

**INTERNAL AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
BUILDING IMPROVEMENT PROGRAM-FACADE GRANTS**

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INTRODUCTION

AUDIT BACKGROUND

At the September meeting of the Committee on Accounts, Enrollment & Revenue Administration it was requested that an examination of the funds provided by the City of Manchester (City) to Intown Manchester Management, Inc. (Intown) for the Building Improvement Program (BIP) facade grants program be conducted. Article 5 of the contract between the City and Intown allows for representatives of the City “to inspect and audit at reasonable times, all data and records of the operating agency relating to its performance under this agreement”. The Finance Officer of the City has been designated by state law, city charter and local ordinance with the authority to conduct such examinations and audits.

The agreed upon procedures noted below were conducted in accordance with standards, established by the American Institute of Certified Public Accountants, as well as standards applicable to financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT SCOPE AND OBJECTIVES

First we determined the rules and regulations in effect over the BIP from its inception in FY 1997 to the present. Our audit was designed to determine compliance with the following rules and regulations over the expenditure of BIP funds:

- Starting in FY 1999, grant funds are disbursed on a first come, first served basis.
- Matching grants are awarded, in amounts up to: \$7,500 per building or retail space in FY 1997, \$5,000 per building or retail space in FY 1998, \$5,000 per building or \$3,500 per retail space in FY 1999. In addition the formula for matching grants awards is set at a maximum of \$1 per square foot, up to 5,000 square feet since FY 2000.
- Most visible exterior improvements such as storefront renovations, doors, lighting, signage, awnings, landscaping, cornice restoration and repairs are eligible. Structural items, mechanical systems, roofs, and utility improvements are generally not considered eligible.
- Projects must be in the Central Business District (CBD) to be eligible.
- When funds are drawn in advance the agency should minimize the amount of time elapsed between the draw down and the expenditure of funds. Advances should be expended only for obligations of the BIP.

After documenting and evaluating the internal controls in place during the audit period over the compliance points mentioned above, a random sample of 25 projects out of 102 (24%) were selected for testing. Based on the results of the initial testing a subsequent sample of 10 more projects were selected. The results of our testing are included in the findings and recommendations section of this report found on pages eight through eleven.

INTRODUCTION (Continued)

BACKGROUND OF AUDITEE

Intown Manchester Management, Inc. is a non-profit organization organized under the laws of the State of New Hampshire. The organization was established as a result of recommendations made in the CBD study commissioned in 1993 by the City and the US Department of Housing and Urban Development. Intown provides services to the City and its CBD to enhance its economic vitality and to promote the CBD's attractiveness as a dynamic mixed-use center for the benefit of the community. Intown's principal sources of revenue are a self-assessed charge on commercial property located within the City's CBD and other revenues from the City for specific services such as the BIP. Intown derives approximately 85% of its revenues from the City. The amounts of revenue received from the City for fiscal years 1997 through 2000 are included in the chart below.

CITY FUNDS PROVIDED TO INTOWN MANCHESTER				
YEAR	CBD TAX	BIP PROGRAM	OTHER CITY PROGRAMS	TOTALS CITY FUNDS
1997	\$ 261,778	\$ 20,267	\$ 176,915	\$ 458,960
1998	165,717	134,822	54,519	355,058
1999	223,736	150,000	64,640	438,376
2000	217,080	105,000	69,228	391,308
TOTAL	\$ 868,311	\$ 410,089	\$ 365,302	\$ 1,643,702

Source: Intown Manchester Management, Inc.

The BIP began service in January of 1997. Funded by the City and administered by Intown, accounting records show that the BIP has provided grants totaling over \$394,000 for facade improvements since its inception in FY 1997 and created or retained 200 full-time and 200 part-time jobs in the CBD businesses. Banks have added \$655,000 in low interest loans, and more than \$9 million in business and real estate investment has accompanied these grants. The BIP has increased private sector reinvestment in the CBD and created jobs as a result of business relocation or expansion to newly renovated buildings.

Intown is managed by an Executive Director who reports to a twelve person Board of Trustees that includes members from both City government and private businesses located within the Central Business District.

INTERNAL CONTROL OBSERVATION

CONTROLS OVER THE APPLICATION PROCESS

When an individual applies for a grant and completes an application they must then submit receipts for all reimbursable expenditures in order to receive matching funds under the BIP. The receipts must be detailed enough to show that the work performed complied with the allowable cost and matching requirements of the BIP. There are two types of grants available depending on the circumstances. A building grant can be awarded to an owner of a building for qualifying work done to an entire building. The second type of grant is available to leasing tenants for qualifying work to their individual store space. Our test work noted several scenarios that could occur based on the application and set of submitted receipts.

1. Either the owner of the building or the tenant(s) of the building can apply for and receive a grant for work done for a specific establishment in the year the grant application was processed.
2. The owner could also be a tenant and therefore be eligible to receive both an owner grant and a tenant grant based on the same application.

The costs used to determine if the matching requirement is met for both grants would be based on the same set of receipts.

The total of the receipts would be divided in half to determine the maximum allowable amount for the combined owner and tenant grants in the year the grant application was processed.

3. The owner could do a complete rehab of a building including the facades of the existing tenant spaces.

The owner would be eligible for a reimbursement grant for the building as well as for each of the tenant spaces occupied even though the owner is not a tenant.

The total of the receipts is divided in half to determine the allowable amount for the combined owner and tenant grants in the year the grant application was processed.

No allocation methodology of costs is used between the building and tenant(s) such as square footage occupied.

4. The owner could do a complete rehab of a building including the facades of the existing tenant spaces.

The owner would be eligible for a reimbursement grant for the building as well as grants for each of the occupied tenant spaces.

The total of the receipts would be divided in half to determine the allowable amount for the combined building and tenant grants in the year the grant application was processed.

INTERNAL CONTROL OBSERVATION (Continued)

CONTROLS OVER THE APPLICATION PROCESS (Continued)

No allocation methodology of costs is used between the building and tenant(s) such as square footage occupied.

In at least one case a new tenant subsequently occupied one of the spaces that had not previously been awarded a grant and the owner received an additional grant using the subsequent fiscal year's allocation. A new application was not required and the match was based on the previously submitted set of receipts. The grant noted here was handled by the City's Planning Department and not Intown. This established a broader eligibility interpretation for the use of grant funds by a building owner.

5. The owner could do a complete rehab of a building including the facades of the existing tenant spaces.

The owner would be eligible for a reimbursement grant for the building as well as grants for each of the tenant spaces even though the owner is not a tenant.

The total of the receipts would be divided in half to determine the maximum allowable amount for the combined owner and tenant grants.

No allocation methodology of costs would be used between the building and tenant(s) such as square footage occupied.

The project and grant awards would be spread out over the current and subsequent fiscal year's allocations. For example: a large project was awarded a building grant out of the FY 1997 grant allocation for one tax address, a building grant plus a tenant grant out of the FY 1998 grant allocation for a second tax address, and two tenant grants out of the FY 1999 grant allocation. The application was submitted in FY 1997 and the project was not completed until FY 1999.

Findings

The first two scenarios appear to be perfectly reasonable uses of an application and set of submitted receipts. When an entity is applying in one grant year on a single application it leaves an easy to follow audit trail by matching expenditures to grant reimbursements.

In the third scenario there does not appear to be a reasonable match of costs and benefits to the tenant space in the building. For example, if an entire building front is painted and the tenant occupies only a small piece of the frontage, costs may not be equitably spread to the tenant. If the tenant at a later date were to do its own improvements the owner may have used up some, if not all, of the allocation that should have been available to the tenant.

Scenarios 4 and 5 use one application that covers multiple projects and the disbursement of grant funds over multiple grant years. In addition to the allocation problems noted above this led to a confusing project file that was hard to follow and increased the risk of overpayment to a grant.

INTERNAL CONTROL OBSERVATION (Continued)

CONTROLS OVER THE APPLICATION PROCESS (Continued)

Recommendation:

In order to make the files easier to follow and allow for better tracking of costs, the application should be redesigned for use with projects that are drawing funds from more than one fiscal year appropriation.

The application should be improved to include a section for cost and grant information in a manner that would make it clear that the applicant has met the matching and allowable cost requirements.

A separate application should be used for each tenant space when the tenant and the building owner are not the same entity. The applications could then be cross-referenced and the allocation of costs among the grants shown on each application.

A standard allocation methodology, such as square footage occupied, should be adopted to allocate project costs among tenants and the building when the cost of improvements benefits both.

Auditee Response-Rich Davis, Intown:

“Generally, I think your observation regarding procedures is a good one and should be applied to future applications in subsequent fiscal years of this program. Intown does, however, have a general policy regarding “mixed owner-tenant projects” which I referred to in our Building Improvement Program-Policies and Procedures document.

For reasons of simplicity, we preferred a single application where the applicant was both an owner and business operator utilizing a retail space in that building. While it may prove worthwhile from the point of view of the auditor to make a separate application, for each project or portion of a project, for each funding source or fiscal year’s appropriation, in practice this may prove burdensome for an individual applicant. Perhaps there is a way to design an application that would simply identify on it the source(s) of funds that are being applied to that particular project.

As the program developed through multiple grant years, and larger projects emerged which were made possible through multiple grant “packages” (see Policies and Procedures on this also), it was found to be easier to identify funds available in more than one year’s allocation, than to do the bookkeeping and recording changes necessary to “move” available funds from one grant year’s program to the next. I certainly welcome suggestions for improving upon this method.

Regarding differentiation of costs between building and tenant spaces in a specific project which combined more than one of each kind of space, your observation points out that we tended to focus on overall project costs and the items that were eligible for reimbursement as a group. Again, I will welcome suggestions for better differentiating among owner / tenant costs as this program is extended into future fiscal years.”

FINDINGS AND RECOMMENDATIONS – COMPLIANCE ISSUES

OBSERVATION 1: FILE MISSING REQUIRED DOCUMENTATION TO SUPPORT MATCHING REQUIREMENT

Compliance Point:

Matching grants are awarded, in amounts up to: \$7,500 per building or retail space in FY 1997, \$5,000 per building or retail space in FY 1998, \$5,000 per building or \$3,500 per retail space in FY 1999 and 2000. In addition, the formula for matching grants awards is set at a maximum of \$1 per square foot, up to 5,000 square feet since FY 2000.

Findings:

From an examination of twenty-five projects it was noted that the submitted invoices in one project file did not add up to enough eligible costs to cover the matching provisions of the BIP. The submitted invoices showed \$24,060.50 of eligible costs. This would indicate a total possible grant amount of \$12,030.25. The total amount of grant funds disbursed were \$13,500, or an apparent overpayment of \$1,469.75. Based on conversation with the Executive Director it was determined that this was a record keeping problem. The grantee had completed more than enough work to qualify for the amount of grant funds disbursed however invoices were not submitted for some of the work. An additional sample of 10 projects was tested and no further errors were encountered.

Recommendation:

It is recommended that procedural controls be adopted to ensure that all required invoices are submitted prior to the disbursement of funds. If this is not possible then the file should contain a record of how matching costs were determined to ensure that the project met the matching cost criteria.

Auditee Response-Rich Davis, Intown:

“I reviewed the files for the two buildings and one new retail façade contained in this project. Two buildings were incorporated into this project which joined two ground floor spaces to create a new retail space. Documentation is provided for the expense items completed for the two building facades.

In addition to the items noted in the invoices provided, we had agreed to reimburse for new signage, which included exterior lighting. For some reason unknown to me, the documentation for the signage and lighting, for the new retail space, was not provided. However, based on personal inspection, I knew that this portion of the project had been completed at time of our payment and that we believed on the basis of estimates that the total expenses would exceed the matching requirement.

I believe on reviewing the file that the sign installer and electrician were asked by the owner to submit documentation to us directly, and that this may have been provided to us but simply not added to the file when it came in. I expect that the owner can provide back-up evidence of these additional allowable expenses for the facade if asked.”

FINDINGS AND RECOMMENDATIONS – COMPLIANCE ISSUES (Continued)

OBSERVATION 2: FILES LACKING ADEQUATE DOCUMENTATION TO SUPPORT ALLOWABLE COSTS

Compliance Point:

Most visible exterior improvements such as storefront renovations, doors, lighting, signage, awnings, landscaping, cornice restoration and repairs are eligible. Structural items, mechanical systems, roofs, and utility improvements are generally not considered eligible.

Findings:

Out of the twenty-five projects tested, twenty-three provided sufficient documentation to determine cost eligibility. We did however note two project files that did not include invoices or receipts to support amounts used to calculate allowable costs and determine if only eligible costs were submitted. The first file was for a \$7,500 building grant and the second was a \$5,000 building grant. The sample size was then increased to 35 with no additional findings. These two projects represent a 5.7% error rate in the sample or 7.7% of the total dollar amount of the sample. One file contained only estimates and not actual invoices and the second file contained copies of canceled checks that did not provide enough detail to determine if the costs were eligible. Per article 5.3 of the agreement between the City and Intown, “the operating agency must maintain records to show actual time devoted and costs incurred for the basic services and for additional services”. Total errors from this observation and observation #1 represents a combined error rate of 8.6% of projects tested and 10.8% of the dollar amount of the sample.

Recommendation:

All files should contain actual invoices or receipts with enough detail to determine that only allowable costs were included.

Auditee Response-Rich Davis, Intown:

Item (a)

“I reviewed the project file for the \$7,500 building grant, which was one of the earliest projects completed under the Building Improvement Program. This was a building which, prior to this project, had been empty and was at this time being rehabilitated for office and retail uses. I inspected this project personally with the owner and project manager, and noted the details of window changes and replacements, signage, and other allowable items which were completed under the BIP program. I estimated on completion of the project that at least \$500,000 of re-investment was necessary to bring the building back to full use. Two retail spaces at the ground level have been opened for new uses and the remainder of the building has been substantially leased since 1997, creating additional downtown employment. These results fulfilled the original objectives of the Building Improvement Program.

FINDINGS AND RECOMMENDATIONS – COMPLIANCE ISSUES (Continued)

OBSERVATION 2: FILES LACKING ADEQUATE DOCUMENTATION TO SUPPORT ALLOWABLE COSTS (Continued)

Auditee Response(Continued):

The documentation provided consisted of work orders and estimates provided by subcontractors. I attribute this to our lack of specificity-at this early stage of the program-- to the applicant as to what would constitute adequate documentation of expenses. I have no doubt that the applicant, if asked, could provide the additional proof of payment necessary, given the scope of the project and the fact that the work was properly completed. All that would have been needed to complete documentation would have been for the owner to attach copies of canceled checks in payment for the invoices submitted as documentation.”

Item (b)

“I reviewed the project file for the other \$5,000 matching grant project referenced by the auditor. I inspected this project personally at the time of application with the owner and the property manager. I noted at the time that on this older residential building, eligible for historic treatment, there were a number of individual items requiring repair and/or replacement, including windows, doors, front porch and columns, stairs, entry ways, painting, and exterior landscaping which in 1998 we had added as an eligible program item. I felt that the items noted during my visit were allowable under the program and established to my own satisfaction at time of application the work items either scheduled for completion or which had been recently completed.

On submission of his documentation, the owner noted to me that many of the numerous and smaller repair items were accounted for only by canceled checks. I reviewed these with the owner and accepted those which I believed matched the allowable items the owner and I had jointly noted during my on-site visit. Clearly, on review, the documentation matching allowable project items to expenditures itemized by the canceled checks could have been more detailed. However, I believed on completion of the project that total allowable repairs and other improvements to the property were made which equaled or exceeded the required match. The age, size, use (residential) and specific repair and replacement requirements of this project, in my opinion, characterize the observation noted for this project as an isolated one.”

FINDINGS OF COMPLIANCE POINTS WITHOUT OBSERVATIONS

COMPLIANCE POINT #1

Starting in FY 1999 grant funds are awarded on a first come, first served basis.

Findings:

The application process begins when a perspective applicant sits down with the staff at Intown to discuss their plans for its building. The Executive Director then determines if the perspective applicant needs more guidance before proceeding in the process. At that point an applicant may be referred for technical assistance. When it is determined that the project is ready to be funded an application form is completed. In this way there are no applications filed for projects that do not have a chance of being funded. Because Intown management has been working so closely with the perspective applicant, the application can usually be completed and approved at the same time. At this time the funds are obligated if they are available. If no funds are available the application is held until the next City appropriation is approved. The project will then be funded by the next fiscal year's appropriation. At the time of fieldwork there were no project applications that remained unfunded. Of the approved applications it did not appear that any violated the first come, first served provisions.

COMPLIANCE POINT #2

Projects must be in the Central Business District to be eligible for funding under the BIP.

Findings:

From our sample of thirty-five project files selected we noted no projects that were outside of the Central Business District.

COMPLIANCE POINT #3

Funds drawn in advance should be expended in a reasonable amount of time. Advances should be expended only for obligations of the BIP.

Findings:

Since November of 1997 Intown has drawn down funds in advance from the City to cover anticipated expenditures of the BIP. Intown requests advances from the City based on anticipated disbursement of approved projects. Advances received from the City are deposited into a separate BIP checking account. Disbursements are made based on actual invoices submitted. IA traced all checkbook entries to the general ledger to determine that expenditures were for BIP expenses only. A schedule of daily account balances and a reconciliation of the checkbook balance at June 30, 2000 were performed. This analysis showed that the BIP maintained an average daily cash balance of \$24,818. Drawdowns were done

**FINDINGS OF COMPLIANCE POINTS WITHOUT
OBSERVATIONS (Continued)**

COMPLIANCE POINT #3 (Continued)

approximately quarterly and reimbursements occurred when the balance averaged approximately \$2,700. The checking account earns interest, which is used to offset account charges. Interest not used to offset charges is used to supplement the BIP's funding. Interest net of charges since the checkbook opened through February of 2001 totaled \$1,574. It appears that Intown does an adequate job of cash management and that funding is used for the BIP exclusively.

APPENDIX

BUILDING IMPROVEMENT PROGRAM

Policies and Procedures

November 29, 2000

Brief History

The Building Improvement Program was conceived in 1996 as one of the early initiatives of the recently opened Intown Manchester Management, Inc. Paul Shea, Intown's Chairman at the time and also CEO of the Bank of New Hampshire, solicited the participation of the other banks active in Manchester at the time. The City of Manchester, with the encouragement of Mayor Wieczorek, Tim Reiniger, Ward 3 Alderman at that time, and Bob MacKenzie, Planning Director, undertook to support loans to be made available by the banks with technical assistance and other assistance—potentially with a certain amount of matching grants. The Intown office undertook research on programs operating in other New England cities to understand how public and privately financed programs could be operated in tandem. Quincy, MA offered a successful example. The National Main Street Center in Washington D.C. also provided suggestions and information from the Main Street programs around the country.

Memos dating to September 1996 (attached) began to lay out some of the basic premises of a joint public/private Building Improvement Program. (See the Memo to Planning Director Bob MacKenzie; and a memo to Harold Acres, officer of the Bank of New Hampshire, [October 7, 1996] laying out some initial program concepts). These memos laid out the concept of matching grants available from the City; technical and design assistance to be made available through Intown; and loans to be made available from the participating banks. A number of meetings were held in the last months of calendar year 1996, continuing through the winter months of 1997, and included representatives of banks, the City's Planning Department, the City's Economic Development Office, and Intown Manchester. Alderman Tim Reiniger also participated in these meetings.

Through the fall of 1996 and winter of early 1997, Intown Manchester undertook, on its own initiative, a series of technical assistance projects to property owners and businesses upon request. The idea was to prepare several projects for funding, so that when a Building Improvement Program was eventually announced, these projects could be ready for an early start.

Objectives

A number of objectives for the Building Improvement Program emerged in these discussions during the fall and winter of 1996-97:

- Encouraging re-investment in downtown commercial properties
- Encouraging ownership of and reinvestment in downtown buildings by owners of businesses operating in those buildings
- Halting deterioration—and then stimulating growth--of the downtown commercial tax base
- Creating and retaining jobs

- Promoting the development of new businesses downtown, particularly small businesses, and encouraging the expansion of existing businesses
- Historic preservation
- Creating renovated spaces for street-level retail, restaurants, and services
- Improving the signage environment

In 1996, when this initiative began, the downtown streetscape, particularly on Elm Street, showed the effects of many years of disinvestment on the part of local and out-of-town property owners. Between Amherst and Lowell Streets stood three empty commercial buildings, which had once held ground-floor retail uses. The largest of these, the Chase Block, had been burned and had been taken by the City for back taxes. Other properties, having been held for a time by the FDIC, had been sold to new owners for bargain prices. In many cases, these new owners were inexperienced in property management and had no idea how to redevelop their properties for new uses. It was difficult for many people to imagine that the Elm Street commercial streetscape could ever be made to look attractive and appealing, even if new commercial or retail tenants could be found for the empty spaces. This was the environment at the time of the initiation of the Building Improvement Program.

First Year

The primary objective as agreed in meetings with the banks and City of Manchester representatives during 1996-97 was to “make something happen.” The feeling was that to combat the reality and perception of downtown stagnation, that some visible projects were needed to stimulate forward movement in both real estate and business redevelopment.

To that end, matching grants of up to \$7,500 were agreed on for the first project year. To obtain a grant of that amount, an applicant would have to spend at least \$15,000 of his or her own money on eligible activities, with proof of payment to vendors. Project grants of this amount were to be made eligible for both buildings and storefront spaces. Up to \$120,000 in matching grants and at least \$20,000 in technical assistance was made available from the City of Manchester to support the overall Building Improvement Program.

The grant portion of the program was viewed, in Year One, as primarily an incentive for property owners to undertake loans. The banks agreed during the first quarter of calendar year 1997 to undertake loans of up to \$100,000 per project, with repayment terms of up to ten years, at a low fixed interest rate of 6%. Both building owners and tenants would be eligible for loans.

Buildings were considered as separate projects from storefront spaces for the purposes of the matching grant portion of the program. That is, it would be possible for a building owner who also operated a business out of his building to also apply for a grant for a retail or restaurant space. If the overall program goal was to encourage re-investment in downtown commercial space, the higher level of grant commitment in the case of these owner/tenant projects would be rewarded, in time, with proportionate private investments both in the real estate as well as opening up revitalized spaces for business development. In general, the policy was to be able to encourage larger-scale projects with a combination or “package” of matching grants.

During the first year of the program, visibility was achieved with the adoption of major projects such as McQuade's; the Black Brimmer; Fratello's and 155 Dow Court (the former Myrna Shoe Building); the Merrimack Restaurant; and NEKA Salon Network. Twenty grants totaling \$122,551 were made.

Applications and Eligibility

The geographic area targeted by the Building Improvement Program included the entire Central Business Service District. The Intown Manchester Board of Trustees discussed the possibility of narrowing the target area to Elm Street only. This option was rejected by the Trustees in the interest of fairness. No projects outside the district were ever considered for application and none have been funded. One of the reasons for expansion of the CBSD in 1998 was in response to property owners and tenants on the outside edges of the CBSD—north, east, and south—who saw the impact of the program within the CBSD and who wanted to participate.

Note that the boundaries in the CBSD prior to expansion in 1998 extended to Pine Street, rather than to Chestnut Street, in the area south of Bridge Street. The Planning Department maintains an excellent map showing both areas.

Property Owners of any tax-paying properties located within the CBSD were eligible to apply. This excluded not-for-profit or other entities which do not pay taxes.

Tenants of any ground floor spaces developed for retail, restaurant, or service uses were welcome to apply for matching grant assistance. However, these tenants had to be located within taxable properties. The focus of the Program's assistance to tenants was largely on job-creation. It was found that relatively small matching grants, applied to the small business and service sector, could help leverage a good number of full and part-time jobs.

Mixed owner / tenant projects. As stated above, the program made it possible for a building owner who also operated a business out of his building to also apply for a grant for one or more storefront (retail/ restaurant/ service) spaces located in that building. This was consistent with the overall program goal of encouraging re-investment in downtown commercial spaces, including leasable ground-floor spaces, and beyond that, to encourage ownership of buildings by local businesses operating their businesses from retail, ground-level spaces. The ability to combine storefront and building grants to create projects of adequate scale to achieve significant results has been fundamental to the success of this program.

The principle of creating combined projects of increasing scale upon the "building blocks" of multiple storefront and/or building grants was established in concert with the City of Manchester during FY 1997 for the McQuade's building and storefront renovations.

Under these terms, it would be possible for a building owner who also operated a business out of his building to also apply for a grant for a storefront space operating in that building. In some cases, property owners chose to act as a developer and general contractor, redeveloping their own retail spaces for tenant uses. In other cases, the building owner took responsibility for the overall building portion only, leaving current or future tenants the option of applying for separate assistance for leasehold, signage, and façade improvements.

Trustees and Applications for Grants or Loans

Intown Manchester adopted a policy of “No pecuniary benefits transactions” regarding its own Trustees in November, 1996. Trustees who wanted to be eligible for grants under the Building Improvement Program applied separately and directly for assistance from the City of Manchester through the Planning Department. Disbursements for such grants upon completion of those projects were made directly by the City of Manchester, with the amount of such grants deducted by the City from the balance available for the program in that fiscal year.

This policy was later modified to conform to the less restrictive NH State Codes regarding the operations of not-for-profit entities within the state. This allows transactions to take place with the permission of the Intown Board of Trustees. It has been the preference of the program to have such transactions handled by the City of Manchester with invoices to, and payments by, the Planning and Community Development Department.

Program Evolution

The overall objectives of the Building Improvement Program, from the earliest days, had to be balanced between the goal of achieving significant impact, on the one hand, with fairness and equitability on the other. To meet these goals, the per-project limit of matching grants was diminished to assure that the program would be available to a larger number of applicants. At the same time, flexibility was retained to be able to define and package mixed building/tenant projects to achieve significant impacts consistent with the overall goals of the program.

Geographic equity was also a significant consideration: that is, no one area of downtown would be favored in the application approval process. This was especially important when, in 1998, the Central Business Service District was expanded to include areas east, north, and south of the original district boundaries.

First-year criteria (FY97): A \$7,500 per-project limit was established, with no distinction or size limit between “building” projects and “tenant space” projects.

Second Year (FY98): In June 1997, after only a few months of operation of the program, it was clear that available funds would have to be further limited per project, if a larger number of applications were to be considered. In a letter dated June 6, 1977, Intown proposed limiting the per-project matching grant awards to \$5,000 per project, whether building or storefront.

Third Year (FY 99): This was the first year to include applications from the recently-expanded CBSD. Grant awards per project remained at \$5,000 for building (defined as a single tax address), while storefront or tenant space awards were further limited to \$3,500 per space. Flexibility was applied in the consideration of mixed building/tenant space projects, as outlined above.

Fourth Year (FY 00): In the application process, Intown took the further step of limiting matching grants per building to \$1 per s.f. up to 5,000 square feet. This recognized the difference between major commercial projects located in the downtown core, and projects aimed at rehabilitation or conversion of

former residential spaces north of Bridge Street. The City's assessment records were adopted as the official source of information on size of building, since these are used to define the taxable character of the building. \$ 3,500 was retained as a per-project amount for storefront tenant spaces.

Fifth Year (FY 01) The criteria established in the Fourth Program Year were retained unchanged, i.e. \$1 per s.f. up to \$5,000 per building / \$ 3,500 per tenant space. Due to ever-increasing demand on the matching grant portion of the program, however, the Intown Board of Trustees will be asked to approve a limitation of no more than two matching grant awards per individual with an interest in a business or property. It is the staff's opinion that improvements in the real estate market and in the overall nature and momentum of downtown development make such a change possible, in the interest of allowing more applications to be considered, without prejudice to the overall goals of the program as established in 1996-97.

The FY2001 Program was tabled by the Board of Mayor and Aldermen until October 3, 2000. Up until then, Intown had simply held the applications in order of application date, pending confirmation that the program is going ahead. The policy of "first-come, first-served," was initiated during FY 2001 based on application dates, in order to deal with the challenge of applicant demand which exceeded available matching funding.

Technical Assistance

Beginning in 1996, Intown has offered technical assistance in the following areas to applicants who requested it:

- **Design and architecture**
- Structural engineering
- Sign design
- Financial advice especially in completing loan applications
- Business Development (business plan development) Funds for this purpose are available from other sources (non-BIP)

Since 1996, Intown has developed a cadre of experienced designers familiar with redevelopment issues in older properties: Marcia Hart Associates; Metcalf Engineering; Amoskeag Falls Management Corp; Northeast Design Group; Meehan Architects; Florence Nahikian, Architect; L. Newman Associates (Architects/Designers); Atlantis International; Rynearson Company; Lauer Architects; designer and graphic artist Joe LaJeunesse; and Paul B. Bradley Associates for financial consulting. Dennis Mires, Architect has been solicited and has agreed to participate in future projects.

Intown continues to work with engineers, designers, and architects to instill the purposes of the program. The following objectives of the technical assistance portion of the Building Improvement Program have emerged:

- to enable maximum influence on project design and quality at the earliest possible project stage;
- to help applicants deal with the inevitable and often thorny problems of rehabilitating older properties;
- to alert applicants to opportunities for improvement that they may not have realized;
- to obtain realistic cost estimates of potential re-use alternatives and design solutions;
- to help applicants achieve costs savings and therefore to make best use of available program funds; and
- to identify development and redevelopment opportunities for problematic properties.

In most cases the technical assistance is provided by the vendor to Intown who then makes it available to the applicant; Intown however retains the flexibility to assign an agreed-upon amount of technical assistance funding to an applicant who wishes to contract for specialized construction assistance beyond Intown’s normal scope. In any such case, the applicant would need to show receipts for such technical consultation in order to receive reimbursement from Intown for the amount offered.

In the early years of the program, Intown’s application for CIP funds specified the amount to be committed to technical assistance, which was normally \$20,000 per fiscal year. Since FY99, the amount of technical assistance has simply been included in the overall City allocation for the BIP for that fiscal year. Intown then allocates the technical assistance contracts as necessary, with the remainder available for matching grants.

Intown’s Procurement Policy

Procurement Policy
Adopted by Intown Manchester, February 1997

Policy	Amount
Executive Director--ability to write checks without countersignature	\$2,500 or below
Seek best prices, but no specified bid request procedure. Countersignature required on all checks above \$2,500	Up to \$7,500
Need to seek 3 bids; phone quotes ok. Keep records.	\$7,501 to \$15,000
Formal bid procedures (RFP)	above \$15,000

The procurement policy adopted by the Intown Board of Trustees in 1997 has afforded staff sufficient flexibility to contract for small-scale technical assistance projects of the kind outlined immediately above.

Record-Keeping, Accounting, and Payments

Applications when received are assigned their own project file. A project file may include in addition to the application, supplementary information such as contractor's proposals and cost estimates, technical assistance reports, and design proposals.

When the applicant is ready to proceed and has submitted the necessary information, staff will make a commitment to the project out of that fiscal year's project funds. Records of these commitments are kept in the "Grant Payments, Invoices, Receivables" spreadsheet file by the Intown Director (see attached). Each program year in effect constitutes a separate "pot" of available funds from which commitments may be made until the limits of money available from the City are reached. Technical assistance commitments count against the total available from the City for that fiscal year.

Some projects may make application and receive commitments but do not, for whatever reason, proceed to completion. After a reasonable period of time has passed, such "committed but unspent" funds may be "uncommitted" and re-assigned to other project needs, whether for matching grants or technical assistance. In practice, Intown staff prefers not to re-assign funds which have been committed unless and until the applicant shows evidence of inability or unwillingness to proceed. Committed but unspent funds, if they have been "drawn down" from the City by Intown, simply remain in the separate Building Improvement Program bank account until reassigned.

On completion of projects, payments are recorded and entered by the bookkeeper according to Intown's Chart of Accounts. "Technical assistance" constitutes one category of expenditures for the program, while "matching grants" constitutes the other. Checks above \$2,500 are countersigned by Intown's Treasurer. Normally, a copy of the completed application is attached to the copy of the check and retained in the "Checks" file for that fiscal year.

Originally, payments both for matching grants and for technical assistance were made by Intown, out of its own funds, and then reimbursement was sought by Intown from the City. This system, due to delays in invoicing and reimbursement, meant that Intown was loaning the City significant amounts of cash on a short-term basis. This proved unworkable from the viewpoint of Intown's cash flow. A separate checking account for the Building Improvement Program was established as of November 1997, and an alternate system was developed with the Planning Department for invoicing the City on a regular basis for BIP funds, and then drawing down those funds, in advance of expenditures, based on cumulative program commitments. The Planning Department has been comfortable with that system especially because the Building Improvement Program funds are retained in a separate bank account.

Reporting to the City of Manchester

Intown makes quarterly reports to the Planning and Community Development Department. As part of these reports, the status of the Building Improvement Program for the current fiscal year is provided, including technical assistance and matching grant commitments made to date, as well as payments for projects completed. The Intown Director maintains a current spreadsheet of the "Grant Payments, Invoices, Receivables" file which is the basis for these reports.

The Planning Department, as part of its own reporting requirements for the use of monies from various sources, may from time to time track the retention and creation of jobs that accompany the application of grants from the Building Improvement Program. The district serviced by the Building Improvement Program is part of the federally-designated Enterprise Zone.

Intown, in addition to its regular quarterly reports, always provides on request any information regarding the records and current status of the Building Improvement Program to its program officer(s) at the City Department of Planning and Economic Development. Where loans are involved, and where loan application information is included in the project file (as it is when Intown has assisted in the loan application or referral), Intown and the banks consider this information confidential in nature. Intown has communicated our policy on confidentiality to the City.

From a practical and ethical standpoint, Intown prefers to treat project information as confidential particularly during the application process. This is necessary when Intown may become aware of information regarding commercial development which is not publicly known. For example, a building owner may approach Intown with information which has not been shared with tenants. Tenants in an existing building may approach Intown with information or plans which they have not yet shared with a landlord. Existing tenants may be planning to leave their space for another space. Realtors often approach Intown with information on behalf of prospective tenants who wish to apply for BIP assistance but who have not yet selected a location, or who may be in negotiations with a property owner.

Project files may contain commercial, financial, and other confidential information particularly if the applicant has also applied for a loan.

Note that in tenant applications for matching grant assistance, an owner signature is normally required to assure that the owner is aware of and has approved the tenant's request for assistance.

Lately, the Economic Development Office of the City of Manchester has also requested program information regarding job creation. This information is retained and updated on a semi-annual basis by Intown staff. The City may perform additional follow-up on job creation to track the employment of minorities and women, but Intown does not keep or maintain job creation files to this level of detail.

Staff Time Reimbursements

As a separate commitment from its annual CIP (Capital Improvement Program) budget, and as a separate line item from the BIP matching grants and technical assistance, the City of Manchester has made available a certain amount of money to reimburse Intown Manchester for staff time that it has spent on administration of the BIP program. Last year, for example, the reimbursement amount set-aside was \$20,000. Typically, Intown will invoice the Planning Department semi-annually, specifying the hours spent by Intown and identifying the projects those hours were committed to. These invoices are entered normally in "Accounts Receivable" as any other invoice.

Annual Audit

Intown has insisted upon an annual audit of its entire operations. These audits have been performed by Vachon Clukay. The Building Improvement Program comes under the purview of each annual audit and is screened each year according to generally accepted accounting practices.

Administrative Procedures: Intown's Role in Determining

The Building Improvement Program was not conceived as a “one size fits all” program. In other words, the various entities and individuals involved since the beginning of the program, including the banks, recognized that the success of the program would depend on being able to deal with a wide range of building needs and constraints, a wide range of business and owner needs, and a large number of design and technical issues.

Intown agreed to take on the administrative role on the understanding that administrative flexibility was a necessary part of the program. It is unlikely that the Intown Board of Trustees, or staff, would have agreed to take on responsibility for a program whose program guidelines were fixed at the outset, or inflexible.

The watchword at the initiation of the program was rather, “Make a difference!” The intent was to show visible results, with the ultimate goal of reversing the deterioration in commercial property values and to begin to encourage reinvestment in those properties. The results—now becoming evident as sales values steadily increase: ***an improved commercial tax base.***

Each project is ultimately judged by this ***fundamental criteria: did the improvements supported by the Building Improvement Program enhance the market value of the building, and will the building contribute to an increase in the city's commercial tax base?***

Intown sought a wide range of input at the beginning of the program. The Planning and Community Development Department, the Manchester Economic Development Office, the participating banks, and the Ward 3 Alderman were involved in sketching out the program guidelines. Intown, in addition, sought a wide variety of input from other cities in the region which had undertaken similar programs. We also sought input from the National Main Street Center regarding successful “Main Street” programs.

In general, Intown has made the Building Improvement Program guidelines and criteria more specific based on the experience of each preceding program year. Assessment of eligibility regarding specific projects should be based on the guidelines being utilized in that program year, when the projects were being approved. In some cases, a “package” of projects has been built on project grants in more than one fiscal year, when monies from two fiscal years were uncommitted and available.

The major flexible element in the program has been the ability to put together or “package” a series of storefront and building grants to achieve larger, more significant results as part of a single comprehensive project. These results have been justified by the accomplishments of an important program goal: owner re-investment in properties which may also contain the owner's business, or which may house multiple storefront/tenant properties.

Determinations of eligibility of project applications for matching grant funding are made by the Executive Director, following program guidelines as laid out in 1997 and as modified since then. Loan applications are considered individually by each bank and determinations of amount and terms of loan are made by each participating bank, exclusively.