SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING – TAX RELIEF INCENTIVE APPLICATION)
September 3, 2024 at 6:30 PM

Mayor Ruais called the meeting to order.

The Clerk called the roll.

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

Absent: Aldermen Morgan, Thomas

A moment of silence was observed.

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 1138 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 with me tonight is the applicant, Andrew Winslow. The purpose of this public hearing is to review the application submitted by Andrew Winslow of North Elm Rentals, LLC for the property located at 1138 Elm Street for relief under NH Statute 79-E. For those that are not familiar, the intent of RSA 79-E is to provide temporary property tax relief to 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 provide certain public benefits. 1138 Elm Street is proposed for conversation from its current use as a four-story office building into a 17,000 square foot apartment building with street front commercial. The applicant's pro forma worksheet outlines a project budget of approximately $5.2 million which covers demolition costs, environmental abatement, construction costs and other related expenses while excluding site acquisition. To receive relief under the statute, the proposed substantial rehabilitation of the building must provide at least one of the four required public benefits that this proposal meets several of including:

1) It enhances the economic vitality of the downtown by converting an underutilized office building that will bring increased foot traffic and attract more residents to the downtown;
2) It enhances and improves a structure that is culturally or historically important on a local, regional, state or national level, either independently or within the context of a historic district or town center. Although the building is not listed on any historic registry, it's preservation helps to maintain the city's sense of place and identity.
2a) It promotes the preservation and reuse of existing building stock throughout a municipality by the rehabilitation of historic structures in accordance with energy efficiency guidelines. Although the building is not listed on any historic registry, rehabilitation helps revitalize the downtown and can stimulate economic development by attracting businesses and residents to the area.
3) It promotes the development of municipal centers providing for efficiency, safety and a greater sense of community. The conversion will increase downtown residential density, which supports local businesses and enhances the community's vibrancy.
4) It increase residential housing in an urban or town center. The project will add 36 new apartment units, 14 of which will be workforce vouchers and 22 will be market rate units contributing variety to the housing crisis in the urban center.

The project's estimated construction exceeds the substantial rehabilitation requirement defined as at least 15% of the property's pre-rehabilitation assessed value or $75,000, whichever is greater. The 2022 assessed value of the property is approximately $1.2 million setting the 15% threshold at approximately $187,000. The applicant has requested a tax relief period of seven years. The proposed project, as stated, will add 36 new apartment units, including 14 workforce voucher units and 22 market rate units directly contributing to increasing the housing stock in the downtown. By incorporating a component of affordable housing, this project aligns with the city's goals of fostering growth and insuring that housing remains accessible to a broad range of residents.

This project reflects the Board's recent discussions about the importance of supporting 79-E applications that include affordable housing as a public benefit. Through discussions with the Assessor's Office, it is estimated that the property's assessed value after renovation will increase from $1.2 million to $7.25 million for this 36-unit residential conversion. The post renovation assessed value is expected to increase the annual property taxes by approximately $108,000 in year 1. If granted, the tax subsidy is projected to yield a cost savings of approximately $1,014,609 for the applicant over seven years. During deliberation, the Board should consider whether adding these apartment units, particularly the inclusion of affordable units, generates sufficient public benefit to justify the tax incentive. With that, I will open it up to questions.

Alderman Terrio stated the proposed start date is October 1, 2024 and the proposed end date is September 30, 2025. If we approve this tonight, does that start the tax abatement period from today?

Ms. Nazaka responded no. The tax abatement would not start until completion of the final CO; so the day people are ready to move in. They would still be paying the taxes at the current value while they are doing construction.

Alderman Terrio stated I support this but I have a concern. Usually we have done five years. Seven years is a long time after the move in date.

Ms. Nazaka replied seven is the maximum that this type of development can ask for.

Alderman E. Sapienza stated I have the same question. Why seven years?

Andrew Winslow answered the standard request has been five years for buildings that don't have the workforce and voucher component. When I read the terms, it said seven years if you are looking to do workforce and voucher housing as well. I think it allows five, seven or nine.

Alderman E. Sapienza responded well you are asking for seven but would you take five.

Mr. Winslow replied it is a very challenging situation even with the seven.

Alderman E. Sapienza asked it is.

Mr. Winslow answered yes.

Alderman E. Sapienza asked do you not think you are going to make your money back in the long term.

Mr. Winslow stated it is a reasonable long term investment but it is a challenge in the meantime.

Alderman E. Sapienza asked what is the challenge.

Mr. Winslow responded the cost…there are a lot of structural issues and asbestos abatement. Our rates are going to be about 20% below market rates. By going with workforce housing, you are taking down your top rents significant compared to what you see for the rest of the portfolio around Manchester.

Alderman E. Sapienza asked what are you looking to get per month on the market rate units.

Mr. Winslow answered workforce is about $1,500 and we are thinking market rate will be about $1,600 or $1,650. They are smaller, one-bedroom units as compared to some of the luxury units across and down the street.

Alderman E. Sapienza asked so you are looking at $1,650 per month for the market rate units.

Mr. Winslow responded yes for the one-bedrooms. For the two-bedrooms we are looking at the $1,850 range.

Alderman Barry asked if you do invest in this and someone comes to you a few years down the road and wants to buy you out, would the tax incentive continue. I would ask Jodie how that will work. Is there a number of years that we expect for this?

Ms. Nazaka replied similar to the Wellington Trade Center property on Lowell Street, the Board approved I believe four or five years because they were willing to offer a few units of vouchers. We did include that in the covenant that gets recorded at the Hillsborough County Registry of Deeds. That goes for the life of the relief period. For example, if the Board was to grant seven years for this as requested and they are willing to give 14 units of voucher workforce housing, that would be recorded in the registry so even if the property is transferred, that covenant would transfer over to the new owner until the relief period is done.

Alderman Barry asked so after the time period that is granted, whoever the owner is could change the rules.

Ms. Nazaka answered correct.

Alderman Long asked so the 14 workforce voucher units, are these Section 8 vouchers or are they workforce vouchers.

Mr. Winslow responded it would be workforce or voucher. We are talking to Manchester Housing and NH Housing and have a meeting tomorrow with VASH for veteran housing. We are looking at all of those possibilities.

Alderman Long asked of the 14, do you have an idea which will be workforce and which will be voucher.

Mr. Winslow replied not yet. It depends on the programs and what the requirements are. For instance, we have another property over on Dutton Street with nine units and five of those are voucher. So whatever the demand is.

Alderman Long asked would it be fair to say they would be split 7-7.

Mr. Winslow answered it could be. Again, if Manchester Housing has a demand for seven, that would be fantastic. We need to see what the demand is.

Alderman O'Neil asked Mr. Winslow if this Board suggests five years, is that a deal breaker for you.

Mr. Winslow replied the challenge would be providing the workforce and the voucher housing beyond the timeframe. Right now, without the relief, it doesn't cover the expenses of the building or the proposed development of the building. We would be running in the negative.

Alderman O'Neil asked so it is a deal breaker. That's okay.

Mr. Winslow answered I would need to figure that out but it would make it a challenge.

Alderman O'Neil stated I can't recall this Board ever voting for seven years. I might be wrong but that is a long time period.

Mr. Winslow responded my understanding in reading the particulars of the application is that five years is the standard and seven years is if you are offering workforce housing and nine years is if you are doing some sort of an additional program that involves an audit by the agencies that are applying the workforce housing. That is my understanding.

Ms. Nazaka stated Mr. Winslow is correct that he is requesting the maximum that is allowed. I would have to go back and look at the last request this Board saw for the Dunlap Building across the street where Camp and Benefit Strategies was. I believe they asked for seven and the Board approved five. I think you are right that this Board has not approved more than five.

Alderman O'Neil stated I don't know if any of the previous applications had the workforce or voucher component.

Ms. Nazaka replied no and I think that is what Mr. Winslow is talking about. He felt comfortable and confident making the request for those additional years because the component of affordable was part of this whereas the last approvals that the Board reviewed didn't have that.

Alderman T. Sapienza stated I want to make sure I heard you correctly earlier. You said the market rate price is $1,650?

Mr. Winslow answered for the one-bedroom units. I believe it will be between $1,650 to $1,750 or something like that.

Alderman T. Sapienza asked and the workforce price is about $1,500.

Mr. Winslow responded that's right. Workforce and voucher is determined by HUD and that is what we are looking to meet and that is what is capping us and it would cap it all through the seven years.

Alderman T. Sapienza stated so 14 apartments at about $1,500 per month is about $21,000 per month.

Mr. Winslow replied sure but the other component of this is the density. The density and size of this building is making it a challenge to make the numbers work. They are smaller units in the 450 square foot range so the density is capping what we could charge for that at market rate. This isn't what you are seeing on the rest of Elm Street.

Alderman T. Sapienza stated no but the savings is roughly $2,100 per month or $25,000 a year to residents who are in workforce apartments.

Mr. Winslow stated what I would say is it is giving them an option to rent something at $1,500 and walk to their job on Elm Street as opposed to $2,000. Your best one-bedroom elsewhere on Elm Street is in the $1,900 to $2,000 range. I think you are giving a lot of people that can't afford that the ability to live downtown and walk to their jobs. In my observation, that is something that has been missing from Elm Street so we have approached this entire building with the idea of how do we get rents down to that range for voucher, for workforce and for all of the other residents there.

Alderman T. Sapienza stated like my colleagues, I would be comfortable with five years. You are looking for a $108,000 a year savings at a cost of $25,000. I think five years is what I am going to be voting for.

Alderman Fajardo stated one, I wanted to vouch for your project on Dutton Street. We all remember the tragic fire that took place there three years ago I believe. I know that you worked in good faith with housing advocates in the city to adjust your original plan to make more units at more affordable monthly rates because again you were responding to what our city needs. I just want to vouch for you having already demonstrated your commitment to trying to be part of the solution for housing here. The other thing is I guess I want to emphasize that we mostly have done the five years and I can think of a couple of occasions where we have had to really try to turn the screws to get one, two or three affordable units out of the developers. The fact that you are proactively coming in and willing to put almost 40% of the units at this rate I think is significant and also the fact that you are working the building in such a way that you can get more affordable units across the board. I feel like this is the exact type of development that we want to use this tool for. I know that seven years is a long time but again if you take into consideration the fact that yes we have mostly done five and we really haven't been able to get the leverage for affordable units until now, I want to support this because I want other developers to hear that this is the type of thing we are willing to support if they are willing to come to the table with these solutions.

Mr. Winslow stated the other thing I would say is our hope is that we would be able to continue with the long-term relief and be able to do affordable and voucher housing for the long-term. That is what we are doing over on Dutton Street. We are trying to do this generally because there are a lot of people that need good housing and voucher and HUD rates. It is a challenge to do that in this city and it is a challenge to do that generally so we are trying to be proactive. If we can do this for eight or ten years, we will but when taxes are going to be $110,000 a year, divide that by 34 units. That is a lot of money for every tenant that is living there.

Alderman Terrio stated I brought this up before but I don't like giving five years to everybody as a blanket. I know we have talked about this but I think we need to evaluate everything on a case by case basis. Maybe some people need one year or two years or three years. That being said, I am thinking about changing my mind on the five years because you are guaranteeing us that for seven years we are going to get workforce and voucher housing. I think Alderman Fajardo touched on this. Would you be willing to go beyond the seven years for workforce and voucher housing?

Mr. Winslow answered I hope to. When the taxes go up by $250/month/unit, that is a challenge. If HUD rates are going up…are HUD rates going to be flat for the next five or seven years or are they going to go up 2% a year? There is a possibility that HUD rates may get to the point where we can still maintain that.

Alderman Terrio asked so Jodie we are locked in for seven years on affordable and workforce housing. This is not subjective but in writing that we are going to get workforce and voucher rents for seven years guaranteed?

Ms. Nazaka replied correct but correct me if I am wrong. I think what I am hearing is that you are suggesting that if the Board is willing to entertain seven years would the applicant be willing to lock-in affordable units for say 14 years and that is just a number I am throwing out there?

Alderman Terrio responded it sounds like once the tax incentive goes away that might not be financially viable.

Ms. Nazaka stated absolutely but the Board does have the ability to make those types of recommendations. It is within the state statute for the Board to suggest the things you are suggesting.

Alderman Terrio stated I don't like doing more than a few years but in this case I am going to vote for the seven years because I want to help the people in those 14 units. Again, I don't like giving these tax abatements, especially not for seven years but I will vote for it in this case because we are getting 14 units of a cheaper rent for people.

Ms. Nazaka stated you are correct that that would be guaranteed for the full seven years.

Alderman E. Sapienza stated I guess I needed to do a little more homework here. When I hear that it is going to be 40% workforce housing, I thought you meant for the next like 100 years. So you are only going to do the workforce housing rates for X amount of time or seven years?

Ms. Nazaka answered per the state statute, it sounds like the applicant is doing it for seven years.

Alderman E. Sapienza responded regardless of the state statute, I just assumed falsely that when you said we are going to have workforce housing that okay good we are going to have workforce housing for the next 100 or 200 years. It is only going to be seven and then what? It is going to be $4,000/month?

Mr. Winslow replied right now we are doing 60% affordable housing in my other property because I am passionate about this and I believe in it. That is why we are looking to bring this to 1138 Elm Street as well. We believe in the concept and we have the relationships and we think it is important and it is missing from downtown Manchester. Our intention is to do this for the long term. We are signing up for at least seven years and if we can make this model work, we will do it for the long term.

Alderman E. Sapienza stated well great but at the end of the seven-year period, you would then be free to charge whatever rate you want to charge for every single unit in the place correct.

Mr. Winslow responded in theory yes.

Ms. Nazaka stated unless the Board voted with a stipulation like Alderman Terrio suggested.

Alderman E. Sapienza stated well I want 100 years of affordable housing. Seven years is nothing. Seven years goes by quickly and then it will all be market rate.

Alderman Fajardo stated I think it is important to keep in mind that seven years from now, if we are still in the situation that we are in in terms of our vacancy rates, we will look back on this moment and regret that we didn't go after every little bit that we could. I agree with you and understand the thought that seven years doesn't seem significant but again considering our vacancy rate, if we use this kind of incentive and create more of a supply and when we attract more developers, Mr. Winslow, with all due respect, won't have the capacity to charge $4,000/month per unit because we will have addressed the supply and demand issue which right now is so out of whack that landlords are in the position to overcharge. We have someone coming to the table who is willing to be on the right side of that equation and help us offset the supply challenges we are having. Again, I feel like this is the exact type of development that this Board should incentive so that in seven years we are not having the same kind of conversations we are having today.

Alderman O'Neil asked Mr. Winslow are you willing to commit in writing that the 14 units for the 7 years will be workforce or voucher.

Mr. Winslow answered yes and I think I already have. That is a given. There is no debate on my part about that.

Alderman O'Neil asked so when you sign, that is going to be the agreement.

Mr. Winslow replied yes absolutely.

Alderman Long asked Mr. Winslow do you have a price per unit that you are investing? I am hearing that it is over $230,000 for a one-bedroom. Are you seeing those numbers?

Mr. Winslow responded it is in that ballpark. I can't do the math off the top of my head.

Alderman Long stated that's fine. When I divide that by 14 affordable, that is $72,000 that the city is investing which seems about right. I am being told that with $230,000 per unit, to do affordable a developer needs $125,000 or $150,000 to make that work and the city's investment is $72,000 with the $1 million after seven years. I still think that you are short and would need double that to be able to do affordable housing. I thank you for those 14 units.

Mr. Winslow stated there is a reason that I am sitting here talking to you and not some of the other developers. They passed on this because of the challenges and I think there is a reason that I am talking to you about workforce and other people aren't and that is because it is a challenge and we have a team that is working toward that; an entire team working towards that challenge to deliver this housing to the city because we believe in it. It is difficult to do but we believe in it and that is why we are building these relationships and that is why we are actually doing it already in our other buildings and we hope to do it here as well.

Mayor Ruais stated we will have an opportunity later on tonight to talk about this because it is an agenda item under regular business.

Alderman Levasseur asked did you already start this project.

Mr. Winslow answered we haven't started with the build of it yet. We are doing the asbestos remediation and non-structural things in the building.

Alderman Levasseur asked so you purchased the building with the intent and you already passed Planning and Zoning.

Mr. Winslow replied we passed Zoning and we will be at the Planning Board this Thursday.

Alderman Levasseur asked for the units themselves.

Mr. Winslow responded correct.

Alderman Levasseur asked when did you hear about our 79-E program.

Mr. Winslow answered I have been familiar with it for the last year and a half.

Alderman Levasseur asked so when you decided to go forward with this project, did you already have that in mind.

Mr. Winslow replied we saw that as an enabler. We would not have gone forward if we didn't believe that this was a possibility.

Alderman Levasseur stated but you already have gone forward. You have already gone through zoning and started asbestos removal. I am always amazed that people will come to us after the project has already started and ask us for the 79-E.

Ms. Nazaka stated for the record, we have been working with Mr. Winslow since April or May regarding the project and refining the application. We have been working with him for a fair amount of time. I just wanted to make sure you knew that.

Mr. Winslow stated there are other directions that this building could go in that would not be the affordable and not be the density.

Alderman Levasseur asked so if you didn't get this you would just build out your units and charge market rate to make your payments correct.

Mr. Winslow answered in theory that would be a possibility but that is not a direction that we would like to go in.

Alderman Levasseur asked when you were figuring on the taxes, was whoever your math guy is counting on a 2% increase over the seven years. Is that what the number was or did you assume a different number on the tax rate?

Mr. Winslow asked are you talking about the tax increase rate?

Alderman Levasseur replied yes. You said 2% so I didn't know where that came from.

Mr. Winslow stated I was talking about the increases to the HUD affordable rental rates.

Alderman Levasseur stated so you are figuring on a certain number that you are going to save over the next seven years. What is that number that you think you are going to save in taxes?

Mr. Winslow responded it is the number that Jodie referenced.

Ms. Nazaka stated and those are all based on assumptions in working with the Assessor's Office. We obviously don't know what the future is going to be for appraisals or what the market is going to be. We use an aggressive assumption and we assumed a 2% or 4% increase. The numbers we are using could be very exaggerated but we want to make sure we are being as aggressive as we can to make sure that we are not missing anything or underrepresenting. They are all based on assumptions and none of these numbers are hard and fast.

Alderman Levasseur stated this year we had a 3.6% I think. I don't know what next year is going to be like. You are assuming some taxes that you are going to save but I am not sure if the numbers that you are giving us over seven years is an accurate number or how big a calculation it is but I think it is bigger than the number we are seeing here.

Ms. Nazaka stated they are all assumptions so we can't confidently say that is exactly what the savings will be. It is an estimate. We take the current tax rate and over the course of the five to seven years we multiply that based on a percentage and that is how we get the savings over seven years. As stated, they are all assumptions so we really can't say what the numbers are going to be over the next couple of years.

Mayor Ruais stated it is 7 PM and we can continue this conversation during the regular business period. My understanding is that there is no one wishing to speak.

Matthew Normand, City Clerk, replied that is correct.

This being a special meeting, no further business can be presented and on motion of ***Alderman Barry****, duly seconded by* ***Alderman O'Neil****, it was voted to adjourn.*

A True Record. Attest.

Matthew Normand

City Clerk