

Housing and Neighborhood Committee Conference Call
DRAFT Meeting Minutes
February 3, 2023
9:00 a.m.

PRESENT:

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

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

Guests Present via Microsoft Teams: Ken Johnson (NINA)

The meeting was called to order by Ms. Berger-Sweeney at 9:02 a.m. and the minutes of the November 4, 2022 meeting were approved. (Mr. Patricelli abstained as he was not present at the November meeting.) Mr. Freimuth welcomed Mr. Patricelli as the newest member of the Committee.

1) **NINA / Heritage Homes**

Mr. Freimuth introduced Mr. Johnson, Executive Director of the Northside Institutions Neighborhood Alliance (“NINA”). Mr. Freimuth reminded Committee members that CRDA had established a \$2.5 million fund to assist NINA with home-ownership opportunities in the Asylum Hill neighborhood. Some \$450,000 has been spent to date on the construction and renovation of two multi-family homes on Sigourney Streets and four new construction units on Hawthorn Street. Those funds distributed as a bridge loan have been repaid, leaving a balance of just over \$2.0 million for future projects.

Funds have been requested for the renovation of two additional homes, the first being a single-family home on Ashley Street that had been damaged in a fire. Mr. Johnson noted that a subsidized mortgage program offered by Liberty Bank combined with a tax reduction offered under the City’s blight reduction program would make the property affordable for a family earning as little as 55% AMI.

The second property, a Gilded Age era 3-family home on Asylum Avenue, was most recently used as a group home. Mr. Johnson estimates that a buyer occupying the larger front of the home could rent out the rear units, reducing its mortgage payments and making it affordable for a family in the 125% AMI range. Mr. Johnson noted that because the home was most recently used as a commercial property, it would likely be taxed at a higher rate for the first year.

Responding to a question from Mayor Bronin, Mr. Johnson noted that the Ashley and Asylum houses would not be restricted to people earning less than 55% or 125% of AMI respectively. Mr.

Patricelli and Mr. Davis both offered support for NINA's work in the neighborhood over many years. Mr. Freimuth advised Mr. Johnson that CRDA funding in the project would make it eligible for a tax break that would eliminate the first-year commercial rate and suggested he speak with the City to clarify.

The following resolution was read and adopted unanimously:

RESOLUTION: *The Executive Director is authorized to work with NINA to advance its home ownership initiative funded by Heritage Homes program and advance \$450,000 to NINA for the redevelopment of 847 Asylum Ave. and 29 Ashley Street, \$200,000 to be an interest only 3% construction loan to repaid by the proceeds of the state historic credits; and \$250,000 to be used as grants to write down the cost of the construction to price levels affordable for neighborhood homebuyers and consistent with the appraised values for the properties.*

2. Capewell Interest Re-set

Mr. Freimuth reminded Committee members of the 2015 Capewell project in which the former horseshoe nail factory was converted into 72 residential units. Development costs totaled \$26 million, with CRDA contributing \$5 million in the form of a cash flow mortgage. Mr. Freimuth noted that the building has performed well and has stabilized at strong rents. The recent increase in the primary first mortgage interest rate, however, combined with a significant increase in taxes following revaluation and increasing utility costs, have strained cash flow.

The CRDA loan agreement provides for a re-set of the interest rate in year 10 of the term and the owner has asked that this instead be done in the current year (year 8). Pending Board approval, the parties have agreed to reduce the current 3% interest rate floor to 1% in the years 2023-2026 and then increase it to 2% in 2027. The 50/50 split of cash flow would remain the loan payment ceiling.

Chairperson Sweeney asked for clarification of the owner's name as it was shown in one section of the agenda packet as "POP 70" and in the resolution as "70 POP". Mr. Geremia stated that "70 POP" was correct.

Mr. Patricelli asked about other non-profit developers working on projects in Hartford. Mr. Freimuth noted that in addition to Capewell's developer, CIL, there are a number of other non-profits active in the City. Mr. Patricelli suggested that perhaps CRDA should establish special funding to assist such developers and Mr. Freimuth noted that funds are available through CRDA's neighborhood program for such projects. He also noted that working with these non-profits is often complicated by the high turnover of staff which limits their capability and capacity to handle larger projects.

Mr. Canning expressed his support for the interest re-set, noting that the Authority had anticipated that some type of re-set would be needed during the term and that he was confident that staff had done the necessary due diligence.

The following resolution was read and adopted unanimously:

RESOLUTION: The Executive Director is authorized to re-set the CRDA cash flow loan 270 POP LLC/CIL at an interest rate floor of 1% in years 2023-2026 and at 2% in the year 2027 with a further re-set to be established at the end of this five-year period.

5. Project Updates

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

- i. 275 Pearl Street – The project is working to secure federal historic tax credits.
- ii. 525 Main Street – The project closed in December. Demo and site work have begun.
- iii. MLK Apartments – The project is working with CHFA to secure additional funding. A closing will occur later in the year.
- iv. Former Fuller Brush Factory – The project is working to secure bank financing. Site issues are being resolved.
- v. 55 Elm and Hilton Hotel – Demolition work is underway on both projects.
- vi. Colt – Project is at the closing table.
- vii. Bushnell South – CRDA and the developer are engaged in a due diligence period. Mr. Freimuth indicated that he will be asking the Board for \$100,000 to cover CRDA's due diligence work during this time.

Mr. Freimuth also noted that overall CRDA projects are leasing at 90% or better and numbers are going up at Pratt Street, Temple Street and DoNo.

Mr. Patricelli raised the point that given the focus on downtown revitalization across the country and CRDA's success in such efforts, should the Authority's funding and/or role be expanded? Mr. Freimuth noted that additional funding would always be welcome, however, expansion of CRDA's role beyond the Hartford region would require legislative action. He indicated that he has spoken with the Governor, OPM and members of the Hartford legislative delegation about the need to tackle the surplus of commercial space downtown. While some space may be primed for conversion to residential, other spaces may not work. Mayor Bronin concurred, highlighting the urgent need for increasing the City's housing stock at all levels.

Mr. Patricelli questioned whether changes in the property tax system were needed to help address these issues. Mr. Freimuth noted that the disparate impact on the City hotels was one area that needed to be addressed.

The next meeting of the Housing and Neighborhood Committee is scheduled for March 3, 2023.

There being no further business, the Committee adjourned at 9:48 a.m.