SPECIAL MEETING OF THE BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING – 79-E APPLICATION)
April 4, 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 Burkush.

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 25 and 27 Lowell 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 to start I will give an overview of what a 79-E is. It is intended to provide temporary property tax relief to incentivize development projects that either rehabilitate or replace structures that do not possess significant historical, cultural or architectural value so long as they provide certain public benefits. I have reviewed the application for 25-27 Lowell Street for eligibility under NH RSA 79-E and I believe it qualifies for your consideration. The applicant proposes to convert the existing five-story steel-framed office building into a 55,000 square foot apartment building with 48 multi-family residential units and two first floor commercial units. The building was built in 1940 and is considered in average condition. The condition of the building is well-suited for the proposed development plan and revitalization. As represented by the applicant, the proposed project budget, excluding site acquisition, is just over $8 million. This project will increase residential housing and enhance the economic vitality of the downtown by overhauling an underutilized building to a productive use adding 48 market rate residential units to this neighborhood. It enhances and improves a structure that is culturally important on a local level. Built in 1940, the Wellington Trade Center has long been a primary office building within the downtown and former location of Mountain Trains & Hobbies. With its prominent location and scale, this building is aesthetically important to the people of Manchester and the downtown. It promotes the preservation and re-use of existing building stock throughout the municipality by the rehabilitation of an existing building. Although the building is not listed on any historic registry, the preservation helps maintain the community's sense of place and identity. The rehabilitation of this building also helps to revitalize the neighborhood and can stimulate economic development by attracting businesses and residents to the area. Overall, promoting the preservation and reuse of existing building stock through rehabilitation is an essential aspect of sustainable development. Lastly, it promotes the development of municipal centers providing for efficiency, safety and greater sense of community. Rehabilitating and adding new residents to this building is an important step forward as we work to bring more residents downtown. Filling this unoccupied building with residential units will likely increase the sense of community and safety for neighborhood residents and business owners in this area. The project also demonstrates substantial rehabilitation. As defined by city ordinance 36.40 (B), substantial rehabilitation is renovation that costs at least 15% of the pre-rehabilitation assessed value or at least $75,000, whichever is greater. The 2021 assessed value of this property is $3.1 million. A 15% renovation cost is $474,765. Based on the applicant's financial information, the total all in estimated project construction cost is $9,248,561. Based on a review of the application and supplemental information provided by the applicant, the request for five years of tax relief appears reasonable. Without 79-E the increase in yearly taxes would drop the debt service coverage ratio to 1.0 in year 1 with a high of 1.13 in year 5. A healthy debt service coverage ratio should not go below 1.25. Banks use this as a way to manage their risk and anything below 1.25 is considered a risky investment. Through discussions with the Chairman of the Board of Assessors, Bob Gagne, it is estimated that the property's assessed value after renovation will be about $9.6 million. The post renovation assessed value will increase the annual property taxes by approximately $117,269. If approved, the tax subsidy would result in an estimated cost savings of $640,000 over five years. I am here to answer any questions and I do know that the applicant's legal team is in the audience if there are any questions I can't answer.

Alderman Trisciani stated I have a question and would like the representative to come forward to answer it.

Shawn Dunphy, Attorney, Cronin, Bisson & Zalinsky stated I am here on behalf of Wellington Trade Center, LLC.

Alderman Trisciani stated my question has to do with the fact that recently after the Planning Board approvals went through this property was listed and marketed for $3.5 million. I know that in our notes it did say that it is no longer for sale. Are there any assurances or are you willing to give us any assurances that you are actually going to do this project and we are not just creating a bundling package for you to sell the project off?

Atty. Dunphy responded as you stated right now the property is not for sale. I spoke with the principal of Wellington Trade Center, LLC today, Ben Gamache, who as we all know is pretty invested in the city. We spoke and he said right now he is not planning on listing the property. I would just say that under RSA 79-E under Section 4 the covenants that will be approved tonight are transferable and assigned. I don't want to say with any definity that Mr. Gamache's future plans are to keep the property for X amount of years because I don't know. Plans changes and businesses change but as of right now we are ready to continue with the project as proposed. I would just say too that under RSA 79-E Section 9, if we didn't follow the project that we are showing tonight, whether it is Mr. Gamache or Wellington Trade Center, LLC, the Board could take back this tax incentive. It wouldn't be there if we don't follow through on what we are presenting tonight.

Alderman Trisciani responded I understand all of that and am well-versed on 79-E. I do feel that they are important to our community from an economic development perspective. I think it goes back to the root of my question. It sounds like then you would be okay in the covenant to have something in there that you are not going to sell the property for X number of years and you are actually going to develop it out because we are giving you this 79-E to add housing to the community and rehab a building that is pretty much not in use at the current time. I would like to see some assurances of that moving forward. I don't want this to just be part of the packaging and bundling to sell the building to someone else and all of the work to approve everything to date results in us never seeing anything happen. That is all I have. Thank you.

Alderman T. Sapienza stated Jodie I am having difficulty reconciling page 11 with page 14 which is the debt service coverage ratios. It looks to me like it might be the real estate acquisition cost is the difference. Is that right?

Ms. Nazaka responded the two changes on the one that says adjusted I have highlighted in yellow. Yes, the real estate acquisition cost I am not sure where the initial $1.8 million came from that they had put on their application. The building was purchased in 1998 so we just used the purchase price that the owner purchased it for in 1998. That really didn't add much to anything. What really changed was if you go under the section that is "Estimated Expenses" they had initially put in the current tax rate. However, assuming no 79-E is granted and the project goes through, the taxes on that building are going to go up significantly. They were actually hurting themselves by not putting in an estimated increase in the taxes and if you look, their debt service coverage ratios show that it was pretty low. Once I worked with Bob Gagne to get an estimated tax increase for the post renovation value, that is what really changed the numbers. That starts year 1 at $175,000 based on the $9.6 million renovation estimate. By year 5 it would probably be around $196,000.

Alderman T. Sapienza asked do we know when this project is scheduled to start construction.

Ms. Nazaka answered based on what was submitted, it appears it is July of this year but I am not sure if Mr. Dunphy knows.

Atty. Dunphy stated the expected start date is 5/1/23 and the expected project completion is 9/1/24 based on our application.

Alderman T. Sapienza asked where are we with trying to put time limits on these. We talked about that before. Where are we with that process?

Ms. Nazaka replied time limits for when they have to start development. I believe that is still going through committees and won't be fully voted on until May.

Alderman Long stated in the planning process I believe they were okay with dedicated affordable housing units. I don't see an ADA component in here. Do you know what happened to that? I didn't have an opportunity to look at the Planning Board minutes.

Atty. Dunphy asked could you repeat that.

Alderman Long stated I know that they had committed to affordable housing. I remember having a conversation that they weren't aware of Section 8. We explained to them what Section 8 was and they committed that they would look at 10-12 units. I am just bringing that up because that is what I thought but looking at the project I think that went away. The other question is since this building was built in 1958, are you aware if there is any lead and if they plan remediation of that lead?

Atty. Dunphy responded I am not aware of any potential lead issues but I do know that they are investing pretty heavily in this building and I assume that they would look for that. I am not sure on that particular issue.

Ms. Nazaka stated they did factor in in the pro forma about $146,000 for environmental abatement and that could be for some lead abatement.

Mayor Craig called for those wishing to speak.

There was no one wishing to speak.

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

A True Record. Attest.

Matthew Normand

City Clerk