



CITY OF CONCORD

REPORT TO MAYOR AND THE CITY COUNCIL

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

DATE: February 3, 2021

SUBJECT: Development Agreement with Interchange Development LLC and Penacook Village Tax Increment Finance District Amendments

Recommendation:

1. Accept the following report.
2. Set the attached resolution authorizing the City Manager to execute a Development Agreement with Interchange Development L.L.C. concerning CIP #30 Hoit Road / Whitney Road Intersection Improvements to support development of a commercial / industrial real estate project to be built on 43+/- acres located at, or adjacent to, 1 Whitney Road for public hearing on March 8, 2021; **however, delay final vote until April 12, 2021.**
3. Set the attached resolution authorizing the City Manager to accept a Corporate Guaranty from Demoulas Super Markets, Inc., as described in the Development Agreement between the City and Interchange Development L.L.C., for public hearing on March 8, 2021; **however, delay final vote until April 12, 2021.**
4. Set the attached resolution adopting an amended and restated Development Program and Finance Plan for the Penacook Village Tax Increment Finance District for public hearing on March 8, 2021; **however, delay final vote until April 12, 2021 in accordance with RSA 162-K:4.**
5. Set the attached resolution appropriating the sum of \$4,780,000 for design, permitting, and construction of CIP #30 Hoit Road / Whitney Road Intersection Improvements for public hearing on March 8, 2021; **however, delay final vote until April 12, 2021 in accordance with RSA 162-K:4.**

In addition to appropriating these funds, this resolution rescinds Resolution #9302, which was approved on July 13, 2020 and appropriated \$456,000 in General Fund supported bonds and notes for design and permitting CIP #30. These funds shall be replaced with \$412,750 in Penacook Village Tax Increment Finance (PVTIF) District supported bonds and notes. Expenditures incurred to date, which total \$193,456, shall be transferred from the General Fund to the PVTIF District.

The \$4,780,000 appropriation shall be comprised of the following funding sources:

- a. \$4,240,000 in PVTIF District supported bonds and notes. Specifically, it is anticipated that these funds shall consist of a 5-year bond in the amount of \$412,750 for design and permitting CIP #30, and a 20-year bond in the amount of \$3,827,250 for construction.
- b. \$90,750 of Transportation Impact Fees.

- c. Up to \$449,250 in donations from Interchange Development L.L.C. for design, permitting, and construction of those portions of CIP #30 located in the Town of Canterbury. This amount is a preliminary estimate and shall be subject to the actual cost to design, permit, and construct those portions of the project located in Canterbury.
6. Set the attached resolution authoring the City Manager to enter into a Maintenance Agreement with the New Hampshire Department of Transportation (NHDOT) concerning maintenance of certain improvements constructed as part of CIP #30 within the U.S. Route 4 (Hoit Road) rights-of-way, which are under the jurisdiction of the State of New Hampshire, for public hearing on March 8, 2021; **however, delay final vote until April 12, 2021.**

Background:

1. Overview of Laurie and David Rauseo: Laurie and David Rauseo are real estate entrepreneurs based in Canterbury, New Hampshire. For the past several years, the Rauseos, through various real estate oriented limited liability companies (L.L.C.s), have endeavored to develop the Whitney Road corridor.

Their efforts began in 2005 with the acquisition and redevelopment of the former O.D. Hopkins corporate headquarters located at 2 Whitney Road. This 70,000SF property was acquired by the Rauseos, doing business as Morrill Mill Pond L.L.C., out of foreclosure and redeveloped into “Concord Crossing”; a multi-tenant commercial / industrial property. Today, this \$3.1 million property houses 15 businesses with approximately 130 employees.

Shortly following their investment in Concord Crossing, the Rauseos purchased additional property located at 1 Whitney Road. The property was undeveloped land, zoned for industrial development, and enrolled in the Current Use property tax abatement program. In 2008, the City, at the request of the Rauseos, rezoned approximately 9.6 acres of the property for commercial use. As part of the rezoning, a deed restriction (“covenant”) was placed on the 9.6 acre portion of the site, which limited total commercial development to 50,000SF. The purpose of the covenant was to protect the City’s economic development interests in Penacook Village and Thirty Pines, as well as mitigate traffic concerns stemming from future commercial development at this location vis-à-vis the Hoit Road / Whitney Road intersection’s limited capacity to support increased traffic.

In 2010, the Rauseos developed a 3,700SF +/- Xtra Mart convenience store at 1 Whitney Road. In addition to the convenience store, the property also features gas pumps, as well as a Dunkin Donuts franchise with drive thru service.

In 2016 the Rauseos facilitated the development of 15,000SF building at 6 Whitney Road. This site, which was previously part of the Concord Crossing property, was sold by the Rauseos to Lake Region Tent and Events, who, in turn, constructed their new corporate headquarters at the property. Lakes Region Tent was formerly housed at Concord Crossing prior to constructing its new facility.

2. Rauseos’ Proposed Regional Shopping Center: Over the past several years, the Rauseos, doing business as Interchange Development L.L.C., have acquired, or otherwise secure purchase options, on 43+/- acres of land located at, or adjacent to, 1 Whitney Road for the purpose of developing a regional shopping center featuring retail, restaurant, service, medical office, and industrial uses.

In 2018, the City, at the request of Interchange Development L.L.C., modified and expanded the 9.6 acre commercial zoning district at 1 Whitney Road to approximately 35 acres and also terminated the deed covenant that limited commercial development at the property to 50,000SF. Currently, the remaining 8+/- acres at the property remains zoned for industrial uses.

The Rauseos' current concept for the 43 acre site anticipates approximately 210,000SF of new development, which would be constructed incrementally in multiple phases, as shown in the concept plan titled "Map 1" below. The proposed development shall necessitate significant improvements to the Hoit Road (US Route 4) / Whitney Road intersection.

Phase I of this proposed development shall feature an 80,000SF +/- super market with potential 20,000SF +/- attached retail tenant (not yet confirmed), as well as a 13,500SF +/- State of New Hampshire Liquor and Wine Outlet.

The supermarket and associated potential attached retail unit would be developed on a 10+/- acre portion of the site by Demoulas Super Markets, Inc. ("DSM") and operated under their "Market Basket" brand. The liquor store will be developed by a limited liability company controlled by the Rauseos on a 4+/- acre parcel at the site. Please see the conceptual master plan titled Map 1 below for more information.

**Map 1: Interchange Development L.L.C. Conceptual Master Plan for
1 Whitney Road and Adjacent Property**



It is anticipated that Phase I of the proposed development will result the following financial and economic development benefits for the City:

- City development permits, water investment, and sewer investment fees totaling \$235,000+/- for the supermarket, potential retail tenant attached to the supermarket, and liquor store (combined);
- \$9,426,400 of net new assessed value generating approximately \$293,500 in net new property taxes in the initial year following completion (combined); and,
- Upwards of 435+ new employment opportunities, full-time (FT) and part-time (PT) combined, as follows:
 - 80,000SF +/- Market Basket Supermarket: 340 positions (65FT and 275PT);
 - 20,000SF +/- Potential Retail Tenant attached to Market Basket: 80+/- positions (to be determined once tenant is confirmed); and,
 - 13,500SF +/- NH Liquor and Wine Outlet (3FT and 15PT).

The Rauseos executed a lease agreement with the NH Liquor Commission on April 29, 2020. As of the date of this report, negotiations between the Rauseos and Demoulas Super Markets, Inc. concerning a purchase and sales agreement for the proposed grocery store and potential attached retail tenant were nearing fruition.

Interchange Development L.L.C. secured conditional condominium subdivision and site plan approval for Phase I of their project from the Planning Board on December 14, 2020. Interchange Development L.L.C. and Demoulas Market Basket desire to commence construction of their projects this spring.

3. Overview of CIP #30 Hoit Road / Whitney Road Intersection Improvements: The City has long-contemplated potential improvements to the Hoit Road / Whitney Road intersection within its Capital Improvement Program (CIP) as CIP #30.

The City has desired to improve this intersection for purposes of fostering development of the Whitney Road Corridor, as well as improving public safety.

However, potential improvements to this intersection are complicated by the fact that this portion of Hoit Road is part of US Route 4, and therefore is under the jurisdiction of the State of New Hampshire Department of Transportation (“NHDOT”).

In addition, the intersection is located in close proximity to the Concord / Canterbury municipal boundary, and some of the required improvements will be located in Canterbury. Moreover, the intersection serves as the sole point of access to Hoit Road / U.S. Route 4 for to several hundred acres of real estate located in the Town of Canterbury, of which approximately 300 acres has been zoned for commercial / industrial development.

Repeated efforts to fund improvements to this intersection through the State of New Hampshire’s Transportation Improvement Program (or “STIP”) have not been successful.

Due to the scope and cost of improvements, as well as the complications associated with the intergovernmental aspects related thereto, the Rauseos have long sought a public-private partnership with the City to finance the design and construction of CIP #30.

In 2018, the City Council authorized use of transportation impact fees to fund a traffic study, as well as preliminary conceptual design concepts for CIP #30. This effort was completed in 2019. The Rauseos supported the City's efforts by undertaking a \$75,000 traffic study for their proposed development to help guide preparation of the City's preliminary design concepts.

On July 13, 2020, the City Council passed Resolution #9302, which appropriated the sum of \$456,000 of General Fund supported bonds and notes to design and permit CIP #30. Simultaneously, the City Council also directed City Administration to enter into negotiations with Interchange Development L.L.C. concerning a public-private partnership to facilitate development of the proposed regional shopping center and associated improvements to the Hoit Road / Whitney Road intersection.

Shortly thereafter, the City engaged VHB, a civil engineering firm experienced with City capital improvement projects, as well as with intersection improvements involving State highways, including roundabouts.

Initially, the City Council instructed staff to proceed with a "30%" design and cost estimate for the project. However, during the fall of 2020, the City Council subsequently authorized to proceed with full design and permitting for the project.

Discussion:

1. CIP #30 Final Design and Cost Estimate & NHDOT Maintenance Agreement: Design of the Hoit Road / Whitney Road intersection improvements are substantially complete.

Specifically, the proposed improvements shall include the following:

- a. Reconfiguration and reconstruction of the Hoit Road (US Route 4) / Whitney Road / Old Boyce Road intersection into a two-lane roundabout with pedestrian and landscaping improvements;
- b. Reconfiguration and reconstruction of the south bound on-ramps from Hoit Road onto Interstate 93 at Exit 17;
- c. Reconfiguration of the Hoit Road / Hannah Dustin Drive intersection;
- d. Construction of a roundabout at the intersection of the Whitney Road, Concord Crossing, and the primary driveway into Interchange Development L.L.C.'s proposed project known as "Merchants Way"; and,
- e. Various roadway and drainage improvements associated with items a – d described above, which are located within the Town of Canterbury.

Please see the 30% concept plan titled Map 2 below for more details. The plan depicts CIP #30 improvements, as well as the developer's proposed project.

Map 2: Preliminary Design Plan for CIP #30 (September 3, 2020)



The estimated total cost of CIP #30 is \$4,780,000. This estimate includes design, permitting, construction, oversight and testing, as well as contingency.

Interchange Development has agreed to be responsible for the actual total cost of the proposed improvements located within the Town of Canterbury. The estimated cost of those improvements is \$449,250, including design, permitting, and construction.

Therefore, the City's estimated net total cost for its share of the improvements is \$4,330,750.

Table 1 below details the total estimated cost for the project, as well as the City's and Interchange Development L.L.C.'s respective financial responsibilities associated therewith.

Table 1: CIP #30 Projected Total Cost and Proration Between City and Interchange Development L.L.C.

Item	Description	Total	City's Share	Developer's Share
A	DESIGN AND PERMITTING			
1	Design and Permitting	\$456,000	\$412,750	\$43,250
B	CONSTRUCTION			
1	Hoit Rd. / Whitney Rd. / Boyce Rd. Roundabout & Approaches	\$1,988,000	\$1,988,000	\$0
2	Whitney Rd. / Concord Crossing / Merchants Way Roundabout	\$801,000	\$801,000	\$0
3	Hannah Dustin Dr. Intersection Improvements	\$253,000	\$253,000	\$0
4	Exit 17 Southbound On-Ramp Improvements	\$833,000	\$833,000	\$0
5	Improvements in Canterbury	\$406,000	\$0	\$406,000
C	OTHER			
1	City Debt Service Issuance Costs	\$43,000	\$43,000	\$0
2	Outside Legal Counsel	\$0	\$0	\$0
3	Property Acquisition (Easements and Rights-of-Way)	\$0	\$0	Donated by Developer
D	TOTAL	\$4,780,000	\$4,330,750	\$449,250

Although Interchange Development shall be responsible for the cost of those improvements located within the Town of Canterbury, the City shall construct the “Canterbury Improvements” using the same contractor it hires for the improvements located in Concord. This approach will improve ease of construction, as well as eliminate potential conflicts that would likely arise if multiple contractors were to be engaged to build these improvements.

Upon the City’s receipt of construction bids, Interchange Development L.L.C. shall provide the City with payment in full for the estimated total cost of the Canterbury Improvements. Receipt of said payment is a condition for the City to proceed with executing construction contracts for the project. Interchange Development L.L.C. shall also be liable for any costs increases associated with change orders that may arise during construction of the “Canterbury Improvements”.

Hoit Road is part of U.S. Route 4, and, therefore, is under the jurisdiction of the New Hampshire Department of Transportation (NHDOT). As such, the City is required to secure a Driveway Permit from the NHDOT for the proposed improvements to U.S. Route 4 associated with CIP #30. In conjunction with said Driveway Permit, the City shall be required to enter into a Maintenance Agreement with the NHDOT concerning certain pedestrian, landscaping, and other improvements to be constructed by the City within the U.S. Route 4 rights-of-way.

Specifically, it is anticipated that the City's responsibilities may include winter maintenance of sidewalks constructed within the U.S. Route 4 rights-of-way, pedestrian crossing signals, landscaping and lighting improvements associated with the new roundabout at the Hoit Road (U.S. Route 4) / Whitney Road / Old Boyce Road intersection, and other similar items as negotiated by the City Manager and New Hampshire Department of Transportation. The City shall remain responsible for said items in perpetuity, or until such time as they are removed from the U.S. Route 4 rights-of-way.

2. Development Agreement: In accordance with the City Council's July 13, 2020 directive, the City Administration has negotiated the attached proposed Development Agreement between the City and Interchange Development L.L.C. pertaining to CIP #30 and Phase I of the proposed regional shopping center.

Key provisions of the proposed agreement are as follows:

- a. Developer's Responsibilities: Laurie and David Rauseo, doing business as Interchange Development L.L.C., and/or Demoulas Super Markets, Inc. (DSM), shall be responsible for the following:
 - i. Developing Phase I of the shopping center, which shall feature an 80,000SF+/- supermarket with potential attached 20,000SF+/- retail tenant, as well as a 13,500SF+/- New Hampshire Liquor and Wine Outlet.
 - ii. Designing, permitting, and constructing all on-site and off-site improvements required for Developer's project, except those off-site improvements being expressly completed by the City as part of CIP #30. Interchange Development's responsibilities expressly includes the construction of a new section of sidewalk on Whitney Road near Interchange Drive (the southerly entrance into the proposed shopping center near the Wheelabrator Property), which was specifically required by the Planning Board for the project.
 - iii. Solely financing the cost of design, permitting, and construction of those portions of CIP #30, which are located within the Town of Canterbury. This obligation shall include any change orders that might become necessary due to unforeseen issues, which might arise during construction.
 - iv. Providing the City, or NHDOT, with any and all rights-of-way or easements required to facilitate CIP #30.
 - v. Providing the City certain short-term and long-term financial guarantees and deed covenants designed to protect Concord's financial and economic development interests. (This requirement is further discussed in Section 2, c, iii of the "Discussion" portion of this report).
 - vi. Perpetual maintenance of landscaping within the roundabout to be located at the intersection of Whitney Road, Concord Crossing, and Merchants Way.
 - vii. Perpetual winter maintenance (i.e. snow removal) for sidewalks located on Whitney Road between Hoit Road and Interchange Drive.

b. City's Responsibilities:

- i. Design, permitting, and construction of CIP #30 Hoit Road / Whitney Road Intersection Improvements. This includes construction of those portions of the improvements located in the Town of Canterbury and financed by Interchange Development L.L.C..
- ii. Future maintenance of Whitney Road, except snow removal for sidewalks located on Whitney Road between Hoit Road and Interchange Drive, as well as maintenance of landscape features associated with the new roundabout at the Whitney Road / Concord Crossing / Merchants Way intersection, which shall be expressly the responsibility of Interchange Development L.L.C. (their heirs, successors, assigns, and nominees).

c. Protections for the City: Numerous provisions have been included within the proposed Development Agreement to protect the City's financial and economic development interests. An overview of these provisions is as follows:

- i. City Expenditure Cap: The City's maximum expenditure cap for its respective share of CIP #30 is \$4,330,750. This figure excludes Interchange Development's estimated \$449,250 cost share for the project.

Once bids for construction of CIP #30 are received, the City may terminate the Development Agreement if the City reasonably believes the City's total cost of the project will exceed its expenditure cap.

- ii. Conditions for the City to Proceed with Constructing CIP #30: The City shall not be obligated to proceed with executing a construction contract for CIP #30, and issuing a notice to proceed related thereto, until the following conditions are satisfied:
 1. Verification that Phase I of Interchange Development's project shall consist of an 80,000SF supermarket, potential 20,000SF retail tenant attached thereto, and 13,500SF liquor store.
 2. Interchange Development L.L.C. entering into purchase and sales agreements, or lease agreements, for Phase I of the Developer's Project, and providing proof of said agreements to the City.
 3. Interchange Development L.L.C. and Demoulas Super Markets, Inc. securing all local and state development permits and approvals for their respective portions of the development, including a building permit from the City.
 4. Interchange Development L.L.C. and Demoulas Super Markets, Inc. securing construction financing for their respective projects, and providing proof thereof to the City.
 5. Interchange Development L.L.C. and Demoulas Super Markets, Inc. entering into construction contracts for their respective buildings, and providing proof thereof to the City.

6. Interchange Development L.L.C. and Demoulas Super Markets, Inc. providing the City with corporate guarantees and performance mortgages in order to protect the City's interests prior to their respective buildings securing Certificates of Occupancy. (This requirement is further discussed in Section 2, c, iii of the "Discussion" portion of this report).
 7. Interchange Development L.L.C. and Demoulas Super Markets, Inc. providing the City with all deed restrictions, covenants, and easements as contemplated within the Development Agreement.
 8. Interchange Development L.L.C. recording the condominium subdivision plat for the project at the Merrimack Registry of Deeds and closing with Demoulas Super Markets, Inc. regarding conveyance of land condominium unit #3 for development of the grocery store.
 9. Interchange Development L.L.C. providing the City, or NHDOT as might be appropriate, with all easements or highway rights-of-way dedications required for CIP #30.
 10. Interchange Development L.L.C. providing the City with full payment for the total estimated cost of design, permitting, and construction of those portions of CIP #30 located within the Town of Canterbury.
 11. Interchange Development L.L.C. executing a Maintenance Agreement with the City concerning certain landscaping improvements, as well as snow removal for sidewalks located within the Whitney Road rights-of-way, between Hoit Road and Interchange Drive.
 12. The City's acceptance of a construction bid for CIP #30, which is within the City's expenditure cap for the project.
 13. City Council's appropriation of funds to construct CIP #30.
 14. The City's receipt of all governmental permits and approvals required for the construction of CIP #30, with terms and conditions that are acceptable to the City in its sole discretion.
- iii. Additional Protections and Guarantees for the City: The proposed Development Agreement also features the following short-term and long-term financial protections and guarantees for the City:
1. Short-Term Protections for the City: The purpose of these short-term protections and guarantees is to protect the City's financial interests until the supermarket and liquor store are completed (as evidenced by Certificates of Occupancy), thereby creating the new incremental assessed value and associated property tax revenues required to support the City's debt service and operating costs associated with CIP #30.

- a. Demoulas Super Markets, Inc. Corporate Guaranty: Prior to the City starting construction of CIP #30, Demoulas Super Markets, Inc. (DSM) shall provide the City with a corporate guaranty. The guaranty shall ensure that DSM shall proceed with construction of the grocery store, as well as a secure a Certificate of Occupancy related thereto, no later than 24 months after securing a building permit subject to certain excusable delays and force majeure circumstances.
- b. Liquor Store Performance Mortgage: Prior to the City starting construction of CIP #30, Interchange Development L.L.C. shall provide the City with a performance mortgage for the Liquor Store.

The performance mortgage will obligate Interchange Development L.L.C.'s lender (or its future assign) to complete the liquor store in the event of foreclosure prior to Certificate of Occupancy. It also gives the City certain rights in the event of foreclosure prior to Certificate of Occupancy.

The performance mortgage shall be discharged upon the Liquor Store securing a Certificate of Occupancy from the City.

The City has successfully used performance mortgages in the past with other public-private partnerships in order to protect its short-term interests. Examples include:

- i. Capital Commons / Hotel Concord Project (11 South Main Street) (2005);
- ii. Scandia Hall Redevelopment (11 Knight Street) (2011); and,
- iii. Former Allied Leather Tannery (Medical Offices at 4 Crescent Street) (2010/2011).

2. Long-Term Protections for the City:

- a. Taxability Covenant: Prior to conveying that portion of the property to DSM for the grocery store, Interchange Development L.L.C. shall provide the City with a deed covenant for all 43 acres of the project site, which shall require full payment of all property taxes in perpetuity in the event any portion of the property is conveyed or leased to a tax exempt entity.

Such covenants have been standard operating procedure for City public-private partnerships for decades, and have been employed for numerous projects including, but not limited to:

- i. Capital Commons / Hotel Concord (11 South Main Street);
- ii. Former Allied Leather Tannery (33-35 Canal Street and 4 Crescent Street);
- iii. Smile Building (49 South Main Street);
- iv. Bindery Building (45 South Main Street);
- v. Granite Center (Dixon Avenue and 100 North Main Street) redevelopment projects.

- b. “Minimum” and “Supplemental” Payment Covenant: The Development Agreement also provides the City with certain deed restrictions (“covenants”) associated with long-term financial guarantees concerning “minimum payments” for the supermarket and liquor store properties.

The purpose of these provisions is to guarantee certain amount of annual revenue from the supermarket and liquor store properties to support the City’s debt service and operating costs for CIP #30.

Although these minimum revenues are intended to be in the form of property taxes, in the event property taxes are less than the amounts set forth below, Interchange Development L.L.C., Demoulas Super Markets, Inc. (or their respective heirs, successors, assigns, and nominees), shall be required to make “supplemental payments” to the City.

The obligation to make such payments shall continue until March 31, 2042 (City FY 2042). This term corresponds with the approximate schedule for the City’s debt service payments for CIP #30.

It is important to note that the figures in Table 2 below are for *the total property taxes* for each property (i.e. property taxes associated with the base assessed value, which shall accrue to the General Fund and other taxing authorities, as well as the incremental assessed value which will be captured by the PVTIF District, *combined*).

Specifically, in FY2024 (the first full year after the development is completed), it is anticipated that approximately \$293,500 of the total \$378,150 guarantee noted in Table 2 shall be captured by the PVTIF District. The remaining \$84,650 +/- would accrue to the City’s General Fund, Merrimack Valley School District, Merrimack County, and State of New Hampshire. Please see Table 2, as well as Table 6 later in this report, for more information.

The Development Agreement also permits the parties to adjust these dates in the event of potential delays, which may result in the City 1) not starting construction by September 1, 2021 and 2) not issuing PVTIF supported bonds for CIP #30 in January 2022.

**Table 2: Guaranteed Minimum Payments for Phase I
 of Interchange Development L.L.C.’s Project**

Use	Tax Year 2022 (City FY2023)	Tax Year 2023 - 2042 (City FY 2024 - 2042)
Grocery Store	\$218,250	\$332,250
NH Liquor and Wine Outlet	\$45,000	\$45,900
Total	\$263,250	\$378,150

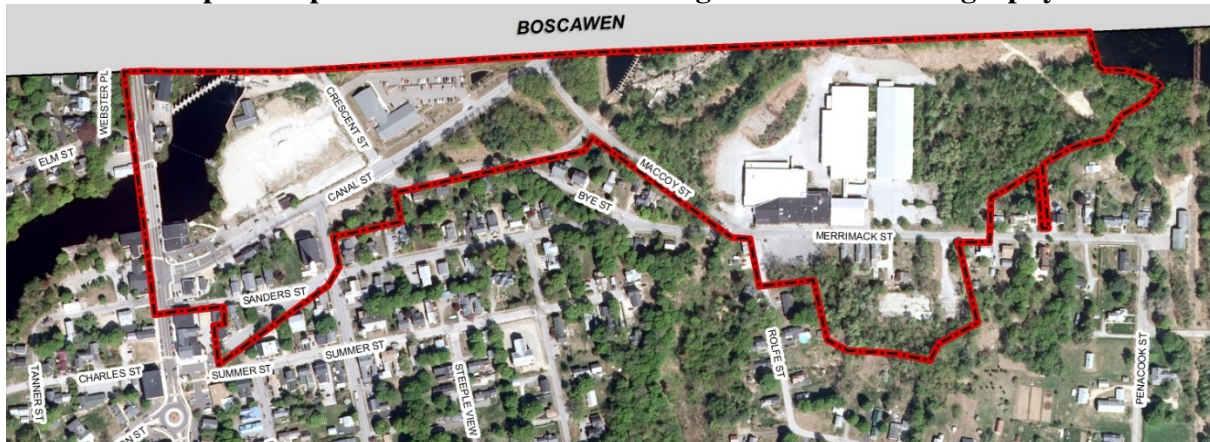
Covenants requiring minimum and supplemental payments have been employed by the City in the past as part of other public-private partnership projects, including the Bindery (Love Your Neighbor) Redevelopment Project located at 45 South Main Street, which was developed in 2011-2013.

- d. Project Schedule: The approximate schedule for Phase I of Interchange Development L.L.C.’s development, as well as CIP #30, is as follows. The schedule is subject to a variety of factors, including Covid-19 Pandemic, as well as the actions of multiple third parties (beyond the City, Interchange Development and Demoulas Super Markets), and therefore, is subject to potential modification:
- i. April 2021:
 1. City Council approval of proposed Development Agreement, PVTIF District Development Program and Financing Plan amendments, and all resolutions related thereto.
 2. Interchange Development L.L.C. / Demoulas Super Markets, Inc. (DSM) finalizing development permits (including building permits) for their respective buildings, recording the condominium subdivision, perfecting real estate transfers (including sale of Unit 4 to DSM), closing on construction financing (as applicable).
 3. The City executing construction contracts for CIP #30 and starting construction.
 - ii. May 2021: City starts construction of CIP #30. Interchange Development and Demoulas Super Markets, Inc. start construction of the Liquor Store and Grocery Store.
 - iii. December 2021: CIP #30 is substantially complete and operational.
 - iv. Spring 2022: The NH Liquor and Wine Outlet is completed and secures Certificate of Occupancy.
 - v. Summer 2022: CIP #30 punch list items are completed and final wearing course of pavement is installed.
 - vi. Late 2022 / Early 2023: The grocery store is completed and secures Certificate of Occupancy.

3. Penacook Village Tax Increment Finance (PVTIF) District Amendments:

- a. Overview: The Penacook Village Tax Increment Finance District (PVTIF) was initially established on June 14, 2010 for the purpose of making strategic capital investments to support redevelopment of the former Allied Leather Tannery (“Penacook Mill”) complex, the former Rivco facility, as well as other nearby properties. Per its original enactment, the PVTIF District is currently 47+/- acres in size, as shown in Map #3 below.

Map 3: Map of Current Penacook Village TIF District Geography



- b. CIP #30 and Interchange Development L.L.C. Project: City Administration recommends that the City Council amend, expand, and re-adopt the Penacook Village Tax Increment Finance District’s Development Program and Financing Plan to support construction and maintenance of CIP #30.

Specifically, City Administration proposes the following amendments to the PVTIF District:

- i. Expansion of the PVTIF District’s geography from 47+/- to 243+/- acres to include Interchange Development L.L.C’s property and surrounding parcels. Please see the hatched area on Map #4 below for more details.
- ii. Amend the PVTIF District’s Development Program and Financing Plan to include capital, operating, and maintenance costs associated with CIP #30.

Map 4: Proposed 2021 PVTIF District Amendment Expanded Geography



These proposed amendments would allow the City to temporarily capture the *incremental* assessed value, and property tax revenues associated therewith, generated by the proposed grocery store, potential attached retail tenant, and liquor store to finance capital and operating costs for CIP #30. **However, existing property tax revenues for these properties would continue to flow to the City’s General Fund, Merrimack Valley School District, Merrimack County and State of New Hampshire.**

The estimated total cost of CIP #30, proposed funding sources, as well as the estimated annual debt service and operating costs associate therewith, are detailed in Tables 3, 4, and 5 below.

The estimated assessed value and associated property taxes for Phase I of Interchange Development L.L.C.’s proposed development is detailed in Table 6.

Table 3: CIP #30 Total Estimated Project Cost and Funding Sources

	Amount	Notes
CIP #30 Estimated Total Cost		
	\$4,780,000	Design, permitting, and construction
1	\$412,750	Previously appropriated by Resolution #9302 on July 13, 2020 (\$456,000), which shall be reduced to \$412,750. Funding source shall be changed from General Fund Bonds to PVTIF District Bonds. Bond term shall be 5 years per NH RSA 33, as the purpose of the bond is design and permitting, and funds were appropriated separately from construction monies for CIP #30. The \$43,250 rescinded from Resolution #9302 shall be provided to the City from Interchange Development LLC as part of \$449,250 in donations for CIP #30 improvements located within the Town of Canterbury.
2	\$3,827,250	PVTIF District Supported Bond. 20 Year Term.
3	\$66,350	CIP #30 is located in Transportation Impact Fee District #2. However, in accordance with City Code of Ordinances 29.2-1-3, c, 1, c, the City may use impact fees from District 1 to finance CIP #30 because the project is located within 1 mile of Impact Fee District #1.
4	\$24,400	CIP #30 is located in Transportation Impact Fee District #2.
5	\$449,250	Design, permitting, and construction of CIP #30 improvements located within the Town of Canterbury.
Total Funding Sources		
	\$4,780,000	

Table 4: Projected Annual Debt Service Payments for PVTIF District Supported Bonds

	Amount	Term	Projected Initial Payment Date	Projected Final Payment Date	Projected Average Annual Debt Service
PVTIF Bond #1	\$412,750	5 Years	FY2023	FY2027	\$87,503
PVTIF Bond #2	\$3,827,250	20 Years	FY2023	FY2042	\$231,549
Total	\$4,240,000				\$319,052

Table 5: Projected Annual Operating and Maintenance Cost for Initial Year After Completion of CIP #30 (FY2023 Projection)

Item	Amount	Notes
Transfers to General Fund	\$3,030	Whitney Road Highway Maintenance
Contracted Services	\$21,210	Hoit Road (US Route 4) Roundabout Landscaping and Pedestrian Infrastructure Maintenance
Total	\$24,240	

Table 6: Projected Incremental Assessed Value and Property Tax Revenues for Phase I of Interchange Development L.L.C.'s Project

	Projected Completed Assessed Value (FY2024)	Projected Completed Property Tax Revenues (FY2024; \$31.14 Projected Tax Rate) (Rounded)
Phase I of Interchange Development L.L.C.'s Project		
Grocery Store	\$10,669,800	\$332,250
NH Liquor & Wine Outlet	\$1,475,400	\$45,900
<u>Subtotal</u>	<u>\$12,145,200</u>	<u>\$378,150</u>
Existing Assessed Value (Captured by General Fund, MVSD, Merrimack County, & State of NH)		
1 Whitney Road (19.57 Acres)	\$1,559,300	\$48,550
Whitney Road (23.57 Acres)	\$1,159,500	\$36,100
<u>Subtotal</u>	<u>\$2,718,800</u>	<u>\$84,649</u>
Net New Incremental Assessed Value and Property Tax Revenues Captured by PVTIF District	<u>\$9,426,400</u>	<u>\$293,500</u>

Based upon this information presented in Tables 4, 5, and 6, it is anticipated that the estimated debt service and operating costs associated with CIP #30 will be approximately \$345,000+/- annually, thus initially exceeding new incremental tax revenues generated by Phase I of the Interchange Development L.L.C.'s Project (projected to be approximately \$293,500+/-).

However, incremental tax revenues associated with other previously completed real estate projects within the PVTIF District, in conjunction with modest use of PVTIF District fund balance, City Administration anticipates that the PVTIF District will be able to support expenses associated with CIP #30 and remain financially solvent.

Further, once the \$412,750 PVTIF bond for design of CIP #30 is fully repaid in FY2027, Phase I of the Interchange Development's project will generate surplus incremental property tax revenues in amounts exceeding those required for annual debt service and operating costs associated with CIP #30. As a result, the PVTIF District's fund balance shall begin in to increase significantly starting in FY2028/2029.

Please see the financial pro forma included in Exhibit 3 of the attached PVTIF District Development Program and Financing Plan for more information.

- c. CIP #567 Penacook Riverfront Parks: In addition to PVTIF District amendments related to CIP #30, City Administration is also recommending amendments concerning development of a new riverfront public park at City property located at 11 Canal Street, as set forth in CIP #567 Penacook Riverfront Parks. The proposed park would be located on property once part of the former Allied Leather Tannery and Amazon Realty properties.

Development of the park was initially contemplated in the City's 2004 Penacook Mill (former Allied Leather Tannery) Visioning Charrette, and was subsequently included in the 2015 Penacook Village Master Plan.

No appropriations for this project are being requested at this time. However, for the sake of efficiency, City Administration desires to amend the PVTIF District to include CIP #567 simultaneously with CIP #30.

The preliminary estimated cost of CIP 567 is \$1.375 million. It is anticipated that the project will be funded via a combination of Recreational Impact Fees, grants, as well as PVTIF District supported bonds. The exact mix of funds remains to be determined.

The project scope will include, but not be limited to, full reconstruction and expansion of the City's Canal Street Municipal Parking Lot, construction of a large gazebo (which shall use some salvaged building materials from the Penacook Mill), potential docks or platforms suspended above the Contoocook River, a potential kayak launch, paths and scenic overlooks along the river, extensive interpretative signage about the history of Penacook Village (including the Penacook Mill), potential display of historical artifacts associated with the Penacook Mill, extensive landscaping and hardscaping improvements, as well as grassy areas for recreational activities.

City Administration anticipates that the City's ability to proceed with this project shall be dependent upon completion of Phase II of Caleb Development Corporation's Penacook Landing housing development. That project is currently scheduled for construction in 2022 and is subject to receipt of certain federal funding sources.

The pro forma set forth in the attached PVTIF District Development Program and Financing Plan anticipates debt service payments for the park, as well as associated operating and maintenance costs, would commence in FY2024.

Please see the pro forma included in Exhibit 3 of the PVTIF District Development Program and Financing Plan for additional information.

City Administration is tentatively considering requesting \$75,000+/- of Recreation Impact Fees as part of the FY2022 CIP to commence design and permitting for the project. This approach, **which would have no direct cost to the taxpayers**, would help refine estimated construction and operating costs, as well as assist the City in seeking grant funds for the project.

Potential future appropriations for this project will be discussed further during the upcoming FY2022 budget process.

- d. PVTIF District Pro Forma Review: As previously noted in this report, Exhibit 3 of the attached Development Program and Financing Plan provides a comprehensive summary financial pro forma for the PVTIF District, which runs from FY2021 to FY2044.

The pro forma includes projected debt service, operating, and maintenance costs for CIP #30 (Hoit Road / Whitney Road Intersection) and CIP #567 (Penacook Riverfront Parks), as well as all other current financial obligations.

Key details of the pro forma are as follows:

- i. Date of Final Payments for New Debt Service Associated with Proposed PVTIF District Amendments:
 1. CIP #30 (Hoit Road / Whitney Road Intersection): It is anticipated that the final payment for the \$3.8+/- construction bond will be FY2042.
 2. CIP #567 (Riverfront Park): It is anticipated that the final payment for the \$3.8+/- construction bond will be FY2044.
- ii. Projected Termination Date: In accordance with Section 6.5 of the proposed PVTIF District Development Program and Financing Plan, the PVTIF District shall not be terminated until all PVTIF District debt service is repaid and the City Council votes to terminate the District.

The PVTIF District Pro Forma prepared as part of the FY2021 Budget (adopted in June 2019) **excluded** CIP #30 and associated real estate development at Whitney Road as well as Caleb Development Corporation's Penacook Landing Phase II, but **included** CIP #567. Based upon those assumptions, the projected termination date for the District was FY2045. However, the same pro forma suggested that the termination date could be expedited to FY2036 through potential use of surplus PVTIF fund balance.

The pro forma in Exhibit 3 of the proposed PVTIF District Development Program and Financing Plan anticipates that all current and projected debt service shall be repaid in FY2044. Therefore, it is anticipated that the PVTIF would be terminated in FY2044.

However, the projected termination date is subject to numerous variables, including, but not limited to, the following:

1. The pro forma included in Exhibit 3 of the proposed PVTIF Development Program and Financing Plan suggests that the PVTIF District will have sufficient working capital (Fund Balance) in FY2037 to satisfy all anticipated outstanding debt service. **Therefore, the PVTIF District could potentially be terminated as early as FY2037, subject to the assumptions discussed herein.**
2. The projected termination date is subject to any other potential future amendments to the PVTIF District to support additional capital projects and economic development investments.

With the exception of CIP #567 (Penacook Riverfront Park), all other potential TIF funded capital projects, or other investments, are ***excluded*** from the Development Program and Financing Plan and associated financial pro forma.

Excluded potential future projects include CIP #502 Whitney Road Extension to Sewalls Falls Road. The estimated cost of CIP #502 is \$3,525,000 per the FY2021 Capital Improvement Program. The project, in accordance with the FY2021 CIP, is tentatively proposed to be constructed in FY2025. This area of the City is not presently included within the PVTIF District, and has been excluded from proposed PVTIF District amendments proposed at the present time. The City's timing for potential construction of CIP #502 will likely be influence by the sale of the 88+/- acre property owned by the Newspapers of New England (the parent company of the Concord Monitor) at 1 Monitor Drive, and redevelopment proposals associated therewith.

3. The financial pro forma included in Exhibit 3 of the PVTIF District Development Program and Financing Plan currently ***excludes*** any potential release of PVTIF District captured incremental assessed value and associated property tax revenues to the City's General Fund, Merrimack Valley School District, Merrimack County, or State of New Hampshire.

Should the City Council elect to release any captured incremental assessed value and associated property tax revenues in the future, this would reduce the PVTIF's fund balance and, in turn, the PVTIF District's capability to support additional PVTIF funded capital projects or economic development investments.

Such an action would likely also preclude the City from potentially terminating the PVTIF District prior to FY2044 through the use of excess Fund Balance.

4. Lastly, the projected termination date is subject to various macro-economic factors such as local / regional / national economic trends and conditions, fluctuations in the real estate market or property tax rates, potential future additional development within the PVTIF District (beyond those contemplated herein), and other similar factors which may affect incremental assessed values and associated property tax revenues captured by the PVTIF District.

- e. PVTIF District Advisory Committee: In accordance with RSA 162-K:14, as well as City Resolutions #8376 and 8615, the City has established an Advisory Board to review proposed policies and amendments associated with the PVTIF District. The Advisory Board only has the power to make recommendations to City Administration and the City Council regarding development policies and expenditures within the PVTIF District. City Administration shall endeavor to schedule a meeting of the Advisory Board to review recommendations associated with CIP #30 and CIP #567 prior to the City Council's public hearing on March 8, 2021.

- f. Notification to Concord School District, Merrimack Valley School District, and Merrimack County: In accordance with RSA 162-K:9, the City Administration shall provide written notice to the Concord Union School District, Merrimack Valley School District, as well as Merrimack County concerning these proposed changes to the PVTIF District Development Program and Financing Plan, and invite them to provide their comments (if any) at March 8, 2021 public hearing.