



CITY OF CONCORD

REPORT TO MAYOR AND THE CITY COUNCIL

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

DATE: March 9, 2016

SUBJECT: RSA 79-E “Community Revitalization Tax Relief Incentive” Amendment

Recommendation

Accept this report and set a public hearing for the attached resolution which would modify and readopt RSA 79-E “Community Revitalization Tax Relief Incentive”.

Background

RSA 79-E went into effect on April 1, 2006. The law, which is a local option statute, granted municipalities the ability to offer certain property tax relief incentives in order to foster the rehabilitation or replacement of “qualifying structures”. A local option statute is a law which can only be employed at the local level upon adoption by the governing body. The City adopted RSA 79-E on March 10, 2008. The City has made various amendments to the program since its initial adoption 8 years ago.

To date, the City has used the program to support redevelopment of several properties; including the Washington Street Condominiums in Penacook (former Hoyt Electric property), the Endicott Hotel, the SMILE Building, and, most recently, the former Vegas Block (a.k.a. Remi Block). Generally, it has been the City’s philosophy to use the program in a strategic way to only support those projects that have significant tangible economic development, tax base, or historic preservation benefits for the community.

When the City adopted RSA 79-E in 2008, it limited the program to properties located within two specific districts focused on Downtown Concord and Penacook Village. The rationale for this approach was two-fold. First, although the statute could be applied city-wide, Concord wished to use the program to specifically foster revitalization of our two downtowns. Secondly, given the modest threshold criteria set forth within the statute, there was concern that broadening the program city-wide could result in a plethora of applications for relatively minor renovation projects that would not result in meaningful economic development, tax base expansion, or historic preservation benefits for the community. Consequently, the Downtown Concord and Penacook Village Districts were narrowly drawn to focus primarily on larger commercial, industrial, and institutional structures. Maps of the two districts are attached.

Discussion

Last autumn, the City Administration was approached by Jon Chorlian, a local real estate developer, regarding potential use of RSA 79-E to support renovation of the former Sacred Heart Church at 54 Pleasant Street into 10 +/- luxury condominiums. However, because the property is not located within either of the City's RSA 79-E Districts, Sacred Heart was automatically ineligible for the RSA 79-E program. During the ensuing months, Mr. Chorlian has entered into a purchase and sales agreement for the property and is planning to move forward with his project. He also remains interested in using RSA 79-E to support his project.

Mr. Chorlian's request caused the City Administration to review Concord's current approach to RSA 79-E. Over the past 6 months, the Administration has reviewed the program and determined that modifying RSA 79-E to include certain "historic structures" not located within either of the existing RSA 79-E Districts could prove beneficial to the community, both from an economic development and historic preservation prospective.

For these reasons, the City is recommending that the City Council adopt the attached resolution which would modify RSA 79-E as follows:

1. Allow RSA 79-E to be used to assist with the rehabilitation of historic structures not located within either of the two existing RSA 79-E Districts.
2. Create special eligibility thresholds for historic properties not located within either of the two existing RSA 79-E Districts.

Broadening the program to historic properties not located within either of the existing Districts will encourage historic preservation and economic development. In addition to Sacred Heart Church, examples of properties that may potentially benefit from expanding the program include, but are not limited to, the former Summer Street School (Penacook), Eastman School (East Concord), St. Peter's Church (North State Street), and others.

Separate from this proposed amendment, City Administration also plans to modify the City's application process for RSA 79-E. Specifically, staff will modify the City's application package to require that all applicants shall provide the following financial information for proposed rehabilitation or replacement of qualifying structures:

- A detailed summary of all proposed financing for projects (including, but not limited to, equity, debt, grants, and tax credits), as well as sources and uses of all proposed financing together with terms, interest rates, and other conditions associated therewith. This is intended to assist staff in determining whether an application complies with RSA 79-E:14 which prohibits the use of the program for properties whose rehabilitation or construction is subsidized by state or federal grants or funds that do not need to be repaid totaling more than 50 percent of construction costs from state or federal programs.
- A disclosure regarding whether any portion of the rehabilitation or replacement of a qualifying structure shall be financed by state or federal grants or tax credits, or grant funds from non-governmental entities, the amount of such financing and whether such financing needs to be repaid. Again, this is intended to assist staff ensure that applications comply with RSA 79-E: 14.

- A detailed, comprehensive 20-year financial pro forma projecting all anticipated revenues and expenditures for the property rehabilitated or replaced. This is intended to assist staff in determining whether a project truly needs this public financial subsidy in order to be financially viable, thereby protecting the public interest.

The City's application package will also be amended to make clear to applicants that the City's interpretation of eligible costs, when discussed in the context of "Substantial Rehabilitation", shall only be those specific costs associated with the rehabilitation or replacement of the qualifying structure, including: fees for architectural and engineering services (known as design), fees for development permits (including municipal impact fees), legal fees associated with preparation of design or construction contracts, financing fees and charges, capitalized interest, as well as the cost of physical improvements (known as construction). Costs pertaining to the acquisition of real estate, including all fees and costs associated therewith, shall be excluded from eligible costs in the context of "Substantial Rehabilitation".