



CITY OF CONCORD

REPORT TO MAYOR AND CITY COUNCIL

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

DATE: January 10, 2022

SUBJECT: Former New Hampshire Employment Security Property

Recommendation:

Accept this report and approve the attached consent resolution authorizing the City Manager to negotiate and enter into Purchase and Sales Agreement Amendment #2 with the John Flatley Company concerning sale and redevelopment of the former NH Employment Security Property.

Background:

The former NH Employment Security 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. 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 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 at the property, and scheduling issues related thereto. Amendment #1 was executed on September 20, 2021.

Discussion:

- 1) City's Asbestos Abatement Project Update: In accordance with the development schedule set forth in Purchase and Sales Agreement Amendment #1, the City was obligated to complete

its interior asbestos abatement project by December 31, 2021. The City’s budget for interior asbestos abatement was \$400,000, of which \$200,000 – or 50% - was funded by a Brownfields Grant from the New Hampshire Department of Environmental Services (NHDES).

The City received three bids for its asbestos abatement project on September 10, 2021. Contacts with the low bidder were executed on September 28, 2021. Abatement activities began on October 5, 2021 and were substantially completed on December 22, 2021.

Dumpsters containing asbestos waste will be removed from the premises on or about January 10, 2022. The dumpsters remain at the property as the disposal facility which will receive the asbestos waste has significantly curtailed the number of days per month that it will accept these materials. Once the dumpsters are removed, temporary security fencing shall be removed and affected parking will be restored for public use.

Subject to receipt and payment of final invoices, the total cost of the City’s asbestos abatement project is approximately \$335,000, of which \$200,000 – or 60% - is financed by the NHDES Brownfields Grant. Unused City funds shall be returned to appropriate City reserve accounts once the project is closed out following the sale of the property to the John Flatley Company.

- 2) Purchase and Sales Agreement Amendment #2: The development schedule set forth in Purchase and Sales Agreement Amendment #1 contained several milestones for the Developer’s Project. To date, the Developer has completed its due diligence, as well as engaged a design team and legal counsel for the project.

Despite these accomplishments, the Developer’s schedule for its project slipped as a result of additional subsurface environmental due diligence related to potential petroleum contamination issues at the property. Specifically, the Developer postponed its design and permitting activities while the petroleum issue was being reviewed. Happily, the Developer has concluded this due diligence and prepared to move forward with design and permitting.

The Developer has requested that the parties negotiate and execute a second amendment to the Purchase and Sales Agreement, which would revise key milestones for the Developer’s project, including the following, to account for the aforementioned delays. Key milestones of the Developer’s proposed schedule are as follows:

<u>Milestone</u>	<u>Original</u>	<u>Revised</u>
Completion of Permitting for Developer's Project	February 28, 2022	April 29, 2022
Expiration Date of City's Commitment to Not Modify Zoning for Property	February 28, 2022	April 29, 2022
Closing Date for Developer's Purchase of Property from City	March 31, 2022	May 31, 2022
Start of Construction for Developer's Project	April 2022	June 2022
Completion date for Developer's Project	June 2023	August 2023

Please see the attached letter from the Developer for more information.

In recognition of the Developer’s continued commitment to the project, as well as Developer’s patient and collaborative attitude when the City needed additional time to resolve previously unknown asbestos issues at the property last summer, staff recommends that the City Council authorize the proposed amendment to the Purchase and Sales Agreement.