

Tax Increment Financing (TIF) District Advisory Board

11.08.12 Meeting minutes

BOS Meeting room

Present:

John McCormack, Chairman

Al Hicks

George Infanti

Mark Fougere

Ryan Bielagus

Jim DeStefano

Jack Dugan,

Excused:

Katie Chambers

Bill Parker, Director Community Development/TIF Administrator

J. McCormack called the meeting to order at 7:30AM.

Review of Agenda & Minutes

J. McCormack reviewed the agenda and highlighted the meeting notes from 4/12/12.

G. Infanti made a motion to accept the minutes from 1/18/12 and 4/12/12. A. Hicks seconded and all in favor.

Update from Ecotech

R. Bielagus outlined the past year's activities and said that the original plan for the former police station was to put residential in back and commercial in the front; possibly workforce housing. Milford is a target area for affordable housing but the deed restrictions on that site wouldn't allow workforce housing or age restricted development. So, Bill, Guy and I had a number of meetings with the EPA and DES and the bottom line is that they won't restrict development, but the amount of work to be done on the site will pretty much make it economically unfeasible. That is certainly an avenue that we can keep pursuing, but one has to understand the levels of clean they want for residential development. B. Parker added that was one of the stumbling blocks; we also had some environmental work done, but the study came back stating a need for more data and testing, perhaps even a new Phase I for the police station site particularly due to arsenic from the contamination. R. Bielagus said they are drilling down to bedrock looking for contaminants. J. McCormack noted that arsenic is naturally occurring, so it is everywhere. R. Bielagus said we've kicked that project aside for now because the costs keep adding up. Plan B would be a possible hotel or high acuity senior care use, both of which the EPA is ok with. We reviewed the hotel marketing study that was done for the town that came back as not positive. I've done a lot with market studies and appraisers over the years and think that they missed some things in that study. Although there is very little funding right now for hotels, I do think there is opportunity for a hotel and Milford is a good market. There is a lot of manufacturing and industrial draw in the area and the study didn't even mention the draw of the Hampshire Hills Dome activities or Amherst's industry. A hotel could be viable and I would like to pursue that course. Also a high end senior acuity care facility would be a good use out there. Alzheimer's care is not as recession sensitive if it's a smaller project, but even that would still need some sort of subsidies. Traditional lenders are putting their money in roundup development but it is clear that New Hampshire's population is getting older.

R. Bielagus then gave a brief history of his relationship with Jack Dugan; referencing the Railroad Square project in Keene and Atwood Commons and saying that Water St in Keene is now the place to be. When I reached out to Jack to see how he could help with the Milford project, he was certainly very enthusiastic and said it is similar to a war. You take it lot by lot and keep radiating out. We will have to apply for some block grants and other economic development tools to get it to work, such as moving the TIF District over and start talking with the BFA to guarantee a portion of the loan or provide some sort of guarantee back to the property for either of those two uses. We will run parallel projects over the next few months with both uses and then make a decision.

J. McCormack introduced and welcomed Jack Dugan, of the Monadnock Development Corp.

J. Dugan explained that the Monadnock Regional Development Corporation is a private, non-profit regional development corporation that helps get projects started. He referenced Railroad Square in Keene and the more recent Cheshire County courthouse because both projects were identified by the city for specific uses. If we could bring an anchor to Milford then economic development would spread out in many directions. To that end, it is not easy to put the financing together, so we combine several funding sources. Those include Community Development Block Grants which are based on proposed job creation. It has a really nice fit with a hotel and we used that to develop some of the infrastructure for the Marriott Hotel in Keene. We've also used bank loans with Rural Development guarantees and Business Finance Authority guarantees. You need to be really creative and the new food co-op under construction has five different funding sources that include a block grant, state tax credits, a Rural Development guarantee and two bank loans. One of the tools we use a lot is tax increment financing and over the years we have been able to explore the boundaries of what you can do. On the surface it can be very simple, but most recently when the city and county government asked us to build the courthouse in downtown, we were actually able to use tax increment financing as a participant in the funding structure for the construction of the facility itself. As we talk more and more about the obstacles in developing this site in Milford, especially for something that you want, sometimes it just takes a little extra help and tax increment financing can be a critical piece in the funding to make a hotel work. Banks have a lot of money but they're just not lending it yet on commercial projects especially when presented with an uncommitted feasible study and the environmental details. However, I am confident that in a partnership we can get really creative. The question is do you want us to be creative.

J. McCormack said yes but to do what; you have to have a project that makes sense. J. Dugan said the economics of a hotel means that we will have to be very creative. He referenced the courthouse that broke ground last Friday to show what can be done. The State was going to pull the courts out of downtown Keene because they were substandard and in poor condition. People from the city and county rose up to say Keene is the county seat and we want them downtown, they are an economic engine. The courts said ok but came back with detailed specifications and would not pay more than \$450,000 annually between operating expenses and rent for the two new facilities. Backing out those numbers and with the required specs it came up to \$10.9 M to build the facility. You don't have to be a numbers person to see the difference; however, we were able to combine several funding sources to make it work. The City of Keene, through TIF, is actually loaning us of \$1.7M and the county is loaning \$750K to help us build the courthouse plus we got a tax exempt bond guarantee. We were able to get the State to increase their rent from \$450,000 to \$492,500 which is attributed to having to pay property taxes even though we will be leasing it to the State. We created a subsidiary called Twelve Court St, LLC that will be the owner of the property.

J. McCormack inquired how they got voter approval for the TIF money. J. Dugan explained that the new courthouse now pays property taxes and those taxes pay the debt service on the \$1.7M TIF bond, so it's cyclical. If you really want a hotel here, it can work. J. McCormack asked if they saw their organization as becoming the owner. J. Dugan said he could see that because the community development and economic development block grants will come to us and we either make the loan or the investment in the project. Because of our ability to flow the TIF funds for the community to use, we would be a good partner in the project. J. Dugan said we've repurposed several buildings as well as funded the Marriott Hotel project and then invited the Board to see their projects firsthand.

J. McCormack asked wouldn't we have to decide if the project would be a hotel or an assisted living facility? R. Bielagus said eventually it could be both, that's the whole point. We would pursue two parallel courses for a period because we still have a while to go before we can get the TIF district to help attract an operator that wants to come in with us. We would like to talk to the BFA and still have work to do to get loan guarantees. J. McCormack asked if there is capacity for both projects on the former police station site or are you also looking at the adjacent property. R. Bielagus said the new zoning regulations are structured so that they will allow the adjacent site to be used to calculate the density, but word from the EPA and DES is that site will not be developable for at least twenty years. The Town of Milford has to understand that although this is a good location and the Town is a great place, there are tremendous challenges associated with that site. J. McCormack referenced a Wall St Journal article about long term care, state by state and said on that map New Hampshire kind of stood out as having the highest costs of about \$5,100/month. That told him this is a good business to be in and there must be market opportunities here for the prices to be that high. Does that factor into your decision as to

which project. R. Bielagus said we made huge push in Senior housing a few years ago and developed two facilities in Keene and Bedford along with some in other states but our financing collapsed in 2007 with the market. We certainly learned a great deal about senior care and assisted living. There is market opportunity in Milford and there is no doubt that the market for senior care is stronger than for a hotel from a quantitative sense. It's also easier to do a senior care market study because the percentages are pretty generic. It is harder to do that with a hotel market study because you can't distinguish the usage from different size and types of companies. J. McCormack inquired if the financing would be different for the two uses. J. Dugan said he was not familiar with financing for healthcare but there could still possibly be funding from an economic development block grant and tax exempt bonding. TIF financing usually contains an economic development component such as what the community wants and what the Master Plan calls for.

B. Parker said we will be looking at expanding the TIF district and this is a good time to do so. There are a few opportunities for potential parcels to consider. Airmar is breaking ground for their new building on Meadowbrook Dr and the Town has been working with the State to try to get the courthouse relocated to the former State Police barracks out there. There is a way to expand the district westerly and it is just a matter of putting a map together for the warrant article. J. McCormack expressed concerned that if we try make to make it too wide there will be more objections, but the potential courthouse relocation would make more of a concrete pitch. B. Parker said he will work on the boundaries. J. McCormack inquired if we could use Keene courthouse as an example to promote the district expansion. R. Bielagus said Keene dovetails nicely into this expansion as a non-profit developer that brought in for-profit developers and additional revenue. J. Dugan said we can help; we develop, re-purpose, fill them up, sell and we keep moving on.

G. Infanti said his sense is that the voters have become more accepting and understanding of what the TIF district does. Their mindset is changing and with the right marketing, people realize it is a benefit for the town. It is also a good idea to expand the district as best we can without trying to take over a whole section of town. Assisted living is a viable resource as the mindset of many people is that they don't want to be a burden when they get old. He referenced an article that New Hampshire has one of the oldest populations in the country and he can see a real market. R. Bielagus said the trend is that the older population is migrating out of Florida and moving back to where their family is located. Both George and John agreed and referenced their parents' situations.

A. Hicks inquired about the specifics of the expansion. B. Parker showed some of the proposed parcels on the map. B. Parker also noted that Dave Wheeler was pushing for the courthouse but now that he is no longer on the executive council, we don't know what will happen. A. Hicks asked if we had the figures for taxes on the proposed properties and said the warrant article will have to be ready by mid-January and go through the Budget Advisory Committee. B. Parker said he would run those numbers and come up with the development plan. The committee just started up again and overall the group is more understanding. Rose Evans is on it and she helped set up the TIF District and Matt Lydon, the chair, is young, progressive and very open.

R. Bielagus said the funds for the police station will probably have to stay within the site for a while, and may take a little time to end up in the Brox infrastructure. The \$600,000 is no longer an economic number and we may need that money to help launch this project. J. McCormack said we need to be careful so that money is not just shifted around. A. Hicks said if you extend the TIF to include that property, the money will stay there. J. McCormack said wording states that the money will go to the Brox infrastructure, not TIF infrastructure. R. Bielagus said that wording may need to be revised.

R. Bielagus gave an update on the Brox marketing, saying that there has been no movement from the key players and we can only push our resources in so many directions. We are still facing the same economic conditions and there is not a lot of money available.

A Hicks inquired if the Town had changed any of the plans for Brox and if is there anything in the works? B. Parker said we do have the whole new zoning district that encompasses the area and there is discussion again from the recreation groups to start getting some fieldwork done out there.

G. Infanti inquired about the new conservation group. B. Parker explained that the new Brox Environmental Citizens group is spearheaded by Suzanne Fournier. She has identified areas where there may be some wetland

buffer encroachment. She is a very concerned environmentalist and is trying to raise public awareness that the trails at the Brox property need to be protected and preserved. She has been in the Community Development Office requesting all sorts of files under the right to know laws. J. McCormack added that she had contacted him as well.

Marketing update:

R. Bielagus said we've looked at the market demand for commercial use and traditional retail in Milford and we would by no means turn someone away, but you have to keep a consistent message for Town. There is not a lot of retail development going on. The two uses we're focused on, we can build and they will come. He referenced the Irving Gas Station site and how difficult it was to get someone to develop that site. So, it's tough to get folks to Milford, but once they come they will do great. That gas station can't keep the tanks filled. It's tough to explain this region and how it draws from a large geographic area, but Milford is an underserved market. Milford citizens have to understand that they've got a site that is pretty much useless. It is contaminated and sits next to another contaminated site, but this team can make something out of it. J. DeStefano asked if the superfund site next door would be a marketing concern for a hotel and if the visual aspect would have any impact. J. Dugan said the Marriott in Keene is actually on a Brownfields site and we had to redevelop the entire site, truck soil away and encapsulate contaminated soils. There would obviously have to be some landscaping put in to screen that site but it would have to be a consideration. The market study for Keene said a hotel wouldn't work but they are running at 85%-90% occupancy. J. McCormack asked what the customer profile was. J. Dugan said when he leaves work every night; most cars are from out of state visiting the local industry and schools. At 6PM you see groups coming out of the hotel heading to Main St where they spend money.

J. McCormack said he and Bill will meet. B. Parker said he would get a draft out for the proposed warrant article within the next few weeks.

Other business:

Membership - There was a brief discussion pertaining to the existing membership and recruitment. B. Parker reviewed the by-laws which state that the seven (7) member board is made up of two representatives from property owners within the district, one which needs to be a Selectman, one representative from the MIDC, which will need to be revised as the MIDC has dissolved, two representatives from abutting property owners to the TIF District, one member of the School Board and one Milford citizen-at-large. We still haven't heard from Tom Wilson of Hendrix so we need to find out who can still serve and which positions we will need to recruit for. J. McCormack suggested that Bill send out an email to the Board summarizing where we are at.

Next Meeting:

Next meeting was set for Thursday 12/13/12 at 7:30AM in the BOS meeting room.

G. Infanti made a motion to adjourn the meeting at 8:30.