



CITY OF CONCORD

REPORT TO MAYOR AND CITY COUNCIL

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

DATE: May 21, 2018

SUBJECT: Community Development Block Grant to Support Caleb Foundation's Penacook
Landing Project

Recommendation:

1. Accept this report;
2. Set the attached resolution for public hearing on July 9, 2018 authorizing the City Manager to submit an application seeking up to \$500,000 in Community Development Block Grant Housing and Public Facility funds to the NH Community Development Finance Authority for demolition of structures and other site improvements at 11-35 Canal Street, Penacook, in order to assist with the development of affordable housing by the Caleb Penacook Limited Partnership, a direct affiliate of Caleb Development Corporation, as well as to accept and appropriate such funds if awarded;
3. Set the attached resolution for public hearing on July 9, 2018 adopting the City's Anti-Displacement and Relocation Policy Statement and Procedures.
4. Approve the attached consent resolution authorizing the City Manager to enter into a Purchase and Sales Agreement Amendment with the Caleb Development Corporation regarding proposed improvements to be made to the Premises with Community Development Block Grants by the City on behalf of the Buyer's project.

Background:

The New Hampshire Community Development Finance Authority (NHCDFA) is the state agency responsible for administering the US Department of Housing and Urban Development's (HUD) CDBG program in New Hampshire.

Each year, the NHCDFA usually holds two CDBG application rounds, typically in January and July, to support housing and public facility projects that primarily benefit low and moderate income individuals and households. The maximum grant amount is \$500,000 for these grant

rounds. In addition, emergency grants are available on a year-round basis, as funds allow, on a first come - first served basis, in an amount up to \$500,000 per municipality annually. The NHCDFA also offers CDBG Feasibility/Planning grants up to \$12,000 per municipality annually. Only non-entitlement municipalities and counties may apply for CDBG funds; however, these political subdivisions may sub-grant CDBG funds to not-for-profit organizations.

The City is eligible to seek up to \$500,000 in CDBG funds during the upcoming grant round, which closes on July 30, 2018. As such, on March 5, 2018, staff, on behalf of CDAC, issued a request for proposals to more than 30 Concord-based organizations, for the purpose of seeking a partner with which to pursue a viable Community Development Block Grant application for the July 2018 round. Proposals were received on March 30, 2018. The Caleb Foundation was the only entity which submitted a proposal, which is attached. Caleb is interested in securing CDBG funds in order to defray expenses, as well as enhance their application for Low Income Housing Tax Credits (LIHTCs); a critical source of funding for their project.

The City's Community Development Advisory Committee (CDAC) met to review Caleb's proposal on April 25th and, on a 6 to 1 vote, recommended that the City Council support a CDBG application to benefit Caleb's project.

When applying for Community Development Block Grants, the City must, per CDBG rules, hold a public hearing prior to submitting its application, as well as adopt an Anti-Displacement and Relocation Policy. Also, in order to apply for these funds, the City must periodically readopt its Housing and Community Development Plan. This plan was last adopted by Resolution #8974 on January 9, 2017. Per CDBG rules, the plan is valid for a three year period, and therefore does not need to be readopted in order to proceed with this application.

Discussion:

- 1) Overview of Efforts to Redevelop the Former Allied Leather Tannery Site: On June 17, 2002, the City Council approved Resolution #7325, enacting a "Hazardous Building Order" against a portion of the former Allied Leather Tannery property, located at 35 Canal Street. This action was necessary as the property had become a public hazard stemming from years of neglect, resulting in severe structural deterioration. Shortly after the condemnation action, the City concluded that the deteriorated condition of the property, coupled with significant environmental issues which accumulated over 160 years of industrial use, would make redevelopment of the property infeasible for the private sector. Therefore, the City embarked on an ambitious plan to acquire, assemble, and cleanup the Concord portion of the complex in order to remove these significant impediments to redevelopment. Property acquisitions occurred incrementally during 2003, 2004, 2006, and 2012. Ultimately, the City acquired a total of eight parcels comprising 6.15 acres of land with 125,000SF +/- of buildings.

In 2011, the City sold a 2.11-acre portion of the site, located at 4 Crescent Street to Vermont-based developer DEW Crescent Street Properties L.L.C., for the sum of \$338,200. The property was redeveloped into a 16,578SF medical office building valued at \$1,833,700. Currently, approximately 10,500SF is leased to Penacook Family Physicians, an affiliate of Concord Hospital. Redevelopment of this site was supported by infrastructure improvements, which were designed and constructed by the City. The cost of those improvements was financed, in part, through a Tax Increment Finance (TIF) District.

Final cleanup of the 4.04-acre former Penacook Mill/Amazon Realty site located at 11-35 Canal Street was completed in September 2014. In March 2015, the City engaged the NAI Norwood Group of Bedford, New Hampshire, to market the property. To support marketing efforts, the City engaged a design team, which prepared conceptual site plans depicting how the property could potentially be redeveloped. Following the completion of development concepts and a comprehensive marketing package, the property was put on the market in August 2015, with an asking price of \$540,000.

Since 2002, the City's net capital investment in the acquisition, cleanup, and redevelopment of the former Allied Leather Tannery site has been \$4,939,035, of which approximately 41% (or \$2,020,508) were City funds.

- 2) Caleb Foundation Project: On May 8, 2017, the City Council approved a purchase and sales agreement to sell approximately 2.5 acres of the 4.04 acre site at 11-35 Canal Street to the Caleb Development Corporation, an affiliate of the Caleb Foundation, for the sum of \$540,000 (a full price offer).

Founded in 1992, Caleb is a not-for-profit affordable/workforce housing developer based in Swampscott, Massachusetts. They are similar to CATCH Neighborhood Housing based here in Concord. Caleb currently owns 29 properties featuring approximately 1,600 residential units located in four states, including New Hampshire. Presently, they have 71 employees and a goal to expand their portfolio by 50-100 units annually.

Caleb plans to redevelop the property into a 54-unit affordable housing project. Phase I would be comprised of 34 units and will cost approximately \$7.7 million. The remaining 1.5 +/- acres of the site will be retained by the City for a potential future riverfront park, currently scheduled in FY2020 of the City's Capital Improvement Program. Please see the attached letter and rendering for more information.

Caleb desires to secure a CDBG in the amount of \$500,000 to support Phase I of their redevelopment project. After administrative fees, approximately \$475,000 in CDBG funds would accrue to their project.

Caleb's project has secured all required approvals from the Planning and Zoning Boards. In November 2017, Caleb applied for Low Income Housing Tax Credits (LIHTCs) to support development of the project. Their application was not funded and Caleb plans to reapply for credits this August. Awards will be announced in October 2018. Pending award of CDBG funds and LIHTCs, sale of the property would close by the end of 2018, and construction on Phase I would commence in spring 2019.

- 3) Use of CDBG Grants to Support Affordable Housing: The City has long used its ability to compete for CDBG to assist quality affordable housing projects; many of which were funded with LIHTCs. Specifically, the City has used this important program to assist with financing at least seven affordable housing projects developed by CATCH Neighborhood Housing, including their Mennino Place and Friedman Court developments. The City also used CDBG funds to support redevelopment of the former Page Belting Mill in Horseshoe Pond into affordable elderly housing, as well as other affordable housing projects with the Concord Housing and Redevelopment Authority.

Historically, the City has secured CDBG funds on behalf of another party (typically termed a "sub-recipient") for said party to use directly to finance their project. However,

due to a new interpretation of CDBG Rules for projects involving LIHTCs and new construction, the NHCDFR has determined that the Caleb Project would be unable to access CDBG funding directly. In light of this determination, and because the subject property is municipally owned, the NHCDFR has determined that the City may apply for CDBG funds to demolish existing structures, as well as make site improvements in order to prepare the property for the Caleb Foundation's project. Site improvements may include construction of on and off-site utilities, rough grading (including excavation of foundation holes and management of regulated soils), as well as off-site improvements to Canal and Crescent Street, as required for the project. The City would design and construct these improvements on behalf of Caleb. Once the improvements were constructed, and LIHTCs and other financing in place, and all other conditions of the Purchase and Sales Agreement achieved, the City would convey that portion of the site being acquired by Caleb to the developer.

- 4) Purchase and Sales Agreement Amendment: The Purchase and Sales Agreement with Caleb, as executed on May 18, 2017 and amended on November 15, 2017, should be further amended to codify the specific improvements the City intends to undertake at the Premises on Caleb's behalf using CDBG funds. Because demolition and site improvements were originally Caleb's responsibility per the terms of the P&S Agreement, a simple modification of the P&S Agreement to codify these revised responsibilities is appropriate.
- 5) Summary & Recommendation: Staff recommends that CDAC move forward with Caleb's proposal for the following reasons:
 - a. Caleb was the sole respondent to CDAC's RFP for CDBG funding;
 - b. CDAC voted to recommend that the City Council pursue CDBG funds to support Caleb's project;
 - c. The proposed use of CDBG funds by the City to benefit Caleb's project is permitted under State and Federal CDBG rules;
 - d. The City has used CDBG to support numerous other affordable housing projects in the City; including project which were dependent upon LIHTCs;
 - e. The project is likely to score very competitively in the upcoming CDBG funding round; and,
 - f. Support of this project will help the City complete its efforts to redevelop the former Allied Leather Tannery site.