

AGENDA

COMMITTEE ON LANDS AND BUILDINGS

December 16, 2008
Aldermen Smith, Gatsas
Osborne, M. Roy, J. Roy

*Immediately Following the
Special Committee on Energy
Aldermanic Chambers
City Hall (3rd Floor)*

1. Chairman Smith calls the meeting to order.
2. The Clerk calls the roll.

TABLED ITEM

A motion is in order to remove any item off the table.

3. Report of the Board of Mayor and Aldermen advising that is has requested staff to prepare documents to provide that the City agree to extend the term on the 2nd mortgage relating to Lowell Terrace Associates property located at the northwest corner of Lowell and Chestnut Streets to coincide with the expiration of the existing first mortgage in 2013.
(Note: The Committee has requested clarification from Finance as to whether financials from 1984 – 2001 have been provided; Solicitor to provide a fair market value for the property as established by the Superior Court in October; Tabled 8/04/08; The Committee requests the Solicitor to provide an updated Certificate of Insurance for the property; Retabled 12/2/08.)
4. Request from MHRA for \$150,000 to cover various administration costs related to Jac Pac.
(Note: The Committee has requested a list detailing expenditures from 2004 to the present relative to acquisition and maintenance costs associated with the Jac Pac site; Tabled 9/16/08; Requested expenditures submitted by MHRA; Retabled 12/2/08)
5. Communication from Jay Minkarah, Economic Development Director, requesting approval of two amendments to the P&S agreement with the City for the Granite Street Lot, the Seal Tanning Lot and Phillippe Cote Street.
(Note: Jay Minkarah has provided an updated amendment to the purchase and sale agreement attached; Tabled 12/02/08)
6. There being no further business, a motion is in order to adjourn.

To the Board of Mayor and Aldermen of the City of Manchester:

The Committee on Community Improvement respectfully advises, after due and careful consideration, that it has requested staff to prepare documents to provide that the City agree to extend the term on the 2nd mortgage relating to Lowell Terrace Associates property located at the northwest corner of Lowell and Chestnut Streets to coincide with the expiration of the existing first mortgage in 2013.

(Unanimous vote)

~~IN BOARD OF MAYOR & ALDERMEN~~

DATE: May 15, 2007

ON MOTION OF ALD. Forest

SECONDED BY ALD. Shea

VOTED TO table.

L. N. Bernier
~~CITY CLERK~~

Respectfully submitted,

L. N. Bernier

Clerk of Committee

~~IN BOARD OF MAYOR & ALDERMEN~~

DATE: April 1, 2008

ON MOTION OF ALD. Gatsas

SECONDED BY ALD. M Roy

VOTED TO Remove from table and refer to Lands & Buildings

[Signature]
~~CITY CLERK~~

8-21-06 Tabled
10-23-06 Remained
Tabled



**City of Manchester
Department of Finance**

One City Hall Plaza
Manchester, New Hampshire 03101
Phone: (603) 624-6460
Fax: (603) 624-6549

August 9, 2006

Alderman Michael Garrity
C/O Mr. Leo Bernier
City Clerk
One City Hall Plaza
Manchester, NH 03101

Dear Alderman Garrity,

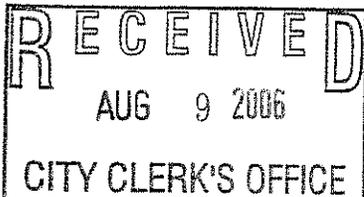
Attached is a copy of correspondence from Lowell Terrace Associates proposing a mortgage/debt consolidation for the property on the northwest corner of Lowell and Chestnut Streets. This is the item that I spoke to you about last week. With your permission, I would like to have the item discussed at the next CIP Committee meeting.

The proposal from the partnership has already been reviewed by the City Solicitor, Economic Development Director, and the Mayor's Office. Please feel free to contact me with any questions.

Sincerely,

Kevin A. Clougherty
Finance Officer

C: Thomas Clark
Paul Borek
Randy Sherman
Mayor Frank Guinta
Ken Edwards, MHRA
Peter Morgan, Property Services
Tom Musgrave, William Steele Associates



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WILLIAM STEELE & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

40 STARK STREET

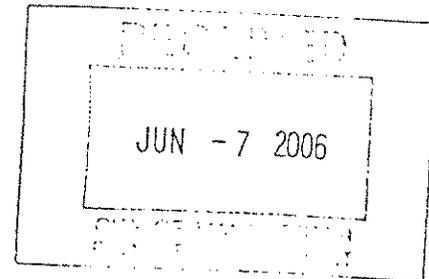
MANCHESTER, NEW HAMPSHIRE 03101

OFFICE 603-622-8881

FAX 603-647-4520

June 6, 2006

Mr. Kevin Clougherty, Finance Director
City of Manchester
One City Hall Plaza East
Manchester, NH 03101



RE: Lowell Terrace Associates

Dear Kevin:

Thank you for arranging the meeting on May 4, 2006. The meeting and subsequent telephone call the week of the 22nd was helpful. I believe we have reached some meaningful preliminary agreements concerning the terms of the original Promissory Note (Note) and subsequent amendment and modifications that will allow us to resolve the remaining issues to our mutual satisfaction.

Based on our discussions, it is my understanding that Lowell Terrace Associates (LTA) and the Manchester Housing Authority (City) agree on the following.

First, the \$1,250,000 portion of the Note is not due at this time. LTA and the City agree that the 1994 Promissory Note Amendment and subsequent modifications have extended the due date of the \$1,250,000 portion of the Note to July 1, 2013. The principal balance outstanding on this portion of the loan was \$559,811 as of December 31, 2005. Based on continuing monthly payments of \$6,885.71, this portion of the loan will be paid in full on July 1, 2013.

Second, the \$250,000 portion of the Note is due. As you know, this \$250,000 portion of the original loan has all of the characteristics of a fifty percent (50%) equity interest in the partnership. These characteristics will be described in more detail in the paragraphs that follow. The City has asked LTA to make a proposal concerning the amount of the pay off.

LTA is prepared to make the City an offer to settle the \$250,000 portion of the original loan and, once the City has reviewed and accepted the proposal, LTA will immediately seek replacement financing to pay off the City.

The original Note terms relating to the \$250,000 portion of the loan have all of the characteristics of a 50% equity interest in the partnership. Section 4 of the Note contains these provisions.

Section 4.a) of the Note describes LTA's obligation to pay interest to the City equal to 50% of the project's cash flow. In this regard, whenever LTA has made cash distributions of accumulated cash flow to its partners, a corresponding and equal cash payment has been made to the City. In connection with its settlement proposal, LTA is prepared to pay to the City 50% of the cash in its accounts, excluding cash held by LTA representing tenant deposits.

Mr. Kevin Clougherty, Finance Director
June 6, 2006
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Section 4.b) of the Note describes LTA's obligation on the twentieth anniversary date of the loan. There has been some disagreement and or misunderstanding concerning this particular provision of the loan. The City, as I understand it, feels that it would be inappropriate to reduce its entitlement under Section 4.b) of the Note by the balance outstanding on the \$1,250,000 portion of the loan. LTA maintains that the balance outstanding on the \$1,250,000 portion of the loan must be taken into account when calculating the City's entitlement. If the outstanding balance on the \$1,250,000 portion of the loan were not taken into account, the City would receive a payment exceeding the value of its 50% equity interest in the project.

Neither party expected an outstanding balance on the \$1,250,000 portion of the loan when the balloon payment due date provision for the \$250,000 portion of the loan was drafted in 1984. However, due to economic circumstances beyond the control of LTA and the City, the project was not able to service its debt and fell behind on its property taxes. Rather than assert its rights as a lien holder entitled to the delinquent property taxes, or assert its rights as the holder of the Note (which was headed into default), the City agreed to certain modifications of the Note in lieu of initiating action to take possession of the partnership's property. I submit to you that the City's actions were well reasoned and were motivated, in principal part, by the desire to protect its right to repayment of the entire outstanding balance of the loan (a balance exceeding \$1,217,000 at the time). It is not inconceivable that the City could have lost hundreds of thousands of dollars had it chosen to take possession of the property in 1994. Instead, the City acted in a manner that was both prudent and in its best interests as a lender and owner of 50% of the partnership equity. The City's actions also allowed the partners of LTA an opportunity to salvage their own 50% equity interest.

In LTA's opinion, the City's balloon payment entitlement on the \$250,000 portion of the original Note must take into account the balance outstanding on the \$1,250,000 portion of the Note. If the City's entitlement were calculated in any other manner, it would contradict the business deal between LTA and the City wherein the City was awarded a 50% equity interest in the project for its \$250,000 loan.

LTA's proposal to pay off the \$250,000 portion of the loan has been determined by treating the City as a 50% equity owner in the partnership. More specifically, the attached calculations estimate the City's balloon payment entitlement under Section 4.b) of the Note by projecting the net cash proceeds available to the partnership assuming a hypothetical sale of the property on August 1, 2006, followed by a distribution of the partnership's net assets in liquidation of the partnership.

The following assumptions are integral parts of the attached calculations.

1. The market value of the property is equal to its assessed value of \$1,255,800.
2. The outstanding principal balance on the \$1,250,000 portion of the loan is \$515,536 on August 1, 2006.

Mr. Kevin Clougherty, Finance Director
June 6, 2006
Page 3

3. A 4% commission would be paid to a third-party broker to facilitate the sale.
4. A New Hampshire real estate transfer tax equal to .75% of the market value would be payable.
5. A New Hampshire Business Profits Tax equal to 8.5% of the gain recognized on sale would be payable.
6. There will be approximately \$150,000 of cash or marketable securities in the partnership's accounts on August 1, 2006.

Based upon the assumptions listed above, LTA estimates the City's entitlement on the \$250,000 portion of the original loan to be \$367,065.

After you have had an opportunity to review this proposal and discuss it with other interested parties, please call me and let me know how you would like to proceed.

Very truly yours,

WILLIAM STEELE & ASSOCIATES, P.C.

Tom Musgrave

Thomas W. Musgrave, CPA

Enclosure

cc: Richard W. Hale w/enclosure
Peter A. Morgan w/enclosure

LOWELL TERRACE ASSOCIATES
 HYPOTHETICAL SALE AND LIQUIDATION ANALYSIS
 AS OF AUGUST 1, 2006

PROJECTED CASH AVAILABLE UPON LIQUIDATION

Estimated Cash and Value of Marketable Securities	150,000
Net Sale Proceeds - See Below	<u>1,196,150</u>
Estimated Cash Balance and Marketable Securities Value	1,346,150
Projected NH Business Profits Tax	(96,484)
Payoff Balance on \$1,250,000 Portion of Loan	<u>(515,536)</u>
Net Cash Available for Distribution	734,129
City's Equity Interest	<u>50.0%</u>
City's Equity Entitlement	<u><u>367,065</u></u>

HYPOTHETICAL SALE OF PROPERTY

Gross Sale Proceeds	1,255,800	Based on Assessed Value
Third-Party Commission @ 4%	(50,232)	
Real Estate Transfer Tax	<u>(9,419)</u>	.75% x 1,255,800
Net Sale Proceeds	1,196,150	
Adjusted Tax Basis of Property	<u>(61,040)</u>	
Projected Gain on Sale of Property	1,135,110	
NH Business Profits Tax Rate	<u>8.5%</u>	
Projected NH Business Profits Tax	<u><u>96,484</u></u>	

May 3, 2007

Mr. Randy Sherman
Assistant Finance Director
Finance Department
One City Hall Plaza East
Manchester, NH 03101

Re: Lowell Terrace Associates

Dear Randy:

It was good to meet with you and the other key City department heads on Monday, April 30th in preparation of the Community Improvement Plan (CIP) Committee meeting scheduled for May 8th. I have again reviewed Tom Musgrave's letter of June 6, 2006, which outlines the history of this project and our proposal last summer.

We now have two (2) major concerns:

1. The treatment of the existing balance of the City's 1st mortgage in determining the equity in the project.
2. The current market value of the building. We are contesting the 2006 revaluation.

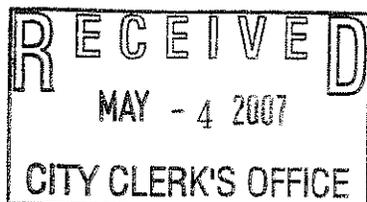
We were and are partners in saving a significant building in Manchester. We have worked closely together for over twenty-three (23) years in restoring and subsequently operating the property through good times and bad. We need to look at the deal itself and move forward to clarify the standing and term of the 2nd mortgage piece of our arrangement. There are only two (2) issues.

I look forward to meeting with the Committee on May 8th.

Sincerely yours,

Peter A. Morgan

Peter A. Morgan
Managing Partner
Lowell Terrace Associates



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Suggested Ways Forward

1. City agrees to extend term on 2nd mortgage to July 1, 2013, concurrent with the extension of the existing 1st mortgage.
2. City demands payment of the 2nd mortgage valued at one-half (1/2) the fair market value of the building without consideration that the 1st mortgage is still in place. (Current balance of 1st mortgage as of April 30, 2007 is \$470,367.12.)
 - a. The loan will fall into default as the Lowell Terrace partners do not concur on the method of valuing the 2nd mortgage.
 - b. The default provisions in the original note clearly provide the method of valuing the 2nd mortgage in the event of a default. The remaining balance of the 1st mortgage is deducted from the fair market value to establish the value to be paid to retire the 2nd mortgage.
3. City agrees that the existing balance of the 1st mortgage affects the current value of the 2nd mortgage.
 - a. We jointly agree to establish the current fair market value of the property.
 - b. The Lowell Terrace partners will proceed to arrange 3rd party financing and within ninety (90) days of 3.a. will pay off the 2nd mortgage.



**City of Manchester
Department of Finance**

One City Hall Plaza
Manchester, New Hampshire 03101
(603) 624-6460
(603) 624-6549 Fax

M E M O R A N D U M

Date: May 30, 2007
To: Board of Mayor and Aldermen
From: William Sanders 
RE: Lowell Terrace Requests

Attached in response to questions and requests at the May 15 BMA meeting are the following documents related to the Lowell Terrace project.

1. The audited partnership financial statements for the years ended June 30, 2006 and June 30, 2005.
2. A four page schedule detailing from inception payments on the \$1,250,000 first mortgage.
3. A summary of interest payments received on the \$250,000 second mortgage.
4. A current amortization schedule through July 2013 for the first mortgage.
5. A copy of Randy Sherman's draft letter of September 18, 2001 regarding Lowell Terrace. This draft letter was referenced at the May 15, 2007 BMA meeting.

We have requested a certificate of insurance and expect to have copies available at the meeting.

LOWELL TERRACE ASSOCIATES

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005

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WILLIAM STEELE & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

40 STARK STREET

MANCHESTER, NEW HAMPSHIRE 03101

OFFICE 603-622-8881

FAX 603-647-4520

To the Partners
Lowell Terrace Associates
Manchester, New Hampshire

We have compiled the accompanying statements of assets, liabilities and capital - income tax basis of Lowell Terrace Associates (a partnership) as of December 31, 2006 and 2005, and the related statements of revenue and expenses, partners' capital and cash flows - income tax basis for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

William Steele & Associates, P.C.

Manchester, New Hampshire
May 18, 2007

LOWELL TERRACE ASSOCIATES
STATEMENTS OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL -
INCOME TAX BASIS
DECEMBER 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash	\$ 108,715	\$ 116,665
Cash - security deposits	14,029	16,791
Due from Metropolis	3,302	-
	126,046	133,456
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT		
Land	50,000	50,000
Building and improvements	1,782,305	1,776,108
Furniture and fixtures	21,429	21,429
	1,853,734	1,847,537
Less: accumulated depreciation	(1,790,565)	(1,786,497)
	63,169	61,040
NET PROPERTY AND EQUIPMENT		
TOTAL ASSETS	\$ 189,215	\$ 194,496

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES		
Security deposits payable	\$ 14,209	\$ 16,971
Current portion of notes payable	318,777	316,747
	332,986	333,718
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES		
Notes payable, net of current portion	602,764	671,541
	935,750	1,005,259
TOTAL LIABILITIES		
PARTNERS' CAPITAL (DEFICIT)	(746,535)	(810,763)
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 189,215	\$ 194,496

See Accountants' Compilation Report and Notes to Financial Statements

LOWELL TERRACE ASSOCIATES
STATEMENTS OF REVENUE AND EXPENSES -
INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
REVENUE		
Rental income	\$ 267,603	\$ 274,258
Other income	<u>2,231</u>	<u>2,174</u>
TOTAL REVENUE	<u>269,834</u>	<u>276,432</u>
OPERATING EXPENSES		
Real estate taxes	38,300	35,614
Gas	34,893	25,623
Repairs and maintenance	22,640	13,073
Management fees	20,604	18,449
Interest	15,882	29,852
Electricity	12,116	10,046
Insurance	10,038	9,540
Water and sewer	9,303	11,758
Accounting fees	9,261	3,075
Janitorial service	6,351	8,861
Exterminator	4,305	2,600
Depreciation	4,068	4,058
Supplies	3,883	3,171
Fire alarm	2,680	2,659
Waste disposal	2,160	2,160
Filing fee	1,315	-
Bank charges	1,279	1,480
General partner fees	1,200	1,200
Legal fees	1,156	-
Appliances	898	-
Central business district tax	828	804
Rental equipment	571	-
Grounds maintenance	475	1,620
Advertising	461	752
Telephone	375	317
Entertainment	240	67
Rental incentive plan fee	100	-
Foreign tax expense	38	13
Amortization	<u>-</u>	<u>2,250</u>
TOTAL OPERATING EXPENSES	<u>\$ 205,420</u>	<u>\$ 189,042</u>

See Accountants' Compilation Report and Notes to Financial Statements

LOWELL TERRACE ASSOCIATES
 STATEMENTS OF REVENUE AND EXPENSES -
 INCOME TAX BASIS
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
INCOME FROM OPERATIONS	64,414	87,390
INTEREST AND DIVIDEND INCOME	2,266	2,842
GAIN ON SALE OF SECURITIES	<u>2,640</u>	<u>-</u>
INCOME BEFORE STATE TAXES	69,320	90,232
STATE TAXES PAID	<u>(5,092)</u>	<u>(11,298)</u>
NET INCOME	<u>\$ 64,228</u>	<u>\$ 78,934</u>

See Accountants' Compilation Report and Notes to Financial Statements

LOWELL TERRACE ASSOCIATES
STATEMENTS OF CHANGES IN PARTNERS' CAPITAL (DEFICIENCY) -
INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

BALANCE, December 31, 2004	\$ (847,697)
Net Income	78,934
Cash Distributions to Partners	(42,000)
	(810,763)
BALANCE, December 31, 2005	(810,763)
Net Income	64,228
Cash Distributions to Partners	-
	-
BALANCE, December 31, 2006	\$ <u>(746,535)</u>

See Accountants' Compilation Report and Notes to Financial Statements

LOWELL TERRACE ASSOCIATES
STATEMENTS OF CASH FLOWS -
INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 64,228	\$ 78,934
Adjustments to reconcile net income to net cash from operations:		
Depreciation	4,068	4,058
Amortization	-	2,250
Increase (decrease) in assets and liabilities:		
Security deposits payable	(2,762)	(1,850)
Due from Metropolis	(3,302)	-
	<u>62,232</u>	<u>83,392</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of new equipment and improvements	(6,197)	(1,118)
Principal payments on notes payable	(66,747)	(64,777)
Cash distributions to partners	-	(42,000)
	<u>(72,944)</u>	<u>(107,895)</u>
NET CASH USED BY FINANCING ACTIVITIES		
NET DECREASE IN CASH	(10,712)	(24,503)
CASH, BEGINNING OF YEAR	<u>133,456</u>	<u>157,959</u>
CASH, END OF YEAR	<u>\$ 122,744</u>	<u>\$ 133,456</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2006</u>	<u>2005</u>
Cash paid during the year for:		
Interest	\$ 15,882	\$ 29,852
State Taxes, net of refunds	\$ 5,092	\$ 11,298

See Accountants' Compilation Report and Notes to Financial Statements

**LOWELL TERRACE ASSOCIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 1. THE PARTNERSHIP

Lowell Terrace Associates is a New Hampshire general partnership formed on September 1, 1984 for the purpose of managing and investing in real estate for its own purposes or on behalf of others. During 1986, the Partnership, through a related party (See Note 5), completed the construction of a 63-unit low-income housing project in Manchester, New Hampshire. Occupancy in units of the project includes leases whose rent levels conform to the Section 8 Existing Program offered by the United States Department of Housing and Urban Development. This project is presently the Partnership's only investment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Partnership's policy is to prepare its financial statements on the accounting basis used for income tax purposes, generally on the basis of cash receipts and disbursements. On such basis, the financial statements do not include rents accrued or uncollected, or accounts payable for services billed but unpaid and other accrued liabilities. These policies differ from generally accepted accounting principles whereby income and the related assets are recognized when earned and certain expenses are recognized when the related obligations are incurred.

Depreciation

Depreciation is computed using straight-line and accelerated methods over lives ranging from five to twenty-eight years.

Deferred Costs

Financing fees have been amortized over the term (20 years) of the underlying indebtedness to which it relates.

Income Taxes

Lowell Terrace Associates is treated as a Partnership for federal income tax purposes and does not incur federal income taxes. Instead, the Partnership's profits and losses are reported in the individual partners' tax return. The Partnership is liable for state income taxes and state business taxes. When state taxes are paid by the Partnership, such taxes are reflected in the partners' distributive share of income or loss.

Concentration of Credit Risk

The Partnership occasionally maintains deposits in excess of Federally insured limits. Statements of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

LOWELL TERRACE ASSOCIATES
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Reclassifications

Certain amounts in the December 31, 2005 financial statements have been reclassified to conform to the December 31, 2006 presentation.

NOTE 3. NOTES PAYABLE

Notes payable at December 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
\$1,500,000 Promissory Note dated December 1984, (as amended and modified) with the following terms and conditions:		
\$1,250,000 of the Promissory Note bears interest at 3%; payable in monthly installments of \$6,886; matures July 2013. The note is secured by a first mortgage on the project and the personal guarantees of the partners.	\$ 493,064	\$ 559,811
\$250,000 of the Promissory Note requires annual interest payments commencing in 1987 equal to 50% of the net cash flows of the project, as defined; a balloon payment of principal and interest is due under the terms of the original note 20 years after completion of construction equal to one-half (1/2) of the fair market value of the property at that date. The note is secured by a first mortgage on the project and the personal guarantees of the partners. Interest payments of \$12,000 were made in 2005.	250,000	250,000
Note payable to a partner; principal due on demand, interest at 10.5% per annum; collateralized by a mortgage on the project. No payments were made on this note during 2006 and 2005.	80,000	80,000

**LOWELL TERRACE ASSOCIATES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

NOTE 3. NOTES PAYABLE (continued)

	<u>2006</u>	<u>2005</u>
Other unsecured notes payable due to affiliated entities and partners of the Partnership, with no repayment terms or rates of interest specified.	<u>\$ 98,477</u>	<u>\$ 98,477</u>
	921,541	988,288
Less: current portion due within one year	<u>(318,777)</u>	<u>(316,747)</u>
	<u>\$ 602,764</u>	<u>\$ 671,541</u>

The aggregate amount of future principal payments on partnership debt at December 31, 2006 are as follows:

Year Ending December 31,	
2007	\$318,777
2008	70,869
2009	73,025
2010	75,246
2011	77,534
2012 and thereafter	<u>306,090</u>
Total	<u>\$921,541</u>

NOTE 4. RELATED PARTY TRANSACTIONS

The Partnership receives property management services (for a management fee determined at 7% of rental income) from a related entity. The Partnership paid \$1,200 during 2006 and 2005 to an entity controlled by one of the partners for extraordinary general partner services. In addition, as discussed in Note 3, the Partnership is obligated to the partners and various other related parties in the amount of \$178,477 at December 31, 2006 and 2005.

Lowell Terrace
Payments on \$1,250,000
First Mortgage

NUMBER	DATE PAID	AMOUNT PAID
1	5/17/89	7,829.69
2	6/6/89	7,829.69
3	7/17/89	7,829.69
4	8/10/89	7,829.69
5	9/13/89	7,829.69
6	11/22/89	7,829.69
7	11/22/89	7,829.69
8	12/13/89	7,829.69
9	1/17/90	7,829.69
10	2/15/90	7,829.69
11	3/15/89	7,829.69
12	4/18/90	7,829.69
13	5/14/90	7,829.69
14	6/14/90	7,829.69
15	7/17/90	7,829.69
16	8/20/90	7,829.69
17	9/12/90	7,829.69
18	10/26/90	7,829.69
19	11/19/90	7,829.69
20	12/24/90	7,829.69
21	1/15/91	7,829.69
22	2/21/91	7,829.69
23	3/14/91	7,829.69
24	4/15/91	7,829.69
25	5/20/91	7,829.69
26	6/13/91	7,829.69
27	7/30/91	7,829.69
28	8/15/91	7,829.69
29	9/16/91	7,829.69
30	10/21/91	7,829.69
31	11/18/91	7,829.69
32	12/13/91	7,829.69
33	1/15/92	7,829.69
34	2/19/92	7,829.69
35	3/6/92	7,829.69
36	4/16/92	7,829.69
37	5/14/92	7,829.69
38	6/15/92	7,829.69
39	7/31/92	7,829.69
40	8/12/92	7,829.69
41	8/19/92	7,829.69
42	9/22/92	7,829.69
43	10/13/92	7,829.69
44	11/17/92	7,829.69
45	12/11/92	7,829.69
46	1/12/93	7,829.69
47	2/11/93	7,829.69
48	3/11/93	7,829.69
49	4/13/93	7,829.69
50	5/11/93	7,829.69

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51	6/11/93	7,829.69
52	7/14/93	7,829.69
53	8/9/93	7,829.69
54	9/9/93	7,829.69
55	10/14/93	7,829.69
56	11/19/93	7,829.69
57	12/13/93	7,829.69
58	1/6/94	7,829.69
59	2/16/94	7,829.69
60	3/11/94	7,829.69
61	4/13/94	7,829.69
62	5/25/94	7,829.69
63	6/30/94	7,829.69
64	8/15/94	7,829.69
65	10/14/94	7,829.69
66	10/14/94	7,829.69
67	11/28/94	7,829.69
68	12/29/94	7,829.69
69	1/31/95	7,829.69
70	4/10/95	2,500.00
71	5/9/95	2,500.00
72	6/15/95	2,500.00
73	7/15/95	2,500.00
74	8/15/95	2,500.00
75	9/14/95	2,500.00
76	10/20/95	2,500.00
77	11/20/95	2,500.00
78	12/26/95	2,500.00
79	1/19/96	2,500.00
80	2/20/96	2,500.00
81	3/18/96	2,500.00
82	4/18/96	2,500.00
83	5/13/96	2,500.00
84	6/11/96	2,500.00
85	7/12/96	2,500.00
86	8/15/96	2,500.00
87	9/13/96	2,500.00
88	10/96	2,500.00
89	11/19/96	2,500.00
90	12/10/96	2,500.00
91	1/24/97	2,500.00
92	3/17/97	2,500.00
93	4/15/97	2,500.00
94	5/16/97	2,500.00
95	06/19/97	2,500.00
96	07/21/97	2,500.00
97	8/19/97	2,500.00
98	09/23/97	2,500.00
99	10/16/97	2,500.00
100	11/20/97	2,500.00
101	12/12/97	2,500.00
102	1/26/98	2,500.00
103	2/18/98	2,500.00
104	3/17/98	2,500.00
105	4/16/98	2,500.00
106	5/13/98	2,500.00
107	6/16/98	2,500.00
108	8/7/98	6,885.71

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109	9/3/98	6,885.71
110	copy of check not made	6,885.71
111	11/6/98	6,885.71
112	12/3/98	6,885.71
113	1/5/99	6,885.71
114	2/8/99	6,885.71
115	3/8/99	6,885.71
116	4/08/99	6,885.71
117	5/17/99	6,885.71
118	6/30/99	6,885.71
119	7/6/99	6,885.71
120	8/3/99	6,885.71
121	9/2/99	6,885.71
122	10/5/99	6,885.71
123	11/4/99	6,885.71
124	12/2/99	6,885.71
125	1/6/00	6,885.71
126	2/3/0	6,885.71
127	3/1/00	6,885.71
128	4/6/00	6,885.71
129	5/4/00	6,885.71
130	6/1/00	6,885.71
131	7/6/00	6,885.71
132	8/8/00	6,885.71
133	9/7/00	6,885.71
134	10/5/00	6,885.71
135	10/2/00	6,885.71
136	12/5/00	6,885.71
137	01/05/01	6,885.71
138	02/07/01	6,885.71
139	03/12/01	6,885.71
140	4/6/01	6,885.71
141	05/07/01	6,885.71
142	06/06/01	6,885.71
143	07/10/01	6,885.71
144	08/02/01	6,885.71
145	09/06/01	6,885.71
146	10/04/01	6,885.71
147	11/02/01	6,885.71
148	12/6/01	6,885.71
149	1/3/02	6,885.71
150	2/7/02	6,885.71
151	3/14/02	6,885.71
152	4/4/02	6,885.71
153	5/9/02	6,885.71
154	6/6/02	6,885.71
155	07/02/02	6,885.71
156	08/02/02	6,885.71
157	9/5/02	6,885.71
158	10/03/02	6,885.71
159	11/4/02	6,885.71
160	12/05/02	6,885.71
161	01/02/03	6,885.71
162	02/06/03	6,885.71
163	3/6/03	6,885.71
164	4/10/03	6,885.71
165	5/8/03	6885.71
166	6/5/03	6,885.71

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167	7/3/03	6,885.71
168	08/07/03	6,885.71
169	9/7/03	6,885.71
170	10/02/03	6,885.71
171	11/07/03	6,885.71
172	12/5/03	6,885.71
173	01/08/04	6,885.71
174	2/5/04	6,885.71
175	3/4/04	6,885.71
176	4/1/04	6,885.71
177	5/6/04	6,885.71
178	6/3/04	6,885.71
179	7/9/04	6,885.71
180	8/5/04	6,885.71
181	9/2/04	6,885.71
182	10/7/04	6,885.71
183	11/4/04	6,885.71
184	12/2/04	6,885.71
185	1/6/05	6,885.71
186	2/3/05	6,885.71
187	03/05/05	6,885.71
188	4/7/05	6,885.71
189	5/5/05	6,885.71
190	6/2/05	6,885.71
191	7/7/05	6,885.71
192	8/4/05	6,885.71
193	9/1/05	6,885.71
194	10/6/05	6,885.71
195	11/4/05	6,885.71
196	12/2/05	6,885.71
197	1/6/06	6,885.71
198	2/2/06	6,885.71
199	3/3/06	6,885.71
200	4/6/06	6,885.71
201	5/4/06	6,885.71
202	6/1/06	6,885.71
203	7/7/06	6,885.71
204	8/4/06	6,885.71
205	9/7/06	6,885.71
206	10/5/06	6,885.71
207	11/1/06	6,885.71
208	12/8/06	6,885.71
209	1/2/07	6,885.71
210	2/1/07	6,885.71
211	3/9/07	6,885.71
212	4/5/07	6,885.71
Total		\$1,351,362.45
Total Interest		\$571,730.05
Total Principal		\$779,632.40
Total Paid		\$1,351,362.45

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Lowell Terrace

Interest Payments on \$250,000 Second Mortgage

Fiscal Year	Amount
2007	0
2006	12,000
2005	30,000
2004	25,000
2003	90,000
2001	35,293
Total Received	\$192,293

Wes
5/30/07

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CDBG PROGRAM INCOME			Principal Amount	\$	997,087.76
LOWELL TERRACE			Years to Maturity		15
			# of Payments		180
			Interest Rate		3.00%
			Pmts per year		12
			Year of Loan		
			Payment		\$6,885.71
#	Date	Payment	Interest	Principal	Balance
1	Aug-98	\$6,885.71	\$ 2,492.72	\$ 4,392.99	\$ 997,087.76
2	Sep-98	\$6,885.71	\$ 2,481.74	\$ 4,403.97	\$ 992,694.77
3	Oct-98	\$6,885.71	\$ 2,470.73	\$ 4,414.98	\$ 988,290.81
4	Nov-98	\$6,885.71	\$ 2,459.69	\$ 4,426.02	\$ 983,875.83
5	Dec-98	\$6,885.71	\$ 2,448.62	\$ 4,437.08	\$ 979,449.81
6	Jan-99	\$6,885.71	\$ 2,437.53	\$ 4,448.17	\$ 975,012.73
7	Feb-99	\$6,885.71	\$ 2,426.41	\$ 4,459.29	\$ 970,564.56
8	Mar-99	\$6,885.71	\$ 2,415.26	\$ 4,470.44	\$ 966,105.27
9	Apr-99	\$6,885.71	\$ 2,404.09	\$ 4,481.62	\$ 961,634.82
10	May-99	\$6,885.71	\$ 2,392.88	\$ 4,492.82	\$ 957,153.21
11	Jun-99	\$6,885.71	\$ 2,381.65	\$ 4,504.05	\$ 952,660.38
12	Jul-99	\$6,885.71	\$ 2,370.39	\$ 4,515.31	\$ 948,156.33
13	Aug-99	\$6,885.71	\$ 2,359.10	\$ 4,526.60	\$ 943,641.02
14	Sep-99	\$6,885.71	\$ 2,347.79	\$ 4,537.92	\$ 939,114.41
15	Oct-99	\$6,885.71	\$ 2,336.44	\$ 4,549.26	\$ 934,576.49
16	Nov-99	\$6,885.71	\$ 2,325.07	\$ 4,560.64	\$ 930,027.23
17	Dec-99	\$6,885.71	\$ 2,313.67	\$ 4,572.04	\$ 925,466.59
18	Jan-00	\$6,885.71	\$ 2,302.24	\$ 4,583.47	\$ 920,894.55
19	Feb-00	\$6,885.71	\$ 2,290.78	\$ 4,594.93	\$ 916,311.09
20	Mar-00	\$6,885.71	\$ 2,279.29	\$ 4,606.41	\$ 911,716.16
21	Apr-00	\$6,885.71	\$ 2,267.77	\$ 4,617.93	\$ 907,109.74
22	May-00	\$6,885.71	\$ 2,256.23	\$ 4,629.48	\$ 902,491.81
23	Jun-00	\$6,885.71	\$ 2,244.66	\$ 4,641.05	\$ 897,862.34
24	Jul-00	\$6,885.71	\$ 2,233.05	\$ 4,652.65	\$ 893,221.29
25	Aug-00	\$6,885.71	\$ 2,221.42	\$ 4,664.28	\$ 888,568.64
26	Sep-00	\$6,885.71	\$ 2,209.76	\$ 4,675.94	\$ 883,904.35
27	Oct-00	\$6,885.71	\$ 2,198.07	\$ 4,687.63	\$ 879,228.41
28	Nov-00	\$6,885.71	\$ 2,186.35	\$ 4,699.35	\$ 874,540.78
29	Dec-00	\$6,885.71	\$ 2,174.60	\$ 4,711.10	\$ 869,841.42
30	Jan-01	\$6,885.71	\$ 2,162.83	\$ 4,722.88	\$ 865,130.32
31	Feb-01	\$6,885.71	\$ 2,151.02	\$ 4,734.69	\$ 860,407.44
32	Mar-01	\$6,885.71	\$ 2,139.18	\$ 4,746.52	\$ 855,672.76
33	Apr-01	\$6,885.71	\$ 2,127.32	\$ 4,758.39	\$ 850,926.23
34	May-01	\$6,885.71	\$ 2,115.42	\$ 4,770.29	\$ 846,167.84
35	Jun-01	\$6,885.71	\$ 2,103.49	\$ 4,782.21	\$ 841,397.56
36	Jul-01	\$6,885.71	\$ 2,091.54	\$ 4,794.17	\$ 836,615.35
37	Aug-01	\$6,885.71	\$ 2,079.55	\$ 4,806.15	\$ 831,821.18
38	Sep-01	\$6,885.71	\$ 2,067.54	\$ 4,818.17	\$ 827,015.03
39	Oct-01	\$6,885.71	\$ 2,055.49	\$ 4,830.21	\$ 822,196.86
40	Nov-01	\$6,885.71	\$ 2,043.42	\$ 4,842.29	\$ 817,366.65
41	Dec-01	\$6,885.71	\$ 2,031.31	\$ 4,854.39	\$ 812,524.36
42	Jan-02	\$6,885.71	\$ 2,019.17	\$ 4,866.53	\$ 807,669.97
43	Feb-02	\$6,885.71	\$ 2,007.01	\$ 4,878.70	\$ 802,803.44
44	Mar-02	\$6,885.71	\$ 1,994.81	\$ 4,890.89	\$ 797,924.74
					\$ 793,033.85

Lowell Terrace

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CDBG PROGRAM INCOME			Principal Amount	\$ 997,087.76	
LOWELL TERRACE			Years to Maturity	15	
			# of Payments	180	
			Interest Rate	3.00%	
			Pmts per year	12	
			Year of Loan		
			Payment	\$6,885.71	
#	Date	Payment	Interest	Principal	Balance
45	Apr-02	\$6,885.71	\$ 1,982.58	\$ 4,903.12	\$ 788,130.73
46	May-02	\$6,885.71	\$ 1,970.33	\$ 4,915.38	\$ 783,215.35
47	Jun-02	\$6,885.71	\$ 1,958.04	\$ 4,927.67	\$ 778,287.68
48	Jul-02	\$6,885.71	\$ 1,945.72	\$ 4,939.99	\$ 773,347.69
49	Aug-02	\$6,885.71	\$ 1,933.37	\$ 4,952.34	\$ 768,395.36
50	Sep-02	\$6,885.71	\$ 1,920.99	\$ 4,964.72	\$ 763,430.64
51	Oct-02	\$6,885.71	\$ 1,908.58	\$ 4,977.13	\$ 758,453.51
52	Nov-02	\$6,885.71	\$ 1,896.13	\$ 4,989.57	\$ 753,463.94
53	Dec-02	\$6,885.71	\$ 1,883.66	\$ 5,002.05	\$ 748,461.90
54	Jan-03	\$6,885.71	\$ 1,871.15	\$ 5,014.55	\$ 743,447.35
55	Feb-03	\$6,885.71	\$ 1,858.62	\$ 5,027.09	\$ 738,420.26
56	Mar-03	\$6,885.71	\$ 1,846.05	\$ 5,039.65	\$ 733,380.61
57	Apr-03	\$6,885.71	\$ 1,833.45	\$ 5,052.25	\$ 728,328.35
58	May-03	\$6,885.71	\$ 1,820.82	\$ 5,064.88	\$ 723,263.47
59	Jun-03	\$6,885.71	\$ 1,808.16	\$ 5,077.55	\$ 718,185.92
60	Jul-03	\$6,885.71	\$ 1,795.46	\$ 5,090.24	\$ 713,095.68
61	Aug-03	\$6,885.71	\$ 1,782.74	\$ 5,102.97	\$ 707,992.72
62	Sep-03	\$6,885.71	\$ 1,769.98	\$ 5,115.72	\$ 702,876.99
63	Oct-03	\$6,885.71	\$ 1,757.19	\$ 5,128.51	\$ 697,748.48
64	Nov-03	\$6,885.71	\$ 1,744.37	\$ 5,141.33	\$ 692,607.15
65	Dec-03	\$6,885.71	\$ 1,731.52	\$ 5,154.19	\$ 687,452.96
66	Jan-04	\$6,885.71	\$ 1,718.63	\$ 5,167.07	\$ 682,285.89
67	Feb-04	\$6,885.71	\$ 1,705.71	\$ 5,179.99	\$ 677,105.90
68	Mar-04	\$6,885.71	\$ 1,692.76	\$ 5,192.94	\$ 671,912.96
69	Apr-04	\$6,885.71	\$ 1,679.78	\$ 5,205.92	\$ 666,707.03
70	May-04	\$6,885.71	\$ 1,666.77	\$ 5,218.94	\$ 661,488.10
71	Jun-04	\$6,885.71	\$ 1,653.72	\$ 5,231.98	\$ 656,256.11
72	Jul-04	\$6,885.71	\$ 1,640.64	\$ 5,245.06	\$ 651,011.05
73	Aug-04	\$6,885.71	\$ 1,627.53	\$ 5,258.18	\$ 645,752.87
74	Sep-04	\$6,885.71	\$ 1,614.38	\$ 5,271.32	\$ 640,481.55
75	Oct-04	\$6,885.71	\$ 1,601.20	\$ 5,284.50	\$ 635,197.05
76	Nov-04	\$6,885.71	\$ 1,587.99	\$ 5,297.71	\$ 629,899.33
77	Dec-04	\$6,885.71	\$ 1,574.75	\$ 5,310.96	\$ 624,588.38
78	Jan-05	\$6,885.71	\$ 1,561.47	\$ 5,324.23	\$ 619,264.14
79	Feb-05	\$6,885.71	\$ 1,548.16	\$ 5,337.54	\$ 613,926.60
80	Mar-05	\$6,885.71	\$ 1,534.82	\$ 5,350.89	\$ 608,575.71
81	Apr-05	\$6,885.71	\$ 1,521.44	\$ 5,364.27	\$ 603,211.44
82	May-05	\$6,885.71	\$ 1,508.03	\$ 5,377.68	\$ 597,833.77
83	Jun-05	\$6,885.71	\$ 1,494.58	\$ 5,391.12	\$ 592,442.65
84	Jul-05	\$6,885.71	\$ 1,481.11	\$ 5,404.60	\$ 587,038.05
85	Aug-05	\$6,885.71	\$ 1,467.60	\$ 5,418.11	\$ 581,619.94
86	Sep-05	\$6,885.71	\$ 1,454.05	\$ 5,431.66	\$ 576,188.28
87	Oct-05	\$6,885.71	\$ 1,440.47	\$ 5,445.23	\$ 570,743.05
88	Nov-05	\$6,885.71	\$ 1,426.86	\$ 5,458.85	\$ 565,284.20
89	Dec-05	\$6,885.71	\$ 1,413.21	\$ 5,472.49	\$ 559,811.71

Lowell Terrace

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CDBG PROGRAM INCOME				Principal Amount	\$ 997,087.76
LOWELL TERRACE				Years to Maturity	15
				# of Payments	180
				Interest Rate	3.00%
				Pmts per year	12
				Year of Loan	
				Payment	\$6,885.71
#	Date	Payment	Interest	Principal	Balance
90	Jan-06	\$6,885.71	\$ 1,399.53	\$ 5,486.18	\$ 554,325.53
91	Feb-06	\$6,885.71	\$ 1,385.81	\$ 5,499.89	\$ 548,825.64
92	Mar-06	\$6,885.71	\$ 1,372.06	\$ 5,513.64	\$ 543,312.00
93	Apr-06	\$6,885.71	\$ 1,358.28	\$ 5,527.43	\$ 537,784.57
94	May-06	\$6,885.71	\$ 1,344.46	\$ 5,541.24	\$ 532,243.33
95	Jun-06	\$6,885.71	\$ 1,330.61	\$ 5,555.10	\$ 526,688.23
96	Jul-06	\$6,885.71	\$ 1,316.72	\$ 5,568.98	\$ 521,119.25
97	Aug-06	\$6,885.71	\$ 1,302.80	\$ 5,582.91	\$ 515,536.34
98	Sep-06	\$6,885.71	\$ 1,288.84	\$ 5,596.86	\$ 509,939.48
99	Oct-06	\$6,885.71	\$ 1,274.85	\$ 5,610.86	\$ 504,328.62
100	Nov-06	\$6,885.71	\$ 1,260.82	\$ 5,624.88	\$ 498,703.74
101	Dec-06	\$6,885.71	\$ 1,246.76	\$ 5,638.95	\$ 493,064.79
102	Jan-07	\$6,885.71	\$ 1,232.66	\$ 5,653.04	\$ 487,411.75
103	Feb-07	\$6,885.71	\$ 1,218.53	\$ 5,667.18	\$ 481,744.57
104	Mar-07	\$6,885.71	\$ 1,204.36	\$ 5,681.34	\$ 476,063.23
105	Apr-07	\$6,885.71	\$ 1,190.16	\$ 5,695.55	\$ 470,367.68
106	May-07	\$6,885.71	\$ 1,175.92	\$ 5,709.79	\$ 464,657.90
107	Jun-07	\$6,885.71	\$ 1,161.64	\$ 5,724.06	\$ 458,933.84
108	Jul-07	\$6,885.71	\$ 1,147.33	\$ 5,738.37	\$ 453,195.47
109	Aug-07	\$6,885.71	\$ 1,132.99	\$ 5,752.72	\$ 447,442.75
110	Sep-07	\$6,885.71	\$ 1,118.61	\$ 5,767.10	\$ 441,675.65
111	Oct-07	\$6,885.71	\$ 1,104.19	\$ 5,781.52	\$ 435,894.14
112	Nov-07	\$6,885.71	\$ 1,089.74	\$ 5,795.97	\$ 430,098.17
113	Dec-07	\$6,885.71	\$ 1,075.25	\$ 5,810.46	\$ 424,287.71
114	Jan-08	\$6,885.71	\$ 1,060.72	\$ 5,824.99	\$ 418,462.72
115	Feb-08	\$6,885.71	\$ 1,046.16	\$ 5,839.55	\$ 412,623.17
116	Mar-08	\$6,885.71	\$ 1,031.56	\$ 5,854.15	\$ 406,769.03
117	Apr-08	\$6,885.71	\$ 1,016.92	\$ 5,868.78	\$ 400,900.24
118	May-08	\$6,885.71	\$ 1,002.25	\$ 5,883.45	\$ 395,016.79
119	Jun-08	\$6,885.71	\$ 987.54	\$ 5,898.16	\$ 389,118.63
120	Jul-08	\$6,885.71	\$ 972.80	\$ 5,912.91	\$ 383,205.72
121	Aug-08	\$6,885.71	\$ 958.01	\$ 5,927.69	\$ 377,278.03
122	Sep-08	\$6,885.71	\$ 943.20	\$ 5,942.51	\$ 371,335.52
123	Oct-08	\$6,885.71	\$ 928.34	\$ 5,957.37	\$ 365,378.15
124	Nov-08	\$6,885.71	\$ 913.45	\$ 5,972.26	\$ 359,405.89
125	Dec-08	\$6,885.71	\$ 898.51	\$ 5,987.19	\$ 353,418.70
126	Jan-09	\$6,885.71	\$ 883.55	\$ 6,002.16	\$ 347,416.54
127	Feb-09	\$6,885.71	\$ 868.54	\$ 6,017.16	\$ 341,399.38
128	Mar-09	\$6,885.71	\$ 853.50	\$ 6,032.21	\$ 335,367.17
129	Apr-09	\$6,885.71	\$ 838.42	\$ 6,047.29	\$ 329,319.89
130	May-09	\$6,885.71	\$ 823.30	\$ 6,062.41	\$ 323,257.48
131	Jun-09	\$6,885.71	\$ 808.14	\$ 6,077.56	\$ 317,179.92
132	Jul-09	\$6,885.71	\$ 792.95	\$ 6,092.76	\$ 311,087.16
133	Aug-09	\$6,885.71	\$ 777.72	\$ 6,107.99	\$ 304,979.18
134	Sep-09	\$6,885.71	\$ 762.45	\$ 6,123.26	\$ 298,855.92

Lowell Terrace

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CDBG PROGRAM INCOME			Principal Amount	\$ 997,087.76	
LOWELL TERRACE			Years to Maturity	15	
			# of Payments	180	
			Interest Rate	3.00%	
			Pmts per year	12	
			Year of Loan		
			Payment	\$6,885.71	
#	Date	Payment	Interest	Principal	Balance
135	Oct-09	\$6,885.71	\$ 747.14	\$ 6,138.57	\$ 292,717.35
136	Nov-09	\$6,885.71	\$ 731.79	\$ 6,153.91	\$ 286,563.44
137	Dec-09	\$6,885.71	\$ 716.41	\$ 6,169.30	\$ 280,394.15
138	Jan-10	\$6,885.71	\$ 700.99	\$ 6,184.72	\$ 274,209.43
139	Feb-10	\$6,885.71	\$ 685.52	\$ 6,200.18	\$ 268,009.25
140	Mar-10	\$6,885.71	\$ 670.02	\$ 6,215.68	\$ 261,793.56
141	Apr-10	\$6,885.71	\$ 654.48	\$ 6,231.22	\$ 255,562.34
142	May-10	\$6,885.71	\$ 638.91	\$ 6,246.80	\$ 249,315.54
143	Jun-10	\$6,885.71	\$ 623.29	\$ 6,262.42	\$ 243,053.13
144	Jul-10	\$6,885.71	\$ 607.63	\$ 6,278.07	\$ 236,775.05
145	Aug-10	\$6,885.71	\$ 591.94	\$ 6,293.77	\$ 230,481.29
146	Sep-10	\$6,885.71	\$ 576.20	\$ 6,309.50	\$ 224,171.79
147	Oct-10	\$6,885.71	\$ 560.43	\$ 6,325.28	\$ 217,846.51
148	Nov-10	\$6,885.71	\$ 544.62	\$ 6,341.09	\$ 211,505.42
149	Dec-10	\$6,885.71	\$ 528.76	\$ 6,356.94	\$ 205,148.48
150	Jan-11	\$6,885.71	\$ 512.87	\$ 6,372.83	\$ 198,775.65
151	Feb-11	\$6,885.71	\$ 496.94	\$ 6,388.77	\$ 192,386.88
152	Mar-11	\$6,885.71	\$ 480.97	\$ 6,404.74	\$ 185,982.14
153	Apr-11	\$6,885.71	\$ 464.96	\$ 6,420.75	\$ 179,561.39
154	May-11	\$6,885.71	\$ 448.90	\$ 6,436.80	\$ 173,124.59
155	Jun-11	\$6,885.71	\$ 432.81	\$ 6,452.89	\$ 166,671.70
156	Jul-11	\$6,885.71	\$ 416.68	\$ 6,469.03	\$ 160,202.67
157	Aug-11	\$6,885.71	\$ 400.51	\$ 6,485.20	\$ 153,717.47
158	Sep-11	\$6,885.71	\$ 384.29	\$ 6,501.41	\$ 147,216.06
159	Oct-11	\$6,885.71	\$ 368.04	\$ 6,517.66	\$ 140,698.40
160	Nov-11	\$6,885.71	\$ 351.75	\$ 6,533.96	\$ 134,164.44
161	Dec-11	\$6,885.71	\$ 335.41	\$ 6,550.29	\$ 127,614.14
162	Jan-12	\$6,885.71	\$ 319.04	\$ 6,566.67	\$ 121,047.47
163	Feb-12	\$6,885.71	\$ 302.62	\$ 6,583.09	\$ 114,464.39
164	Mar-12	\$6,885.71	\$ 286.16	\$ 6,599.54	\$ 107,864.84
165	Apr-12	\$6,885.71	\$ 269.66	\$ 6,616.04	\$ 101,248.80
166	May-12	\$6,885.71	\$ 253.12	\$ 6,632.58	\$ 94,616.22
167	Jun-12	\$6,885.71	\$ 236.54	\$ 6,649.16	\$ 87,967.05
168	Jul-12	\$6,885.71	\$ 219.92	\$ 6,665.79	\$ 81,301.27
169	Aug-12	\$6,885.71	\$ 203.25	\$ 6,682.45	\$ 74,618.82
170	Sep-12	\$6,885.71	\$ 186.55	\$ 6,699.16	\$ 67,919.66
171	Oct-12	\$6,885.71	\$ 169.80	\$ 6,715.91	\$ 61,203.75
172	Nov-12	\$6,885.71	\$ 153.01	\$ 6,732.70	\$ 54,471.06
173	Dec-12	\$6,885.71	\$ 136.18	\$ 6,749.53	\$ 47,721.53
174	Jan-13	\$6,885.71	\$ 119.30	\$ 6,766.40	\$ 40,955.13
175	Feb-13	\$6,885.71	\$ 102.39	\$ 6,783.32	\$ 34,171.81
176	Mar-13	\$6,885.71	\$ 85.43	\$ 6,800.28	\$ 27,371.53
177	Apr-13	\$6,885.71	\$ 68.43	\$ 6,817.28	\$ 20,554.26
178	May-13	\$6,885.71	\$ 51.39	\$ 6,834.32	\$ 13,719.94
179	Jun-13	\$6,885.71	\$ 34.30	\$ 6,851.41	\$ 6,868.53

Lowell Terrace

3-29

CDBG PROGRAM INCOME			Principal Amount	\$	997,087.76
LOWELL TERRACE			Years to Maturity		15
			# of Payments		180
			Interest Rate		3.00%
			Pmts per year		12
			Year of Loan		
			Payment		\$6,885.71
<u>#</u>	<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
180	Jul-13	\$6,885.71	\$ 17.17	\$ 6,868.53	\$ (0.00)
	Total	\$ 1,239,426.90	\$ 242,339.14	\$ 997,087.76	

Lowell Terrace

3-30

Draft

Memo

To: Kevin Clougherty, Tom Clark, Bob McKenzie, Jay Taylor
From: Randy M. Sherman
Date: September 18, 2001
Re: Lowell Terrace

At our meeting of September 6, 2001, I was requested to put together a proposal for consideration relative to the Lowell Terrace project. In this regard, I present the following background, comments and recommendations.

Background

- In 1984 the City, through the MHRA, made a loan totaling \$1,500,000 to Lowell Terrace Associates, a New Hampshire General Partnership, for the purposes of rehabilitating a fire damaged building at the northwest corner of Chestnut and Lowell Streets. The loan was comprised of two components: a \$1,250,000 low interest portion resembling a note and a \$250,000 portion resembling a limited-term equity contribution.
- The \$1,250,000 portion was to be amortized at an annual interest rate equal to three (3%) percent over a twenty year period following the completion of the construction. The first three years were interest only, followed by 17 years of monthly payments of \$7,826.69. The promissory note required interest payments to begin no later than June 30, 1985, monthly payments of \$7,826.69 to begin no later than June 30, 1988.
- The \$250,000 portion is to be repaid as a balloon payment 20 years following the completed construction. The payment is to equal one-half of the then current market value. The City was also to receive, for 20 years following construction, as proxy for interest on the \$250,000 portion, an annual payment equal to one-half of the net cash flow from the project.
- A project overrun of approximately \$120,000 was funded by Amoskeag Bank with collateral provided by Carolyn Morgan.
- In September 1988, two dates in the promissory note were amended. The payment dates relative to the payments on the \$1,250,000 portion of the note changed from June 30, 1985 to May 1, 1986 and from June 30, 1988 to May 1, 1989. As part of the same agreement, the parties agreed to establish April 1, 1986 as the date on which construction was completed and the City waived all late charges resulting from construction delays.
- Through December 1993, the City had received scheduled payments leaving the principal balance due on the \$1,250,000 portion at \$967,582. The project, however, was delinquent on property taxes. At this time, the parties amended the promissory note to allow the partnership fifteen months to get the property taxes current. A new amortization schedule was agreed upon allowing final payment to be July 2007. The agreement extended the term fifteen months. Payments were to resume on May 1, 1995.

- In February 1995, the City was informed that the property taxes were current. A proposal was put forward further delaying principal payments an additional 21 months, establishing a process to fund a capital reserve account and setting a payment priority upon fully funding the reserve. During the delayed payment period, monthly interest payments of \$2,500 were due to the City.
- On July 5, 1995, the BMA approved the following changes to the promissory note:
 1. The project property taxes shall remain current.
 2. The project shall pay interest payments of \$2,500 until principal payments resume.
 3. A capital reserve account shall be established with both the City and the owners.
 4. The reserve shall be funded with cash flow in excess of \$5,000 accumulated on a quarterly basis.
 5. When the capital reserve reached \$60,000 or no later than December 31, 1996, principal payments shall resume and any unpaid interest would be added to the principal.
 6. Payments on another note (Carolyn C. Morgan) shall not be made until the reserve is fully funded and the principal payments to the City have resumed.
 7. Any operating surpluses thereafter shall be applied to the principal in order to accelerate payoff of the City loan.
- It is unclear if item #7 conflicts with, or supercedes, the provision for the City to receive one-half of the project cash flow, as a proxy for interest on the \$250,000.
- Monthly payments of principal and interest did not resume on January 1, 1997. The project continued to remit interest only payments, without the consent of the City, until July 1, 1998. At that time, the principal balance was recalculated to be \$997,088. The payments were set at \$6,885.71 and the amortization schedule was unilaterally extended to July 2013.
- In 1999, the partnership attempted to work a pay-off arrangement with the City. The City calculated the pay-off would be approximately \$1,100,000.
- In 2001, the partnership has made a new proposal relative to the amounts owed the City. The partnership is proposing to continue making monthly payments of \$6,885.71 on the \$1,250,000 loan and begin making monthly payments of \$2,684.70 in November 2001 to amortize the \$250,000 loan. Both loans would be fully paid in the summer of 2013.
- The partnership has further suggested that if the City insists on one-half of the market value, the outstanding loans should be deducted from the amount owed.
- The partnership is current on both taxes and monthly payments on the \$1,250,000 loan.
- The partnership paid cashflow of \$35,293 to the City in July 2001. This amount was intended to cover FY96 through FY2000.
- The partnership has not used operating surpluses to reduce the outstanding principal.
- No payments to Carolyn Morgan have been made since 1994. The note has a current balance of \$21,275.

Draft – September 18, 2001

- Using the revaluation as a proxy for market value, the current value is \$1,359,000.

Financial Statements

- The City has received copies of financial statements for the years 1996-2000.
- The statements are compilations only and presented on a tax basis.
- The statements indicate that on December 31, 1996, the capital reserve was funded at \$59,113. At December 31, 2000, the capital reserve had grown to \$260,556.
- The statements indicated that on December 31, 1995, the partnership had \$75,233 in cash of which \$9,573 represented security deposits. The December 31, 2000 balance was \$339,060 of which \$17,705 represented security deposits.
- At December 31, 2000, the partner's accumulated deficit is \$886,845.
- At December 31, 2000, accumulated depreciation equals \$1,727,996 or 95% of property book value.

Tax issues

- At the September 7, 2001 meeting, Peter Morgan stated that now that the project is turning a profit, the partners are making tax payments although they are not making any withdrawals from the partnership.
- The financial statements are reflective of the tax status of the partners. The accumulated deficit has been taken as a tax loss. At even a 30% tax bracket, the partners have received tax savings of roughly \$266,000. Most of this is related to the depreciation on the assets that were paid for from the City's loan.

Recommendation

- The partnership should remit one-half of the December 31, 2000 cash balance, net of security deposits and \$60,000 for a capital reserve fund, to the City representing past due interest on the \$250,000 portion of the loan. This payment would be \$130,677.
- Alternatively, this cash could be used to reduce principal based on the 1995 amendment.
- In the short term, the partnership should maintain the capital reserve at a \$60,000 limit. An independent analysis should be conducted to determine the proper amount going forward.
- One-half of the 2001 cash flow and all subsequent cash flows, net security deposits and deposits or withdrawals to the capital reserve fund, should be remitted to the City.
- The partnership does not have adequate cash to meet the buy-out requirement. The City should allow the partnership the option of amortizing one-half of the market value. The amortization may be over an extended period at a market rate of interest. The partners have recommended twelve years at 7.5%. The partnership may not have sufficient cash flow to meet this type of payment (approximately \$7,250 / month based on current value). A longer term with a lower rate most likely would be required.

Draft – September 18, 2001

- If the partners wish to escalate the buy-out, the City should allow the partners the option. This would allow the partnership to reduce the interest paid from one-half cash flow to a more predictable amount based on the market value of the property, the interest rate and the amortization period. This also would allow the partnership to lock-in the buildings value and avoid future escalation.
- The buy-out amount should not be adjusted for the outstanding debt. The partners extended the term unilaterally. It is clear that the debt was to be fully paid at the time of the buy-out and, therefore, the outstanding balance should not be considered.
- The Carolyn Morgan note remains subordinate to the City obligations.

ACORD™ EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YY)
05/31/07

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

PRODUCER USI New England PO Box 6360 Manchester, NH 03108		PHONE (A/C, No, Ext): 603 625-1100	COMPANY Vermont Mutual PO Box 188 Montpelier, VT 05602	
CODE:	SUB CODE:			
AGENCY CUSTOMER ID #: 22152		LOAN NUMBER		POLICY NUMBER BP17020511
INSURED Lowell Terrace Associates 70 Lowell Street Manchester, NH 03101		EFFECTIVE DATE 05/18/07	EXPIRATION DATE 05/18/08	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

PROPERTY INFORMATION

LOCATION/DESCRIPTION
 70-80 Lowell St.
 Manchester, NH 03101

COVERAGE INFORMATION		
COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Building #: 1 Sixty Three Unit Apt Coverage: Building Cause: Special (Including Theft)	\$3,047,500	\$1,000

REMARKS (Including Special Conditions)

CANCELLATION

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 10 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

ADDITIONAL INTEREST

NAME AND ADDRESS
 City of Manchester
 1 City Hall Plaza
 Manchester, NH 03101

<input checked="" type="checkbox"/> MORTGAGEE	<input type="checkbox"/> ADDITIONAL INSURED
<input type="checkbox"/> LOSS PAYEE	
LOAN #	
AUTHORIZED REPRESENTATIVE	

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**City of Manchester
Department of Finance**

One City Hall Plaza
Manchester, New Hampshire 03101
Phone: (603) 624-6460
Fax: (603) 624-6549

July 10, 2007

Honorable Board of Mayor and Aldermen
C/o Leo Bernier, City Clerk
One City Hall plaza
Manchester, NH 03101

Dear Honorable Board:

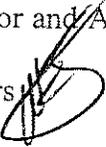
This letter serves to advise that we have not yet received the building level financial information for Lowell Terrace. We have informed Mr. Morgan that this information has been requested by the Aldermen. Mr. Morgan has advised that the information will be forthcoming but we have yet to receive it. Failure to provide this information is a violation of section 9 of the Mortgage & Security Agreement.

Respectfully submitted,

William E. Sanders
Finance Officer

Cc: Thomas R. Clark, City Solicitor

To: Board of Mayor and Alderman

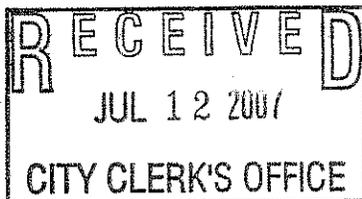
From: Bill Sanders 

Date: July 12, 2007

Subject: Lowell Street Operating Statements

As requested, attached are building level operating statements for Lowell Terrace for the years 2004 through 2006 provided by Mr. Peter Morgan.

Cc; Tom Clark



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Lowell Terrace
 Building Operating Statements
 For the years ended December 31, 2006, 2005 & 2004

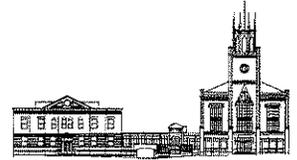
	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUE			
Rental Income	\$ 267,603	\$ 274,258	\$ 298,067
Other Income	2,231	2,174	2,663
TOTAL REVENUE	\$ 269,834	\$ 276,432	\$ 300,730
OPERATING EXPENSES			
Real Estate Taxes	\$ 38,300	\$ 35,614	\$ 29,346
Gas	34,893	25,623	28,602
Repairs & Maintenance	22,640	13,073	12,396
Management Fees	20,604	18,449	20,866
Interest	15,882	29,852	50,121
Electricity	12,116	10,046	10,497
Insurance	10,038	9,540	9,019
Water & Sewer	9,303	11,758	11,384
Accounting Fees	9,261	3,075	3,255
Janitorial Services	6,351	8,861	7,121
Exterminator	4,305	2,600	1,728
Depreciation	4,068	4,058	12,228
Supplies	3,883	3,171	2,411
Fire Alarm	2,680	2,659	2,832
Waste Disposal	2,160	2,160	2,160
Licenses and Fees	1,315		70
Bank Charges	1,279	1,480	1,754
General Partner Fees	1,200	1,200	1,200
Legal Fees	1,156		4,434
Appliances	898		
Central Business District Tax	828	804	1,656
Rental Equipment	571		
Grounds Maintenance	475	1,620	850
Advertising	461	752	622
Telephone	375	317	374
Entertainment	240	67	325
Rental Incentive Plan Fee	100		
Foreign Tax Expense	38	13	13
Amortization		2,250	2,250
TOTAL OPERATING EXPENSES	\$ 205,420	\$ 189,042	\$ 217,514
Income From Building Operations	\$ 64,414	\$ 87,390	\$ 83,216

tabled 12/2/08



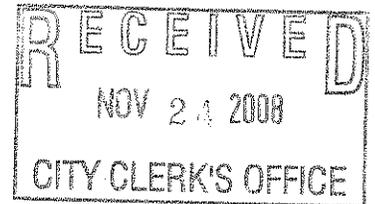
CITY OF MANCHESTER

Economic Development Office



November 24, 2008

George W. Smith, Chairman
Lands & Buildings Committee
One City Hall Plaza
Manchester, NH 03101



RE: MHRA Expenditures for Jac Pac

Dear Chairman Smith and Members of the Committee:

Please find attached a letter from Ken Edwards of the Manchester Housing and Redevelopment Authority detailing their expenditures from 2004 to the present for the acquisition and maintenance of the Jac Pac site as requested at the September 16, 2008 meeting of the Committee for consideration at your next meeting.

If you have any questions or concerns or require additional information, please feel to contact me at your convenience. Thank you for your consideration.

Sincerely,



Jay Minkarah, Director
Manchester Economic Development Office

cc: Hon. Frank Guinta, Mayor

10-27-2008



MHRA I, Inc.

Dick Dunfey
President

William B. Cashin
Treasurer
Marion G. Russell
Secretary
George N. Copadis
Director
Fern G. Gelinas
Director
M. Mary Mongan
Director

September 30, 2008

Jay Minkarah
Director, Economic Development Office
City of Manchester
One City Hall Plaza
Manchester, NH 03101

RE: Jac Pac

Dear Jay:

Enclosed is the budget summary for expenses at the Jac Pac site in accordance with Project #3 , Acquisition and Maintenance of Jac Pac Property dated September 24, 2004, (copy also enclosed) under our Cooperation Agreement with the City.

The summary indicates a total cost through 8/31/08:	\$3,474,165.61
Payments from the City to date total:	\$3,391,933.22
Current balance due MHRA through 8/31/08:	\$82,232.39
In addition, we anticipate expenses though closing for utilities, maintenance and security, administration and legal fees totaling approximately:	\$20,000.00

Please obtain City approval for payment of the outstanding balance and anticipated expenses through closing. We will bill for the September costs and closing costs once the actual expenses have been incurred.

Do not hesitate to contact us if you have any questions.

Sincerely,

Kenneth R. Edwards
Assistant Executive Director, MHRA

cc: Bill Sanders, Finance Officer, City of Manchester
Carl West, Finance Director, MHRA

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JAC-PAC	3,000,000.00		100,000.00	70,000.00	42,500.00	25,000.00	5,100.00	84,000.00	94,500.00	75,000.00	3,496,100.00
Budget				Admin./	Environ.		Title	Maint.		Strategic	
	Acquisition	Taxes	Demolition	Prof. Expert.	Due Dillg.	Insurance	Insurance	Security	Utilities	Plan	Total
9/30/2004				18.72							18.72
10/31/2004				131.06	170.00						301.06
11/30/2004					1,800.00						1,800.00
12/31/2004											0.00
1/31/2005	2,500,000.00	54,696.60		18,688.38	19,610.27	3,450.00					2,596,445.25
2/28/2005				12,217.19	5,723.79			3,200.00	2,671.88		23,812.86
3/31/2005				542.63				5,702.10	5,346.54		11,591.27
4/30/2005				1,827.89				3,200.00	3,581.70		8,609.59
5/31/2005				4,096.90				3,200.00	2,359.81		9,656.71
6/30/2005				663.37				3,920.00	2,077.94		6,661.31
7/31/2005	500,000.00			935.56				3,120.00	2,317.36		506,372.92
8/31/2005				3,154.09				4,694.00	2,474.28		10,322.37
9/30/2005				414.67				4,720.00	2,221.29		7,355.96
10/31/2005				188.13				2,584.57	2,648.30		5,421.00
11/30/2005				679.96				3,255.00	2,359.89		6,294.85
12/31/2005				380.72		3,450.00		3,920.00	3,539.75		11,290.47
1/31/2006				1,955.49				3,256.34	1,102.84		6,314.67
2/28/2006				1,357.82				4,791.42	4,824.06		10,973.30
3/31/2006				1,541.69				4,227.07	3,544.51		9,313.27
4/30/2006				1,469.80				3,294.98	2,742.12		7,506.90
5/31/2006				550.59				3,200.59	1,828.05		5,579.23
6/30/2006				1,298.88				4,213.55	2,005.49		7,517.92
7/31/2006				1,857.53				3,258.18	2,018.26		7,133.97
8/31/2006				428.89				5,494.00	1,714.85		7,637.74
9/30/2006				5,929.34				3,450.73	1,896.77		11,276.84
10/31/2006				1,968.19				3,331.59	2,044.56		7,344.34
11/30/2006				568.24				4,724.53	1,996.13		7,288.90
12/31/2006				1,012.07		3,450.00		3,701.95	2,160.16		10,324.18
1/31/2007				2,418.59				3,071.86	2,610.53		8,100.98
2/28/2007				3,462.79				4,811.95	3,475.78		11,750.52
3/31/2007				2,894.81				4,444.74	3,548.74		10,888.29
4/30/2007				2,143.83				3,200.00	3,169.25		8,513.08
5/31/2007				2,616.67				4,267.24	1,967.89		8,851.80
6/30/2007				5,021.61				3,254.14	1,685.68		9,961.43
7/31/2007				4,029.75				3,448.85	1,869.13		9,347.73
8/31/2007				3,254.55				5,594.86	5,566.89		14,406.30
9/30/2007				581.55				3,401.78	2,269.82		6,253.15
10/31/2007				708.05				3,332.65	1,436.02		5,476.72
11/30/2007				4,007.54				3,969.84	2,822.41		10,799.79
12/31/2007				640.19				3,200.00	2,931.25		6,771.44
1/31/2008				782.88				4,061.45	3,046.29		7,890.62
2/28/2008				1,693.90		3,450.00		3,656.37	2,876.38		11,676.65
3/31/2008				254.90				3,323.43	2,639.28		6,217.61
4/30/2008				703.21				5,030.04	2,249.26		7,982.51
5/31/2008				865.91				4,264.48	1,936.48		7,066.87
6/30/2008				889.09				3,120.00	1,666.21		5,675.30
7/31/2008				391.30				4,212.38	1,712.02		6,315.70
8/31/2008				1,404.03				3,340.51	1,308.98		6,053.52
Total Exp.	3,000,000.00	54,696.60	0.00	102,642.95	27,304.06	13,800.00	0.00	165,467.17	110,254.83	0.00	3,474,165.61
Budget	3,000,000.00		100,000.00	70,000.00	42,500.00	25,000.00	5,100.00	84,000.00	94,500.00	75,000.00	3,496,100.00
Balance	0.00	(54,696.60)	100,000.00	(32,642.95)	15,195.94	11,200.00	5,100.00	(81,467.17)	(15,754.83)	75,000.00	21,934.39

**PROJECT NO. 3
UNDER COOPERATION AGREEMENT DATED NOVEMBER 6, 2002**

ACQUISITION AND MAINTENANCE OF JAC PAC PROPERTY

The City of Manchester agrees that the Authority, acting through a subsidiary known as MHRA I ("Subsidiary"), shall take title to the so-called Jac Pac property as described in the Purchase and Sale Agreement between the City and Tyson Foods, Inc. The Authority, through the Subsidiary, shall do the due diligence required with respect to title and environmental matters and report the results to the Mayor of the City of Manchester. If the results are satisfactory and the City decides that it should exercise its rights to acquire the property under the Purchase and Sale Agreement, MHRA I shall take title as set forth above and, thereafter, shall maintain the property for security purposes based on the terms and conditions to be given to it by the City. At such point as the City has further use for development of the property, the City shall so instruct MHRA I and MHRA I shall cooperate and perform such duties as given to it by the City. The estimated project budget is attached as Exhibits A1 and A2.

The Authority and the Subsidiary shall make progress and financial reports from time to time as requested by the City.

Project approved by City Solicitor on 8/14, 2004.

Project approved by Board of Mayor and Aldermen on August 25, 2004

Project approved by Manchester Housing and Redevelopment Authority on 9/24/04
2004.

EXHIBIT A1

City of Manchester
New Hampshire

In the year Two Thousand and Four

A RESOLUTION

"Amending the FY 2005 Community Improvement Program, transferring, authorizing and appropriating funds in the amount of Three Million Four Hundred Thousand Dollars (\$3,400,000) for CIP 613105 "Jac Pac" Acquisition Project."

Resolved by the Board of Mayor and Aldermen of the City of Manchester as follows:

WHEREAS, the Board of Mayor and Aldermen has approved the 2005 CIP as contained in the 2005 CIP budget; and

WHEREAS, Table 3 contains all sources of Cash funds to be used in the execution of projects; and

WHEREAS, for the purpose of economic development the Board of Mayor and Aldermen desires to provide funding in the amount of \$3,400,000 for the acquisition of the so called "Jac Pac" project and related development costs; and

WHEREAS, funds in at least that amount are available from the City's "Special Revenue Reserve Account";

NOW, THEREFORE, be it resolved that the 2005 CIP be amended as follows:

1. By decreasing:

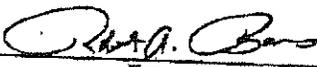
"Special Revenue Reserve Account - \$3,400,000

By adding:

FY2005 613105 - "Jac Pac" Acquisition Project - \$3,400,000 Special Revenue Reserve Account

Resolved, that this Resolution shall take effect upon its passage.

August 25, 2004. In Board of Mayor and Aldermen. Passed to be Enrolled.


Mayor

Associated costs

EXHIBIT A2

<u>Items</u>	<u>Cost</u>	<u>Source of Funding</u>
Acquisition	\$3 million	OTR
Demolition	100,000	OTR
Admin/ Professional Exp.	70,000	OTR
Envtl. Due Diligence	42,500	OTR
Insurance	25,000	OTR
Title Insurance	5,100	OTR
Maintenance / Security	84,000	OTR
Utilities	94,500	OTR
Strategic plan	75,000	MDC
Total	\$3,495,850	

tabled 12/2/08



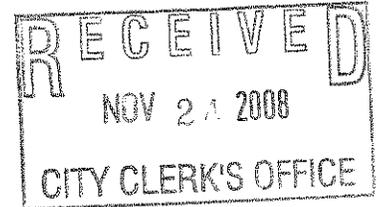
CITY OF MANCHESTER

Economic Development Office



November 24, 2008

George W. Smith, Chairman
Lands & Buildings Committee
One City Hall Plaza
Manchester, NH 03101



RE: Seal Tanning, Granite Street Lots & Pandora Building

Dear Chairman Smith and Members of the Committee:

Please find attached a copy of letter from Robert Tuttle on behalf of 1848/1850 Associates outlining progress made in rehabilitation of the Pandora Building and in planning for the redevelopment of that building and the adjacent Seal Tanning & Granite Street Lots. For reasons further explained in the attached letter, two amendments to the P&S agreement are proposed: one to extend the closing date from December 31, 2008 to April 30, 2009 with an outside date of June 30, 2009 and another to address permissible uses of the Pandora Building. Your consideration of these possible amendments is requested at your earliest convenience. If you have any questions or concerns or require additional information, please feel to contact me. Thank you.

Sincerely,



Jay Minkarah, Director
Manchester Economic Development Office

cc: Hon. Frank Guinta, Mayor



TECHNOLOGY CENTER

Hand Delivered
24 November 2008

Jay Minkarah, Economic Development Director
City of Manchester, Economic Development Office
One City Hall Plaza
Manchester, NH 03101

Dear Jay:

This letter reports on our Pandora rehabilitation project. This letter also addresses the current status of our efforts under our "Purchase and Sale Agreement" with the City for the Granite Street Lot, the Seal Tanning Lot, and Phillippe Cote Street.

As you know, when we signed the Agreement we anticipated selling the Pandora property to a residential developer. That developer has since backed out of the project and we have decided to rehabilitate the Pandora property ourselves, much as we did our other Millyard properties. We will first replace the roof to stop damage to the building. While that roof work is ongoing, we will complete design of the shell and core renovations, obtain necessary permits and approvals, and then proceed with that work. While that work is underway, we hope to find suitable tenants so that we can best define the interior renovations.

In order to protect the building from further deterioration this winter, we have already completed the following work: selective environmental remediation; selective demolition of interior systems; demolition of the south half of the interior seventh floor and partial reconstruction of the south half of the seventh floor beams and decking; and extensive structural engineering review of beams and decking. Roof replacement and masonry work on brick corbelling and beam pockets is ongoing. We anticipate that by January 31, 2009 we will: complete replacement of seventh floor beams and decking as necessary; remove south half of the roofing; install new beams and decking on the south half of the building; install temporary waterproofing on the new roof decking; with masonry repairs continuing on the east and south sides of building. We anticipate spending in excess of \$1,300,000 by January 31, 2009.

On the parking lot properties, we completed our title examinations, geotechnical work on subsurface conditions, and preliminary structural designs. We are working with our engineers and architect to finalize the designs of the improvements. We hope to have those designs completed soon so that we may apply for all the necessary permits within the next thirty to sixty days. We have spent more than \$60,000 to date on this work.

As I am sure you can appreciate, these combined projects will require much capital and much of our time. We intend to proceed as expeditiously as possible but we will need to extend the closing date under the Agreement. We propose a new target closing of April 30, 2009 with an outside closing date of June 30, 2009. We also need to amend the Agreement so that the intended use of the Pandora property is changed from the exclusively residential use intended by the prior developer. We are in the process of determining the use, which may be office or residential or a combination of office and residential. We understand that we must obtain all necessary approvals for the use we select.

We are committed to these projects. Although we did not originally plan on doing the Pandora rehabilitation ourselves and we did not anticipate the recent upheavals in the financial markets and the economy, we are now committed to restoring this beautiful building into a structure that will grace the City's skyline for another 150 years.

Please get back to me with any questions.

Sincerely,
1848 Associates

Robert M. Tuttle
General Partner

5-2

handout 12/2/08
lands and Building

AMENDMENT TO PURCHASE AND SALE AGREEMENT

1848 Associates (hereinafter "Purchaser") and the City of Manchester (hereinafter "Seller"), parties to the PURCHASE AND SALE AGREEMENT signed by Purchaser on May 16, 2008 and Seller on May 15, 2008, (the "Agreement"), hereby agree to amend the Agreement as follows:

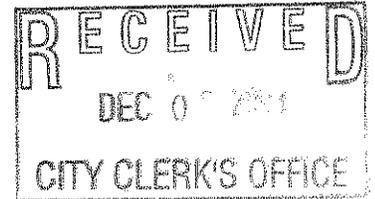
1. Unless expressly defined herein, capitalized terms used herein that are defined in the Agreement have the meaning provided in the Agreement.
2. Section 4 of the Agreement is amended and restated as follows:
 - 4) CLOSING TIME AND PLACE. The Closing shall be on or before thirty (30) days after satisfaction of all the contingencies listed in Section 6)d), below, (the "Contingencies") and expiration of any applicable appeal periods. Unless another time and place is agreed to by the parties, the Closing shall take place at 10AM at the City Solicitor's Office, One City Hall Plaza, Manchester, New Hampshire. The parties expect that all the Contingencies will be satisfied and any applicable appeal periods expired by April 30, 2009. The parties recognize that, despite good faith efforts, the Contingencies may not all be satisfied with all applicable appeal periods expired as of April 30, 2009. If, as of April 30, 2009, the Contingencies are not all satisfied with all applicable appeal periods expired but the parties are continuing to make good faith efforts to satisfy those Contingencies, the Closing shall be extended as requested by either party, provided that, unless both parties agree to extend beyond June 30, 2009, the Closing shall not be extended beyond June 30, 2009.
3. Sections 6)d)vi) of the Agreement is amended and restated as follows:
 - vi) The owner of the Pandora Property (or its designee) shall obtain all necessary permits and approvals, and a building permit following notice from Seller and Purchaser that other contingencies of the Agreement have been satisfied, so that the owner may rehabilitate the Pandora Property into office space and/or residential apartments (any such residential apartments to be rehabilitated to a standard consistent with representations made in the *1848 Associates and 1850 Associates Proposal for Seal Tanning and Granite Street Lot* dated 25 January 2008, or better), and any other secondary and accessory uses as may be approved under the City of Manchester's local land use regulations and approval processes. At or before the Closing under this Agreement, the owner of the Pandora Property shall post with Seller a letter of credit (or other security acceptable to Seller) in the amount of \$750,000 to secure the owner's commitment to so rehabilitate the Pandora Property. If that rehabilitation is not substantially completed within twenty-four (24) months after the Closing under this Agreement (with a certificate of occupancy issued within sixty days after such substantial completion), Seller shall be entitled to draw from that letter of credit (or other security) at the rate of \$20,833 per month until exhausted or substantial completion of that rehabilitation.
4. Except as expressly modified hereby all other provisions of the Agreement continue in full force and effect.

IN WITNESS WHEREOF, the Parties have signed this "AMENDMENT TO PURCHASE AND SALE AGREEMENT" as of _____, 2008.

PURCHASER:
1848 ASSOCIATES

5-3

AMENDMENT TO PURCHASE AND SALE AGREEMENT



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IN WITNESS WHEREOF, the Parties have signed this "AMENDMENT TO PURCHASE AND SALE AGREEMENT" as of _____, 2008.

PURCHASER:
1848 ASSOCIATES

Witness

Dated: _____

By: _____

Name: _____

Title: _____

SELLER:
THE CITY OF MANCHESTER

Witness

Dated: _____

By: _____

Name: _____

Title: _____

REVIEW AND APPROVED BY THE CITY
OF MANCHESTER CITY SOLICITOR:

By: _____

Name:

Title:

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