

Housing and Neighborhood Committee Virtual Meeting
Approved Meeting Minutes
February 7, 2025
9:00 a.m.

PRESENT:

Board Members Present via Microsoft Teams: Board Chair David Robinson, Committee Chair Joanne Berger-Sweeney, Commissioner Selia Mosquera-Bruno, Bob Patricelli, Shay Ajayi and Paul Canning

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

Guests Present via Microsoft Teams: Daniel Klaynberg (Spectra)

The meeting was called to order by Committee Chair Berger-Sweeney at 9:02 a.m. and the minutes of the January 10, 2025 meeting were approved on a voice vote.

1. New Projects

- a. 17 Wells Street** – Mr. Peterson reminded Committee members that this 84-unit project is an extension of the redevelopment of 525 Main Street, which included 42 apartments over retail. The total project cost is \$20.7 million and will include 56 studios, 16 one-bedroom and 12 two-bedroom apartments. Finishes will be similar to existing Spectra projects; kitchens, wardrobes, Italian stone and tile, vinyl plank wood grain floors, integrated appliances and other high-end finishes. Amenities will be shared with 525 Main and include a lounge, theater, game room, business center/library, pet spa and bike room. Residents of the two buildings will share 58 parking spaces located on the 1st and 2nd floors of 17 Wells Street. Spaces will be provided on a first-come first-served basis equally to both buildings.

Staff recommend making a loan of up to \$7.0 million to Spectra for the project. The proposed loan will have a minimum term of 10 years. The interest rate on the fixed-rate loan will be 3%, with an interest only period during construction, not to exceed 36 months. Principal and interest payments will be made for the remaining term, or until the loan pays off. Interest payments will be calculated using a 360-month amortization schedule and the loan is pre-payable at any time without penalty.

In response to questions from Ms. Berger-Sweeney and Mr. Canning, Mr. Peterson reviewed the size of the units and estimated rents:

- Studio – approx. 350 sf, with rents in the range of \$1,100 to \$1,200 per month
- 1 Bedroom – approx. 500 sf, with rents in the range of \$1,900 to \$2,000 per month
- 2 Bedroom – approx. 700 sf, with rents in the range of \$2,700 to \$2,800 per month

Mr. Patricelli noted that the building design had changed from steel to stick-built. He questioned Mr. Klaynberg about the cost premium Spectra would have paid for the steel and whether additional floors had been planned. Mr. Klaynberg confirmed that steel construction represented a 20-25% premium and that additional floors had been planned. Mr. Patricelli also asked whether Spectra was comfortable with the market for 2-bedroom units. Mr. Klaynberg noted that these will be premium units facing Bushnell Park and the Capitol and while they may be less in demand, he feels confident they will be leased.

Mr. Klaynberg also expressed confidence that as the number of units in the area increases a grocery store and/or pharmacy should soon follow. Ms. Berger-Sweeney noted that despite the absence of a grocery store and pharmacy, the project still had a high walkability score.

Mr. Robinson questioned why such a large CRDA loan was required, noting that he thought the project would be more self-sustaining. Mr. Peterson replied that it was still early and other funding sources may come into play. He noted that the loan was in an amount of “up to \$7 million” and he was confident that the final number would be lower than the maximum. He also reminded Committee members that the project could not work without CRDA assistance. Mr. Freimuth noted that these units are carrying the cost of the garage below, something CRDA has encountered in only one other project.

Mr. Peterson noted that Hartford’s overall vacancy rate is 5.3%, the 5th lowest rate nationwide. Across all states, vacancy rates averages 8%.

Mr. Canning asked whether this loan would be cross-defaulted with the adjacent 525 Main Street loan and when told that was to be negotiated, he suggested modifying the resolution to include this requirement. Mr. Klaynberg noted that this would be complicated, as the two projects are being overseen by two different LLC’s with two different sets of lenders. Mr. Canning countered that not cross defaulting would be a bad business move on CRDA’s part. Mr. Lazzaro noted that this would be his preference from a legal perspective. Mr. Freimuth indicated that if the Committee wished to move the resolution, the cross default language would be included in the 17 Wells resolution before it reached the full Board.

The following resolution was approved on a voice vote with the stipulation that cross default language would be added prior to the Board meeting:

Resolution: The Executive Director is authorized to provide financing to Spectra Construction and Development Corp. (or such single purpose entity as approved by CRDA) for the development of 17 Wells Street, Hartford, CT., consisting of 84 residential units. CRDA will lend up to \$7.0 million at 3% interest, with an interest-only period during construction, not to exceed 36 months. Interest will be paid using a 420-month amortization schedule and approval is subject to: 1) All financing being secured; 2) Approval of the State Bond Commission; 3) Approval of a Development Agreement by the City of Hartford for such project; and 4) Such fiduciary terms as deemed necessary and appropriate by the Executive Director and CRDA counsel.

2. Project Updates

- a. **241 Asylum** – Mr. Peterson updated Committee members on a potential paydown of the CRDA loan for the 241 Asylum project. In late 2018, CRDA provided Werner and Company with a \$200,000 loan for the construction of four units on floors 6 and 7 of the so-called “Cast Iron Building” at a 3% interest rate, interest-only for a 2-year term with the ability to extend the loan for three years at 3%, amortizing principal and interest over 25 years. The borrower exercised its three-year extension option, and in 2023, CRDA approved another 1-year extension.

The current CRDA loan balance is approximately \$167,000. While the loan matured in September, Werner has kept current on their debt service. In January, Werner submitted a letter proposal to CRDA suggesting the current senior lender and the Community Economic Development Fund (“CEDF”) provide financing to complete the conversion of the remaining two floors and pay down CRDA’s loan.

CRDA is actively pursuing the borrower’s proposal but needs to review requested information in order to make a recommendation. Given the borrower’s accelerated timeframe and if the new structure is determined to be favorable, staff will present a resolution to the full board on February 20th.

3. Other Business

Ms. Berger-Sweeney asked a general question as to how the construction industry is thinking about costs in light of proposed tariffs. Mr. Klaynberg indicated that there has been no impact as yet. He noted that as a company that imports a great deal of materials from places like Italy and China, Spectra has seen cost increases in the past (e.g., during Covid) and they are not expecting anything that cannot be covered by contingency.

The next meeting of the Housing and Neighborhood Committee is scheduled for March 7, 2025.

There being no further business, the Committee adjourned at 9:44 a.m.