

August 31, 2011

RE: Masonic Temple

There are several factors that contribute to the need for assistance in making the renovation of the Masonic Temple a viable project.

Building:

There has essentially been no work done on this building for years. In order for this building to be viable several things need to be updated, or in some cases like air conditioning, they need to be added. All components of the mechanical, electrical and plumbing systems need to be constructed from scratch. While we anticipate ADA upgrades on older buildings, this building is much harder to work on. The entrance is actually on a mezzanine level, not lining up with either the basement, first, or second floor. This additional level complicates the inclusion of an elevator. The entrance on Massachusetts Street is not level with the sidewalk, but in this building that step actually forms the ceiling of the bathrooms in the basement. This requires the ramping of the sidewalk in the city Right-of-way.

Historic tax-credits:

There are many things that need to be considered in order to obtain the state tax credits for this project. Two examples are the specifications for restoring the tin ceiling and the manner in which we may add an additional exit for the second floor balcony. These are in addition to other components in which the state will provide input. However, we need the tax credits to help make this project viable. Without the credits the gap between what a prospective tenant can pay and what the actual costs of the project are will continue to widen. So just as the NRA provides us with an incentive, the state tax credits help, but alone are not enough.

Potential tenants:

The building was purchased approximately 8 years ago. There has been a great deal of interest in the property, but as of yet no one has been able to make the projects work. We have looked at several alternatives, such as offices or a bank, restaurants / bars and a reception hall. Unfortunately if the building were converted to offices or a bank and windows were installed on the north façade, this would make the building ineligible for historic tax credits. We would also have a difficult time getting this design approved through the HRC. The easiest conversion and the one with the most interest is a bar. The ordinance requiring food sales and the fact that the ownership does not really wish for that to happen have been the key components in keeping this property from becoming a bar. A reception hall seems like the best chance for the ownership group and the city to benefit from putting this building back into use.

Gap:

The incentive will allow the ownership of the building to lease the building as a reception hall at a reasonable rate in which we believe the tenant can make a viable option of the business. If we make these improvements to the building and the operation fails, we are all even in worse shape. The ownership group will owe a great deal more on the building and will not have a tenant. The incentives will be used to lower the tenants rent.

Abatement request:

As noted in the report, our request is different than the previous 1040 Vermont request. Their request was 10 years and started at 95%, but they did not reduce their % at a consistent rate. Another NRA application for 8th and Penn was for 20 years, which did include a cap. It is my understanding if I read everything correctly that all three scenarios, including our initial request, meet the guidelines currently established for a NRA approval. There are so many variables in the amount the ownership will receive back. My thought is to use the 15 year scenario, starting at 95% and decreasing at 5% as we have requested, and put a cap on the amount received by the owners of the building. Let's give this project the best chance of working for the owners, the tenant, and the city and cap the amount of incentives available to the owners at \$393,000.00. This does not guarantee that they will even hit this number, it just gives them the chance that they might.

Scenarios:

I have reviewed the 3 scenarios and obviously our request provides the most benefit to the project. Also obvious is that the benefit to the city is greater with a lower incentive. The benefit to the city is just slightly lower in scenario 1 from our original request. Scenario 2 has the greatest benefit to the city, but due to the lower incentive this may not allow the project to move forward. The memo from staff points out the difference between the previous NRA approved applications, which have been for both 10 and 20 years. I would suggest we incorporate the comments from the 8th and Penn application and use our proposal of 15 years with the proposed schedule and cap the incentive at 390K.

Respectfully,



Paul Werner