



CITY OF CONCORD

REPORT TO MAYOR AND THE CITY COUNCIL

FROM: Matthew R. Walsh, Dir. of Redevelopment, Downtown Services, & Special Projects

DATE: March 3, 2016

SUBJECT: Downtown Complete Streets Project (CIP #460) Underground Utilities on South Main Street

Recommendations:

- Accept the following report;
- Set the attached resolution authorizing the issuance of bonds and notes in the amount of \$2,000,000 for installation of underground utilities in conjunction with the Downtown Complete Streets Project (CIP # 460).

Background:

In March 2015, the City began construction of the Downtown Complete Streets Project (CIP #460). Phase 1 of the project focused on North Main Street, roughly between Centre Street / Loudon Road and Pleasant Street, and was completed in November 2015. Phase 2 will focus on South Main Street, between Pleasant Street and Concord Street, and is scheduled to commence on March 28, 2016 (weather permitting). The total budget for the project is \$11.6 million.

On August 12, 2013, the City Council approved Resolution #8686, which appropriated the sum of \$2.5 million in bonds and notes, to be supported by the Sears Block Tax Increment Finance (SBTIF) District, to install underground utilities on South Main Street for a distance of approximately 700' roughly between #16 South Main Street and Thompson Street. The goal was to complete utility improvements simultaneously with the Complete Streets Project in order to support redevelopment of the former NH Employment Security (NHES) property and other properties, as well as improve the overall aesthetics of South Main Street. However, when bids for construction of the Complete Streets Project came in higher than expected, the City Council, by passage of Resolution #8789 on July 30, 2014, cancelled the underground utility project and reprogrammed these funds to support the overall Complete Streets Project.

With Phase 1 of the Complete Streets Project now finished, and Phase 2 starting construction on March 28th, it is City Council's final opportunity to reconsider installation of underground utilities within the project area.

Discussion:

- 1) **Rationale:** The primary reasons for the City to reconsider installation of underground utilities within South Main Street are as follows:
 - a. Underground utilities will enhance the aesthetic appearance of the Complete Streets Project. Leaving the utilities in their current condition will give the project an “unfinished” look when completed.
 - b. Underground utilities will help market the former NHES property to prospective developers, and, hopefully, attract a more ambitious redevelopment proposal for the site. Encouraging the most ambitious redevelopment project possible is in the City’s long-term economic development interests.

Although efforts to market the property are ongoing and no formal development proposals have yet come forward, the imminent timing of Phase 2 of the Complete Streets Project dictates that installation of underground utilities along the South Main Street frontage of the NHES site and surrounding parcels must be undertaken now. By installing the underground utilities now, the City, or its future development partner, will be able to avoid demolishing the newly completed streetscape improvements in the future, as well as significant additional costs of replacing said improvements in order to necessitate installation of underground utilities.

- c. Underground utilities in this area may, in the long-term, encourage future redevelopment of other parcels located between #20 South Main Street and Thompson Street, in addition to the former NHES property.
- 2) **Cost Estimate:** The estimated cost for installation of underground utilities is \$2 million. It is important to note that this estimate covers only that section of South Main Street roughly bounded by the Concord Food Co-Op and Thompson Street.

The \$2 million cost **excludes** the block between Thompson Street and Concord Street where the Capitol Center for the Arts (CCA) is located. Burying utilities along the frontage of the CCA would cost at least \$1 million more (for a combined total cost of \$3 million) and have additional impacts upon the project schedule, which would likely result in the project not being completed until 2017. It is important to note that the \$1 million cost **excludes** other costs that may accrue by delaying project completion to 2017. Such costs could include, but would not be limited to, contractor general conditions, as well as potential price increases for fuel, labor, and materials which might occur due to inflation.

- 3) **Schedule:** The City would modify its approach to constructing Phase 2 of the Complete Streets Project in the event the City Council opts to move forward with underground utilities between the Concord Food Co-Op and Thompson Street. Specifically, like Phase 1, the City would start Phase 2 construction activities on the east side of the roadway. However, a second construction crew would be mobilized to the west side of the road for underground utilities. It is anticipated that underground utility work on the west side of the road would be done incrementally, resulting in roving parking closures on a block by block basis, until such time as “the flip” occurs and the west side of the

road is completely closed for construction following substantial completion of the project on the east side of the street. Assuming funding is approved at the City Council's April 11th meeting, it is anticipated that Phase 2 of the Complete Streets Project will be substantially complete in December 2016.

- 4) Funding Strategy: The City would issue a General Obligation bond in the amount of \$2 million to undertake the utility improvements. The attached resolution calls for this bond to be supported by the General Fund. However, the potential may exist for a portion or all of this debt service to be assumed by the Sears Block Tax Increment Finance District. Due to this possibility, the City Administration plans to return to the City Council in the near future with the appropriate resolutions to amend the Sears Block Tax Increment Finance District's (SBTIF) Development Program and Financing Plan so that the District may, to the extent practical, potentially support this new debt service. It is important to note that the SBTIF Advisory Committee voted to recommend that the City Council use the SBTIF to finance underground utilities on May 14, 2013, April 28, 2014, and July 8, 2014, respectively. City Administration did not bring forward the required TIF resolutions simultaneously with the public hearing for this \$2 million appropriation resolution because the TIF amendment process, as mandated by State statute (RSA 162-K), was not conducive to the project's overall construction schedule. Specifically, the State Law requires that votes on TIF items be delayed until at least 15 days after a public hearing on amendment of the TIF District. This requirement would have delayed action on the appropriate resolution to the City Council's May meeting, therefore effectively delaying utility work – and by extension the Complete Street project itself - by approximately 2 months. City Administration felt that such delays would not be acceptable to the community.

Relative to the sale of this debt, it is anticipated that the appropriation would be issued as Bond Anticipation Notes (BANs) for a period up to 5 years, as permitted by State Law. BANs are an inexpensive mechanism to access capital, as they are interest only and sold on a year to year basis. Current tax exempt BAN rates are approximately 0.5% to 1%. Therefore, the annual cost to the City for this debt service would be approximately \$20,000, plus the cost of issuance. A 20 year bond would then be sold for the debt service, likely in FY2022 with first year of debt service in FY2023, presuming the City opted to continue with short-term BANs for the full 5 year period as permitted by State Law. As the City Council knows, the City used BANs for the \$1.99M in debt service previously authorized by the City Council for the acquisition, weatherization, and maintenance of the former NHES building.

In addition to minimizing the short-term financial impacts to the General Fund (or potentially the SBTIF), it is hoped that delaying full debt service for up to 5 years will provide sufficient time for a development project to occur at the former NHES site. Because the NHES property is located within the Sears Block TIF District, and any new tax revenues generated by said redevelopment will be captured by the TIF. Therefore, should a project of sufficient size occur at the NHES property, the potential may exist for all or a portion of this debt service to be borne by the Sears Block TIF District rather than the City's General Fund. The City Administration's plan to amend the SBTIF District's Development Program and Financing Plan sooner rather than later will better position the City to take advantage of such opportunities more expeditiously in the future.

When permanent debt service is sold, it is estimated that the first year cost for principal and interest will be approximately \$160,000, presuming a 20 year term and 3% interest rate. Again, if the maximum term for BANs were used, full P&I debt would be sold in FY2022 and repayments would begin in FY2023. Per the City's recent bond sale in January 2016, rates for tax exempt bonds are currently 1.89% +/-.