SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING – TAX RELIEF INCENTIVE APPLICATION)
April 16, 2024 at 5:30 PM

Mayor Ruais called the meeting to order.

Mayor Ruais called on Alderman Vincent to lead the Pledge of Allegiance.

A moment of silence was observed.

The Clerk called the roll.

Present: Aldermen Morgan, Goonan, Long, T. Sapienza, Kantor, O'Neil, Levasseur, Terrio, E. Sapienza, Burkush, Barry, Vincent

Absent: Aldermen Fajardo, Thomas

Mayor Ruais 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 959 Elm 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 Ruais requested that Jodie Nazaka, Economic Development Director, make a presentation.

Jodie Nazaka, Economic Development Director, stated I have asked the applicant's legal team to join me up here because I understand that most of your questions will probably be for him. We will start with the purpose of the hearing tonight. The city is in receipt of an application for the Community Revitalization Tax Relief Incentive Program otherwise known as RSA 79-E. The applicant is North Street Properties LLC and the property under review is 959 Elm Street. A little refresher for everyone and some of the new Board members, what is a community revitalization tax relief incentive? It is a temporary tax relief incentive for property owners who want to substantially rehabilitate a building that is located in a historic district, a downtown or a village center. It was adopted in 2006 and has been amended several times since. Tax relief may be granted for a defined period of time as determined by the municipality and after the review period ends, the property shall be assessed and taxed at its full post-renovation market value. The spirit and intent of RSA 79-E is to incentivize the rehabilitation and active re-use of underutilized properties, induce investment in a responsible manner, enhance downtowns with respect to economic activity, cultural and historic character, sense of community and add residential units that contribute to the economic and social vitality of the community. The goal is to make way for development that may not have occurred but for this incentive. I will now go through some facts and findings of the department's review of this application. The applicant proposes to convert the existing five-story steel frame office building into a 35,000 square foot apartment building with 36 multi-family residential units and three first floor commercial units within the Central Business Zoning District. The building was constructed in 1897 as a four-story building and underwent extensive reconstruction in 1908 gaining an additional fifth story. Following significant renovations in 2002 and 2010, the building is now considered to be in good condition and is listed on the National Registry of Historic Places. To receive relief under the statute, the applicant must demonstrate compliance with several requirements of public benefit. One, it enhances the economic vitality of the downtown. This conversion and several others underway will likely increase foot traffic as the unoccupied office buildings are transformed into housing attracting more residents to the area. The higher population density and increased pedestrian activity will stimulate the local economy and create a vibrant atmosphere. Two, it enhances and improves a structure that is culturally or historically important on a local, regional, state or national level. Three, it promotes the development of municipal centers providing for efficiency, safety and greater sense of community. These office-to-housing conversions can boost economic activity as downtown residents often support local businesses. Four, it increases residential housing in urban and town centers. This project proposes to add 36 new market rate apartments to the downtown. In addition to the public benefit, the applicant must also meet substantial rehabilitation. As defined by city ordinance per state statute, substantial rehabilitation is rehabilitation that costs at least 15% of pre-rehabilitation assessed valuation or at least $75,000, whichever is greater. The 2021 assessed valuation of the property is $2.9 million. The 15% threshold is $444,000. The estimated project construction as represented by the applicant is $6.9 million, well exceeding the substantial rehabilitation requirement. The Economic Development Office does feel it is important for the Board to be aware that this property received $950,000 in Manchester Development Corporation loans to rehabilitate the property in 2002 and 2010, which have been paid off in full. The applicant has requested a tax relief period of five years. Through discussions with the Chairman of the Board of Assessors, Robert Gagne, it is estimated that the property's assessed value after renovation will increase from about $3 million to $5.7 million for a 36-unit conversion. The post-renovation assessed value will increase the annual property taxes by approximately $48,000 in Year One. If granted, the tax subsidy is projected to yield a cost savings of approximately $248,000 for the applicant over five years. With that, I would be happy to open it up for questions.

Alderman Terrio stated Atty. Cronin I know we have talked but I have never actually met you. I have two questions for you. One is when is the building construction slated to start and when is it slated to finish and be ready for occupancy?

John Cronin, Attorney, responded those are both good questions. The property is currently under agreement subject to conditions, one of them being the receipt of the 79-E so to project it would be somewhat speculative but they are ready to go now. This is the same group that acquired the Lowell Street building and they are working on that. They are anxious to get going as soon as possible. To get the construction done, you are probably looking at 18-24 months. Stabilization is hard to predict in this market. We have a lot of new units coming online. The number of other ones that have been approved…I see that they have started taking down the police station and you are going to have 200+ units on that site and the Brady building down off of Goffs Falls Road. The goal of everyone that puts money into these developments is the hope that it gets leased up quickly but it is a ramp up period. I think based on the pro forma that is phased out over probably four years to get it fully occupied.

Alderman Long stated I have to ask the question. The 36 multi-family units, is there any consideration for affordable?

Atty. Cronin responded on every one of these there is always consideration for affordable housing but it is really hard to make it work and it is hard to define what group of people we are trying to benefit. There is a segment of our population that really needs housing but a $200/month rent wouldn't be affordable to them because they are either unwilling or unable to work. Then you have the workforce component housing, which caps rent and it makes the landlord pay all of the utilities so your net rent is relatively small. In this case, you have a small number of units to carry that subsidy and that discount that really doesn't make it work. We are always looking for opportunities to work with affordable and I know there are many baskets and the city has a property with an AHF contract for probably 20 units. The strings that are attached to that make it very difficult to manage. Every time a tenant's income changes, we need to certify those. That could be a new job or a new child or a new member of the household. Looking at it from the outside, it looks pretty simple. Take a little discount on the rent and you are going to provide housing opportunities for some folks but it is really hard to do unless you have some subsidies. Here the numbers are relatively small. Your other grants of 79-E have been for much larger projects like the Callahan project that is in the Gaslight District. I think this program is doing what it was intended to do. I think this Board and our community needs to make a decision on what do you want your downtown to look like. Do you want it to be high end, first-rate residential properties? Certainly you are going to have to attract people from other places to come here with the number of units we are building and I think that is the goal. Certainly there is a need for affordable housing but I think other buildings in other places might be more appropriate.

Alderman Long stated I get that and I believe that people who work downtown as waitresses and dishwashers and cooks deserve to live downtown too. That is why I asked about this. I also get that the more you saturate residential units, the more the market will drop the rent. It is a supply and demand issue. I know that they were good enough on Lowell Street to commit to a certain amount and that is why I was asking. I realize that $48,000 a year is maybe a quarter of what they would need for affordable housing to make the numbers work.

Atty. Cronin replied I think you are absolutely right with the basics of supply and demand. If you increase the supply, the pressure is going to be on the price to go down. I will also say that some of these owners…it is expensive to carry a partially vacant building and as you see new units coming online I expect the lease up won't be as quick and you will see some landlords that are having difficulty and looking to take Section 8's or maybe talking to the federal government to see if they can get an AHF contract. In this market now, if you have an empty apartment it is pretty easy to rent in but it hasn't been that way forever and these things tend to run in cycles.

Alderman O'Neil stated John it is great to see you. So there are no plans to change the façade of the look of the building on the outside?

Atty. Cronin answered no. It is a great looking building and you have the historic piece. When Benefit Strategies went in there and Campo Enoteco years ago, I think they did a beautiful job with the appeal of that façade so there are no plans to change that.

Alderman O'Neil asked going along with Alderman Long, and I don't know the answer to this but maybe you do in your work, is there any money for veteran's housing out there that could be tapped.

Atty. Cronin responded I am not sure of that. We will certainly look into it. I am not aware of any that is available. The tranches of money that were available through the Governor…he set aside some money for affordable housing but again the requirements to get on that list and to get it were very, very strict. It was very difficult to qualify. It is my understanding that that money was distributed to a small number of people on a much larger scale; it was for bigger projects.

Alderman O'Neil asked if there is a contact from the VA, can we refer them to your office.

Atty. Cronin answered sure. I would be happy to talk to them.

Alderman O'Neil stated I don't know how the whole system works and I know it is very bureaucratic, as many of the categories are.

Atty. Cronin stated all of these programs work a little bit differently and I think that makes the programs a little bit harder to understand. Not only the rental requirements, but the regulatory requirements. The AHF contract has much more regulation and oversight starting with the REAC inspection. If you get a certain number on your REAC inspection, the federal government might stop your rent until you cure it. There are a whole bunch of other factors. If not this project, a lot of different projects go through our office. Amoskeag Apartments. I will do an advertising. We are always happy to talk to veterans or waitresses and people who work downtown. It may be a little off from Elm Street but it is right down there in the Millyard and the pricing there you will find is quite a bit different than you will have in these new buildings.

Alderman O'Neil stated you referenced three commercial units. I don't know how dated the picture is but there are two restaurants there now right?

Atty. Cronin responded that is correct.

Alderman O'Neil asked do you expect they will stay and you are just looking for the option of maybe having three commercial spaces.

Atty. Cronin answered there is a hope that they would stay. If they left, we would replace them in-kind. The third one, if you look at the Benefit Strategies building which almost looks like an independent building on its own but it is part of the same property.

Alderman O'Neil asked the one that jets out a little bit.

Atty. Cronin replied yes. That was fully occupied by Benefit Strategies. They vacated that space so the ground level space there would be made into commercial and we would look to fill that with an appropriate tenant suitable to the neighborhood and the tenants.

Alderman T. Sapienza stated I have a question for Jodie. This building is pretty much a modern building. It is not dilapidated or anything like that.

Ms. Nazaka responded that is correct. It has received some significant renovations in the early to mid-2000's.

Alderman T. Sapienza asked so this plan to change it from office to apartments is going to be swapping one decent building for another. It is not really improving the neighborhood. It is not like a dilapidated building that we are bringing up to make nice, which would be a public benefit.

Ms. Nazaka answered this is unique in the sense that most of the applications the Board has seen over the last few years have been for significantly severely underutilized and blighted buildings. I like to use the example of The Factory on Willow Street and how a 79-E was used for that and we all know how that building has turned out. It is absolutely gorgeous. The nice thing about 79-E is over the years it has been tweaked several times at the state level to be more of a benefit to municipalities to use it for more than just historic preservation. There are a few other sections that have been added that don't really apply to the City of Manchester but more to coastal communities where they can use it to do conservation or waterfront restoration. It is more than just focusing on blighted buildings now. That is how we have been seeing it in Manchester and it has been a tool to help us improve some of our more blighted and dilapidated parts of the neighborhoods. I think what the Board would see benefit of for this one is the need for housing throughout the City. So where this doesn't really apply to a blighted building per say, it is an underutilized building. That is kind of the reason why in my letter I didn't put a definitive recommendation because it is a little different. It is a precedent that the Board hasn't seen so it didn't really fit with anything the Board had reviewed before. I struggled a little bit with this one so I wanted to provide the facts to the Board and call out the fact that it is not blighted, however it is underutilized.

Alderman Burkush stated I toured the building today and the upper floors were empty. This will give us the opportunity to fill those.

Atty. Cronin responded Benefit Strategies which went vertical and did come across, they are connected, that is vacant. I can't say all of the upper floors are vacant but I think it is substantially vacant.

Alderman Burkush stated and to me and from my experience, if you convert it from commercial to residential you are going to have a lot more utilities that need to be adapted for the building so it is not a simple conversion.

Atty. Cronin replied any time you do an infill in the inner-city where there is not a lot of room to work, the cost of renovating sometimes exceeds what it would cost to start fresh. You have all new partitions and all new mechanicals, plumbing, and wiring; all will be done.

Alderman Burkush stated looking at it from pictures and from the outside, I don't think it is in good shape. I think it needs substantial renovation and I think it is a good project and I support it. One question I have is if they would consider changing the amount of affordable housing on Lowell Street if we agree to this request.

Atty. Cronin responded I can ask the question. I am not authorized off the cuff to say that.

Alderman Burkush stated I was just wondering since it is in a different location and they are doing the construction if they would consider doing that.

Atty. Cronin responded that is a fair question and I will ask and get an answer to Jodie.

Ms. Nazaka stated I did have a tour of the property today and floors 2-5 I would say 10% if not less is occupied by one office user.

Alderman O'Neil stated Jodie you shared with me, and these are my words not yours, that Benefit Strategies, the company that bought the building and renovated it, are a victim of Covid.

Ms. Nazaka answered yes.

Alderman O'Neil stated so it worked up until Covid happened and people are working from home. I don't think he has gone out of business or anything.   Does he have any employees working in the building?

Ms. Nazaka replied Benefit Strategies is, and I don't want to say nationwide organization but they have several other office locations besides Manchester and it was one of the uses where they found during Covid that their employees could work just as efficiently, if not more, from home. They slowly pulled out during Covid and I do believe the owner has leased it to another entity that has been using a few of the offices.

Mayor Ruais called for those wishing to speak.

Richard Girard, 283 Orange Street, stated:
Normally I am not a supporter of these projects. I believe we are subsidizing private development and it is something that I don't think the city should have gotten into but now that we have, we never see a project come forward in the downtown without someone asking for it. The reason I am here is as I was reading Ms. Nazaka's report, there is a double-standard being applied to this property. I don't agree that this is a unique ask. The Citizen's Bank building was not a blighted building nor was 150 Dow Street. Those were two major renovations that went forward with 79-E exemptions because they were costly renovations but they weren't blighted buildings. I also found it odd that this building was almost being penalized because it wasn't blighted. The historic nature of the building is clear but prior Boards have approved the demolition of

buildings on Central Street and in the Gaslight District which, in my opinion, is not authorized by 79-E. A 79-E is about renovating historic properties, not about blowing them up, building something new and saying here is a plaque that tells you what used to be here, which is essentially what happened on Central Street and with the Varick building. I just thought there was a unique double-standard here. I don't think it was intentional but the fact is that it is an underutilized building and a historic building and this will help. Unfortunately, Boards before you let the genie out of the bottle by making these things almost a necessary ask or the project won't go forward. I would encourage you, given that, to not allow the double-standard and remember that the Citizens Bank building and the Dow Street buildings were not blighted buildings when they were granted 79-E. Also, blight is in the eye of the beholder I suppose. Is an underutilized building a blight? Is it a problem because it may attract vagrants or other things by being underutilized? I think there is more to it than just what appears to the eye. Thank you.

Roger Bleau, 1620 Union Street, stated:
I have lived here for 20 years. My wife and I are both 76 and have lived in NH all of our lives. I want to thank the Board for listening to me. My hearing is really bad so I couldn't hear all of the comments so I may ask you questions that have already been answered. I did hear Alderman Long's question about affordable housing. To me, that is the most important thing. Mayor Ruais you have talked about the homeless people and there but for the Grace of God go I. I would like to see some of those apartments for the poorer people. I just saw in the *Union Leader* yesterday the average home in NH is now $500,000. Things are really bad. The other question I have is this five-year tax relief, is that after construction is finished or while it is going on? How does that go? I can see while they are constructing it because they can't get revenue so you give them a tax break but after that they should be making a lot of money and should be able to afford it and we can use the money in the city. Also, if you have those 36 apartments, I don't believe there is any parking around there. The city is going to have to do something about parking or it is going to make things worse. Those are my concerns. I really would like to see the poorer people have a shot and I would like to see the city not lose revenue unless it is absolutely necessary.

Mayor Ruais stated this being a special meeting of the Board, no further business can be presented.

*On motion of **Alderman Long**, duly seconded by **Alderman O'Neil**, it was voted to take all testimony under advisement and adjourn.*

A True Record. Attest.

Matthew Normand

City Clerk