



CITY OF CONCORD

REPORT TO MAYOR AND THE CITY COUNCIL

FROM: Matthew R. Walsh, Deputy City Manager – Development

DATE: November 8, 2023

SUBJECT: Acquisition of Real Estate located at 4 Bouton Street and 124 North State Street

Recommendation:

Accept this report and set the attached resolution authorizing the City Manager to enter into a Purchase and Sales Agreement with the Duprey Company (or related entity) to acquire real estate located at 4 Bouton Street and 124 North State Street, and appropriate the sum of \$4,090,000 of General Fund supported bonds and notes for said transaction for public hearing on December 11, 2023.

Background:

- 1) **Bouton Street Overview:** The Concord Group Mutual Insurance Company (the Concord Group) currently owns real estate located at 4 Bouton Street and 124 North State Street. Combined, these properties consist of 2.16 acres of land with approximately 717' feet of frontage on Bouton and North State Street. The premises feature a 38,778SF office building, which was constructed in 1957, together with approximately 113 parking spaces.

The premises are served by municipal water and sewer, customary private utilities (electric, telephone, cable television, natural gas). The premises have three driveways into the site, with the primary drive access located at a signalized intersection with Boutin Street / North State Street. This is a unique attribute for downtown real estate.

The property is located in the Institutional (IS) Zoning District. Additionally, a portion of the premises is located in the Historic (HI) Overlay District; however, the existing building is not located within the HI Zone. A map of the HI Zoning District is attached.

Combined, the premises have an assessed value of \$3,346,000. The City's current equalization ratio is 79.4%. A copy of the Assessing Department cards for the two parcels which comprise premises are attached.

In the spring of 2023, the Concord Group implemented a plan to consolidate and relocate its operations to another facility located in southern New Hampshire. Said relocation is now substantially complete.

In addition to the former Bouton Street facility, the Concord Group leases property in Concord from the Duprey Company. As part of negotiations to terminate said lease agreement, the Concord Group has offered the premises to the Duprey Company for the sum of \$3.5 million. A copy of the listing sheet for the premises is attached.

In September 2023 the Duprey Company entered into a Purchase and Sales Agreement with the Concord Group to acquire the premises for the sum of \$3.5 million. Closing will occur on or about December 31, 2023.

- 2) Police Headquarters 2021 Needs Assessment and Space Plan: In 2021, the City completed a facility needs assessment and space planning study of the Police Headquarters (the Study). The facility was constructed in 1974, and later expanded in 1986 and 2001, respectively. The facility is supported by a 47-space parking lot, of which 37 spaces are allocated to the Police Department.

The 2021 Study identified a variety of deficiencies with the existing facility, some of which impede the Police Department's ability to become nationally accredited. The space program developed as part of the 2021 Study determined that the Police Department should have at least 27,700SF of space to meet current and near-term needs. The current Police Headquarters is approximately 21,790SF.

The 2021 Study included conceptual designs for potential renovation and expansion of the facility. The estimated cost to renovate and expand the facility in 2021 was \$10.5 million, and would take upwards of 3 years to complete during phased construction while the facility remained in operation.

The findings and recommendations of the 2021 Study have been previously presented to City Council. A copy of the 2021 Study is attached.

The City Hall Campus consists of four structures (City Hall / City Auditorium, City Hall Annex, Green Street Community Center, and Police Headquarters) totaling 123,467SF on 2.32+/- acres. Given lack of available real estate at the City Hall Campus, and other space constraints associated therewith, renovation and expansion of the Police Department at its current location is not the preferred alternative for addressing the Department's needs.

As such, the City Council appropriated the sum of \$75,000 in the FY2023 Budget in Capital Improvement Program Project #643 to complete a site selection study for a new

Police Headquarters. Presently, the Capital Improvement Program includes \$2.5 million for design of a new Police Headquarters in FY2026, and \$25 million for construction in FY2027. A copy of CIP #643 / FY2024 detail page is attached.

During the spring of 2023, the Duprey Company contacted City Administration to inquire whether the City might have interest in the Concord Group property for a potential new Police Headquarters.

Discussion:

- 1) Purpose of Acquisition: City Administration recommends that City Council authorize the City Manager to enter into a Purchase and Sales Agreement with the Duprey Company (or entity related thereto) for the purposes of acquiring the former Concord Mutual Insurance Group Company property located at 4 Bouton Street and 124 North State Street for the purpose of developing a new Police Headquarters, as well as appropriate the sum of \$4,090,000 for this purpose. Closing would be subject to completion of due diligence described herein.

This unique site is attractive for a new Police Headquarters for the following reasons:

- a. Location:
 - i. The premises are located within the Urban Growth Boundary, an area of City which is served by transportation and utility infrastructure, and is earmarked for development.
 - ii. The premises are centrally located in the community, and sited on a major roadway with excellent access to Interstate 393 and 93, as well as Route 3.
 - iii. The premises are less than 1 mile from City Hall; 0.2 miles to the Fire Department Central Station, and very close to the City Prosecutor's Office.
 - iv. The premises have three separate driveways. The primary driveway into the site is located at a signalized intersection of Bouton and North State Street; alternative access from Horseshoe Pond Lane / North State Street is also possible. The intersection of Horseshoe Pond Lane and North State Street is also signalized.
- b. Site Features:
 - i. Property includes an existing 38,000SF +/- building which, subject to due diligence, could potentially be preserved and renovated for use as a new Police Headquarters.
 - ii. The premises are 2.16-acres. The parcels comprising the premise are devoid of steep slopes and wetlands.

- iii. The premises are served by all major utilities (municipal water / sewer, electricity, gas, etc.)
 - iv. The premises have approximately 113 parking spaces.
 - v. The premises have no known soil or groundwater contamination issues. This will be confirmed during the City's due diligence process.
- 2) Summary of Purchase and Sales Agreement: A copy of the Purchase and Sale Agreement is attached. Key details of the Agreement are as follows:
- a. Seller: The Duprey Company (or related entity).
 - b. Price: \$3.5 million, plus Duprey Company's carrying costs (estimated at \$451,000). Carrying costs are defined in the Purchase and Sales Agreement as commercially reasonable and actual, verifiable costs and expenses incurred in connection with the Duprey Company's acquisition of the Premises from the Concord Group, Duprey Company's ownership of the Premises, as well as the Duprey Company's sale of the Premises to the City. The Duprey Company will be taking on debt to finance its purchase. A detailed estimate of carrying costs is included in Exhibit B of the Purchase and Sales Agreement.
 - c. Closing Date: No later than 180 days after date Purchase and Sales Agreement is executed by the Parties. Presuming the Agreement is approved by City Council on December 11, 2023, and subsequently executed by the City and the Duprey Companies on December 15, 2023, the Closing date would be no later than June 12, 2024.
 - d. Contingencies: Closing is subject to the City completing due diligence for the Premises with results acceptable to the City in its sole discretion. Due diligence includes, but is not necessarily limited to, title review, facility condition assessment, space programming and preliminary schematic designs, as well as environmental assessments.
- 3) Due Diligence: In conjunction with this transaction, City Administration intends to undertake the following due diligence:
- a. Title review to insure title to premises is good, marketable and insurable;
 - b. A Phase 1 Environmental Site Assessment to review available records pertaining to the environmental condition of the property. Contingency funds for potential soil and groundwater testing have been budgeted if needed pending the results of the Phase 1 Assessment.
 - c. A hazardous building materials survey of the existing building to identify building materials that might require special handling during potential renovation and/or demolition of the existing structure.

- d. A facility needs assessment to determine overall condition of the existing structure and major building systems / components; and,
- e. A space plan with two conceptual schematic designs: (1) potential adaptive reuse of the existing structure and (2) potential demolition and replacement of the existing structure with a new facility.

As part of space planning, City Administration will explore including space for the Prosecutor’s Office in the new Police Headquarters. The Prosecutor’s Office is currently located in space leased by the City at a cost of approximately \$41,000 annually. Co-locating the Prosecutor’s Office in the new Police Headquarters could result in potential savings for the taxpayers, as well as improved operational efficiencies for the Police Department and Prosecutor’s Office.

Staff will inform the City Council about the results of due diligence prior to Closing.

- 4) **Budget:** The budget for this acquisition is as follows. Please note that said budget excludes \$75,000 of funding previously appropriated by the City Council as part of the FY2024 Budget which will be used for due diligence associated with this transaction.

| <u>Item</u> | <u>Budget</u> | <u>Notes</u> |
|-------------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purchase Price | \$3,500,000 | |
| Duprey Company Carrying Costs | \$ 450,896 | See Exhibit B of P&S Agreement |
| City Acquisition Costs | | |
| Legal Fees | \$ 10,000 | |
| Transfer Taxes | \$ 26,250 | \$0.75 per \$100 of \$3.5M Sale Price |
| Property Taxes | \$ 71,144 | July 1, 2024 - March 30, 2025 (9 Months); Presumes property remains taxable due to closing after March 30, 2024. Tax Year is April 1 - March 30th annually. Taxes through June 30, 2023 are carried in Duprey Company Carrying Cost estimate. |
| Title Insurance | \$ 8,750 | 0.25% of \$3.5M Purchase Price |
| Due Diligence | \$ - | Appropriated in CIP 643 / FY2024 (\$75,000) |
| City Holding Costs | \$ - | Included in Duprey Company Carrying Cost estimate through 6/30/2023; Future costs to be addressed during FY2025 Budget Process |
| <u>Subtotal</u> | <u>\$4,067,040</u> | |
| Contingency | \$ 20,335 | 0.5% of Subtotal |
| <u>Total</u> | <u>\$4,087,376</u> | |
| <u>Round To:</u> | <u>\$4,090,000</u> | Bond appropriations are rounded to nearest \$5,000 |

Funding for future design and construction of the new Police Headquarters, as well as funds to study reuse and future renovation of the existing Police facility at the City Hall Campus, will be addressed as part of the preparation of the upcoming FY2025-2034 Capital Improvement Program, which will occur as part of the FY2025 Budget process.

- 5) Summary: City Administration recommends approval of the attached Purchase and Sales Agreement, and associated appropriation.
- a) The property is centrally located in the City's Urban Growth Boundary, enjoys direct access to major local and regional highways, has ample on-site parking (113 spaces), and is served by all major utilities;
 - b) Subject to completion of due diligence, including space programming and conceptual schematic designs, the property appears to have the potential to satisfy the Police Department's current and long-term needs as identified in the 2021 Police Headquarters Needs Assessment Study;
 - c) A new Police Headquarters at this location may afford the City the opportunity to relocate the Prosecutor's Office from leased space elsewhere in the community to this facility thereby improving operational efficiencies and reducing operating costs;
 - d) A new facility at this location will likely allow the Police Department to achieve accreditation, as well as strengthen Police Department morale and assist with recruitment and retention of staff; and,
 - e) The property is currently available on the open market and being offered by a willing seller. Therefore, use of eminent domain will not be required for this acquisition.