



# CITY OF CONCORD

## REPORT TO MAYOR AND CITY COUNCIL

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

DATE: May 2, 2017

SUBJECT: **Supplemental Report:** Former Allied Leather Tannery Purchase Option  
Agreement with Caleb Development Corporation

### **Recommendation:**

Accept this report.

### **Background:**

As part of its April agenda package, the City Council received a staff report dated March 22, 2017 concerning the proposed sale and redevelopment of the remaining portion of the former Allied Leather Tannery site located at 35 Canal Street. As noted in that report, the property would be acquired and redeveloped by the Caleb Development Corporation of Swampscott, Massachusetts into a 54 unit multigenerational affordable workforce housing project featuring 40 one bedroom and 14 two bedroom units.

Since the report was issued, the City Administration has received some inquiries from members of the City Council, as well as the public, for additional information. In addition, on April 25<sup>th</sup> a neighborhood meeting about the proposed project was held in conjunction with the Penacook Village Association concerning this project. Lastly, as the Caleb Group gears up for this project, certain items of discussion have been raised which the City Council should be informed about prior to making a decision regarding the proposed Purchase and Sales Agreement. Based upon these circumstances, the City Administration felt it would be prudent to provide this supplemental report to the City Council so as the Council may make the most informed decision possible regarding the Caleb proposal.

**Discussion:**

- 1) Penacook Village Association Presentation: A copy of the City Administration’s presentation which was exhibited at the Penacook Village Association’s community meeting on April 25<sup>th</sup> regarding the Caleb Proposal is attached to this report. The presentation was attended by approximately 50 people.
- 2) Caleb Development Corporation Revised Conceptual Renderings: As part of its ongoing preliminary due diligence, Caleb is continuing to explore various design options for the project. Attached is a revised building elevation recently prepared by Caleb. The design attempts to mimic some of the historical architecture associated with the former Penacook Mill. Caleb has indicated that it would prefer to pursue a building along the lines of this revised concept. As such, staff is providing this concept to the City Council as it varies from the original conceptual building elevation included in Exhibit 3 of the proposed Purchase and Sale Agreement which was submitted to the City Council last month.
- 3) Caleb Development Corporation Projected Development Permitting Fees: Staff estimates that permitting revenues to the City from the Caleb Project could be as much as \$215,000, as detailed below. Please note that this estimate does not account for potential impact fee reductions which Caleb might be eligible for because of historical land uses which were active at the premises.

<b><u>City Fee</u></b>	<b><u>Amount</u></b>
Planning & Zoning Fees	\$10,300
Building & Demolition Permits	\$54,931
Impact Fees	\$114,174
Water & Sewer Connection Fees	\$36,449
<b><u>Total</u></b>	<b><u>\$215,854</u></b>

- 4) Community Development Block Grants: The City has long used its ability to compete for Community Development Block Grants (CDBG) to assist quality affordable housing projects. Recent examples of projects which the City secured CDBG funds for include, but are not limited to, Catch Neighborhood Housing’s Mennino Place and Friedman Court developments. Caleb recently informed City Administration that it may ask the City to apply for CDBG funds to assist with financing this proposed development. Any such request would likely be reviewed through the City’s customary CDBG process, including review by the City’s Community Development Advisory Committee (CDAC).
- 5) City’s Investment in the Allied Leather Tannery Project: In preparation for the public forum on April 25<sup>th</sup>, staff reviewed and updated the City’s total and net investment in the Allied Leather Tannery Project.

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 41% (or \$2,020,508) were City funds and 59% (or \$2,918,527) were non-City funds. Please see the table below for more information.

**City's Net Capital Investment 2002-2014**

<b>NON-CITY FUNDS</b>	<b>Amount</b>	<b>Percent</b>	<b>Notes</b>
US Department of Housing & Urban Development (USHUD)	\$1,393,640	48%	
US Environmental Protection Agency (USEPA)	\$600,000	21%	Direct grants. Other EPA funds received through NHDES and CRDC
Capital Regional Development Council (CRDC) Brownfields Program	\$325,000	11%	
NH Department of Environmental Services (NHDES)	\$524,887	18%	EPA American Recovery & Reinvestment Act Brownfields grant and ODD Fund
Insurance	\$75,000	3%	
<b>Total Non-City Funds</b>	<b>\$2,918,527</b>	<b>100%</b>	

<b>CITY FUNDS (CASH &amp; BONDS)</b>	<b>Amount</b>	<b>Percent</b>	<b>Notes</b>
Economic Development Reserve Fund	\$1,191,541	59%	
Impact Fees	\$40,000	2%	
Penacook Village TIF	\$485,000	24%	Excl. Add 'l \$200,000 for Tannery Cleanup
Water Fund	\$234,360	12%	Net of reimbursements / closeout
Sewer Fund	\$12,283	1%	
General Fund	\$0	0%	\$300,000 for demolition of Penacook Mill; Fully repaid by sale of 4 Crescent St in 2010
Highway Reserve Fund	\$57,324	3%	
<b>Total City Funds</b>	<b>\$2,020,508</b>	<b>100%</b>	

<b>Net Total Project Investment</b>	<b>\$4,939,035</b>		
<b>City Share</b>	<b>\$2,020,508</b>	<b>41%</b>	
<b>Grants / Insurance Share</b>	<b>\$2,918,527</b>	<b>59%</b>	

6) *Penacook Village TIF District Impacts:*

- a. Overview: The Penacook Village Tax Increment Finance District was enacted in 2010 to support redevelopment of the former Allied Leather Tannery and other surrounding properties. Per the District's current Development Program and Financing Plan, as amended by Resolution #8774 on June 9, 2014, the District shall continue to exist until such time as the following occur:
  - i. Full repayment or legal defeasement of all bonded debt which is supported by the PVTIF District. Currently, the PVTIF is supporting debt payments on two bond issuances which were previously issued for 1) infrastructure improvements to support the Penacook Family Physicians Project and 2)

cleanup of the former Penacook Mill site at 35 Canal Street. The current outstanding balance of these bonds is approximately \$377,285.

- ii. Repayment of appropriations from the City's Economic Development Reserve Fund used to finance PVTIF improvements, which are not otherwise repaid through the sale of City-owned real estate located at 4 Crescent Street or 35 Canal Street. As of the date of this report, the outstanding balance owed to the Economic Development Reserve is \$1,191,541.
  - iii. The City Council votes to terminate the District after making a finding that the purposes for which was created have been fulfilled.
- b. Projected PVTIF District Sunset Dates: Some members of the public and City Council have inquired about the anticipated "sunset date" for the PVTIF District given the proposed Caleb project, discussion of the potential river front park, and various permutations of options related thereto. Again, the sunset date for the District would occur whenever the PVIT has satisfied the 3 criteria set forth above.
- i. Current FY2017 Pro Forma Estimated Sunset Date: The current financial pro forma for the PVTIF estimates that the PVTIF District will sunset on or about FY2032. This date roughly corresponds with the final debt payment for the most recent bond issuance which was sold in January 2015.

Under this scenario, repayment to the EDR would be approximately \$337,500, thereby falling short of the \$1.191 million currently owed. However, the City Council could make a decision to continue the TIF to recoup the entire \$1.191 million if desired in the future. It is also important to note that the current pro forma does not account for sale and redevelopment of the remaining Tannery property, or any other development which may occur within the District. This scenario also does not include any TIF investments for a riverfront park or any other infrastructure improvements which might be desired to support other redevelopment projects.

- ii. Estimated Sunset Date Including the Proposed Caleb Project: Presuming the Caleb Development Corporation acquires the property and completes its project as proposed, the termination date of the PVTIF District could be as early as FY2027.

Specifically, this scenario presumes the Caleb project generates \$3 million in new assessed value at full build-out (i.e. completion of both phase of the project), and that the net sale price from the property (\$500,000+/-) is reimbursed to the Economic Development Reserve Fund as currently required by the PVTIF's Development Program and Financing Plan. This scenario also presumes no other new development within the TIF District which would generate incremental property tax revenues to help repay existing obligations or operating expenses. Lastly, this scenario also does not include any funding

for additional TIF infrastructure investments, including the potential river front park.

- iii. Estimated Sunset Date with Caleb Project and Riverfront Park: Lastly, in the event the City were to decide to build a riverfront park similar to the conceptual design prepared in 2015, the PVTIF District would likely sunset in on or about FY2038 based upon the following assumptions:
  1. 2015 riverfront parking concept estimate was \$950,000 design and construction. This figure was inflated to \$1.2M presuming 2021+/- construction.
  2. Debt issued at 4% with first payment due in FY2022.
  3. Annual operating costs for the park commencing in FY2021 and inflated 3% per year thereafter.
  4. Net sale proceeds from the sale to Caleb (\$500,000) are credited to the City's Economic Development Reserve Fund (EDR) per the current PVTIF Development Program and Financing Plan, thereby leaving \$691,000 to be repaid to the EDR by the PVTIF District.
  5. No additional development within the TIF District besides the Caleb Project and Penacook Family Physicians development.

c. Other Important TIF Considerations:

- i. As previously reported to the City Council, there are no provisions within the proposed Purchase and Sale Agreement which obligate the City to construct any additional infrastructure investments within the TIF District to support the Caleb Project, including the potential riverfront park. Any decision to build the park or any other improvements will be solely up to the City Council.
- ii. Although currently required by the PVTIF District's Development Program and Financing Plan, the City Council, upon consultation with the PVTIF Advisory Committee, has the authority to change the City's policy concerning the reimbursement of the Economic Development Reserve for its past investments in the PVTIF District. Specifically, the City Council, upon consultation with the PVTIF Advisory Committee, could amend the District's Development Program and Financing Plan to eliminate this requirement at any time if so desired.
- iii. Regarding potential proceeds from the sale of the property to Caleb, the City Council could decide to allocate said potential revenues to repayment of outstanding PVTIF bonded debt (\$377,000+/-) in lieu of reimbursing the City's EDR. Such an action would result in the District sun setting on our about FY2019 presuming Caleb acquires the property in December 2018 as currently anticipated. However, it is important to stress that such a scenario would preclude repayment of the Economic Development Reserve Fund (\$1.91 million), as well as any future TIF financed investments (Riverfront Park, future improvements to support other redevelopment sites within the

District, etc.) as the PVTIF District would no longer exist. If the PVTIF were to be terminated, any future infrastructure investments would need to be supported solely by the City's General Fund.

- iv. Lastly, it is important to reiterate that the City Council is not making any TIF related decisions as part of its May 8<sup>th</sup> meeting. Nor is the City Council making any decisions regarding how to allocate potential proceeds from the sale of the property to Caleb at this time. In addition, the Council is not being asked to make any decisions on May 8<sup>th</sup> concerning the design, construction, or financing plan for a potential future riverfront park. Rather, these items will be brought forward to the City Council at a later date as circumstances warrant.