same reading level as in June." Today Holyoke is feeling more confident that reading can flourish in the city.

Putting Funding Together

HPL applied to MBLC for a construction grant in 2005. The request was wait-listed until 2010, at which time the library received a \$4.4 million grant, conditional upon obtaining full project funding (\$14.5 million) within a year.

After hiring outside counsel to conduct a fund-raising feasibility study, the library's board projected that costs would be covered by the \$4.4 million state grant, a \$2.5 million capital campaign, \$7.1 million in municipal bonding, and a \$0.5 million contribution from the HPL endowment fund. The board was hesitant to tap into the endowment but believed that it was critical to use it to leverage the bonding from the city. At the same time, the library's advisers began to develop a contingency plan to access New Markets Tax Credits (NMTC) to fill a potential gap. NMTC had never been used on a stand-alone library project in New England but seemed to be ideal for a one located in the center of four of the



poorest census tracts in Massachusetts.

The NMTC contingency plan suddenly grew in importance when the cash-strapped city was able to commit only \$5.5 million in bonding support, not \$7.1 million. Another reason to tap NMTC was that the city was requiring the library to guarantee any budgetary shortfall from the endowment.

All parties involved believed that the intent of NMTC program to create new markets in underserved areas applied to the library's situation, but marrying a NMTC structure to the project was not easy. The assembled experts worked tirelessly to create the appropriate structure and to clear all the regulatory hurdles. Throughout much of 2011, while the final design was shaping up and the bid package was being prepared, the team worked to secure a full project allocation of NMTC from Massachusetts Housing Investment Corporation (MHIC)—and to structure a complex transaction involving city and state procurement regulations, a pledge of most of the endowment to back the deal, and private funding sources.

Ultimately, the city was able to act as the leverage lender. It used proceeds from its bond sale, short-term borrowing backed by the endowment, and the MBLC grant and capital campaign proceeds to provide the loan that attracted

U.S. Bancorp Community Development Corporation to become the equity investor in the tax credits.

The Aftermath

With full project funding achieved upon the closing of the NMTC deal, renovation and construction proceeded smoothly, and the library was completed in fall 2013. The city was able to see its commitment stay within its constraints, the library's endowment was sustained at previous levels, and the building was transformed into one of the most beautiful and functional libraries in the state.

The library has already seen usage rise dramatically. Most promising is the level of activity for children and young adults. Children's programs that used to attract 20 to 30 attendees now frequently see 70 to 80 children and caregivers. Family games nights, cultural programs, and community meetings are filling meeting spaces at unprecedented levels. As of this writing, it seems likely that the library will meet its projections for doubling usage to more than 200,000 visits per year within the first full year of operation, and computer usage has already tripled. New programs are being put in place tying Holyoke's Adult Basic Education system and its entrepreneurial and workforce-development efforts to HPL.

The library is reestablishing itself as Holyoke's "People's College."⁶

Just as important, the project has inspired property owners in adjacent parcels to renovate and rehabilitate their buildings. A multistory residential building across the street from the library has been taken off of the condemned list and is being restored for residential use. Several empty lots are being prepared for new construction. The nearby Masonic Lodge is about to undergo a facelift. Meanwhile, the library has secured grant funding to rehabilitate Library Park to make it more attractive to children and families. And the library is on track to receive LEED (Leadership in Energy and Environmental Design) gold certification by late 2015.

Innovation, risk taking, entrepreneurship, and creative fi-



construction photos Sandy Ward



nancing are not terms typically associated with public libraries, but HPL has earned them. The expanded social payback that Holyoke is experiencing thanks to HPL's leadership may inspire others in Gateway Cities to employ mechanisms like New Markets Tax Credits to develop their own 21st century learning centers.

Matthew A. Blumenfeld *is the president of Financial Development Agency Inc. in Amherst, Massachusetts. He was hired by the library team to help with campaign management. Contact him at matthew@financialdevelopmentagency.com.*

Endnotes

- ¹ See Carlos A. Manjarrez, Jessica Cigna, and Beata Bajaj, "Making Cities Stronger: Public Library Contributions to Local Economic Development" (report, Urban Institute, Washington, DC, January 2007), <http://www.urban.org/publications/1001075.html>.
- ² The New Markets Tax Credit Program was established by Congress in 2000 to spur new or increased investments in operating businesses and real estate projects located in low-income communities. It attracts investment capital by permitting individual and corporate investors to receive a tax credit against their federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities.
- ³ See Massachusetts Board of Library Commissioners Construction Program, <http://mbic.state.ma.us/grants/construction>.
- ⁴ See <http://quickfacts.census.gov/qfd/states/25/2530840.html>.
- ⁵ See Mark Muro et al., "Reconnecting Massachusetts Gateway Cities: Lessons

Learned and an Agenda for Renewal" (report, MassInc., February 2007).

- ⁶ For instance, HPL is a lead partner in Holyoke's successful Working Cities Challenge Grant application (involving Holyoke S.P.A.R.K. Stimulating Potential, Accessing Resource Knowledge) to help link the Latino population with the city's innovation economy.

This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at www.bostonfed.org/commdev/c&b.

