SPECIAL MEETING OF THE BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING – 79-E APPLICATION)
May 16, 2023 at 6:00 PM

In the absence of Mayor Craig, Chairman Long called the meeting to order.

Chairman Long called for the Pledge of Allegiance, this function being led by Alderman Burkush.

A moment of silence was observed. Chairman Long asked for all gathered to keep the Trisciani family in their thoughts.

Chairman Long welcomed Alderman Kantor to the Board of Mayor and Aldermen and offered her congratulations.

The Clerk called the roll.

Present:	Aldermen Cavanaugh, Stewart, Fajardo, T. Sapienza, Kantor, Levasseur, Heath, E. Sapienza, Burkush, Barry, Gamache, George-Kelly
Absent:	Mayor Craig, Alderman Trisciani

Chairman Long 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 150 Dow 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.

Chairman Long requested that Jodie Nazaka, Economic Development Director, make a presentation.

Jodie Nazaka, Economic Development Director, stated with me tonight is the applicant, Robert Tuttle, and also the City Assessor, Robert Gagne. I've asked them to join me tonight concerning questions that they may be able to answer. Tonight's public hearing is for the purpose of reviewing the application for Community Revitalization Tax Relief Incentive, otherwise known as RSA 79-E for 150 Dow Street. As a refresher, the intent of the 79-E is to provide temporary property tax relief and incentivize qualifying development projects that either rehabilitate certain qualifying structures or replace structures that do not possess significant historical, cultural, or architectural value, provided that said projects create certain public benefits. The property under review tonight is located at 150 Dow Street, Tax Map 276, Lot 7 within the Amoskeag Zoning District and the Central Business Service District overlay. The property is located in the Millyard and lies between North Commercial Street to the west and Canal Street to the east. The applicant proposes to renovate approximately 80,000 square feet of unused space within the five story brick mill building to provide clean rooms and labs to support the growing bio-manufacturing industry, along with supporting facilities such as locker-rooms, offices, and conference rooms. For anyone that is not aware, bio-manufacturing, also known as bio-fabrication is an innovative manufacturing segment creating state-of-the-art innovations in bio-materials, cell producing, bio-printing, and automation. The industry is taking shape right here in Manchester and has the potential to change the healthcare field and provide lifesaving technologies for our people. Portions of the building have been renovated in the past for office space. However, most of the building remains a shell without internal walls or any previous renovations. The condition of the building is well suited for the proposed development plan and revitalization. As represented by the applicant within their pro-forma worksheet, the proposed project budget is around $19 million. To receive relief under this state statute the applicant must demonstrate several requirements that meet public benefit. The proposed project benefits are as follows: it enhances the economic vitality of the downtown by establishing a new industry that will bring an estimated 7,000 jobs to the City of Manchester and an estimated 31,000 jobs to the Greater Southern New Hampshire Region; it enhances and improves a structure that is culturally and historically important, 150 Dow Street holds great historical and visual significance for the area; the renovation will stimulate the local economy, attract tourism, and uphold the integrity of the historic district in the Millyard all while accommodating modern uses. By supporting the renovation of these buildings we pay homage to the past while creating an exciting and prosperous future for our community. It also promotes the preservation and reuse of existing building stock in the municipality by rehabilitation of historic structures. The project meets the requirement of substantial rehabilitation which is at least 15% of the pre-rehabilitated assessed valuation, or at least $75,000, whichever is greater. The current 2023 assessed valuation of the property is just over $15 million. The 15% threshold is $2.2 million. The adjusted total estimated project construction cost is over $19 million. It should be noted that this project is supported in part by grant funding from the Economic Development Administration, otherwise known as the EDA. In September 2022, a coalition led by the City of Manchester in partnership with the Advanced Regenerative Manufacturing Institute otherwise known as ARMI was among 21 communities awarded a series of grants from the US Economic Development Administration through the Build Back Better Regional Challenge. Funding awarded by the EDA was to establish the Southern New Hampshire Region as the global epicenter for producing and distributing regenerative tissues and organs. It was one of those grants that is the catalyst of this project. After careful consideration to review the information provided by the applicant, along with discussions with Chairman of the Board of Assessors, Robert Gagne, the request for five years of tax relief appears reasonable. The property's assessed value after renovation is estimated to be around $20.5 million. The post-renovation assessed value will increase the annual property taxes by approximately $100,000. If approved, the tax subsidy would result in an estimated cost savings for the applicant of $500,000 over five years. However, it should not go unnoticed that the additional revenues that will be generated by the city through this project and others like its kind in the Millyard will include such additional parking revenues, job creation, and new housing units that this project will help be the catalyst of. That concludes my review. I am happy to entertain any questions from the Board and also the two gentlemen here can entertain any questions as well.

Alderman T. Sapienza stated you mentioned that this project has already got several grants. What are the total grants that this project has already received?

Ms. Nazaka answered the renovation cost $19 million. It is part of one of the grants that will help support this. I'll turn it over to Mr. Tuttle.

Robert Tuttle, Applicant, stated the total grant was $44 million. That was coordinated by the City of Manchester. Of that, $35 million goes to the ARMI project, and a substantial piece of that $35 million will be to build out these spaces. There's also a training space that's about 25,000 square feet.

Alderman T. Sapienza asked do we know how much grant money is going into this project.

Mr. Tuttle responded of the $19 million, $18.5 million is coming out of the grant. $1.2 million is an equity injection that goes to the space that's not related to the grant.

Alderman T. Sapienza asked how much is the tax break.

Ms. Nazaka stated $500,000 over five years.

Alderman T. Sapienza stated so it is worth about half of the equity investment, roughly.

Ms. Nazaka stated the applicant did also recently purchase the building, too. The purchase price was not included.

Alderman Fajardo stated you mentioned there is a portion of the property that won't be used for this project.

Mr. Tuttle stated that is correct. The building is approximately 350,000 square feet of rentable space and this project will pick up about 105,000 square feet. Right now there are about 140,000 square feet of existing tenants.

Alderman T. Sapienza stated the last time we talked about a 79-E we talked about the debt service coverage ratio and you described the healthy range. Can you tell me what those ranges are again?

Ms. Nazaka responded I did send around a revised application. I apologize that the first attachment you received was an outdated application. If you have the most recent one in front of you, you'll see that there are some years where the applicant is below one, year two they're at 0.96. Basically, that demonstrates that this project would not be feasible whatsoever, even with the 79-E.

Alderman T. Sapienza asked what is the healthy range.

Ms. Nazaka responded healthy range is ideally around 1.3 or 1.4.

Mr. Tuttle stated many mortgages require a 1.25 or more.

Alderman T. Sapienza stated all I have is the old one.

Ms. Nazaka stated the letter I provided was all with relevant information, I just unfortunately attached the wrong pro-forma. I have it right here so I can let you know exactly what those years are. In year one, it is 1.009; in year two it is 0.996; in year three it is 0.923; in year four it is 1.268; and year five it is 1.419.

Alderman T. Sapienza stated the old one showed the first three years. This one shows maybe the first three years and maybe the fourth year, right? Compared to the 1.3, that's a healthy ratio?

Ms. Nazaka stated correct.

Alderman T. Sapienza asked what is the difference between the old and new estimates. There must be a difference to knock it down that substantially.

Mr. Tuttle stated number one, those numbers are with the presumption that 79-E is approved. If it was not approved, those numbers would be worse. The difference between the two versions of the application had to do with the amount of outstanding debt taken on. The debt is from the owners.

Alderman T. Sapienza stated so when they first did the numbers they didn't consider the owners' money as debt. Now with the second one they are considering it as debt.

Mr. Tuttle stated both of them did. The final mortgage document that was created had a slightly different amount.

Alderman Levasseur asked is the owner who is doing the rehabilitation of the actual property also the landlord of the property.

Mr. Tuttle responded correct.

Alderman Levasseur stated so the landlord can set the rent for the property that he owns the business for. He owns the building so he can set the rents, correct? For accounting purposes?

Mr. Tuttle responded the rents are normally determined by negotiation with a potential tenant.

Alderman Levasseur asked and that is the same person who is rehabbing the building.

Mr. Tuttle stated if what you're suggesting is that in the case of the ARMI space, I think that's incorrect. It all has to be reviewed by the Economic Development Agency, and they have a pretty high bar.

Alderman Levasseur stated then I think you answered my question wrong, or I got it wrong. So, the person who owns the property himself, I'm assuming it's Mr. Kamen or an LLC, is not the same person who is actually going to have the business in there. It's actually somebody else who is paying the rent.

Mr. Tuttle stated ARMI would be paying the rent. ARMI is a non-profit with a broad range of members. Payments associated with the Economic Develop funds would be reviewed by the government.

Alderman Levasseur asked has that lease already been worked out.

Mr. Tuttle stated it is in its final stages right now.

Alderman Levasseur asked out of pocket money for the owner of the building is how much. If you're putting $19 million in how much of that is out of pocket money or is that all grant money? You've got a bunch of different grants moving here at the same time so it is confusing. I think there is an ARMI grant and I heard there is money from the State. I know we approved something and there is other money coming through.

Mr. Tuttle stated the money here is all associated with that original $44 million grant. There is $1.2 million of improvements that are associated not with ARMI space that is funded by the owners.

Alderman Levasseur stated the owners. So $1.2 million out of pocket and they'll get that $500,000 over five years. So it will be $700,000 out of pocket?

Mr. Tuttle stated this project will be underwater for the first couple of years.

Alderman Levasseur stated but they will be getting rent. ARMI is paying some sort of rent on that property. Do we know how much that is per year?

Mr. Tuttle stated it is abated. It is an incentive to the customer. It increases in the fifth year, which is why you saw the finances look better in the fifth year than they do in the first four.

Alderman Levasseur asked how many years is the lease for.

Mr. Tuttle answered five with options to take it to fifteen, which is a government requirement.

Alderman Heath asked with regard to the former Dyn building, is that the building that will be primarily used for ARMI and for the development work that they are doing?

Mr. Tuttle answered no, ARMI has an existing facility that is in 540 Commercial Street which is just below this building. This facility which is funded by this EDA grant would be at 150 Dow and would take up less than a third of it.

Alderman Heath stated 1/3 of it then would be used for the work that Mr. Kamen is doing.

Mr. Tuttle asked the work that ARMI is doing.

Alderman Heath responded yes.

Mr. Tuttle answered Mr. Kamen is not an owner of ARMI.

Alderman Heath asked so a portion, 1/3, of the building will be used for ARMI's purpose.

Mr. Tuttle answered yes.

Alderman Heath stated I fully support this request. I think what is happening in Manchester is fabulous. The work that is going on is beyond comprehension; it is so remarkable. I certainly support what is happening here and I will be voting yes.

Alderman Levasseur stated when we do these projects, somebody will come in and take a building with a value of $9 million…I'll go back to the one on Lowell Street. Once the investment was done, it was going to go to $20 million or $25 million. So there was a significant amount of money that would have gone into the rehab. This one, my understanding is it is only going to net $500,000 over five years. I don't see an increase in value to the taxpayers that is so significant. Sure, bring in all the jobs and that's terrific. When BAE came they wanted the same thing but they were willing to pay $250,000 in lieu of taxes for a significant rehab of a property that had been sitting there for probably 20 years or so. I mean it needed a complete gut job. In this particular issue, I'm not seeing the return on investment to the taxpayers. Where we would be giving away $90,000 per year, we should be gaining such a huge significant value after that in the third, fourth, or fifth year if we decided. It's not like a doubling in value of a property. So it's confusing to me why we would be going forward with this for something that's going to save them $90,000 and cut us $500,000 over five years. It's not going to be like the building over at the bank where it went from an $8 million valuation to $32 million in valuation.

Ms. Nazaka stated this one is a little bit different for a couple of reasons. One of the biggest reasons being most of the applications that have gone before the Board recently have been for housing. Housing does have an estimated value of about $250,000 to $300,000 per unit. So obviously there is a lot of increase in tax base when it is a housing project. This is unique because it will renovate, for lack of a better term, a shell of a building right now. For anyone to go in and do any type of renovation for anything other than an open office space with 20 foot ceilings would be a significant investment. What this one is looking to do is jumpstart a new industry in the city. What it will be doing, this will act as a catalyst with the work that ARMI has been doing in the Millyard, which has been for about six years now. The award that was given by the Economic Development Administration, the $44 million, is going to take that work they are doing and ramp it up.

Alderman Levasseur stated but they are already here. They are already working. The grant has already been approved. The space is already there. This isn't something we're going to be building out and then filling in with a whole group of new people moving into apartments.

Ms. Nazaka stated that actually is what is going to be happening. They are building it out to build out the lab space right now. The existing footprint that they have in the Millyard is not big enough to do the work. They were able to use the space to determine can we do this new technology, yes we can, now we need the workforce.

Alderman Levasseur stated right but the tenant is already here. The other buildings we always work on we don't know whether they have tenants. So they're taking a little more risk when they invest in their properties. Just one more point I'd like to make. Mr. Chairman, is we sat on the Planning Board, and you say that there's a fifteen percent threshold that we have to require. Let's say someone comes in and buys a three family building on West Merrimack Street. I'm looking at a building down there. I see a building and I look at it and it's probably valued at $350,000. Say I want to put $350,000 into it. Bob is going to come with his magic pen and say great now you owe me $750,000 on the value. Do I qualify now because it beats the 15% threshold? This isn't only going to be for somebody that is as big and huge as Kamen is but it's going to be for Joe Shmoe for all these other properties. So we're setting the precedent right now for everybody in this zone that can come in even with a small $50,000 renovation, correct?

Ms. Nazaka responded correct.

Alderman Levasseur stated $1,000 might not seem like a lot of money to some people, but an extra $2,000 is a lot of money when they're renovating and adding something extra, like a dentist's office or something.

Ms. Nazaka stated correct. What we have been seeing as of late are very large projects that have a very big gap from their pre-renovated value to what their post-renovated value is going to be.

Alderman Levasseur stated but smaller projects are going to qualify and they do qualify.

Ms. Nazaka stated absolutely. That is what most other municipalities see; smaller projects. For example, Bunny's has one. It's just that recently we've seen such large projects come forward, but absolutely this is meant for much smaller project as well.

Alderman Levasseur asked are there any impact fees with the building of these labs or is that only for residential and commercial doesn't pay an impact fee.

Ms. Nazaka stated those would be for residential, school, and fire impact fees. I think there is a commercial impact fee, too, but significantly less than what the residential fees are.

Mr. Tuttle asked may I address the question about improved revenue for the city. There is an immediate revenue improvement for the city. Assessment for that building was $9.7 million. We requested a new assessment. We agreed to live with that new assessment, which is an increase of $5.3 million. We just signed up to rent the entire parking lot which is adjacent to the Tru Hotel, which has sat vacant other than one particular gentleman who has rented a few spaces. It's bringing in no revenue for the city now. So the city is up $230,000.

Alderman Levasseur stated that is good information. I appreciate that, thank you.

Robert Gagne, Assessor, stated the group did ask us to take a look at the building, recognizing that it was probably worth more than we had it assessed for. It had been years since we got clear information about what the tenants were paying and what type of space there was. Recognizing that they were going to be asking for relief, they wanted us to get the number right, which we did. That was over a $5 million increase. On top of that, with that $19 million improvement, a lot of that is going to work that doesn't necessarily bump the value as much. This is going to have a heavy duty HVAC for this purpose in that area. So the dollar for dollar on that doesn't translate to an assessment. Also, I've seen some what some of what clean room stuff looks like in some of the 540 Commercial Street building, and it looks more like somebody parked a structure inside the structure. It is not necessarily real-estate, it is more akin to fixtures and equipment. That $19 million isn't all going to impact the assessment as much. I think the city has already made up with that $5 million plus increase. That is a pretty good outcome even without considering the 79-E.

Chairman Long called for those wishing to speak.

There was no one wishing to speak.

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

A True Record. Attest.

Matthew Normand

City Clerk