



CITY OF CONCORD

New Hampshire's Main Street™

COMMUNITY DEVELOPMENT ADVISORY COMMITTEE

MEETING MINUTES

June 22, 2022

- Attendees: Chair Jeff Bart, Mayor Jim Bouley, Councilor Candace Bouchard, Councilor Stacey Brown, Mr. Michael Gfroerer, and Councilor Zandra Rice-Hawkins (remotely via phone)
- Absent: Janet Sprague and Councilor Erle Pierce
- Staff: Matt Walsh, Director of Redevelopment, Downtown Services, and Special Projects
Crayton Brubaker, Community Development Specialist
- Public Attendees: Suzanne Decavele, Real Estate Manager, The Caleb Group
Liz Nickerson, Nickerson Development Services (Consultant for The Caleb Group)

1) **Welcome and Introductions**

Mr. Jeff Bart opened the meeting at 12:04PM. Each Committee member, staff representative, and members of the Caleb Group introduced themselves.

Councilor Zandra Rice-Hawkins attended the CDAC meeting via conference call. Councilor Rice-Hawkins stated she was unable to attend in-person due to a family commitment out of state. She stated that she was in Nine Mile Falls, Washington and that her niece and sister were also in the room with her at the beginning of the meeting.

Mr. Walsh stated that, because Councilor Rice-Hawkins was attending the meeting remotely, all Committee votes would be conducted by roll call in accordance with NH RSA 91-A:2, III. He also noted that the Committee had a quorum present without Councilor Rice-Hawkins' participation telephonically.

2) **Adoption of Minutes**

a) May 25, 2022 Minutes

Mayor Jim Bouley requested one item pertaining to the CDBG grant discussion concerning the Crisis Center of Central New Hampshire be clarified in the May 25, 2022 minutes.

Mr. Bart moved the adoption of the May 25, 2022 CDAC minutes, inclusive of Mayor Bouley's comments. Councilor Candace Bouchard seconded the motion. The vote was conducted by roll call.

Mr. Bart voted yes. Councilor Bouchard voted yes. Mr. Michael Gfroerer voted yes. Mayor Bouley voted yes. Councilor Stacey Brown voted yes. Councilor Rice-Hawkins voted yes. The motion passed unanimously via roll call vote.

3) **Revolving Loan Fund Program**

a) Applications:

1. Application from The Caleb Group on behalf of Caleb Penacook Phase 2 Limited Partnership to support development of an affordable housing project located at 35 Canal Street, Penacook

Mr. Walsh provided a brief overview of this loan application, including a synopsis of the staff's Loan Application Report related thereto.

Specifically, Mr. Walsh noted that the Caleb Group had applied for \$600,000 in gap funding from the City's Revolving Loan Fund program at 3% interest to support Phase 2 of the Penacook Landing Project. Initially, interest only payments would be required for 12 months following closing, which will generally coincide with the construction period for the project. Following the conclusion of the 12-month interest only period, full principle and interest payments will be required based upon a 30-year amortization schedule, with loan termination and balloon payment due 20 years thereafter. During construction, the City would have second lien position on the real estate comprising Phase 2 of the Penacook Landing development. Following completion of construction, the City will have first lien position on the property.

Ms. Suzanne Decavele and Ms. Liz Nickerson introduced themselves to the Committee. They provided information about the Caleb Group, including that their organization was founded in 1992 as a 501(c)(3) nonprofit entity in Swampscott, Massachusetts. Ms. Decavele stated that the Caleb Group specializes in acquiring, managing, and maintaining affordable housing rental properties. Caleb's portfolio currently includes over 30 communities, of which 24 are multi-family and 7 are senior living. Altogether, Caleb has 1,700 units with a total of 4,200 residents living at their properties. Ms. Decavele joined the Caleb group 7 months ago. Ms. Nickerson is a development consultant, who has been engaged to assist the Caleb Group with securing Low Income Housing Tax Credits ("LIHTCs") and other financing for this project.

Ms. Decavele and Ms. Nickerson provided an overview of Caleb's Penacook Landing Phase 2 project. The project will include 20 apartments, including 15 two-bedroom units and 5 one-bedroom units. Of the 20 units, 18 shall be reserved for low- and moderate-income households earning up to 60% of the Area Median Income, and two shall be "market rate" units with no income requirements. It was noted that this Phase 1, a 34-unit development, was successfully completed in October 2020. These additional 20 units will help bring more housing to downtown Penacook.

CDAC reviewed the budget and financing plan for the project. The total budget for the project is approximately \$5.5 million, which equates to \$275,000 / unit. Of this total, approximately \$4,149,000 will be provided via equity associated with the sale of an allocation of \$488,176 of Low-Income Housing Tax Credits, which have been awarded to the project annually for 10 years by the NH Housing Financing Authority (NHHFA).

The rest would be provided by the City, developer equity, as well as NHHFA Housing Trust Program.

As is customary for LIHTC projects, this project will be developed by a Limited Partnership formed by the Caleb Group and Evernorth, a private community development corporation. As part of this arrangement, Evernorth will purchase the LIHTCs awarded for the project. By participating in the partnership and purchasing the credits, Evernorth will receive significant tax benefits, in accordance with IRS regulations. Caleb, via its limited liability company created for this project, will be the managing partner of the Limited Partnership.

Because the majority of revenues from the sale of LIHTCs will become available at the end of construction, the project will have a temporary construction loan from People's United Bank. Therefore, during construction, People's United Bank will have first lien position on the property. Following completion of construction, People's United Bank's loan will be repaid with proceeds from the sale of the LIHTCs, following which the City will have first lien position on the real estate comprising Phase 2 of Penacook Landing.

Peoples United Bank, NH Housing Finance Authority, and Evernorth have all provided commitment letters for the project. Final approvals from these entities is anticipated shortly, and a Closing is tentatively scheduled for September 2022. Financing commitments from these entities is subject to the City approving Caleb's loan application.

The project is currently out to bid. A bid meeting will occur on the site on July 5, 2022 and bids are due July 14, 2022. Construction is scheduled to begin in September, following closing on financing package for the project.

Mr. Walsh provided a history of the Penacook Landing Project. He noted that it is being developed at the former Allied Leather Tannery site. In May 2017, the City entered into a Purchase and Sale Agreement to sell the property to the Caleb Group for the purposes of developing the Penacook Landing Project. Phase I was completed in October 2020. He further explained that Caleb had been attempting to develop Phase 2 of Penacook Landing for several years. He noted that in the fall of 2020, Caleb had secured an allocation of \$324,837 of LIHTCs for this project; however, that amount was insufficient and the project could not move forward. Mr. Walsh noted that in October 2021, Caleb had received an allocation of LIHTCs from NHHFA in the amount of \$467,844 / year for 10 years. However, due to inflation associated with the Covid-19 Pandemic, this allocation was insufficient. As a result, on May 10, 2022, NHHFA awarded the project a supplemental allocation of LIHTCs to finance the project.

Despite these supplemental credits, the project still requires additional financing. Hence, Caleb's application to the City's Revolving Loan Fund Program.

Mr. Walsh reviewed applicable provisions of the City's Program Income Reuse Plan ("PIRP"), which provides guidelines for loan applications. Specifically, he noted that this application will require a waiver to exceed the \$250,000 cap for applications. He also noted that the 3% interest rate has been discounted from the current Wall Street Journal Prime rate of 4.75%. Mr. Walsh stated that City Administration felt both were appropriate given the benefits of this project to the community.

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Mr. Walsh reminded the Committee that it has the sole authority to approve loan applications. He also noted that it is not uncommon for LIHTC projects to have a small component of “permanent” debt service as part of their financing packages similar to the proposed City loan for this project. If this loan is approved, Caleb’s pro forma indicates the project will maintain break even or better net operating income / debt service coverage ratios for 20 years following completion and occupancy.

A discussion ensued about gap financing for this project. Ms. Decavele and Ms. Nickerson reiterated that Caleb’s loan application to the City resulted from the need for “gap financing” due to construction inflation stemming from the Covid-19 Pandemic. They noted they had already secured a supplemental allocation of LIHTCs from the NHHFA. Other sources of gap financing were explored including Community Development Block Grants, Capitol Regional Development Council Loan Program, and the State of New Hampshire’s “InvestNH” Program. However, none of these potential funding sources were viable for a variety of reasons.

Mr. Gfroerer and Mr. Bart asked Mr. Walsh whether CDAC had approved loan applications of this magnitude in the past. Mr. Walsh stated that the Caleb loan application is the largest that he is aware of in his 15+ year tenure staffing CDAC. In addition, he described some past applications for larger loans which were approved by CDAC. These included the Top of the Hill Manufactured Housing Cooperative (\$335,000), the Blue Cross / Blue Shield redevelopment (\$250,000), and CRDC / Eastern Analytical Loan / CRDC Participation Agreement \$287,000.

Mr. Gfroerer inquired about the outstanding balance of the Revolving Loan Fund (“RLF”) Program. Mr. Walsh stated that the RLF program currently has 10 active loans with an outstanding principle balance of \$511,000.

Mr. Gfroerer asked about the RLF capacity to fund Caleb’s loan application. Mr. Walsh reported that the City Council recently reauthorized the RLF Program, and re-appropriated funds related thereto, which will become effective for FY2023 on July 1, 2022. Accounting for the City’s \$335,000 loan commitment for the Top of the Hill Cooperative (which was approved in January 2019 and has yet to close due to title issues), the RLF Program will have \$791,746 available to lend on July 1, 2022.

Discussion ensued. It was noted that if the Caleb application was approved, the RLF Program would have approximately \$191,000 left to lend in FY2023. It was also noted that the RLF Program receives around \$35,000 per year from loan repayments. Mr. Gfroerer expressed concern that \$191,000 may not be sufficient to support potential applications from disadvantaged people in the community during the upcoming fiscal year. Mr. Walsh responded that, based on the RLF’s previous experience, this amount should be sufficient to support any potential additional loan or emergency grant applications during FY2023. He also noted that if approved, the Caleb loan would essentially double the RLF’s Program annual income, thereby growing the Program’s ability to support future needs of the community.

Mayor Bouley asked for additional clarification as to why the Caleb Group was seeking funding from the City’s Revolving Loan Fund Program, as opposed to the State of New Hampshire’s recently announced “InvestNH” Program for affordable housing. Ms. Decavele and Ms. Nickerson explained that the timing concerns, rising interest rates, as

well as construction cost increases and supply chain issues related thereto, make it critical that Caleb finalize and close the financing package for the project as quickly as possible so that construction may begin in September 2022. Due to LIHTCs requirements, the project must be completed and occupied by the end of calendar year 2023. Failure to meet that deadline would have significant negative ramifications for the project. Although the InvestNH Program could be an attractive funding option, the State has yet to provide any details about the Program. Therefore, it is currently unknown whether funds from InvestNH would be compatible with other funds secured for the project. In addition, timing for when the InvestNH Program, as well as the application review and approval process are also currently unknown. Therefore, Caleb prefers to secure funds from the City's RLF Program so that the project may be completed on schedule, thus allowing Caleb to avoid the risk of running afoul of LIHTC regulations and timeframes.

In order to complete the project and have it ready for occupancy by December 2023, it is imperative that construction begin in September 2022. Based upon a start date of September 2023, Caleb believes the project can be completed and ready for occupancy by November 1, 2023, thus complying with NHHFA LIHTC deadlines.

Mayor Bouley stated that he suspects the upcoming construction season will be very challenging due to inflation and supply chain issues. He stated that approval of this loan application will help the City expand its supply of affordable housing, edge closer to the completion of the Allied Leather Tannery redevelopment project, as well as grow revenues for the City's Revolving Loan Fund Program. He voiced his support for approving the application, and suggested that City Administration should take appropriate steps to let constituents know that the City is playing a proactive role in developing affordable housing, while ensuring that the taxpayers are well protected in this transaction.

Mr. Gfroerer echoed the Mayor's comments, and suggested that more should be done to promote the Revolving Loan Fund Program to the community. Mr. Walsh noted he will coordinate with Stefanie Breton, the City's Public Information Officer, on a press release for the Caleb loan and future Revolving Loan Fund information.

Councilor Rice Hawkins asked a clarifying question regarding how the Area Medium Income for prospective tenants was calculated, and what geographical area was covered in the Penacook area. Ms. Decavele and Ms. Nickerson stated that the Area Medium Income was a county level data calculation, which is published annually by the federal Department of Housing and Urban Development (HUD) and its state partners such as NHHFA. Rents for LIHTC projects are tied to Area Median Income with the intention that tenants do not pay more than 30% of their gross income on housing related expenses.

Mayor Bouley moved to approve the Caleb Group's loan application in accordance with the terms and conditions set forth in Mr. Walsh's "Loan Application Report", with revision date of June 22, 2022. Councilor Bouchard seconded the motion. A roll call vote was held.

Mr. Bart voted yes. Councilor Bouchard voted yes. Mr. Gfroerer voted yes. Mayor Bouley voted yes. Councilor Brown voted yes. Councilor Rice-Hawkins voted yes. The motion passed unanimously via roll call vote.

Mr. Walsh thanked the Committee for approving the application and noted that the City would provide Caleb with a formal commitment letter shortly. Ms. Decavele and Ms. Nickerson also thanked the Committee for its support.

Mr. Gfroerer asked whether completion of Penacook Landing Phase 2 would also mark the completion of the City's efforts to redevelop the former Allied Leather Tannery Site. Mr. Walsh stated that completion of the Caleb Penacook Landing Project, as well as the forthcoming riverfront park at 11 Canal Street, would complete the City's redevelopment efforts. Funding for the riverfront park has been appropriated, design is in process, and construction is scheduled for spring 2023. Timing of the City's park project is complimentary with Phase 2 of Caleb's Penacook Landing development.

b) Status Reports:

1. City Council appropriation and reauthorization of Revolving Loan Fund Program for FY2023

Mr. Walsh mentioned that at the June 13, 2022 City Council meeting, the City Council re-appropriated the Revolving Loan Fund for FY2023 for \$1,131,746. He also noted that a current copy of the Program Income Reuse Plan (PIRP) is available in the Committee's agenda packet for them to review.

2. Payment Status Report

Mr. Walsh provided the Committee with a June RLF payment status report. Currently, there are 10 loans remaining, 5 of which are deferred. The City is waiting on closure of Top of the Hill Cooperative loan, which was approved in January 2019 but has been delayed due to title issues.

Mr. Gfroerer asked is there some mechanism for the Committee to review deferred loans.

Chairman Bart provided clarification regarding the difference between a "delinquent loan" and a "deferred loan." Mr. Walsh explained that, over the years, CDAC has approved several applications for "deferred loans" whereby funds are disbursed, but all principle and interest payments (if any) are deferred typically until the property owner sells or otherwise conveys the property to a third party. He also clarified that most deferred loans are given to property owners which are very low income and cannot afford to make principle and interest payments.

Relative to delinquent loans, Mr. Walsh clarified that CDAC provided past instruction to staff not to pursue action against Deanna Bennett. However, that decision could be revisited by CDAC whenever it may so desire. He also noted that CDAC elected to suspend payment requirements for Joyce Spaulding in 2008 due to personal circumstances. He would need to review the file to determine whether that decision can be revisited.

Mr. Bart noted that interest to delinquent loans, such as Deanna Bennett's, are still accruing. He also reiterated that deferred loans are repaid in full once a property is sold or conveyed.

Mr. Bart stated that, during his decades on CDAC, the vast majority of small RLF loans have been repaid in full. He stated that the City has a very high success rate, which is especially impressive given the income status of most of the Program's clientele.

Councilor Brown suggested that City staff work to put information regarding the RLF program in the City Manager Newsletter, so the public has more accessible knowledge of the program. Mr. Walsh noted that community partners, such as the City's Human Services Department, the Community Action Program (CAP), other Concord-based programs know about the RLF program and that CDAC regularly get referrals.

Mayor Bouley reminded the Committee that the RLF program is designed for low-income people, and is generally used as a last resort for applicants. Mr. Walsh agreed and stated that when the City receives an application, the City will redirect applicants to other funding sources first before moving forward with an application.

Mr. Gfroerer praised CDAC for helping out people in previous loans and noted that the availability of a program like the RLF are truly unique.

4) Community Development Block Grant

a) Solicitation Letter and list of Community Partners for CDBG funding announcements

Mr. Walsh provided a handout with a list of organizations, which City Administration sent request for proposals concerning potential projects for the upcoming July 2022 Community Development Block Grant (CDBG) application round. Mr. Walsh asked Committee members to let him know about any questions/concerns related thereto. He also invited members of CDAC to email him any other organizations they believe should be added to the list for future application rounds.

5) Other Business

a) Next Meeting

Mr. Walsh noted that CDAC meets will only meet as needed and that he will keep the Committee informed if any new CDBG or RLF applications arise.

b) Committee Vacancies

Mr. Walsh noted that there are currently two vacancies on CDAC. He asked for Committee members to think of suggestions and noted it may be helpful to reach out to get a representative from the banking industry, as well as a general public representative.

6) Adjournment

Councilor Rice-Hawkins left the meeting at 12:56 pm. Councilor Bouchard moved to adjourn the meeting. Mr. Gfroerer seconded the motion.

Mr. Bart voted yes. Councilor Bouchard voted yes. Mr. Gfroerer voted yes. Mayor Bouley voted yes. Councilor Brown voted yes. The motion passed unanimously via roll call vote. The meeting adjourned at 1:00 pm.

Respectfully Submitted,

Crayton Brubaker
Community Development Specialist

Matt Walsh
Director of Special Projects, Redevelopment
& Downtown Services

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