

## NEW HAVEN CITY PLAN COMMISSION ADVISORY REPORT

**RE:** 360 STATE STREET, Authorization for Issuance of up to \$50 million in Tax-exempt Empowerment Zone Bonds to assist in the Construction and Development of the Commercial component of the Project (Economic Development Administrator).

**REPORT:** 1434-10

**ADVICE:** Approval

**BACKGROUND** The 360 State Street mixed-use development project is located within the City's designated Empowerment Zone boundary. The owners of the project have therefore requested that the City of New Haven and Empower New Haven make use of the Federal Empowerment Zone Bonding program to allow the City to issue up to \$50 million dollars in tax-exempt Empowerment Zone bonds to assist in the construction and development of the commercial portion of the 360 State Street project. The 360 State Street project includes 500 units of rental housing including 50 affordable units, a 500 car structured garage, a proposed retail grocery store, and a daycare facility.

These bonds will be used for: (a) the acquisition, construction and development, including soft costs, of (i) an approximately 500 space parking garage, (ii) an approximately 27,500 square foot grocery store, (iii) 6,300 square feet of a child care center and/or office use, and (iv) other commercial or retail uses; (b) the funding of capitalized interest, if any, on the bonds; (c) the funding of a debt service reserve fund, if any, for the bonds; and (d) the payment of certain costs of issuance and credit enhancement fees with respect to the bonds, all as more particularly described in the Loan Agreement (collectively, the "Project");

The Developer made this EZ bonding request for two reasons, the first to cover \$10 million in additional costs associated with an expanded grocery store and commercial space and the second, to allow the project to convert \$40 million of equity into debt. Currently the project is 100% equity financed. The Board of Alderman approved Development Agreement dated October 5, 2007, which states that the City would assist the developer to obtain targeted state and federal financing programs.

In the recent past, the City and the owners of 360 State Street entered into a development agreement that resulted in numerous benefits to the City, such as:

- significant hiring of minority and woman construction workers that utilize the City's Workforce Initiative through the Commission on Equal Opportunities paying excellent union wages and benefits;
- Utilization of the City's Small Business Construction Program enabling small, minority and women owned construction firms to participate in the building of the project ;
- Fifty units of affordable housing including 20 units at 50% Area Median Income or less;
- Annual real estate taxes of \$1.5 million added to the Grand List;
- A high quality full service grocery store to serve the growing number of residents in the downtown area and adding needed new jobs.

The use of Empowerment Zone Bonds for this project is advantageous to the City in several ways:

- The developer will accelerate \$850,000 repayment of the deferred building permit fees previously agreed to in the Development Agreement. The \$850,000 will be repaid immediately upon issuance of the bonds this fiscal year;
- Use of the Empowerment Zone bonds by the owner and the grocery store would require that at least 35% of the employees be residents of an Empowerment Zone neighborhood. In order for the bonds to retain their tax-exempt status this condition would remain in place over the life of the bonds between 20-30 years;
- The developer will pay \$350,000 to Empower New Haven. of which \$150,000 will be used to coordinate a program that would prepare Empowerment Zone residents for jobs in this and other retail operations over the next five years and \$200,000 will be used by Empower New Haven to further its mission.

- The grocery store would double in size from an original 15,000 square feet to almost 30,000 square feet increasing the number of jobs up to 140 full and part-time.
- The entire federal Empowerment Zone Program including the bonding is set to expire December 31, 2009. To date none of New Haven's allocation of these bonds, \$130,000,000 have been used. Empower New Haven, the City and other Empowerment Zones across the country are working to seek an extension of the Zones beyond this December from the Federal government. If an extension is granted Empower New Haven and the City would still have \$80 million to use for other worthy development projects.

Although the City issues these bonds, the City is not held liable for them nor are these bonds included in the City's debt capacity to issue additional debt nor in the rating of the City credit ratings. Issuance of the bonds is reviewed and prepared by the City's Bond Counsel, Robinson and Cole. All costs of the issuance are paid for by the borrower – none by the City.

### **PLANNING CONSIDERATIONS**

The Secretary of the United States Department of Housing and Urban Development ("HUD") designates eligible urban and rural areas as empowerment zones and enterprise communities (collectively termed "enterprise zones") for the purpose of extending special income tax consideration to areas of pervasive poverty, unemployment, and general distress and to include the issuance of a category of tax-exempt facility private activity bonds termed as "enterprise zone facility bonds."

Chapter 119 (the "Act") of the Connecticut General Statutes also authorizes the City to issue enterprise zone facility revenue bonds to provide funding for an enterprise zone business within qualified zone property, provided such bonds are issued in accordance with the requirements of the Code and the Act, and to issue taxable bonds for the purpose of financing certain costs of issuance or other costs related to issuing such tax-exempt bonds, based upon a finding that the issuance of such bonds on a taxable basis is in the best interest of the City and in furtherance of the purposes of the Act.

### **ADVICE Approval**

**ADOPTED:** November 18, 2009  
Edward Mattison  
Chair

**ATTEST:**   
Karyn M. Gilvarg, AIA  
Executive Director