

## COMMITTEE ON COMMUNITY IMPROVEMENT

**September 5, 2000**

**5:00 PM**

Chairman O'Neil called the meeting to order.

The Clerk called the roll.

Present: Aldermen O'Neil, Wihby, Clancy, Cashin, Lopez

Messrs: W. Jabjiniak, Alderman Gatsas, R. Davis, Alderman Levasseur,  
J. Taylor

Chairman O'Neil stated I would like to take Item 4 first:

Communication from the Library Director relative to an option to purchase property abutting the main library located at 2 Bethel Court.

Chairman O'Neil stated in discussion with the Clerk's Office last week, this really belongs for now in the Lands & Buildings Committee to make a determination on whether or not we should move forward. I know there are representatives from the Library here tonight, but that would be the proper Committee for it to be in at this time. Is there a motion to refer it to the Lands & Buildings Committee?

On motion of Alderman Lopez, duly seconded by Alderman Wihby, it was voted to refer this item to the Committee on Lands & Buildings.

Alderman Wihby asked how did it get here.

Chairman O'Neil answered I think the letter was addressed to the CIP Committee and went to the Board. As you may recall, in the past CIP has handled those functions but we separated that out with this Board.

Deputy Clerk Johnson stated it was actually sent directly to the Committee rather than to the Board originally.

Alderman Wihby asked why.

Deputy Clerk Johnson answered it was addressed to Alderman O'Neil from John Brisbin.

Chairman O'Neil addressed Item 3 of the agenda:

Presentation by the Destination Manchester Coordinator relative to the rehabilitation of the Bond Building located at 1015 Elm Street.

Mr. Jabjiniak stated I think most of you know the location of the Bond Building is right up the street at 1015 Elm Street, the southeast corner of Concord and Elm. It is directly across from the Hampshire Plaza. First of all, I want to apologize. I had the intent of getting the paperwork off to you before the holiday and it didn't happen. I guess next time I will certainly make the effort to get it there ahead of time. This is what I call the ultimate project goal. I simply threw a picture of after design, a rendering that is out here in front of you actually and this is really what we are trying to achieve. I want to point out a play on words. If you can read it, it says Café James at the Bond Building, which I thought was a pretty unique name. Dick is going to actually introduce a couple of the players involved. I want to point out here there is a rendering of the exterior from Elm Street and there are a couple of interior shots. Dick, why don't you go ahead and jump in and give some introductions.

Mr. Anagnost stated Café James is currently slated to take 10,000 feet, which is the first two floors. The first floor will be a full service restaurant and the second floor will actually be a function center, which is something that we currently don't have in the downtown area. There will be various sized rooms that will be able to house business meetings, luncheons, and private meetings in various shapes and sizes as a complement to the full service restaurant. We do have a proposal out right now...we answered an RFP from the Federal government who is currently interested in potentially leasing the balance of the building, which would be the upper three floors, approximately 15,000 square feet. First of all, the partnership that is developing this is made up of six local businessmen. It is actually a joint venture between two LLC's, myself, Steve Schubert and Steve Cormier on one side and our new partner, Ed Baroody and his partners on the other side. Together, what we do is bring the building, which they currently own, and our expertise as you have seen on 1037 to redevelop the site. Also here today is Bob Sullivan. Bob is the restaurateur who will be sinking a significant amount of money into the building as well in order to make Café James a realty, along with two partners of his who are also local businessmen. So, essentially you have nine of us all involved in this one venture to rehab this building and the rehab of this building will significantly compliment the rehab of the City's building, which is across the street, and bring the whole corner together.

Mr. Jabjiniak stated next we have some project goals and like any good redevelopment project, we want to increase the tax base and I will show you exactly what the numbers are here in a second, but this certainly is going to

increase the tax base. We are going to...I guess in an attempt to build support for the downtown it is important that we keep vacant buildings to a minimum. It is great to eliminate vacant buildings as we go, but it is also important to preserve where we can. As Dick just said, another goal is to compliment the City owned Chase building. It is directly across the street. We are going to own it for the next 15 years. So, this renovation of the adjacent building will go a long way to occupying the Chase building and paying the mortgages there. What I call most important is that we are going to create approximately 55 jobs and that is a minimum estimate based on some financial requirements that we have. That is certainly a big plus to be able to create jobs in the downtown. For a description of the property, one of the big things is we have been able to accomplish this financing package without utilizing any local bonding or cash resources. I think that is a big plus that I am going to stress throughout this presentation. We did utilize two Federal sources and a local bank stepped up to the plate with funds through their building improvement program. They are going to be occupying a second position. There is an appraised value of \$1,940,000. To save any downtown building requires a reasonably expensive proposition. As you can see, it is estimated at \$1.94 million and in a moment you are going to see the over investment that is necessary to make this deal work. Sources of funds. Total development costs are \$2.383 million. If you recall, we had that \$1.94 million appraisal. Well, HUD is going to limit us to 80% of that number, which translates into Section 108 loan funds of \$1,552,000. This is going to be lent to the project. Again, it is a loan at approximately 7.25% with a 20-year amortization period. All of it ballooning or becoming due in about 15 years. These are all terms that the developers have agreed to. Any outstanding balance at the end of that 15 years would be paid off. This does include a pay off of a \$50,000 first mortgage that is currently in place. There is the \$100,000 building improvement loan taken by the bank. The interest rate should be below market. Again, I want to stress that it is directly with the bank and not with the City. We are going to put Community Development Block Grant funds into it in the amount of \$288,000. These funds are going to be in a third position. They are going to be at 0% interest for 15 years subject to available cash flow. If the building doesn't have a cash flow, the balance is carried through and the whole balance is due and payable at the end of 15 years. The last piece of the puzzle is owner contribution. It includes acquisition, insurance, interest, taxes and repairs to date. What these sources of funds do not include are the \$450,000 that the respective tenant is going to put into fitting up this property, which is a substantial investment needless to say. I broke the project down into strengths, weaknesses, opportunities and threats. First, the tax assessment improves the \$1.75 million based on full occupancy. Second, the cash revenue increases by \$48,000 a year or as you can see almost \$750,000 over the term of the loan. That is not factoring in any increases over that period of time either. As previously stated, these are all loans, not grants. Since we have someone who is committed to occupying the first two floors, we are going into the

project 40% pre-leased. I do have a copy of that signed agreement. The first \$1 million is guaranteed. The managing partner from each LLC has agreed to personally guarantee the first \$1 million in the project. This is a simple chart showing the projected assessment and the current assessment. The increase is \$1,583,000 and the revenue is projected at \$53,350, currently bringing the City \$5,070 and obviously the increase is substantial at \$48,000. Weaknesses. To get the project done, we had to finance 100% of the appraised value. Again, we are not putting any local tax dollars at risk though. As an opportunity, I guess I look at this as...because of the high cost of renovation some of these buildings have been vacant for a long time. It has really become an eyesore and this is the first good opportunity we have had to do something with it. Dick used to kid me that it used to be the second worst building on Elm Street right after the Chase building and now that the Chase building is starting to look better and by the way if anybody hasn't gone by the Chase building, the scaffolding is down in the front and you can certainly see the mahogany entry way and it is starting to take shape nicely. Threats. I guess the threats to this project are real. If you don't take advantage of the developer's participation now, I am not sure we will ever have another chance to. We also get to eliminate a blight on our main downtown street. A third threat is a major concern to the developer. Our procurement code limits how this project can get accomplished. The traditional sealed bid has really limited his ability to get things done on budget. I will say right now that he is conditioning his guarantee until we can allow some kind of design build process. That is something that you should be aware of. Ownership. Dick has covered some of this already. Six local business people and two Limited Liability Corporations. The public/private partnership has...again the private sector approached the public sector to accomplish some economic development. We can help provide the financing and they can certainly to increase our revenue. Procedures. What I am looking for...the actions I am looking for tonight are we ask you to approve the budget authorization and the amending Resolution and pass those on to the full Board for approval tonight. We are doing this tonight because with only one meeting this month the developer has voiced some concern about not being able to move quick enough to meet the tenants occupancy deadlines. The final one is subject to final HUD terms and conditions or approval. We are simply passing along the requirements placed on us by HUD and we are looking for them to give their final review and approval as those terms call for. Schedule. Construction to start in the fall of 2000. That is right around the corner. The nice cool morning this morning reminds us that fall is almost here. With the approval tonight and the developer requested the procurement changes or exceptions, we expect to begin opening in early summer of 2001. In conclusion, the City will not be paying developer fees or any fees directly to the ownership. That saves us some money there. The project will continue the renaissance that has been started by the Brady Sullivan building, continued by the Chase building, and demonstrates that the City is committed to its thriving downtown. I can't stress

enough no local tax impact. The flexibility of the Federal resources and the banking community stepping up to the plate has made this project possible. This is what I call a win-win-win situation. We eliminate a vacant structure along Elm Street, we increase our tax revenue, and we don't spend any local tax dollars to get it done. With that, I think that is the brief version of the presentation. I will now take any questions.

Alderman Lopez asked could you elaborate on the procurement code issues. Is there a problem here?

Mr. Jabjiniak answered I am going to let the developer who has been dealing with it a little bit give you his version.

Mr. Anagnost stated the City's procurement code is very restrictive in how projects are awarded to the various entities that develop them. It is a sealed bid situation. It needs to be advertised, which takes a lot of time. Only those that go through a pre-qualification process are allowed to bid and when I say procurement, it is everything. The way the City's code is written is I have to procure the architect before I can draw plans. That architect then needs to procure his mechanical engineer. He needs to procure his electrical engineer. He needs to procure his structural engineer. From there, once the plans are developed the general contractor is procured. The general contractor has to follow certain procedures in order to procure his sub-contractors. All that does is add a significant amount of time and money to any project. In the private sector, time is money to us and the faster we can get something done, leased and paying, the faster we can start paying back the money that we will be borrowing. That is one point. The second point is when you add all of this time, prices go up from the time that we have estimated our costs so if I have to go through the regular procurement process, we are estimating to start construction sometime around February rather than October and we are not sure we can get our contractors to guarantee the same prices that they have given us in our budget to date because we are talking about an economy that is six months from now. If the economy continues, prices will continue to rise. If the economy deflates, it might help us but no one foresees that in the near future. Another situation where it ties my hands is it gives me no ability to negotiate. We have a significant amount of work going on in this City. We have \$4 million worth of work going up on Eastern Avenue. We have just purchased a Mill building of 174,000 and we are doing another rehab at 1662 for a new tenant and 24 Penacook Street is under construction. If you were to add this building in there, exclusive of our managing your property at 1037, we probably have over \$12 million going on in the City right now. That gives me buying power. It gives me the ability to go out to my architect and say, which I already have, if I hire you today to do this building what will you charge me and the answer was \$23,000. If I have to go through the City's procurement

code, I asked what will you charge me. I will bid \$35,000 is what he said. That gives you a perfect example right there. The reason our costs are so high is we have considered the procurement process. If we can avoid the procurement process, then that will give me the flexibility to bring the costs down and borrow less money from you then potentially the \$1.94 million, which makes you happy and makes us happy because that means we have less to pay back.

Alderman Wihby stated we have done this in the past when I thought we had turned the property over to MDC or somebody else so they took it over so it wasn't the City and we didn't have to go through this. Isn't there some way to go around that Anagnost

Solicitor Clark stated there are a couple of options that I have talked to Bill Jabjiniak about. The procurement process is established by this Board. We have done one project in the City on the design build about eight or nine years ago where the Board passed a special ordinance that applied only to that project on a trial process. It was never used again, but it did work and I talked to Bill about dusting that ordinance off and bringing it back to the Board for approval of this project if you wish. As Alderman Wihby has mentioned, there were other instances where the City has gotten out of the chain and turned it over to the Housing Authority or to MDC and they are not required to follow the same strict procurement processes. I am not sure if that would work either because they are using Federal money and the Federal guidelines require that they follow our procurement code or a portion of it anyway and we are still analyzing that. Bill gave me the Federal code sites today and I started to research that. There are options that we will be bringing back to the Board.

Alderman Clancy asked you said these have been waived once before.

Solicitor Clark answered not waived. You passed a separate ordinance to use a design build procurement rather than a strict bid procurement.

Alderman Clancy asked why can't we do this for these people.

Solicitor Clark answered I believe that is what I just said, that if that was the wish of the Board we would be happy to bring it back and you could amend the ordinance or pass the ordinance in October.

Alderman Gatsas stated I believe that three weeks ago I had given Frank Thomas two sets of procurement codes for him to look at because I think it is time that we probably look...I think Mr. Jabjiniak had given me one and I think Frank got one so that we could look at some new procurement code in this City. I think there was a study done, if I remember correctly maybe two or four years ago, that we

paid \$25,000 or \$50,000 for to do a study on the procurement code and nothing ever happened. I think it is time when you start looking at what the City's possibilities are and how their hands are tied, I don't think it makes much sense that we need to spend more money than what it costs to do a project because we have some antiquated codes in place.

Chairman O'Neil replied I don't disagree with you and I know you have been doing some work with that. I just don't know from a time standpoint if revising the entire City's procurement procedure is going to be done in a manner when they can get going on this project. I agree with you. I think we need to take a look at the entire procurement procedure for the City, but I would tend to support the special ordinance that was used once before.

Alderman Cashin stated it seems to me like we have a long-term and a short-term problem here. Let's address the procurement code at another time. Let's dust off the ordinance and bring it back to the Board in October and pass it and get this done.

Chairman O'Neil asked does it make sense to do anything tonight if it is the sense of this Committee to support that.

Solicitor Clark answered if the Committee would like to ask my office to draft it, we would be happy to do that and get it to the Board in October. You know it has been done before and you can suspend the rules and pass the ordinance in one or two meetings if you wish.

Alderman Cashin asked we can do it in one can't we.

Solicitor Clark answered yes.

On motion of Alderman Clancy, duly seconded by Alderman Wihby, it was voted to ask the City Solicitor to draft an ordinance for a design build project.

Alderman Lopez asked you know where the ordinance is right.

Solicitor Clark answered it is in archives.

Alderman Lopez asked if holding this up for another 30 days would be a problem.

Anagnost answered it is going to sort of hold us up 30 days from essentially beginning our planning process. If I have to live with it, then that will be the case. I also understand from Mr. Jabjiniak that HUD is also researching their stance on

whether or not we really need to follow the procurement code. Is that correct, Bill?

Mr. Jabjiniak replied yes it is. We have brought them into the picture to try and get a citation from them and we are working with Tom to get a final answer and get this thing moving.

Alderman Lopez asked if we decided to move this forward at the Board meeting tonight, could we pass it based on the ordinance that Tom Clark is going to draft.

Chairman O'Neil asked, Tom, if I understood you right that was drafted for a specific project.

Solicitor Clark answered yes. It was designed specifically for the warming hut at Livingston Park and it pertained to that. I know you want to move forward, but I would not advise amending an ordinance without having it in front of you.

Chairman O'Neil asked, Dick, if we do that the first Tuesday in October though, what would that do.

Mr. Anagnost answered what we will do is assume the risk of hiring the architect and try to go forward. I guess one of us needs to walk a tightrope here and unfortunately it is going to be me.

Alderman Lopez asked Mr. Davis and Mr. Taylor, do you support a project like this.

Mr. Davis answered yes, absolutely. As a matter of fact, the building improvement program portion that Mr. Jabjiniak referred to was made possible through the Building Improvement Program.

Mr. Taylor stated I sat in on a number of these meetings and clearly I believe that if we want to see some of these buildings come back and be put into productive use, I think it is clear that we are going to have to use some unusual and expeditious means to accomplish that. I think as you have seen with the Chase block, we had a similar situation where we have had to twist and turn in order to make these things work and this is another example. In answer to your question, yes I am in support of it.

Deputy Clerk Johnson stated with regards to the ordinance that is going to be submitted to the first meeting in October and the question raised to the developer, I guess the suggestion from the Clerk and I would want to confer with Tom on this, is that within the committee report that we submit tonight we could advise the

Board that the ordinance is going to be submitted based on the Committee action at the next meeting of the Board and recommend that the developer be authorized to proceed on the basis that such an ordinance is going to be adopted. That allows them to go forward with the project in the interim. My concern is knowing HUD background, if that ordinance is passed on October 1 and he hires somebody before that passes, they may run into problems with the Feds. I am familiar with HUD and how they work.

Solicitor Clark replied that is possible and that might still be the case. The only reason we are requiring them to go through the procurement process is because of HUD. It is not because of the City. The City is not buying anything here and it is not going out to bid. It is the HUD regulations that are requiring it.

Deputy Clerk Johnson responded so if we asked them to proceed on that basis it sort of covers the full circle.

Solicitor Clark replied legally I wouldn't say that would cover it, no. I think he is still walking a tight line.

Alderman Levasseur asked we only have one meeting in September.

Chairman O'Neil answered yes. That is why this had to be taken up as quickly as it did. It didn't give them enough time to work.

Alderman Gatsas asked, Mr. Jabjiniak, you stated in here that they are all loans and no grants. The Community Development Block Grant is just a figure of speech.

Mr. Jabjiniak answered that is just the name of the program. That is the name of the entitlement from the Federal government.

Alderman Gatsas asked so the funds will be paid back to the City so that some other developer can use them.

Mr. Jabjiniak answered that is correct.

Alderman Gatsas asked and the Community Development Block Grant, even though there is no interest rate, it is paid back based on cash flow so if they walk into a positive cash flow in the first year a percentage of that is paid back.

Mr. Jabjiniak answered yes it is.

Deputy Clerk Johnson stated if I understand correctly, you would want to approve the budget authorizations that were included in your package as a resolution to be moved forward to the Board this evening. There were two comments made in the presentation that are not included in the budget authorizations and I don't know if that needs to be stated somewhere and there was a comment with regards to a \$1 million personal guarantee subject to design and something that I missed. That is not marked anywhere here. I understand it would be part of the loan document, but it probably should be part of the budget authorization or at least part of the committee report.

Mr. Jabjiniak replied the \$1 million guarantee is what you are asking about.

Deputy Clerk Johnson responded yes but that was also subject to something else. So I want to make sure that is clear. You said something about subject to design.

Mr. Jabjiniak stated subject to the procurement code.

Deputy Clerk Johnson replied that is not part of the budget authorization, but we will include it as part of the committee report so that it is clear. It is not marked in your budget authorization that you submitted to them. There is nothing that states that here in writing so I am going to place it as part of the motion and part of the committee report so that it is somewhere in writing that that is an understood factor when you do your loan. Does that make sense? I don't think you have to put it on the budget authorization as long as it is in the report to the Board.

Mr. Jabjiniak answered yes.

On motion of Alderman Cashin, duly seconded by Alderman Lopez, it was voted to approve resolutions and budget authorizations submitted.

There being no further business to come before the Committee, on motion of Alderman Cashin duly seconded by Alderman Wihby, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee