SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING – TAX RELIEF INCENTIVE APPLICATION)
February 21, 2023 at 6:30 PM

Mayor Craig called the meeting to order.

Mayor Craig called for the Pledge of Allegiance, this function being led by Alderman Heath.

A moment of silence was observed.

The Clerk called the roll.

Present: Aldermen Cavanaugh, Stewart, Long, Fajardo, T. Sapienza, Trisciani, Levasseur, Heath, E. Sapienza, Burkush, Barry, Gamache, George-Kelly

Mayor Craig advised that the purpose of the special meeting is to hear those wishing to speak on a Community Revitalization Tax Relief Incentive Application pursuant to RSA 79-E for property located at 21 and 31 Central Street in the city of Manchester; that anyone wishing to speak must first step to the nearest microphone when recognized and give his/her name and address in a clear, loud voice for the record; that each person will be given only one opportunity to speak; and any questions must be directed to the Chair.

Mayor Craig requested that Jodie Nazaka, Economic Development Director, make a presentation.

Jodie Nazaka, Economic Development Director, stated with me are Roy Tilsley, Attorney with Bernstein-Shur and Nazar Vincent on behalf of Grand Central Suites, LLC. To start, I will share my review of the application. On January 20, the Economic Development Office received an application for the city's Community Revitalization Tax Incentive Program from Grand Central Suites, LLC for the properties located at 21 & 31 Central Street. The tax relief program is supported by state statute, RSA 79-E, and was adopted by municipalities throughout the state of NH. The intent of the RSA is to provide temporary tax relief to incentivize qualifying development projects that either rehabilitate or replace structures that do not possess significant historical, cultural or architectural value provided that said projects create defined public benefits. To receive relief under the statute, the applicant must demonstrate compliance with several requirements including public benefit, being a qualifying structure, involve substantial rehabilitation and provide covenant terms to protect the public benefit. The applicant has demonstrated that the project meets three out of the five public benefits per the statutory requirements. Those being that it enhances the economic vitality of the downtown, promotes the development of municipal centers providing for efficiency, safety and a greater sense of community, and it also increases residential housing in urban or town centers. Also, to be determined as a qualifying structure in the city ordinance, the properties must be located within the redevelopment district or the Central Business Service District (CBSD). Both properties in this case are located within the CBSD. Substantial rehabilitation is rehabilitation costs that are at least 15%

of the pre-rehabilitation assessed valuation or at least $75,000, whichever is greater. The combined rehabilitation for the 2021 assessed valuation for the two project parcels is $765,000. Therefore, the 15% threshold is $114,885. The applicant represents that the total estimated project construction cost is just over $23 million. The proposed project cost meets the substantial rehabilitation requirement. Lastly, the term covenant proposed by the applicant is five years which is the maximum allowed by city ordinance. Based on the information that has been provided by the applicant, the application qualifies for tax relief. Additionally, the justification in granting temporary tax relief for years 1, 2 and 3 is supported by the project. That is a general overview of the applicant's request and I did ask them to come up here in case there are any specific questions regarding the project that I could not answer.

Alderman T. Sapienza asked Jodie will you repeat the last comment you made about years 1, 2 and 3.

Ms. Nazaka answered yes. The applicant is requesting tax relief for the full five years that is allowed per the city ordinance. Based on the information that I reviewed, there is justification for granting years 1, 2 and 3.

Alderman T. Sapienza asked why isn't there justification for years 4 and 5. Is it because the project is wildly profitable?

Ms. Nazaka replied based on the Pro Forma that was submitted, you can see in your packet the debt service coverage ratio. A healthy debt service coverage ratio is between 1.15 and 1.35. The applicant is demonstrating that in years 1, 2 and 3 they are below what is considered good or strong and in years 4 and 5 they are in the more sustainable levels.

Alderman T. Sapienza asked and that goes to profitability right.

Ms. Nazaka responded correct.

Alderman T. Sapienza stated so in years 4 and 5, it is wildly profitable.

Alderman Stewart stated I certainly that this project does provide a public good. We need housing and we need a lot of it. It is a supply and demand issue and I am certainly excited about having this number of units right in the heart of downtown. Those people will be living here 24/7 and spending money and adding an additional vibrancy to the downtown in particular. I agree with the assessment on years 1-3. I am curious, and I think I might be persuaded on years 4 and 5 if there was an interested on the part of the developer in offering some affordable units as part of the mix.

Roy Tilsley, Attorney, responded we went through this in some detail with the Planning Board and their desire to have an affordable mix there. This is a tough project for my client. It may be more profitable in years 4 and 5 but it is not wildly profitable in years 4 and 5. Ms. Nazaka is right that the Pro Forma, especially for the first three years alone…banks typically want to see 1.2 going in and kind of growing to 1.4. In this market with interested rates and the materials and the downtown site, one of the real challenges here is we are building this building right to the footprint. It is not going onto a 30-acre lot where we can put the trailers down and create a little village. We have to work around our neighbors. We have worked very closely with the neighbors who share the alley behind us to make sure that this project doesn't impact them. The construction process itself to put this building up right to the edge of the property is going to be difficult and challenging. At the end of the day, we would love to offer it but it just doesn't work. Even with the tax relief, we wouldn't be able to build this project with that affordable component. It is market rate housing. Again, we reviewed this with the Planning Board and this is where we landed.

The Mayor called for those wishing to speak.

There were none.

*This being a special meeting of the Board, no further business can be presented and on motion of **Alderman Long**, duly seconded by **Alderman Cavanaugh**, it was voted to adjourn.*

A True Record. Attest.

Matthew Normand

City Clerk