

COMMITTEE ON LANDS AND BUILDINGS

September 20, 2010

5:45 PM

Chairman Osborne called the meeting to order.

The Clerk called the roll.

Present: Aldermen Osborne, Lopez, Shea, Roy, Greazzo

Messrs.: C. Kurfehs, M. Hurley, T. Arnold

Chairman Osborne addressed item 3 of the agenda:

3. Communication from Planning and Community Development regarding renewal of the lease agreement between the City and the Manchester Community Resource Center for the City owned property located at 177 Lake Avenue.

(Note: The City Solicitor has reviewed the lease and found it satisfactory for execution.)

On motion of Alderman Shea, duly seconded by Alderman Roy, it was voted to accept the agreement and execute the lease agreement.

Chairman Osborne addressed item 4 of the agenda:

4. Draft Purchase and Sale Agreement for the Boston and Maine Corporation property.

(Note: City Assessor will provide summary appraisal as requested by the BMA.)

On motion of Alderman Shea, duly seconded by Alderman Lopez, it was voted to approve the purchase and sale agreement.

Chairman Osborne addressed item 5 of the agenda:

5. Draft Purchase and Sale Agreement for the 295 Lincoln Street property.
(Note: City Assessor will provide summary appraisal as requested by the BMA.)

Alderman Shea moved the item for discussion. Alderman Lopez duly seconded the motion.

Alderman Roy stated I want to thank the Assessor's Office for getting these summary appraisals to us. I noticed that it was a little bit less than...I think it was the positive...could you come up and explain it to me a little bit please? It is a little bit less than the 60 Beech Street property. Is that what I read in the summary?

Mr. Chuck Kurfefs, Assessor's Office, answered for the unit value, yes that is correct.

Alderman Roy asked and that is per square foot?

Mr. Kurfefs answered that is per square foot, yes.

Alderman Roy asked and the reason for that is?

Mr. Kurfefs replied overall because that property is much larger and usually larger buildings sell for less on a unit basis compared to smaller buildings.

Alderman Roy responded so less per foot but not less overall?

Mr. Kurfefs stated per square foot. That is correct.

Alderman Lopez stated because there is so much discussion around here and the public doesn't even know what we are talking about at the present time I was wondering if we could get some bullet points on what we are talking about so that the people who raised questions in reference to the appraisal...so that everyone knows exactly what we are talking about. Can somebody explain that? If not, Patrick Arnold is here and he had an objection to it.

Chairman Osborne responded I think Alderman Arnold is the one who brought this forward anyway. This is his boat.

Alderman Arnold stated I appreciate the opportunity to speak even though I am not on this Committee. By way of background for the Committee members, I think everyone on the Committee was at the last full Board meeting but for members of the public who might not have been able to view it, the property that we are discussing is one of a couple of pieces of property that the City is considering acquiring in relation to the municipal complex that we are building over on Valley and Lincoln Streets. The reason I made a motion and there was subsequent discussion at the last full Board meeting on this property was because there was an appraisal done of the Lincoln Street property and it was brought to my attention that there was a significant difference between the value that the property was appraised at and the value that the property was assessed at. I can certainly appreciate that there is a difference by definition between the assessed value of property and its fair market value but I did want to make sure that this Committee, as well as the entire Board, crossed all of its T's and dotted all of its I's and did our due diligence in figuring out why that was. If there is an explanation for the difference, that is fine. I believe that there is both from my conversations with the outside appraiser as well as individuals in the Assessor's Office but I think it would be helpful if the person representing the Assessor's Office who is here today could I give us a little bit of feedback on what it is that his office was asked to do and what the results were.

Mr. Kurfehs stated our office was asked to estimate the market value of the property for acquisition purposes and for more of an internal City discussion regarding potential acquisition.

Alderman Arnold stated to follow on Alderman Roy's point, and Mr. Chairman, if it is okay, can I ask a question?

Chairman Osborne answered sure.

Alderman Arnold asked the appraisal that was done by the outside source came in at \$1.1 million correct?

Mr. Kurfehs answered that is correct.

Alderman Arnold asked do you remember a ballpark of what the assessed value of the property was?

Mr. Kurfehs responded Mike from my office is on his way with those numbers. We didn't bring those numbers with us.

Alderman Roy stated \$627,000.

Alderman Arnold stated Alderman Roy is stating the assessed value was \$627,000. Is that correct?

Mr. Kurfehs replied that sounds correct.

Alderman Arnold stated I thank you for the work that your office put it on it at this Board's request. I know you had other things going on and other responsibilities to attend to as well, so I thank you for that. Your office did a summary appraisal?

Mr. Kurfehs answered that is correct.

Alderman Arnold asked and what was the value that you came up with?

Mr. Kurfehs responded we came up with a market value of \$1 million.

Alderman Arnold stated I think that Alderman Roy asked the question and I heard part of your answer but can you explain again for my benefit and other individuals here what it is that...what sorts of factors would result in the assessed value being so dramatically different from the appraised value?

Mr. Kurfehs replied the assessed value was determined by Vision Appraisal in 2006. It is not unusual for values to change over time. The area has improved since then. The shopping center across the street, the Stop & Shop, was completed right around the time that Vision was completing their appraisal, the redevelopment of that property. The area has been continually improving and the area will continue to improve with the new City development. It is not unusual for values over time to change. In this case, the area is improving.

Alderman Arnold asked out of curiosity would you consider...are we talking about an isolated section of the City or are we talking all over the City? The reason I say that is because I think the value of this particular property saw a jump and I guess I am interested in knowing if that is generally the rule because it wasn't my understanding that it was.

Mr. Kurfehs answered with the recession, values in general have fallen.

Alderman Arnold responded but in this particular area of the City due to development or...

Mr. Kurfehs interjected the new development across the street, the redevelopment with Stop & Shop going in has enhanced the area. The City's redevelopment of the highway site will enhance the area.

Mr. Mike Hurley, Assessor's Office, stated it could be a couple of things. What I want to add is that when that shopping center went in that went in as the revaluation was finishing. It could be that that area hadn't developed yet so once the revaluation was done here are your numbers and it is gone and as time goes on it starts to develop more. That could be one of the reasons. The other reason could be that you also have...it may be a certain class of property. You are going to hear a lot...we have the revaluation coming up next year and we are going to get a lot of questions on where are the shifts going to be. Are they going to be commercial or industrial? It could be that that type of building, an industrial property, may be one that is going up in value. It is a possibility that that particular what we call property class could be going strong. It could be a combination of that area of town and that property class.

Alderman Arnold stated Mr. Chairman, I don't know if other members of the Committee have questions.

Chairman Osborne stated I would like to say something first. As much as I have known over the years, commercial properties are only worth what they can produce. It can be market value or assessed value or appraised value or whatever value you want but if you go out and buy \$1 million piece of property and you can't earn \$500,000 on it, it is worthless. So the whole thing here in a nutshell is that what we need is what we need. It is more of a need probably than it is...well I guess it is both want and need in this situation with the Water Department. If we were to have to get rid of the Water Department and tear that down it would cost the City a lot more money for the Water Department or the water payers out there. It would be a lot more money than we are talking about here now. That property, in my book, is certainly worth another \$300,000 or \$400,000 without blinking an eye in this situation. It is that simple.

Alderman Roy stated the next thing I wanted to say when I was talking before is that it was interesting to me as I looked at this information you gave us, and again it was very helpful for me, that two of these sold under the assessed value but two of them are selling over the assessed value. One of them was in 2008 that was on frontage and it sold for a significant amount over the assessed value. I will echo your comments, Mr. Chairman, that this is going to save us \$1 million in our construction costs and it is also going to save us another \$5 million because we won't have to build another Water Works facility. After looking at all of this information, I think it is a good deal.

Alderman Shea stated as one of the two people that did not want to have a further appraisal, I feel that it is probably going to be the same decision made simply because the first appraisal was \$1.1 million and your appraisal was what?

Mr. Hurley responded \$1 million.

Alderman Shea replied so basically there is \$100,000 difference, and as Alderman Osborne indicated, the value to the City is probably \$4 or \$5 million more simply because we don't have to build another Water Works building, we have complete control over Lincoln Street, and parking and other vehicles can be serviced there. Even though there was an additional appraisal requested by one of the Alderman, which he is entitled to, we did argue, or discuss rather, whether or not it should have been done. Now that it is done everyone I think can make a judgment regarding whether or not it is prudent to vote in terms of what we originally intended to vote for. I am hoping that it didn't curtail the development of this project drastically. I am not sure whether it did or not but there was discussion concerning whether it would or not. Thank you for your work. It is appreciated by me.

Alderman Greazzo stated I was interested myself in getting the explanation as to the assessed value and I think you have explained that and I think we are going to be taking that issue up again tomorrow night so I will leave my comments for then.

Alderman Lopez stated I just want to clarify something in my own mind. I was looking at the revaluation in 2005 and 2006 and did some statistical work with former Alderman Paul Porter in reference to this. One-third of the commercial properties went down at that time throughout the City so this is good news. This is absolutely good news to the taxpayers because the residential increased as far as the percentage between commercial and residential. There are pockets throughout the City that are important. It is not just that one area that we can say went up. It could be on the west side or east side or south side or whatever the case may be and I want to clarify that and if you agree with me you can comment on it but if you don't agree with me then don't comment. You understand what I mean. There are pockets throughout the City where the value goes up so that makes it even. I thank the private commercial appraiser who went out there, Mr. Prima, who has a good reputation for appraising property. He did an excellent job for his client and I am glad to see that he came in the same. There is always a difference between a commercial private appraiser and assessor, if you go back in history, of \$50,000 to \$100,000. They never want to go out and do the same thing as the other guy did and I understand that. I want to make sure that the Aldermen understand that this is pockets throughout the City, because one-third of the commercial property was devalued the last time around.

Mr. Hurley replied you are right that it won't shift. The whole City won't shift to 25%. Purely hypothetically, you may have one end of town drop only 10% and another end of town drop 25%. That is why we are going through the update next year so that in 2011 we will identify everything that shifted or changed since the 2006 revaluation. That is correct.

Alderman Arnold stated this is for Mike or Chuck. I don't want to get too deep into this but could you just indicate for the record in the appraisal that you did, did you taken into account...and it may be based on the date on which the appraisal was done, the fact that there is a municipal complex going in right next door?

Mr. Hurley responded yes. We had to do that. When we appraise a property we have to analyze not only the property itself but the surrounding area.

Alderman Arnold replied thank you very much. Just as a comment, Mr. Chairman, to Alderman Shea. I had indicated to him after the full Board meeting that I appreciated his views and concerns and I am glad to see as promised that this discussion and the assessor's weighing in has in no way delayed the project. I am glad to see that as well.

Alderman DeVries stated I have a brief question and I think I am more interested in revaluation considerations here than I am in this but will you be considering this an arms length negotiation when you need to defend the surrounding valuations that will also be going up?

Mr. Hurley replied when the state DRA sets the equalization rates, anything involving a governmental entity isn't considered an arms length.

Alderman DeVries asked is or is not?

Mr. Hurley answered is not.

Alderman DeVries asked and do you feel that the limited appraisal that was done on this initially by Fremreau will limit your defense of the valuation or is that sufficient enough?

Mr. Hurley answered for the revaluation it is just basically reshuffling the deck so we will have a lot more information, as I explained, for those industrial-type buildings. We may have more information on that side of town. We will be sending out income and expense forms also to look at the income of posted value on those type of properties. We will have a lot more information with the update coming up.

Alderman DeVries responded I understand that but if you try to use this sale, which has now been documented, it will not be arms length so it will be in consideration but it was premised on a limited appraisal, which is sometimes an internal appraisal that banks will use to determine a level of valuation, at least according to the assessing standards. Will that hamper your ability to use these valuations in any way when we go forward to defend this if somebody takes us into the Board of Land & Tax Appeals?

Mr. Hurley replied no, it wouldn't hamper us at all. I think what might happen, again kind of projecting into the update, is we may see other industrial buildings that support that value. We may see other sales that come through that would say, 'You know what? Even the \$995,000 could be supported through other industrial sales throughout the City.'

Alderman DeVries asked could you repeat that?

Mr. Hurley stated basically you could have other industrial sales that are occurring that the revaluation company will be looking at that may come out and support the \$950,000 or the \$1 million value. We may have others that are similar size that sold for \$1 million or \$1.1 million. This particular sale on its own won't hamper us.

Alderman DeVries stated we also heard this evening that it was the enhancement of the entire neighborhood, which probably started with the renovations at Gill Stadium that we initiated a few years ago that has surged some revitalization of that area and that is factoring into all types of development of that area, correct?

Mr. Hurley replied that is correct. When you had the shopping center go into the plaza compared to what the area was before that went in, that would definitely enhance that particular part of town.

Ms. Kathie Gardner, Deputy City Clerk, stated Mr. Chairman, the Clerk wants to remind the Committee that they are voting on the revised purchase and sale that was delivered with the agenda on Friday, September 17th.

Alderman Lopez stated I thought we were on item 5.

Alderman Shea responded we are, but there was a revised thing that the City Solicitor sent to us.

Alderman Lopez asked so we are approving the purchase and sales agreement instead of accepting the Assessor. I think for the record I would like to accept the documents from the Assessor's office.

Chairman Osborne replied well, that is what we have here. It says the City Assessor will provide summary appraisal as requested by the Board of Mayor and Aldermen. That is all I have on this, right?

Alderman Lopez moved to accept the \$1 million appraisal that the City of Manchester appraisers put on the property.

Alderman Lopez stated I know the purchase and sale is \$950,000 but there was a question as to whether our Assessors would make a summary report and I want to accept the report that they provided us of \$1 million for the assessed value of 295 Lincoln Street for the record.

Chairman Osborne asked Mr. Arnold what is your opinion on this?

Mr. Thomas Arnold, Deputy City Solicitor, responded he can make the motion.

Chairman Osborne asked do you accept that Alderman Shea?

Alderman Shea answered yes. Is this the purchase and sales agreement for 295 Lincoln Street?

Alderman Lopez stated there are two separate motions.

Mr. Arnold stated to be clear, as I said Alderman Lopez could make that motion but you should take it as a separate motion, vote on it and then take up the purchase and sale agreement.

Alderman Roy duly seconded the motion to accept the City Assessor's appraisal for 295 Lincoln Street. Chairman Osborne called for a vote. There being none opposed, the motion carried.

Alderman Shea moved to accept the revised purchase and sales agreement for 295 Lincoln Street. Alderman Lopez duly seconded the motion.

Alderman Corriveau stated I have a question for the City Solicitor. This is labeled revised purchase and sale agreement for 295 Lincoln Street. I read over this and the only changes, the only revisions I saw were in Section 4 regarding delivery of the property and then one of the conditions in Exhibit A, which had to do with

making a decision on the municipal complex project. Are those the only revisions?

Mr. Arnold responded Tom Clark reviewed this, not I, but my understanding is that those are the two revisions.

Chairman Osborne called for a vote on the motion to accept the revised purchase and sales agreement for 295 Lincoln Street. There being none opposed, the motion carried.

TABLED ITEMS

6. 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; Committee requests the Solicitor to provide an updated Certificate of Insurance for the property; re-tabled 12/2/08; information to be provided by the Assessor; re-tabled 7/07/09 waiting for disposition letter; re-tabled 9/1/09, Finance Officer and City Solicitor to provide a final disposition letter; re-tabled 1/19/10; Mayor, Finance Officer and City Solicitor to provide a final disposition letter; re-tabled 6/21/2010)

On file for viewing with Office of the City Clerk, One City Hall Plaza.

This item remained on the table.

7. Communication on behalf of Berchmans and Lucille Vaillancourt regarding the purchase price of tax-deeded City property located at Riverdale Avenue, West Mitchell Street and Dunbar Streets.

(Tabled 08/03/2010)

This item remained on the table.

8. Communication from William St. Jean requesting the execution of a Revocable License Agreement with the City for use of the City's property adjacent to his 90 River Road property for the location of a storage shed.
(Tabled 08/03/2010)

On motion of Alderman Roy, duly seconded by Alderman Lopez, it was voted to remove this item from the table.

On motion of Alderman Roy, duly seconded by Alderman Shea, it was voted to discuss this item.

Alderman Roy stated I am trying to refresh my memory as to why we put this on the table. I know we were pressed for time at the end of the last meeting so we put it on the table. We probably shouldn't have.

Deputy City Clerk Gardner stated we literally ran out of time and didn't take it up at all. It was the last item.

Alderman Roy responded thank you for refreshing my memory. We already had one of these before on this property correct?

Chairman Osborne replied correct.

Alderman Roy stated I don't see anything out of order here that strikes me.

On motion of Alderman Lopez, duly seconded by Alderman Roy, it was voted to approve the request.

Alderman Lopez stated I have a question. At the last Lands & Buildings Committee meeting we had, we referred Wellington Hill to staff and I think the motion was made by Alderman Shea and seconded by myself. I thought it was tabled in this Committee but in checking with the City Clerk it was never tabled. It went to staff and I was wondering when we are going to have staff report back because one of the requirements was for the Alderman to have a meeting in his ward.

Chairman Osborne stated I think he is having his meeting on September 28th.

Alderman Lopez stated I would like to make a motion that Wellington Hill be addressed at either the next meeting or if that is not enough time then sometime in October.

Chairman Osborne responded any time after his meeting would be fine with me.

Alderman Lopez stated I want the staff to know that they have to get some type of report in. I saw on TV where the Alderman did go before the School Board and ask that they put a school there. I think they are making their decision as to whether or not that is a good place.

Chairman Osborne replied I don't think it depends on whether the School District needs a school there right now or not. I don't think that is the whole thing.

Alderman Lopez stated if we could put it on the agenda for next month to see what the status is, that would be great.

Chairman Osborne answered okay. Whenever the City Clerk gets word from Alderman Ludwig we will take it from there.

There being no further business, on motion of Alderman Shea, duly seconded by Alderman Roy, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee