

Housing and Neighborhood Committee Conference Call
DRAFT Meeting Minutes
November 4, 2022
9:00 a.m.

PRESENT:

Members Present via Microsoft Teams: Committee Chair Joanne Berger-Sweeney, Mayor Luke Bronin and Randal Davis

Staff Present via Microsoft Teams: Mike Freimuth, Tony Lazzaro, Joe Geremia and Kim Hart

Guests Present via Microsoft Teams: Emily Wolfe and Alexandra Michaud (Sheldon Oaks), Aaron Gill (Wolverine Properties) and Larry Dooley (Colt Gateway)

The meeting was called to order by Ms. Berger-Sweeney at 9:06 a.m. and the minutes of the October 7, 2022 meeting were approved.

1) **MLK Apartments**

Mr. Freimuth updated Committee members on the MLK housing project located on Van Block Avenue. Residents of the 64-unit affordable community are currently being relocated and the buildings will be razed to make way for 155 new mixed-income units. Some 38 of the new units will be affordable at 30% AMI, with 48 at 80% AMI and 69 designated as market rate.

Total project costs are estimated at \$63 million and the developers, Sheldon Oaks Central and Vesta Corporation, are requesting a \$4.88 million loan from CRDA. As noted by Mr. Freimuth, the project has struggled in the past with extensive redesign and value engineering to counter construction and interest rate increases.

Ms. Michaud of Sheldon Oaks provided a status report on other key sources of project funding. The developers are currently working with the State Department of Housing on a HOME loan application, which is likely to be formally submitted in the next couple of weeks. Likewise, a CHFA funding application will likely be presented to the CHFA board in January or February. If these applications are approved in a timely manner, Ms. Michaud noted that construction could start in March or April of next year.

The following resolution was read and adopted unanimously:

RESOLUTION: The Executive Director is authorized to offer a \$4.88 million cash flow loan to Sheldon Oak Central or such single purpose entity acceptable to CRDA 1) at 2% interest only for 10 years; amortizing principal and interest in years 11-40, such loan being funded by \$2.5 million

from the CRDA Housing Capital account and \$2.38 million from the development funds available in accordance with the City/CRDA Revolving Loan Program Agreement of December 3, 2021; 2) upon evidence of all funds necessary to construct the project being secured; and 3) such fiduciary items as determined by CRDA and its counsel are satisfactorily provided.

Mr. Freimuth noted that this item will be presented to the CRDA Board for a vote at the November Board meeting.

2. 213 Lawrence Street

In January 2021, the CRDA Board approved a \$370,000 construction loan to A. Gill / Wolverine Properties for renovation of a vacant and derelict property on Lawrence Street. CRDA has worked with the developer on other properties in the area and the funds in question came from repaid CRDA loans. Mr. Freimuth explained that work on the project began in late winter of 2022 and it was discovered that extensive water damage had undermined the foundation causing the southern wall of the building to buckle. After consultation with its engineer and CRDA construction staff, the developer opted to remove the wall and rebuild the foundation, at a cost of \$125,000.

The developer has asked CRDA for assistance in covering this unexpected cost, committing \$2 for every \$1 contributed by CRDA. The additional CRDA ask would be \$40,000.

After a brief update from Mr. Gill, the following resolution was read and adopted unanimously:

RESOLUTION: The Executive Director is authorized to increase the existing first mortgage loan of \$370,000 to A. Gill / Wolverine Properties LLC to \$410,000 at 3%/25 years subject to 1) funds being available from principal repayment from other CRDA loans and available within the Housing Capital Account; and 2) the owner/developer showing evidence that additional funds have been raised and are available to meet the new construction budget.

Mr. Freimuth noted that this item will also be presented to the CRDA Board for a vote at the November Board meeting.

3. Colt “L” and “East Armory”

Mr. Freimuth noted that Colt Gateway Partnership has been re-positioning the former Colt manufacturing facility into a variety of residential, office and retail space for over a decade, including two mill buildings dedicated to the National Colt Park.

CRDA previously invested in two of the Colt buildings, providing gap financing subordinated loans at 3%, with 20-year terms representing 21% of the development costs for both buildings. While residential conversions have been successful, commercial demand is lagging and the developer would like to convert two open floors in the “L” and “East Armory” buildings into 45 additional housing units. Building L will include 16 new units (11 studio, 3 1BR, 2 2BR) and the East Armory will include 29 units (1 studio, 28 1BR). CRDA has been asked to provide a \$1.5 million loan toward the \$6.7 million total development cost.

After a brief discussion, the following resolution was read and Mr. Freimuth asked that the language be amended to include the highlighted phrase. The resolution was then adopted unanimously:

*RESOLUTION: The Executive Director is authorized to make loan(s) to Colt Gateway LLC **(or such single purpose entity as acceptable to CRDA)** for the conversion of a portion of buildings “L” and “East Armory” into 45 units of market rate housing. The loan(s) would total \$1.5 million at 3% interest in the form of a construction/permanent loan(s), paying interest only during construction and amortizing once converted to a permanent loan over 20 years, subject to 1) evidence of all other sources of funds being secured in such terms as acceptable to CRDA and its counsel, 2) State Bond Commission approval; and 3) such fiduciary items as deemed appropriate by the Executive Director.*

4. 50 Morgan Street – Balance Sheet Reconciliation

Mr. Freimuth reminded Committee members that in 2016, CRDA made a subordinated loan of \$6.5 million (the Loan Balance) to 50 Morgan Hospitality Group LLC (MHG) to assist with conversion of the top floors of the Radisson Hotel in Hartford to apartment units.

In 2017, CRDA became aware that the construction budget had become insufficiently funded to complete the project and the following year, CRDA received notice that MHG had defaulted on its first mortgage. The first lender later assigned its right, title and interest in the loan to DW Commercial Finance (DW).

In December 2020, DW foreclosed on the property, extinguishing all encumbrances, including the CRDA loan. Mr. Freimuth indicated that CRDA carefully analyzed the possibility of pursuing a claim against the Personal Guaranty of Mr. Joseph Gillespie (the Guarantor). The estimated legal fees and costs for bringing such action would be in the vicinity of \$12,500 - \$14,500 - if the Guarantor did not contest such action. Furthermore, initial searches performed by Shipman & Goodwin indicated the Guarantor does not have any assets worth pursuing. Additionally, DW, as the first Lender, would likely be entitled to any proceeds recovered by CRDA.

Mr. Freimuth explained that for these reasons, CRDA auditors and staff recommend that CRDA “write-off” the Loan Balance and forego any claims against the Guarantor. He noted in response to a question from a Committee member that this is the first time in CRDA’s history that this has occurred

After a brief discussion, the following resolution was read and adopted unanimously:

RESOLUTION: The CRDA Neighborhood and Housing Committee concurs with the staff recommendation to “write-off” the Loan Balance and forego any claims against the Guarantor.

5. Project Updates

Mr. Freimuth directed members’ attention to the project spreadsheets in the agenda packet, highlighting the following:

- i. Former Sage Allen Building and Student Housing – Construction is complete and a ribbon-cutting will be held in the next couple of weeks.
- ii. 55 Elm / 275 Pearl / 525 Main Street – Closings will occur before the end of November 2022.

Mayor Bronin and Mr. Freimuth also noted that a neighborhood-based developer is looking to construct a 20-unit infill project on Edwards Street and the project will likely come before the CRDA Housing and Neighborhood Committee in the coming months.

The next meeting of the Housing and Neighborhood Committee is scheduled for December 2, 2022.

There being no further business, the Committee adjourned at 9:46 a.m.

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