



CITY OF CONCORD

REPORT TO MAYOR AND CITY COUNCIL

FROM: Matthew R. Walsh, Director of Redevelopment, Downtown Services, and Special Projects

DATE: September 25, 2019

SUBJECT: Former Allied Leather Tannery Redevelopment Project

Recommendation:

Set the attached resolution accepting and appropriating \$496,800 in net proceeds from the sale of that portion of the former Allied Leather Tannery site located at 33-35 Canal Street into the Economic Development Reserve Fund for public hearing on November 12, 2019.

Background:

The former Allied Leather Tannery complex was once a sprawling 50 acre industrial facility located in the heart of Penacook Village. Approximately 6 acres of the site were located in Concord. The balance of the complex was located in the Town of Boscawen.

Originally developed in 1846 for the production of sail cloth, the facility closed during the Great Depression of the 1930s. After the Depression, it reopened as a leather tannery. Through a series of mergers and acquisitions, it became the largest tannery in New Hampshire. At the time of its closure in 1987, it employed 300 people.

Following its closure, the complex was mired in bankruptcy until it was purchased by a local entrepreneur in 1997. Despite good intentions, environmental contamination and other issues proved too challenging. Thus, redevelopment efforts did not move forward.

On June 17, 2002, the City Council passed Resolution #7325, which enacted a Hazardous Building Order against that portion of the Tannery property located at 35 Canal Street.

Due to significant environmental issues, coupled with nearly 200,000SF of condemned buildings and the community goals for the site, the City ultimately determined that it had to take ownership of that portion of the former tannery complex located within Concord site in order to facilitate cleanup and redevelopment efforts.

Ultimately, during the period of 2003-2012, the City would acquire 6.17 acres of land comprised of 8 parcels for a combined total of \$547,351. See Table 1 attached to this report for more information.

The initial phase of redevelopment was completed in 2011 with the development of \$1.4 million, 16,000SF medical office building on a 2 acre site located at 4 Crescent Street. The project was achieved through a public / private partnership with DEW Crescent Properties LLC, Concord Hospital, and the City of Concord.

On May 8, 2017, the City Council approved Resolution #8994 which authorized the City Manager to enter into a Purchase Option Agreement to sell approximately 2.5 acres of the former Tannery complex located at 33-35 Canal Street to the Caleb Development Corporation for \$540,000 for the purpose of developing a 54 unit affordable housing project.

Following completion of the Caleb Project in 2021, it is estimated that the City's redevelopment efforts will yield nearly 68,000SF of new development on 4.61 acres with an assessed value of approximately \$5 million generating nearly \$170,000 annually. This equates to new assessed value of nearly \$1.5 million per acre. Please see Table 2 attached to this report for more information.

With the sale of this parcel, the City now only owns a single 1.53+/- acre property located at 11 Canal Street. This property is being retained by the City for potential future redevelopment into a new riverfront park.

Discussion:

1. *Closing on Sale of Property to Caleb Development Corporation:* The sale of 33-35 Canal Street to the Caleb Development Corporation closed on September 18, 2019. The sale price was \$540,000. After closing costs, net proceeds from the sale were \$496,800.

Phase I of Caleb's project features 34 units. The project is currently underway and will be completed in September 2020. It is anticipated that Phase II of Caleb's project (20 units) will be completed in 2022.

The City supported Phase I of Caleb's project through the construction of site work and utility improvements, which were financed by a \$500,000 Community Development Block Grant at no cost to the City.

Once fully completed, is anticipated that the 51,850SF project will create \$3.375 million in new assessed value.

2. *Reimbursement of Economic Development Reserve Fund:* With the sale of 33-35 Canal Street, the City's net investment to acquire, cleanup, and redevelop the former Allied Leather Tannery site during the period of 2001 – 2019 totaled \$4,882,165. This figure excludes revenues from development permits, as well as taxes associated with new development. Of this total, 30% were City funds. The remaining 70% was provided by a variety of grants and insurance reimbursements. Please see Table 3 attached to this report for more detail.

Since 2001, the City's Economic Development Reserve has invested \$1,414,900 into the project. The Penacook Village Tax Increment Finance District's Development Program and Financing Plan calls for reimbursement of the Economic Development Reserve Fund as TIF resources allow. To date, \$223,359 has been reimbursed to the EDR.

Staff recommends that the \$496,800 netted from the sale of 33-35 Canal Street be deposited into the Economic Development Reserve. If this recommendation were to be implemented, over \$720,000 of the \$1.414 million investment from the EDR (or approximately 51%) will have been repaid to the EDR. Please see Table 4 attached to this report for more information.

Table 1						
Allied Leather Tannery Redevelopment Project - Property Acquisitions and Conveyances 2003-2019						
September 25, 2019						
Acquisitions						
Address	Seller	Price	Year	# of Lots	Acreage	
31 Canal Street	PRM Holdings	\$43,350	2003	1	0.23	
23 Canal Street	Hannah Dustin Holdings	\$100,000	2003	1	0.32	
35 Canal Street	Hannah Dustin Holdings	\$1	2003	1	2.20	
15 Crescent St	AAI Enterprises LLC	\$130,000	2004	1	0.92	
0 East Street	Hannah Dustin Holdings	\$90,000	2006	1	0.30	
4 Crescent Street	Crescent Street LLC	\$85,000	2006	1	1.81	
5-11 Canal Street	Amazon Realty	\$99,000	2012	2	0.39	
	Total	\$547,351		8	6.17	
	Average Price / Acre	\$88,712				
Conveyances						
Address	Buyer	Price	Year	# of Lots	Acreage	
4 Crescent Street	DEW Crescent Street LLC	\$338,134	2011	1	2.11	
33-35 Canal Street	Caleb Development Corp.	\$540,000	2019	1	2.50	
	Total	\$878,134		2	4.61	
	Average Price / Acre	\$190,485				

Table 2						
Summary of Real Estate Projects Developed at Former Allied Leather Tannery Site						
September 25, 2019						
Address	Owner	Use	Building Square Footage	Total Assessed Value	Annual Property Taxes	Notes
4 Crescent Street	DEW Crescent Street LLC	Office (Vacant)	4,809	\$348,900	\$11,723	2019
4 Crescent Street	Penacook Real Estate Group LLC	Medical Office	11,152	\$1,113,800	\$37,424	2019
33 Canal Street	Caleb Development Corp	Housing (34 Units)	31,860	\$2,125,000	\$74,285	Projected 2021
35 Canal Street	Caleb Development Corp	Housing (20 Units)	19,990	\$1,250,000	\$44,571	Projected 2022
Total			67,811	\$4,837,700	\$168,002	

Table 3		
Allied Leather Tannery Redevelopment Project - Expenditures & Revenues 2001-2019		
September 25, 2019		
Expenditures by Funding Source	Amount	Notes
Grants	\$3,340,781	
Insurance Reimbursements	\$75,000	
City Funds		
<i>Economic Development Reserve Fund</i>	\$1,414,900	
<i>Impact Fees</i>	\$40,000	
<i>Penacook Village TIF District</i>	\$485,000	
<i>Water Fund</i>	\$330,533	
<i>Sewer Fund</i>	\$13,283	
<i>General Fund</i>	\$300,000	
Subtotal - City Funds	\$2,583,716	
Total Expenditures	\$5,999,497	
Revenues & Reimbursements	Amount	Notes
Sale of 33-35 Canal Street	(\$496,800)	Sold to Caleb Development Corp. \$540,000 Sale Price; Net Proceeds After Closing Costs
Sale of 4 Crescent Street	(\$338,134)	Sold to DEW for Penacook Family Physicians
Misc. Reimbursements & Refunds	(\$282,398)	
Total Revenues & Reimbursements	(\$1,117,332)	Excludes property taxes and development permitting revenues
Net Total Expenditures	\$4,882,165	
City Funds	\$1,466,384	30%
Other Funds (Grants & Insurance)	\$3,415,781	70%

Table 4		
Allied Leather Redevelopment Project - Economic Development Reserve Fund Appropriations & Reimbursements 2001-2019		
September 25, 2019		
Appropriations from EDR	Amount	Notes
Resolution # 7330 (June 17, 2002)	\$100,000	Property Acquisition, Demolition, Environmental Cleanup
Resolution # 7392 (December 9, 2002)	\$100,000	Property Acquisition, Demolition, Environmental Cleanup
Resolution # 7403 (January 13, 2003)	\$100,000	Property Acquisition, Demolition, Environmental Cleanup
Resolution # 7506 (August 11, 2003)	\$400,000	Property Acquisition, Demolition, Environmental Cleanup
Resolution # 7856 (January 9, 2006)	\$107,000	Property Acquisition, Demolition, Environmental Cleanup
Resolution # 8347 (February 8, 2010)	\$225,000	Phase I TIF Improvements
Resolution # 8366 (May 10, 2010)	\$65,000	Phase I TIF Improvements
Resolution # 8377 (June 14, 2010)	\$92,900	Phase I TIF Improvements
Resolution # 8494 (August 8, 2011)	\$120,000	USEPA Brownfields \$600,000 Grant Match
Resolution # 8570 (June 11, 2012)	\$35,000	CRDC \$300,000 Brownfields Sub-Grant Match
Resolution # 8675 (June 20, 2013)	\$25,000	FY2014 Budget Appropriation for CIP 508
Resolution #8775 (June 9, 2014)	\$45,000	Environmental Cleanup of Amazon & Allied Leather Sites
Total EDR Appropriations	\$1,414,900	
Revenues & Reimbursements to EDR	Amount	Notes
Resolution # 8457 (April 11, 2011)	\$38,134	Net revenues from sale of 4 Crescent Street after \$300,000 reimbursement to General Fund for Penacook Mill demolition costs.
Resolution # 8478 (June 27, 2011)	\$65,000	
Resolution # 8695 (August 12, 2013)	\$120,225	NHDES ODD Fund Reimbursement
Resolution # _____ (November 12, 2019)	\$496,800	Net proceeds from sale of 33-35 Canal Street
Total EDR Revenues & Reimbursements	\$720,159	
EDR Funds Remaining to be Reimbursed by PVTIF	\$694,741	