



CITY OF CONCORD

NEW HAMPSHIRE

City Hall - 41 Green Street - Concord, NH 03301 - tel. (603) 225-8510 - fax (603) 228-2701

COMMUNITY DEVELOPMENT ADVISORY COMMITTEE MINUTES SPECIAL MEETING March 14, 2012

The meeting was convened at 12:00 P.M. in the Second Floor Conference Room, City Hall, 41 Green Street, Concord, NH 03301.

Present: Jeff Bart, Allen Bennett, Elizabeth Blanchard, Mark Coen, Michael Gfroerer (arrived 12:10 P.M.), Amanda Grady, Jennifer Kretovic, Nadine Salley (arrived 12:10 P.M.) and Janet Sprague

Absent: Leo Fraser

Staff: Matt Walsh, Assistant for Special Projects
Bev Rafferty, Administrative Assistant

Guests: John Chorlian, Project Manager, Bindery Development LLC project (representing Steve Duprey);
Stephen Heavener, Executive Director, Capital Regional Development Council (CRDC); and
Liz Sweeney, Loan Officer, CRDC

1. Minutes of October 26, 2011, November 16, 2011, and January 23, 2012 meetings:

October 26, 2011 minutes: Amanda Grady made a motion to accept the minutes as submitted; seconded by Allen Bennett; motion passed unanimously;

November 16, 2011 minutes: Allen Bennett made a motion to accept the minutes as submitted; seconded by Liz Blanchard; motion passed unanimously;

January 23, 2012 minutes: Amanda Grady made a motion to accept the minutes as submitted; seconded by Allen Bennett; motion passed unanimously.

As Nadine Salley and Michael Gfroerer had not yet arrived for the meeting, Chairperson Bart moved on to item 4, Revolving Loan Fund, and asked staff to give their report at this time.

4. Revolving Loan Fund: Bev Rafferty reviewed an issue with a client (D. Bennett) who had contacted CDAC last Fall to possibly receive assistance in repaying her loan as she was in arrears and with Winter approaching knew it would be even harder for her to make payments. CDAC, at that time, informed staff to contact the client and let her know to just keep making payments as best she can in order to catch up and then remain current.

Ms. Rafferty informed CDAC that no payments had been received since November 2011 and that was applied to the June 2011 billing. Staff needed advice on how CDAC would like this account handled. After brief discussion, CDAC asked staff to

write D. Bennett a letter stressing the importance of making regular payments and catching up on the account. Staff will report back to CDAC at a later meeting.

Other accounts were briefly discussed. Ms. Rafferty explained that most of the accounts that were in arrears have now been brought current.

At this time, Ms. Salley and Mr. Gfroerer had arrived so Chairperson Bart continued with Item 2 of the agenda.

2. Discussion and vote on loan request for the Bindery Project located at 43 South Main Street:

Matt Walsh introduced guests Liz Sweeney, Stephen Heavener, and John Chorlian. He informed CDAC that Mr. Duprey has requested a \$325,000 loan and in discussion with CRDC, the city would contribute \$175,000 and CRDC \$150,000 at 10% interest with interest only payments through June 2013 and a balloon payment in July 2013 with an opportunity for a two year extension. Based upon a \$325,000 loan, the City's share is 54%, with CRDC providing 46% of the funds.

It was explained that Mr. Duprey is seeking these funds as other lenders involved in the project have requested a debt service reserve fund be created for the project at Closing due to credit worthiness issues with certain tenants for the project. Mr. Walsh noted that 72% of the building has been leased by three tenants, but other lenders feel that only 1 of the 3 are "creditworthy". Mr. Duprey would repay the loan upon 1) securing a second "creditworthy" tenant acceptable to the other lenders in the project or 2) upon release of the Developer's Fee and Contingency for the project upon completion in June 2013.

CRDC will handle all underwriting due diligence as well as administration activities for the loan. The City would enter into a "loan participation agreement" with CRDC. Under this agreement, CRDC would collect payments from Mr. Duprey and then provide the City with its proportionate share of interest earnings. Principal would be repaid by Mr. Duprey – via CRDC – in July 2013.

Lengthy discussion regarding the loan participation agreement ensued. Would the city have a higher interest in the loan as it is contributing more money (\$175,000 compared to \$150,000)? Mr. Duprey would owe CRDC but the city would be protected. An agreement would be made with the lead banks but there is no draft yet. There are also no legal fees until the loan is approved.

Michael Gfroerer inquired what would happen if Mr. Duprey defaults and is only able to pay half. Matt Walsh noted the city would get 54% of what is paid back.

Liz Blanchard inquired why the increase in the loan request from Mr. Walsh's original email to the committee prior to the meeting. When this project was first brought to CDAC's attention, the city was only going to loan \$150,000 now it's up to \$175,000. Matt Walsh informed CDAC that CRDC has limitations on how much they can loan before having to seek approval from its Board of Directors. Given shortness of time with respect to Mr. Duprey's closing, there was insufficient time to go through the CRDC Board approval process for funding beyond \$150,000.

John Chorlian provided a detailed overview of the Bindery Redevelopment Project to CDAC. The current buildings (the bindery and the old Beneficial Finance building) will be demolished and a 70,000 +/- square foot class A office building will be built. Mascoma Savings Bank, Merrimack County Savings Bank, and Kennebunk Savings Bank are the lead lenders for the project. He explained there are three committed tenants. However, one tenant is directly affiliated with Mr. Duprey and, therefore, is not considered creditworthy. The ground floor retail tenant is an independent retailer and, consequently, is not considered creditworthy by these lenders. Until such time as another creditworthy tenant is secured, a debt service reserve must be maintained by Mr. Duprey as a condition of his financing package with Mascoma / Merrimack County / and Kennebunk Savings.

Liz Blanchard inquired if the Bindery Development LLC had not anticipated this shortfall and Mr. Chorlian noted they had not. He also added that the issue of the creditworthiness of these tenants was not anticipated either.

There was also discussion about the city waiving the impact fees and one member was concerned that this project did not meet the meaning of what the loan program is about. Mark Coen asked if this project complies with the City's Revolving Loan Fund rules and whether the City has made any similar loans in the past. Chairperson Bart explained that the Program Income Reuse Plan (PIRP) does allow CDAC to do this type of loan. A similar loan was done for Mr. Duprey for the Blue Cross-Blue Shield building. Economic Development is a section of the PIRP.

Two of the members noted they cannot support this loan request. One has been against this project from the beginning and the other does not feel strongly about this project succeeding at this time. Another member noted that CDAC does not usually announce its vote with the applicant still in the room and suggested that any comments regarding how a member votes be held off until all discussion has been concluded.

Nadine Salley inquired about CRDC's loan limit. Stephen Heavener, Executive Director of CRDC, explained that CRDC has a \$150,000 limit approval for loans at the committee level. They have the ability to go beyond that but would need to go to the board for those approvals up to \$250,000. Liz Sweeney, Loan Officer for CRDC, noted the funds for this loan are coming out of the Opportunity Corridor Fund but they do have other funding capabilities.

CDAC discussed the CRDC's 3% origination fee and noted its opinion that a portion of this fee should be paid to the City given the City's stake in the loan.

Michael Gfroerer inquired if staff is recommending this approval and Matt Walsh noted it is. Mr. Walsh is confident this project will move forward. He noted that the City and CRDC have both had loans with Mr. Duprey in the past which were successful. He also explained the economic benefits of this project to the City, including property tax and parking fund revenues. He noted that use of Mr. Duprey's art collection as collateral is unusual, however, CRDC has used this collection before without issue.

Liz Blanchard inquired if CRDC can approve the funds, why can't they do the \$175,000 and get the board's approval. It was explained that the timing for this to happen would not be in line with Mr. Duprey's closing scheduled in March.

The TIF was discussed and Matt Walsh noted the more development done in the TIF, the faster it gets paid and the faster money goes into the General Fund.

Discussion then ensued on how and when the applicant would be able to spend this money. Liz Sweeney noted there would be a number of conditions on when they spend. John Chorlian explained the new market tax credits and noted that all monies would be placed in an investment fund in order to get the tax credits to work. The \$325,000 being requested through the loan process (CRDC and the City) would be at the bottom of this investment fund as a reserve until all tenants are accepted by the lead banks. If all tenants are approved, there is a chance they will not even have to touch the reserve.

Lengthy discussion was had regarding the reserve and what control the city has if they tap into the city's loan money. Chairperson Bart inquired of Mr. Chorlian that as soon as a lease with the fourth creditworthy tenant is signed, the city would get its money back and Mr. Chorlian confirmed that is correct.

Mr. Heavener, Ms. Sweeney, and Mr. Chorlian left the meeting at 12:45 PM.

Jennifer Kretovic, Ward 2 City Councilor, was introduced as the newest member of CDAC and CDAC members introduced themselves to her.

Liz Blanchard and Allen Bennett reiterated their "no" votes on this loan request. Mark Coen noted he will support it because of the benefits to the community should the project move forward.

Amanda Grady and Jennifer Kretovic had a concern about the applicant not staying in the room when CDAC discusses action. Matt Walsh will check this issue with the City Solicitor and get clarification.

After some further discussion, Mark Coen made a motion to approve the loan; seconded by Michael Gfroerer; the vote was 7 "yes" and 2 "no" votes; the motion passed. There was, however, further discussion regarding the \$9,000 origination fee for CRDC. Chairperson Bart does not feel it would be appropriate for CRDC to retain the entire \$9,000 origination fee as the City is providing the majority of the funds for this loan.

Michael Gfroerer noted the city is going to have to do some of the documents and incur expenses. He suggested that CRDC be paid for their expenses and then the city's share will be the balance over and above that expense. Nadine Salley noted that the borrower (Mr. Duprey) has to pay legal fees and she noted that 3% of \$325,000 is \$9,750. The city is providing 54% of the loan so that should be our part of the fee – the lead lender is not the highest money involved – they just do not want to take the loan request to their board.

Mr. Walsh reiterated that CRDC is doing all the underwriting review of the loan, as well as document origination, and that CDAC should be mindful of these circumstances. Mr. Walsh noted that the City has never charged origination fees in the past to any loans. He also reminded CDAC of the impending partnership with CRDC on a loan for renovation of the Endicott and expressed his belief that it's important for the City and CDAC to maintain an amicable relationship with CRDC going forward.

Michael Gfroerer suggested that CDAC vote to authorize staff to work with CRDC to adjust the terms so that the city shares the origination fee. Mr. Gfroerer then made a motion to authorize Matt Walsh to negotiate with CRDC the origination fee but not less than 50% of the fee or CDAC's loan approval will become void; Mark Coen seconded the motion with an additional comment that this Committee authorize staff to read and review the loan participation agreement documents or other documents as applicable. After further discussion, a vote was taken on the amended motion and it passed unanimously.

The position of collateral was then reviewed. Matt Walsh stated that the City would have a 54% share of the collateral, which is directly proportionate to our loan.

Post Meeting Update: Per negotiations between CRDC and City staff on March 15, 2012, the final agreement for negotiation of the \$9,750 origination fee was to have the fee prorated as follows: 31% (\$3,000) to the City and 69% (\$6,750) to CRDC. This was accepted by CDAC via an email vote on March 15, 2012.

5. Other Business: Chairperson Bart inquired where the RFP process was for hiring a new CDBG consultant. Matt Walsh informed CDAC that proposals are due back tomorrow, March 15th. Mr. Walsh is considering doing an RFP for the lending side as well as the grants. Michael Gfroerer noted that a couple of years ago we wanted to market what we have for loans and we have definitely done that.

Next meeting of CDAC: Matt Walsh explained that proposals for the July round of CDBG funding are due March 21st and, in order to keep with the process for submission, CDAC will need to meet on March 28th to review the proposals and make a decision on whose behalf the City will apply. It is believed that Fellowship Housing, the Concord Boys & Girls Club, and possibly NAMI (National Alliance on Mental Illness) will be submitting proposals. Proposers will be invited to attend the CDAC meeting on the 28th.

6. Adjournment:

There being no other business brought before CDAC, and upon a motion duly made and seconded, with unanimous approval, the meeting adjourned at 1:20 P.M.

Respectfully Submitted,

Beverly A. Rafferty
Administrative Assistant