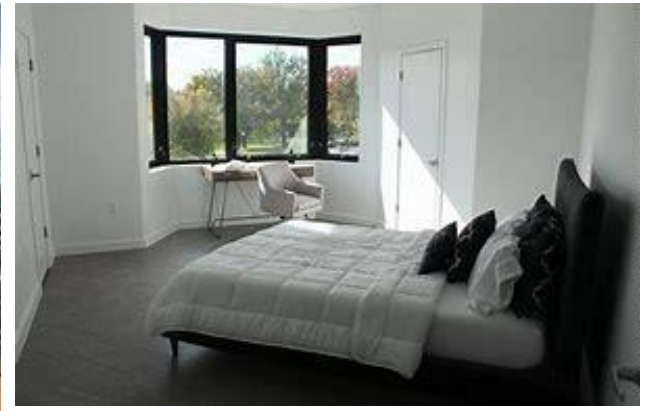


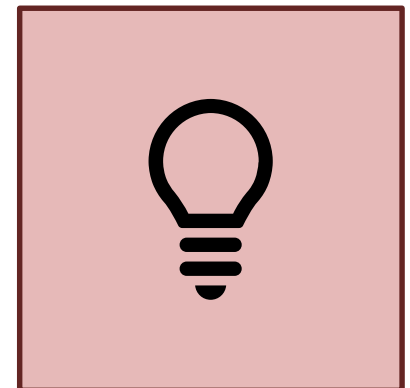
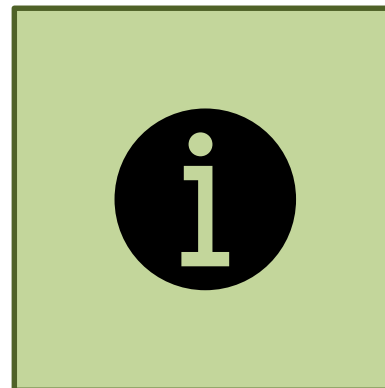
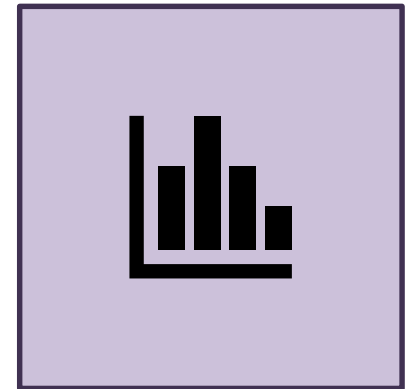
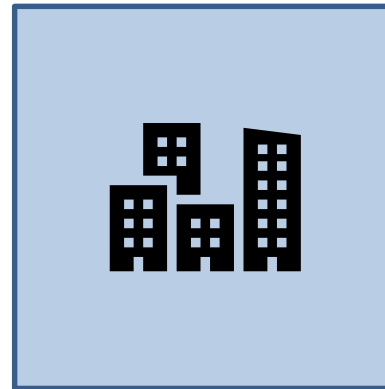
# Hartford Area Multifamily Housing Study



Prepared for The Capital Region Development Authority  
February 2020

# Table of Contents

Executive Summary	3
New Construction Trends	6
Building Amenity Review	7
Current Residential Market Conditions	8
Need For Public Participation	10
Absorption Rate Trends	16
Transit and Entertainment Hub	19
Previous Study Review	20
Hartford Housing Study Review	21
Appendix	23
Rental Housing Market Forecast	24
Market Analysis	25
CRDA Data Review	26
Future Development Review	28
Hartford Neighborhoods Rental Trends	31
Current Residential Market Conditions	33



# Executive Summary

## The Assignment

Goman+York Property Advisors, LLC (“GY”) has been tasked by the Capital Region Development Authority (“CRDA”) to conduct a market study of the multifamily residential rental market in the Hartford region.

The primary goals this study were to:

- Review current and proposed competitive multifamily residential rental developments to establish:
  - current market pricing, trends and amenities,
  - absorption rates,
  - anticipated return on investment (ROI), and
  - operating costs;
- Provide a forecast and analysis of market demand and conditions for multifamily residential rental development in the Hartford region in the coming years.

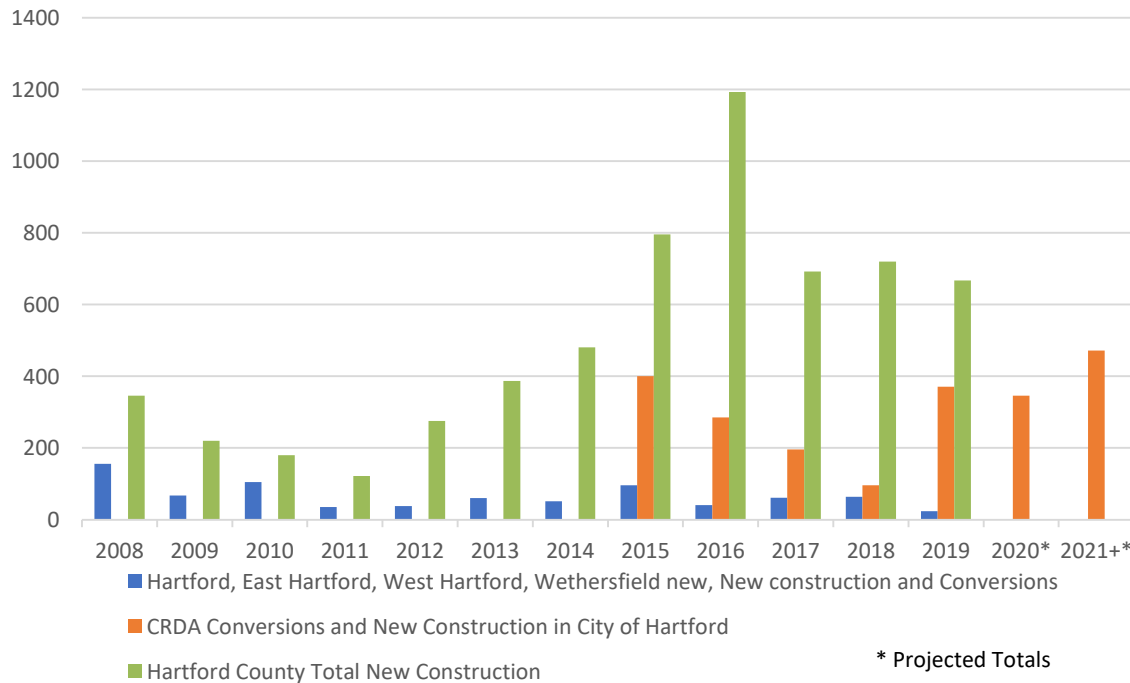
Goman and York’s work included:

- Market Analysis to Examine the Capacity and Rental Parameters for the Hartford Multifamily Residential Rental Market
- Review of market studies and appraisal reports prepared for multifamily projects in which CRDA provided financing
- Interviews with developers and an overview of three (3) proposed Hartford developments
- Review and summarize of two (2) studies prepared for the City of Hartford



# Executive Summary (cont.)

## Multifamily Building Permits (2+ units)



Sources: US Census; Esri; CRDA; Data.CT.gov

### Key Facts for the Four Target Towns (Hartford, East Hartford, West Hartford, Wethersfield)

**32.6%**

Average Annual Household Expenditure on Housing, Utilities, Fuel, Water, Sewer & Trash

**\$1,883**

Average Monthly Expenditure on Housing, Utilities, Fuel, Water, Sewer & Trash

**0.14%**

Annual Population Growth Rate 2019-2024

Many of the past projects involve the adaptive re-use of non-residential buildings in Hartford’s Central Business District (CBD). Repurposing of vacant buildings has been crucial to the past growth of market rate apartments in the City of Hartford; however, the current focus is on vacant land and the assemblage of properties to develop more amenity-rich, modern urban living spaces.

As indicated in the chart, Hartford has seen considerable growth in the number of apartments coming to market over the past 5 years and that is expected to continue with the support of financing by CRDA and other public sources.

Public financing support has enabled developers to secure additional private funding for their projects that otherwise would not have the ROI needed to develop in Hartford. Without this type of assistance, the risk or difference between development and operating costs versus actual revenues generated by rents would be too high.

According to current developers proposing three (3) high profile developments in Hartford, tax agreements and financing support are crucial to those projects as they serve as a catalyst and incentive for development in Hartford.

## Executive Summary (cont.)

Some form of public incentive is often utilized to boost the financial feasibility of a project to acceptable levels. In the central Connecticut region, public incentives, such as tax abatements, are commonly utilized except in the upper end of the most desirable markets. As indicated in the market studies that were reviewed, the value added by those projects has considerably increased the City's tax base. It can be summarized that the renewal and conversion of blighted/vacant properties into urban living spaces has had a net positive effect on the City's property tax base. Examples of this effect are shown on the Market Analysis chart (page 25).

As revitalization of the CBD has occurred there is positive impact on the adjacent neighborhoods that can enhance overall upward mobility within the City. This is envisioned with the Downtown North and Park & Main proposed developments as they are on the outer edges of the CBD.

As new developments come to market, they are following the national trends for size and amenities, and this has been cited by the developers of the three proposed developments. Demand for micro/studio and 1BR apartments is increasing and in turn the new proposed developments are responding to that with 60% – 75% of the total units being micro, studio and 1BR apartments.

The national shift is for the *neighborhoods* to focus on 2BR-3BR housing and home ownership.

### Development serves as catalyst to attracting urban dwellers and meeting employers housing needs

- 1,360 added apartments in CBD in the past 6 years through conversions
- 400 more market rate conversions apartments coming on market
- 3 major projects proposed
- Move from conversions of existing buildings to bolder plans for entire new city blocks

“As rents rise, the hope is there will be a lessening dependence on the need for state financing. So far, **tenant demand for new conversions is holding up and there is evidence of modestly rising rents.**”

*Source: Hartford Courant article – A lofty goal for growth in cities - 1/13/2020*

In conclusion, the studies prepared for CRDA, the City of Hartford and the developers interviewed forecast a continued market demand for new construction of premium urban living spaces in Hartford. The new developments focus their strategies on creating quality livable urban environments that are in tune with regional and national trends; however, as seen in similar markets throughout the country, that can only be accomplished with the support of the public incentives, including public financing initiatives and other tools with which to encourage more private investment. In the long-term, development and revitalization attracts urban dwellers who will demand, create and attract a thriving City environment.

# New Construction Trends

## Micro Apartment Trend

- Offer better value for renters seeking a premium product in a compact space.
- Smaller footprints – i.e.: a 1.6-acre site can support an 8-story building with 260+ units with amenities and street level retail/restaurant space
- Micros average 443 sf
- Interior amenities include: Murphy and platform beds, hideaway kitchen modules, convertible coffee/dining/bar tables, modular furniture, 10-foot ceiling heights, and stainless steel, Energy Star-certified appliances.

*Source: Building Design+ Construction Magazine, November 2019*



## 5 TRENDS TO WATCH

1. Urban lifestyle
2. Affordable luxury
3. Amenities – pet spas, rooftop lounges, gaming simulators, and more
4. Tenant control of technology
5. Green leases

*Source: Building Design+ Construction Magazine, February 2019*

# Building Amenities Review

**Focus is on the fundamentals – amenities, socialization, creativity, and technology.**

“Primal experiences that will never change – eat, sleep, work and play – have now become consume, refresh, create and amuse.” *Source: Multifamily Executive – January 2018*

“Today’s developers have elevated to an art form the practice of including amenities that pander to millennial lifestyle trends. ‘As technology gets more advanced, so do amenities,’ says Caitlin Walter, vice president of research at the National Multifamily Housing Council (NMHC). ‘The old fitness center with treadmills and weights isn’t going to cut it. Now, renters want a Peloton.’” *Source: Curbed – March 26, 2019*

“Renting is becoming the end game for many millennials and baby boomers – renting offers a more-flexible lifestyle – mobility, convenience and community – living in the middle of things.”

*Source: Washington Post – May 8, 2018*

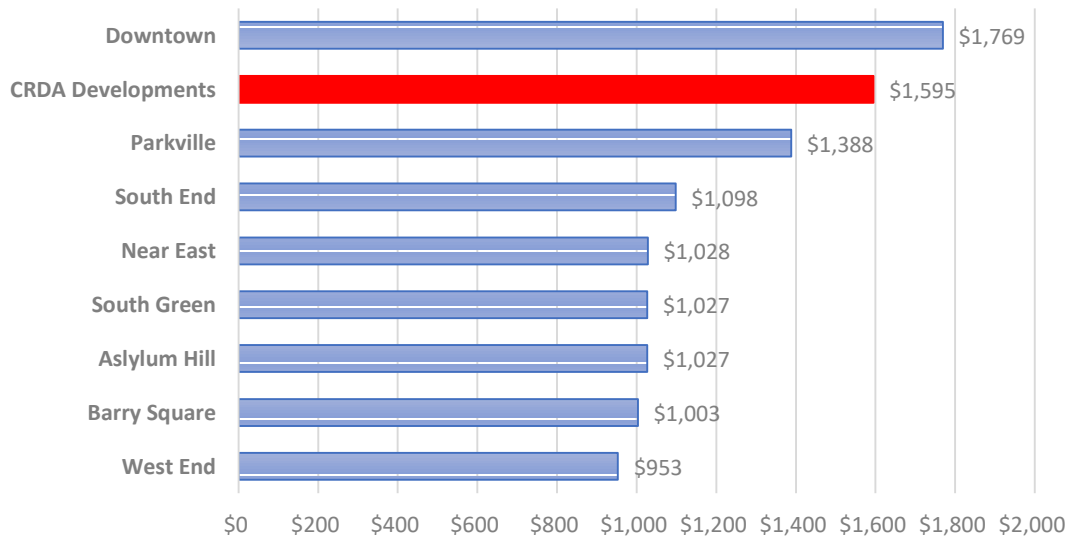
## Essential Amenities

- Bike storage and repair
- Car-sharing service
- Child-care service
- Coffee bar
- Concierge
- Communal kitchen/cooking classes
- Co-working spaces
- Dry cleaning/laundry service
- Entertainment/theater areas
- EV charging stations
- Fitness centers with Peloton™ bicycles
- Free WiFi
- Game room with sports simulators
- Green space
- On-site management/maintenance
- On-site parking
- Package delivery management
- Pet spa, pet social areas, Yappy Hours
- Pool and pool-side cabanas
- Proximity to transportation hubs
- Rooftop lounge with community grills, garden, plush lounge seating, billiards, bocce and bar terraces
- Short-term rentals
- Socialization areas
- Spa/Massage center
- Smart Technology
- Yoga/Wellness classes

*Compiled from Building Design+ Construction Magazine, February 2019, GlobeSt.com and various apartment rental sites.*

# Current Residential Market Conditions

Hartford Average Rents by Neighborhood



Source: Rent Jungle Dec. 2019 and CRDA

Market analysis included a survey of market rents in Hartford, West Hartford, Wethersfield, and East Hartford. Properties included were recently constructed or renovated.

- West Hartford has the highest rents ranging from \$1615 to \$2272
- East Hartford has the lowest rents ranging from \$1101 to \$1377
- Hartford and Wethersfield had similar rental rates at \$1200 - \$1600 for Studio/1BR
- Hartford CBD rents are 6-8% higher than the overall citywide average

Hartford CBD			
Beds	Average Sq Ft	Average Rent	Average \$/Sq Ft
Studio	557	\$1,287	\$2.31
1 Bed	790	\$1,651	\$2.09
2 Bed	1,174	\$2,278	\$1.94

Hartford Citywide			
Beds	Average Sq Ft	Average Rent	Average \$/Sq Ft
Studio	552	\$1,212	\$2.19
1 Bed	764	\$1,542	\$2.02
2 Bed	1192	\$2,107	\$1.78

West Hartford			
Beds	Average Sq Ft	Average Rent	Average \$/Sq Ft
Studio	537	\$1,615	\$3.01
1 Bed	736	\$1,748	\$2.38
2 Bed	1,185	\$2,272	\$1.92

Wethersfield			
Beds	Average Sq Ft	Average Rent	Average \$/Sq Ft
Studio	531	\$1,400	\$2.64
1 Bed	804	\$1,595	\$1.98
2 Bed	1,150	\$1,921	\$1.67

East Hartford			
Beds	Average Sq Ft	Average Rent	Average \$/Sq Ft
1 Bed	710	\$1,101	\$1.56
2 Bed	1063	\$1,377	\$1.29



# Current Residential Market Conditions

## CRDA Properties

Stabilized Occupancy Percentages		
Project	Unit Count	Occupancy % of Available
The Grand on Ann Street	26	96%
179 Allyn	63	89%
Spectra Plaza	190	94%
Front Street Lofts	121	97%
777 Main	285	96%
38-42 Elm	6	100%
36 Lewis	6	83%
Capewell Lofts	72	99%
Capitol Lofts	112	98%
370 Asylum (Teachers Village)	60	98%
Spectra Pearl (101 Pearl St)	157	95%
Arch Street	53	96%
241 Asylum	4	100%
<b>Average Occupancy</b>		<b>95%</b>

## Housing Stock Age

Year Built	Hartford	West Hartford	Wethersfield	East Hartford
<1939	41%	27%	19%	16%
1940-1959	22%	40%	32%	35%
1960-1979	20%	22%	29%	37%
1980-1999	12%	6%	18%	9%
2000-Present	5%	5%	2%	3%

## [Agencies warn Lamont of looming surge in state retirements](#)

By Susan Haigh and BestReviews  
Associated Press | Dec 11, 2018 | Hartford

The average age of the more than 44,600 full-time workers across state government is approximately 48 years old, according to an Aug. 6 analysis provided by the Office of Policy and Management.

## [Baby Boomers, the Employment Outlook and Apartment Demand](#)

NMHC RESEARCH NOTES NEWSLETTER  
Dec 18, 2019

By Caitlin Walter, NMHC and Jay Lybik, Institutional Property Advisors

Many headlines tie the health of the apartment industry to job growth, especially at the local level. But are these numbers an accurate depiction of the dynamics of the job market much less a good barometer of apartment demand?

The employment numbers that get investors' monthly attention are derived from what is called the establishment employment survey and represent the **net change** in the number of individuals employed from month to month—not the gross number of new jobs created. Why does this matter? The composition of our labor force today has the highest percentage of older workers in history, which means a tidal wave of retirement activity is about to hit. In fact, the number of workers retiring today sits at three times the number just 20 years ago and will only continue to rise as more baby boomers move toward retirement age.

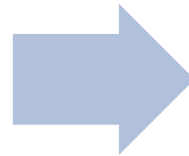
**Over the next 5 years, a dramatic increase in the rate of retirements is expected** of employees working for the State of Connecticut and major insurance companies in Hartford. This trend has the potential to **boost demand for downtown accommodation** as younger employees enter the area job market.

# Why is Public Participation Necessary?



## Projects Must Achieve Returns (ROI) Attractive to Investors

- Or they don't get built
- Typical Return on Investment (ROI) = 12 - 18%
- Only way to attract the required equity capital



## Typical Return on Investment

- Reflects the risks of RE development vs other investments
- Varies by the conditions of the market:
  - growth and affluence
  - urban vs suburban

# Why is Public Participation Necessary?

Hartford Multifamily Development Assumptions Example ROI Analysis w/No Public Participation	
Required Return on Investment (ROI)	12% - 18%
Development Costs	\$250 psf
Market Rents	\$2.35 psf/mo \$28.20 psf/yr
Operating Expenses	\$9.87 psf/yr
Net Rents	\$18.33 psf/yr
<b>ROI</b>	<b>7.33%</b>

Source: Goman+York market studies and project research

- Example above illustrates the need for public support
- With an ROI of only **7.33%** this project **would not get built**
- Common issue in older urban markets in smaller cities, particularly in the Northeast
- **Public investment is required to catalyze initial projects**
- **Public investment can ultimately reverse the trend**



# Why is Public Participation Necessary?

Hartford Multifamily Development Assumptions <b>Example ROI Analysis</b>	
Public Participation Required to Meet Required ROI	
Required Return on Investment (ROI)	12% - 18% or Greater
Development Costs	\$250 psf
<b>Total Public Participation @40% (all sources)</b>	<b>(\$100 psf)</b>
Market Rents:	\$2.35 psf/month \$28.20 psf/year
Operation Costs	\$9.87 psf/year
Net Rents	\$18.33 psf/year
<b>ROI</b>	<b>12.22%</b>



Source: Goman+York market studies and project research

- Using the assumptions shown above, the ROI on this project would equal **12.22%**, within the minimum required for development
- Public investment is required to catalyze initial projects and will ultimately reverse the trend

# Public Participation Sources



The following public funding sources have been identified after the review of existing market studies and appraisals. Those include:

- Housing Tax credits
- Federal and State Historic tax credits
- Green Building tax credits
- Brownfield loans
- Blighted Deferral tax abatement programs
- DECD funding/financing
- CHFA/DOH
- Federal Insured Mortgage
- CRDA



Spectra Plaza studio room



Spectra Pearl studio room

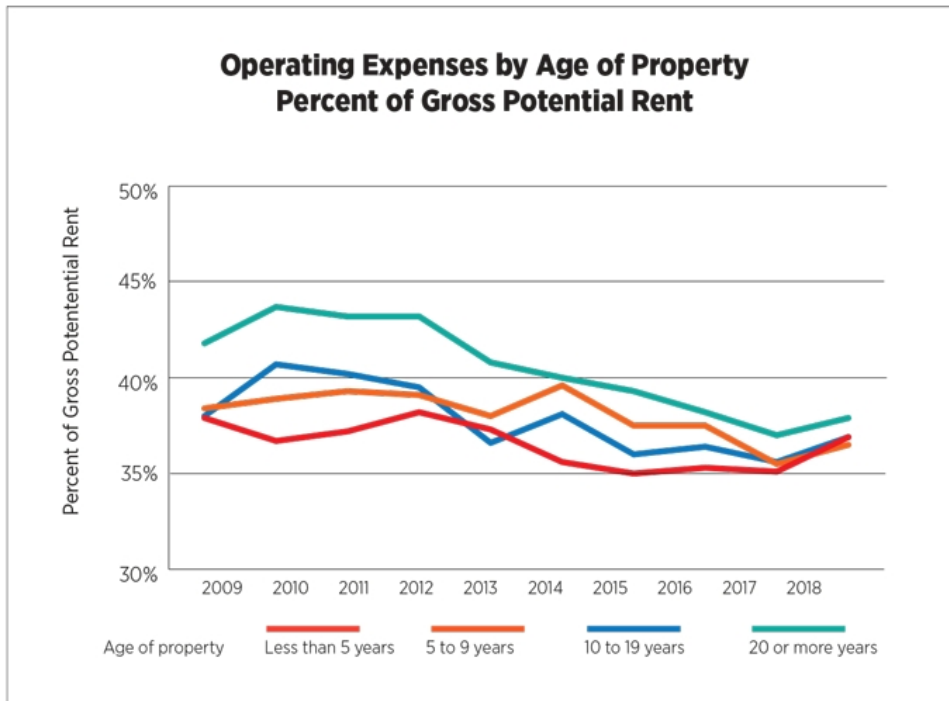
## **Spectra on Pearl (111 Pearl St)**

- 10-yr Blighted Tax Deferral Program resulted in a \$1.13 million tax savings.
- \$3 million in State Historic Tax Credits that was funded to the project & secured by a bridge loan from Capital for Change
- \$1.6 million Brownfield loan

## **Spectra Boutique Apartments (Spectra Plaza)**

- Total Federal and State Historic Tax Credits value - \$9.6 million
  - \$4.5 million – State
  - \$5.1 million - Federal
- DECD loan \$4 million
- Favorable tax assessment for blighted properties

# Need For Public Participation



Source: NAA 2019 Survey of Operating Income & Expenses; market rate, individually metered & recovery system garden properties

- **28%-40% of revenue goes to operational expenses** which equates to 1/3 of revenues
- **Older properties vs newer developments operational costs are higher** as are urban vs suburban costs
- 2019 operating costs were **up 9.8% over 2018**

Source: GlobeSt.com

*“Talent sourcing, new and disruptive technologies and preparing for Gen Z will remain top of mind for apartment owners and operators in 2020. Affordability issues in many areas across the nation show no signs of easing. While incomes have been on the rise, stronger and more prolonged improvements will be necessary to erase years of stagnation. Coupled with increased costs for the industry – for land, construction, new development and operations – affordability constraints will persist.”*

*On the plus side, demand fundamentals, which have driven apartment market growth thus far, remain firmly in place. Renting remains a more affordable choice in many markets across the country and fits the lifestyle preferences, along with the amenity, convenience and community needs of an increasingly diverse resident base.”*

Source: National Apartment Association 2019 Survey of Operations

# Need For Public Participation

## ALL MARKET RENT PROPERTIES OPERATING INCOME & EXPENSE DATA INDIVIDUAL METER AND RECOVERY SYSTEM PROPERTIES\*

	Total			Garden			Mid- & Hi-Rise		
	\$ Per Unit	\$ Per Sq. Ft.	% of GPR	\$ Per Unit	\$ Per Sq. Ft.	% of GPR	\$ Per Unit	\$ Per Sq. Ft.	% of GPR
Number of Properties		3,033			2,481			552	
Number of Units		819,095			672,561			146,534	
Avg. No. of Units/Property		270			271			265	
Avg. No. of Square Feet/Unit		933			943			889	
Turnover rate in %		51%			51%			51%	
<b>Revenues</b>									
Gross Potential Rent (GPR)	15,822	16.95	100.0%	14,542	15.42	100.0%	21,698	24.41	100.0%
Rent Revenue Collected	14,629	15.67	92.5%	13,516	14.33	92.9%	19,736	22.20	91.0%
Losses to Vacancy	939	1.01	5.9%	819	0.87	5.6%	1,489	1.68	6.9%
Collection Losses	79	0.09	0.5%	75	0.08	0.5%	100	0.11	0.5%
Losses to Concessions	175	0.19	1.1%	132	0.14	0.9%	373	0.42	1.7%
Other Revenue	914	0.98	5.8%	827	0.88	5.7%	1,313	1.48	6.1%
<b>Total Revenue</b>	<b>15,543</b>	<b>16.65</b>	<b>98.2%</b>	<b>14,343</b>	<b>15.21</b>	<b>98.6%</b>	<b>21,049</b>	<b>23.68</b>	<b>97.0%</b>
<b>Operating Expenses</b>									
Salaries and Personnel	1,449	1.55	9.2%	1,369	1.45	9.4%	1,817	2.04	8.4%
Insurance	248	0.27	1.6%	238	0.25	1.6%	296	0.33	1.4%
Taxes	2,030	2.18	12.8%	1,721	1.83	11.8%	3,447	3.88	15.9%
Utilities	353	0.38	2.2%	317	0.34	2.2%	518	0.58	2.4%
Management Fees	505	0.54	3.2%	477	0.51	3.3%	634	0.71	2.9%
Administrative	288	0.31	1.8%	264	0.28	1.8%	403	0.45	1.9%
Marketing	222	0.24	1.4%	180	0.19	1.2%	412	0.46	1.9%
Contract Services	431	0.46	2.7%	393	0.42	2.7%	605	0.68	2.8%
Repair and Maintenance	489	0.52	3.1%	480	0.51	3.3%	530	0.60	2.4%
<b>Total Operating Expenses</b>	<b>6,016</b>	<b>6.45</b>	<b>38.0%</b>	<b>5,439</b>	<b>5.77</b>	<b>37.4%</b>	<b>8,661</b>	<b>9.74</b>	<b>39.9%</b>
<b>Net Operating Income</b>	<b>9,527</b>	<b>10.21</b>	<b>60.2%</b>	<b>8,904</b>	<b>9.44</b>	<b>61.2%</b>	<b>12,388</b>	<b>13.94</b>	<b>57.1%</b>
<b>Capital Expenditures</b>	<b>1,525</b>	<b>1.63</b>	<b>9.6%</b>	<b>1,549</b>	<b>1.64</b>	<b>10.7%</b>	<b>1,410</b>	<b>1.59</b>	<b>6.5%</b>

\* Individual Meter and Recovery System (submeter, RUBS, flat fee) for primary utility.

- **Yearly Operating Expenses vary** across the country - ranged from **\$4,068 per unit** in Las Vegas to **\$7,385 per unit** in Los Angeles.
- A recent development in the greater Hartford area projected their operating expenses at **\$6,810 per unit**.

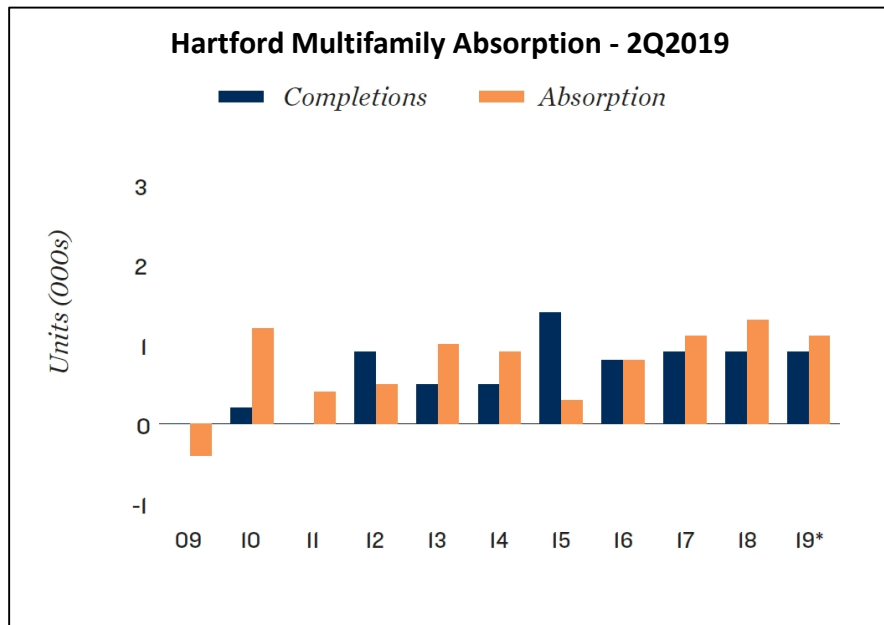
Sources: National Apartment Association 2019 Survey of Operations, Goman+York market studies and project research

Link to survey

<https://www.naahq.org/news-publications/units/september-2019/article/2019-naa-survey-operating-income-expenses-rental>

Source: National Apartment Association 2019 Survey of Operating Income & Expenses in Rental Apartment Communities

# Absorption Rate Trends – Local



Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

## Hartford’s absorption rates of multifamily housing exceeds completions of new housing stock.

- The data suggests that in the Hartford market there is unmet demand for multifamily housing.
- The data set for the City of Hartford is small, so additional data on other markets in Connecticut is included to the right.

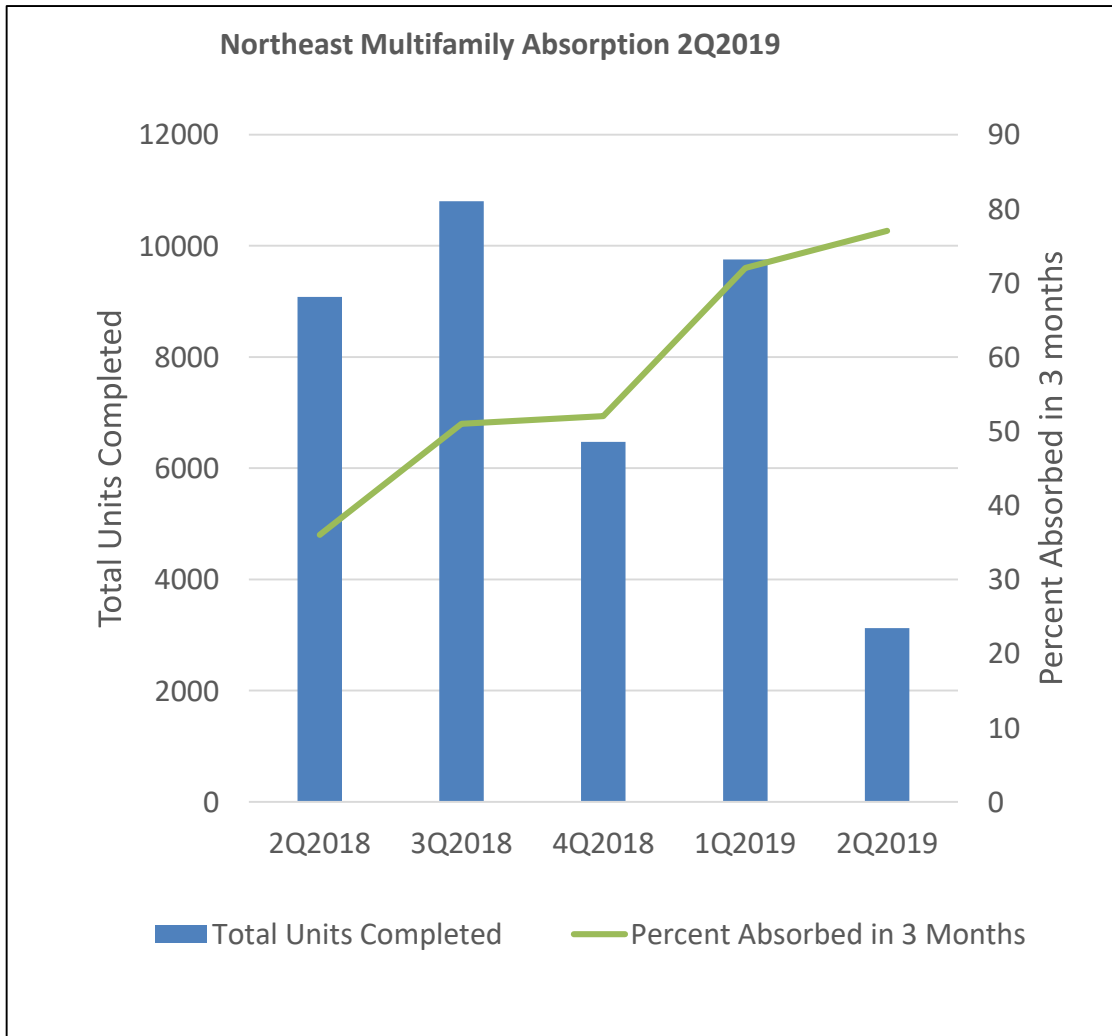
## Absorption Trends for the New Haven and Fairfield County Markets

- **Absorption has exceeded completions by more than 2,000 units**, contributing to a 240-basis-point vacancy decline over that span to 3.6 percent in the New Haven/Fairfield County submarket.
- The average monthly payment is advancing the fastest in the **Bridgeport/Danbury** and **Stamford/Norwalk** submarkets, especially among Class A units.
- **Stamford has the highest number of total completions in the state** but the vacancy rate for Class A rentals started the year under 4 percent.
- **Low availability and high demand** will support above-market rent growth among luxury units in the Stamford
- **New Haven’s smaller construction pipeline consists of a pair of deliveries**, one in the city of New Haven and the other in the nearby town of Milford. The former development is located a few blocks from the Yale University campus; the latter is near major transit ways.
- The few arrivals in the area are enabling vacancy to fall across all apartment classes and **facilitating rent growth above Fairfield County’s pace of appreciation.**

Source: Marcus & Millichap New Haven Multifamily Investment Forecast 2019 Outlook



# Absorption Rate Trends – Regional

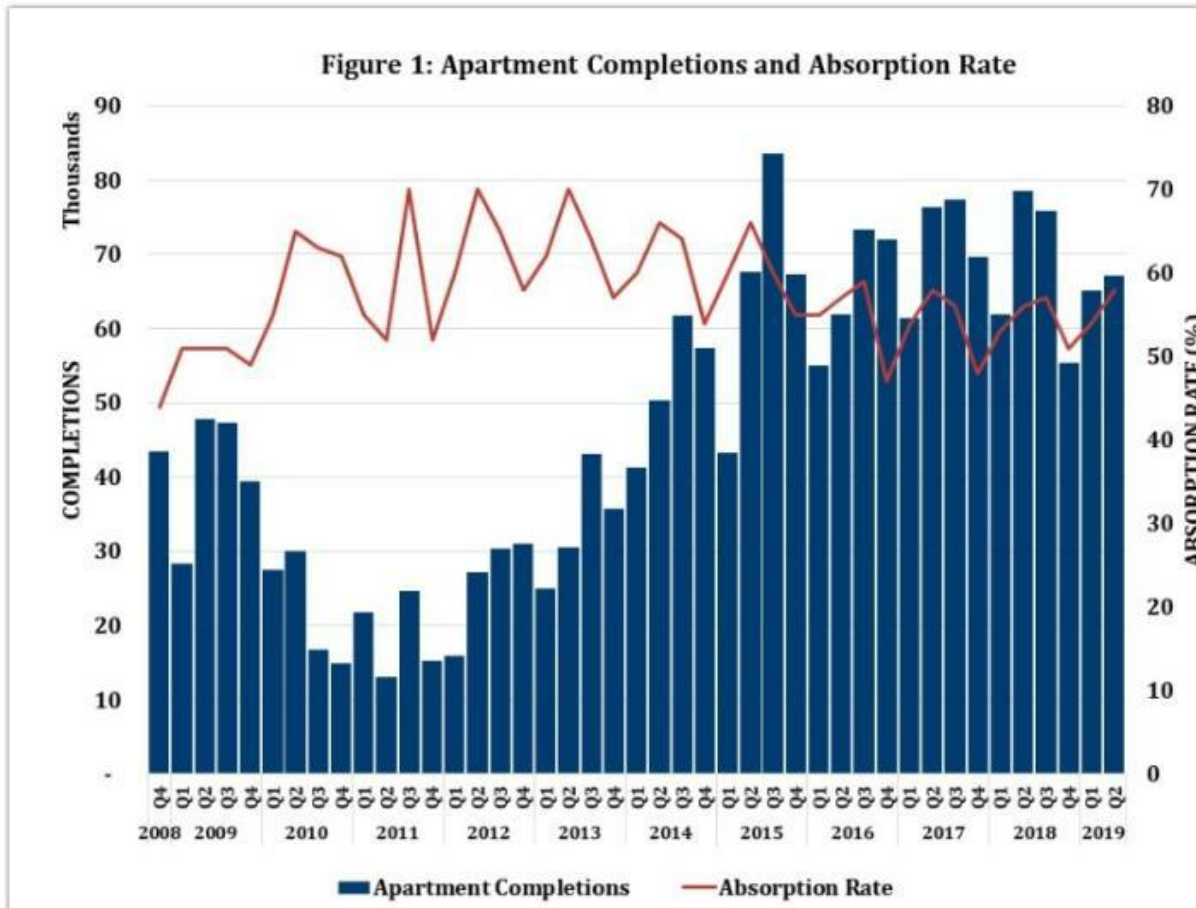


Within the Northeast region, the **absorption rate within 3 months of completion is trending upward**, rising by **+213%** as the new development supply has slowed down by **-290%**. The data suggests, as seen in national trends, that development is not meeting the demand for multifamily housing.

Source: The US Census SOMA data focuses on the top 45 metropolitan areas by population. In the Northeast, those areas include:

- Bridgeport-Stamford-Norwalk, CT
- New York-Newark-Jersey City, NY-NJ-PA
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
- Baltimore-Columbia-Towson, MD

# Absorption Rate Trends - National



## National Absorption Rate Trends

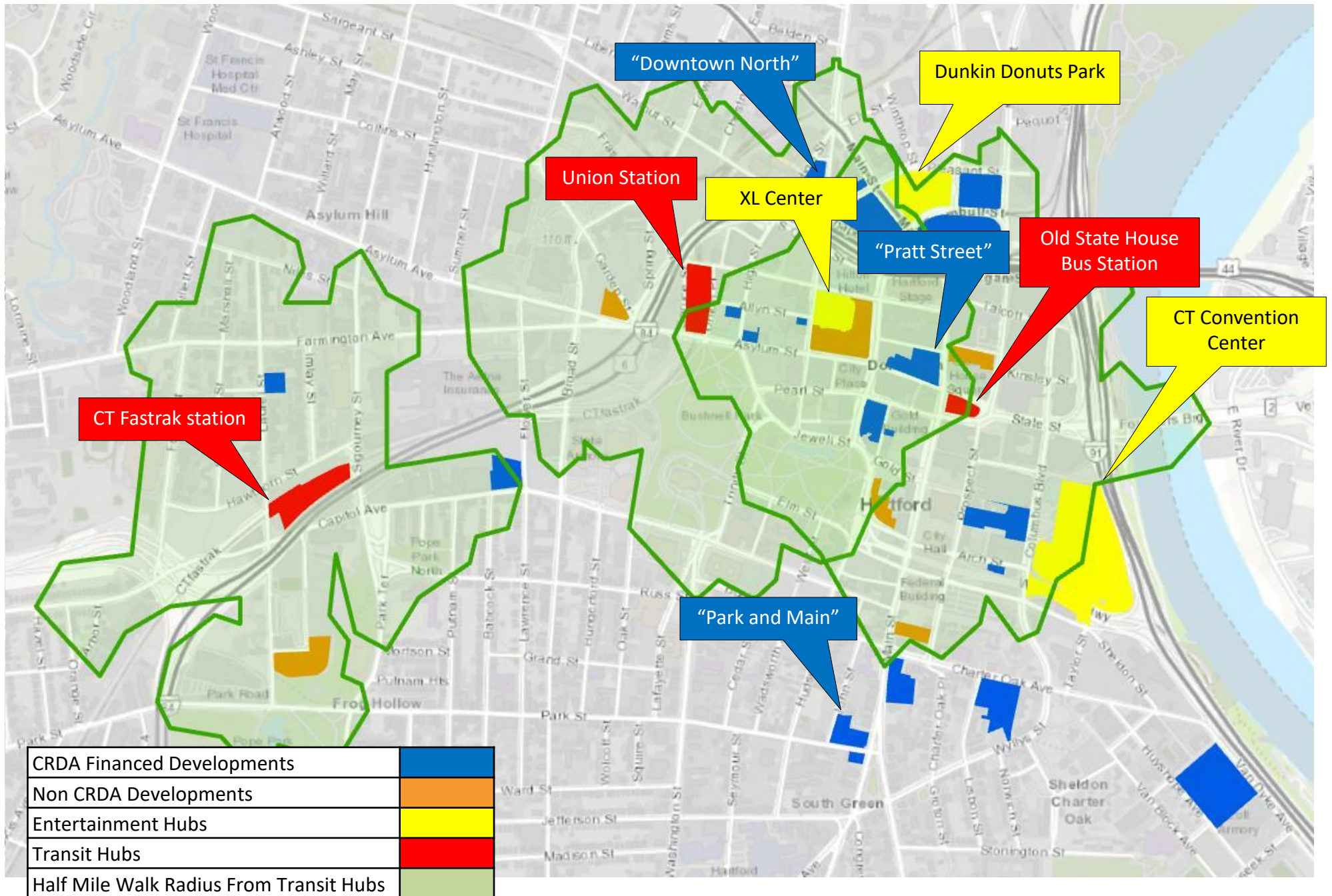
Data from the U.S. Census Bureau’s Survey of Market Absorption (SOMA) show that the absorption rate of unfurnished, unsubsidized apartments (the share rented out in the first three months following completion) **rose two percentage points** to 58 percent in the second quarter of 2019 (from the second quarter of 2018) (Figure 1).

The number of apartments completed in the second quarter of 2019 totaled to 61,700, a drop from the amount completed in the second quarter of 2018 (78,610).

The median asking rent price for apartments completed in the second quarter of 2019 was \$1,659, about 3 percent higher than the median asking price of \$1,612 in the second quarter of 2018.

*Source: National Association of Home Builders – December 18, 2019*

# Multifamily Developments Proximity to Transit and Entertainment Hubs



# Previous Studies Review –SWOT Analysis for Hartford CBD

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Location/access to the CBD in Hartford is cited as a key factor</li> <li>• Upward trend in rental rates is expected to continue (2017-2022)</li> <li>• Increased volume of workers - professionals, aerospace technicians and engineers</li> <li>• Increase in student population with the addition of the Hartford UCONN undergraduate campus (2,300 students/250 faculty)</li> <li>• Demand for studio &amp; 1BR apartments</li> <li>• Hartford Market rates vs suburban</li> <li>• Tax Incentives/credits/grants available for developments</li> </ul>	<ul style="list-style-type: none"> <li>• Good long-term outlook – demand for apartment units</li> <li>• Low vacancy rates of CBD developments</li> <li>• Proximity and access to interstate highways and transportation hubs</li> <li>• Positive absorption rates over the past 3 years of new to market Hartford apartments has shown that absorptions are out pacing completions</li> <li>• Increase in downtown populations can lead to more businesses, professionals, restaurants/entertainment and student population</li> <li>• Capturing the Hartford working population that lives in the community’s surrounding Hartford</li> <li>• Positive economic impact, population growth and job creation</li> </ul>
WEAKNESSES	THREATS
<ul style="list-style-type: none"> <li>• “Fiscal pickle” – City/State’s fiscal situation</li> <li>• City’s Insurance industry with modest job gains are foreseen</li> <li>• Aging apartment stock in the City</li> <li>• Limited supply of new/modern apartments with parking and sought-after amenities</li> </ul>	<ul style="list-style-type: none"> <li>• Suburban developments incorporating “urban” design</li> <li>• Hartford in comparison to other CT cities</li> <li>• Loss of public sector jobs</li> <li>• Out-of-state migration</li> </ul>

# Hartford Housing Study Review - Analysis & Summarization

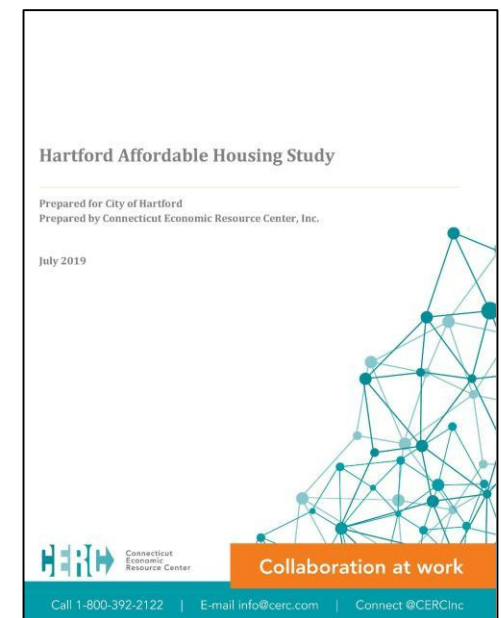
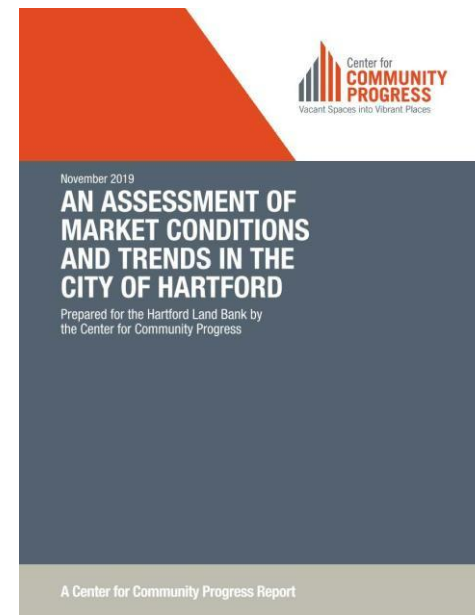
## Hartford Affordable Housing Study (July 2019) and Hartford Neighborhood Market Analysis (November 2019)

The two (2) studies that were analyzed were provided by the City of Hartford. Both stress the need for affordable housing within the City of Hartford to increase the quality of life within Hartford's neighborhoods. With the need for affordable housing also comes with the need to balance market rates within the City's neighborhoods. However the need for market rate apartment developments were not clearly addressed in these studies.

There exists a disparity of housing and economic conditions, while at the same time, an opportunity for upward movement of residents between the city's neighborhoods. A plan should be put in place to attract investment in the community. Downtown has seen an influx of young professionals and empty nesters moving into revitalized and new developments, building on this momentum is essential. Enticing new and supporting planned developments throughout the city are crucial to enhancing the quality of life.

Impacting the quality of life in Hartford's neighborhoods can be enhanced by:

- Establishing a targeted strategy – interim and phased strategies
- Establishing a code and plan for derelict buildings and abandoned properties
- Recapturing and assembling abandoned properties into larger parcels to encourage multifamily development
- New construction on vacant or abandoned properties where it enhances the neighborhood and creates gateways to the City and its neighborhood's.



# Hartford Housing Study Review - Analysis & Summarization (cont.)



## Hartford Affordable Housing Study & Hartford Neighborhood Market Analysis

As a strategy is developed it should look to combine efforts with all parties involved and focus on investment in the community. Not all neighborhoods needs can be addressed at once – putting a long-range, phased in plan in place is key. Ownership/rental strategies should be put in place to address derelict buildings and abandoned properties. Strategic focus should be placed on rebuilding the neighborhoods – whether it is new construction or renovation of existing properties. Planned downtown developments such as DONO and Park & Main have the opportunity to create a positive effect on neighborhoods in close proximity as they sit on the edge of the CBD, while the Pratt Street project will revitalize an area within the CBD and close to the XL Center.

Assemblage of properties (vacant lots and abandoned properties) should be considered as opportunities for new multifamily housing with designated affordable housing. If not redeveloped, a vacant lot interim strategy should be to put into place to use the land for a positive use.

A financial assistance strategy is key whether it pertains to creating incentives for home ownership or investment in multifamily properties. This seed money is incentivizing to foster development and enticing private investment, while at the same time, creating a sense of community ownership.

As stated, *“the ultimate goal remains to change the trajectory of Hartford’s neighborhoods for the better”* while increasing the quality of life of the residents.

# Appendix

# Rental Housing Market - Forecast

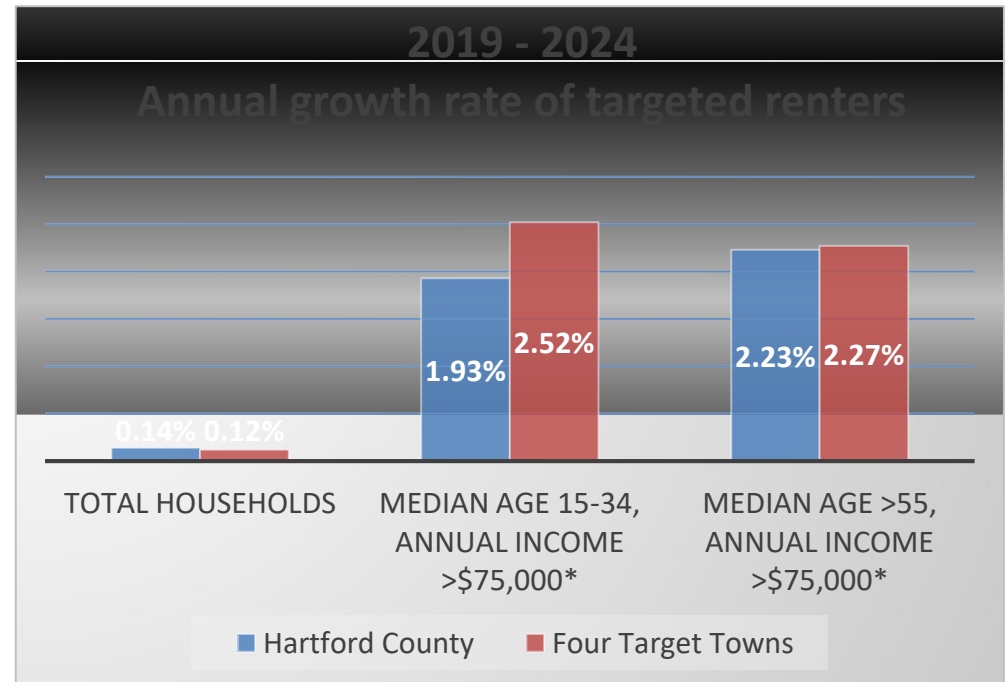
Hartford County’s total population is forecasted to remain flat over the next five years with a projected +0.17% annual growth rate. Additionally, household formation is expected to experience only modest gains. The total number of households is expected to grow by +0.14% annually by 2024.

With these data in mind, it is reasonable to assume that any new multifamily residential developments in the core urban area (our four target towns of Hartford, East Hartford, West Hartford and Wethersfield) will most likely be marketed as an upgrade to existing area residents.

**New housing product offerings, with better amenities and high-end finishes will make the existing housing stock obsolete (85% of the current inventory was built prior to 1980).**

It is expected that Hartford’s urban core, represented in the four target towns, will continue to witness stronger demand for high-end multifamily housing units. Renters with annual incomes of \$75,000+ who are both young and old, will be drawn to the urban core.

If the Capital Region Development Authority wants to advance its mission to “stimulate new investment, rebrand and promote the district as a multicultural destination for all ages to enjoy and as a vibrant multidimensional downtown” it would be optimal to continue its strategy of extending financing at attractive rates to incentivize greater private investments.



Sources: US Census, American Community Survey, Esri

\*Note: Annual income data depicts wage growth as well as population growth.



# Market Analysis

CRDA financing is a substantial contributor to the City of Hartford's property tax base and overall economy by *increasing the value* of real properties and creating jobs.

Four (4) projects from the CRDA portfolio have seen a **+1200% increase** in their assessment values. Together they represent:

- \$4,250,000 value pre-redevelopment
- \$51,300,000 value post redevelopment

## 1) 36 Lewis Street (+650%)

- \$200,000 value pre-redevelopment
- \$1,300,000 value post redevelopment

## 2) 111 Pearl Street – Spectra Pearl (+3,250%)

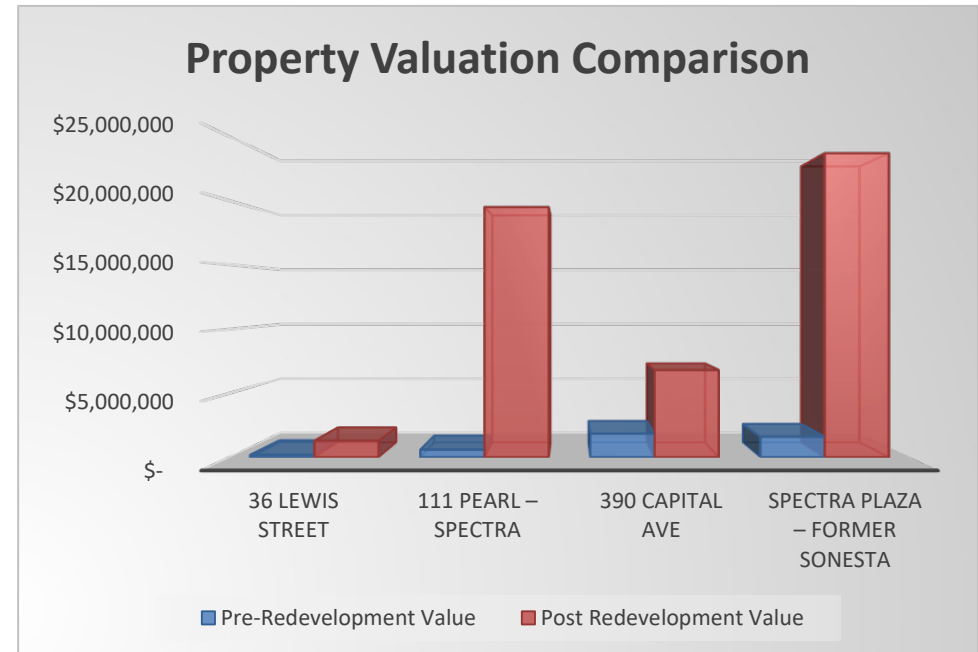
- \$600,000 value pre-redevelopment
- \$19,500,000 value post redevelopment

## 3) 390 Capital Avenue (+367%)

- \$1,850,000 value pre-redevelopment
- \$6,800,000 value post redevelopment

## 4) Spectra Plaza – former Sonesta Hotel (+1,481%)

- \$1,600,000 value pre-redevelopment
- \$23,700,000 value post redevelopment



### Apartment Statistics

Connecticut's 1st Congressional District

Spending from Connecticut's 1<sup>st</sup> District apartment residents contributes **\$5.3B** to the local economy each year (including **\$646.4M in taxes**), creating **22.8K jobs**.

### New Apartments Needed

Apartment demand is growing, and the industry needs to keep up. However, producing enough new apartments to meet demand requires new development approaches, more incentives and fewer restrictions. The construction of every **100 apartment units** in the district contributes **\$24.1M** and **92 jobs** to the state economy.

Source: [Weareapartments.org](http://Weareapartments.org)/NMHC/NAA/US Census Bureau

# CRDA Data Review

## Comparison of CRDA financing vs Private on projects

Project	Unit Count	CRDA Financing %	Closed
The Grand on Ann Street	26	16%	10/29/2013
179 Allyn	63	44%	11/15/2013
Spectra Plaza	190	9%	12/5/2013
Front Street Lofts	121	34%	12/17/2013
777 Main	285	21%	3/28/2014
38-42 Elm	6	28%	2/25/2015
36 Lewis	6	17%	4/8/2015
Capewell Lofts	72	19%	6/30/2015
Capitol Lofts	112	20%	9/22/2015
Fifty Morgan	96	33%	3/31/2016
370 Asylum (Teachers Village)	60	20%	9/29/2017
111 Pearl (Spectra Pearl)	101	28%	11/3/2017
Arch Street	53	28%	11/7/2017
101 Pearl (Spectra Pearl)	157	33%	11/8/2017
100 Trumbull	16	30%	4/12/2018
241 Asylum	4	31%	5/7/2018
The Borden	150	19%	5/24/2018
Colt Armory (North)	48	21%	7/2/2018
28 High	28	35%	8/29/2018
103-21 Allyn	66	31%	10/31/2018
Lawrence	12	35%	1/4/2019
289 Asylum	8	30%	8/13/2019
80-82 Hawthorne	2	6%	8/13/2019
86-88 Hawthorne	2	6%	8/13/2019
105-7 Wyllys	9	32%	8/31/2019
1283 Main	10	20%	9/20/2019
Colt "U"	26	21%	2020 (est)
Pratt I	129	21%	2020 (est)
Park and Main	128	27%	2020 (est)
DoNo Phase 1	245	21%	2020 (est)
<b>Total/ Median</b>	<b>2231</b>	<b>24%</b>	-

### Why is CRDA or other public loan financing needed?

“Subsidies are needed to jumpstart developments in Hartford which in turn will attract private investment – without the public funding the ROI is not there.”

*Randy Salvatore – RMS Development*

Year Closed	Total Development Cost (in millions USD)	CRDA Financing (in millions USD)	CRDA Financing %
2013	78.94	21.25	27%
2014	84.50	17.70	21%
2015	64.44	12.65	20%
2016	19.50	6.50	33%
2017	90.59	24.90	27%
2018	70.17	17.28	25%
2019	9.00	2.29	25%
2020 (est)	123.87	28.15	23%
<b>Total</b>	<b>541.01M</b>	<b>130.72M</b>	<b>25%</b>

# CRDA Data Review

## Percentage Studios and 1 Bedrooms

Project	Total Unit Count	% Studio or 1 Bedroom
The Grand on Ann Street	26	100%
179 Allyn	63	100%
Spectra Plaza	190	93%
Front Street Lofts	121	92%
777 Main	285	92%
Capewell Lofts	72	69%
Capitol Lofts	112	63%
Fifty Morgan	96	92%
370 Asylum (Teachers Village)	60	92%
111 Pearl (Spectra Pearl)	101	94%
Arch Street	53	62%
101 Pearl (Spectra Pearl)	157	99%
100 Trumbull	16	100%
The Borden	150	74%
Colt Armory (North)	48	67%
28 High	28	71%
103-21 Allyn	66	95%
<b>Average</b>	<b>96.7</b>	<b>85.6%</b>

### Own-to-Rent Trends

*“Baby boomers and millennials are two of the fastest-growing groups of renters. Whether just starting out in their career or settling into retirement, both generations are seeking a lifestyle that offers mobility, convenience and community.”*

*(Source: Trulia)*



### Upcoming Hartford Developments

#### % of Studios and 1BR Apartments

- **Downtown North – 75%**
- **Park & Main – 70%**
- **Pratt Street – 60%**

# Future Development Review - Park & Main

## **Project: Park & Main - Hartford**

**Interviewee:** Matthew Edvardsen – Director of Asset Management – Spinnaker Development

**Total Project Costs (est.):** \$26 million

**CRDA Financing :** \$8.4 million (32.3%)

**# of units:** 128 (revised was 108 same building footprints – saw need for smaller units). 70% studio and 1BR. 25% are 2BR.

**Why Hartford?** Spinnaker is a CT-focused developer, it's where they have market-knowledge. Hartford's location, being in the middle of the state, was a key factor. They felt the market was demanding more studio apartments and have adjusted the number of units to reflect that.

**Why are CRDA or other public funds needed?** The fact that the parcel was two (2) city-owned parcels that sat vacant for 20 years (purchased for \$8 million) and they personally knew the owner of the engineering firm next to this parcel who was pushing them to consider the site. That, along with the support of development in the City, made them see opportunity in Hartford.

**What amenities?** Gathering/rooftop/common areas, fitness centers, co-working spaces are integrated into their other developments.

# Future Development Review – Downtown North

## **Project: Downtown North - Hartford**

**Interviewee:** Randy Salvatore – RMS Development

**Total Project Costs (est.):** \$55 million for Phase 1 of 4 (Total 4 phases \$200 million over 6 years)

**CRDA Financing :** \$12 million (21%)

**# of units:** 800 total over 6 years. Phase 1 (2020 est.) is 230-240 units. 75% studio and 1BR units at current market rates.

**Why Hartford?** – As RMS’s first venture in the Hartford market, Mr. Salvatore sites urbanization – specifically the convenience and access of Hartford. Many cities in CT and NE have saturated markets, but this is not the case in Hartford, though he stated Hartford is “late to the game.” He sees potential – he’s optimistic that Hartford will continue to grow, though lacking the vibrancy needed, he believes that will come as more people move into the city. According to Salvatore, “Hartford has major employers with no (housing) product in Hartford to entice the employees of those companies to live there.” The critical mass needs to flow into the City, it has potential and the need for differentiated products.

**Why are CRDA or other public funds needed?** Subsidies are needed to jumpstart developments in Hartford which in turn will attract private investment – without the public funding the ROI is not there.

**What amenities?** The needs and trends of amenities that RMS sees as essential to entice people to Hartford and their other developments are socialization and interactive common areas such as communal kitchens, roof decks, pools, fire pits, fitness centers with Peloton™ equipment, golf simulators, bowling alleys. They are also looking to add conference centers and co-working space into their developments.

# Future Development Review – Pratt Street

## **Project: Pratt Street - Hartford**

**Interviewee:** Martin Kenny, Lexington Partners w/Shelbourne Global LLC and LAZ Investments as partners

**Total Project Costs (est.):** \$100 million

**CRDA Financing:** \$20 million (20%)

**# of units:** 375 apartments 60% studios/1BR

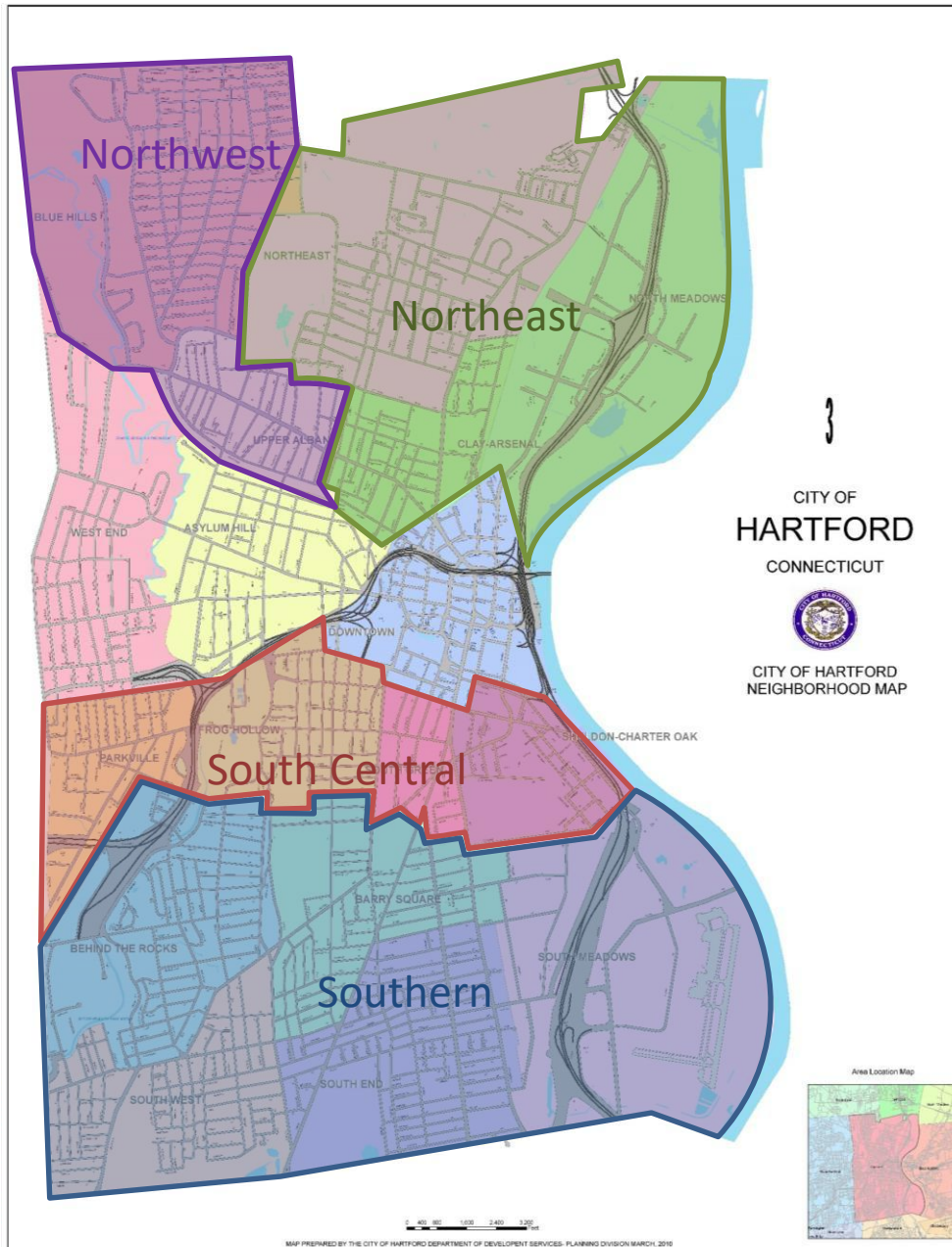
- A net addition of 257 new apartments (64 on Temple Street; 193 on Trumbull and Pratt).
- 45,058 square feet of retail on Trumbull, Pratt and Main streets in Hartford's central core.
- 1,308 parking spaces in three immediate locations to support housing and retail uses.

**Why Hartford?** – Why not? Proven success with Trumbull on the Park and other Hartford-area projects - has seen the growth in City apartment units to 3,000 now and believes there is room for that to grow to 5,000 to 6,000 units. Sees potential renter demand from Stanley, Pratt & Whitney employees, tech start-ups, “Boomerang Millennials” fleeing Boston & NY due to the high cost of living in those cities, lack of quality urban living space

**Why are CRDA or other public funds needed?** Without the financing support the deals don't pencil out. It's needed to support the creation of critical urban synergy that is needed in Hartford. This type of financing has worked successfully in other cities.

**What amenities?** Pet spas, valet parking, concierge package stations with refrigerated lockers, rooftop lounge, California kitchens, fitness centers, large capacity washer/dryer stations

# Hartford Neighborhood Rent Trends (2015 – 2019)



The City of Hartford commissioned a survey of renters for thirteen of the city's neighborhoods. These were examined and grouped into the following areas:

### South Central Hartford

1. Sheldon-Charter Oak
2. South Green
3. Frog Hollow
4. Parkville

### Southern Hartford

1. South Meadow
2. Barry Square
3. South End
4. South West
5. Behind the Rocks

### Northeast Hartford

1. North Meadows
2. Northeast
3. Clay-Arsenal

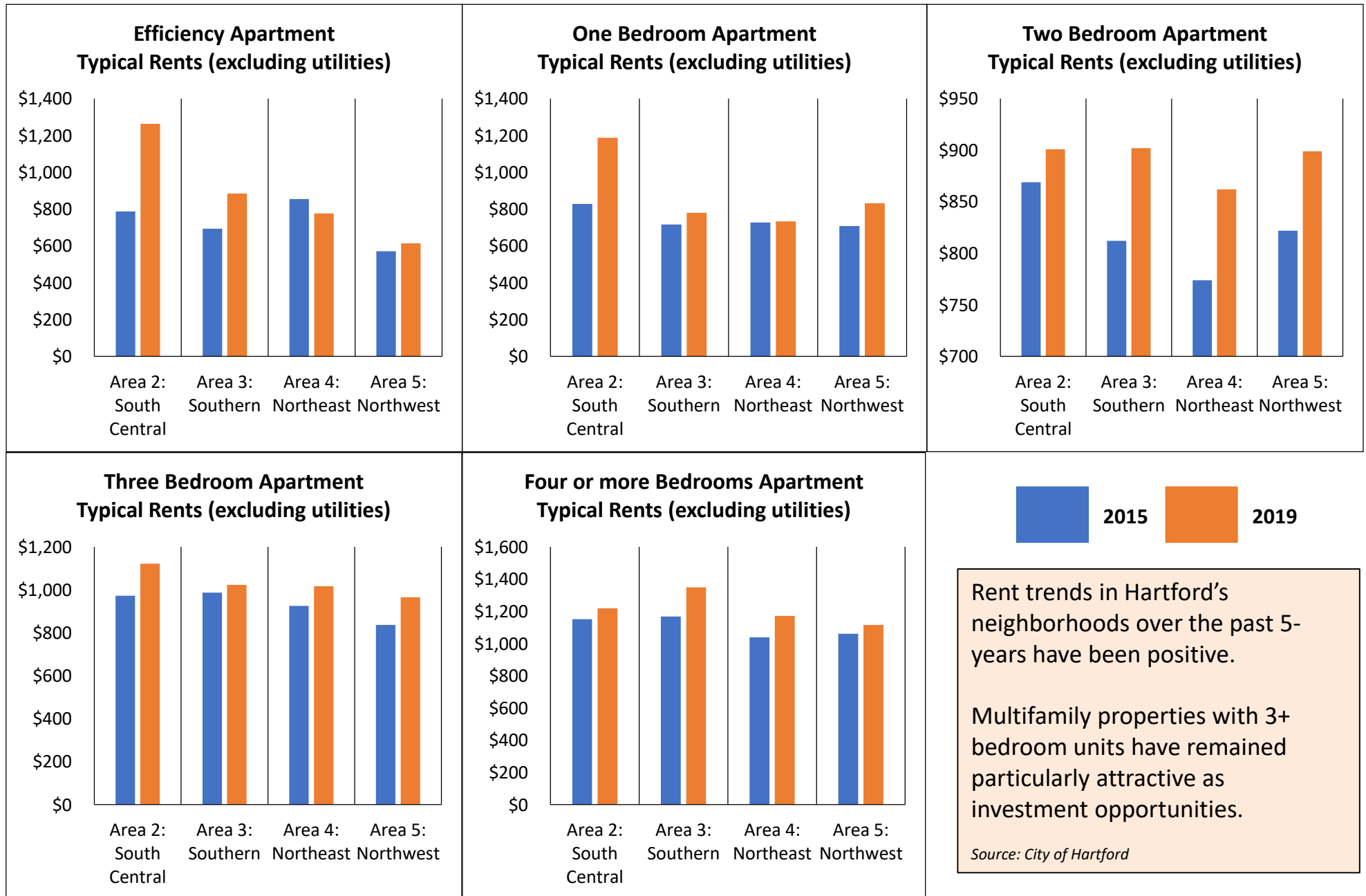
### Northwest Hartford

1. Upper Albany
2. Blue Hills

Downtown, Asylum Hill and West End neighborhoods are not included in this study.

The charts on the following page detail the changes in rent levels within the above areas from 2015 to 2019.

# Hartford Neighborhood Rent Trends (2015 – 2019)





# Current Residential Market Conditions: Hartford

Name	Address	Town	Market Rate	CRDA Financing	Year Built	Total Units	Beds	Baths	Avg Sq Ft	AVG Rent/Mo	RENT \$/SQ FT
Arch Street	81 Arch Street	Hartford	100%	Yes	2019	53	0	1	570	\$1,371	\$2.40
							1	1	682	\$1,729	\$2.54
							2	2	1,317	\$2,448	\$1.86
Bushnell On The Park	100 Wells Street	Hartford	100%	No	1969	180	0	1	601	\$1,275	\$2.12
							1	1	740	\$1,675	\$2.26
							2	1.5	1,175	\$1,850	\$1.57
							2	2	1,230	\$2,375	\$1.93
							3	2	1,230	\$2,700	\$2.20
Capewell Lofts	57 Charter Oak Ave	Hartford	80%	Yes	2016	72	0	1	739	\$1,460	\$1.98
							1	1	957	\$1,730	\$1.81
							1	1.5	1,100	\$2,008	\$1.83
							2	2	1,380	\$2,253	\$1.63
							2	2.5	1,452	\$2,418	\$1.67
							3	2.5	1,841	\$3,100	\$1.68
Capitol View	600 Asylum Ave	Hartford	100%	No	2010	264	0	1	425	\$859	\$2.02
							1	1	613	\$1,152	\$1.88
							2	1	675	\$1,568	\$2.32
Capitol Lofts	390 Capitol Ave	Hartford	80%	Yes	2017	112	1	1	800	\$1,238	\$1.55
							2	1	1,080	\$1,555	\$1.44
Colt Gateway (South)	140 Huyshope Ave	Hartford	100%	Yes	2015	129	0	1	844	\$1,228	\$1.45
							1	1	752	\$1,526	\$2.03
							2	2	1,475	\$2,025	\$1.37
Colt Armory (North)	100 Huyshope Ave	Hartford	100%	Yes	2019	48	0	1	475	\$1,260	\$2.65
							1	1	881	\$1,713	\$1.94
							2	1	1,059	\$2,098	\$1.98
							2	2	1,269	\$2,213	\$1.74
Element 250	250 Main St	Hartford	100%	No	1988	223	1	1	530	\$1,160	\$2.19
							2	2	920	\$1,450	\$1.58

# Current Residential Market Conditions: Hartford

Name	Address	Town	Market Rate	CRDA Financing	Year Built	Total Units	Beds	Baths	Avg Sq Ft	AVG Rent/Mo	RENT \$/SQ FT
Front Street Lofts	20 Front St	Hartford	100%	Yes	2015	121	0	1	544	\$1,353	\$2.49
							1	1	761	\$1,708	\$2.25
							2	2	1,194	\$2,363	\$1.98
Fifty Morgan	50 Morgan St	Hartford	100%	Yes	2019	96	1	1	611	\$1,385	\$2.27
							2	2	948	\$1,645	\$1.74
Hartford 21	221 Trumbull St	Hartford	100%	No	2006	262	1	1	788	\$1,995	\$2.53
							2	2	1,235	\$2,485	\$2.01
Lofts at Main and Temple	21 Temple St	Hartford	100%	No	2006	78	0	1	731	\$1,370	\$1.87
							1	1	1,066	\$1,823	\$1.71
							2	2	1,500	\$2,275	\$1.52
Park Place Towers	24 Park Place	Hartford	100%	No	1987	451	1	1	600	\$1,155	\$1.93
							2	2	985	\$1,468	\$1.49
Spectra Pearl	101-111 Pearl St	Hartford	100%	Yes	2019	258	0	1	463	\$1,202	\$2.60
							1	1	565	\$1,490	\$2.64
							1	1.5	736	\$2,022	\$2.75
							2	2	1,050	\$2,027	\$1.93
							2	2.5	1,205	\$3,290	\$2.73
Spectra Plaza	5 Constitution Plaza	Hartford	85%	Yes	2015	190	0	1	454	\$1,144	\$2.52
							1	1	1,128	\$1,712	\$1.52
							1	1.5	1,668	\$1,844	\$1.11
							2	1	1,173	\$1,888	\$1.61

# Current Residential Market Conditions: Hartford

Name	Address	Town	Market Rate	CRDA Financing	Year Built	Total Units	Beds	Baths	Avg Sq Ft	AVG Rent/Mo	RENT \$/SQ FT
Studios @ 270	270 Laurel st	Hartford	100%	Yes	1970	78	0	1	450	\$948	\$2.11
							1	1	800	\$1,433	\$1.79
370 Asylum (Teachers Village)	370 Asylum St	Hartford	70%	Yes	2019	60	0	1	720	\$1,300	\$1.81
							1	1	889	\$1,700	\$1.91
							2	1	1,325	\$1,900	\$1.43
The Grand on Ann	201 Ann Ucello St	Hartford	100%	Yes	2014	26	1	1	850	\$1,573	\$1.85
179 Allyn	179 Allyn Street	Hartford	80%	Yes	2015	63	1	1	629	\$1,225	\$1.95
36 Lewis St	36 Lewis St	Hartford	100%	Yes	2015	6	1	1.5	900	\$1,600	\$1.78
							2	2.5	938	\$1,950	\$2.08
360 Main	360 Main St	Hartford	100%	No	2011	114	0	1	350	\$975	\$2.79
							1	1	500	\$1,238	\$2.48
777 Main	777 Main St	Hartford	80%	Yes	2015	285	0	1	535	\$1,305	\$2.44
							1	1	766	\$1,953	\$2.55
							2	2	1,123	\$2,265	\$2.02

# Current Residential Market Conditions: East Hartford

- The two properties in the analysis are newly renovated.
- Much of East Hartford’s apartment stock is older
- Market apartment rates:
  - Studios/1BR starting at \$800 for unrenovated units
  - 2BR apartments/townhomes +\$1200 per month.



Name	Address	Town	Market Rate	CRDA Financing	Year Built	Total Units	Beds	Baths	Avg Sq Ft	AVG Rent/Mo	Rent \$/SQ FT
SilverBrick Place	905 Burnside Ave	East Hartford	100%	No	1974	80	1	1	680	\$1,181	\$1.74
							2	1	1,166	\$1,510	\$1.29
Woodcliff Estates	181 Nutmeg Ln	East Hartford	100%	No	1971	571	1	1	740	\$1,020	\$1.38
							2	1	960	\$1,243	\$1.29



## Proposed Development – Founder’s Plaza

The most recent development proposed for East Hartford’s Founders Plaza envisions a mixed-use development. The redevelopment area could yield up to 1,500 units if completely developed. Its initial phase will see 400 units come online. The development would receive support from the CRDA and is in an Opportunity Zone.

East Hartford already has \$500,000 in state Bond Commission funding, secured by CRDA, for the planning and design of a new parking garage at Founders Plaza which will free land for development that is currently occupied with surface parking.

*Source: Hartford Business Journal article November 11, 2019*

# Current Residential Market Conditions: West Hartford

- Highest market rates of the towns – most affluent area
- Cove West Hartford – newly renovated units are asking for +\$225 rent premium on 1BR and +\$200 rent premium on 2BR
- The Lofts at Blue Back Square are offering a 1-month free rent incentive



Name	Address	Town	Market Rate	CRDA Financing	Year Built	Total Units	Beds	Baths	Avg Sq Ft	AVG Rent/Mo	RENT \$/SQ FT
616 New Park	616 New Park Ave	West Hartford	100%	No	2018	54	1	1	708	\$1,600	\$2.26
							2	1.5	1,047	\$1,990	\$1.90
Bishops Place	2432 Albany Ave	West Hartford	100%	No	2016	64	0	1	512	\$1,545	\$3.02
							1	1	771	\$1,975	\$2.56
							2	1	1,058	\$2,325	\$2.20
Cove West Hartford	196 Kane Street	West Hartford	100%	No	1971	200	1	1	803	\$1,275	\$1.59
							2	1.5	1,130	\$1,570	\$1.39
							2	2	1,130	\$1,570	\$1.39
The Goodwin	189 Newington Road	West Hartford	100%	No	2016	47	1	1	675	\$1,300	\$1.93
							2	1.5	878	\$1,563	\$1.78
							3	1.5	1,100	\$1,775	\$1.61
Residences at Steele Road	243 Steele Road	West Hartford	100%	No	2016	160	0	1	561	\$1,685	\$3.00
							1	1	890	\$2,075	\$2.33
							2	2	1,353	\$2,913	\$2.15
The Landmark	11 S Main Street	West Hartford	100%	No	2016	21	1	1	720	\$2,350	\$3.26
							2	2	1,016	\$3,200	\$3.15
The Lofts at Blue Back Square	15 New Street	West Hartford	100%	No	2008	48	1	1	634	\$1,950	\$3.08
							2	2	952	\$2,800	\$2.94
The Packard Apartments	749 Farmington Ave	West Hartford	100%	No	1920	74	1	1	688	\$1,460	\$2.12
							2	1.5	2,100	\$2,515	\$1.20


# Current Residential Market Conditions: Wethersfield

- Traditionally has had very few multifamily developments.
- Two recent developments will deliver 214 units
- The Borden – 68% studios/1BR – 32% 2BR & 3BR
- 1-bedroom units average \$2.00 psf
- 2-bedroom units average \$1.67 psf



Name	Address	Town	Market Rate	CRDA Financing	CRDA Financing	Total Units	Beds	Baths	Avg Sq Ft	AVG Rent/Mo	RENT \$/SQ FT
Ridge275	275 Ridge Rd	Wethersfield	100%	No	2018	64	1	1	830	\$1,495	\$1.80
							2	2	1,075	\$1,795	\$1.67
The Borden	1178 Silas Deane Highway	Wethersfield	100%	Yes	2018	150	0	1	531	\$1,400	\$2.64
							1	1	789	\$1,733	\$2.20
The Village	79 Village Dr	Wethersfield	100%	No	1990	294	1	1	794	\$1,558	\$1.96
							2	2	1,225	\$2,048	\$1.67





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