



CITY OF CONCORD

REPORT TO MAYOR AND CITY COUNCIL

FROM: Matthew R. Walsh, Interim Deputy City Manager - Development

DATE: November 14, 2022

SUBJECT: New Penacook Library and Community Center

Recommendation:

- 1) Accept this report and set the attached resolution for public hearing on December 12, 2022 which authorizes the following:
 - a) The City Manager to enter into a Purchase and Sales Agreement with the Boys and Girls Club of Central New Hampshire concerning acquisition of real estate to be developed at 76 Community Drive for the purpose of establishing a new Penacook Branch Library and Community Center;
 - b) Appropriating the sum of One Million Three Hundred Thousand Dollars (\$1,300,000) for acquisition and fit-up of said new facility; and,
 - c) The City Manager to divest of the current Penacook Branch Library located at #3 Merrimack Street, Penacook, as well as vacant City land located at the intersection of Merrimack Street and Sanders Street (Tax Map 1421P Lot 57), to support sale and redevelopment of #3 Merrimack Street, Penacook.

Background:

The Penacook Branch Library is located at #3 Merrimack Street, Penacook. The facility was constructed in 1899. The two-story brick building is approximately 3,454SF (gross; including basement) located on a 0.07-acre lot (i.e. 3,049SF). There is no on-site parking.

Originally used as a police station, the first floor of the building was converted into a branch library on November 8, 1947. Please see the attached historic inventory of the property for more information.

Library services, which remain primarily limited to the first floor of the facility and are currently offered for ten hours per week, occupy approximately 1,080SF. The facility, which is in fair to poor condition, is not conducive to operating a modern library.

A 2020 facility needs assessment of the facility estimated that the property requires significant improvements to address a variety of code related issues and deficiencies.

Using the recommendations of the 2020 assessment, in February 2021 the Public Properties Division of General Services estimated that the cost of renovations would be approximately \$917,000. It is important to note that this estimate is nearly 2 years old and likely unstated given the current inflationary environment. In addition, while said investment would remedy code issues, it would not necessarily improve the functionality of the facility for modern library services. A copy of the facility assessment and cost estimate is attached to this report.

During February 2022, the Boys and Girls Club (B&GC) informed City Administration that they intended to acquire the Penacook Community Center located at 76 Community Drive for the purposes of establishing a new daycare and after school program to serve northern areas of the City. The acquisition was completed on March 3, 2022.

The Boys and Girls Club plans to develop a new 8,900SF facility at the property. Construction is scheduled to begin in spring 2023. The facility will be completed in late spring / early summer 2024. The project involves demolition of all structures currently located at the property. Please see the attached draft site plan, floor plans, and renderings for more information.

On July 11, 2022 the City Council authorized the City Manager to apply for, accept, and expend up to \$750,000 of Community Development Block Grant funds from the NH Community Development Finance Authority to support the Boys and Girl's Club's project. The City's grant application was successful and funds were tentatively awarded on November 3, 2022. The award is subject to approval by the Governor and Executive Council.

Discussion:

- 1) **Purchase and Sales Agreement:** Shortly following the Boys and Girls Club's announcement about their proposed facility, City Administration entered into discussions with the Club regarding a potential partnership to offer part-time library services at the new facility. The City and the B&GC have had a strong relationship for decades concerning the B&GC's Bradley Street facility, which is partially on City property at Kimball Park via a lease agreement.

Initially, City Administration envisioned leasing programmatic space inside the Boys and Girls Club on a limited basis for library services. However, this approach was not viable for several reasons, and discussions eventually pivoted to potential acquisition by the City of a portion of the project for a new Penacook Branch Library and Community Center. The new City facility would replace the current operation located at 3 Merrimack Street.

These discussions have resulted in the attached proposed Purchase and Sales Agreement between the City and the Boys and Girls Club. Key details of the transaction are as follows:

- a) **Real Estate:** The City's space shall consist of 1,471SF+/- within the new 8,900SF+/- building to be developed at 76 Community Drive, Penacook. The City's space, which shall be developed in full by the Boys and Girls Club, will be a condominium unit at the property. Preliminary site plan, floor plans and renderings are attached. Said plans are a work in progress and subject to change.
- b) **Purchase Price:** Section 1.2 of the Purchase and Sales Agreement establishes a formula constructed by the Boys and Girls Club. The price shall be the actual cost of the City's portion of the development, as well as a prorated share of condominium common areas

(utilities, parking lot, landscaping), and off-site improvements (such as the Dolphin Street sidewalk improvement).

Using said formula, the estimated purchase price of the City’s condominium unit will be approximately \$1,010,635. This estimate includes \$99,000 of capitalized interest in the event the Boys and Girls Club needs to secure a temporary construction financing for the City’s project.

The Purchase Price also includes a modest 2% developer fee, which shall be paid to the B&GC for managing the project. A summary of the purchase price is included in Exhibit 4 of the Purchase and Sales Agreement.

- c) Special Considerations and Restrictions: As part of this proposed transaction, the City and B&GC will provide each other with a right of first refusal to acquire the other’s condominium unit in the event of potential sale in the future. Both parties will also agree to certain land use related deed restrictions on their respective condominium units, which are intended to prevent future potential establishment of select land uses that would not be compatible with a childcare facility or library / community center.
- 2) City Services: If approved, the facility will be used for part-time library and community center services.

Library services are envisioned to be approximately 15 hours per week. However, this could be increased over time.

Community Center services are presently envisioned to include part-time senior programming, fitness classes, as well as rentals for private functions and community events.

These plans are preliminary and subject to future annual operating budget appropriations by the City Council.

- 3) Budget: The capital and projected operating budget for this facility are as follows:

- a) Capital Budget: The capital budget for this project is \$1,300,000. This represents the purchase price for the property, associated closing costs, funds to furnish and equip the property for library and community center operations, and contingency related thereto. The capital budget would be financed by General Obligation Bonds. A summary of the project budget is as follows:

Table 1: Project Capital Budget (FY2023)

| | |
|-------------------------------------|---------------------------|
| Purchase Price (Estimate) | \$ 1,010,635 |
| Closing Costs | \$ 13,106 |
| Parks & Rec Furnishings & Equipment | \$ 22,066 |
| IT Supplies & Equipment | \$ 64,400 |
| Library Supplies & Equipment | \$ 68,214 |
| Contingency (10%) | \$ 117,842 |
| | Subtotal \$ 1,296,263 |
| <u>Rounded to</u> | <u>\$1,300,000</u> |

Based upon the current project schedule, it is anticipated that bonds financing the project would be sold in January 2025 (FY2025), with debt service payments beginning on July 1, 2025 (FY2026).

Presuming a \$1.3 million bond, with a 20-year term at 6% interest, projected debt services costs in Year 1 will be approximately \$142,500. The average annual cost of the debt over the 20-year term is projected to be \$105,650 / year.

- b) Operating & Maintenance Budget: Based upon the current project schedule, it is anticipated that the City would acquire the new facility in summer 2024. As such, the initial year of operations are projected to City FY2025 (i.e. July 1, 2024 – June 30, 2025). Estimated annual operating costs are set forth in the table below. This is a preliminary estimate.

Table 2: Estimated Operating Budget (FY2025)

| | |
|--------------------------------|-------------------------|
| Condominium Association Fees | \$ 6,673 |
| Utilities | \$ 2,949 |
| Parks & Recreation Programming | \$ 46,885 |
| Library Programming | \$ 35,562 |
| Janitorial Services | \$ 16,634 |
| <u>Total</u> | <u>\$108,702</u> |

- c) Projected Total Annual Cost to City: Although the facility will open in FY2025, the first full year of operational expenses and debt service will be incurred in FY2026. The projected total cost of these items is approximately \$255,000, combined, in FY2026.
- 4) Divestment of #3 Merrimack Street and City Land at Intersection of Sanders and Merrimack Street (Map 1412P Lot 57): If the City Council elects to proceed with a new branch library / community center at 76 Community Drive, City Administration requests authorization to divest of the current Penacook Branch Library located at #3 Merrimack Street. The property is located in the Central Business Performance (“CBP”) zoning district, which provides for a wide variety of permitted uses. However, staff anticipates that the highest and best use of the property is likely multifamily residential.

The property is presently assessed for \$330,900. The market value of the property is currently unknown and will need to be evaluated.

The property’s small lot area (0.07 acres), coupled with the awkward placement of the building on the lot, severely limits opportunities for on-site parking at #3 Merrimack Street. Although the CBP District does not require on-site parking, it is likely that any buyer (and their prospective lender) will likely desire dedicated parking nearby to support their investment.

Therefore, City Administration also recommends that the City Council authorize the City Manager to divest of vacant City owned land located at the intersection of Merrimack and Sanders Street. This vacant 0.05-acre parcel is approximately 150 east of the current Penacook Library and could be packaged with the sale to provide readily accessible off-street parking to support redevelopment of #3 Merrimack Street. This parcel is presently assessed for \$16,600. Like #3 Merrimack Street, the current market value of the property is presently unknown and will need to be evaluated.

Unless otherwise directed by the City Council, the sale of said properties shall not close until the new facility at 76 Community Drive has been completed, acquired by the City, and made operational. In addition, the City shall place deed restrictions on #3 Merrimack Street and associated vacant parcel requiring payment of property taxes. Further, recognizing the historic significance of #3 Merrimack Street, a deed restriction would also be placed said property to ensure that the building shall be preserved in perpetuity until such time as the building suffers a casualty rendering it infeasible to repair or rebuild.

- 5) Potential Benefits for the Community: Partnering with the Boys and Girls Club to develop a new branch library / community center at 76 Community Drive would yield the following benefits to the community:
- a) The project will result in a new, modern, fully code compliant facility well equipped to facilitate delivery of library and community center services to residents of Penacook Village, as well as northern areas of West and East Concord;
 - b) The new facility would be approximately 1,471SF, which is larger than the 1,080SF space used to provide library services #3 Merrimack Street for the past 75 years;
 - c) The new branch library / community center will be adjacent to Rolfe Park, as well as the Merrimack Valley School District campus. This proximity provides for potential opportunities for programmatic synergies with these facilities / entities;
 - d) Co-locating the branch library / community center with the Boys and Girls Club could also result in programmatic synergies, which could have the potential to mutually benefit the City, B&GC, and their respective clienteles;
 - e) City's involvement with this project furthers the mission and goals of the Boys and Girls Club, and creates improved opportunities for their clientele to access City services;
 - f) The #76 Community Drive property is tax exempt. Therefore, there will be no loss of tax revenues to the community resulting from the City's acquisition of a portion of the property for the new branch library / community center; and,
 - g) By relocating the Penacook Branch Library from #3 Merrimack Street to #76 Community Drive will allow for future redevelopment of #3 Merrimack Street, thus keeping the property in productive use and returning it to the tax rolls. Additionally, proceeds from the sale of #3 Merrimack Street may reduce the amount of bonding required for the new facility.