

Capital Region Development Authority

100 Columbus Boulevard

5th Floor

Hartford, CT 06103

Thursday, September 17, 2020

3:00 pm – GoToMeeting

(The Board Meeting was held via GoToMeeting with public access)

Board Members Present: Chairwoman Suzanne Hopgood; Andy Bessette; Mayor Luke Bronin; Joseph Giuliatti; David Jorgensen; Alexandra Daum; David Robinson; Konstantinos Diamantis; Robert Patricelli

Board Members Absent: Joanne Berger Sweeney; Seila Mosquera-Bruno; Mayor Marcia Leclerc

CRDA Staff Present: Michael Freimuth; Joseph Geremia; Kim Hart; Robert Saint; Terryl Mitchell Smith; Anthony Lazzaro; Jennifer Gaffey

Guests: Melissa Ferrucci, CPA, Senior Manager, MaryBeth DelVecchia, CPA, Senior Manager and Aneta Maselek, CPA, Manager

Minutes

The minutes of the June 25, 2020 CRDA Board Meeting were moved by David Robinson, seconded by Robert Patricelli and approved.

Cohn Reznick Audit Presentation

Fiscal Year 2020 Audit and Annual Report

The FY2020 Independent Audit Reports and Financial Statements were presented collectively by the team representing Cohn Resnick LLP. The following auditors presented the findings below: Melissa Ferrucci, CPA, Senior Manager; MaryBeth DelVecchia, CPA, Senior Manager; Aneta Maselek, CPA, Manager.

- The CRDA audit was completed with an unqualified opinion.
- The Annual Report completed and ready for filing upon approval.
- The Rentschler Field audit was completed with an unqualified opinion.

Board members were asked if they had any questions for the Auditors.

Bob Patricelli asked to verify that the State was guaranteeing support for the operating deficits of the major venues through FY '21. CRDA's CFO Joseph Geremia responded that CRDA has been receiving positive communication from OPM that the major Venue FY20 losses and the budgeted FY21 losses will be funded through some type of deficiency funding, either when the legislature gets back in and discusses budget adjustments or when they discuss budget adjustments in May of 2021. Deputy Secretary Diamantis indicated that OPM is being supportive of some of the needs that are occurring.

Chairwoman Hopgood congratulated and thanked both the Auditors and the CRDA staff for the hard work both teams put in to complete this process.

Annual Report

Michael Freimuth highlighted some points in the annual report.

- CRDA added management group RM Bradley to manage the CT Regional Market

- Due to COVID, the operating subsidy received by the State for CRDA Venues is greater than the tax subsidy this past fiscal year, not usually the case
- CTCC down 140,000 in attendance due to COVID related event cancellations after Mar.16,2020
- XL Center down 125,000 in attendance due to COVID related event cancellations after Mar.16,2020
- Statutory goal of 3000 housing units, CRDA is currently at 1800 units, approximately 1300 are operating, others are in construction
- Regional – Currently working on five projects in East Hartford and one in Wethersfield, as well as working with West Hartford and Windsor Locks

The following motion was moved by Andy Bessette, seconded by David Jorgensen and approved.

“The CRDA Board of Directors hereby approves the CRDA Annual Report/Audit for FY2019-2020 and the Stadium at Rentschler Field Audit for FY2019-2020 as presented.

Venue

Michael Freimuth and Joseph Geremia gave an update regarding the FY21 Major Venue’s Operating Recommendations/Options.

Background

- the budget adopted in June used approximately a 50% reduction in events and attendance
- More events are cancelling as COVID continues to wreak havoc with the venues throughout the FY21 event load
- The venues are running without internally-generated revenues coming into the buildings
- Used the first and second quarters of appropriations to get through the first quarter
- Rearranged cash from CRDA reserves in support of venue cashflow issues
- Furloughed staff in all of the facilities
- There is a distinction between running the business and running the buildings. Minimal staff are running the buildings while a small amount of staff are running the business by selling into the future
- OPM has raised some questions regarding what may be the best strategy going forward throughout FY21

Joseph Geremia presented numerous slides regarding the FY21 Major Venue’s Operating Recommendations/Options.

David Robinson asked if things turned around rapidly with COVID restrictions, and there were opportunities to open up the CTCC in the second quarter, could you reopen before July?

Michael Freimuth indicated that it would take approximately 30-45 days to regroup, bring staff back, retrain regarding sanitizing, air handling, food managers, security, etc. to operate the buildings and noted that event schedules for the buildings are no longer predictable but not likely until next Summer due to the preparation time major events require.

If it is the right event, then the parking garages and the hotels start to do better.

Suzanne Hopgood commented that there is a huge impact on downtown Hartford with XL being closed.

Andy Bessette inquired whether CRDA has the ability to terminate or suspend contracts? Mike responded that each contract is different and we would have to find out what rights CRDA has. Perhaps a contract could be negotiated to extend it on the back side if it was suspended this year.

There is the affiliation fee with the AHL. There is a UConn contract at Rentschler. There are so many variables with each venue.

Suzanne Hopgood asked if we learned anything from Dillon Stadium, being that it is outside? Mike responded, yes however, it is a small venue on a far limited scale. We are learning basic lessons such as how to manage people, how to screen, how to train staff, how to clean, how to keep people separated, how to watch for masks, etc.

David Jorgensen said he would be interested to know what other similar venues are going through nationally. Michael Freimuth replied by saying that most of it is anecdotal. We have had conversations with Spectra, which manages buildings across the country and the world. What we've heard about the AHL is a number of the teams have control of their buildings and other teams are tenants in the buildings and that changes their strategies as to whether or not they pay themselves an affiliation fee or whether they owe somebody and that is a big difference between the two different classes of owners and whether they support an AHL season this year.

There are buildings within Connecticut that are trying to operate, however State facilities have a different regulatory regime. There are also the travel restrictions that impact booking events.

David Jorgensen asked if together, with other buildings, a negotiation could take place with the league to ask if they could help. Michael Freimuth explained that we do have a credit due to losing games because of COVID, it will be rolled into this year's budget because it did not get negotiated until after the last Fiscal Year closed its books.

Alexandra Daum asked if Phase 3 were to increase capacity would that make a difference or is there a lack of demand. Michael Freimuth responded by saying that the average attendance for the AHL was approximately 4000, however the XL Center can hold 15,000 people, you could put the full average attendance in the building however they would have to be spread out all over the building instead of in a couple of sections which will increase costs. Then the question becomes, what is the real event? And how much is it going to cost us to run it? And will attendees still average near 4,000.?

Alexandra Daum also inquired with the following question. Is the feeling with events that there is pent up demand that is just being held back by regulations by reopening or is there pessimism that people aren't at all interested in these events regardless of the regulations? Michael Freimuth responded, I think we all have differing opinions regarding that but its really an unknown.

Robert Patricelli asked- if the AHL season doesn't happen and the we are closed till September 2021, would that be sufficient time to undertake any of the capital renovations that are being looked at, and this goes back to Mayor Bronin's point made at the last meeting in which he would like to see us consider shutting down in order to get some of the work done. Is that window long enough to accomplish anything and will the money be available? Michael responded that CRDA is building bid packages for the capital work to be done at XL. Some work is expected to get done with the funds that are already allocated to XL, however it is work that is back of house such as plumbing, electrical, etc.

Mayor Bronin stressed the point that he feels very strongly that CRDA should be moving very quickly to aggressively do as much as possible while the building is severely restricted or shut down. If the issue of ownership is a restraint of that, then it needs to be resolved and forge ahead as quickly as possible because if the work is delayed, we will be disrupting the recovery of this building that so many other businesses depend on.

Bob Patricelli asked Michael Freimuth to put together a hypothetical schedule that would lay out the timing if we knew that the AHL was not going forward, what would have to happen regarding what the Mayor is talking about? And how quickly could it happen? How long would the \$100M build out be and when would you have to have the land question resolved, etc. Mayor Bronin added that he's not sure it is an on/off switch flipped by the AHL because even if the AHL is playing that is still a much more limited use of the building than usual.

Michael Freimuth indicated that a Venue Committee Meeting will probably be called to go over these issues.

Mr. Freimuth noted that David Lehman was instrumental in getting the Governor engaged in landing the Soccer Agreement. The found revenue is a real shot in the arm for Rentschler Stadium.

Finance

CRDA CFO Joseph Geremia reported on the following financial update for September 2020.

Fiscal Year 2020 Audit and Annual Report

CRDA audit completed with an unqualified opinion
Annual Report completed and ready for filing upon approval
Rentschler Field audit completed with an unqualified opinion

Fiscal Year 2020 Operating Statistics

CT Convention Center – July 2020

Stats: no events scheduled until Jan. 2021 due to state COVID-19 restrictions
July financials: Expenses even with budget

Cash Flow: Payables aged at 90 to 120 days (\$400,000)
CRDA advance of \$750,000
Cash flow: Sept. – payroll only, Oct. to Nov. – all payables with Q2 appropriation

CRDA Parking Facilities – July/Aug 2020

Aug stats: Utilization of 42% unfavorable to budget by 17%
Monthly rate customers unfavorable to budget by 1,300 at 3,800 YTD
Transient customers unfavorable to budget by 18,500 at 7,500 YTD
July financials: Revenue unfavorable to budget by \$192,000 due to downtown opening delay until Jan. '21
Expenses \$138,000 favorable compared to budget due to savings in utilities, vehicle ID tag purchases, credit card fees, and repairs & maintenance
Net Income \$54,000 unfavorable to budget

Church Street Garage - July/Aug 2020

Aug. stats: Utilization of 58% unfavorable to budget by 14%
Monthly rate customers unfavorable to budget by 400 at 1,800 YTD
Transient customers unfavorable to budget by 1,750 at 925 YTD
July financials: Revenue unfavorable to budget by \$33,000
Expenses \$11,000 favorable compared to budget due to savings in utilities and security
Net Income \$22,000 unfavorable to budget

XL Center - July 2020

Stats: no events scheduled until Oct. 2020 due to state COVID-19 restrictions

July financials: Operating expenses \$42,000 favorable to budget due to personnel savings

Cash Flow: Payables aged at 90 -120 days (\$2.2M)

Payables: City: \$1.16M, Spectra Corp.: \$700,000

CRDA advance of \$750,000

Cash flow: Sept. – no payroll, limited payables, Oct. – payroll and limited payables with Q2 appropriation

P&W Stadium at Rentschler Field - July 2020

Stats: UConn football season cancelled due to COVID-19 restrictions

July financials: Expenses \$17,000 favorable compared to budget due to personnel savings

Cash Flow: Payables aged at 120 to 150 days (\$800,000)

Cash flow: no payroll or payables

Payables: XL for payroll: \$300,000, Spectra Corp.: \$200,000

CT Regional Market

Stats: 82 warehouse units and restaurant – Occupancy: 78% with 13 tenants

Activity: Farmers' Market opened for 2020 season on May 2

July financials: Operating revenue of \$64,000 slightly favorable to budget
Operating expenses of \$40,200 favorable to budget due to savings in repairs & maintenance
Net income of \$23,800 favorable to budget by \$20,900

Dillon Stadium – Calendar Year - July 2020

Calendar year revised operating expense budget of \$250,000

July financials: Operating expenses of \$121,200 (48% actual vs. 58% of revised annual budget)

Capital reserve balance: \$271,000

Central Utility Plant (CUP) Contract

NEMSI contract extension for CUP operations and maintenance

September 30, 2020 to Dec. 31, 2020

Anthony Lazzaro will address later in the meeting.

Housing & Neighborhood Committee

Michael Freimuth gave a brief explanation regarding the Housing Loan Modifications. Highlighting the fact that although projects occupancy has been running in the 90% range, during this COVID downturn, the occupancy has now been running in the eighty percent range. The following issues have negatively impacted the housing numbers 1/corporate leasing is down 2/student housing is down 3/internationally employment is down.

Covid Related Housing Loan Modifications

Whereas the Board was concerned that the Covid pandemic could impact both the construction and the operation of residential projects supported by CRDA and in anticipation of such impacts, the CRDA Board of Directors at its April 16, 2020 meeting authorized the Executive Director with the approval of the Housing and Neighborhood Committee of the Board to review and if need be modify CRDA housing loans impacted by Covid on a case by case basis;

Whereas the Housing and Neighborhood Committee met on August 4, 2020 and September 10, 2020 to review several requests from borrowers and has upon its review authorized modifications to several loans that have been impacted by the pandemic;

Whereas the Housing and Neighborhood Committee approved the forbearance of interest for six months for 201 Ann Street, a small housing project that experienced a sudden decrease in occupancy due to Covid relocations of foreign tenants working in Hartford, such deferral of interest being \$6000;

Whereas the Housing and Neighborhood Committee approved the forbearance of three months of interest for 28 High Street that experienced delays in construction and consequently the lease up of the property, such deferral being \$13,145, and authorized the executive director to extend the conversion date of March 2020 to October 2020 of the construction note into a permanent note;

Whereas the Housing and Neighborhood Committee reviewed the status of 101 and 111 Pearl Street loans as 111 Pearl Street was experiencing higher operating expenses in part because it was carrying operating costs of adjoining but incomplete 101 Pearl, because lease up and occupancy were underperforming due to Covid at 111 Pearl, and recognizing that there was a need to attract more equity to meet construction cost overruns and the slower lease up/stabilization of 101 Pearl, such increased capital not being available from CRDA or other lending sources, the committee approved a forbearance of interest costs for 101 Pearl with such costs added to the principle of the 101 Pearl note totaling \$126,112, and modified its loan terms for 101 and 111 Pearl by decreasing the construction term interest rate from 3% to 1% and establishing a modified interest rate on the mortgage from the current 1% per annum with 2% accruing to 1% per annum with the understanding that additional equity totaling \$2.5 million will be invested in the project to cover its expenses, both construction and operating, with such equity allowed to achieve a preferred rate of return from operations but also with the CRDA notes being paid down up to fifty percent at the respective refinance points contained in the primary financing for each property;

The following motion was moved by Andy Bessette, seconded by Bob Patricelli and approved.

“Now therefore the Board ratifies such modifications as approved by its Housing and Neighborhood Committee for the Agency’s loans to 201 Ann St, 28 High Street, and 101/111 Pearl Street.”

Pratt Street Initiative – Phase II

Background: The Pratt St Initiative is a multi-phase program that includes the conversion of the former commercial properties on Pratt Street; the renewal and expansion of the Temple Street Lofts and Student Housing Complex; and new development on Talcott St (former G Fox warehouse/garage). The developer partnership includes Lexington Partners, Laz Investments and Shelbourne Global Solutions.

Phase 1 was approved by CRDA on Oct 17, 2019 and the State Bond Commission on December 18, 2019 and calls for the conversion of two vacant properties (99 Pratt and 196 Trumbull) into 129 units of new housing. CRDA loans totaling \$12M are matched by \$14M in conventional bank financing, \$3.8 M in equity and historic credits.

Phase 2 is the conversion/reconstruction of the former ‘townhomes’ on Temple Street originally launched and operated as 42 student units into 88 conventional units as well as the addition of one unit at the adjoining ‘lofts’ building (former Sage Allen store) for a total of 47 new units to accompany another 77 existing units as well as upgrades to various building systems. This phase will be named

“Sage Allen Apartments and Townhomes”. There will be 10% affordable units within the new mix of 166 apartments.

Proposal: The buildings have been acquired and design is in place. The townhomes with 42 4BR units (student configuration) will be converted to 88 units (58 studios, 13 1BR, 5 2BR and 12 4BR). The lofts will be increased by one unit, updated with new common areas and general building upgrades, and will contain 78 units (21 studios, 39 1BR, 18 2BR) for a total project budget of \$32.17 million.

Development Budget:

| | |
|----------------|------------------|
| Bank Financing | \$23,000,000 |
| Equity | 7,175,000 |
| CRDA Loan | <u>2,000,000</u> |
| Total: | \$32,175,000 |

The following motion was moved by Andy Bessette, seconded by Bob Patricelli and approved.

“The executive director is authorized to make a loan to the Pratt Street Initiative Partnership (or such acceptable single purpose entity) for the purpose of converting and modernizing the former Temple St lofts and apartments located at 18 Temple Street into 166 units, an expansion of 47 new units reconfigured into 79 studios, 52 1BR, 23 2BR, and 12 4BR with 10% of the units to be affordable with such loan not to exceed \$2,000,000 with an interest rate of 2.75% beginning upon construction completion but no later than one year, amortizing over 30 years and subordinate to the first mortgage subject to 1/ all financing being secured; 2/ approval by the State of Connecticut Bond Commission and 3/ such fiduciary terms as deemed appropriate by the executive director and CRDA counsel.”

Pratt Street Initiative – Phase I

99 Pratt St/196 Trumbull Street
\$12M bridge and perm loans - 129 units

Background: Phase 1 of the Pratt St Initiative was approved by CRDA and State Bond Commission in October 2019 and encompassed two buildings and both short term CRDA bridge loans and longer term mortgages. The project rebuilds two vacant historic properties across from the XL Center into 129 housing units while preserving/repositioning the retail at the street level. CRDA financing was subject to the securing of all additional funds including primary bank financing, historic credits, private equity as well as presenting final budgets/construction costs. In the interim, the final construction costs have increased from \$29.8M to \$32.7M but bank financing has been secured by the developers. Additionally, the developers have completed the renovation of the smaller 196 Trumbull building with private funds and wish to focus the CRDA loans to just the more expensive and larger 99 Pratt Street component.

Proposal: CRDA dollars would not increase from those already committed and would be used for 99 Pratt and its 97 units and adjoining retail space. Further, an interest to secure/guarantee the CRDA loan in the adjoining 196 Trumbull will be created thereby giving CRDA the same level of collateral and resulting number of new units as the initial deal. The CRDA assistance now would be configured into a \$3M bridge loan and a \$9M permanent loan with the shorter term bridge loan being repaid upon the project's initial refinancing (year 5) following primary debt and the remaining equity after historic credit reimbursements. This is a change from the initial bridge loan at \$5.5M that was to be repaid by historic credits from both buildings. The initial permanent loans were based on cash flow mortgages with up to 2.75% interest, 30 years with a 10 year term. This has been changed to a single loan with a minimum 1% interest, 30 year amortization, 10 year term.

| <u>Combined two buildings (initial)</u> | <u>196 Trumbull</u> | <u>99 Pratt</u> |
|---|---------------------|-----------------|
| 129 units | 32 units | 97 units |
| Bank \$14.2M | \$3.8M | \$10.4M |
| CRDA \$12.0M | - | \$12.0M |
| Tax Credits \$287k | \$287k | - |
| Equity \$6.2M | \$4.83M | \$ 1.3M |

The following motion was moved by Andy Bessette, seconded by Joseph Giulietti and approved.

“The loans totaling \$12M for 196 Trumbull St and 99 Pratt St providing 129 units will now be reconfigured into two loans, totaling \$12 million in the form of a short term bridge note of \$3M and a longer term permanent note of \$9M for 99 Pratt Street and a security/guarantee interest in 196 Trumbull to CRDA to supplement the collateral of 99 Pratt. Such loans will be amortized at 30 years with a 1% interest rate with a ten year term, subject to the \$3M bridge loan being repaid at the refinancing of the primary note and equity for 99 Pratt Street, expected to be in year 5.”

Downtown North - Parcel C

270 units, 330 car garage, \$11.8M CRDA note

Background: The CRDA board approved a \$11.8M loan to RMS to be matched by private equity (\$9.9M) and conventional mortgage (\$36M) to build out the first phase of DoNo. The loan was approved at 3%, 30 yr amortization ten year term. CRDA note and that of the bank are inconsistent in their terms and a request to adjust the CRDA loan from 10 years to 15 years but with the same amortization and interest rate has been made, reviewed by staff and the Housing and Neighborhood Committee and approved at the September 10, 2020 meeting of the Committee

The following motion was moved by Andy Bessette, seconded by David Jorgensen and approved.

“The CRDA Board approves the change of the term of its loan to RMS for Downtown North Parcel C from 10 years to 15 years to meet request of the primary bank lender.”

Regional & Economic Development Committee

Michael Freimuth informed the Board that CRDA has been working with the tenants of the CT Regional Market to get signed leases as they have not operated with leases in the past. All tenants with the exception of one have been paying the new rate. The property will be on budget as Joseph indicated in his financial report.

Executive Director Report

Anthony Lazzaro gave a brief explanation about the New Market Tax Credits (“NMTC”). CRDA has agreed to grant the City of Hartford funds to engage companies in capturing federally awarded NMTC allocations. These allocations will be regional and not exclusive to Hartford.

Recitals

WHEREAS, the Capital Region Development Authority (“CRDA”) is a body politic and corporate created to stimulate new investment within the capital region;

WHEREAS, the City of Hartford (the “City”), by and through its Mayor, Luke Bronin, has requested a grant-in-aid in the amount of Thirty-Seven Thousand Five Hundred Dollars (\$37,500) from CRDA’s Housing Initiative Fund (the “Funds”);

WHEREAS, the Funds shall be used to assist the City, in its sole discretion, in capturing federally awarded New Market Tax Credit (“NMTC”) allocations;

Agreement

NOW, THEREFORE, in consideration of the foregoing and mutual representations, warranties, agreement, covenants, and guaranties set forth herein, CRDA and the City hereby agree as follows:

1. CRDA hereby agrees to provide a grant-in-aid in the amount of Thirty-Seven Thousand Five Hundred Dollars (\$37,500) to the City, to be used at the City’s sole discretion, to assist in the capturing of federally awarded NMTC allocations;
2. This grant-in-aid shall be made in one payment during the period beginning August 18, 2020 and ending December 31, 2020;
3. Such payment shall not commit or bind CRDA to any future funding of the City or its endeavor to obtain NMTC allocations;
4. In the event the City does not utilize the Funds by December 31, 2020, the City shall return all unexpended Funds to CRDA; and
5. This Grant-In-Aid Agreement is for the exclusive benefit of the parties hereto and no rights of third-party beneficiaries are created hereby.

The following motion was moved by Andy Bessette, seconded by Bob Patricelli and approved.

“The CRDA Board of Directors hereby authorizes the Executive Director to execute such MOU in substantially the same form as attached hereto.”

CUP – EMCOR Extension

Anthony Lazzaro briefed the Board Members about the need to extend the EMCOR contract for three to nine months. The operating agreement expires in October and prior to COVID, this RFP would have gone out in June however based on the buildings being shut down, we have migrated to more of an automated system. Based on that, the CUP is proceeding on a time and materials basis because it is not known what is needed in an RFP to service the three end users. This will give us time to assess what will be needed to operate these large buildings for the next few months. An RFP will go out no later than June 2021.

Bushnell South Planning effort

Michael Freimuth informed the Board that CRDA has been asked to join a planning effort that is being put together by the Bushnell, the City and the developer. Mike has indicated that we are interested and we may be asked to contribute to the effort.

Bushnell South Parking Garage

Garage is under construction.

Front Street

After ramping up the district with tenants for the past few years, COVID has really hit the entertainment and restaurants in the Front Street District hard. Ted's Montana Grill announced that they are closing permanently. The Board will be kept posted.

Construction

Park & Main – groundbreaking ceremony

Wethersfield – ribbon cutting

Colt U – ribbon cutting

Parkville Market – ribbon cutting

Bracket Knoll – ongoing

Quirk middle School – ongoing

Adjourned 4:39

“The minutes of the September 17, 2020 CRDA Board Meeting were moved by Andy Bessette, seconded by Joanne Berger-Sweeney and approved at the October 15, 2020 CRDA Board Meeting.”