

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(PUBLIC HEARING – TAX INCENTIVE)**

December 18, 2007

**5:30 PM
Aldermanic Chambers
City Hall (3rd Floor)**

In Mayor Guinta's absence, Chairman Lopez called the meeting to order.

Chairman Lopez called for the Pledge of Allegiance, which was led by Alderman O'Neil.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen Gatsas, Long, Osborne, Pinard, O'Neil, Lopez, Shea, Garrity,
Smith, Thibault, Forest
Aldermen Roy and DeVries arrived late.

Absent: Alderman Duval

Chairman Lopez advised that the purpose of the special meeting is to hear those wishing to speak on a Community Revitalization Tax Relief Incentive Application pursuant to RSA 79-E for property located at 30 Amherst Street (Map 4, Lot 9) in the City of Manchester; that anyone wishing to speak must first step to the nearest microphone when recognized and recite his/her name and address in a clear, loud voice for the record; that each person will be given only one opportunity to speak; and any questions must be directed to the Chair.

5. Chairman Lopez requested that Jay Minkarah, Economic Development Director, make a presentation.

Mr. Minkarah stated we are very pleased to bring you this application this evening. We think that it's going to have a substantial, positive benefit on the downtown area. With me is Glen Ohlund who has been working on this project. He's going to run through some of the specifics of the application and staff's recommendations. We also have Max Pruna with us, who is the property owner. He will be available to answer any questions that you have on the project.

Mr. Glen Ohlund stated the 79-E application that we received from Max Pruna on November 21, 2008, reference a memo I put together for you folks on November 23, 2008, citing the reasons we would want to grant temporary tax relief for the substantial rehabilitation occurring on this property. First and foremost, it is within the designated Central Business District and it's consistent with the master plan promulgated in the early 1990's here in Manchester. Secondly, the requirements for RSA 79-E are that the rehabilitation be substantial, either meeting the \$75,000 or 15% of the assessed value for the property. There is a typo in my memo. Looking back on the tax records, the current assessed value is \$452,500, not \$454,500 which was listed on the memo. The range that Max Pruna, the owner of the property, has given us for the complete cost of the rehabilitation are \$76,000 to \$95,000 worth of improvements on the second and third floor to this property, which equal between 16 and 21 percent of the assessed value. So it meets the substantial rehabilitation threshold. In addition, under the public benefits requirement for granting the tax relief, because this building has been underutilized, the upper floors at one point in time had had tenants, office tenants. They are now in the process of being rehabilitated. The upper floors are vacant. Bringing these upper floor offices to a higher standard will certainly help in marketing this property and bringing smaller office users into the downtown area. And you might note from my memo, the

average downtown worker...and these are some national statistics...spends approximately \$3,000 annually in downtown goods and services over the course of the year. As some of you may travel lower Amherst Street, you've seen the improvements that have already occurred on the outside of that building, and I just want to make clear that the improvements that the owner Max Pruna is seeking tax relief for are to the second and third floor. The existing restaurant on the first floor, Consuelo's, is already included in the current assessed value of \$452,500. The owner is seeking tax relief for the upper two floors only. In order to enact this tax relief, you folks need to determine, the Board of Mayor and Aldermen need to determine that there is in fact public benefit in granting this tax relief. We're recommending for a period of five years, which is similar to the recommendation we made on the building at Lowell Street for which you granted tax relief to Ben Gamache. A covenant will need to be established. We will work with the property owner and with the City Solicitor's office to incorporate that, and again that you find that this proposed usage, these upper floor office uses, are consistent with the master plan currently in effect. I guess I will turn it over to Mr. Pruna for a few of his comments.

Mr. Max Pruna stated I am here to answer any questions you might have. I can give you an overview of what I've done in the building, this building I purchased back in 2005. When I purchased the building currently I had tenants in the second and third floor office space. That was one of the main reasons I couldn't get into doing any work on the second and third floor. I had to wait until all those leases that were in place at the time came to an end. I worked out with those tenants for them to find a new office space in order for me to have the offices vacant and make a proposal to the Building Department to remodel this office space. So my first project started mainly on the outside of the building, which I did in 2006, as well as the first floor, which is where you currently see Consuelo's Taqueria, which is the restaurant. This year has pretty much been working on the third floor and the second floor. We are in hopes of finishing this work by next year. The main strategy I use in the building is to bring it up to code, make nice, cozy office

spaces, primarily for single attorneys or accountants who would like to be close to the downtown area with good parking lots and try to make it affordable office space. I'm not going to try to compete with Brady Sullivan or those kind of offices. I'm going to make it affordable, primarily between the \$300 to \$400 a month for rent, which will attract other types of accountants and attorneys to the downtown area. I don't know if anyone has any questions for me.

Mayor Guinta arrived and assumed chairmanship of the hearing.

Alderman Osborne stated I just had a question. Is this going to be all office space on the second and third floors when it's finished? Because there are livable quarters as well.

Mr. Prima responded no, it's primarily office space. Originally the layout was four offices per floor. I extended it to five offices per floor. So now there is going to be a total of ten offices: five on the second, five on the third.

Alderman Osborne asked do you think it's going to take you five years to do this?

Mr. Prima responded no. The proposal for the tax incentive is for five years. The building should be completed March or April of next year.

Alderman Osborne asked so will it end then or does it extend for five years, the incentive?

Mr. Ohlund explained the purpose behind the incentive is there is some period of lease-up, and our staff recommendation is that it be for a period of five years.

Alderman Osborne stated so in other words, you're giving him a period of five years in order to lease the office space.

Mr. Minkarah stated it's not just five years to lease the office space. It's a period of relief for five years, so he won't pay an increase in his assessment for a period of five years. It's in part to allow people time to lease, but the main point is really to help them recover their costs for the renovation work. This is an incentive to encourage renovation. The statute allows for a period of up to five years for the general rehabilitation, as well as additional periods of time for historic rehab. He could get another two years. We're not proposing that but that would be possible. There's another two years allowed for housing and so forth. We're recommending a period of five years.

Alderman Osborne stated but it could be before five years, depending on the income that comes in the building as you lease them.

Mr. Minkarah reiterated we're recommending approval for the five year period. That's what the applicant is seeking, so if you approve the application as submitted, it would be for a period of five years. It wouldn't change based on how long it took to occupy the building. It would simply be for a period of five years. We would prepare a covenant that reflects that, and it would be filed in the Registry of Deeds.

Alderman Forest stated just a couple of comments...One, I believe that Glen came before this Board five or six months ago to ask us to approve something like this as an ordinance to get companies and businesses that are having trouble financially in order to renovate their buildings. I think we approved that five or six months ago, and I think this gentleman is probably the first that's come before this Board to do just exactly that. I know that I go by that building on a daily basis. I go up Amherst Street. Unfortunately I don't go to the restaurant. I go to the corner of Amherst and Chestnut. But I've been doing that for forty years. I see what this business has done for the neighborhood, and I think the improvements that you're going to make is going to improve that building, because I've been watching that building for over 40 years. Good luck to you.

Alderman Roy stated I wasn't here but I was watching on my way here. With the additional office space, compared to what you had before, I don't think I heard anyone talk about the assessed value or the value of the building five years out. I know a lot has to do with the real estate market, but our return on our investment...leases on those five buildings. I don't know, David, if you want to come up and answer this question. Buildings like it, once it's completely renovated...what will the City and the taxpayer be looking at?

Mr. David Cornell, City Assessor, stated it would certainly depend...in this case if you look at what he's planning on doing, I believe he said the lease rates would be about \$300 to \$400 a month, times ten units, so you're looking at \$3,000 to \$4,000 a month. So as far as value wise, it could be anywhere from \$70 to \$120 a foot.

Alderman Roy stated okay...and the total square footage?

Mr. Cornell stated but that's for the total building, so it's divided by three...

Alderman Roy stated so at \$454,500 you're currently favorably assessed for these purposes.

Mr. Cornell stated currently the first floor is completely finished with the restaurant. The second floor, as of April 1st this year, there was only one room that was finished, and the third floor was basically mostly all unfinished.

Alderman Gatsas asked Jay, have you checked to see if the rules allow for a property that's already been partially started? I don't see it in the RSA, and I don't know if they've already promulgated rules.

Mr. Minkarah responded yes, it would. Basically the way the rule works is, once you make your application, you can get your tax relief for any work that you would do after the application is approved for that five year period, or however many number of years. You're allowed to do partial renovations so long as you meet that \$75,000 or 15% test. You can do that at any point, so yes, you could do a partial one. But of course he can't get relief for the work that's already been done, such as the restaurant.

Alderman Gatsas asked are there any federal or state funds in this project?

Mr. Minkarah answered no.

Alderman Gatsas stated so you're sure, according to the rules that the DRA is going to pass, that a project that is started follows within this criteria.

Mr. Minkarah stated yes, but once again, you can't get tax relief for the work that's already been done. But you can get, prospectively, tax relief for the work that has not yet been done.

Alderman Gatsas asked did you get that answer from DRA?

Mr. Minkarah responded I did not get that from DRA.

Alderman Gatsas asked where did you get it from?

Mr. Minkarah explained that's my understanding of the statute in analyzing it since it's been passed, and in my conversations with those who passed it. We could certainly refer that question to our in house legal counsel, the Assistant City Solicitor.

Alderman Gatsas stated because I just read the RSA. There is no comment one way or another. They are promulgating rules at DRA, so I would suggest that somebody check to see if the rules are out there and if it allows for a project that's already been partially renovated to follow through with this. I'm not opposed to it. I'm in favor of it. I just don't want to put somebody into a situation that DRA says it doesn't qualify.

Alderman Osborne asked how many times has the City done something like this, tax relief, let's say in the past ten years?

Mr. Minkarah responded we first passed...the past ten years...I don't think the Authority had existed; 79-E hadn't yet been adopted. The City of Manchester adopted this I believe in November of 2006, and we passed our first application, which was for 20 Concord Street. That was maybe two or three months ago. So this is the second time that we've had one of these applications come before the Board. I'll add, we adopted the in house application process last April.

Alderman Osborne asked how many different properties do you think will be coming forth here in Manchester? People who buy properties like this and get tax relief by buying it and fixing it up, and so on and so forth. Do you think this is going to be a big thing?

Mr. Minkarah responded I suspect that we will see more applications coming in, yes. Obviously we had the first one, which got a fair amount of publicity. There will be some publicity with this one, and that's really what generates it. I think Mr. Pruna is here because he read about the application that was approved for 20 Concord Street. I think we will see more applications coming in, and frankly I think that was our hope. That was precisely the reason why we adopted the provisions of 79-E last year, to encourage people to come and make a significant investment in rehabilitating buildings in the downtown. I would anticipate that we're going to see more applications like this. I'd

emphasize though, that the tax relief that's being granted is only on the improvements being made. So the taxes that are currently being paid on the property will continue unchanged. The relief that's being granted in this application is for the work on the second and third floors, in this case, that has yet to be done.

Alderman Osborne stated so the tax stays in place.

Mr. Minkarah repeated current taxes stay in place, yes.

Alderman Long stated first of all I want to thank you for the upkeep of that building. This is exactly what this program is for, exactly what you're doing. Just for clarification, from what I'm reading he's just getting tax relief for the second floor, correct?

Mr. Pruna stated second and third.

Alderman Long asked second and third?

Mr. Pruna responded upstairs, which is second and third floor.

Alderman Long asked do we have a reference to the third floor? I just see a reference to the second floor.

Mr. Minkarah explained if you look at the first page of the application, it notes the second and third floors.

Alderman Long stated it notes the first, second and third floors.

Mr. Minkarah explained first floor...well it states the restaurant, existing uses. Proposed uses first floor, second and third floors. If it's not clear in the application, then it's definitely the intent, second and third floors.

Alderman Long stated and the price that you gave us, the...I forget what it was...was it \$76,000 or \$65,000?

Mr. Pruna stated if I could add to that, pretty much the range I give there is for finalizing the work that I'm doing on the second floor. Of course if I can make a summary of expenses for the building, heating, plumbing, so forth...between first, second and third is going to be close to \$300,000. So on average it should be around \$90,000 to \$100,000 per floor. Of course the restaurant involves a lot more expense than the office space because of the requirements by the Building Department.

Alderman Long asked so is the \$76,000 to \$95,000 to complete the third floor and complete renovation of the second floor?

Mr. Pruna explained the third floor is partially finished and by that I mean that all the electrical wiring falls into the second floor. All that needs to be tied up. Second floor, what you see there as far as expenses of \$76,000 to \$95,000 involves flooring, framing, drywall, electrical, plumbing of the whole second floor.

Alderman Long asked so the revaluation of this building, you'll get relief on the second and third floor?

Mr. Pruna responded that's my hope, yes. For the expenses of the second and third floor. But they asked me to come to an estimate of how much is the amount of expenses I'll be incurring from now of what's left to be done in the building, and that's what is left to be done.

Alderman Long stated okay, and so far as the MEDO, you get verifications of what was spent from today till he's done with the building, so we're assured that this 15% is being spent, correct? We're not just going by estimates.

Mr. Ohlund stated the RSA actually says 15% or \$75,000, the lesser of the two numbers.

Alderman Long stated so we don't...so the only thing on the record isn't the estimate of what it's going to cost, it's the actual dollars that were put into the building.

Mr. Minkarah stated we can make sure that we have that back-up in the files, yes.

Alderman Long asked we normally wouldn't? The RSA doesn't call for that?

Mr. Minkarah stated it doesn't call for it, but I think it would certainly make sense that we would, and that's something that we can definitely do.

6. **Mayor Guinta** called for those wishing to speak.

Stephanie Lewry, Intown Manchester, stated I'm here as an observer because this is my first opportunity to listen to some of the concerns of the Aldermen. Maybe there will be some feedback later on through my office as well. I'd like to hear what people are concerned about relative to any kind of incentive to improve buildings in downtown. Of course, because it's the downtown area and we're trying to redevelop the downtown area and make it the most desirable place in the whole state, I really hope that this process works for all of you. I need you to know that I'm affected as well with any tax relief, so I just wanted to put in my two cents for thoughtful discussion on this. Hopefully, if it does provide an incentive to do the same thing, then we will feel very comfortable that this has

been a worthwhile incentive to get some of our properties that have been languishing for quite a while back into redevelopment and ultimately to increase our taxes.

Mayor Guinta advised that all wishing to speak have been heard, the testimony presented will be taken under advisement with reports to be made to the Board of Mayor and Aldermen at a later date.

*This being a special meeting of the Board no further business was presented, and on motion of **Alderman Pinard**, duly seconded by **Alderman DeVries**, it was voted to adjourn.*

A True Record. Attest.

City Clerk