



ECONOMIC DEVELOPMENT COMMISSION

SPECIAL MEETING

January 25, 2023 – 5 PM – Ludlow Room, Windsor Town Hall and via Zoom

PRESENT: *Randy Graff, Ojala Naeem, Nathan Karnes Tim Rice, Sharran Selig-Bennett, Al Loomer and Bill Davis*

ABSENT: *Jermika Cost, Trevor Thorington*

STAFF PRESENT: *Peter Souza, Patrick McMahon*

GUESTS: *Greg Vaca, GRAVA, Kevin Gremse, NDC, John Gerber, NDC*

1. CALL TO ORDER

Chairman Graff called the meeting to order at 5:00 PM.

2. PUBLIC COMMENT

Will Pelkey, 133 Portman Street, asked the Commission to be cognizant of the town's financial interests when looking at incentives. We have significant assets like transit to attract developers. Consider terms that are shorter, for less or not at all, as well as the amount of time and resources needed by staff.

3. DISCUSSION ITEMS

Graff said if it was agreeable to the Commission, the two discussion items would be done in reverse order so the guests could present first and depart.

a. Review of Application for Credit Enhancement Agreement

McMahon introduced Greg Vaca from GRAVA, developer of 144-152 Broad Street – the Windsor Center Plaza Redevelopment. He stated that Vaca has submitted an application for a Credit Enhancement Agreement (CEA) under the town's Tax Increment Financing (TIF) Policy and the Windsor Center TIF District Master Plan. The Town Council named the EDC as the TIF Advisory Committee and has the responsibility to review applications for CEAs. Staff has been vetting Vaca's application along with representatives of the National Development Council (NDC) which was retained by the town as a third-party reviewer. McMahon introduced Kevin Gremse and John Gerber of NDC.

Vaca gave background into GRAVA and its partners. He outlined the project goals including reconnecting key town assets, contributing to Center vitality, increasing housing options and strengthening and diversify the town's tax base. Vaca stated that Windsor is undersupplied by apartments. Demographic groups that favor apartment

living have increased. Increased offering of apartments near transit would add housing in the most sustainable way possible. He stated that the project consists of village-scale three-story buildings consistent with Windsor's pre-war development pattern. The project would create a "street wall" and create a new public amenity deemed "The Porch". Vaca discussed the site plan. It would include two phases, totaling 106 apartments units, 11,700 SF or retail and 146 parking spaces. There would be 40 studios and 66 one-bedroom units. 20% of the units would be workforce housing at 80% area median income. The buildings along Broad Street would be high efficiency, three story walk-ups with attractive architecture. He showed elevations of all three block of buildings proposed. Vaca presented the project timeline with final phasing to be determined. Phase I should break ground Summer 2023, and be fully stabilized in 2026.

McMahon asked about Vaca's construction partner and equity partner. Vaca gave background into the PAC Group of Torrington which will be the general contractor and an equity partners and MAR Partners which invests in low-rise residential properties. Davis asked about the three LLCs that Vaca has established. The first holds the leasehold interest or the project (144 152 Broad Street LLC). Another is the investors (GRAVA Holdings) and the third is the developer (GRAVA Properties) which implements the business plan and receives the developer's fee. Davis asked which would be involved in the CEA and Vaca responded 144 152 Broad Street LLC.

Rice asked if Vaca had any commitments for the retail space. Vaca responded that tenants in the north and west buildings would be moving upfront to take the first floor space along Broad Street. The Blue Dragonfly gift shop will move up front but keep administrative activities in their current space. The real estate agency and dance studio will be in the front.

There will be designated parking for those tenants who want to pay a monthly fee.

Graff asked about financing for the project. GRAVA said they were seeking a construction loan and have been talking to three banks. Banks are waiting for the results of a CEA as to the impacts on cashflow before finalizing term sheets. Windsor Federal has been the most competitive lender to date. GRAVA is seeking a 60-68% loan to cost construction loan for the first phase.

GRAVA mentioned the \$3.2 million CT Communities Challenge Grant to support transit oriented development. Souza clarified that the grant is to the Town of Windsor which will be the conduit to the project. The town will have an agreement with the State of Connecticut to pass through the grant to the developer. The grant is for construction.

Karnes asked about the permanent loan and whether that would rebate some of the developer equity. The construction loan is a four year loan. After four years, the construction loan has to be taken out by a permanent loan. There is the possibility of funds going back to the investors as return on capital.

Karnes asked about the workforce units at 80% AMI and how many years are they deed restricted for and would they contribute to the town's list of affordable housing for the

8-30g appeals list. DECD guidelines is 30 years. McMahon stated that if they are deed restricted then the town will get credit for the units.

McMahon gave a refresher on the TIF mechanism. The taxes generated from the property today which is about \$40,000 would continue to go to the general fund. Under the Windsor Center TIF District Master Plan, 25% of any incremental taxes would go to the general fund and 75% would be deposited into a special TIF account and could be utilized for the eligible TIF expenses under the plan. For Credit Enhancement Agreements, only the taxes that are generated from that particular property can be the subject of a CEA rebate. Under the Master Plan, a CEA could go up to the term of the district and up to 100% of the captured taxes could be rebated.

Kevin Gremse gave background into NDC. They do significant work around transit oriented development. They are often called upon to substantiate need for public incentives and to right size the incentive package. In other words, determine that incentives are necessary for project feasibility without undue enrichment to the developer. NDC looks at the projects through the perspectives of municipalities, lenders and developers. NDC's scope of work is to: review the CEA application, development program and developer financial model; determine the need for financial assistance through TIF; and offer comment on the sizing and terms of TIF assistance to establish financial feasibility without undue enrichment to the development, substantiate the "but for" test and demonstrate a net public benefit to the town. Gremse stated that NDC has determined that the project is not financial feasible "but for" TIF assistance. The issue is the appropriate sizing.

The project has two different phases but NDC represented the aggregate project as part of the analysis. The development budget costs appeared very reasonable. It is a very challenging environment with material cost increases and interest rates to assemble the capital structure to make projects feasible. This is exactly the type of project that the Connecticut Communities Challenge Grant program was designed to assist. Often on these types of project municipalities have to reduce the tax exposure to ensure that debt coverage ratios and return on equity investment metric can be met. The equity investment is almost 25% of the development costs. NDC reviewed the rent roll provided and they are comparable to other units placed into service in the region.

Taxes are at approximately \$40,000. As completed the taxes would be \$538,000. That is a huge multiplier - resulting in very significant increment. 25% of the increment will go to the general fund. 75% of the increment is available to the project. Project is estimated to be fully in service in 2027. Under TIF a portion of the 75% captured incremental taxes can be reimbursed. The first few years while the project is stabilizing is the most important time to provide the full reimbursement. What is being presented is 100% reimbursement in years 1 to 4 during the stabilization of both phases and then reducing by 10% each year from years 5 to 10. The rebate would amount to approximately \$2.87M over the course of 10 years and the net taxes paid would be approximately \$2.5M. The increment over the base taxes amounts to \$2.1M over the next 10 years. After year 4 there would be contributions to the TIF fund amounting to a little less than \$900,000 over 10 years.

With taxes at full assessment without reimbursement, the development is not financially feasible. Lender and investor thresholds are not met without TIF financial assistance. The proposed TIF incentive meets the “but for” test without undue enrichment. Gremse presented the Stabilized Operation Summary and showed there is not sufficient cash flow without TIF assistance. With TIF assistance various important financial metrics like debt coverage ratio, cash on cash return, yield to cost return, and leveraged pre-tax IRR over term are all met.

Naeem asked about the timeframe of the metrics. Gremse stated that it was based on the stabilized operating prop forma which was assumed to be 2029 or the 3rd year of operations after Phase II completion. The returns are not excessive.

Gremse provided a summary of the project benefit and including the net taxes paid over 10 years, the building permit fee and the value of workforce housing at 80%AMI it was determined that the Total Public Benefit is approximately \$3.27M. Event with the reimbursement of \$2.87M, the public benefit is net \$395,124.

Other benefits include the catalytic impact for downtown – a walkable, mixed-use mixed-income transit-oriented development as a draw for downtown and adding considerable disposable income (+/- \$3M) to assist downtown retail trade.

Loomer wanted to confirm that NDC was sourced by the Town as an independent third party analyst that they there was no financial interest in GRAVA or the other parties in the development. Gremse confirmed that they were hired by the Town to conduct the review. NDC is contracted exclusively by municipalities and nonprofit developers not for profit developers.

Karnes had a question about the value placed on workforce housing at \$441,354 which is money retained by the tenants paying affordable rents that may be spent in downtown businesses. Gremse affirmed that understanding. It represents the difference in value between the market rate rents and affordable rents.

Naeem asked about the length of the negotiated lease. Vaca responded 90 years.

McMahon stated that a memo had been prepared and distributed to the Commission prior to the meeting which analyzed the application in light of the town’s TIF Policy and the Windsor Center TIF District Master Plan. McMahon went through his findings outlined in the memo. Rice asked if the TIF revenue could only be used in the Town Center and McMahon responded affirmatively. Other TIF District could be established in other parts of Town with the approval of the Town Council. Each year as part of the budget process, a TIF budget will be put together with advisory committee recommendations. The Town Council could determine to have portions of the TIF revenue to be moved over to the general fund after we meet the obligations of any CEAs. It is designed to help the Town Center but there is the possibility of Council action to move TIF funds to the general fund.

Loomer asked about the developer's equity meeting the state's Challenge Grant match. McMahon stated that there is a 50% match required by the state grant and that would be covered by developer equity. So on a \$3.2M grant there is a required \$1.6M match to be satisfied by developer equity. No town funds are needed to match the grant. Loomer asked to confirm that there are no hard costs (beyond staff time) from the town for the project and McMahon answered affirmatively.

Karnes asked if retail users would stay in operation until they are moved or will there be a period of closure. Vaca stated that those businesses that relocate will stay in operation.

Vaca stepped out of the meeting prior to Commission deliberation.

Loomer moved: The Economic Development Commission has reviewed the application for 144-152 Broad Street for a Credit Enhancement Agreement pursuant to the Town's Tax Increment Financing Policy; finds that the project meets the criteria to be considered for a CEA; determines that the project meets economic development objectives for the town center; and recommends to the Town Council that a CEA be pursued to incentivize the mixed-use development for this key Windsor Center property. Seconded by Rice.

Naeem and Karnes remarked about the thoroughness of the presentation and summary provide highlight the criteria in the Policy and TIF District Master Plan. Loomer mentioned the catalytic effects of more density downtown with people spending money in our local establishments. Graff said it would be nice to see the property redeveloped.

Naeem asked about the protocol for bringing NDC in and is it a significant cost to the Town. McMahon stated that he reached out to three different economic analysis firms, their proposals were vetted and NDC was chosen for the assignment based on their experience conducted such studies for municipalities and their ability to meet our timeframes. The cost to the Town is \$9,000 - half upfront and half at the completion of the work. Additional steps include presentations before the Finance Committee and the full Town Council. Naeem asked if we expected to do this level of analysis with every TIF application. McMahon responded that it would depend upon the complexity of the project. In this case, with the existing buildings and phasing we felt the outside analysis would be beneficial for town staff, TIF Advisory Committee and Town Council review.

The motion was approved unanimously.

Souza said the next step was the drafting of a Credit Enhancement Agreement. It would be introduced to the Town Council and then referred to the Finance Committee for their review and recommendation to the full Town Council. The basic terms would be as presented to the EDC as TIF Advisory Committee. Souza remarked that the projections were based on a mill rate as of today with a 2% escalation after stabilization.

b. Annual Election of Officers

Graff opened the floor for nominations for Chairperson. Karnes asked Graff if he was interested in continuing as Chair. Karnes motioned, Rice seconded for Graff to serve as

Chairman, hearing no other nominations motion approved unanimously. For Vice Chair, Graff nominated Karnes to continue, seconded by Loomer, hearing no other nominations motion carried unanimously.

4. ITEMS FROM ECONOMIC DEVELOPMENT PARTNERS

No report from partners.

5. ITEMS FROM COMMISSION

Karnes mentioned that the 10 year incentive package with four years at 100% and then a declining rate of 10% per year, though necessary in this case, that is the maximum that we would want to considered and hopefully future requests would be able to benefit the town a little bit more.

Graff commented on commercial vacancy that could impact personal property taxes. Souza said that office is struggling in many markets across the country. Industrial manufacturing, light assembly and distribution is very strong. We are focused on the impacts of office space vacancy. With revaluation coming in October 2023 we will see impacts on both real estate and personal property. We did not see big impacts on personal property for this year's Grand List. A year from now there will be a decrease in office values. Karnes asked if Windsor could get ahead of the curve and support/encourage office conversions to other uses. Is there any progress or callers at the door in that regards. McMahon said that the town is looking at strategies to backfill office space that has been vacated by other office users, as well as the potential of adaptive reuse. Not every office building lends itself due to the floorplate to conversion to residential or other uses. McMahon said that we have had parties approach us interested in residential conversions. Graff asked about vacancy in the two largest – Voya and the Hartford. McMahon stated that both properties are on the market. Voya is looking to take a 80,000 square foot lease on a 450,000 square foot building. Hartford Life is approximately 450,000, Talcott Resolution is relocated to downtown Hartford leaving two tenants in the building.

Graff asked about the Sachdev development on Poquonock Avenue. TPZ approved plans for a mixed-use development with 77 residential apartment units over first floor commercial and enclosed parking. His design team now needs to move forward and submit building plans for approval. Graff asked if it was correct that the property has been remediated and was answered affirmatively.

Loomer asked if the town was taking action on the building on the corner of Mack and Bloomfield Avenue and the two retention ponds. Souza said that planning and engineering staff are working with the owner to rectify the condition.

Graff asked about the park design on the property across from Roger Wolcott. Souza said the Town was about 65% through design and that it would be brought to the Town Council's Town Improvement Committee with an update. Graff asked if Wilson Deerfield Advisory Committee was involved in the planning. Souza stated that the Committee has provided input. McMahon stated that the Committee would be updated the following evening. Karnes asked if that was a potential state grant application for the creation of the park and Souza responded that an application for the Community

Investment Fund has been prepared. It is a very competitive grant program. It was oversubscribed in the first round by a magnitude of ten.

Graff asked if the new owner of Bart's would operate it in the same way as the previous owner. The intention is to keep the name and serve hot dogs but other changes to the menu are likely.

6. ITEMS FROM STAFF

- a. McMahon mentioned that Blueprint Robotics tax abatement recommended by the EDC was approved by the Town Council. Blueprint has not made a formal announcement but we have been working closely with the company on the development plans. They have negotiated an incentive package with the State of Connecticut. Loomer asked if they purchased the land. The land is under contract.
- b. Target is planning a 550,000 square foot refrigerated warehouse facility on the property that was slated to be Chewy before they decided not to move forward. The project is a \$200M investment and they have not sought any local tax incentive.
- c. Rice asked if the Life Science building is done and Souza stated that the building is occupied.
- d. Graff asked if someone was going in where Ocean State vacated. McMahon stated that Big Lots would be going in that space.
- e. Graff asked about Andy Borges and his sports complex which once looked at Windsor but is now looking at Enfield.
- f. Karnes asked about the brewery. McMahon said construction is moving along with potentially an April completion date.
- g. McMahon said that financing is in place for the soccer dome.
- h. McMahon updated the Commission on two hotels proposals – a Home2 and a microtel product. Both are in the vicinity of the sports complex. Construction is dependent upon securing financing.

7. REVIEW OF PREVIOUS MEETING MINUTES

Motion: Loomer moved to accept the November 16, 2022 meeting minutes; Naeem seconded the motion. The meeting minutes were unanimously approved as distributed.

8. ADJOURNMENT

Next meeting is scheduled for March 15, 2023.

Rice motioned to adjourn. Naeem seconded. Motion approved unanimously. The meeting was adjourned at 7:04 PM.

