

DAVID R. MARTIN
MAYOR



THOMAS MADDEN, AICP
DIRECTOR

OFFICE OF ECONOMIC
DEVELOPMENT
PHONE: (203) 977-5168
FAX: (203) 977-5845

INTEROFFICE MEMORANDUM

TO:	PRESIDENT AND DEPUTY MAYOR MATT QUINONES, Board of Representatives, CHAIRMEN RICHARD FREEMAN, Board of Finance, CHAIRWOMEN THERESA DELL, Planning Board
FROM:	Thomas Madden, AICP, Director of Economic Development Burt Rosenberg, Assistant Corporation Counsel, Law Department
DATE:	March 2, 2021
RE:	Transfer of Old Town Hall from Old Town Hall Redevelopment Authority to City of Stamford

Executive Summary:

- Old Town Hall Redevelopment Agency (OTHRA) established to implement the redevelopment of the historic, city-owned building located at the corner of Atlantic Street and Main Street.
- Historic Tax Credits and New Market Tax Credits were used to reduce public costs and attract private funding to the redevelopment project
- Tax Credit programs required the creation of a special purpose private entity to own the building and be the recipient of the Tax Credit equity
- OTHRA has recently stabilized the building at functionally full occupancy, generating revenue to nearly cover the building's annual operating expenses
- City is, and would remain indefinitely per agreements, responsible for funding any operating shortfalls
- City is now able to take back public ownership of the building, dissolve OTHRA and remaining tax credit entities, and **claim approximately \$2.74 million of cash reserves associated with the tax credit transactions.**
- Acquisition of building, dissolution of entities and transfer of cash reserves requires approval by the Planning Board, Board of Finance, and Board of Representatives

Detailed Summary:

- Old Town Hall Redevelopment Agency (OTHRA) was created by the Board of Representatives in May 2006 through the adoption of Ordinance #1055
- The Tax Credit Transaction for Old Town Hall Rehabilitation project closed in October 2008 and completed the construction financing for the project
 - Approximate cost of rehabilitation project was \$18.2 million with a required additional \$2.5 million reserve
 - **Total City funds for construction were \$11.8 million** (this source funded the \$2.5 million reserve account held by Morgan Stanley and currently valued at \$2.74 million due to interest accrued)
 - **Total State funds for construction were \$6.4 million**
 - **Total New Market Tax Credit (NMTC) investor funds for construction were \$2.5 million**
 - Title to Old Town Hall was transferred from City to special purpose entity (Old Town Hall QALICB, LLC) as the Historic Tax Credit rules necessitated private ownership
 - Rehabilitation of Old Town Hall completed in December 2009
 - At the completion of construction, an additional private investment vehicle - Historic Tax Credits – resulted in an additional equity contribution to the project of \$3.0 million
 - After costs associated with securing this \$3 million were deducted from the proceeds, \$2.85 million was returned to City in the form of a developer fee, repayment of construction advances, and payment of interest on City loans
 - **Total net cost to City for Old Town Hall rehabilitation project is approximately \$6.25 million** (\$11.8 million initial contribution - \$2.85 million returned to the city in 2009 from Historic Tax Credit proceeds - \$2.74 million to be returned to the City in 2020 from the Morgan Stanley reserve account following the completion of the proposed actions described below)
- For the nearly decade following building rehabilitation, due to an inability of OTHRA to generate adequate rent proceeds constrained by the post-recession economy, the City had annually funded approximately \$200,000 of Old Town Hall operational costs (this is the net impact of an approximately \$300,000 annual operating subsidy offset by an approximately \$100,000 tax contribution made annual to the City by the building's private owner, Old Town Hall QALICB, LLC). This annual subsidy has reduced significantly since building occupancy has increased.
- Resulting from the work by the volunteer board of OTHRA and their consultants, for the last three years, the building has been functionally fully leased and operations have stabilized
 - Fiscal Year 2021 annual rent revenue is projected to be approximately \$427,000 (including approximately \$228,000 from the Stamford Board of Education)
 - Fiscal Year 2021 annual operating expenses (excluding property taxes which will no longer be paid to the City after ownership is transferred) are projected to be approximately \$548,000 (of this amount, approximately \$77,000 is due to COVID requirements and will potentially be reimbursed by FEMA and/or the State of Connecticut from CARES Act funding)

- If the existing tenants are retained and operations go back to pre-COVID requirements related to air handling and cleaning, the projected annual revenue and expenditures would result in a modest deficit for this fiscal year of approximately \$45,000.
- **City funds all current building operating deficits; taking back title to the building will enable City to control building operating expenses and provide access to fund reserves to cover any potential shortfalls without impacting the general fund**
- Steps required to dissolve mechanisms put in place to facilitate rehabilitation and return assets to the city:
 - OTHRA Board approval to transfer title to Old Town Hall and all tenant leases back to City in full satisfaction of City loans (**completed June 12, 2020**)
 - Old Town Hall Manager, Inc. Board approval to transfer title to Old Town Hall and all tenant leases back to City in full satisfaction of City loans (**completed June 12, 2020**)
 - City of Stamford Planning Board approval to transfer title to Old Town Hall and all tenant leases back to City in full satisfaction of City loans (**To Be Completed**)
 - City of Stamford Board of Finance approval to transfer title to Old Town Hall and all tenant leases back to City in full satisfaction of City loans (**To Be Completed**)
 - City of Stamford Board of Representatives approval to transfer title to Old Town Hall and all tenant leases back to City in full satisfaction of City loans (**To Be Completed**)
 - City and OTHRA execute title transfer, assignment of subleases, and release of mortgages and reserves (**To Be Completed**)
 - All special purpose tax credit entities dissolved (**To Be Completed**)
 - Old Town Hall Redevelopment Agency dissolved by Board of Representatives (**To Be Completed**)
- Upon completion, the assets will be transferred to the City:
 - Title to building and all tenant leases transferred to City in full satisfaction of City construction and operating “loans”
 - \$2.74 million in Morgan Stanley reserve account released to City Old Town Hall no longer subject to real property taxes

I look forward presenting to the Boards in order to complete the transfer process back to the City.

Thank you for your consideration.

Encl.

C: Kathryn Emmett, Director of Legal Affairs
David Kooris, OTHRA, Chairmen