



# CITY OF CONCORD

## REPORT TO MAYOR AND CITY COUNCIL

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

DATE: August 25, 2022

SUBJECT: CIP 578 Former New Hampshire Employment Security Property

### **Recommendation:**

- 1) Accept this report; and,
- 2) Approve the attached resolution:
  - a. Accepting and appropriating the sum of \$278,000 from the sale of the Former NH Employment Security Property;
  - b. Closing out Capital Improvement Program Project #578 Former NH Employment Security Property Redevelopment Project; and,
  - c. Depositing the sum of \$200,000 in the Economic Development Reserve and \$176,576,43 into the Sears Block Tax Increment Finance District as a result of these actions.

### **Background:**

The former NH Employment Security (NHES) property is located at 32-34 South Main Street and 33 South State Street. The 0.74+/- acre property features a 26,000SF building, constructed in 1927 and later expanded in 1958, as well as 73+/- parking spaces. The property is located within the Sears Block Tax Increment Finance District (SBTIF).

On October 31, 2014, the City acquired the site from the State of New Hampshire to foster and control redevelopment of this highly visible, strategically important property located in the heart of the City's Downtown Central Business District.

On May 10, 2021, the City Council approved Resolution #9375, which authorized the City Manager to enter into a Purchase and Sales Agreement with the John Flatley Company (Flatley) concerning sales and redevelopment of the property into a 6 story, 80,000SF +/- apartment building featuring 64 units of market rate housing. The sale price was \$350,000. Upon completion, it is anticipated that Flatley's development will create \$8 - 10.24 million in new

assessed value for the community and generate \$215,000 - \$275,000 of new property taxes annually. The Purchase and Sales Agreement was executed on May 17, 2021.

On September 13, 2021, the City Council approved Resolution #9402, which authorized the City Manager to enter into Purchase and Sales Agreement Amendment #1. Amendment #1 addressed issues stemming from previously unknown additional asbestos containing materials on the exterior of the former NHES building, and scheduling issues related thereto. Amendment #1 was executed on September 20, 2021.

On January 10, 2022 the City Council approved Resolution #9341, which amended the Purchase and Sale Agreement concerning the overall schedule for the project. Amendment #2 was executed on January 11, 2022.

Sale of the property closed on June 9, 2022. The Developer has completed abatement of exterior hazardous building materials abatement. Demolition of the structure will occur this fall. The Developer's project is scheduled for completion in fall 2023.

The City's estimated net investment in this project (CIP #578) is summarized in Table 2 attached to this report.

**Discussion:**

1) Close out CIP #578:

- a. Weatherization: At the time of purchase in 2014, the City appropriated funds to weatherize and maintain the property. Said funds were bonds, which were supported by the Sears Block Tax Increment Finance District (SBTIF). Presently \$16,349.94 of surplus funds remain available. As part of CIP #578 close-out, these funds shall be deposited into the SBTIF fund balance to support future debt service and operating costs for the District.
- b. Hazardous Building Materials Abatement: In accordance with our Purchase and Sales Agreement with the John Flatley Company, the City was responsible for abating hazardous building materials located on the interior of the existing building located at the property.

In addition, per P&S Agreement Amendment #1, the City was also obligated to provide the Developer with a \$150,000 payment at Closing to assist with abatement of hazardous building materials located on the exterior of the building. Said payment was financed entirely by moneys received by the City as part of an "errors and omissions" settlement with certain third parties regarding said materials.

Sources and uses for the project are detailed in Table 1 below.



**Table 2 – CIP #578 Estimated Net City Investment**

<b><u>INVESTMENTS</u></b>	<b><u>AMOUNT</u></b>	<b><u>SOURCE</u></b>
Resolution #8777 - Acquisition of Property (06/9/2014)	\$1,900,000.00	SBTIF Bonds
Resolution #8778 - Weatherization of Property (06/09/2014)	\$90,000.00	SBTIF Bonds
Resolution #9053 - Building Demolition (11/13/2017)	\$300,000.00	SBTIF Bonds
Resolution #9271 - Rescinded Appropriation Unused Acquisition Funds (02/10/2020)	(\$118,592.90)	
Resolution #9271 - Rescinded Appropriation Unused Weatherization Funds (02/10/2020)	(\$21,407.10)	
Resolution #9271 - Rescinded Appropriation Unused Demolition Funds (02/10/2020)	(\$300,000.00)	
Resolution #8912 - CIP #460 Underground Utilities (Prorated for Property's 125' of Lot Frontage on South Main Street) (Net \$1.52M / 750' X 125')	\$253,300.00	SBTIF Bonds
Resolution #9376 - Hazardous Building Materials Abatement (5/10/2021)	\$172,500.00	NHDES Grant
Resolution #9376 - Hazardous Building Materials Abatement (5/10/2021)	\$200,000.00	City EDR Fund
Resolution #9403 - Hazardous Building Materials Abatement (9/13/2021)	\$150,000.00	Donation
Resolution #9404 - Hazardous Building Materials Abatement (9/13/2021)	\$27,500.00	NHDES Grant (Supplemental)
<b><u>Subtotal</u></b>	<b><u>\$2,653,300.00</u></b>	
Less Project Closeout (October 2022)	(\$98,576.43)	
<b><u>Net Total Investment</u></b>	<b><u>\$2,554,723.57</u></b>	
<i>City Funds</i>	\$2,204,723.57	
<i>Other Funds</i>	\$350,000.00	
<b><u>REVENUES</u></b>	<b><u>AMOUNT</u></b>	<b><u>NOTES</u></b>
Sale of Property (Net) (Actual)	(\$278,000)	
Zoning Board Fees (Actual)	(\$460)	
Planning Board Fees (Actual)	(\$10,000)	
Impact Fees (Estimate)	(\$135,000)	
Demolition Permit Fee (Estimate)	(\$2,500)	
Building Permit Fee (Estimate)	(\$87,100)	
City Engineering Division Construction Inspection Fees (Estimate)	(\$20,000)	
Water / Sewer Connection Fees (Estimate)	(\$79,140)	
NH Dept of Environmental Services Brownfields Grant (Actual)	(\$172,500)	
NH Dept of Environmental Services Brownfields Grant - Supplemental (Actual)	(\$27,500)	
Financial Contributions from Others for Payment to John Flatley Company for Exterior Hazardous Materials Abatement (Actual)	(\$150,000)	
Payment from Flatley for Off-Site Improvements (South State St Sidewalk and Water Main) (Actual)	(\$23,725)	
<b><u>Total Revenues</u></b>	<b><u>(\$985,925)</u></b>	
<b><u>ESTIMATED NET CITY INVESTMENT</u></b>	<b><u>\$1,568,799</u></b>	