

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

August 5, 2008

6:00 PM

Mayor Guinta called the meeting to order.

Mayor Guinta called for the Pledge of Allegiance.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen M. Roy, Gatsas, Sullivan, J. Roy, Osborne, Pinard, Lopez,
Shea, DeVries, Smith, Ouellette, Domaingue

Absent: Aldermen O’Neil, Garrity

Messrs: J. Minkarah

Mayor Guinta 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 790-796 Elm Street (Map 153, Lot 17&18) 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. I would ask that Mr. Minkarah, Economic Development Director, make a brief presentation.

Mr. Jay Minkarah, Economic Development Director, stated just briefly for background sake, the City of Manchester adopted the provisions of RSA 79-E in November of 2006. In fact we were the first municipality in New Hampshire to do so. The program is intended as an incentive to encourage a substantial rehabilitation of buildings in the downtown area by providing essentially a break on property taxes on improvements that are made to the building for a certain period of years. That could be up to eleven years. Since we adopted RSA 79-E we have granted two applications. One was for 22 Concord Street and one for 30 Amherst Street. This would potentially be the third. The building in issue is what is best known as the Merrimack Restaurant building on the corner of West Merrimack and Elm Streets. We have of course reviewed the application. It is located in the downtown area so the building is in a qualifying area. The rehabilitation is substantial in that the value of the work on the building is more than 54% of the assessed value of the property and we do believe it would meet our community goals of revitalizing downtown by creating jobs and additional commercial activity. We do have representatives from the 788 LLC so if the Board wishes we can have them come up and just say a few words about the project that they are proposing.

Mr. Max Pruna, 1341 River Road, stated good evening. I am one of the partners for the building. To give you a summary of this building our plans are to renovate the building with the intention to have retail or restaurant space on the first floor and Class-A office space on the second floor. We intend to renovate the full exterior of the building as well as the sidewalks surrounding the building.

Mr. Francis Fernando, 243 Campbell Street, stated we are seeking a tax relief incentive in order to help us defray the costs that we are going to incur with all of the renovation work. Again, as Max mentioned, we are hoping to make this a Class-A office space building along with attracting a Class-A type restaurant into

the downtown area. We are seeking a tax relief to help us defray the costs associated with this extensive renovation but also to help us with passing on that savings over to our tenants because it is a commercial building. With a commercial building in a triple net lease we want to be able to freeze that tax or help us have a fixed tax based that we can pass that savings on to our tenants, in order to attract a good client base.

Alderman Gatsas stated Mr. Minkarah, can you tell me what the assessed value of the property is today and with the additional renovations, what that evaluation will come to?

Mr. Minkarah replied the current assessment we have is \$755,200. The work that we included, which was the construction work not including overhead, was \$406,165. I am not sure what that would bring the future value to but that is the value of the work and that is the current assessment of the building.

Alderman Gatsas asked what is the tax value of the \$755,200 and what are we looking to do for a reduction of that?

Mr. Minkarah replied we wouldn't be reducing the current taxes at all. The current taxes would continue to be paid on the current value. What they would avoid is payments on the increased value.

Alderman Gatsas asked what is the current tax rate or what are the current taxes on the property?

Mr. Minkarah replied I am not sure. I know the value is \$755,200.

Mr. Pruna replied it is broken into two, one of which is \$15,000 a year and the other one is \$3,000 a year. The total is around \$18,000 a year.

Alderman Gatsas asked are the Assessors here? Do they have information so that we can get a clearer picture?

Mr. David Cornell, Assessor, stated there are two separate parcels. For parcel 153 Lot 17, the assessed value is \$755,200, which for this year would create a tax bill of about \$12,500 rounded. The second parcel is Lot 18. The current assessment on that is \$197,300 and the current assessment on that for taxes would be about \$3,269.

Alderman Gatsas asked so with the additional renovation cost that you have seen \$454,000, right now we are looking at somewhere around \$15,700 for a tax and that tax would stay the same, for how many years?

Mr. Minkarah replied five years.

Alderman Gatsas asked what would the increase be at the end of five years? I know that is a difficult question to ask you but give me your best expert answer.

Mr. Cornell replied for a round estimate you could add the cost of the construction so the additional construction cost of about \$400,000.

Alderman Gatsas asked if I were to do this calculation it would be somewhere around let's say \$8,000 a year that if we didn't give them the five year increment and then we would pick it up in the fifth year?

Mr. Cornell replied that is correct.

Alderman Lopez stated I don't disapprove of something like this but I think that we need to...if we are increasing value in the City of Manchester how many more of these properties are we going to do? Is there a benchmark for these properties as to whether they qualify totally under the RSA?

Mr. Cornell replied clearly, from the Assessors perspective, we want to make sure we are very judicious in granting these. If you look at the ones that have been granted those were buildings that we completely redone. I think when viewing these properties to determine whether you want to grant them or not, there is some latitude that you have. Additionally for the ones that you think are marginally qualified you have the number of years that you could approve it. For the ones that you think it is an excellent idea you can go to the max. If you think it is maybe marginal you could go for more of the lesser years. That would be your call.

Alderman Lopez asked Jay, have you worked with the Assessor? I am for improving property but if we evaluated where we might be going to five years, versus two or three years. If you haven't done that than maybe you can sit down together and see what you can come up with.

Mr. Minkarah replied we have definitely discussed it. There is criteria of course in the statute. The statute actually allows you to go up to eleven years. It depends on what the use is and whether or not it is a historic rehabilitation or not. In this case they are only seeking five. We have definitely discussed the issue. The threshold in the statute is pretty low. It is 15% of the assessed value or \$75,000 and clearly that is low. I think in the case of this application rehabilitation is definitely very substantial in that it is more than the 50% of the value of the property. The building, I think, most definitely needs significant investment so I do think this

qualifies and I think the other ones that we have granted do. I absolutely agree that we do have to have a conversation about how often are we going to use this and is there additional criteria that we should be looking to grow into this program.

Alderman Lopez stated that is basically all I am saying is take a good look at it. Has the Assessor been included in this whole packet? In this particular one?

Mr. Minkarah replied he is certainly aware of it and we have discussed it yet he doesn't have a formal role in the process. Really the only parties that do are the Board. It is purely your decision.

Alderman M. Roy stated Max or Francis, the job creation section of this, which is what this is based on; there is currently an active restaurant and Class C office space there now. Can you expand on what will be there when you are done and what jobs will be created?

Mr. Pruna replied right not the restaurant is closed. We are attracting a restaurant. We figured I believe it was about 40 jobs that will be created by a restaurant. The two retail stores we figured four positions each for each of the retail stores. A lot of these were considered middle to low income positions. For the office space I believe we had figured one per 350 square feet and we have roughly 5,000 square feet up there. That would be a total of roughly about 16 jobs for the second floor.

Alderman Sullivan stated Jay, I am looking at the wording of the RSA 79-E and section II is states, that *it is further declared to be a public benefit to encourage the rehabilitation of the many underutilized structures in urban and town centers.* Reading that it refers to underutilized and I think what the intent of the statute was to provide an incentive for economically distressed areas. This is sort of a

prominent land mark building that is reasonably good condition. It hasn't had a history of vacancies. Why is this something that would be included under a program that seems to be geared at rehabilitating more troubled neighborhoods?

Mr. Minkarah replied I am not sure that I completely agree with your characterization. It is specific to downtown so it is not necessarily more blighted neighborhoods although that is something that we are looking to expand on but right now it is downtown. I do think that when you look at the building in its current stated that it needs a substantial amount of work. The owners can probably comment on that more. Right now both retail stores and the restaurant are vacant and over the past several years the second floor has been very underutilized. It has been occasionally used as campaign office space but I think that it has been significantly underutilized.

Mr. Fernando stated the tenants of this building have been not on an ongoing tenant base. The jewelry store has pretty much been vacant for while some time. There is a potential for a new store to open but it has been there for quite some time without opening. The restaurant will be the only landmark of this building. Other than that upstairs it was office space in awful condition. We are going to have to gut that space to bare bones to redo it again. The office used upstairs was rented to the potential candidates who came every so often and rented for a couple of months and left the office in terrible condition so there is no use for that office right now. There is no real tenant base in this building. Even though from the outside you can't notice that. It has been like this for quite some time. It is only the restaurant who has been an ongoing tenant.

Alderman Shea stated thank you very much for investing in the downtown. I am all for this because we hear so much about people willing to put their finances forward and I believe that we as a community should encourage you folks as well

as others to invest. My particular comment would be thank you for investing in the downtown and certainly if the City can give a little bit of help and you people in the commercial and industrial phase of our particular tax base can try to generate certain types of help for the community I think that we need this. Thank you very much.

Mayor Guinta called for those wishing to speak.

Glen Ouellette, 112 Auburn Street, stated I am in total favor of this. My problem is this; we had a restaurant on Hanover Street that was redone. It wasn't a restaurant at first but it turned out to be. We lost a valuable piece of history on that wall. It was painted over. I have seen the newspaper article about a month or so ago of the new look of the building where the Merrimack Restaurant is. That painting is gone. I think that the City should at least secure that that is history not just of New Hampshire but of Manchester. It is very important that we keep some of these murals that we spend a lot of money on. I would ask the Board that they consider that they guarantee that that mural gets touched up and it stays there as part of history. Thank you.

Mayor Guinta advised that all wishing to speak having 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 can be presented.

On motion of Alderman Sullivan, duly seconded by Alderman Pinard, it was voted to adjourn.

A True Record. Attest.

City Clerk