To: City Council
From: Christopher Parker, AICP
Cc: J. Michael Joyal
Date: February 5, 2016
Re: Hellenic Realty Partners 79-E Application

ISSUE:
On June 24, 2015, the City Council passed a resolution implementing the provisions of RSA 79-E Relative to the Community Revitalization Tax Relief Incentive Program

INTENT:
This memo will guide you through the application received for consideration under the program

FACTS:
Current tax assessment: $2,156,300
Current tax bill: $57,379
Current Tax rate: $26.61(used in all projections)
Application is complete: Yes
Development Agreement signed: Yes

ATTATCHED:
TIF Financial Proforma
Proposed Covenants
Enabling resolution
TIF Board Letter
Heritage Commission Letter

Background

The Community Revitalization Tax Relief Incentive program provides short-term property assessment tax relief and a related covenant to protect the public benefit that is being created.

The purpose of the program is to encourage reinvestment in existing buildings/structures within the downtown area. This would include both the demolition and subsequent rebuilding of a structure, or the rehabilitation of the existing structure. To qualify, the building must be a "qualifying structure," which means it is a building located in a district officially designated by the municipality master plan, or by zoning ordinance, as a downtown, town center, central business district or village center.

In addition, the value of the rehabilitation must be equal to at least 220 percent of a building's pre-rehab assessed value, and that value must be agreed to by the developer in the form of a guaranteed tax assessment. Finally, the proposed substantial rehabilitation must provide a public benefit. In order to be considered a public benefit the substantial rehabilitation must provide at least one of the following, and the proposed replacement must provide one or more of the public benefits:

- It enhances the economic vitality of the downtown.
- It enhances and improves a structure that is culturally or historically important on a local, regional, state, or national level, either independently or within the context of the downtown.
- It promotes the preservation and reuse of existing building stock throughout a municipality by the rehabilitation of historic structures, thereby conserving the embodied energy in accordance with energy efficiency guidelines established by the U.S. Secretary of the Interior's Standards for Rehabilitation.
- It promotes development of municipal centers, providing for efficiency, safety, and a greater sense of community, consistent with RSA 9B.
- It increases residential housing in urban or town centers

Application Review

The application provided by Hellenic Realty Partners, LLC is for the property located between 104 and 124 Washington Street. The goal of the project is to redevelop the entire 1.15Ac property into 2-3 mixed use buildings, a combination of 10,000 – 14,000 sq ft of commercial space, 75 – 90 one and two bedroom apartments, and onsite parking. Frontage along Washington St will be commercial space on the 1st floor, and one and two bedroom apartments above. Frontage along Locust and Chestnut St will have a mix of commercial and under structure parking on the 1st floor, and one and two bedroom apartments above.

The applicant seeks to use the Tax Relief program for Phase One only of the project. This includes 2/3rd of the build out along Washington Street: a total of approximately 6,500 sq ft of commercial space, and 20-25 one and two bedroom apartments. Design and permitting will be completed in 2016. Construction of Phase One is scheduled to begin April of 2017 and is slated to be completed by March, 2018

Per resolution, R-2015.06.10, in order to approve the application, the City Council shall find that the following criteria have been met:

- The project is a consistent with the Master Plan
- Is the rehabilitation cost over 220 percent of the building's pre-rehabilitation assessed value?
- Has the Heritage Commission determined that the property has no significant historic, cultural or architectural value?
- Does the project meeting one or more of the Public Benefits?
    - Enhance the economic vitality of the downtown.
    - Enhance and improves a structure that is culturally or historically important on a local, regional, state, or national level, either independently or within the context of the downtown.
    - Promote the preservation and reuse of existing building stock throughout a municipality by the rehabilitation of historic structures, thereby conserving the embodied energy in accordance with energy efficiency guidelines established by the U.S. Secretary of the Interior's Standards for Rehabilitation.
    - Promote development of municipal centers, providing for efficiency, safety, and a greater sense of community, consistent with RSA 9B.
    - Increases residential housing in urban or town centers.
- Has the Downtown TIF Board reviewed and endorsed the application?

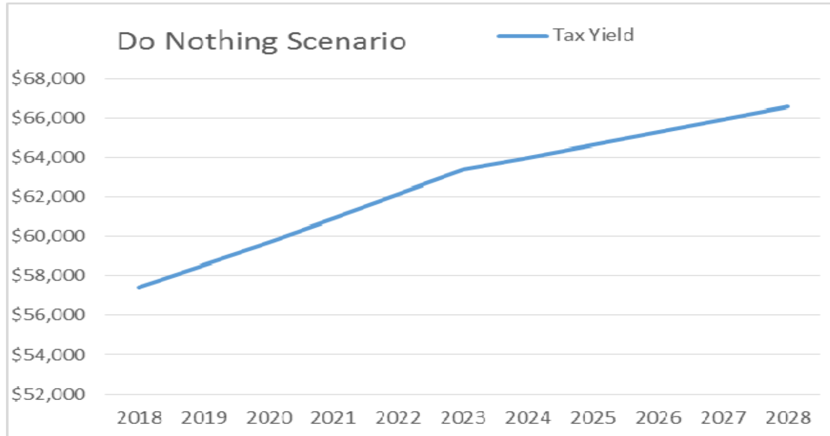
If all of those elements are provided, the City Council may approve the application with a relief period of up to 5 years. Furthermore, to be effective, the applicant shall sign a protective covenant, approved by the City Attorney, which shall be recorded at the registry of deeds. The covenant ensures the structure shall be maintained and used in a manner that furthers the public benefits for which the tax relief was granted, including prohibiting conversion to a tax exempt property. Furthermore, it shall require the property owner to obtain casualty insurance, and flood insurance if appropriate, for twice the term of the tax relief.

Finally, the covenants shall provide that the City shall have granted to it a lien against the property for the purpose of ensuring proper restoration or demolition of damaged structures and property. If the covenant is terminated for any reason, the City shall assess all current and arrears taxes to the owner as though no tax relief was granted, with interest in accordance with RSA 75

Financial Review

Below is a hypothetical case study using the existing building under three scenarios to illustrate how the tax relief incentive could work; the first is, in essence, a "do nothing" option; the second envisions a 5 year exemption (as represented by the application), and the third envisions removal of the building resulting in vacant property prior to redevelopment.

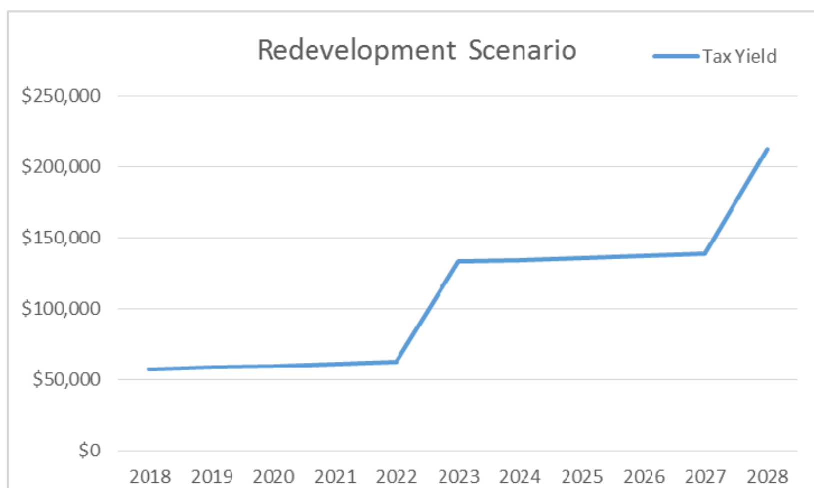
SCENARIO #1: DO NOTHING



The property may or may not improve. If improvement is implemented, the owner may opt for a lesser investment in quality or quantity of rehabilitation. Under this scenario, if no improvements are made, the taxable value would remain relatively stagnant with only slight annual appreciation two percent (2%) growth in annual assessments due to market forces for the initial years. After year 5 the percentage of growth is estimated at a value of one percent (1%).

In Scenario 1, the owner opts for a lesser investment in quality or quantity of rehabilitation; the taxable value remains relatively stagnant with only slight annual appreciation. In the base year the owner would pay $57,379 in taxes. This would be adjusted annually by the rate of increase predicted in the TIF proforma (2% for years 1 -5 1% thereafter) generating a cumulative increase, deposited in the TIF fund of $9,204 over ten years.

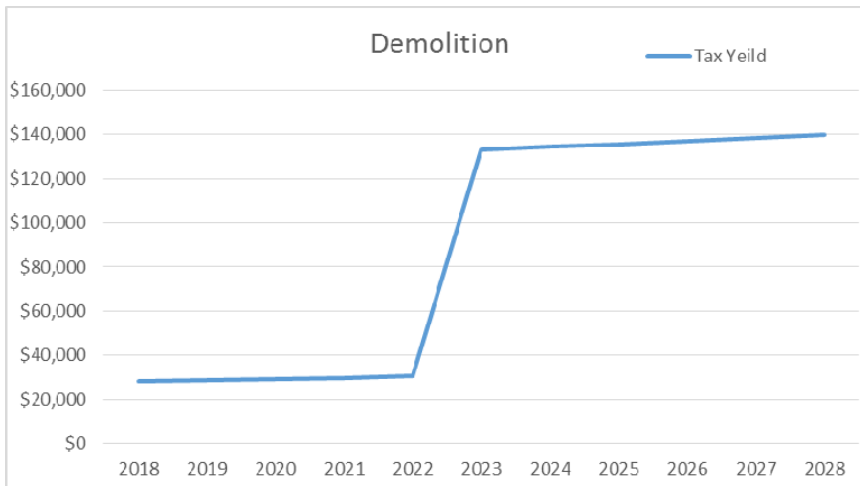
SCENARIO #2: REDEVELOPMENT PURSUANT TO 79-E



The building is demolished and in its place approximately 6,500 sq ft of commercial space, and 20-25 one and two bedroom apartments are created. In five years, the value of the structure, per the LDA is AT LEAST $5,000,000. In year 10 the value increases to AT LEAST $8,000,000. As with scenario 1 only slight annual appreciation two percent (2%) growth in annual assessments due to market forces for the initial years. After year 5 the percentage of growth is estimated at a value of one percent (1%).

In Scenario 2, the owner develops the project as per the LDA creating a building of AT LEAST $5,000,000, but is assessed at the $2,156,300 baseline. The owner pays $57,379 annually adjusted annually by the rate of increase predicted in the TIF proforma (2% for years 1 to 5). In year 6 when the full assessment, or $5,000,000 value is reached, a tax yield of $133,050 is generated. The annual tax yield will have gone from $62,109 in year 5 to $133,050 for a positive gain of $70,941. The new value continues to increase at the rate predicted by the TIF proforma of 1% for years 6 – 10, when the second LDA valuation of $8,000,000 kicks in. The increment applied to the TIF fund in this year is $212,880, which is a $74,428 increase over the prior year. After 10 years, the TIF fund has seen an increase of $155,501.

SCENARIO #3: DEMOLITION:



The owner of the property decides they do not want to move forward themselves, but they want to, instead, limit their tax liability, and so the building is demolished and in its place is a vacant lot while they market the property. As with scenario 1 only slight annual appreciation two percent (2%) growth in annual assessments due to market forces for the initial years. After year 5 the percentage of growth is estimated at a value of one percent (1%).

In Scenario 3, the owner looks to reduce their liability, and demolishes the building while it waits for a buyer to come along. Under the Scenario, after 5 years, a new building valued AT LEAST $5,000,000 is constructed. The owner pays $28,193 annually adjusted by the rate of increase predicted in the TIF proforma (2% for years 1 to 5). For the first five years, while the property is being marketed, the City has lost $30,000 a year in tax revenues compared to the baseline. In year 6 when the full assessment, or $5,000,000 value is reached, a tax yield of $133,050 is generated, an increase from $30,517 in year 5, for a positive gain of $102,533. The new value continues to increase at the rate predicted by the TIF proforma of 1% for years 6 – 10. After 10 years, the TIF fund has seen an increase of $109,320.

10 year Total	Scenario 1	Scenario 2	Scenario 3
Tax Revenue	$688,341	$1,190,172	$965,245
Increment	$9,204	$155,501	$109,320

Conclusions

Under scenario #2, the tax relief incentive combined with the increased revenue potential of the renovated building likely supports the debt service for the acquisition and rehabilitation cost of making the project economically feasible for the developer. The City benefits include the high tax valuation (a 220% increase in value) and the use of the Land Development Agreement. In this scenario the TIF is protected and enhanced, as is the community through the public benefits required of the developer. This is on top of the required intersection improvements and increased on street parking.

The 2014 TIF proforma did not anticipate this property being developed at a higher and better use. If the application is approved for inclusion in the Community Revitalization Tax Credit program, there is no negative impact on the TIF proforma.

Finally, the project continues and enhances the City's infill development program, and is consistent with the guidelines and goals of said program.

<u>Staff recommends the Council approve the application, finding that the following conditions, as per RSA 79-E, have been met</u>:

- The project is consistent with Dover's Master Plan, which encourages downtown redevelopment and continued vibrancy.
- The project is a qualifying structure, consistent with RSA 79-E
- The rehabilitation cost is over 220% of the building's pre-rehabilitation assessed value, per the Developer's Agreement.
- On February 4, 2016, the Heritage Commission determined that no significant historic, cultural or architectural value exists (see letter).
- Public Benefits
    - The project:
        - Enhances the economic vitality of downtown, by expanding/modernizing commercial opportunity.
        - Promotes development of municipal centers, providing for efficiency, safety, and a greater sense of community, consistent with RSA 9B, by creating an improved intersection at Washington and Chestnut Streets and tying together the existing civic core, the new parking garage, and downtown commercial district.
        - Increases residential housing in urban centers by adding between 20 and 25 units of residential, where 1 currently exists.
- On February 4, 2016 the Downtown TIF Board reviewed and endorsed the application (see letter).
- The applicant will sign a protective covenant, as approved by the City Attorney, upon approval of the application (see attachment).
- The financial review supports the request for the full five years of tax relief requested.

City of Dover, NH
Downtown Dover TIF District

Revenue Analysis and Debt Service Coverage Assumptions
Revised June 30, 2015

Desciption	Projected Total	14	Actual 15	**Fiscal Year** Estimated 16	17	18	19	20	21	22	**Fiscal Year** Estimated 23
Anticipated Increment By Year			**3,825,300**	10,756,158	15,075,633	18,811,498	20,942,080	31,651,975	33,144,095	34,352,712	35,573,415
@ FY2015 Tax Rate			**26.01**	26.01	26.01	26.01	26.01	26.01	26.01	26.01	26.01
Tax Revenue on Incremental Valuation			**99,496**	279,768	392,117	489,287	544,704	823,268	862,078	893,514	925,265
Existing Balance in Capital Reserve			**340,000**	184,000	49,000		-	-	-	-	-
Parking Activity Fund Net Operating Income			-	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Parking Meter Rate Changes Net Income			-	-	50,000	100,000	100,000	100,000	100,000	160,000	200,000
Proceeds Sale of First Street Lot			**202,000**								
Proceeds Sale of Third Street Lot				75,000							
Proceeds Sale of Orchard Parcel 1 & Parcel 2				150,000							
Proceeds Sale of Orchard Parcel 3 through 6					150,000						
Proceeds Sale of School Street Lot									225,000		
Net Sources of Funds	34,762,929	-	641,496	788,768	741,117	689,287	744,704	1,023,268	1,287,078	1,153,514	1,225,265
Less Net Debt Service	(16,205,242)	-	**(640,860)**	(641,463)	(638,663)	(640,713)	(654,713)	(867,713)	(866,713)	(864,463)	(867,363)
Projected Resources Exceed (Short) Debt Service Coverage	18,557,687	-	636	147,305	102,454	48,574	89,991	155,555	420,365	289,051	357,902
Cumulative Fund Balance		1,485	2,121	149,426	251,880	300,454	390,445	545,999	966,364	1,255,415	1,613,317
Debt Service Balance (Principal & Interest)			15,564,375	14,922,913	14,284,250	13,643,538	12,988,825	12,121,113	11,254,400	10,389,938	9,522,575
All revenue projections reflect unadjusted 2015 dollars											

Revenue Analysis and Debt Service Coverage Assumptions
Revised February 2016

Desciption	Projected Total	14	**Actual** 15	**Fiscal Year** Estimated 16	17	18	19	20	21	22	**Fiscal Year** Estimated 23
Anticipated Increment By Year			**3,825,300**	**11,626,600**	15,075,633	18,811,498	20,942,080	31,651,975	33,144,095	34,371,798	38,116,213
@ Applicable Tax Rate			**26.01**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**
Tax Revenue on Incremental Valuation			**99,496**	**309,384**	401,163	500,574	557,269	842,259	881,964	914,634	1,014,272
Existing Balance in Capital Reserve			**340,000**	232,000	49,000		-	-	-	-	-
Parking Activity Fund Net Operating Income			-	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Parking Meter Rate Changes Net Income			-	-	50,000	100,000	100,000	100,000	100,000	160,000	200,000
Proceeds Sale of First Street Lot			**202,000**								
Proceeds Sale of Third Street Lot				100,000							
Proceeds Sale of Orchard Parcel 1 & Parcel 2					100,000						
Proceeds Sale of School Street Lot									225,000		
Net Sources of Funds	37,249,247	-	641,496	721,384	680,163	680,574	737,269	1,022,259	1,286,964	1,154,634	1,294,272
Less Net Debt Service	(16,205,242)	-	**(640,860)**	(641,463)	(638,663)	(640,713)	(654,713)	(867,713)	(866,713)	(864,463)	(867,363)
Projected Resources Exceed (Short) Debt Service Coverage	21,044,005	-	636	79,921	41,500	39,861	82,556	154,546	420,251	290,171	426,909
Cumulative Fund Balance		1,485	2,121	82,042	123,541	163,402	245,958	400,504	820,756	1,110,926	1,537,836
Debt Service Balance (Principal & Interest)			15,564,375	14,922,913	14,284,250	13,643,538	12,988,825	12,121,113	11,254,400	10,389,938	9,522,575
All revenue projections reflect unadjusted 2015 dollars											

City of Dover, NH

Downtown Dover TIF District

Revenue Analysis and Debt Service Coverage Assum

Revised June 30, 2015

Desciption	Projected Total	24	25	26	27	28	29	30	31	32	33
						Fiscal Year Estimated					
Anticipated Increment By Year		37,646,325	38,899,964	40,166,140	41,444,977	42,736,603	44,041,145	45,358,732	46,689,496	48,033,567	49,391,078
@ FY2015 Tax Rate		26.01	26.01	26.01	26.01	26.01	26.01	26.01	26.01	26.01	26.01
Tax Revenue on Incremental Valuation		979,181	1,011,788	1,044,721	1,077,984	1,111,579	1,145,510	1,179,781	1,214,394	1,249,353	1,284,662
Existing Balance in Capital Reserve		-	-	-	-	-	-	-	-	-	-
Parking Activity Fund Net Operating Income		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Parking Meter Rate Changes Net Income		200,000	200,000	200,000	200,000	300,000	300,000	300,000	300,000	300,000	400,000
Proceeds Sale of First Street Lot											
Proceeds Sale of Third Street Lot											
Proceeds Sale of Orchard Parcel 1 & Parcel 2											
Proceeds Sale of Orchard Parcel 3 through 6											
Proceeds Sale of School Street Lot											
Net Sources of Funds	34,762,929	1,279,181	1,311,788	1,344,721	1,377,984	1,511,579	1,545,510	1,579,781	1,614,394	1,649,353	1,784,662
Less Net Debt Service	(16,205,242)	(864,663)	(865,463)	(866,563)	(867,063)	(866,963)	(865,400)	(867,325)	(863,438)	(863,900)	(867,575)
Projected Resources Exceed (Short) Debt Service Coverage	18,557,687	414,518	446,325	478,158	510,921	644,616	680,110	712,456	750,956	785,453	917,087
Cumulative Fund Balance		2,027,835	2,474,160	2,952,318	3,463,239	4,107,855	4,787,965	5,500,421	6,251,377	7,036,830	7,953,917
Debt Service Balance (Principal & Interest)		8,657,913	7,792,450	6,925,888	6,058,825	5,191,863	4,326,463	3,459,138	2,595,700	1,731,800	864,225

All revenue projections reflect unadjusted 2015 dollars

Revenue Analysis and Debt Service Coverage Assum

Revised February 2016

Desciption	Projected Total	24	25	26	27	28	29	30	31	32	33
						Fiscal Year Estimated					
Anticipated Increment By Year		40,214,551	41,493,872	42,785,987	44,091,023	48,154,059	49,512,776	50,885,079	52,271,106	53,670,993	55,084,879
@ Applicable Tax Rate		**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**
Tax Revenue on Incremental Valuation		1,070,109	1,104,152	1,138,535	1,173,262	1,281,380	1,317,535	1,354,052	1,390,934	1,428,185	1,465,809
Existing Balance in Capital Reserve		-	-	-	-	-	-	-	-	-	-
Parking Activity Fund Net Operating Income		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Parking Meter Rate Changes Net Income		200,000	200,000	200,000	200,000	300,000	300,000	300,000	300,000	300,000	400,000
Proceeds Sale of First Street Lot											
Proceeds Sale of Third Street Lot											
Proceeds Sale of Orchard Parcel 1 & Parcel 2											
Proceeds Sale of School Street Lot											
Net Sources of Funds	37,249,247	1,370,109	1,404,152	1,438,535	1,473,262	1,681,380	1,717,535	1,754,052	1,790,934	1,828,185	1,965,809
Less Net Debt Service	(16,205,242)	(864,663)	(865,463)	(866,563)	(867,063)	(866,963)	(865,400)	(867,325)	(863,438)	(863,900)	(867,575)
Projected Resources Exceed (Short) Debt Service Coverage	21,044,005	505,446	538,689	571,972	606,199	814,417	852,135	886,727	927,496	964,285	1,098,234
Cumulative Fund Balance		2,043,282	2,581,971	3,153,943	3,760,142	4,574,558	5,426,693	6,313,420	7,240,917	8,205,202	9,303,435
Debt Service Balance (Principal & Interest)		8,657,913	7,792,450	6,925,888	6,058,825	5,191,863	4,326,463	3,459,138	2,595,700	1,731,800	864,225

All revenue projections reflect unadjusted 2015 dollars

City of Dover, NH
Downtown Dover TIF District

Revenue Analysis and Debt Service Coverage Assum
Revised June 30, 2015

Desciption	Projected Total	Fiscal Year Estimated 34	35	36	37	38	39
Anticipated Increment By Year		50,762,165	52,146,963	53,545,608	54,958,241	56,384,999	57,826,025
@ FY2015 Tax Rate		26.01	26.01	26.01	26.01	26.01	26.01
Tax Revenue on Incremental Valuation		1,320,324	1,356,343	1,392,721	1,429,464	1,466,574	1,504,055
Existing Balance in Capital Reserve		-					
Parking Activity Fund Net Operating Income		100,000	100,000	100,000	100,000	100,000	100,000
Parking Meter Rate Changes Net Income		400,000	400,000	400,000	400,000	400,000	400,000
Proceeds Sale of First Street Lot							
Proceeds Sale of Third Street Lot							
Proceeds Sale of Orchard Parcel 1 & Parcel 2							
Proceeds Sale of Orchard Parcel 3 through 6							
Proceeds Sale of School Street Lot							
Net Sources of Funds	34,762,929	1,820,324	1,856,343	1,892,721	1,929,464	1,966,574	2,004,055
Less Net Debt Service	(16,205,242)	(864,225)	-	-	-	-	-
Projected Resources Exceed (Short) Debt Service Coverage	18,557,687	956,099	1,856,343	1,892,721	1,929,464	1,966,574	2,004,055
Cumulative Fund Balance		8,910,016	10,766,358	12,659,079	14,588,543	16,555,117	18,559,172
Debt Service Balance (Principal & Interest)		-					
All revenue projections reflect unadjusted 2015 dollars							

Revenue Analysis and Debt Service Coverage Assum
Revised February 2016

Desciption	Projected Total	Fiscal Year Estimated 34	35	36	37	38	39
Anticipated Increment By Year		56,512,904	57,955,209	59,411,937	60,883,232	62,369,241	63,870,109
@ Applicable Tax Rate		**26.61**	**26.61**	**26.61**	**26.61**	**26.61**	**26.61**
Tax Revenue on Incremental Valuation		1,503,808	1,542,188	1,580,952	1,620,103	1,659,646	1,699,584
Existing Balance in Capital Reserve		-					
Parking Activity Fund Net Operating Income		100,000	100,000	100,000	100,000	100,000	100,000
Parking Meter Rate Changes Net Income		400,000	400,000	400,000	400,000	400,000	400,000
Proceeds Sale of First Street Lot							
Proceeds Sale of Third Street Lot							
Proceeds Sale of Orchard Parcel 1 & Parcel 2							
Proceeds Sale of School Street Lot							
Net Sources of Funds	37,249,247	2,003,808	2,042,188	2,080,952	2,120,103	2,159,646	2,199,584
Less Net Debt Service	(16,205,242)	(864,225)	-	-	-	-	-
Projected Resources Exceed (Short) Debt Service Coverage	21,044,005	1,139,583	2,042,188	2,080,952	2,120,103	2,159,646	2,199,584
Cumulative Fund Balance		10,443,019	12,485,207	14,566,158	16,686,261	18,845,907	21,045,490
Debt Service Balance (Principal & Interest)		-					
All revenue projections reflect unadjusted 2015 dollars							

CITY OF DOVER, NH
COVENANT TO PROTECT PUBLIC BENEFIT

Per RSA 79-E:8 (Community Revitalization Tax Relief Incentive)

Hellenic Realty Partners, Inc., by and through Nicholas Kostis, Managing Partner, (hereinafter referred to as "GRANTOR") owner of property situate at 104 – 124 Washington Street, Dover, NH (hereinafter referred to as the "PROPERTY"), and for its successors and assigns, for consideration of tax relief granted to GRANTOR by the City of Dover pursuant to the provisions of RSA 79-E, agree to and assert the following Covenants imposed by, and in favor of, the City of Dover, (hereinafter referred to as "GRANTEE"), 288 Central Avenue, Dover, County of Strafford, State of New Hampshire.

These covenants are made in exchange for property tax relief granted with respect to the PROPERTY as a result of the substantial rehabilitation of the PROPERTY to be accomplished by the GRANTOR in accordance with GRANTOR'S proposal (specific approved scope of work is attached as "CHAPTER 79-E COMMUNITY REVITALIZATION TAX RELIEF INCENTIVE ADDENDUM") approved by GRANTEE on February ___, 2016.

This Covenant is to protect the public benefit in accordance with the provisions of RSA 79-E for a term of ten years, beginning on April first of the first tax year commencing immediately after the completion of the rehabilitation work. Notwithstanding the foregoing, the contemplated tax relief shall be null and void if the proposed rehabilitation work is not completed by March 31, 2018, at the sole discretion of the GRANTEE.

The PROPERTY is designated GRANTEE'S Tax Map 2 Lot 2 in the City of Dover. For further reference to GRANTOR'S title see deed recorded at Book [reference], Page [reference], Strafford County Registry of Deeds.

The GRANTEE agrees that the PROPERTY, if substantially rehabilitated in accordance with GRANTOR'S proposal approved by GRANTEE on February ___, 2016, provides a demonstrated public benefit in accordance with the provisions of RSA 79-E:7 insomuch as the substantial rehabilitation of said property:

I. Enhances the economic vitality of downtown;

II. Promotes development of municipal centers, providing for efficiency, safety and a greater sense of community consistent with RSA 9-B.

III. It increases residential housing in urban or town centers.

In addition, the GRANTOR agrees that at no point during the term of the Covenant shall the property become tax exempt.

The term of the Covenant which is hereby granted by the GRANTOR to the GRANTEE with respect to the above described PROPERTY shall be ten years: the first five co-extensive with the tax relief period, and five additional years thereafter.

In addition to the above, the GRANTOR covenants as follows:

<u>GRANTOR'S COVENANTS</u>:

<u>REHABILITATION OF PROPERTY</u>. The Grantor agrees to substantially rehabilitate the PROPERTY during the term of this Agreement in accordance with GRANTOR'S proposal approved by GRANTEE on February ___, 2016. The substantial rehabilitation contemplated by GRANTOR'S proposal approved by GRANTEE on February ___, 2016 shall be completed by the GRANTOR on or before March 31, 2018. All of the work on the attached scope of work must be completed in order for the tax relief to take effect. If only

some of the work on the attached scope of work is completed prior to March 31, 2018, then the PROPERTY shall be fully assessed for the value of that work during the tax year commencing April 1 2018. The tax relief period would commence April 1, 2019, should the work be complete prior to March 31, 2019. Under no circumstance shall the tax relief period extend beyond March 31, 2023.

MAINTENANCE OF THE PROPERTY. The GRANTOR agrees and is required to maintain, use and keep the structure in a condition that furthers the public benefits for which the tax relief was granted and accepted during the term of the covenant.

REQUIRED INSURANCE, USE OF INSURANCE PROCEEDS, AND TIMEFRAME TO REPLACE OR REMOVE DAMAGED PROPERTY. The GRANTOR agrees and is required to obtain and maintain casualty insurance on the structure and Property, as well as flood insurance if appropriate. The GRANTEE shall be entitled to a lien against proceeds for any insurance claims to ensure proper restoration or demolition of any damaged structures and property. The GRANTEE further requires that the restoration or demolition commence within one year following any insurance claim incident; otherwise the GRANTOR shall be subject to the termination provisions set forth in RSA 79-E:9, I.

RECORDING. The GRANTEE agrees to and shall provide for the recording of this covenant with the Strafford County Registry of Deeds. It shall be a burden upon the PROPERTY and bind all transferees and assignees of such PROPERTY. The GRANTOR may only assign its rights with written consent of the GRANTEE. The GRANTOR shall be solely responsible for prompt payment of the recording fee(s).

ASSESSMENT OF THE PROPERTY. The GRANTEE agrees that the PROPERTY shall be assessed, during the term of the Tax Relief Granted based on the pre-rehabilitation value, as of April 1, 2016, or such other value utilized by the Assessor to address improvements not covered by RSA 79-E. If the terms of these covenants are not met, the Property Tax Relief will be discontinued. Furthermore, the GRANTEE will assess all taxes to the owner as though no tax relief was granted, with interest in accordance with RSA 79-E:9, II.

RELEASE, EXPIRATION, CONSIDERATION.

I. RELEASE. The GRANTOR may apply to the local governing body of the City of Dover for a release from the foregoing discretionary tax relief and associated covenant within the duration of the tax relief period of RSA 79-E upon a demonstration of extreme personal hardship. Upon release from such covenants, the GRANTOR shall thereafter pay the full value assessment of such structure(s) and land to the Tax Collector of the City of Dover.

II. EXPIRATION. Upon final expiration of the terms of the tax relief and associated covenants the tax assessment will convert to the then full fair market value. These covenants will be concluded five years after the return to full market value. In no circumstance shall the tax relief period extend beyond March 31, 2023.

III. CONSIDERATION. The Tax Collector shall issue a summary receipt to the owner of such PROPERTY and a copy of the governing body of the City of Dover for the sums of tax relief accorded during the term of this Covenant. The local governing body shall, upon receiving a copy of the above-mentioned consideration, execute a release of the Covenant to the GRANTOR who shall record such a release with the Strafford County Registry of Deeds. A copy of such release or renewal shall also be sent to the local assessing official.

IV. MAINTENANCE OF STRUCTURE. If, during the term of the Covenant, the GRANTOR shall fail to maintain the structure in conformity with the foregoing Covenant, or shall cause the structure(s) to significantly deteriorate or be demolished or removed, the covenants shall be terminated and a penalty shall be assessed in accordance with Paragraph I(a) above.

<u>ENFORCEMENT</u>. If a breach of this Covenant is brought to the attention of the GRANTEE, the GRANTEE shall notify the GRANTOR, in writing of such breach, which notification shall be delivered in hand and/or by certified mail to the GRANTOR.

The GRANTOR shall have 30 days from the date of such notice to undertake those actions, including restorations, which are reasonably calculated to cure the said breach and to notify the GRANTEE thereof.

If the GRANTOR fails to take such curative action, the GRANTEE may undertake any actions that are reasonably necessary to cure such breach, and the cost thereof, including GRANTEE'S expenses, court costs and legal fees, shall be paid by the GRANTOR.

The GRANTOR, by executing this Covenant to the GRANTEE represents that it has the authority to enter into this Covenant, agrees to be bound by and to observe and enforce the provisions hereof, and assumes the rights and responsibilities herein provided for and incumbent upon the GRANTOR, all in furtherance of the purposes for which this Tax Relief and associated Covenant is delivered.

DATED this _____ day of ____________, 2016.

GRANTOR
Hellenic Realty Partners, Inc.

By: ________________________________
Nicholas Kostis
Managing Partner
Duly Authorized

STATE OF NEW HAMPSHIRE
COUNTY OF STRAFFORD

The foregoing instrument was acknowledged before me this _____ day of ______________, 2016, by GRANTOR, the duly authorized TITLE for the GRANTOR.

____
Notary Public/Justice of the Peace
My Commission Expires:_______________

ACCEPTED this _____ day of ____________, 2016.

CITY OF DOVER/GRANTEE

By: ________________________________
J. Michael Joyal, Jr.
City Manager
Duly Authorized

CITY OF DOVER	**CITY OF DOVER - RESOLUTION**
	Agenda Item#:
	Resolution Number: **R – 2015.06.10**
	Resolution Re: **Implementing the Provisions of RSA 79-E Relative to the Community Revitalization Tax Relief Incentive Program**

WHEREAS: The Planning Board of the City of Dover adopted the Master Plan Visioning Chapter on August 28, 2012 and a Land Use Analysis Chapter on February 24, 2015, which specifically identify the need for infill redevelopment and continued development in the downtown area; and

WHEREAS: Adopting the provisions of RSA 79-E, which have been successfully used in other New Hampshire communities, would be a beneficial economic development tool for the community for use where deemed appropriate by the City Council; and

WHEREAS: RSA 79-E "Community Revitalization Tax Relief Incentive" declares it a public benefit to encourage the rehabilitation of underutilized structures in urban and town centers as a means of encouraging growth of economic, residential and municipal uses in a more compact pattern, in accordance with RSA 9-B.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND DOVER CITY COUNCIL:

Dover hereby implements the provisions of New Hampshire Revised Statutes Annotated (RSA) 79-E "Community Revitalization Tax Relief Incentive" enabling municipalities to provide for short-term property assessment tax relief.

"Substantial rehabilitation" shall mean rehabilitation of a qualifying structure which costs at least 220 percent of the pre-rehabilitation assessed valuation.

The City shall require the signing of a Developer's Agreement documenting a commitment of a guaranteed tax assessment equal to or exceeding 220 percent of the pre-rehabilitation assessed valuation.

"Tax relief period" shall mean that for a period of time up to five years, as determined by the City Council, the property tax on a qualifying structure shall not increase as a result of the substantial rehabilitation thereof.

The City shall require the property owner to grant to the City a covenant ensuring that the structure shall be maintained and used in a manner that furthers the public benefits for which the tax relief was granted, including prohibiting conversion to a tax exempt property and shall require the property owner to obtain casualty insurance, and flood insurance if appropriate, for twice the term of the tax relief.

The City shall require the property owner to grant to the City a lien against the property for the purpose of ensuring proper restoration or demolition of damaged structures and property.

If the covenant is terminated for any reason, the City shall assess all current and arrears taxes to the owner as though no tax relief was granted, with interest in accordance with RSA 75.

The City Manager, or designee, shall develop an application for those property owners interested in participating in the program.

That the map titled "RSA 79-E Community Revitalization Tax Relief Incentive June 2015" is hereby adopted as the district where properties are eligible for consideration of this program.

TO BE REFERRED TO A PUBLIC HEARING

AUTHORIZATION

Approved as to Funding:	Daniel R. Lynch Finance Director	Sponsored by:	Mayor Karen Weston By request
Approved as to Legal Form and Compliance:	Anthony I. Blenkinsop General Legal Counsel		
Recorded by:	Karen Lavertu City Clerk		

CITY OF DOVER	CITY OF DOVER - RESOLUTION

Agenda Item#:

Resolution Number: **R – 2015.06.10**

Resolution Re: **Implementing the Provisions of RSA 79-E Relative to the Community Revitalization Tax Relief Incentive Program**

DOCUMENT HISTORY:

First Reading Date:	Public Hearing Date:
Approved Date:	Effective Date:

DOCUMENT ACTIONS:

VOTING RECORD Date of Vote:	YES	NO
Mayor, Karen Weston		
Deputy Mayor, Robert Carrier, At Large		
Councilor John O'Connor, Ward 1		
Councilor William Garrison, III, Ward 2		
Councilor Deborah Thibodeaux, Ward 3		
Councilor Dorothea Hooper, Ward 4		
Councilor Catherine Cheney, Ward 5		
Councilor Jason Gagnon, Ward 6		
Councilor, Anthony McManus, At Large		
Total Votes:		
Resolution does | does not pass.		

RESOLUTION BACKGROUND MATERIAL:

At the City Council workshop meeting on June 3, 2015, the Council received a presentation from staff relative to RSA 79-E "The Community Revitalization Tax Relief Incentive" program. This is a program that provides short-term property assessment tax relief and a related covenant to protect the public benefit that is being created.

The purpose of the program is to encourage reinvestment in existing buildings/structures within the downtown area. This would include either the demolition or subsequent rebuilding of a structure, or the rehabilitation of the existing structure. To qualify, the building must be a "qualifying structure," which means it is a building located in a district officially designated by the municipality master plan, or by zoning ordinance, as a downtown, town center, central business district or village center.

For Dover's purposes, the area identified would be a portion of the Central Business District between Central Avenue, Washington, Chestnut and St Thomas Streets, as outlined on the enclosed map titled: "RSA 79-E Community Revitalization Tax Relief Incentive." These parcels include Assessor's Map 2, Lots 2, 3, 4, 5, 6, 6A, 7, 8, 8A, 9, 11, 12, 13, 15, 16 and 17. This 2.25 acre area was identified because the properties are ones which are underutilized, and have potential for a higher and better use upon them via redevelopment. Typically one to three story buildings exists with older infrastructure, within the area. They are parcels which, with added commercial and residential opportunities, will positively contribute to Dover's economic vitality and contribute to overall growth in Dover's downtown.

In addition, the value of the rehabilitation must be equal to at least 220 percent of a building's pre-rehab assessed value, and that value must be agreed to by the developer in the form of a guaranteed tax assessment. Finally, the proposed substantial rehabilitation must provide a public benefit. In order to be considered a public benefit the substantial rehabilitation must provide at least one of the following, and the proposed replacement must provide one or more of the public benefits:

- It enhances the economic vitality of the downtown.
- It enhances and improves a structure that is culturally or historically important on a local, regional, state, or national level, either independently or within the context of the downtown.
- It promotes the preservation and reuse of existing building stock throughout a municipality by the rehabilitation of historic structures, thereby conserving the embodied energy in accordance with energy efficiency guidelines established by the U.S. Secretary of the Interior's Standards for Rehabilitation.
- It promotes development of municipal centers, providing for efficiency, safety, and a greater sense of community, consistent with RSA 9B.
- It increases residential housing in urban or town centers.

The tax relief would be for a finite period of time during which time the property tax on the structure would not increase. When the finite tax relief has expired, the structure would be taxed at its full market value. The City Council may grant such tax assessment relief for a period of up to five years, beginning with the completion of the substantial rehabilitation.

The basic elements of the program, if adopted as presented, are:

- City Council needs to declare each project a public benefit to enhance downtown.
- Qualifying structures must be in the officially designated district.
- Substantial rehabilitation must equal or exceed 220 percent of original assessed value.
- Tax relief shall be only on the value of the new improvements.
- Tax relief period may be up to five years.
- Covenants shall assure the property is maintained and used for the intended purpose.
- Failure to maintain or utilize property as intended shall require full payment of all taxes.
- Liens shall be held for unpaid exempted taxes.
- Property owners must apply to the City Council, who shall hold a public hearing and determine it is a qualifying structure, it is substantial rehabilitation, there is a public benefit and for what duration the tax relief shall be granted.

The above bulleted conditions give the City Council the controls necessary to assure tax exemptions are granted to projects that meet the objectives of the program and comply with the standards established. All redevelopment projects must be approved by the Planning Board as per normal Site Plan review procedures.

The City Council's granting of relief is discretionary and can be denied for any reason. The Council's decision to deny can only be set aside by the Superior Court or the Board of Tax and Land Appeals for bad faith or discrimination. In addition, the City Council may rescind the adoption of RSA 79-E at any time following the procedures provided in Section 79-E:4, which are the same procedures for adopting the RSA.

CHRISTOPHER G. PARKER, AICP
Assistant City Manager
Planning & Strategic Initiatives
c.parker@dover.nh.gov

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City of Dover, New Hampshire

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

February 5, 2016

Honorable Mayor and City Councilors
288 Central Avenue
Dover NH 03820

Dear Madam Mayor and City Councilors:

The Downtown Dover Tax Increment Finance Advisory Board, at its meeting of February 4, 2016, following a properly noticed public meeting, voted to endorse Hellenic Realty Partners application to participate in the Community Revitalization Tax Relief Program.

In accordance with the requirements of Chapter 5, the Board finds that the application will have a positive impact on the administration and operation of the Downtown Dover TIF District in that it provides $155,000 worth of incremental revenue into the TIF fund.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Jeff Roemer
Chair

CC (Via email): J. Michael Joyal, City Manager

CHRISTOPHER G. PARKER, AICP
Assistant City Manager
Planning & Strategic Initiatives
c.parker@dover.nh.gov

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City of Dover, New Hampshire

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

February 5, 2016

Honorable Mayor and City Councilors
288 Central Avenue
Dover NH 03820

Dear Madam Mayor and City Councilors:

The Dover Heritage Commission, at its meeting of February 4, 2016, following a properly noticed public meeting, voted to endorse Hellenic Realty Partners application to participate in the Community Revitalization Tax Relief Program.

In accordance with the requirements of Chapter 5, the Commission finds that the structure located at 104 – 124 Washington Street, comprised of Map 2, lots 2, 3,4, 5, 6, 6A, 7, 8, 8A and 9 does not possess significant historical, cultural, or architectural value. Further it finds that the proposed replacement structure will reflect the look, feel, and history of Dover's downtown. Finally, it was the consensus of the Commission that any reuse of the Orpheum sign or arch elements within the building or lobby area would be a valuable asset to the replacement structure.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Otis Perry
Chair

CC (Via email): J. Michael Joyal, City Manager