



CITY OF CONCORD

REPORT TO MAYOR AND CITY COUNCIL

FROM: Matthew R. Walsh, Dir. of Redevelopment, Downtown Services
& Special Projects
Thomas J. Aspell, Jr., City Manager

DATE: July 2, 2018

SUBJECT: Granite Center Redevelopment Project

Recommendation:

1. Accept this report;
2. Hold a public hearing on July 9, 2018 for the attached resolution authorizing the City Manager to enter into a Purchase and Sale / Development Agreement with Granite Center L.L.C. concerning the sale of City owned property known as the Dixon Avenue Public Parking Lot, as well as the redevelopment of other non-City properties including 4-6 Dixon Avenue, 8-14 Dixon Avenue, and 1 Eagle Square. (This item was previously set for public hearing on June 14, 2018).

Background:

Local real estate developers Steve Duprey and Jon Chorlian, doing business as Granite Center L.L.C., plan to acquire and redevelop the following properties:

| <u>Address</u> | <u>Current Owner</u> | <u>Assessed Value</u> | <u>Acreage</u> | <u>Building S.F.</u> | <u>Current Use</u> |
|---------------------|--|---------------------------|--------------------|-----------------------|------------------------------|
| 4-6 Dixon Ave. | 14 Dixon Avenue Co. L.L.C (NHCDFA) | \$744,300 | 0.36 | 13,164 | Office |
| 8-14 Dixon Ave. | 14 Dixon Avenue Co. L.L.C (NHCDFA) | \$1,254,400 | 0.23 | 23,980 | Office |
| Dixon Avenue | 14 Dixon Avenue Co. L.L.C (NHCDFA) | \$200,300 | 0.30 | 0 | Parking Lot |
| Storrs Street | 14 Dixon Avenue Co. L.L.C (NHCDFA) | \$260,300 | 0.49 | 0 | Parking Lot |
| 1 Eagle Square | Maple Valley Manchester Partners L.L.C. (Brady Sullivan) | \$4,023,800 | 0.36 | 65,423 | Office / Retail / Restaurant |
| <u>Total</u> | | <u>\$6,483,100</u> | <u>1.74</u> | <u>102,567</u> | |

The Developer plans to redevelop these properties as follows:

- 8-14 Dixon Avenue: Commercial with office, retail, and potential future restaurant uses.
- 4-6 Dixon Avenue: Mixed use featuring seven market rate apartments (1 bedroom), as well as office space. The Developer plans to merge this property with an adjacent venue parking lot currently owned by 14 Dixon Avenue Co. L.L.C.. The Developer plans to reconfigure parking on the combined parcel in order to maximize parking for the Developer's project.
- 1 Eagle Square: Commercial with office, retail, and restaurant space. New office tenants may include the New Hampshire Department of Business and Economic Affairs.

To support this effort, the Developers have requested a public / private partnership with the City. City support would specifically include the following:

- Sale of the City's Dixon Avenue Public Parking Lot to the Developer for the construction of a private plaza to support 8-14 Dixon Avenue. The lot contains seven lease parking spaces. The most recent lease for the lot expired on June 30th. The spaces have not been released in anticipation of this Agreement. If leased, the lot would generate \$8,190 in gross revenues in FY2019.
- A License over a 1,000+/- square foot area of the City's Storrs Street Public Parking Lot (located beneath the Loudon Road overpass) to allow the Developer to reconfigure and expand an adjacent private parking lot supporting the Developer's Project.
- Authorization to construction landscape improvements in portions of the former Bridge Street right-of-way (parallel to Loudon Road) along the frontage of 4-6 Dixon Avenue and 8-14 Dixon Avenue, as well as the Remi Block.

Currently, there are eight public parking spaces in this location (1 handicap and 7 regular). The seven regular spaces are scheduled to be metered beginning this October. The Developer's plaza will result in the net loss of six parking spaces. The remaining two spaces are proposed to be handicap accessible, which are free of charge in accordance with State Law. Given these considerations, City Administration estimates the City will forgo \$8,874 in anticipated meter revenues in year 1.

- Authorization to construct a handicap accessible ramp within the North Main Street sidewalk along the frontage of the Eagle Hotel. The purpose of the ramp is to make all store fronts handicap accessible. Upon completion, the City would accept ownership of the structure and all future maintenance responsibilities.
- A License to construct a new canopy at the Eagle Hotel, which will be located in the City's North Main Street right-of-way.
- RSA 79-E Community Revitalization Tax Relief Incentives for 4-6 Dixon Avenue (7 years), 8-14 Dixon Avenue (5 years), and 1 Eagle Square (5 Years). These requests are addressed in other staff reports separately.

As previously reported to the City Council, this project has an extremely aggressive schedule. Specifically, the Developers first informed the City Administration about the potential of this project occurring February 12, 2018. However, due to the need to negotiate multiple purchase and sales agreements with private sellers, as well as secure an allocation of New Markets Tax Credits for this project, the project did not become viable until April 25, 2018. Since that time, City Administration, the Community Development Department, and the Developer have been working to negotiate the attached Development Agreement, as well as facilitate the City's development approval process and RSA 79-E application process, so as the Developers may close on their financing package and related real estate transactions by August 1st. By closing the transaction by August 1st, the Developer will have ample time to complete the New Markets Tax Credit transaction process, which is onerous and complicated. The process to secure New Markets Tax Credits must be completed no later than September 30th.

As of the date of this report, the Developer had secured Zoning Board approvals for portions of its project, and was in the process of applying for certain Planning Board approvals.

Discussion:

1. Sale of City's Dixon Avenue Public Parking Lot: Per the terms of the attached Purchase and Sales Agreement, the Developer will acquire the City's 7 space Dixon Avenue Public Parking Lot for the sum of \$145,000. The purchase price is comprised of the following components:
 - a. \$95,000 for the real estate. Assessed value is \$93,700. The property is approximately 0.05 acres (2,178 Square Feet);
 - b. \$30,000 for the net loss of six parking spaces in the Bridge Street right-of-way;
 - c. \$15,000 for the estimated net loss of three parking spaces in the Storrs Street Public Parking Lot
 - d. \$5,000 to assist with costs to restriping portions of Storrs Street to create potential on-street parking spaces to help mitigate the loss of other public parking associated with this project.

Per historical practice, the conveyance will be subject to easements for 1) any public improvements or infrastructure at the property and 2) a provision requiring the full payment of property taxes in the event it is ever sold to a tax exempt entity.

2. Impacts to Public Parking: The Developer's project will have the following impacts to public parking:
 - a. Bridge Street rights-of-way: A net of six parking spaces will be lost due to construction of landscape improvements. The Developer has agreed to compensate the City \$5,000 / parking space (\$30,000). Should the City Council so desire, the City could use these funds to construct parking elsewhere in Downtown in the future.
 - b. Dixon Avenue Parking Lot: The Developer is acquiring the property for fair market value. However, the sale will result in a net loss of seven public parking

spaces. The City could use the proceeds from the sale to construct additional public parking in Downtown if so desired.

c. Storrs Street Public Parking Lot:

- i. Parking Impact: The Storrs Street Public Parking Lot contains 23 parking spaces. The Developer plans to License a 1,000SF area of the parking lot, along a common boundary line with another parking lot the Developer will own to the south. This will result in an estimated net loss of three public parking spaces. The Developer has agreed to compensate the City \$5,000 / parking space (\$15,000). Should the City Council so desire, the City could use these funds to construct parking elsewhere in Downtown in the future.
- ii. Conversion to Permits: In accordance with Ordinance 3010, which was adopted by the City Council on May 14, 2018, City Administration intends to manage the Storrs Street Parking Lot by permit parking beginning later this summer. This is being done at the request of property owners and tenants in the area. Staff anticipates the monthly permit fee will be approximately \$75 / permit / month and could generate upwards of \$16,200 annually for the City. The FY2019 Capital Improvement Program included \$25,000 for pigeon control improvements at this property (CIP #596).

Going forward, these revenues would essentially replace 1) \$8,874 in lost meter revenues for the six spaces in the Bridge Street right-of-way and 2) \$8,190 loss lease revenues associated with the seven leased parking spaces currently located at the City's Dixon Avenue Public Parking Lot.

- d. Storrs Street New On-Street Parking Spaces: Lastly, to further mitigate the loss of public parking spaces discussed above, as well as expand the supply of City controlled parking in this area of Downtown, City Administration proposes adding new on-street parallel parking spaces on Storrs Street between the Legislative Garage and rear entrance to the Holiday Inn. Subject to final design, Staff preliminarily estimates that upwards of 30 on-street parking spaces could be created.

As of the date of this report, this concept remains under review. City Administration shall work with the Ad-hoc Parking Committee to review this concept in more detail. Pending the outcome of that process, City Administration would bring forward the appropriate resolutions to establish these parking spaces at a future date.

3. RSA 79-E Incentives: Lastly, as outlined in the Development Agreement, the Developer has applied for RSA 79-E Community Tax Relief incentives for 1 Eagle Square, 4-6 Dixon Avenue, and 8-14 Dixon Avenue. Those applications are addressed in other reports to the City Council.
4. Special Covenants: In addition to other consideration for entering into this Agreement, the Developer shall grant to the City the following special deed restrictions and covenants which shall be attached to all properties governed by this Agreement (i.e. 1 Eagle Square,

4-6 Dixon Avenue, 8-14 Dixon Avenue, the two parking lots owned by 14 Dixon Avenue Co L.L.C. located on Dixon Avenue and Storrs Street, as well as the City's 7 space Dixon Avenue Parking Lot which will be sold to the Developer:

- a. A Covenant whereby should any of the above mentioned properties, or a portion of any thereof, be sold or conveyed to a tax exempt entity, said entity shall be required to enter into a Payment In Lieu of Taxes Agreement with the City and required to make annual payments to the City in an amount equal to if the property were still fully taxable.
 - b. A Covenant to the extent that residential uses are ever established at any of the above mentioned properties, said units shall be "market rate units" as defined in the Agreement.
5. Benefits of Proposed Project: The following is a summary of the anticipated benefits of this project:
- a. The proposed project is consistent with goals and recommendations of the 1997 Downtown Master Plan, 2005 Economic Development and Tax Base Expansion Plan, 2006 Opportunity Corridor Master Plan, Concord 20/20Vision Plan, as well as the 2030 City Master Plan.
 - b. The project will expand the supply of market rate housing in downtown, a critically important component of the City's economic development strategy to preserve and enhance the economic vitality and vibrancy of the downtown central business district.
 - c. Currently, 1 Eagle Square and 4-6 Dixon are approximately 50% vacant. The project will make much needed investments in each in order to secure new tenants, and, in turn, maximize the value of these properties, and future property tax revenues associated therewith.
 - d. Project will make the North Main Street storefronts at the Eagle Hotel.
 - e. Project will result in landscape improvements within the Bridge Street right-of-way, thus beautifying Doyen / Rotary Park, as well as expanding the intent of the City's recently completed "Main Street Complete Street Project".
 - f. Excluding revenues associated with development permits and approvals, the project will result in revenues of \$145,000 to the City associated with the sale of the Dixon Avenue parking lot and other compensation for the Developer's impacts to public parking.