

A special meeting of the Board of Aldermen was held Monday, May 20, 2019, at 7:00 p.m. in the Aldermanic Chamber.

President Lori Wilshire presided; Deputy City Clerk Judith Boileau recorded.

Prayer was offered by Deputy City Clerk Judith Boileau; Alderman Jan Schmidt led in the Pledge to the Flag.

The roll call was taken with 11 members of the Board of Aldermen present; Alderman Gidge, Alderman Klee, Alderman Clemons and Alderwoman Kelly were recorded absent.

His Honor, Mayor James W. Donchess and Corporation Counsel Steven A. Bolton were also in attendance.

PUBLIC HEARING

R-19-136

AUTHORIZING THE FORMATION OF TWO VOLUNTARY NONPROFIT CORPORATIONS UNDER RSA 162-G FOR THE PERFORMING ARTS CENTER

President Wilshire

I did hear that Alderman Gidge is still under the weather, he is hoping to rejoin us next week. Alderwoman Klee will not be here this evening and neither will Alderwoman Kelly.

Tonight we have a public hearing on Resolution 19-136 Authorizing the formation of two voluntary nonprofit corporations under RSA 162-G for the Performing Arts Center. I am going to invite Director Cummings and his people up. You can give us an overview and introduce your guests as well. Thank you.

Attorney John S. Kaminski of Drummond Woodsum, Niel Cannon, the city's Finance and Development Consultant, Director Tim Cummings and Deputy Corporation Counsel Celia Leonard gave an overview of R-19-136.

Tim Cummings, Economic Development Director

Again, my name is Tim Cummings for the record, I am the Director of Economic Development and thank you for having me this evening. Joining me I have our tax consultant, our tax attorney, John Kaminski and Niel Cannon our New Market Tax Credit Consultant and Celia Leonard from our Corporation Counsel's Office to help us with the conversation this evening. Thank you all for joining me.

So I did a quick PowerPoint presentation which I'd like to just quickly go through for you in very high level and then open it up to questions as you may have them. Just a quick refresher and by the way, there is a Memo with some back up material in your agenda that goes into more detail. This PowerPoint just picks out the highlights of that communication mainly for the conversation this evening. In that Memo, and by the way there was a typo, I apologize, it referenced a previous meeting we had as "December 11", and technically that meeting was on December 20th of 2018. These slides were all presented to you back then, so this is just a little bit of a refresher for you.

Essentially, some key elements just to remind you, we are going to be needing a QALICB; QALICB is an assistant to business corporation or partnership that exists for qualified area. It is referred to as a Qualified Area Low Income Community Business. We refer to it as the acronym QALICB. The big thing here is the City of Nashua, a municipal corporation cannot be a QALICB. But we can act as a lessee in the deal structure. So again, that's just something we have discussed previously and I wanted to just remind you of that.

Another issue that I wanted to just call out to your attention which is the leverage that we are striving for which is we would be, for every million dollars we invest, we would be able to leverage 39% gross which yields a net of somewhere between 25% and 30%. For this conversation we can say 28%. I also want to take a moment and just remind you all that we are working on projections and modeled numbers; they are subject to change. By no means is this definitive, but it gives you an idea of what we are looking at from an order of magnitude

type of conversation. I say that to you because we are pricing the tax credit at \$.85 cents on the dollar; that's a good conservative estimate. It is subject to market principles so therefore it may be a little north of that maybe a little south of that, but that's a good target for us to be using.

So here it is here again, if we have a net equity of \$281,000.00 off of that million dollars, the credit would be \$390,000.00 it would net us \$281,000.00 which is approximately a 28% leverage on our debt. So that's the idea of the New Market Tax Credit that we are working toward. Some other key elements just to remind you, compliance period is 7 years for a New Market Tax Credit and we will be working with CDE's. The CDE's are the entities that receive the allocation from the US Treasury, technically the CDFI Fund. They are the entity that is empowered to go out and place that allocation in various projects and they are critical to making New Market Tax Credit Projects happen.

Here is the deal structure we presented to you back on December 20th, and I wanted to point this out to you because we ended the conversation right here at "master tenant" and I point that out to you because as this conversation evolves, we are developing the governing structure for this transaction. But ultimately it had everything that we had discussed previously; we were what we were referring to as an intermediary lender here is now what we are referring to as a senior lender and here is the QALICB. But this was also modeled on a little bit higher numbers, we were looking at netting around \$5.2 off of New Market Tax Credit of \$7.2. We have now advanced this model a little bit further and this an updated model for today's conversation where we are actually looking to net about \$4.2 million. All these numbers are in your handout, but essentially it's the same thing that we discussed previously. The City of Nashua has a bond, we would push part of the bond through to a senior leverage lender; the senior leverage lender would put it into an investment fund with the CDE. The CDE would create this sub-CDE investment fund structure. The equity investor, which is our private sector money, would come in on the other side, and we would push it all down into the QALICB. There would be some money from the City of Nashua that would go down into the QALICB directly. Then the City would be the Master Tenant, as we previously discussed.

Here is where the deal structure has updated a little bit and I do want to take a moment and just let you know that this is a working concept over here, we are still working through some various issues. The reason we are here before this evening is really just to authorize these two structures in red, and that's what the Resolution explicitly speaks to. But we will be coming back before you if all goes according to plan to bring, hopefully in one night, one Resolution, one omnibus type of legislation, this structure right here that we are discussing this evening.

So you have the Master Tenant and then what ultimately will be over here is another entity that I would suggest would be substantially similar to what we have in place right now for the Hunt Building, the Hunt Library. And that entity would be charged with overseeing Spectacle Management as well as the building itself. And then there is another entity which is the 501(c)3 which in theory would have the endowment fund and that would be, it cannot be the same two entities, to be clear. But it would be a fourth entity to place the funds that we would be raising for that endowment.

Very quickly, what does R-19-136 do? It authorizes the City to form up to two voluntary non-profit corporations under the provisions of RSA 162-G pursuant to RSA 162-G15, it ordains these two entities as public corporations. Why is that important? The City of Nashua cannot directly participate in the New Market Tax Credit transaction as a QALICB. Furthermore, the industry the prefers municipal corporations to not be a Senior Leverage Lender.

We are doing this now in an effort to be in good position to act expediently for these Community Development Entities. We want to be able to move quickly so they can place their New Market Tax Credit allocation; project readiness is a key to being successful. So just a couple additional pieces of context for this conversation this evening, the entities we are talking about the QALICB and Senior Leverage Lender; they are specific entities being created for a sole purpose. And they are only to be executing their one function whether that is to be the QALICB and actually manage the development of the building itself for the sake of the New Market Tax Credit transaction or the Senior Leverage Lender which is an entity basically to lend into the project.

These entities will terminate after the compliance period ends for the New Market Tax Credit and they are not permanent. But they are essentially needed to effectuate the New Market Tax Credit transaction that we've been discussing for a while now. What I've shown you and what has been developed by our consultants is a tried and true deal structure that has been vetted by CDE's and this is a very consistent way of putting these deals together. This is just a higher level overview of the same deal structure that I had put together to help put this document together.

So with that Madam President I'd like to turn it back to you. I just wanted to give you a brief overview of the Resolution that's before you this evening.

President Wilshire

Thank you Director Cummings. Does anyone here have questions?

Alderman Jette

I noticed in the Resolution there's a proposed initial membership of the Board of Directors and it is a lot of the same people that are on the same, on both Boards, but not all of them. Is there a reason for that?

Mr. Cummings

Yes I'll actually have our tax counsel speak to that.

Attorney John S. Kaminski of Drummond Woodsum

It's important for New Market's Tax Credit purposes that the two entities not have a common majority control. So we've got 5 member boards on both of these corporations; two people overlap, three do not. Just so that we don't have a common majority control, that's what the tax opinion writers are going to be looking for when we do the transaction.

Alderman Jette

Thank you.

President Wilshire

When we speak, could we please give our names so that the transcriptionist knows, that was John Kaminski.

Alderman Laws

How excited am I right now about this process.

Mr. Cummings

So if I may Madam Chair. We don't know but I did receive an article today where the US Treasury is quoted as saying they are going to be looking to make announcements in the month of May. So sometime in the next two weeks, fingers crossed, we will hear. But just because an announcement is made by no means is that a guarantee that we are going to be receiving an allocation. But we are working very closely with handful of CDE's and we remain very hopeful.

Alderman Laws

Just to clarify, if we don't get these, the whole project dies?

Mr. Cummings

Not necessarily. The City would have to raise \$4 million dollars in private money or somehow other way come up with a funding source. But I think to your point this New Market Tax Credit is essential to closing the gap in this project.

Alderman Caron

It's just a comment. This group that because they are two committees, should that have come to Personnel or is it because it is a short-term group of people for a section of the PAC project? Just a question.

Mr. Cummings

If I may I am going to ask Deputy Corporation Counsel Celia Leonard to answer that.

Celia Leonard, Deputy Corporation Counsel

Oh sure, this is Celia Leonard, Deputy Corporation Counsel. This isn't a traditional committee for the City because it really is naming incorporators for a non-profit under another statute, under the 292, there's a 1 in there somewhere, I never know if it's 291, yeah 2921. So by naming them in the Resolution, we figured that would allow the board to then refer internally however they saw fit but it does terminate, these organizations will terminate after their compliance period is done. So it is distinct from other things that the City has done before.

Alderman Caron

Yes thank you, great clarification. The question has come up as to why, so I appreciate that thank you. Not that I need more work.

Alderman Lopez

So just to start, nothing dies unless we let it. So if we did run into a problem with the CDF, I can't even remember the initials anymore, if we do run into the New Market Tax Credit issue, these two structure are not necessarily relevant to the City doing an individual or like its own fundraising system or any other strategies, that correct?

Mr. Cummings

That's correct.

Alderman Harriott-Gathright

I think I'm still struggling a little bit with the non-profits. So in short terms, what or how would you separate the two.

Mr. Cummings

This is essentially going to be a non-profit created to own the project; this is going to be a non-profit created to finance the project or to lend into the project. Very simple.

Alderman Harriott-Gathright

Ok so if I was donating, which one am I donating to, the top one?

Mr. Cummings

This one over here.

Alderman Harriott-Gathright

The one over there in the white?

Mr. Cummings

Yep, this one is the non-profit charitable organization which would be the 501(c)3, I mean of course these groups probably would be happy to take your money but you wouldn't get your tax deduction I think you'd be looking for.

Alderman Harriott-Gathright

Ok that's my question.

Mr. Cummings

So I'm being obviously glib with that answer but the relationships that we've developed with City Arts Nashua, the Fiscal Agent for City Arts Nashua is really speaking to this organization over here.

Alderman Harriott-Gathright

Ok thank you that clarified it for me.

Alderman Dowd

So we already have an established organization that can accept private funds for this project?

Mr. Cummings

Yes.

Alderman Dowd

Good answer.

Alderwoman Melizzi-Golja

And I guess to follow up on that, the legislation that we are having the Public Hearing on, is just the non-profits in red?

Mr. Cummings

Correct.

Alderwoman Melizzi-Golja

Not the ones in the lower right hand corner, so there's 4 of them, but only 2 are with the legislation.

Mr. Cummings

So if I may Madam President, that's actually a great segway to just call your attention to the communication that was in the agenda where Attorney Leonard put together an additional document that kind of outlines; and this was done at this body's request at our December 20th meeting. You wanted to get a high level overview and by no means is this 100% it is subject to change, but it gives you an idea of the various approvals that will still be forthcoming by the body to effectuate the transaction that we are working toward. The goal that I would like to work towards is to try to get these all bundled into one document so we can have one conversation later on this summer to make it as expedient as possible. But nonetheless these are the various differing elements that are still going to be necessary to move this forward. We are here this evening really to once again show the CDE's that we are very serious about this project and that we are doing everything we can to put the best foot forward.

Alderman Tencza

Can I just ask the two non-profits that we are talking about tonight, the two that are up there in red, will they have any relevance after this conversation on New Market Credit Tax Credits after the 7 year period or we will be essentially be able to get rid of those? Then the two that will stand are entities C and D that you have on the right side of your graph?

Mr. Cummings

That's correct, you are understanding the graph appropriately.

Alderman Tencza

Ok. If I could just clarify maybe, so these two that we are setting up, are really just kind of pass-through non-profits for the purpose of accepting the money or in accepting the bond proceeds to therefore transfer into the project and then have the project up and running. Then the rest will then be managed by the two non-profits that are left?

Mr. Cummings

Correct.

Testimony in Favor

Fred Teeboom I think I am the only member here tonight and you've got a two hour meeting scheduled so we'll take a little bit of time. My name is Fred Teeboom and I live at 24 Cheyenne Drive in Nashua. I have a few questions and I'll make some comments and I'm done. I'm glad you put the deal diagram Mr. Cummings and I'm trying to figure out first of all the need for two non-profits. Now the left on top collects the money and the bottom operates the venture? Could you explain again what these two red positions mean?

Mr. Cummings

Thank you Madam President, I am actually going to defer to Niel Cannon on this.

Niel Cannon, the city's Finance and Development Consultant,

Yes you need two organizations as we said earlier, two different governing bodies not directly overlapping because you can't, number one, you can't have organization A lending to itself. And number two, the City cannot own, under the Statutes, cannot be the beneficiary of the project except indirectly. So you need Organization A which is not identical to B to make the loan; then you need Organization B which is not identical to A to receive the proceeds of the loans and execute a Master Lease with the City of Nashua.

Mr. Teeboom Something about transferring the property to \$2 million dollar building to one of these corporations?

Mr. Cannon

One of these corporations, the QALICB, Organization B will purchase the building the building for \$2 million dollars.

Mr. Teeboom How can the City of Nashua by the Master, it will no longer own the buildings.

Mr. Cannon

That's the point. It will be a tenant of the QALICB.

Mr. Teeboom Ok so Nashua is going to be a tenant.

Mr. Cannon

Because it cannot own the building and take advantage of this program.

Mr. Teeboom Ok that's the lower left, I still don't quite understand the upper left red.

Mr. Cannon

The upper level becomes the lender. The bond proceeds are passed on to that lender, called the Senior Leverage Lender and it makes the loan into an investment fund and where it is combined with the equity investment by the New Market Tax Credits buyers and forced down through a sub-CDE into loans to the QALICB.

Mr. Teeboom The loans? What loans are we talking about? \$2 million dollars is donated apparently to this loan entity?

Mr. Cannon

There are two loans, one is for \$4.2 million dollars, which is the New Market Tax Credit amount and one is for \$10.4 million which is the amount of the bond that goes into Organization A.

Mr. Teeboom Where does that come from?

Mr. Cannon

Bond proceeds.

Mr. Teeboom What, the bond proceeds?

Mr. Cannon

The bond proceeds are \$15 million dollars. Of that \$10.4, a little more than \$10.4, let's call it \$10.5 goes into the Senior Leverage Lender, which is Organization A.

Mr. Teeboom I thought that Cummings that had written a Memo which I have been hounding him for a long time where he claimed that the construction funds were \$11.5 million. The building has already been paid for. There's architectural fees, so you take the \$15.5 million dollar bond, you subtract the \$2 million dollars already

spent and you spend another million, \$1.7 I think already spent or allocated to the architecture firm, that is not down to \$10.4. How did you come up with the \$10.4 million?

Mr. Cannon

The total project cost is over \$19 million.

Mr. Teeboom I'll get to that a minute. I'm talking how did you come up with the \$10.4 million?

Mr. Cannon

That is the portion of the bond that we can get really difficult here, but we made a decision, I forced this on Tim, that the Qualified Equity Investment that we thought we were competitive to get, was \$15 million dollars. That's the most we thought we could get. So in order to get that, it requires that we put \$10.4 million dollars through the system and the balance of the project cost goes directly, the \$4.5 goes directly down the side and into the QALICB.

Mr. Cummings

If I may. What I believe is being also discussed here is a cash flow issue and what we are doing is we are actually putting in money for the sale of the property, that \$2 million dollars, which the City would get paid back at closing. But we are taking the opportunity while we can to leverage those funds. So you have items like that and you have items like soft costs, which are all on top of the building costs which are going to be in excess of \$15 million dollars when it's all in, the total project. But what we are doing is we are leveraging \$10 million dollars for our benefit to yield something in the range of about 28% leverage. That is essentially what we are trying to do here. That other differential of that \$10 million for this conversation let's just keep it simple and say it's \$5, we will be pushing it down in through to the QALICB and that is what we are referring to as our equity investment which is how you yield that 19ish figure that we just mentioned.

Mr. Teeboom Let me understand something, the \$4.5 million is your New Market Tax Credit money. Now I'm really confused. I don't know where the \$10.4 comes from and now he says that there are \$2 million dollars from the building that you are going to deed over to this corporation and then generate a loan. Now if you deed over the building how do you generate the loan unless this corporation takes a loan on the building. Is that what you are talking about.

Mr. Cannon

That's exactly what we are talking about.

Mr. Teeboom Alright so why didn't you say so? So you expect the City, nothing to smile about, that's the first I've heard of this one. So as I understand it, you take the building, deed it over to this corporation, whatever.

Mr. Cannon

Sell it to the corporation.

Mr. Teeboom I can't, the numbers, you know, QBR don't mean anything to me because you are going to take the building, deed it over to the corporation and they are going to borrow against it, \$2 million. How does that \$2 million become \$10.4 million.

Mr. Cannon

They are going to borrow \$14 million against it. \$14,700,000.00 against it.

Mr. Teeboom Against the building?

Mr. Cannon

Against the building as improved. Yes.

Mr. Teeboom \$14 million dollars against a \$2 million dollar building, who is going to do that loan?

Mr. Cannon

No, no no, the building when improved will be valued at ...

Mr. Teeboom Oh when it's improved.

Mr. Cannon

When it is improved.

Mr. Teeboom Oh OK you didn't make that clear, so when it is the Performing Arts Center you figure you're going to have \$14.7 million dollars against that building.

Mr. Cannon

We are going to have that plus the \$4.5.

Mr. Teeboom So the \$4.5 is the market... ok so now it becomes clearer to me. Alright and the purpose of that lower red one again?

Mr. Cannon

It is the owner of the building and borrower.

Mr. Teeboom And then what is the purpose of the top left?

Mr. Cannon

It's the lender.

Mr. Teeboom The lender, let me understand that one. The top left guy owns the building.

Mr. Cannon

No.

Mr. Teeboom Who owns the building?

Mr. Cannon

Who's on first? I'm sorry, Entity B which is the bottom of the diagram, the bottom one is the borrower and also the building owner.

Mr. Teeboom Ok then why do you need the top red guy?

Mr. Cannon

Thanks Tim for leaving me out here like this. Because we need an entity to make the loan and we don't, the regulations discourage the City from being that lender. So the City receives bond proceeds of \$15 million dollars. It is going to make a loan to Entity A who is going to pass that through to the investment fund. The investment fund is going to combine that loan proceeds with equity investment of \$4.9 million dollars which is 39% of \$15 million at \$.85 cents a dollar, to total that up. And then they are going to push that down to the Sub-CDE in the amount of \$15 million after they take out their fees; the Sub-CDE is going to take out their fees and lend \$14,700,000.00 to the bottom entity. The total project cost is \$19.2. So the rest of that, the balance of that, \$19.2 minus \$14,700,000 is \$4.5 and that's coming down directly to the QALICB.

Mr. Teeboom From the New Market Money?

Mr. Cannon

No from the City of Nashua.

Mr. Teeboom Where is that additional \$4.5 million coming from then?

Mr. Cannon

\$4.5 plus \$10,482,500.00 - \$4.5 plus \$10.5 equals \$15 million which is the amount of the bond.

Mr. Teeboom Haven't we already spent quite a bit of money on that bond? Haven't we already paid for the building with that bond? How did we buy the building.

Mr. Cummings

Cash.

President Wilshire

Cash.

Mr. Cannon

In this instance your QALICB is going to, with the proceeds of the loan is going to buy the building from the City, the City is going to receive \$2 million dollars.

Mr. Teeboom They are going to get \$2 million dollars back OK. Awfully complicated. What is your target for the New Market Tax Credit, what do you hope to get for the New Market Tax Credits?

Mr. Cummings

We are looking to net \$4.2 million, again I just want to caution everyone that these are project modeled numbers and they are subject to change but that's what we are currently looking at.

Mr. Teeboom That's after the 15% fee?

Mr. Cummings

That's net so that is after the fees.

Mr. Teeboom So you expect to get about \$5. Something million.

Mr. Cummings

Correct.

Mr. Teeboom Well one more question, I thought the RSA that this whole scheme is based on, with these two corporations that you are forming was for low income areas. Is that incorrect.

President Wilshire

That's true.

Mr. Teeboom Well since when is downtown a low income area.

Mr. Cummings

Thank you so I wanted to clarify that the RSA was not created for low income areas, what I believe you are referring to is the New Market Tax Credit Program specifically which is created for low income areas. And I will actually defer to Niel Cannon who can speak to this very specific point.

Mr. Cannon

Really negative but something really positive, but negative. The downtown Nashua census track which is the sub-city areas upon which eligibility for New Markets is based; there are 104 census tracts in the State eligible for New Markets; this one ranks the 104th worst. It's the worst census track in the state in terms of percent of median family income versus the State average. The worst, 104th out of 104.

Mr. Teeboom So this qualifies.

Mr. Cannon

So this qualifies because it is severely distressed, that's the whole purpose of this project, to attract people to spend money downtown.

Mr. Teeboom I know that's the purpose of the project, but I didn't know it was a low income area.

Mr. Cannon

Oh it is.

Mr. Teeboom So the median income area in downtown, what is the number?

Mr. Cannon

It's something like \$23,000.00.

Mr. Teeboom That's about 40% or 50% for a single person.

Mr. Cannon

That's 30% of the State Median.

Mr. Teeboom 30%, yeah that's low income. Ok well that's the questions I have, now let me make my comments. You know I have not been against the Performing Arts Center, I prefer to have it at Court Street

but that battle was long ago lost to put it at a deferred location. The problem that I have and I am not going to comment on this whole subject, is there is a Memorandum from Tim Cummings who said the construction costs and I have a copy of it with me in case somebody says “that didn’t apply”. I’m holding it right here in my hands. Construction costs for this job is \$11.5 million dollars. He added \$2 million dollars for the building; \$1 million dollars for visual; \$1 million dollars for architecture. So basically \$11.5 million dollars to build this new construction.

Well there’s finally the Steering Committee finally posted the minutes, it took a while, and on 6 March there is a notation in the minutes and I read most of them, not all of them, but I caught that one. Mr. Cummings says that the project is going to cost us between \$18 million and \$19 million dollars. That is the first time that has ever been announced by Mr. Cummings. You may recall that I have mentioned many times here that the Fennessy Construction Company working with Webb on the original design of the 550 seat theater estimated the project to be \$16.4 million dollars. The \$16.4 million dollars included 33% in overhead costs and inflation costs and contingency costs, and insurance cost and bonding cost. Well guess what? Last week the architects met with the Steering Committee, Mr. Laws was there, and Ms. Melizzi-Golja was there, I don’t know who else, oh Mr. Cummings was there, and Mr. Dowd was there.

Alderwoman Melizzi-Golja

And President Wilshire.

Mr. Teeboom And President Wilshire was there and guess what? The architect announced that the cost of this project for the 750 seats which you need, I’ll get to that in a minute, the project cost was announced to be \$18 million dollars, not including soft costs, which are typically D&A, bonds, insurance, profit and contingency. You can ask Mr. Dowd who runs the School Construction Projects, typically, and I’ve been involved with the School Construction, I think the contingency and all the rest, the hard costs, are typically 25% to 30%. Let’s give it 20%. But they also mentioned inflation costs because the project hasn’t started and what they call a new cost called tariff costs because of Trump’s very expensive tariff costs. So if I add to that \$18 million dollars and that includes by the way \$1 million dollars not for the theater but a \$1 million to fix the roads and the street and pull the transformer over and the utility poles and all the rest of the stuff outside the theater. If you add 30% D&A which I think is the more reasonable number for something of this size, you got \$23.5 million dollars. If our low ball D&A costs, and inflation costs, tariff costs, contingency costs, bond cost and insurance cost, then the project is going to cost \$21.5 million dollars. Construction, not counting the architects, not counting the building and not counting audio-visual, so you have a disparity here, let’s take the \$21.5 million dollars against the \$11.5 million dollars of the original estimate of \$10 million dollars deficiency. So now you are trying to do is make up \$10 million dollars with the combination, not the hocus pocus you are talking about but the \$10 million dollars made up with New Market Tax Credits and private contributions. So I do have a question, how many private contributions have you collected so far, not counting New Market Tax Credits? Is there a number?

President Wilshire

Director Cummings do you have a number?

Mr. Teeboom Nobody knows a number, my assumption is zip or close to it. I know, I’ve raised money for the Memorial and it was four years of agony and it didn’t cost anywhere near this kind of money. So how are you going to make up this deficiency of \$10 million dollars, maybe as high if the D&A is 30% or for Fennessy 33% it is going to be \$12 million dollars. Now if somebody on this Board will begin to address what the City of Nashua is going to do in case you can’t make up the deficiency of \$10 or \$12 million dollars. Start getting realistic. I’m not against the Performing Arts Center. I don’t think you can start turning these architects into magicians because they are trying to create a 750 seat theater, why? So there’s no endowment fund required because the operator called Spectacle Management says that they will operate this place for 3 years and guarantees it in writing without any subsidy, after 3 years maybe they do require a subsidy but right now there’s no subsidy.

So you don't need an endowment fund so whatever money is collected here should be thrown into the construction job. But you cannot ask these architects to make up a \$10 million dollar deficiency.

You have people in the Steering Committee talking about maybe cutting an elevator down into stairs or cutting down one set of stairs into .. two sets of stairs into one set of stairs or maybe the loading dock is a little smaller. I forgot all the little things you talked about; no way is any discussion going to make up \$10 or \$12 million dollars. The problem is that this whole operation started with the suggestion of a budget and I remember Clarence, he's not here, he said "let's vote the people for a vote" because he couldn't get the 2/3 vote for the bond. It went for a vote, and (inaudible) it's a \$15.5 million dollar job. Now if you add the building, you add the other \$4 million dollars that I just mentioned, the building, the AV and architecture, that's more than \$1.7 if you add the construction manager. This job is not going to be \$10 million dollars over, it's going to be \$14 million dollars over, maybe \$16 million dollars over. You've got to start dealing with this. You either stop the project which I hope you don't do or you start coughing up some money. You are not going to get all this money in fact – I understand it's highly competitive from whoever made the presentation, highly competitive, not guaranteed that Nashua will get that and no guarantee that you'd get the \$5.2 million because you need the \$4.5 plus the 15% none of this is guaranteed. You have to start making a plan. Now it is not impossible for the City of Nashua to come up with another \$10 million. You bond \$37.5 million dollars for road construction, you had contracts for \$300 million for the teacher's contract, \$300,000 million. But you have to start dealing with this, you have to start getting honest with the citizens of Nashua about the true cost of this project. That's why I am here so I'm addressing this. Thank you.

Mr. Cummings

Thank you Madam President so I just want to correct for the record a couple of misrepresentations that were just said a second ago and I don't want to belabor the point or go too far off the subject here because we are, after all, here for a very specific resolution and I want to make sure we stay on track for what it is that we are here to speak on this evening. But we do have the press here and I want to correct for the record some of the statements that were just made.

First and foremost, this idea that you know the project number being higher and has never been articulated by me and I'm going to just point up to the slide that was presented to you on December 20th which outlines a project of something in the order of magnitude of \$18 million dollars. So even in December 20th of 2018, we were talking about a project as high as this. I want to remind you to the fact that you amended the bond back last fall that would allow you to re-appropriate the New Market Tax Credit money that is some \$4 million dollars in various ways.

Lastly I also want to mention the \$18 million dollar figure that was referenced; that was at the start of schematic design. The conversation further continued where the designers and architects were able to get the building project at \$13.5 million dollars with a charge of dropping the price down to something like \$12.5 million. There is a very clear understanding that we are designing to a budget and we are also making sure that we live with that \$15.5 million dollar commitment that the City of Nashua has authorized us to work toward. And we will do that, we will not look for additional funds from the City of Nashua beyond that \$15.5 million dollars.

I'll just conclude my comments by also saying that the feasibility study developed a concept that is much different than what is being designed right now. It was a conscious decision by folks when designing this Performing Arts Center that they wanted to design it appropriately and in the right way. They've made a conscious choice to look at additional elements that weren't part of the feasibility study initially. So with that being said Madam President, I think I've done a pretty good job of correcting the record and making it clear; except for one last point which is depending on how you define the project. This evening we've been talking about a \$19 million dollar project, that is not counting the endowment fund that is being set up. If you count the endowment funds that are also being set up, that could bring the project up in total of something like \$21 ish, \$22 million dollars, it really depends on how you define "what the project it is".

And it is a fair point to make as to how high we want to capitalize that endowment fund. We made a commitment very early on that we would have an endowment fund. I am working very hard to make sure that we retain money into an endowment fund until this group and the Steering Committee otherwise instructs me that we can repurpose those funds in a different way. But I haven't heard that yet so we are still maintaining that money for working capital, despite the fact and yes I do agree that Spectacle Management has said that he can run the Performing Arts Center without the need of a subsidy.

But those are conversations that we will have as this project continues to evolve and will be very important as we are looking at that left-hand side of the project where we are talking about the stewardship of the endowment fund and the building and the contract with Spectacle Management, which are conversations that we will have if we are successful later on this summer. Thank you Madam President.

Alderman Dowd

Just one quick thing, the last 7 school projects going back 16 years we have never spent a significant amount of our contingency money; it was always carried forward into the next project. So you have contingency for the unknown unknowns and we've been pretty good at making sure that we know what we need to know.

President Wilshire

Thank you. I am going to just finish the Public Hearing. Anyone here that wishes to give testimony in opposition to R-19-136.

Testimony in Opposition

Mr. Teeboom Since I'm the only member of the public here I will locate for the next turnaround. Mr. Cummings and I appreciate what Cummings does I already said I think he does a good job managing things. He does a terrible job estimating things. I have a Memorandum here holding in my hand and it says in his Memorandum it's the only published memorandum ever presented by Mr. Cummings. "Construction costs \$11.5 million dollars. The bond adds up to \$15.5 and the assumption was if you have a \$4 million dollar endowment fund to subsidize operation of the Performing Arts Center; \$4 million was not going to be spent on construction. So \$11.5 million dollars is on the record. You are now facing a project of about \$20 to \$22 million dollars. So you can go from \$15.5, you are \$7 or \$8 million dollars off, even if you spent the entire endowment fund against construction, you are \$7 or \$8 million dollars off. I think this Board ought to ask Mr. Cummings to present some spread sheets the next time he makes a presentation not so much arm waving as specifically on the figures. Because this Board is going to have own up, you know, you have all these investment things and maybe this leveraging thing and all the financial stuff is funny money.

Some of you have to get this from the architect, because it's funny money. You have to ask Mr. Cummings, and he is perfectly capable of doing this, he's a capable guy. Come up with a detailed spread sheets, take the information presented by the architects. He can talk to them in private about how D&A comes to and how much the insurance comes to. And you have Harvey Construction, if you estimate a very competent estimator, they do all the work for the schools. You can ask Harvey Construction to come before you instead of Mr. Cummings who is basically not a financial guy, he's the development director. His job is to promote things. Get Harvey in here. Harvey is the one estimate this job that's why you are paying them over \$400,000.00 or \$500,000.00 for and get them to give you details of how the construction goes forward, what happens to the \$4.5 million dollars that comes in, if private money doesn't come in, how low can you go before you no longer have a 750 viable seat theater? My God guys, you are elected to do your job. Do your job. Thank you.

Testimony in Favor - None

Testimony in Opposition - None

ADJOURNMENT

**MOTION BY ALDERMAN O'BRIEN TO ADJOURN
MOTION CARRIED**

The meeting was declared adjourned at 7:51 p.m.

Attest: Judith Boileau, Deputy City Clerk

Overview

R-19-136

NASHUA PERFORMING ARTS CENTER – KEY ELEMENTS OF NMTC’S

NUMBER 1

Assisted business must be a corporation or partnership that exists in a qualified area. This is called a Qualified Area Low Income Community Business or “QALICB”.

This means that the City of Nashua cannot be a direct beneficiary of the program, but it can participate as a Lessee of QALICB property.

NASHUA PERFORMING ARTS CENTER – KEY ELEMENTS OF NMTC's

NUMBER 2

The amount of the tax credit is 39% of Qualified Equity Investment ("QEI"). So, for example:

QEI Amount: \$1,000,000

Credit Amount @ 39% = \$390,000

The credit can be sold to an investor in order to raise cash (equity) for the project. Current Pricing is estimated at \$.85/\$1.00. Therefore:

\$390,000 in credits sold at \$.85 = \$331,500 in equity for the project.

NUMBER 3

There are fees involved! Generally, these reduce the value of the NMTC by about 15%.

<i>Proceeds from Sale of Credits:</i>	<i>\$331,500</i>
<i>Fees @ 15%:</i>	<i>(\$49,725)</i>
<hr/>	
<i>NET EQUITY:</i>	<i>\$281,775</i>

The key is LEVERAGE!

\$281,775 (28%) leverages \$718,225 (72%) in debt.

NASHUA PERFORMING ARTS CENTER – KEY ELEMENTS OF
NMTC's

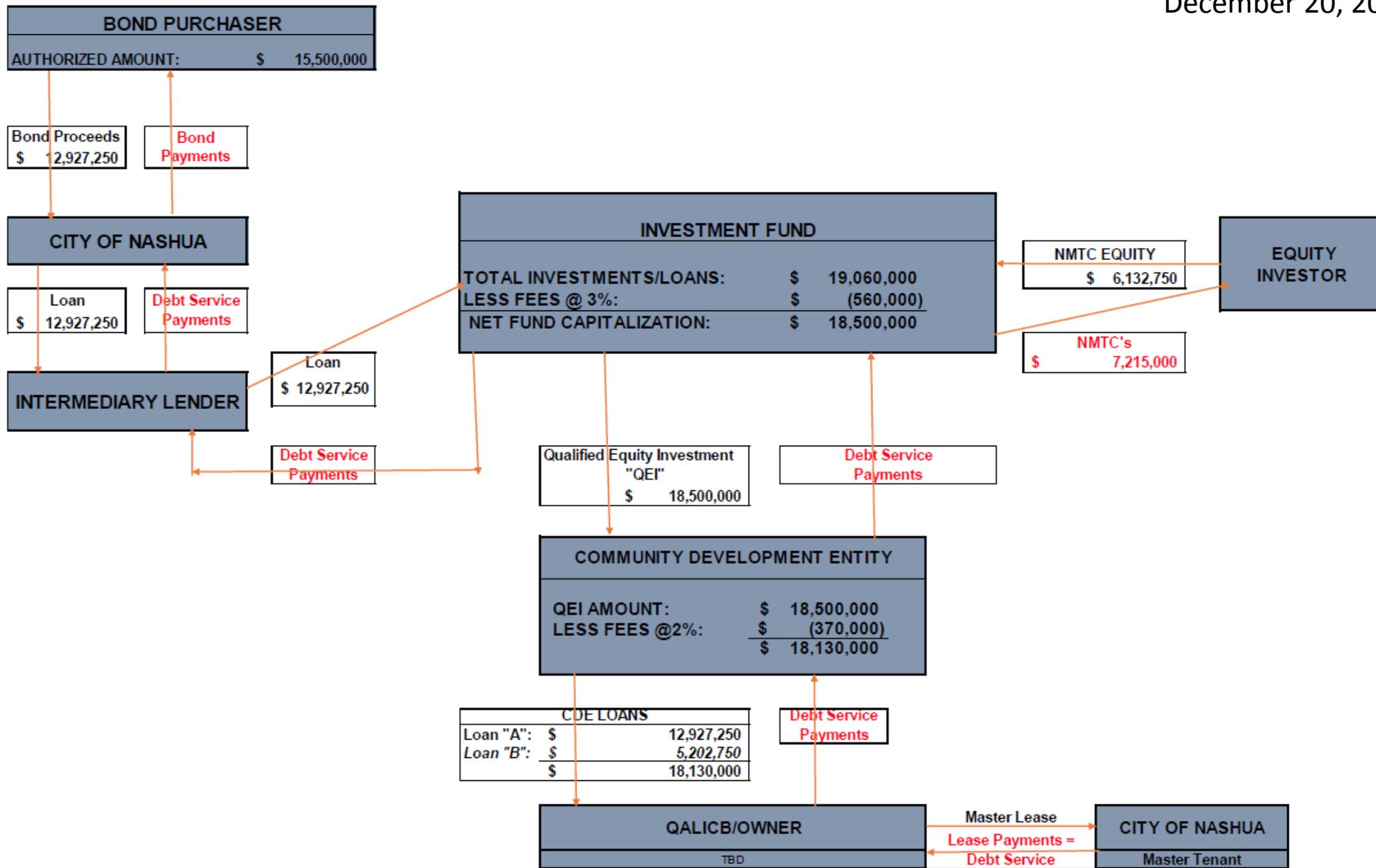
NUMBER 4

*There is a 7 year compliance period. After that, any
restrictions on the transaction go away!*

**NASHUA PERFORMING ARTS CENTER – KEY ELEMENTS OF
NMTC's**

NUMBER 5

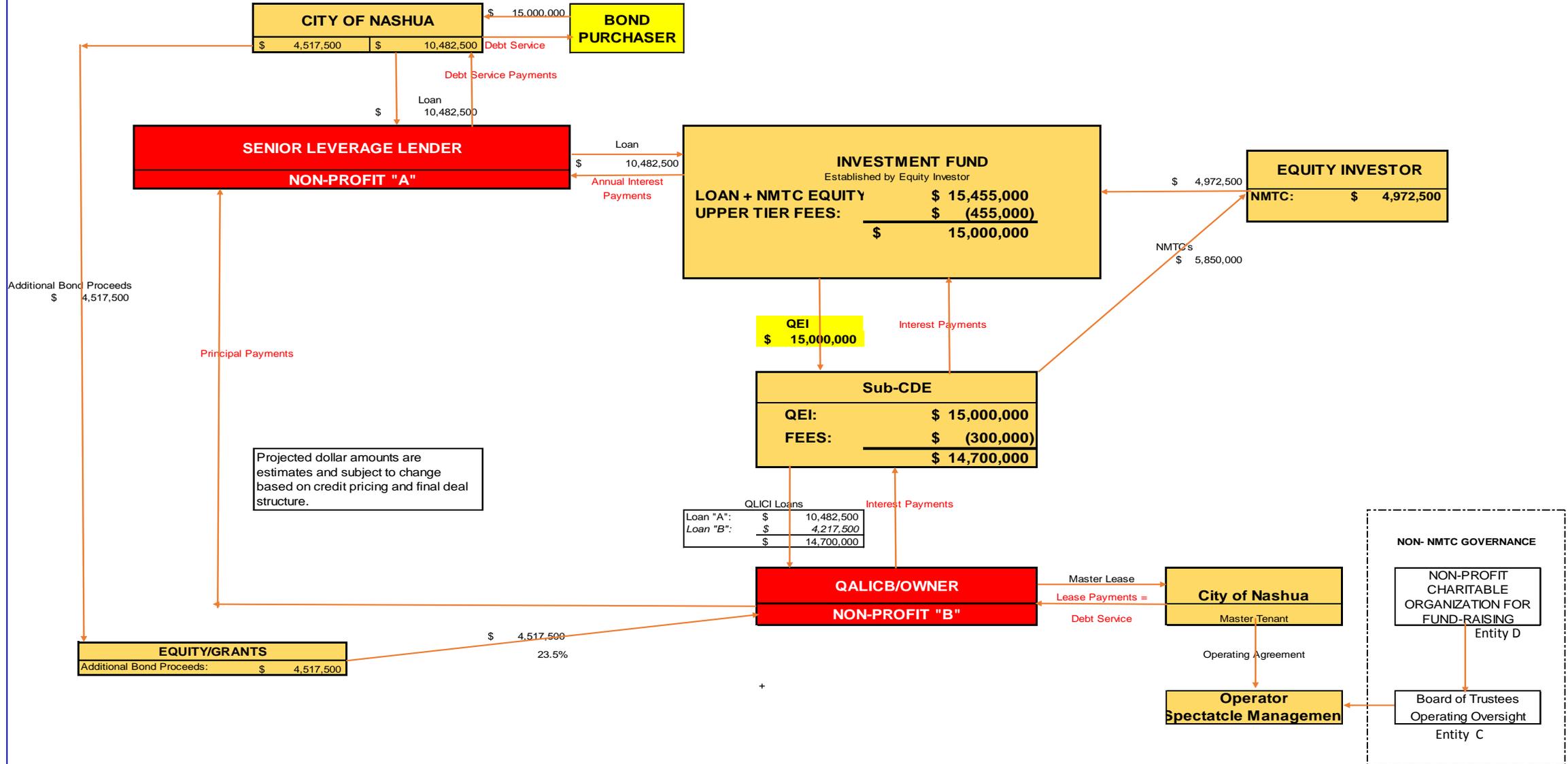
Community Development Entities (CDEs) are the key to NMTC funding. CDEs are awarded credits by the US Treasury. CDE's must sub-allocate these credits to worthy projects that meet program guidelines. Therefore, we must convince 1 or 2 CDEs that the proposed project has financial strength and results in positive community impacts.



NASHUA PERFORMING ARTS CENTER

TABLE 2: DEAL DIAGRAM/FLOW OF FUNDS

TOTAL PROJECT COST:	\$	19,217,500
"EQUITY":	\$	(4,517,500)
AMOUNT FINANCED VIA NMTC:	\$	14,700,000



What Does R-19-136 Do?

- Authorizes the City to form up to two (2) voluntary, nonprofit corporations under the provision of RSA 162-G and pursuant to RSA 162-G:15 ordains these two new entities as public corporations.

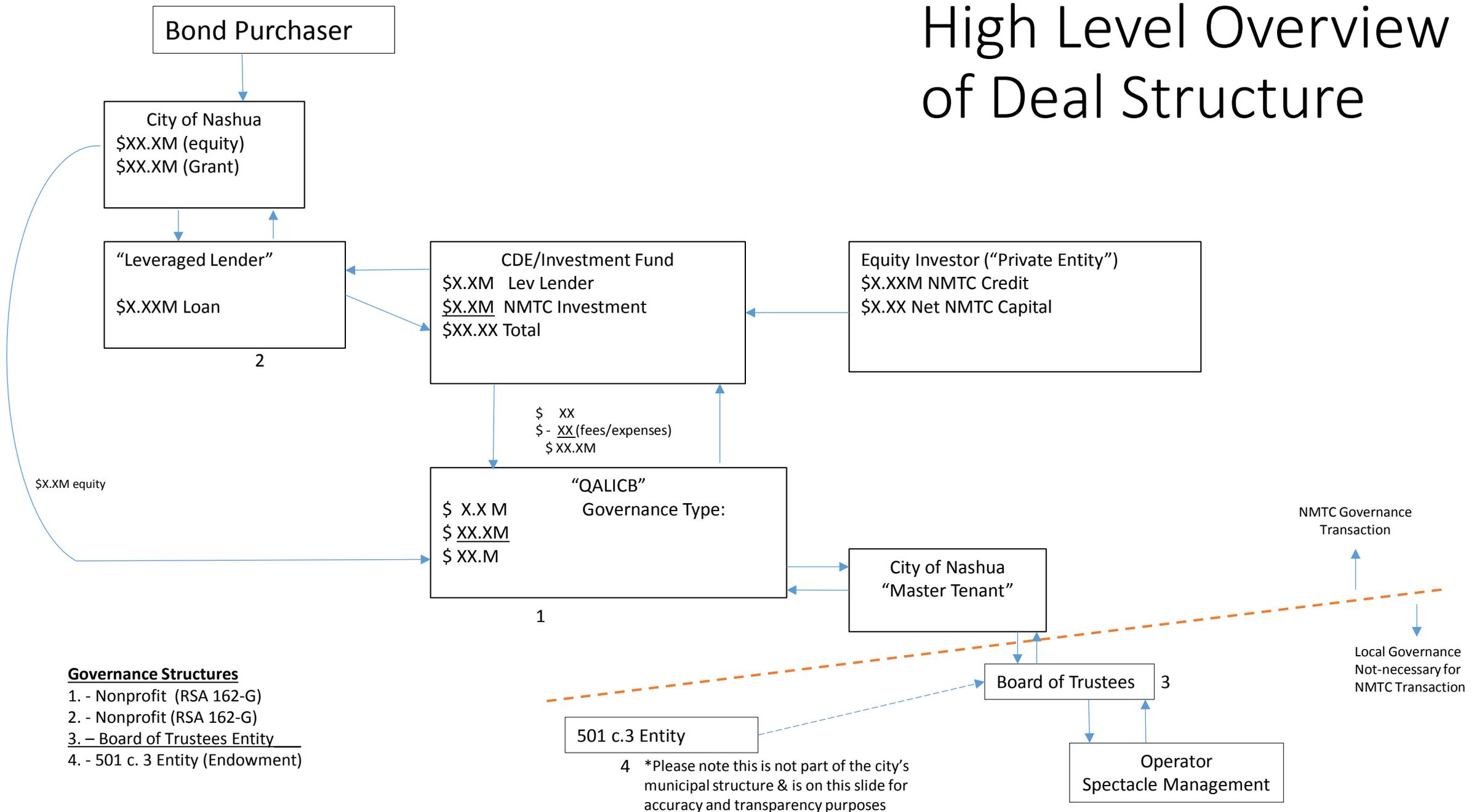
Why is this Important

- The City of Nashua cannot directly participate in the NMTC transaction as a QALICB. Furthermore, the industry prefers municipal corporations to not be the Senior Leverage Lender.
- We are doing this now in an effort to be in a good position to act expediently. Community Development Entities (“CDEs”) want to be able to move quickly and place their NMTC allocations. Project readiness is a key factor in being an attractive project.

Additional Context

- These two entities are not permanent and are only being created to effectuate the transaction. They will cease to exist after the seven year NMTC compliance period concludes
- They are single purpose entities with 1 prescribed function
- Their roles and responsibilities will be prescribed in various closing documents

High Level Overview of Deal Structure



Governance Structures

1. - Nonprofit (RSA 162-G)
2. - Nonprofit (RSA 162-G)
3. - Board of Trustees Entity
4. - 501 c. 3 Entity (Endowment)

4 *Please note this is not part of the city's municipal structure & is on this slide for accuracy and transparency purposes