SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING - TAX RELIEF INCENTIVE APPLICATION)
April 1, 2025 at 6:30 PM

Mayor Ruais called the meeting to order.

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

A moment of silence was observed.

The Clerk called the roll.

Present: Aldermen Morgan, Long, Fajardo, T. Sapienza, Kantor, Levasseur, Terrio, E. Sapienza, Burkush, Barry, Vincent, Thomas (late)

Absent: Aldermen Goonan, O'Neil

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 1555 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 is the applicant's legal representation, Atty. John Bisson. I will provide a brief overview of the application and then ask Atty. Bisson to follow-up with any closing statements as it relates specifically to the project. Those are usually things I can't respond to. The Economic Development Office received and application for the city's community revitalization tax relief incentive program otherwise known as RSA 79-E for the property located at 1555 Elm Street. After reviewing the application and supplemental materials, I believe the application qualifies for your consideration. For anyone at home, RSA 79-E provides temporary property tax relief to incentivize development projects that either rehabilitate qualifying structures or replace structures that do not possess significant historical, cultural or architectural value while providing public benefits to the city. The applicant proposes to convert 1555 Elm Street, an existing two-story commercial building, into a 36,000 square foot mixed use apartment building with 40 market rate residential units and two first floor commercial units on Elm Street. It is located in the central business district. According to the information submitted by the applicant, the composition of the multi-family units includes 35 two-bedroom units and 5 one-bedroom units on floors one and two. The applicant has indicated in their pro forma that the proposed project budget is around $12.3 million and this amount excludes site acquisition which is around $2 million but includes expenses for demolition, environmental abatement, construction and other related costs. The project is currently in the process of obtaining required approvals from the Zoning and Planning Boards for the planned conversion and site development and construction is expected to commence in May 2025 and finish by September 2025. The city tax card shows that the building was built in 1955, however, further research shows that the building was constructed likely sometime in the 1920's as the Chrysler Plymouth garage on Elm Street and throughout the years the building has housed several other uses and most recently housed the Mental Health Center of Greater Manchester. To qualify for tax relief, the proposed rehabilitation must provide at least one public benefit listed in the state statute. In this case, it enhances the economic vitality of the downtown. This conversion fosters growth in the central business district and could improve our historically low vacancy rate of less than 1%, contributing to a healthier and more sustainable housing market. As more residential units become available, we expect to see a positive impact on rental prices making rental housing hopefully more affordable in the city. It also promotes the development of municipal centers providing for efficiency, safety and greater sense of community. Although the building is not listed on any historic registry, its preservation helps to maintain the community's sense of place and while adding more housing to our stock is crucial, maintaining a balance between residential units, amenities and work force in the central business district is essential. We must avoid over converting commercial spaces into housing, which could force residents to seek goods and services elsewhere. The Economic Development Office is firmly against street level conversions so we are pleased to see the street frontage units remain commercial in this project. Also, the project increases residential housing in urban and town centers. This project proposes to add 40 new market rate units to the central business district and based on the information provided by the applicant, it is not offering affordable, by definition, units or housing vouchers. The NH Housing Finance Authority defines affordable housing as renter or owner occupied housing that costs no more than 30% of one's income at 80% of the area median income. Rental cost is also defined as rent plus utilities. For example, in Manchester, 80% of AMI for one person is 2023 was around $55,000 to $59,000. Thirty percent of that is about $1,400 per month inclusive of utilities. The property is located within the CBSD and is considered a qualifying structure. As defined by city ordinance, substantial rehabilitation is rehabilitation costs that are at least 15% of the pre-rehabilitated assessed value or at least $75,000. In 2023, the assessed valuation of the property was $2.95 million, therefore, the 15% threshold is $443,000. The adjusted total estimated project construction at $12 million is well over the substantial rehabilitation requirement. The applicant is also asking for the maximum relief allowed of seven years. Though the vacancy rate for Manchester as we all know has consistently remained under 1%, the scarcity of housing options has far-reaching consequences in our city. It affects not only the ability for our residents to find suitable and affordable homes but it also impacts the attractiveness of Manchester as a place to live and work. Such a low vacancy rate can hinder our ability to attract and retain a diverse workforce which is vital for our city's continued economic growth and vitality. The city can utilize incentives such as 79-E to attract housing developers and investors to Manchester, thereby enhancing the total housing inventory and investments within our community. As more homes become available, the hope is that the supply of housing units grow and the vacancy rate will increase. This boost in housing availability can ease the strain on current rental rates. Given Manchester's high demand and restricted housing supply, as it stands right now landlords typically have the upper hand and they raise rents in doing so. However, when housing supply matches the demand, the market offers more consistent and fair rental rates. We are starting to see this take effect here in the city with all of the new units that have been coming online in the last few years. The proposed mixed-use conversion represents an opportunity to improve the historically low vacancy rate and in discussions with Mike Hurley, the Chairman of the Board of Assessors, he estimates that the property's assessed value after renovation will be $9.5 million for the mixed-use conversion. This increase in assessed value is expected to raise the annual property taxes by approximately $128,000 in the first year and if approved the tax subsidy would lead to an estimate cost savings of $693,289 over five years. In light of recent approvals, I have noticed that the Board is looking for a balance between affordability and the need for more quality housing in the city. While this project does not include any affordable units, it will contribute 40 additional units to the housing stock. The applicant has requested a seven-year incentive term. Since there are no affordable units, I suggest that granting anything longer than five years may not align with your past approvals. However, I believe the final decision is up to the Board. I will now turn it over to Atty. Bisson.

John Bisson, Cronin, Bisson & Zalinsky P.C., stated thank you for considering this application tonight. I want to first congratulate Ms. Nazaka, a recent recipient of 40 under 40. That is very exciting. I am pleased to share the desk with her. This is exactly the type of person that we want to stay in our community and I think that is a good segue into this. The program as you know is a community revitalization tax relief incentive program. It is an incentivizing program. The goal as you know is to bring housing, renovate and make things better to sort of simplify its purpose. The goal is an immediate benefit by more housing. This Board has used this program successfully. I commend you on that. As Ms. Nazaka has pointed out, there is a significant increase in the number of units coming online. If you are very aware of the housing stock on Elm Street, you can actually see signs in front of my client's properties that say please come and apply. That is new. A couple of years ago you didn't even need to advertise. The housing stock is increasing and it is having a positive impact. There have been a number of applications from Red Oak properties on the south end, the Hanover Street Project, and Pearson's where all of those incentives were critical in getting the housing stock in place. What it is doing is bringing more units online. I would say some of those existing owners may wish that this program would stop so that it doesn't bring on more competition and more units. In any event, the project we are here for is going to be owned and managed by Brady Sullivan Properties. You all know Brady Sullivan Properties. They have a unique presence here in Manchester. This is really their first residential application where they have applied for this program. Despite all of the rehabilitation they have done in town, they have not used this incentivizing relief program before. The question would be why now and why this project? As Ms. Nazaka has indicated, this one is unique for them. It is 40 units and not a large project. The cost of the project is significant and such that this added incentive will make the project viable for them to continue. She did point out that there will be no affordable units in the technical sense at this property. The reason for that is first of all Brady Sullivan, unlike the project at the old police department and in the federal court parking lot where that is what those applicants do and they have the infrastructure to manage it, doesn't have that infrastructure in place. They estimate that these smaller unit apartments will range in the $1,800-$2,200 per month range. That is not significantly above the numbers that Ms. Nazaka was sharing with you. In order to move forward, this program will actually push them over the edge to make it a project that makes sense. We are asking for seven years as opposed to nine under the statute. If it is affordable housing, it qualifies for nine years. A project like this where this level of rehabilitation is going into the property can be five years plus two for additional housing stock and that is where the seven years is coming from. Unlike some other projects that you have approved, this one has an immediate tax benefit to the city. Right now, the property is owned by a non-profit that does not pay taxes so as soon as this transfer happens, it will be tax positive. Based on the roughly $3 million value of assessed property, that is a $60,000 tax bill a year immediately that the city doesn't see because of the current occupant of the property. We are hoping to move forward as quickly as we can and this project could use your support. I would be happy to answer any questions.

Mayor Ruais called for those wishing to speak.

Viola Katusime, 1045 Elm Street, stated:
I am here representing the Granite State Organizing Project. We are located at 1045 Elm Street. My comments are in regards to the 79-E tax credit for 1555 Elm Street property. I am pleased that the 79-E tax credit is increasing residential housing in the city, which we desperately need. Most of the units for this applicant will be at market rate. Supply alone will not solve the lack of affordable units. We need to be more

intentional. The applicant is also asking for seven years of the tax credit so why not ask the developer to include affordable housing? I want to be clear with the term affordable housing. We are talking about people who are making 50% of the area median income and below. For a person making 50% of AMI, that is $35,000/year and for two people about $40,000. For a person making 30% of the AMI, that is around $21,000 and if you have two people it is around $24,000. Affordable rents for someone who is making 50% of the AMI would be roughly $1,000 and for that 30% it would be around $876. These numbers are from the 2023 Manchester Housing Fact Sheet that was compiled by the Housing Commission that was put together by the previous mayor. The Manchester market rate for two bedrooms according to the 2024 NH Housing Report is over $1,900. I acknowledge the positive impacts of this program. It is one of the development tools that the BMA can use to intentionally promote and encourage more units of affordable housing that may not be possible otherwise. There is flexibility in this program to tailor the program to the needs of Manchester and you have an opportunity to do that. I am asking that the Board of Mayor and Aldermen consider asking the developer to grant some affordable units in this application and that includes people who have Section 8. Thank you very much for your time.

Bryce Kaw-uh, 639 N. Bay Street, stated:
First things first, I want to clarify that I am speaking on behalf of my own self as an individual and not as a representative of the Manchester Planning Board. As you are aware, the Manchester Planning Board voted to approve this application 6-2 on March 6. I personally was a no vote but only because I wanted the opportunity to vote yes on a different motion later; a motion that would require the closure of the curb but onto Elm Street since that would make the streetscape more beautiful, improve pedestrian safety and lessen confusion for drivers. My vote was more for procedural reasons rather than taking a position against the project as a whole. With that disagreement aside, I fully support the redevelopment of this property. I think it is a great change of use and I think the building will look nice. I applaud the applicant for bringing more housing to downtown Manchester. That being said, I am not convinced that a nearly $700,000 tax break is a wise use of taxpayer dollars. This is not a blighted property and this is not an affordable housing development. I remember watching the recent 1138 Elm Street

application for a 79-E, the one for the Lamont Hanley building and this Board wanted to impose some pretty stringent conditions to guarantee affordability into the future before agreeing to say yes and that was to justify granting the property tax reduction. The applicant really had to make their case and agree to some concessions. So, at a time where we are working so hard to balance our city's budget to protect the taxpayer while still delivering critical services, is it really the best use of taxpayer dollars to subsidize a for profit market rate development without placing any conditions on the applicant? Now for-profit market rate development is great and we welcome that in Manchester but the estimated funding of $693,289 could go a long way towards helping homeless veterans who Mayor Ruais cares a lot about, homeless youth or fixing our roads and sidewalks. It would certainly be legal for you to deny this application or adjust it. It is also legal for you to provide the requested property tax relief but is it fully appropriate? Is it proper? Is it fair to the residents of the city? That is for you to decide and for the public to judge. Thank you for your time and consideration.

Alderman T. Sapienza stated Jodie when I look at this application and the debt service coverage ratio chart, is that chart based on before the tax relief or with the tax relief.

Ms. Nazaka responded it is assuming no tax relief. If you are looking at the one that has the highlights on it…

Alderman T. Sapienza interjected is it in the packet.

Ms. Nazaka replied it was emailed this morning.

Alderman T. Sapienza stated I had to work today so I didn't have a chance to see it.

Ms. Nazaka stated if you see the third highlighted line where it says taxes/property, that is assuming post renovation value with no 79-E relief. So that $186,000, $193,000 and $201,000 are the assumed or estimated tax payments post renovation with no 79-E.

Alderman T. Sapienza stated so those are a lot higher than what was in the original packet.

Ms. Nazaka responded correct. We do tend to have that happen. When applicants submit their information, they go off what is the current tax because they don't know and haven't had the conversations with the assessor to know what the post renovation value is going to increase to. That is when we work with the applicant. In this case it went from around a $58,000 or $60,000 annual tax bill to an assumed $186,000 tax bill.

Alderman Fajardo stated I know you are saying that your client isn't in a position to work in any sort of affordable housing or workforce housing or any adjustment under the AMI and I read through the details and that is clearly stated but I am still going to ask anyway. Is there any flexibility on your client's part to consider housing vouchers maybe for a small percentage like four units? From what I could see in the packet, it was roughly 750 square feet per unit.

Atty. Bisson replied they are different sizes.

Alderman Fajardo responded right but I think that was an average and the rent starts at $1,800 for the smaller units. That is steep. I am definitely interested in trying to use this incentive to meet a need in this city for any form of affordable housing which could be workforce or anything under the various increments of the AMI. It doesn't necessarily have to go all the way to 50% for example.

Atty. Bisson answered we certainly anticipated the question because as Jodie pointed out, that is a concern of the Board. My client has looked at the numbers and they cannot offer it at this time. One of the factors here is that they are purchasing the property from a non-profit and the price negotiation wasn't what it otherwise would be.

Alderman Fajardo stated I did observe that and I appreciate it.

Atty. Bisson stated so they are paying top dollar for the property in our opinion. Other people may disagree but that is a significant factor; the $2 million purchase price. Had it been a commercial owner, the negotiation would have been different. Part of it is the use of the $2 million for the benefit of Manchester Mental Health. The numbers have been crunched and looked at. I can say that there is market pressure as Jodie has indicated. As more units come online, we are not in a position to do it.

Alderman Fajardo asked do you have any sense of what you might have tried to purchase the building for had it not been the full asking price from Manchester Mental Health.

Atty. Bisson answered I know that the Planning Board gentleman who just spoke said that it is not a blighted building but it is a difficult property. It probably doesn't meet any legal definition of blight but it is a large commercial space that has been underutilized for a long, long time. It really is unique in that it has that weird drive-thru attached to it. The number of people who could use it in its current configuration…there aren't many. I am not Brady Sullivan and I couldn't tell you what they would have negotiated it for but I can tell you that they are paying top dollar for what they believe is a project that ultimately can bring back value to the city in a way that…it is going to look great and it is going to be right there. Another point is it is in an area of the city where there are a large number of affordable units already like the brownstones on Elm Street. So we are actually bringing market value units to a place that is disproportionately not. I think the mix is also important to the city.

Alderman Fajardo stated I agree.

Atty. Bisson stated I wish that I could say we could do something more directly but I cannot.

Alderman Fajardo stated I have one other attempt to make. So, on the commercial space, I can't get the picture on my i-Pad but if memory serves me, I think one of the spaces is flagged to be a bank. Is that correct?

Atty. Bisson replied I am not sure.

Alderman Fajardo asked and then the other one is noted as TBD.

Atty. Bisson responded I think the bank was sort of an illustration because of that drive-thru scenario. I don't believe that there is a designated for the commercial space yet.

Alderman Fajardo asked is there a potential that they would consider utilizing some of the commercial space for something kind of community driven. I don't have any brilliant ideas of what that could be. It could be a multi-cultural center or a daycare or something that kind of provides a community service to the residents in that area.

Atty. Bisson replied I know, for example, that the Lemay building has commercial space in the front that has been vacant for a long time so it appears that there is not a lot of hope looking at that kind of space right now. I would suspect that they would be open to just about any reasonable tenant but I can't commit to the quality or the kind of tenant that they would agree to.

Alderman Fajardo stated thank you for answering my questions. I will note that I am willing to consider this but I think the five years is probably…your recommendation I think is a stretch for me. I feel like three years might be as high as I want to go.

Alderman Terrio asked Jodie can you refresh our memory. The last time we had one of these hearings I believe there was some affordable housing. What did we give them? Seven years?

Ms. Nazaka answered the most recent one was 1138 Elm Street, the Lamont Hanley building on the corner of Bridge and Elm. That was seven years with the condition that the applicant would set aside 14 of the 34 units for fully affordable at 10 years. So, they are going to be deed restricted for 10 years. That is how they got the seven years.

Alderman Terrio asked so about 40-45% affordable and we gave them seven years.

Ms. Nazaka replied yes. That was housing for veterans and they were accepting vouchers as well.

Alderman Burkush asked if we drop it to five years what are we looking at.

Ms. Nazaka stated the calculations I did were based on five years. That $693,000 is based on five years. Anything less than five years, that number would decrease.

Alderman E. Sapienza stated I don't blame any developer for not wanting to have affordable housing units. I don't blame them because there is a whole list of bureaucratic regulations and red tape that goes along with that. If any developer doesn't want to have affordable housing, I don't blame them one bit.

Alderman Levasseur stated you are building at a time when building costs are sky high and labor costs are sky high and you paid a premium for the building and we are not collecting taxes right now. To me, five years is a good deal for the city and I think we should go forward with this.

*All wishing to speak having been heard, the testimony presented will be taken under advisement and on motion of **Alderman E. Sapienza**, duly seconded by **Alderman Barry**, it was voted to adjourn.*

A True Record. Attest.

Matthew Normand

City Clerk