



# CITY OF NEW BEDFORD

## TAX INCREMENT FINANCING BOARD

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Jonathan F. Mitchell, Mayor

### TIE/HDIP PROJECT OVERVIEW

<b>Project:</b> Couto Residences Adaptive Re-Use 4586 Acushnet Avenue New Bedford, MA	<b>Contact Information:</b> Jason & Derek Couto Couto Residences LLC Telephone: (508) 501-3912 Email: <a href="mailto:j@cutoconstruction.com">j@cutoconstruction.com</a> <a href="mailto:derek@cutoconstruction.com">derek@cutoconstruction.com</a>
<b>Prepared By:</b> Joshua Amaral Director Office of Housing and Community Development	<b>Date:</b> May 20, 2025
<b>Developer Background:</b>  Derek and Jason Couto are the proprietors of Couto Construction, a local New Bedford family-owned general contracting firm specializing in roofing and exterior repairs and remodels. They have presided over significant growth of the company throughout Massachusetts and Rhode Island, and have also built a portfolio of rental housing. They have sought out larger rental development opportunities under the auspices of Couto Residences, leveraging their ability to deliver projects more economically as a result of their ability to self-perform aspects of the construction work.	

**Proposed Project**

The proposed project is located at the former nursing home in the Sassaquin area, located at 4586 Acushnet Avenue. During the pandemic, the building was briefly set to be utilized by the City as an emergency COVID overflow location. In the years since, the property has sat dormant. The building is 53,662 square feet and located on a 3.67 acre lot.

The project includes restoration and improvement to the existing site, with adaptive re-use to convert the nursing home space into residential apartments of different unit types. Current project makeup is 63 market rate units in all, though under the HDIP program a maximum of 20% of units (12) could be set aside for income restriction below market per HDIP guidelines. The majority of the units will be two bedrooms, with most of the remainder one bedrooms, and a limited number of studios.

The units are planned to be efficiently designed with clean and modern finishes. The exterior architecture will remain mostly unchanged. Because of the set back configuration of the site and ample existing parking, there are minimal impacts on this mostly suburban residential neighborhood.

The project requires zoning variances, and the developer has begun that process. The developer has been in regular contact with the appropriate city departments to arrange for full vetting and completion of the permitting process. Additionally, the developer has set a date and made efforts to market a meeting with immediate abutters to proactively address any concerns they may have. Throughout the process, the Jason and Derek Couto have expressed their love of and commitment to New Bedford, and have been eager to approach this project with care and sensitivity, with an eye toward future projects and long-term success.

Construction is proposed to begin upon award of HDIP funds, as soon as Fall 2025, with a construction schedule of approximately one year.

It has been the Office of Housing & Community Development's experience that no other residential developer has been able to advance a project at this location due to its relatively high sale price, the high cost of construction, and the perceived barriers to multifamily development in a predominantly single-family residential area. The developer's ability to self-perform construction work and offer up their own significant capital to complete the project is a unique characteristic that other developers are unlikely to match. Our view is conversion to high quality permanent multifamily residential units is the highest and best use of this property, especially given current market conditions.

**Financing Summary:**

Between acquisition, hard, and soft costs, the total project is slated to cost about \$12 million. About 60% of these costs can be comfortably debt financed, with the developer needing to cover nearly 40% through equity and subsidy sources. Given the makeup of the project, HDIP is an ideal funding source and can contribute up to \$2.5 million in equity (~\$2.2 million post-syndication) with the developer using their own capital on the remainder and receiving a competitive return, assuming reasonable rents.

**Proposed Tax Increment Exemption**

The developer is requesting a TIE for a term of 10 years. The TIE Tax Exemption percentage would begin at 90% in year one, 80% for the next four years, 75% in year six, then 60%, 40%, 20%, and 10% in years 7-10. The Exemption is phased out at the completion of year 10, when it is at just 10%.

The current assessed tax of the parcel is \$115,850 based on a current appraised value of \$5,070,000. While construction costs will be higher, residential assessments indicate a projected post-construction valuation of over \$9 million. Based on the proposed TIE agreement, the developer would pay property tax on the base value of the property each year plus the new assessed value less TIE exemption. The tax would increase by TIE percentages outlined above until the property would become fully taxed at the end of the 10 year term. Over the life of the TIE, the developer will realize a savings of approximately \$334,905. The City will receive an additional \$222,381 in taxes paid by the developer on improvements to the property that may not (and are unlikely to) otherwise happen. Given the longstanding vacancy of the building and limited market for its re-use, the property represents a risk of falling into tax arrears. All figures are approximate and projected.

Attached to this summary is the proposed Tax Increment Exemption Schedule.