

Official

TOWN COUNCIL MINUTES Regular Meeting Wednesday, July 25, 2007

CALL TO ORDER: Chairman P. Loiselle called the meeting to order at 6:30 pm.

PRESENT: David Dickson, William "Bill" Gahara, James Gorton, Jason Hyde, George Longfellow, David Ross, Patricia Rueppel, Stuart Werksman, Chairman Paul Loiselle, David Jodoin (Town Administrator)

PLEDGE OF ALLEGIANCE:

APPROVAL OF MINUTES:

July 11, 2007 – G. Longfellow moved to approve the July 11, 2007 minutes as amended. Motion seconded by J. Gorton. **Motion carried unanimously.**

PUBLIC INPUT:

Joanne McHugh, 14 Jefferson Drive suggested naming the Safety Center after the late former Police Chief James Oliver.

Note: This was already done. (See minutes of March 28th, 2007)

Michael Sorel, 54 Cross Road: I'm here on behalf of the Public Library. The trustees have asked me to come and speak to you. Before I do that, I'd like to present to the Council a letter of authorization (attached) from the Library Trustees to speak and negotiate on these matters on their behalf. I do that because at the last two occasions the Chairman of the Planning Board has questioned my authority to speak for the Trustees. The Trustees have provided you with a packet. Included in that packet was a signed Sign Relocation Agreement between the Town, Trustees and 3A Development. Part of that agreement was a proposed sign. If the granite sign wouldn't work, exhibit B will be provided for by 3A Development. According to Stantec, the granite sign will not work because of the new location and the line of sight. 3A Development's Attorney stated at a recent Planning Board meeting that the new proposed easement for the sign was not viable. There are some confusion regarding the easement for the sign. The existing easement is still in place even though they are building a road on top of it.

Chairman P. Loiselle: Normally, there is no discussion during "Public Input" but I'll bend the rules a little this time. Is the Library pleased with the new easement location?

M. Sorel: Yes, they are. There are site issues to be resolved with the lay of the land. Stantec has addressed those issues.

D. Jodoin: Will that proposed location work for those heading northbound?

M. Sorel: Yes. A lot of money was spent to determine that the new location would work but the granite sign is too low to be visible. It worked before when nothing else around interfered with it. But now it won't work. It is my understanding they are going to use the old granite sign and place it in front of the building.

Dale Hemeon, Highway Manager speaking for all non-union employees read a statement (attached).

D. Hemeon: It isn't fair for a lot of employees not to receive their raises when employees from Fire, Police and Sewer received theirs.

D. Jodoin: Did they go through and give everybody their review and then gave raises?

D. Hemeon: I just read the Police Commission minutes that on June 19th they voted to give all their personnel a 4% raise effective July 1st. The commissions can do what they want. All employees for Fire, Police and Sewer got their 4% raises. The old system was 2% merit raise on anniversary date and 2% COLA raise on July 1st. It worked then, but the Council changed it to strictly merit system.

Discussion on the matter ensued.

J. Hyde: It's really up to the Town Administrator to design something that works for everybody.

Chairman P. Loiselle: It has always been done on anniversary date. We can make a motion to allow the Town Administrator to establish a more acceptable procedure.

D. Ross moved to add the matter to the next agenda to come up with a new policy. Motion seconded by G. Longfellow.

D. Dickson: How are raises given?

D. Jodoin: The maximum on the budget right now is 3.5% pay raise across the board for all employees. An employee could receive more or less based on performance review.

D. Hemeon: Some employees, like the Police, Fire and School get that much raise whether they get a review or not. The system is not fair for all employees. Somehow we have to get everyone on the same page.

D. Ross modified the motion for the Town Administrator to present a proposal. Motion seconded by S. Werksman. Roll call vote carried unanimously.

SCHEDULED APPOINTMENTS:

Parks & Recreation Department – Mower Bids

Dale Hemeon, Park & Recreation Department Superintendent presented the bids for a 72" laser mower. Funds were already encumbered.

MB Tractor & Equipment	\$12,259.00
Ackerman Equipment, Inc.	\$12,450.00
Norfolk Power Equipment	\$12,500.00

He recommended accepting the bid from MB Tractor & Equipment for \$12,259.00.

G. Longfellow moved to accept the bid from MB Tractor & Equipment for \$12,259.00. Motion seconded by P. Rueppel. Roll call vote carried unanimously.

OLD BUSINESS:

Cabela's Workshop

Note: Marc Hughes, 1st Albany Bank (Town TIF Consultant) joined the meeting via telephone from Chicago Airport.

David Barnes, Devine, Millimet (Bond Counsel): We wanted to make sure everyone understood the new financing proposal presented a few weeks ago. Marc will speak about his experience with related type of financing in other parts of the country. We will answer questions.

Chairman P. Loiselle: From what I understand, there are two sources of payment. Through a contractual agreement between the Town and Feldco, Feldco will use the return on taxes and the rental income for payment. An independent firm will have to assess the rental value of the property. We're not clear on what the fair rental margin is for the facility. Once that is established, I guess Feldco will determine a percentage of the rental income to be paid to private lenders. How that percentage is determined, I don't know.

D. Barnes: One of the differences is that the property will now be owned by the developers instead of Cabela's. They will construct the improvements using proceeds from a loan they will take out. Once the improvements are done, they will then receive rental income from Cabela's and other tenants. They will use the rental money to pay their lender back. The other source of fund they will use to pay their lender back is the tax increments generated from the project. The Town will turn around and pay those increments back to the developer. That's the way the funds will flow back and forth.

Barry Feldman, Feldco: The rent will be determined by the assessed value of the property as well as other factors, one being the cost of the project. The other component is market driven, comparable rates for same type of facilities. The third component is the ability of the tenant to pay the rent. All of those factors are put together in negotiating what the initial rent will be for that facility.

Chairman P. Loiselle: I question, if in the future, Feldco falls on hard times, what would happen to the agreement between the Town and Feldco?

B. Felman: Every project that we do and all developers across the country are all separate entities. The lending community requires that for their protection. This way if a developer has a healthy project in one location and an unhealthy project in some other location, the lender for the healthy project will not be in jeopardy. Every project is a separate entity.

D. Barnes: As your counsel and advisor, we want some comfort on the developer's financial health. The other point is, if the developer was having any type of financial distress and can not make payments, that is the developer's problem, it's not the Town's responsibility to pay the lender back.

M. Hughes: First, I'd like to apologize to the Council for not being there in person. I made every effort possible to get there... As we walk through the financial proposal, I think a lot of questions will be answered. One of the things we'll require from Feldco is an evidence of construction financing from their lender. The LLC will not have a lot of value because its sole purpose is this development. Its only asset will be this development. We'll look at the agreement with the lender. We'll probably want to look at the lease agreement with Cabela's as well, but it's not as critical. To answer the question, what happens if Feldco goes under, the answer is, it doesn't really matter to the Town from a financial standpoint. You're insulated from that. It's really the best aspect of this proposal.

D. Barnes: The financial stability of the developer is important. The other thing is the expertise in the area. I have a list of projects they have been involved with over several decades and it's quite impressive. You're not dealing with novices.

Chairman P. Loiselle: There's the \$2 million bond. I'm not clear as to the purpose of the \$2 million bond. I was always under the impression that the original structure was 100% Cabela's. What is the \$2 million bond for?

B. Feldman: The new structure is set up so that the rental income from the tenants, predominantly Cabela's, who has agreed to go from a 115,000 sq ft store to 150,000 sq ft store, is designed to create enough income to support all the infrastructure and other costs of the project. The return of the tax revenue from the Town is also designed to contribute for raising the

funds from private source to pay for all these improvements. The project as designed is 230,000 sq ft on the Palazzi property and two acres of this property by itself is not large enough to support the \$18 million from the financial point of view. So what we've done is we have partnered with Miami & Pierce. Miami & Pierce will buy the state owned property adjacent to it and build a hotel on that property. The tax revenue will be enough so the town could then support the debt service on the \$2 million bond, which Miami & Pierce agreed to stand behind with a \$2 million dollar Letter of Credit. Through the combination of the Miami & Pierce project and the balance from the Palazzi project we can put together a financing package to meet all requirements of this project.

Bob Duval, TF Moran showed on the map the location of the proposed Miami & Pierce project.

B. Feldman: The \$2 million is for water and sewer upgrades. The \$2 million bond will be raised by the Town and allocated for utilities.

D. Barnes: The Town will issue \$2 million bond, purchased by investors and supported by an LOC from Miami & Pierce.

P. Rueppel: What upgrades need to be done to the Highway?

B. Duval: It's about \$6.9 million worth of work. There's a widening on 3A extending from about 1,000 feet south of the project to well over 1,000 feet north with one lane in one direction and two lanes in one direction. A signal will be installed at Hackett Hill Road. A reorientation of the tollbooth. This is still under review with DOT. There's widening of Hackett Hill Road to 5 lanes and there's a widening on Route 3A to 5 lanes and a roundabout to improve access to Palazzi, a signal where the toll booth comes out and a signal at 3A and Hackett Hill Road.

J. Hyde: Cabela's had indicated they were going to do something with the Main Street and 3A intersection. That was part of that deal. They also told us they would be over-budget. It seems we're stuck on this \$18 million. This doesn't cover what Cabela's needed. I'm concerned about where the extra money is coming from and whether Cabela's will take care of improvements on Main Street and 3A.

B. Duval: We did propose improvements on Main Street. The State was not satisfied that the improvements would provide a significant difference on the traffic situation. The disadvantages of doing the improvements, which would cost thousands of dollars, outweighed the advantages.

J. Hyde: What happens to the proposal to accept Hackett Hill so the Town could get State funding?

B. Feldman: That State funding is part of the proceeds that we have to assign to Cabela's. That's part of our package to Cabela's. It's a stage funding that takes place over many years. One of the things we have to do is to have an iron clad agreement with the State that they will fund the \$3 million improvements to Hackett Hill Road. We will then assign that agreement to Cabela's. That's an important part of the deal.

P. Rueppel: What if you don't get that iron clad agreement?

B. Feldman: I think I saw a letter from the commissioner of DOT stating a commitment to make those funds available in \$1 million increments over 3 years.

B. Duval: The money was allocated under the 3A corridor improvement of Hooksett to Bow. In the State's 10-year plan that money is still there.

D. Jodoin: After reading all articles I've seen that 10-year plan is really a 33-year plan. Where is the guaranty at that point?

B. Duval: What it means is that they've over-promised. Projects will have to start dropping off. Projects have dropped off mostly in the Seacoast area. It specifically did not include the Hooksett/Bow 3A project. It's still there through 2012.

D. Jodoin: That money is there but what about the State money for the Hackett Hill subsidy?

B. Duval: That's what this is. It's already been earmarked for the Hooksett/Bow project.

P. Rueppel asked the Town's two representatives (David Hess and Charles Humphries) for their opinion on the matter.

David Hess: The State Aid Fund is a very limited fund with about a total of \$4 million a year to be divided throughout the state. I don't know to what extent the State commits to projects like these in the future. I do know that a 10-year plan could be changed tomorrow. I don't think the State can commit beyond a 2-year budget cycle.

Charles Humphries: I'd like to second what David said. We're at a budgetary cycle of 2 years. Beyond that, I don't know.

D. Barnes: If I could speak to that from a legal perspective. Subsidy commitments by the State are subject to appropriations. They could make a commitment but it's subject to the money being appropriated by the State.

D. Jodoin: As part of his presentation, Ed Eckman, did say that if Cabela's did not receive the money from the State that they would cover the overage.

B. Felman: Point is very well taken. This is the very beginning of a process. With your support and the vote of your constituency to this type of financing program, we can begin the journey that will ultimately take us to a whole series of stages both State and local approvals. We'll have to work on all stages and levels. We have to do that. That's part of the development process. We've been doing that for a long, long time. We have been successful. We have to start somewhere.

P. Rueppel: The warrant we'll be taking to the voters, what will be the monetary figures?

D. Barnes: We will not be changing the appropriation of \$18 million. It will be changed from an \$18 million general obligation bond to a \$2 million general obligation bond and a \$16 million resulting from this arrangement with the developer.

J. Hyde: It seems to me that this is completely different from what the warrant article said. The \$16 million arrangement with the developer is not a TIF in my mind, this is something completely different.

D. Barnes: This is a traditional TIF. We're talking about using a tax increment generated by the development in the tax increment finance district. Traditionally, you use the tax increments to make principal and interest payment on a bond that you would have issued. In this type of financing, you use those tax increments for the development program of the district. So instead of paying the money out of our own bond, we're paying the money to the developer, who's going to use the money to pay a private lender. It's just a question of where the TIF money is going.

M. Hughes: Arrangements similar to this are done all over the place. For example, Kansas City, Missouri has 81 TIF Districts, 75 of them are set up the same way. I've done 2 deals in Los Angeles, 1 in Maryland and another one in California, all structured this exact same way. We usually think of TIF's as being associated with bonds. These arrangements are a better way to go because it transfers the risks in a number of different ways. The obligation is now the developer's obligation as opposed to the Town's obligation.

D. Ross: Again, massive fire, the place burns down.

B. Feldman: It will be replaced by the insurance company.

D. Barnes: There are three ways of protection. One is your payment obligation only exists to the extent that you have tax increments available. Secondly, there will be a negotiated agreed upon annual upper limit. If the tax income exceeds that, you wouldn't have to pay it. Thirdly, this contractual obligation will last for the term of the private debt. Once that 20-year period is done, your obligations to make payments to the developer will cease.

J. Hyde: If we agree up to that cap. What if the value of the property never reaches that cap? I guess that becomes a part of the negotiation.

D. Barnes: Tax increments generated from the development outside of Cabela's will not be encumbered by the agreement.

P. Rueppel: Mr. Feldman, can you tell me other projects you've done within 100 miles of Hooksett.

B. Feldman: Recently, in Manchester, NH, we completed a 170,000 sq ft shopping center at South Willow Street anchored by Shaw's. We completed a 300,000 sq ft development in Rhode Island called The Eagle Square. It has 170,000 sq ft of retail component. It has about 60,000 sq ft of professional office space. We built a 60,000 sq ft 40-residential condominium. A mixed-use development with 10 buildings on 13 acres in Providence, RI. We built 3 developments in Vermont. We built 2 Shaw's shopping centers in Colchester, VT and a Hannaford shopping center in Rutland, VT, etc.

Chairman P. Loiselle: I would like to see something on a graph that shows a 20-year projection. Is that possible?

B. Feldman: Are you looking to determine what the revenue to the Town will be above and beyond what will be returned to us? If you make the assumption, a full assessed value on the development and apply the tax rate. That will derive your taxes. As you increase your tax rate or the assessment, the taxes will go up.

D. Jodoin: The way our tax structure is in NH, the residential value increases, the assessed value increases, because residential turns over more often than commercial, you get good sales numbers. Commercial properties do not roll over that quickly. So what normally happens is, the assessed value increases, the tax rate drops so in essence, commercial properties pay less taxes because their assessed value stays the same.

Discussion ensued.

B. Feldman: We are hoping to break ground in the spring of 2008 and open this project late fall of 2008. We should be fully built and full rented by that time with 20 to 25 tenants. The development will have a full taxable value in the range of mid-\$50 million.

There was a discussion regarding the widening of the road and the possibility of hiring a national firm that has done similar arrangements. Marc Hughes advised the Council that it would be best to hire a local Counsel, who is familiar with the local laws and how things are done.

D. Barnes: If you want to go forward with this, the next step will be to go back to the voters and call a special meeting, the quickest we could do this is in 6 weeks. That's putting aside preparing the warrant. We will be writing the warrant article subject to the Council's approval. It's not

required but the Town could hold informational meetings to make sure the voters understand what they are voting on and answer questions.

Chairman P. Loiselle: I am speaking for myself. I'd like to see this move forward.

B. Feldman: We will participate in all the informational meetings and question and answer session.

Michael Sorel, 54 Cross Road: Is the Town meeting its obligations under RSA 162 section 9 with respect to the School Board and Merrimack County as to their place on the table in these transactions? Should they be a part of this motion? At what part of the process should they be involved?

D. Barnes: Under RSA 162 K, the Town has an obligation to notify the school and the county. That process has not yet started. Once we actually start talking about the development program and the financing plan, the school district and the county will be involved.

M. Sorel: What part of the TIF District would be covered by the infrastructure development?

B. Feldman: The traffic improvements and the upgrades to water and sewer systems are designed to meet the needs of the entire district.

Chairman P. Loiselle: I would entertain a motion to proceed with the drafting of the article.

D. Ross moved to schedule a Special Meeting at a date to be determined, at which time the Town voters will be asked to approve the revised financing proposal for the Cabela's project, so called (the "Project"), as more fully described at this meeting, that the ballot article to be placed before the voters at the Special Meeting shall be acceptable, in all respects, to the Council and, to that end, shall include both the protections for the Town, as discussed at this meeting, as well as the conditions included in the approval by the Town of the prior financing proposal, as contained in Article 5 of the ballot for the Town's 2006 annual meeting, to the extent not inconsistent with the terms of the new financing proposal. Motion seconded by J. Hyde.

David Hess, State Representative: I have some things I'd like the Council to consider. The first thing is the boundaries of the TIF district. I will strongly urge the Council to consider reducing the size of the TIF District at least, to the size suggested by Mr. Feldman weeks ago. As long as you have all these acres in the TIF District, any incremental taxes you get from those properties will not flow into the Town's coffer but to pay off the lender. Another reason is, it takes out those two conservation areas, the entire waterfront and the 33 acres town-owned property in the Pinnacle area. I would hope that redrawing the TIF district, which the Council indicated they might be receptive to. Another point is, in describing this funding, we have actual cash flow indication.

M. Hughes: As part of the TIF plan, we will do those projections. It will show how the tax increment estimate is generated based on our best assumptions as well as the obligations incurred under the development agreement. That will be something you will see.

D. Hess: The last thing I would strongly suggest would be to have an open session for public input once you receive the draft so you'll get an advance input before the article is written.

Chairman P. Loiselle: I will recommend that the Council look at the TIF District boundaries at the next meeting.

P. Rueppel: I want to have a lot of public hearings so people will know what's going on.

Roll call vote carried unanimously.

NEW BUSINESS:

Trucks Purchase

D. Hemeon stated that 2 new trucks are included in the Highway budget and funds were encumbered for 3 new trucks between Highway, Parks & Recreation and Recycling & Transfer Department.

Truck #1	Ford F350 2WD Crew Cab	\$27,593.00
Truck #2	Ford F250 4X4 P/U w/ Plow	\$30,701.00
Truck #3	Ford F250 4X4 P/U w/ Plow	\$30,701.00
Truck #4	Ford F250 4X4 P/U w/ Plow	\$30,701.00
Truck #5	Ford F250 4X4 Crew Cab	\$33,704.00
Total		<u>\$153,400.00</u>

G. Longfellow moved to approve the purchase of 5 trucks for a total of \$153,400.00. Motion seconded by S. Werksman. Roll call vote carried unanimously.

TOWN ADMINISTRATOR'S REPORT:

1. D. Jodoin provided copies of a recent Cabela's conference call.
2. The e-mail process is in the works. Each Councilor will receive an e-mail from the Town's IT Consultant, PC Masters asking for a password to be used.
3. The Council will have to decide if they wish to adopt the inventory forms this year. Last year, some forms were not accurately filled out. The Council will have to be firm that everyone fills it out accurately if they decide to adopt the inventory forms.

J. McHugh, School Board Chair: We really need them. When the City of Manchester sends us a bill for Hooksett kids who go to Manchester, we need to verify that they still live in Town. Sometimes, students will move out of Hooksett and not report to the school that they moved.

G. Longfellow: My concern with that is, at some point they will have to re-district the Town.

This matter will be discussed at the next meeting.

4. Lowe's will be breaking grounds in the next couple of weeks. Wal-mart has not submitted their building plans to ICC.

SUB-COMMITTEE REPORTS:

ZBA – They received a letter from the City of Manchester stating their strong opposition to the proposed communication tower at Bicentennial Drive. There was a case that came before the board where the Building Inspector had initialed and stated on it "Denied" but it was not dated. It should become a standard practice to date all signed documents.

Recycling & Transfer Advisory Committee – Year-end figures were reported at the last meeting. Cost avoidance from recycling for 2007 was \$27,335. User fee income was 85,213. Recycling income was \$30,458.

ADJOURNMENT:

The meeting was adjourned at 9:28 pm.

Respectfully submitted,

Evelyn F. Horn
Administrative Assistant

David Dickson
Town Council Secretary