



# CITY OF CONCORD

*New Hampshire's Main Street™*

## REPORT TO THE MAYOR AND CITY COUNCIL

**FROM:** Carlos P. Baía, Deputy City Manager-Development

**DATE:** March 29, 2019

**SUBJECT:** Option to Purchase Agreement with Concord Area Trust for Community Housing (CATCH) for the sale of the City's former water tower lot located off of Village Street, MBL 143P/31

### **Recommendation**

Accept this report and authorize the City Manager to enter into the attached Option to Purchase Agreement ("Option") with Concord Area Trust for Community Housing (CATCH) for the sale of the City's former water tower lot located off of Village Street, MBL 143P/31.

### **Background**

In 2015, the City entered into a purchase and sale agreement (P&S) to convey the City's former water tower lot, adjacent to the City's Cemetery on Village Street, to the Penacook Community Center, Inc. (PCC) for the construction of a new community center. The PCC had acquired 95 & 97 Village Street and needed the City lot to make their project viable.

The PCC's Executive Director, who spearheaded this capital project, has since left the organization and the current PCC Board has opted to abandon this plan.

### **Discussion**

The PCC recently entered into an agreement with CATCH Neighborhood Housing to sell the 95 & 97 Village Street properties for the development of multifamily housing. CATCH approached the City to acquire the adjacent City property to allow it to develop 36-42 apartments between all three properties. Were the City to decline this offer, CATCH would still move forward and develop approximately 19 units on the Village Street properties.

The proposed CATCH development, inclusive of the City lot, is more advantageous financially to the City both in the short and long term than the original plan for the PCC. The reasons for this are as follows:

- 1) Under the PCC agreement, the City was to sell its property for assessed value which at the time was \$65,200. The current assessed value of the lot is \$70,800. CATCH has offered to pay \$75,000.
- 2) Under current City ordinances, the PCC project—as a non-residential development—would not be subject to impact fees which help defray the cost of public improvements in transportation and recreation. CATCH's residential development would not enjoy that exemption and will be subject to approximately \$89,000 in transportation and recreation impact fees.
- 3) PCC, as a non-profit community center, would likely have claimed exemption from property taxes. CATCH's multifamily apartment complex is subject to taxation and will pay between \$50,000-\$80,000 in annual property taxes.
- 4) CATCH's development addresses one of the most significant economic development needs in our community: Housing. The City's residential rental vacancy rate has oscillated between .8% and 1.4% over the last two years. This extremely tight housing market poses a tremendous obstacle to business attraction and growth as potential employees have few good options for housing.

In addition to the financial contributions above, CATCH's project—at an estimated \$10,000,000—will likely incur about \$65,000 in City building permit fees. When all impact and building permit fees and purchase price are totaled, CATCH's upfront investment will yield approximately \$229,000 to the City over the next 18 months.

#### *CATCH Agreement Requirements*

Under the terms of the proposed agreement, CATCH will be required to accomplish the following:

- 1) Secure a re-zoning of the City lot and a portion of 97 Village Street from RM (residential medium density) to CG (General Commercial). CG allows for multifamily dwellings. The abutting properties at 95 & 97 Village Street are almost entirely CG so this would be an extension of that zoning. As the property in question is owned by the City and this zoning relief is necessary for the City's sale to proceed, staff has prepared the requisite zoning amendment for Council's review. It is on the April 8<sup>th</sup> agenda for 1<sup>st</sup> reading with an anticipated public hearing at the May Council meeting (Planning Board would review this for a recommendation at their April 17<sup>th</sup> meeting).

- 2) Secure a lot merger from the City to unify the two lots at 95 & 97 Village Street with the City's lot.
- 3) Secure site plan approval from the Planning Board for the apartment complex.
- 4) Record a covenant to the deed that requires the payment of property taxes in perpetuity or—should the property ever be sold in the future to an exempt entity—that a Payment in Lieu of Taxes (PILOT) be negotiated with the City equal to the commensurate tax payment.

### *Timing*

Development of this apartment complex will require federal tax credits and possibly CDBG funds. CATCH plans to apply for both sources this year. If they are successful, they would anticipate closing on all the properties (City and PCC) prior to November 30, 2020 at which point the City would receive its \$75,000 purchase price and the lot merger would be recorded.

In the event that CATCH is unsuccessful in securing funding or their land use approvals, the agreement would be terminated.