

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

AUGUST 17, 2006

A meeting of the Planning and Economic Development Committee was held on Thursday, August 17, 2006 at 7:10 p.m. in the Aldermanic Chamber.

Chairman Brian S. McCarthy presided.

Members of the Committee present: Alderman-at-Large Steven A. Bolton, Vice Chair
Alderman Michael Tabacsko
Alderman Richard LaRose

Members Not in Attendance: Alderman Mark S. Cookson

Also in Attendance: Alderman-at-Large David W. Deane
Alderman David MacLaughlin
Mike Lowe, Planning Board Liaison
Jay Minkarah, Economic Development Director
Nelson Leese, Summer Intern, Economic Development

COMMUNICATIONS – None

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-06-94

Endorsers: Mayor Bernard A. Streeter
Alderman Marc W. Plamondon

DESIGNATION OF CENSUS TRACTS 105, 106, 107 AND 108 AS A “COMMUNITY REINVESTMENT AND OPPORTUNITY ZONE”

MOTION BY ALDERMAN BOLTON TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Jay Minkarah

We have before us pending legislation to designate certain census tracts in the city as part of CROP zone. Today we have with us Nelson Leese. Nelson has been an intern in the Community Development this summer. He is going into his sophomore year at Tufts University, and he has spent a lot of time working on the CROP zone application. He is going to do the presentation for us this evening, and then of course we will be open for any questions afterwards.

Nelson Leese

Thank you Jay. I want to thank everyone who is here tonight to listen to my PowerPoint about CROP zones in Nashua, and why they are so important to encouraging both economic growth and revitalization here in the city. First I want to address what is the Community Reinvestment and Opportunity Program. It was started in 2004 and passed by the State House. What does it do? It encourages business investment and community revitalization by issuing a tax credit on the State Business Enterprise Tax and the Business Profit Tax. It is for entrepreneurs or businesses are either going to build or expand within the designated CROP area. Right up front I want to address the question would the City lose money on this proposal, and the answer is no. The CROP tax credit is issued against the State Business Enterprise Tax and Business Profit Tax, which the State already has earmarked \$850,000 in tax credits.

What would Nashua gain from this proposal? Having this incentive makes Nashua more attractive to entrepreneurs looking to establish or expand their business here in the City. As more businesses take advantage of this program the City can increase tax base, create new jobs, and reinvest in properties that have gone underutilized.

Currently Manchester is the only municipality in the State to adopt this program. As such it is the only area that stands to benefit from the \$850,000 earmarked by the State. As you can see their CROP zone is very extensive. It encompasses 7 census tracts in the City of Manchester from South of the city by the airport up through their downtown and millyard district.

What areas of Nashua qualify? Nashua has four census tracts that could be designated as a CROP zone. The 105th census tract, which is French Hill, the 106th, which is Crowne Hill and East Hollis Street, the downtown census tract, and the Tree Streets, West Hollis Street, and Simon Street areas.

Why do these areas qualify? Among other things they all have a median household income that is below 80% of the State's median household income as well as having various Brownfields, and the downtown district has a high enough number of people who are below the poverty line. This is the proposed CROP site for the City of Nashua (referring to the PowerPoint presentation). As you can see it will be quite a large area of the city encompassing French Hill down into downtown, Crowne Hill, and the Tree Streets.

How does a project qualify? If I am an entrepreneur and I want to qualify to get a tax credit under the Community Reinvestment Opportunity Program, I first have to apply to the New Hampshire Commissioner of Resources and Economic Development and once I am approved by the Commissioner, I can receive a tax credit for up to 100% of my taxable investment for up to 5 tax seasons.

The CROP credit can't be issued against any project. They have to fulfill one of the following four criteria; the project either has to create a facility, which is determined to entail significant investment in real and/or personal property other than inventory at a location where the business was not previously operated, it has to make expenditures to add buildings, machinery, equipment, and other materials except inventory to a facility that equal at least 50% of the market value of the facility prior to such expenditures, and that is as determined again before

the expenditures were made for the purpose of local property taxation, they have to make expenditures to alter or repair a facility that equals at least 50% of the market value of the facility prior to such expenditures or make expenditures to alter or repair a vacant facility equal to at least 20% of the market value of the facility prior to such expenditures.

I have two examples before you - the first is an out of state relocation and the second is an in-state relocation. If we take an imaginary corporation ABC located in Burlington, MA that doesn't currently have a facility in New Hampshire that relocates to Nashua or leases 30,000 sq. ft. of vacant industrial space – there they employ 50 people with an annual payroll not including the benefits of \$1.6 million per year or \$8 million over the total 5 years and also has \$2 million in five year interest in dividends, this company could potentially save \$75,000 over the course of the 5 year tax period. For the second example where another imaginary company already located within Nashua expands onto vacant space within its own building and occupies an additional 30,000 sq. ft. and hires 20 more people over its current base of employees, and pays \$2.5 million to the new employees and has \$3 million in interest and dividends paid out over the next five years, again that is on top of what already existed before, then they can stand to gain \$41,000 in total tax credits. Again these credits are issued on top of what already existed. It is not for their entire tax credit, it is for what is issued for expanding. Again this is in state relocation. If they already exist in Nashua and they add 20 more people it is for the taxable expenditure of those 20 new people. It is meant to encourage new employment within the city.

So right now looking at our next steps the Nashua Board of Aldermen has to vote to Petition the designation of census tracts 105, 106, 107, and 108 as a CROP zone and form CPZ1, which has already been prepared by the Office of Economic Development needs to be submitted to the New Hampshire Department of Resources and Economic Development. That is the end of the slideshow. I can entertain any questions that you may have.

Alderman LaRose

When did Manchester start their program?

Nelson Leese

Their program was started recently. I don't know the exact date. As of my most current information they had only designated the area CROP zone and are just starting to have people file for their project designation. Something I wanted to address along those lines is that there is a time component to this legislation. Any applications to be submitted for individual projects to be designated for the tax credit have to be issued before July of next year.

Chairman McCarthy

Are there any further questions?

Mike Lowe

When does the five-year period start?

Nelson Leese

As soon as the company issues their CPZ2 form, which is their request for designation from the Commissioner at the State level – as it is dated on the application.

Alderman LaRose

Recently we passed legislation to the Industrial I can't remember the acronym. Industrial Development Authority – would they qualify under this program?

Jay Minkarah

Not as it currently stands because they are not a firm that is bringing new business to the city, and they are not liable for business profits tax or business enterprise tax.

Alderman LaRose

What I mean is if they bring in someone would they qualify?

Jay Minkarah

Would that firm – that firm would potentially qualify yes.

Nelson Leese

A next step for this program – if we implement the CROP program here in Nashua, the Office of Economic Development is ready to work with the Chamber of Commerce to start distributing this information to our business community so that people can be aware of the benefits of this program.

Chairman McCarthy

I couldn't help but notice in the pictures of Manchester's CROP zone that there are areas in there that include for example the Mall of NH, which while residential property values may be depressed in that area, the commercial properties seem to be quite vibrant in fact. Tell me that it doesn't work out that a company that is expanding at the Mall of NH or one of those surrounding commercial sites can get a tax credit for doing so at this point.

Nelson Leese

As it stands in Manchester, that would be possible, but if you look at the way the qualifications are written for the Commissioner, the fact that it would exclude the expansion of inventory would make it more difficult for a retail business located at the mall to qualify for this. The way I see it the legislation is meant to improve the job base and the tax base for the city so as the regions that are shown in Manchester do fit the criteria for qualifying as a CROP zone if the business is, even if it is in the mall, creating new jobs within the city and is expanding its tax base for the city that would fit the guidelines of the program.

Chairman McCarthy

Are there any other questions? Why can't we justify putting our commercial areas into the CROP zone as well?

Nelson Leese

It is just the way it falls. I would imagine because we – in those zones – I looked at all the census tracts in the city – those are the ones that qualify. There is a list of criteria for the program and the way the numbers work out only worked for those four in the City of Nashua.

Chairman McCarthy

There is a pattern here that we have seen over the years I think.

Alderman Tabacsko

I may have missed it earlier. Has there been any discussions started – are there people interested in pursuing this as we speak?

Nelson Leese

I think there are definitely businesses – there are definitely businesses in Nashua that can benefit from this program. As the organizer for implementing this here in Nashua I felt it was premature to start courting companies before it had been approved by the Aldermen whether or not to submit to the Commissioner at the State because it frankly wouldn't be a good use of my time to court a person to bring them onto this program then have it not go through.

Alderman Tabacsko

I guess I was thinking more in terms of have you been approached by people saying hey this is something we really would ...

Jay Minkarah

We have at least two firms that we have discussed the possibility of this with. Going back to the examples given, there is an advantage to an existing firm in the city that is expanding into new space that they didn't previously occupy. The biggest advantage is to an out of state firm coming in here, and we have two firms that we have had discussions, recognizing obviously that this is not approved, we have had two manufacturing firms that have been interested in relocating from out of state into Nashua into areas that would qualify so we have certainly mentioned that we are going through this process.

Alderman Tabacsko

And the reaction?

Jay Minkarah

Has been positive. I couldn't say whether it would make the difference ultimately or not, but it has been definitely positive.

Alderman Tabacsko

Thank you.

Chairman McCarthy

Is there any other discussion? Thank you very much for bringing this forward to us. The motion before the committee is to recommend final passage of R-06-94.

MOTION CARRIED

NEW BUSINESS – ORDINANCES

O-06-35

Endorser: Alderman David MacLaughlin

**AMENDING THE ZONING ORDINANCE AND MAP FROM GENERAL INDUSTRIAL TO
GENERAL BUSINESS - MIXED USE OVERLAY FOR LAND ON THE MERRIMACK RIVER
NORTHERLY OF EAST SPIT BROOK ROAD**

**MOTION BY ALDERMAN BOLTON TO TABLE O-06-35 UNTIL THE PUBLIC HEARING IS
CONDUCTED ON SEPTEMBER 6, 2006**

MOTION CARRIED

DISCUSSION

Alderman McCarthy mentioned he had forwarded some draft legislation to address some of the items brought forward from the North End Neighbors and realized today that the references to the ordinances were done against the old ordinances. He does not believe that changes the intent, but will clean it up. He intends to get some version on the September meeting so that review can begin. Alderman LaRose stated he has reviewed the provided information and looks forward to the introduction. Alderman Teeboom questioned the way paragraph 4 was written with regard to percentages. He felt that the legislation requires simplification.

ADJOURNMENT

**MOTION BY ALDERMAN BOLTON TO ADJOURN
MOTION CARRIED**

The meeting was declared adjourned at 7:25 p.m.

Alderman Michael J. Tabacsko
Committee Clerk