CITY OF NEW HAVEN
BOARD OF ALDERMEN

Douglas Hausladen
Alderman, 7th Ward

Member
Education Committee
Finance Committee
Public Safety Committee
Ad Hoc Living Wage Commission
Capital Projects Committee

161 Park Street, #1A
New Haven, CT 06511-4807

Telephone: (203) 309-2737
E-mail: Ward7@newhavenct.net

July 31, 2012

Dear Fellow Members of the Board of Aldermen,

I am writing on behalf of over 500 residents living at 360 State Street, over 1000 New Haven residents in every Ward who have invested in Elm City Market as member-owners, and hundreds of New Haven residents living in every Ward who have their retirement funds invested in 360 State Street through the Multi Employer Property Trust, all of whom are in need of our action in a tax issue with big ramifications for economic justice and the quality of life in New Haven.

The problem concerns 360 State Street, which as you know is a 32-story apartment building completed last year on the site of the former Shartenberg department store. 360 State Street represents a very promising kind of development for this city. The building has won accolades for its transit-oriented sustainable design while bringing new residents and resources into the city center. Its ground floor houses the Elm City Market, a food co-op owned by hundreds of community members that's dedicated to improving the lives of our under-served residents of downtown.

360 State Street is a pension fund owned building. Its owner, MEPT (Multi-Employer Property Trust), is a union pension fund that invests in properties across the US, funding the retirements of thousands of American workers. At a time when many retirement plans have been cut back and capital markets have dried up, this project bolstered New Haven's grand list and helped grow new jobs—over 1000 during construction and over 100 permanent jobs – all while delivering fair returns for workers' pensions.

All this is now threatened by an unjustified quadrupling of the building's tax assessment. Here's the background. In 2007 and 2008 the city—using per square foot figures for comparable buildings—projected annual taxes for 360 State (following a five-year phase-in) of $1.4 million. This figure was the basis on which the project was green-lighted by its owners—*and* approved by our Board of Aldermen. Those of you serving on the Board at the time will recall that these projected figures were specifically discussed at a public meeting on September 4, 2007. The very next day the City sent a letter to the DECD asserting that "the estimated property taxes… have been closely analyzed by the City's Tax Office, the City Assessor, and the Board of Aldermen and we agree that they are fair estimates of the property taxes at this point in time." And as late as August 2010, with tenants already moving into the building, the city's Office of Economic Development confirmed their original projections, citing a tax of $1.4 million at the end of the five-year phase-in.

Last year, however—shortly before he was fired by the Mayor—the city's former assessor quadrupled the projected 2007 assessment. As you can see, the new assessment is totally out of line with comparable buildings:

Property	Assessment/SF	2011 Taxes/SF	% Affordable Units
360 State - current assessment	$254.21	$9.88	10%
360 State - City projection	$70.00	$2.70	10%
The Eli	$68.27	$2.65	
The Liberty	$70.18	$2.73	
CenterPointe	$64.90	$2.52	
Rowe Apartments	$40.71	$1.58	75%
Ninth Square*	$45.21	$1.76	40%
Hartford 21*	$23.43	$0.91	

* Ninth Square and Hartford 21 have PILOTs, so figures show the equivalent assessment that would require a tax payment in 2011 equal to the pilot. See attached charts for further information.

There are many important reasons why we on the Board of Aldermen should act to fix this reckless assessment. First, as a matter of basic fairness, the city should not represent one rate as a "closely analyzed…fair estimate" when a project is undertaken, then turn around and quadruple it. This is a signal for development that New Haven is not a predictable environment to invest money and bring jobs to our city.

Second, this tax hike will have a devastating impact on the fiscal outlook of the project. At the original projected tax of $1.4 million, 360 State was already the biggest single grand-list contributor in the city. Quadrupling the building's tax will decimate the return its pension-fund owners counted on when making the decision to come to New Haven. That's cash taken ***straight from the retirements of hardworking middle class workers like you and I.***

And finally, and in my view most important, this kind of arbitrary tax hike threatens the best interests of the city itself. 360 State was the first major new construction downtown in two decades, and nobody wants to wait another twenty years for the next. But quite honestly, any potential developer who learns that a tax projection can be arbitrarily quadrupled once the building is built will fold up his plans and run as fast as possible in the opposite direction. Yes, the City can squeeze this money out of 360 State – but down the road it's going to cost all of us, make no doubt about that. As a matter of city policy, New Haven shouldn't damage its ability to attract future investment.

Settling this dispute through court action could take years, with huge legal fees on all sides; meanwhile, MEPT would be paying exorbitant taxes, and further investment in the city would suffer in a cloud of uncertainty. Even then, there would be no assurance that the original agreement would be honored. Moreover, properties are reassessed every five years, so the process could very well start all over again in 2016.

The Mayor doesn't have the statutory power to fix this assessment by himself on a long-term basis. But we do. I am convinced that one solution is for the Board of Aldermen to fix the taxes as we did for the Ninth Square project, using our authority under the City and Town Development Act. By exercising this authority we can ensure fairness, save city resources, and restore an atmosphere of trust that will safeguard the future of New Haven.

I would propose we resolve this issue as quickly as possible in a manner as fair for all parties as possible. We need to send a clear signal to future development that New Haven is open for business. I look forward to working as a Board to bring about the best solution together. One that is ultimately fair for all parties involved. As Aldermen we're empowered to fix assessments and approve PILOTS – actually, we're the only entity in the city that is empowered to do this. We all want to bring broad-based prosperity to the city while protecting the retirement funds of working people. Let's rise to the occasion and do so.

Thank you very much. If you have any questions or concerns, please feel free to contact me.

Sincerely,

DOUGLAS HAUSLADEN
Alderman, 7th Ward

Enclosures:

Exhibit 1: Charts showing taxes for 360 State and comparable properties

Exhibit 2: Time Line of the Project

Exhibit 3: 360 State Street Press Release from the Mayor's Press Secretary, July 13, 2007

Exhibit 4: Estimate of the Assessments and Tax Revenue Prepared by the City Departments for Shartenberg RFP Respondents

Exhibit 5: Responses from New Haven Office of Economic Development to Questions Submitted by the Board of Aldermen, July 2007

Exhibit 6: Letter from Tony Bialecki of the New Haven Office of Economic Development, to Faith Bessette-Zito, CT Department of Economic and Community Development, September 5, 2007

Exhibit 7: Email Correspondence between Kelly Murphy of the New Haven Office of Economic Development, Alderman Greg Dildine and Tax Assessor Bill O'Brien

Exhibit 8: "360 State Fights Eye-Popping Assessment" New Haven Independent Article, Sept 28, 2011

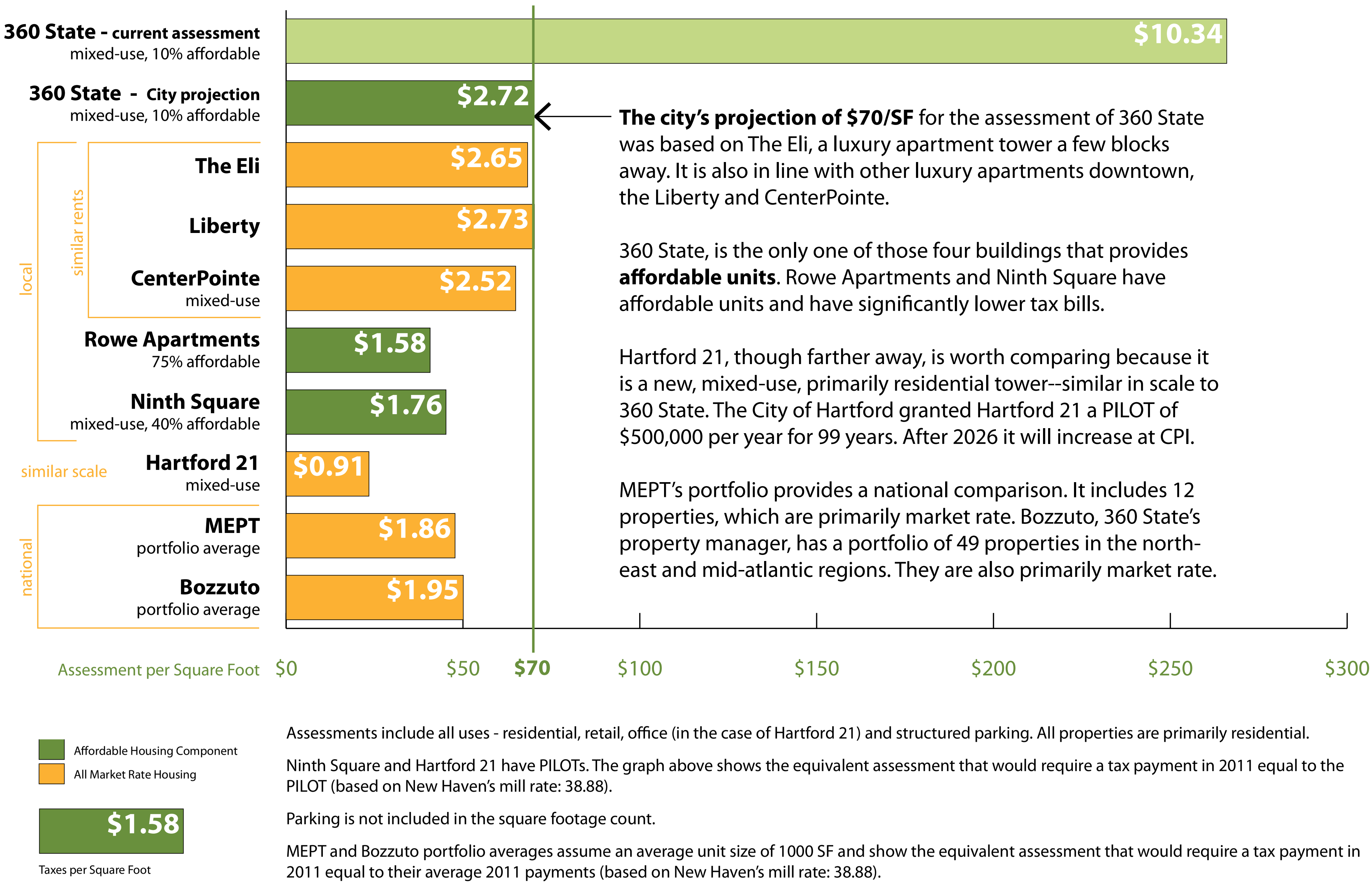
Exhibit 9: Board of Aldermen Resolution

Exhibit 10: Tax Agreement Concerning Real Property Taxes for 360 State Street

Exhibit 1: Charts Showing Taxes for 360 State and Comparable Properties - summarizes important information about the tax assessment issue.

Taxes per Square Foot for 360 State

Compared to Other Mixed Income and Market Rate Properties



The city's projection of $70/SF for the assessment of 360 State was based on The Eli, a luxury apartment tower a few blocks away. It is also in line with other luxury apartments downtown, the Liberty and CenterPointe.

360 State, is the only one of those four buildings that provides **affordable units**. Rowe Apartments and Ninth Square have affordable units and have significantly lower tax bills.

Hartford 21, though farther away, is worth comparing because it is a new, mixed-use, primarily residential tower--similar in scale to 360 State. The City of Hartford granted Hartford 21 a PILOT of $500,000 per year for 99 years. After 2026 it will increase at CPI.

MEPT's portfolio provides a national comparison. It includes 12 properties, which are primarily market rate. Bozzuto, 360 State's property manager, has a portfolio of 49 properties in the north-east and mid-atlantic regions. They are also primarily market rate.

Assessments include all uses - residential, retail, office (in the case of Hartford 21) and structured parking. All properties are primarily residential.

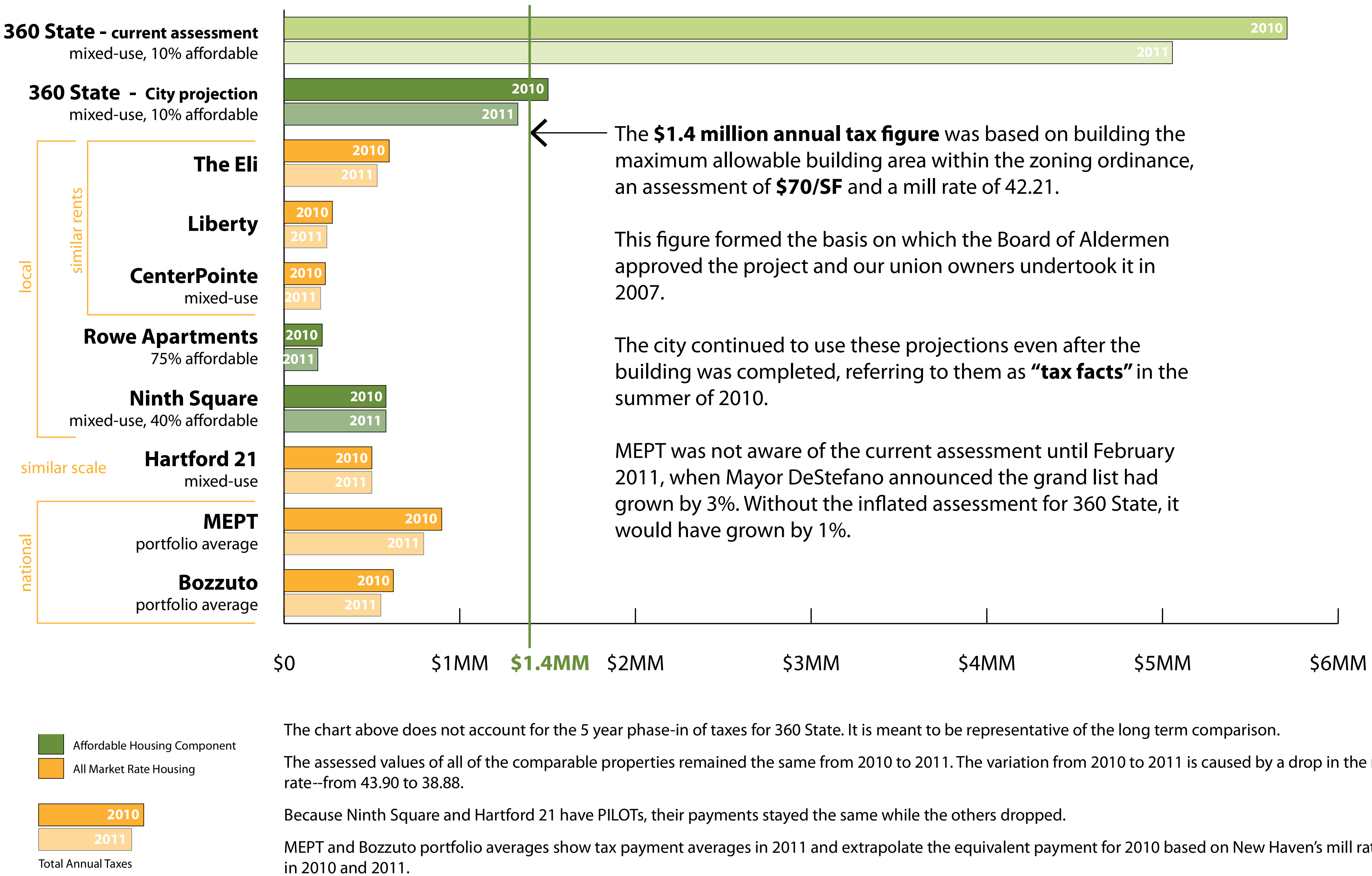
Ninth Square and Hartford 21 have PILOTs. The graph above shows the equivalent assessment that would require a tax payment in 2011 equal to the PILOT (based on New Haven's mill rate: 38.88).

Parking is not included in the square footage count.

MEPT and Bozzuto portfolio averages assume an average unit size of 1000 SF and show the equivalent assessment that would require a tax payment in 2011 equal to their average 2011 payments (based on New Haven's mill rate: 38.88).

Annual Taxes for 360 State

Compared to Other Mixed Income and Market Rate Properties



The **$1.4 million annual tax figure** was based on building the maximum allowable building area within the zoning ordinance, an assessment of **$70/SF** and a mill rate of 42.21.

This figure formed the basis on which the Board of Aldermen approved the project and our union owners undertook it in 2007.

The city continued to use these projections even after the building was completed, referring to them as **"tax facts"** in the summer of 2010.

MEPT was not aware of the current assessment until February 2011, when Mayor DeStefano announced the grand list had grown by 3%. Without the inflated assessment for 360 State, it would have grown by 1%.

The chart above does not account for the 5 year phase-in of taxes for 360 State. It is meant to be representative of the long term comparison.

The assessed values of all of the comparable properties remained the same from 2010 to 2011. The variation from 2010 to 2011 is caused by a drop in the mill rate--from 43.90 to 38.88.

Because Ninth Square and Hartford 21 have PILOTs, their payments stayed the same while the others dropped.

MEPT and Bozzuto portfolio averages show tax payment averages in 2011 and extrapolate the equivalent payment for 2010 based on New Haven's mill rates in 2010 and 2011.

Exhibit 2: Time Line of the Project - provides references to key documents showing taxes of $1.4 million after phase-in are fair and reasonable and were basis for both MEPT and Board of Aldermen moving forward with the project.

Time Line of the Project Including a Brief History

1914
Six story Shartenberg department store is built on the site and becomes a landmark of downtown New Haven.

1962
Shartenberg department store closes, succumbing to competition from suburbs, where many wealthy residents have migrated.

Courtesy of the City of New Haven

1964
The historic building is torn down to make way for new development, but remains a parking lot for over 40 years.

Courtesy of the City of New Haven

1980s and 1990s
Of the many failed attempts to redevelop the site, the most notable was the Chase Agreement, which, after years of litigation, ultimately saddled the city with the obligation to provide 175 parking spaces on or near the Shartenberg site to serve the tenants of Chase's Connecticut Financial Center.

August 2006
The City receives 9 proposals in response to their RFP for the Shartenberg site. The City follows up with the 3 proposals that include a plan for financing the project.

Courtesy of Becker & Becker

February 2007
Becker & Becker, with financial backing from MEPT, is selected as the winning bid. A press release from Jessica Mayorga, the Mayor's press secretary summarizes the reasons for choosing their proposal (**Exhibit 3**). In short, it had secured financing, so was the proposal most likely to actually get built; it provided the largest projected tax revenue of the three proposals (**Exhibit 4**); it offered the best deal on the land; and it provided 50 affordable units and a much needed grocery store.

July 2007
Following a joint meeting of the Board of Aldermen's Community Development and Finance Committees, Kelly Murphy of New Haven's Office of Economic Development writes a "Response to Questions Submitted by the Board of Aldermen" (**Exhibit 5**). Questions 5 and 13 relate to tax revenue. She explains on page 6 that in the fifth year of the phase in, when the project is paying 100% of its taxes, "the tax payment will be approximately $1,400,000," and a bar chart on page 3 shows full taxes after phase-in of $1,399,656.36.

September 4, 2007
The City's tax revenue projections for 360 State Street are specifically discussed and considered by the Board of Aldermen before it votes to approve the Project.

September 5, 2007
The City sends a letter to the Connecticut Department of Economic and Community Development stating that "estimated property taxes...have been closely analyzed by the City's Tax Office, the City Assessor, and the Board of Aldermen, and we agree that they are fair estimates of the property taxes at this point in time" (**Exhibit 6**).

September 15, 2008
Lehman Brothers files for bankruptcy protection, marking the beginning of a widespread economic downturn during which the construction industry virtually grinds to a halt. MEPT tries unsuccessfully to get a construction loan and decides to continue with the project using all equity.

December 2008 - June 2010
Construction provides over 1000 jobs during the depths of the recession.

July 16, 2010
Mayor DeStefano receives a letter signed by 11 New Haven aldermen calling for Tax Assessor Bill O'Brien to be removed from his post "so that the city government can make a fresh start in re-establishing a relationship of trust and credibility with taxpayers...."

July 2010
The first residents move into 360 State Street.

August 5, 2010
Responding to Alderman Greg Dildine's concerns that his constituents think 360 State Street is not paying taxes, Kelly Murphy of the Office of Economic Development prepares and circulates "360 State talking points," which confirms 2007 estimates of tax revenues at $1,399, 656 after phase-in (**Exhibit 7**).

October 6, 2010
Unable to find a grocery store tenant, the development team holds to its commitment by establishing a community-based grocery co-op. The first organizational meeting of the food co-op is attended by over 150 residents at 200 Orange Street.

February 2011
Mayor John DeStefano announces the City grand list, which shows an increase in $149 million -- 2.97% in net assessed value. MEPT received no notice prior to this announcement that their assessment is close to $100 million more than they or the City had expected several months before.

September 28, 2011
The New Haven Independent's article "360 State Fights Eye-Popping Assessment" makes the public aware of the tax dispute (**Exhibit 8**).

October 2010
ElmCity Market opens, raising the value of neighboring properties by providing fresh, affordable food to an area of the city that had been a food desert. In addition to creating 80 new jobs, the coop sources most of its food from local vendors, which grows the local economy. Once the grocery becomes profitable, its proceeds will be distributed among the member owners in the community.


Courtesy of Elm City Market

November 8, 2011
Mayor John DeStefano is elected to his 10th term as Mayor of New Haven.

November 9, 2011
City announces the departure of controversial chief tax assessor, Bill O'Brien.

Exhibit 3: 360 State Street Press Release from the Mayor's Press Secretary, July 13, 2007
- summarizes the reasons for choosing the proposal.

From: "Jessica Mayorga" <JMayorga@newhavenct.net>
Sent: Fri 7/13/07 6:44 PM EDT
Subject: op/ed

Here is the final revised version submitted to Charles today for Sunday publication:

The development of the Shartenberg site in downtown New Haven, a long vacant parcel, is vital to the continued revitalization of downtown New Haven. The proposal submitted to the Board of Alderman presents a tremendous deal for the City's future growth and economic vitality.

This Shartenberg site was burdened with a series of very costly encumbrances. As part of the deal, Becker and Becker agreed to replace 175 spaces now used by the Connecticut Financial Center at the development site, a burden that would otherwise rest on the City. The cost of building these spaces is approximately $6.125 million, a financial relief to the City. Becker and Becker is also taking full responsibility for all environmental remediation. A recent article by Angela Carter did note that the environmental cost to clean up the site would be somewhere around $1 million, however at the end of the day, full remediation costs and liability, whatever they are, lie with the property owner. In addition, Becker and Becker will be paying for all costs related to traffic improvements that will be required as part of the City and State Traffic Commission review. In short, by selling the land for $1 the City is released from a minimum of $7.1million.

The selection of Becker and Becker ensured this project would move forward in a timely fashion. Compared to other proposals received, Becker and Becker is by far the best deal. The other proposals we received offered the City anywhere from $1-2 million for the purchase of the land but at the same time, they left a number of encumbrances on the site to the responsibility of the City leaving us to absorb costs ranging from $4-16 million (the amount varied by proposal as some were willing to take on more than others).

Further setting Becker apart from other proposals was that they had secured at least $100 million in private financing while none of the other developers had secured any of their financing. In fact, some had very unclear financing proposals while others required extensive public financing from the State. State financing is certainly not guaranteed and the timing of such could push the project back for years or cause it to be developed in phases.

Moreover, a comparison of this deal with other market rate housing projects throughout Connecticut emphasizes what a great investment the City of New

Haven is making. For example, Hartford approved a15-year, $12 milion tax abatement on the Front Street project earlier this year. The $60 million mixed-use facility with market rate housing, retail and commercial space was financed by $41.1 million in City of Hartford and State funding. That is two-thirds - 66% of the total cost of the project! By contract over the same 15 years, the City of New Haven will collect a minimum of $22.5 million in taxes. Only 7% of the total of the Shartenberg project is publicly financed with only .36% coming from local dollars and we are getting 50 affordable housing units. Hartford is clearly a comparable city to New Haven.

The Becker and Becker project, in addition to being the first piece of new construction in downtown in almost 20 years, will also bring $1.5 million in tax revenue annually as of the fifth year (taxes will be phased in beginning at an estimated $300,000 in the first year) and will attract hundreds of new residents to downtown. New residents are expected to add $30 million in economic activity downtown. This $1.5 million annual payment is more than just revenue for the city - this translates into public safety and a stronger New Haven. Putting it into a more familiar context, $1.5 million pays for 15 new police officers or 9 Open Schools (the City's program that provides afternoon and evening programming for youth at nine school sites to keep kids safe and off of the streets) for 34 weeks keeping our young people engaged in educational and healthy activities. Further, these new residents will need services like dry cleaners, beauty salons, stationary stores and they will shop and eat, all of which supports our existing merchants as well as help us attract more diverse and higher quality retail to the City.

In addition, this project reflects the values we share as a community - the inclusion of a minimum of 50 affordable units of affordable housing; adherence to green building design in the projects' construction and a commitment for LEED certification for the residential portion; and a commitment to providing good paying jobs for our residents and disadvantaged groups as part of the City's workforce requirements. All these things add costs to a project but make the project better and add to the overall quality of life in our city.

With any project, there will be some for whom the design of the building won't match their taste. Many do like the density of this project and the lines of a modern-looking building. The project design in fact has evolved and the developer has an opportunity to incorporate community feedback into his revised design and will continue to do so through the public approval process. The design conserves the look and feel of New Haven's rich architectural history of signature buildings to be added to our skyline while creating active and engaging uses along the ground floor along Chapel and State streets. I have no doubt that this development on the Shartenberg site will prove to be a breath of fresh air as it incorporates sleek modern architecture much like the Kahn and Pirelli buildings.

Becker and Becker's project is the right fit for the Shartenberg site. This deal is good for New Haven today and will continue allowing us to reap benefits for years to come.

Jessica A. Mayorga
Director of Communications
City of New Haven
203.946.7660
203.627.4224 (mobile)
jmayorga@newhavenct.net
www.cityofnewhaven.net

Exhibit 4: Estimate of Assessments and Tax Revenue Prepared by City Departments for Shartenberg RFP Respondents.

Final tax revenue of $1,444,848 is based on the 2007 mill rate, 42.21. With the 2011 mill rate, 38.88, final tax revenue would be $1,330,862.

Potential Tax Revenue Analysis - 10 Years

Developer	Square Footage	Estimated Final Assessment*	Final Tax Revenue	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Becker & Becker	489,000	34,230,000	1,444,848	94,087	94,087	288,970	577,939	866,909	1,155,879	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	10,302,112
CA White / Leyland	396,480	27,753,600	1,171,479				76,286	76,286	234,296	468,592	702,888	937,184	1,171,479	1,171,479	4,838,489
Christie Wareck	430,000	30,100,000	1,270,521				82,735	82,735	254,104	508,208	762,313	1,016,417	1,270,521	1,270,521	5,247,554
Olympia	411,542	28,807,940	1,215,983				79,184	79,184	243,197	486,393	729,590	972,787	1,215,983	1,215,983	5,022,300
Trinity Financial	205,210	14,364,700	606,334				39,484	39,484	121,267	242,534	363,800	485,067	606,334	606,334	2,504,304

* The estimated final assessment is based on the comprable $70 of assessed value per square foot of the Eli. Potential tax revenue is taxed using this current day assessment and the current mill rate. As this is fixed to the current values and assessments will likely grow and the mill rate change these are the most conservative case senerios.

Additional Cost of Ten Year Phase In

Developer	Square Footage	Estimated Final Assessment*	Final Tax Revenue	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
No Phase In	489,000	34,230,000	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	1,444,848	15,893,328
Phase In	489,000	34,230,000	1,444,848	117,148	234,296	433,454	577,939	722,424	866,909	1,011,394	1,011,394	1,155,879	1,300,363	1,444,848	8,876,049
														Difference	**7,017,279**

TOTAL Difference **17,319,391**

0.065118947

Exhibit 5: Responses from New Haven Office of Economic Development to Questions Submitted by the Board of Aldermen, July 2007 - shows tax revenue after phase-in at $1,399,658 (p.3) and "aproximately $1,400,000" (p.6).

The Shartenberg Development Project

Response to Questions Submitted by the Board of Aldermen

Office of Economic Development
City of New Haven
John DeStefano, Jr., Mayor
Kelly Murphy, Economic Development Administrator
Responses from July 2007

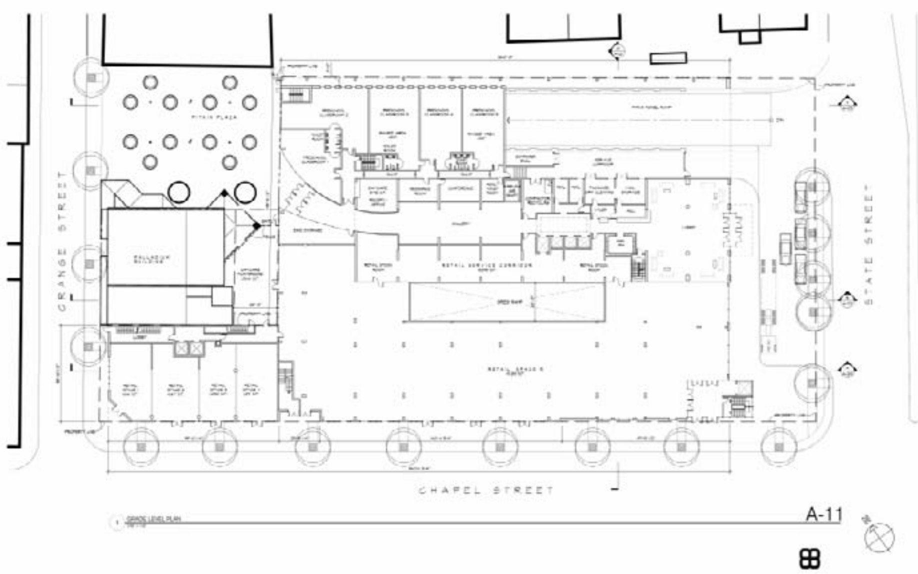
Questions & Answers

1. **A major concern is the language in the last three paragraphs of the Order which appears to grant the Mayor and Economic Development Administrator virtually unlimited authority to alter the Development Agreement, LDA, and other documents after the Board of Aldermen has approved them. What assurances can you provide that any significant changes come back before the Board of Aldermen?**

   The language that is provided in the Order is intended to provide staff with the ability to implement the agreements that are set forth and approved by the Board of Aldermen. Language was included to ensure that any significant change would be required to be brought back to the Board of Aldermen, similar to what was proposed and approved regarding the Gateway Downtown Development Project and the Yale New Haven Hospital agreement, such that a major change to the project would require Board of Aldermen approval. In this instance, significant changes would include a fundamental term shifts in the Development Agreement, the Land Disposition Agreement, or a major change in project components. For example, if the Developer wants to develop less than 400,000 square feet, this would require returning to the Board of Aldermen for approval.

2. **When will more detailed plans for this project be available? Compared to past projects, the Board of Aldermen has not been provided with much in the way of plans and drawings that convey a sense of this project's appearance and feel.**

   More detailed plans will be available for the committee meeting this coming Wednesday, and the Developer is planning to provide a detailed presentation of both the project and the design at this stage to the Committee during Wednesday's meeting. To date, in addition to significant review with the City Plan Department, the Transportation, Traffic & Parking Department, the Engineering Department, and the Office of Economic Development, the developer also held a public design workshop on April 24th to seek input from the public on the design, and has incorporated comments from all departments and the public workshop into the revised design. The Developer has submitted its drawings to the Board of Zoning Appeals and has submitted its Site Plan drawings to the City Plan Commission for site plan review in August and September.



3. **Please provide the following Exhibits, which apparently are missing from the submission to the Board of Aldermen: Exhibit C (Property Description); Exhibit E (Environmental Report); and Exhibit F (Union-Backed Financing).**

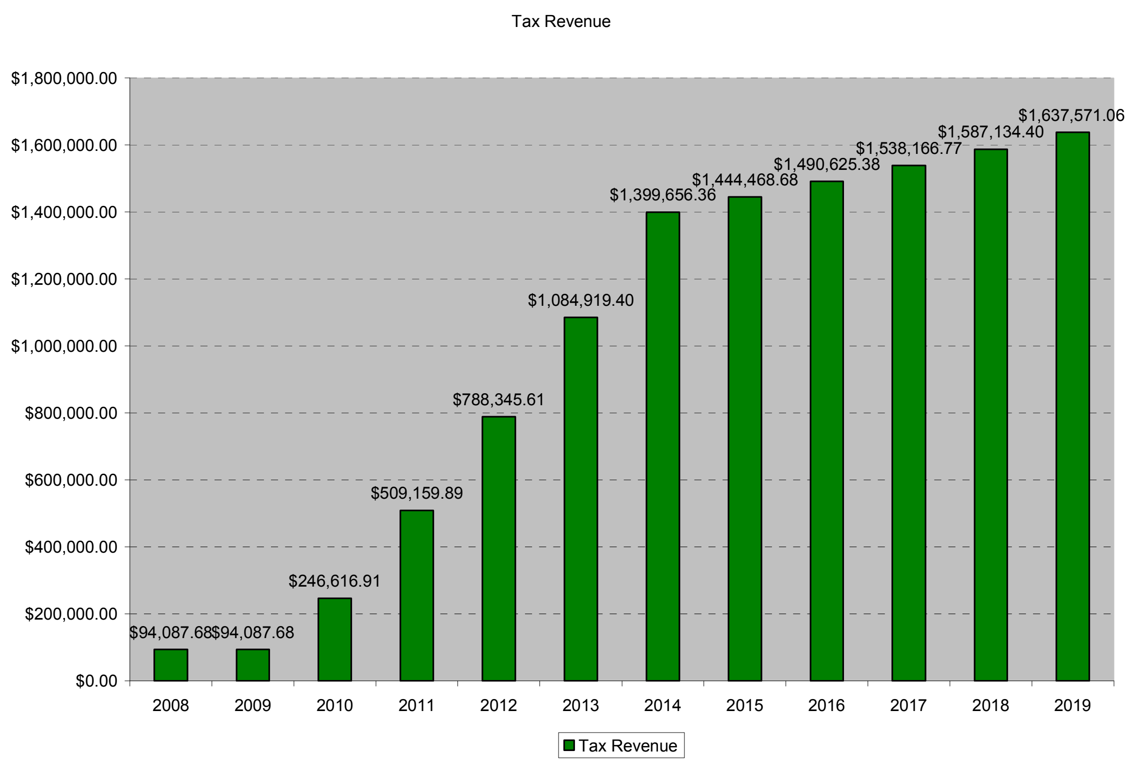
   All three exhibits are available. The Phase I and Phase II environmental reports are quite large and are available at the Office of Legislative Services and electronically.

4. **In the past, the Development Administration has generally provided at least three independent appraisals of large city lots for sale. How many will you be providing this time?**

   The City has used the new revaluation from the City Assessor and has compared this value with other recent local comparable values (Coliseum property and the recently purchased Wall Street Garage) to ascertain that the property value is approximately $3 million. It is estimated that environmental conditions on the property diminish the value by approximately $1 million, bringing the land value to approximately $2 million. As a comparison, the State and Wall Street Garage site is $1.24 million for a smaller parcel. An appraisal is underway and will be completed shortly.

5. **Please provide a timeline showing when revenues from this project will begin flowing to the city and how much.**

   The Becker project, in addition to being the first piece of major new construction in downtown in almost 20 years, will bring $1.5 million dollars in tax revenue ***annually*** *as well as hundreds of new residents to downtown and their $30 million dollars in economic activity. Unlike other proposals, there is no construction phasing and this project will begin positively impacting the General Fund in 2008-2009.*



6. **Please provide summaries of the projects proposed by other developers in the competition, including what subsidies they were requesting.**

   Below, we summarize the proposals, including the subsidies they requested. When the comparison is only among five proposals, that is because there were five proposals that provided strong enough financial information.

7. **Please document the level of pollution on the site and projected remediation costs with studies or estimates by certified environmental professionals.**

   Please see the attached Phase I and Phase II environmental studies that were conducted by Payne Environmental. The documentation regarding cost will be provided at Wednesday's meeting. As a comparison, the environmental cleanup costs on the State & Wall Street Garage site are $1.2 million, and the Ashmun Canal site is slated to cost $2.3 to $3 million.

8. **Please provide a commitment letter or other documentation that the city is in a position to commit $9.9 million in state Urban Act funds to the developer.**

   The $9.9 million was previously approved by the State DECD and State Bond Commission in 2002 as part of a larger grant for housing in the Ninth Square neighborhood, but was never used. The City and Becker + Becker have met with DECD and submitted documents necessary for DECD and the Bond Commission to approve this specific project. The earliest this item will go to the Bond Commission is September 2007. The Development Agreement before the Board of Aldermen is conditional upon State approval of the $9.9 million grant.

9. **Please provide a commitment letter or other documentation that the $100 million in union pension fund financing is firmly available.**

   Please see attached Term Sheet agreement between the developer and the pension fund investor.

10. **Please explain what the "New Markets Fund" is and provide documentation that it has committed $26 million to the project.**

    The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. Throughout the life of the NMTC Program, the Fund is authorized to allocate to CDEs the authority to issue to their investors up to the aggregate amount of $16 billion in equity as to which NMTCs can be claimed. Becker + Becker is completing the application for these funds.

11. **Please provide documentation of what income the city has received for the past five years from the current parking usage of the site, and what those funds are used for.**

    Prior to May 2003, the parking lot was operated by LAZ and the revenue went to Chase per the settlement agreement. The City of New Haven never had an agreement with LAZ on this lot and no revenue was generated to the City. In May 2003, the City entered into an agreement with Propark on the Shartenberg lot and since has received a flat rate of revenue of $20,100 per month. The funding is used entirely to support the downtown trolleys.

12. **What specifically are the terms of the current parking agreement with Chase? How are the current fees paid, to whom, and to whom will they be paid once the Shartenberg project is completed?**

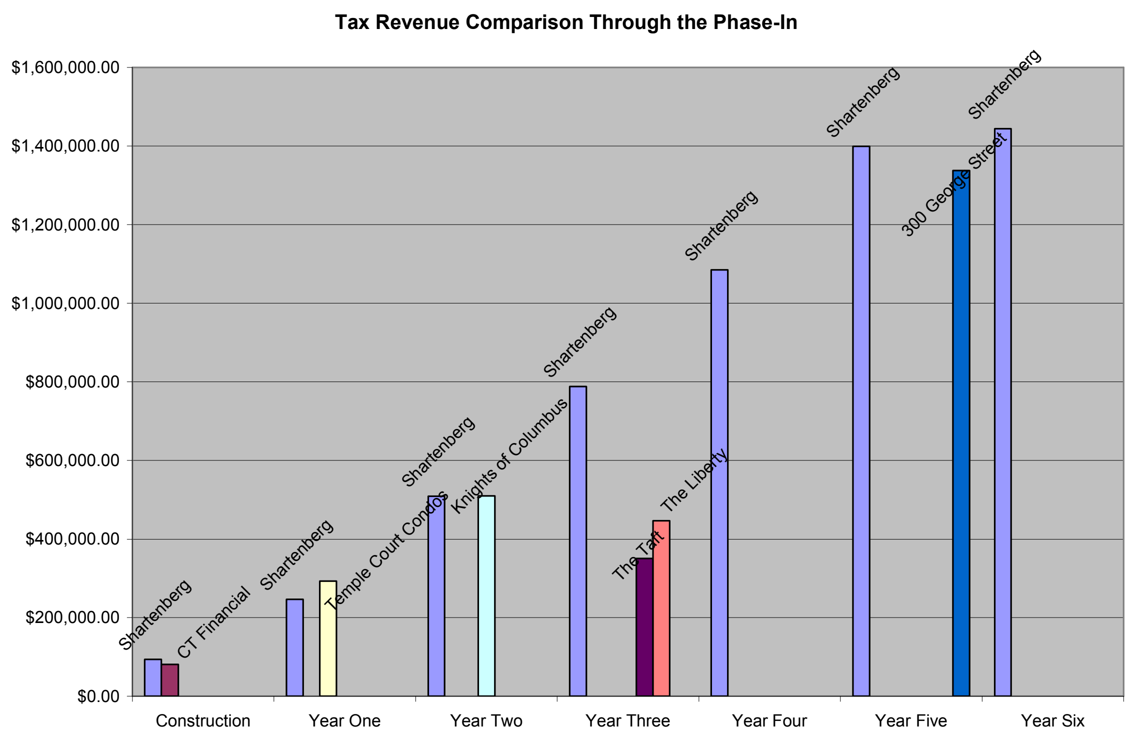
The Chase Agreement refers to a legal agreement between the City of New Haven and The Connecticut Financial Center Associates Limited Partnership c/o Chase Enterprises, which lasts until 2070. The agreement (which is recorded on the land records) provides rights for Chase Enterprises to use up to 175 undesignated parking spaces on the Shartenberg site from 6:00am to 8:00pm. The agreement stipulates that, for the period during which the site is developed, these parking spaces can be temporarily relocated to Temple Street Garage for a period of 18 months. The current fees are paid by Chase to Propark. When Becker + Becker purchases the land, the developer will inherit the obligation to provide these parking spaces, the costs of operating the parking structure to fulfill this obligation, and the revenue associated with these parking spaces.

13. What are the tax deferral amounts going to be, and when do the payments begin?

Tax payments will begin immediately, and the chart below graphically shows the tax amounts and phase-in period.

- *During construction, the assessed value will be frozen and will yield approximately $94,087 in annual tax revenue.*
- *The first year after construction, the as-of-right deferral program will be in place and the tax payment will be approximately $246,616.*
- *The second year, the tax payment will be approximately $510,000.*
- *The third year, the tax payment will be approximately $800,000.*
- *The fourth year, the tax payment will be approximately $1,100,000.*
- *The fifth year, the tax payment will be approximately $1,400,000.*
- *In subsequent years, the owner will pay 100% of the taxes on the property.*

The chart below illustrates the tax payments over time, and provides a perspective with regard to comparisons with other tax payments of comparable properties in 2007.



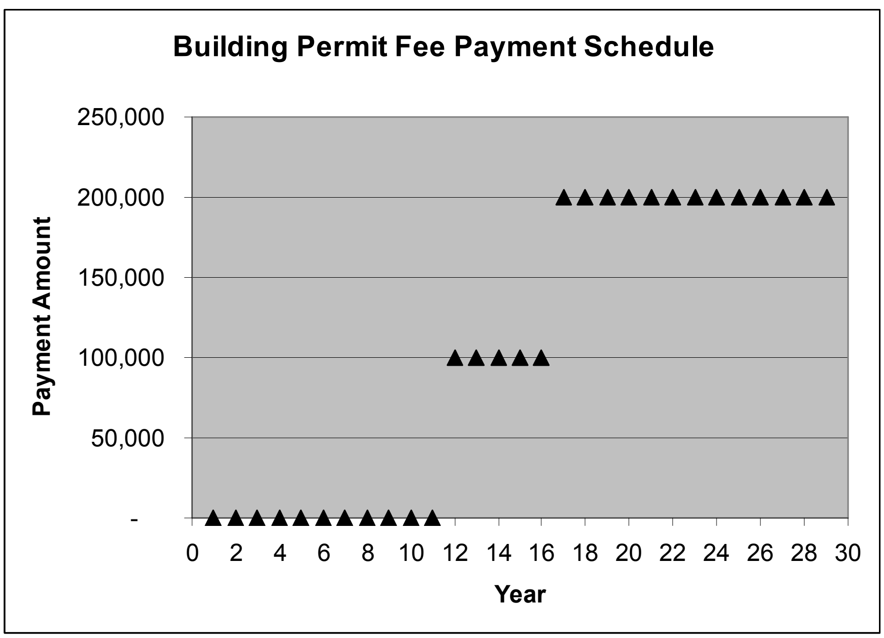
- *During construction, owner will pay amounts greater than what is paid by Connecticut Financial Center year--$81,306.58.*
- *During the first year, the development will contribute an estimated $246,616—just less than what Temple Court Condominiums paid this year ($292,660)*
- *During the second year, the property will contribute the same amount of taxes as is collected from the Knights of Columbus—one of New Haven's most prestigious business entities—roughly $510,000.*
- *During the third year, the property's estimated tax bill will be similar to the tax bills of The Taft and the Liberty apartment buildings COMBINED—just under $800,000.*
- *During the fifth year, the property will pay more than 300 George Street, the single highest-paying commercial property in the City.*

14. If payment of the building fees does not begin until the twelfth year, what is the base year and what year do the fee payments begin? Will there be any interest or allowance for inflation on the delayed payment of these fees? What is the total fee amount under the revised fee cost ($21.16 vs. $30.00)?

According to the terms negotiated and represented in the Development Agreement, the payment of the building permit fees is extended over a period of time. In the worst-case scenario, the first building permit fee would be paid on the first business day of the 12th year after the certificate of completion of the project. Then, for five years, the payment is $100,000 per year. After these five years, the payment increases to $200,000 per year until the obligation is completed (see chart below). For the purposes of the agreement, the new Building Rate ($25.16) is assigned and based on this rate, the total permit fee amount is estimated to be $3.1 million. There is no interest or allowance for inflation on the delayed payment of building permit fees.

However, the Development Agreement also states that the City and the Developer will both work to obtain Connecticut Reinvestment Tax Credits for the project, and whatever funds are achieved through this tax credit, 50% of these funds will be given to the City to pay off the building permit fees early. For example, if in 2008, $2 million in tax credits are achieved, $1 million of the building permit fees would be paid in 2008. The City feels it is in a good position to be awarded this type of tax credits since Stamford has received them previously.

The developer will pay all Certificate of Occupancy fees.



15. Please provide market studies or assessments showing whether a need exists for these several hundred new housing units in downtown New Haven, both presently and for the life of the agreement.

Please see the attached market study, which was provided to the City by Becker + Becker. Please note that this document is work paid for by Becker + Becker and is not property of the City.

16. What accommodations will there be for pedestrian and motorized traffic at this major intersection during the construction period. How will the city cope with downtown traffic issues as a whole with other large construction projects, such as Coliseum site, Gateway college, Yale projects, and College-George street housing development? What about air quality during the construction years?

The Developer will need to make accommodations, which require approval from the City Plan Commission during site plan review, to accommodate construction phasing, accommodations, and construction worker parking. The developer has submitted a draft traffic study for to the Transportation, Traffic & Parking Department for review. The traffic study is required not only for the City's review, but also for the State Traffic Commission. The STC is a State agency which reviews large developments for potential impact on the State transportation system. The STC has adopted regulations which define a development needing a certificate of operation as any which provides 200 or more parking spaces or has a gross floor area of 100,000 square feet or more. The Department of Transportation, Traffic & Parking is working with the developer to understand the overall traffic impact of this project and to ensure that any negative implications are appropriately mitigated.

Many projects that seem to house potential conflicts are well-timed with this project. The Coliseum demolition will be complete by September 2007, which is when this project estimated the start of construction. This project is estimated to complete construction in 2009, which is when the construction for Gateway Community College will become more intensive. Yale construction remains an ongoing aspect of downtown New Haven, and remains several blocks removed from this project. The College-George condominium development has been approved, but their construction timeline is indefinite at this point. Maintaining good air quality during the construction years will be the requirement, as it is for all construction projects, of the Developer and will be monitored by the appropriate public agencies.

17. What is the height of the base and what is the height of the tower?

The Development Agreement requires that the height of the base be not less than 45 feet, to ensure that the base is of similar size and scale to the surrounding neighborhood (the average height of the buildings across Chapel Street is 45 feet). Becker + Becker's current drawings demonstrate a:

- *Base portion that is five stories tall, with a height of 81'4". Because the grade changes by approximately two feet across the site, this height increases by 2'0" on the State Street side.*
- *Tower portion that is 31 stories tall, with a height of 338'0" above grade, again with the height increasing by 2'0" on the State Street side. The podium for the tower is 60'2½" above grade. This height is comparable to the Connecticut Financial Center, though also combines the commercial stores with the residential component).*

18. What street, sidewalk or other infrastructure improvements will the developer be responsible for funding. How will the city's share of these improvements be funded?

In this agreement, the City is responsible for between $450,000 and $500,000 in sidewalk and streetscape improvements. Each year, the City bonds to provide this type of improvements to commercial districts in which significant investment is being made. Improvements typically include streetlights, bus stops, benches, trash receptacles, street signage, and sidewalks. Similar projects have taken place along Grand Avenue, along Whalley Avenue, in Westville Village, in the Chapel West area, and downtown, including along Temple Street, in front of the Center Pointe development, near the Criterion Cinemas, and in front of the Omni Hotel. The Developer will make any further infrastructure improvements that are needed, including any traffic improvements required outside of a cut in the median, any environmental cleanup on site, and landscaping and plantings around the property. With the exception of a cut in the median, the developer will be paying for all traffic improvements required by the City and by the State Traffic Commission.

19. When will the traffic study be done? Who is paying for it?

The traffic study is being conducted presently by Wilbur Smith Associates. Becker + Becker is paying for the traffic study. Becker + Becker is working with the City's Department of Traffic & Parking to determine what mitigation is necessary given the new traffic as a result of this project. In addition, Becker + Becker is submitting the traffic study to the State Traffic Commission, who may require certain modifications as part of this project.

20. When will the Public Works report be finished?

This report is in progress, and will be distributed to the Committee as soon as it is finished.

21. What return does the developer expect to realize on this project?

The pension fund investor is requiring a minimum of a 7% return on their investment in this project.

22. How much is the developer fee(s)?

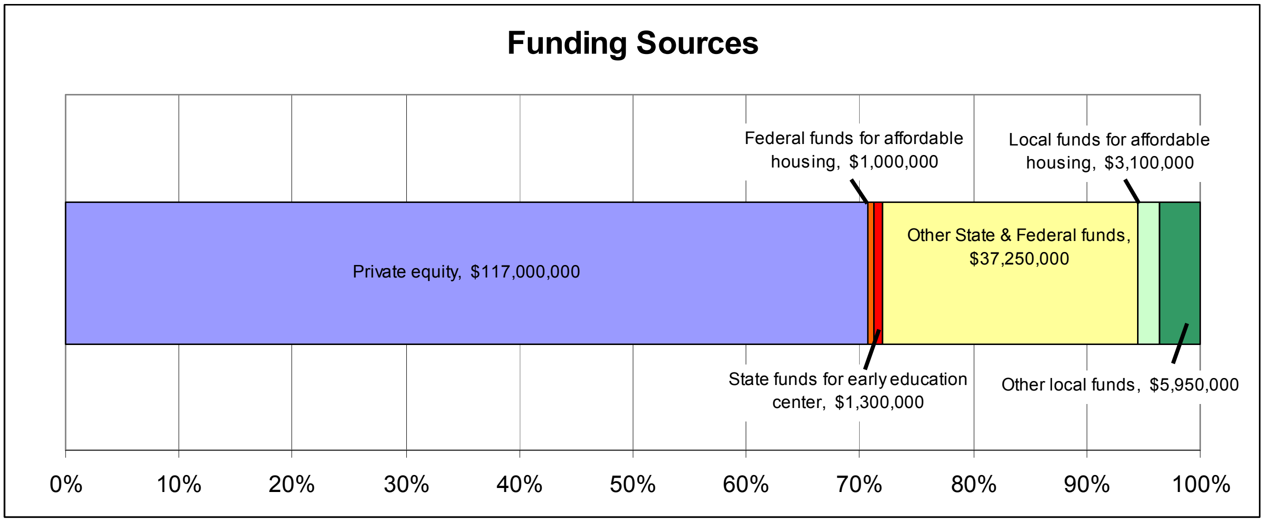
The developer assumes the project risk, and therefore their fee is paid by the pension fund in increments, based on completion of project milestones, completion of project on-time and on-budget, and successful lease-up. Because these milestones have been achieved yet, we do not know the final developer's fee, however it could hit a maximum of $6,078,595, or 4% of the development budget. Please see the attached pro forma for the project. A 4% developer's fee is much lower than the typical developer's fee on traditionally-funded projects.

23. How much is the management fee(s)?

Becker + Becker is in the process of selecting a professional property management entity and is current in negotiations on this matter.

24. Please identify all subsidies for this project.

The following chart summarizes the funding sources that will be used for this project, with specific details provided below.



Private funding
$117 million from Private equity from the union-backed pension fund

Federal and State funding
$1 million in HOME funds for affordable housing
$1.3 million in Connecticut Health and Educational Facilities Authority funds for early childhood education facility
$9.9 million from Connecticut Department of Economic and Community Development Urban Act funds
$1.1 million in Connecticut Housing Trust funds
$0.25 million in green building tax credits, utility rebates for energy efficiency
$26 million in New Markets Loan

Local funding for affordable housing
$3.1 million from Housing Authority of New Haven funds (from HUD) for affordable housing

Other local funding
$2.4 million in delayed building permit fees ($3.1 million in fees, reduced to approximate present value, based on very conservative estimates)
$0.5 million in sidewalk / streetscape improvements to project area
$3 million, in estimated land value (though with environmental, value is only estimated at $2 million)
$30,000 to $50,000 estimated in State Street median cut, if needed

25. How does the zoning relief requested for this project compare to that granted for other downtown projects?

The developer has requested zoning relief for the following items: special exceptions to permit a 100-child day care center, to allow 333 residential parking spaces where 500 spaces would be required, an open space variance. Please note that, despite the variance requested, the Development Agreement requires a minimum of 500 parking spaces but this variance is requested to provide the Developer with greater flexibility as to how these spaces are allocated between residents, commercial users, and the at the same time accommodating the Chase parking requirement. All three of these zoning relief items have been approved previously for downtown projects.

26. What is the expected project return?

The pension fund is requiring a 7% return on their investment.

27. On page 13 of the Development Agreement, Section 6.2, why is the $20,000 fine for missing a progress deadline to be used for other development projects, at the discretion of the Economic Development Administrator?

The fine for missing a project deadline was placed in the Development Agreement as an incentive for the developer to stay on its construction schedule that has been included in the agreement. This is the firs time that we are aware that the City has imposed such a fine on a Developer if the schedule is not kept. It is our hope that the project will move swiftly to avoid this fee from being charged. If it is levied, it seemed most appropriate to be put toward the budget item that would best impact economic development projects in the City.

28. On Page 22, paragraph C of the Land Disposition Agreement, why is the transfer of interest in the property which might cause it to be exempt from real property taxes, unless the transfer includes a PILOT for the period remaining until the 40th year after the recording of the Certificate of Completion? Why isn't the PILOT permanent?

Because the City is making a financial contribution to the project, based upon the prospect of significant tax receipts of $1.5 million per year, it is clearly important to the City that such receipts are realized and not immediately sold to a tax-exempt entity. As owner of the property, the Developer understandably needs to ensure that the property ultimately has the same property rights as any other property owner in the City of New Haven. A restriction for a minimum of 40 years was agreed to be a fair compromise. There is precedent for this in previous development agreements, such as the Park Street and Lot E developments, which form part of the Yale-New Haven Cancer Center Project. After 40 years, the City will have reaped its initial investment in the property and will have received millions of dollars in additional tax revenue.

29. What is to prevent the sale of the property, after 40 years, for an exempt usage, without the City being able to negotiate a PILOT payment, for it being taken off the taxable grand list?

No guarantee exists that, in 40 years, this property could not be taken off the tax rolls for an exempt usage; however after 40 years, the City will have reaped its initial investment in the property and will have received millions of dollars in additional tax revenue.

30. The environmental language between the two agreements with regard to the indemnity is contradictory.

We will consider the differences observed between the two environmental indemnity agreements and seek to ensure that (1) the City is fully protected with regard to any environmental liability and (2) that there is no inconsistency between the two documents.

31. If we take back the property and we sell it and we pay off the mortgage, we shouldn't be reimbursing them for their total investment, it should be their total investment less the mortgage we paid off. Why would it take nearly five years to complete this?

It is the intention of the parties that any balance remaining after payment of the City's costs and the mortgages would be used to repay the developer for costs or liabilities actually incurred by the developer over and above the amount of the mortgages and which remain liabilities. We can take a look at the language to make sure this is accurately reflected so there will be no "double-dipping."

32. On Page 14, Section 6.4 of the Development Agreement it states that the minimum base height for portions other than the tower be 45 feet. On Page 37, in Exhibit B (Description of the Project), it states that the base for the tower or towers be not taller than 45 feet. Which one is correctly?

The language directly in the body of the Development Agreement is correct. The minimum base height must be at least 45 feet. This requirement is intended to ensure that the base of the building is of similar size and scale to the neighboring buildings and to the Ninth Square neighborhood.

Attachments

Please see the following attachments:

- Comparison of Proposals Submitted
- Exhibit C: Property Description
- Exhibit D: Phase I and Phase II Environmental studies are available at OLS and electronically
- Exhibit E: Financing Term Sheet
- B+B market study
- Pro forma
- Letter from Department of Transportation, Traffic & Parking
- Forthcoming: Letter regarding anticipated environmental remediation cost
- Forthcoming: Report from Department of Engineering

Exhibit 6: Letter from Tony Bialecki of the New Haven Office of Economic Development, to Faith Bessette-Zito, CT Department of Economic and Community Development, September 5, 2007 - states “estimated property taxes...have been closely analyzed...”

NEW HAVEN
IT ALL HAPPENS HERE
www.infonewhaven.com

Mayor John DeStefano, Jr.

City of New Haven

Office of the Economic Development Administrator
165 Church Street
New Haven, Connecticut 06510

Kelly Murphy, AICP
Economic Development Administrator

Faith Bessette-Zito
Department of Economic and Community Development
State of Connecticut
505 Hudson Avenue
Hartford, CT 06106

September 5, 2007

Dear Faith:

We received your additional seven-page list of questions and requests for clarification. Attached please find our response to several of the questions. We will be following up with the remainder of the questions next week.

Again, we thank you for your continued attention to this project and continue to invite you to contact us if you have any questions about the application material.

Sincerely,

Tony Bialecki
Deputy Director

203. 946.2867 Phone / 203. 946.2391 Fax

A1. Is the City providing a 10-year tax abatement to the project?
No. The ten-year tax abatement was part of Becker's original proposal, but no tax abatement is being provided for this project. The Developer is planning to use the City's standard five-year, as-of-right Assessment Deferral Program.

A2. The absence of properly dated material on the marketability has impacted the overall scoring for the section.
The May 2007 market study for the project is attached.

A3a. Affirmative fair housing marketing plan – groups least likely to apply
Please use our most recent, updated response dated 7/30.

A3d. Items 8A, 8B, 9A, and Certification to Affirmatively Further Fair Housing
We do not know what items 8A, 8B, and 9A are. Could you please clarify what these items are? The signed and dated Certification was submitted to you previously and is reattached to this package.

A9e. Is the City waiving the building permit fees?
The City has approved delaying the payment of the building permit fees. Payment will begin in Year 12 at a rate of $100,000 per year for five years. After those five years, the payment will increase to $200,000 per year until the entire amount is paid off. Documentation exists in the Land Disposition Agreement which was just approved by the Board of Aldermen on September 4, 2007. A signed copy of the LDA will be provided as soon as it is available.

A11f. Please clarify if there will be a tax abatement and provide appropriate description?
The estimated property taxes are based on the as-of-right City Assessment Deferral Program, where the assessment is frozen during the two-year construction period, and then the assessment increase is phased in over a five-year period. These estimated budget figures have been closely analyzed by the City's Tax Office, the City Assessor, and the Board of Aldermen and we agree that they are fair estimates of the property taxes at this point in time. Documentation is attached.

A12. City needs to provide a property description
A metes and bounds description is attached.

A13. City needs to provide a property description and a copy of the LDA
A metes and bounds description is attached. The LDA will be provided as soon as it is signed.

A15. Please clarify City contributions to the project
The City is contributing to the project the land (for $1), up to $1 million in HOME funding, a median cut on State Street if needed, delayed building permit fee payment, and up to $500,000 in sidewalk and streetscape improvements, consistent with other projects completed in the downtown area. These contributions are documented in the approved LDA and Development Agreement.

A16. Please clarify the length and method of long term affordability for affordable units
The HOME-funded units will be affordable for a minimum of 20 years. The Housing Authority-funded units will be affordable for a minimum of 17 years. Both items are documented in the LDA and Development Agreement.

B1. Is this the selected contractor?
Yes, Fusco has been selected as the contractor. It is understood that all permits and approvals are required.

B2. A response on the applicability of the Transfer Act is required
Legal counsel has reviewed this matter and has provided the attached response.

B3. Coordination and Approvals

A contractor has been selected, and submissions have already been made to the State Traffic Commission to seek a determination on the project.

C1. Please provide documentation regarding who is owed these funds of $489,333 and the repayment status.

Attached is documentation from Becker + Becker's accountant as well as a copy of the schedule for the $489,333 detailing amounts classified as "Current maturities of long-term debt" which you asked about. This line item was for BBA's bank credit lines, plus equipment and Prius financing as of December 2006. All of these items, including the Prius were paid off earlier this year with proceeds from the Octagon project transaction so there is currently a zero balance for this entire line item. DECD should also be reassured to know that Becker + Becker currently has $2.5 million of working capital in place to fund its new development projects.

C2. Please provide additional detail to clarify the affiliate transactions and their impact on the project.

DECD asked about affiliate transactions which related to the Wauregan project as well as the Octagon. Both of these projects have been completed and are fully leased and pose no liability to Becker + Becker. In fact they are both significant assets which have been the source for the firm's substantial working capital and facilitated the liquidation of all company liabilities.

Exhibit 7: Email Correspondence between Kelly Murphy of the New Haven Office of Economic Development, Alderman Greg Dildine and Tax Assessor Bill O'Brien. Includes "360 State talking points" attachment confirming 2007 estimates of tax revenues - prepared by Kelly Murphy and reviewed by Assessor Bill O'Brien, August 5, 2010.

From: Kelly Murphy
To: Dildine, Greg; O'Brien, William
Date: 8/5/2010 7:10 PM
Subject: RE: 360 State - Alderman Dildine
Attachments: 360State_talking points.doc

Hi Greg

Thanks for trying to clarifying some incorrect information out there. I prepared some highlights of the 360 State Street project, including some estimates on phase in (Bill, correct me if these are wrong).

As we discussed previously, my office is also working on an overall chart of development projects these past few years and the tax revenue that was generated, such as 55 Park Street etc. I should have this completed soon.

Bill, re: IKEA, we should talk about my office's efforts to help them to redevelop the site over the past number of years.

Best,

Kelly

>>> "Greg Dildine" <dildine2009@comcast.net> 8/5/2010 11:16 AM >>>
Bill,

Thanks.

So the way I read this is per the City's existing "defferral program" (BOA enacted in 2005) - presumeably for econ dev - they applied and qualified and thus received the benefits of that "program."

Is is correct that the owners have been paying 100% taxes on the property's assessed vaule of $2,097,830?

Now since folks are moving in I assume they have a CofO.

So, can you please outline the timeline with dates for how their new assessment will go? When exactly will you assess the property to start this phase in?

Looks to me that the clock starts this month. They'll have one year with no increase from the above base ammount. Then new assessments will be bassed on YOUR assessment and phased in 20% per year.

Thanks again,
Greg
C. 203.228.4649

-----Original Message-----
From: William O'Brien [mailto:WOBrien@newhavenct.net]
Sent: Thursday, August 05, 2010 7:37 AM
To: Greg
Subject: Re: 360 State - Alderman Dildine

360 State has a deferral agreement. As with any other local deferral, if the application meets the criteria, it cannot be denied. 360 met the criteria. Upon completion of the improvements, the assessment will be phased in at the rate of 20% per year (for five years); this is after the two-year freeze at the land value. Copy of the agreement is attached for your review.

IKEA has no deferral in place, however, it is suing the City Assessor on the premise that the property value is over-assessed. The basic premise of their case is that the vacant former Perelli Armstrong Building has no value.

However, when IKEA acquired the property, they had agreed to renovate/rehabilitate the structure and have it occupied. There are other peripheral issues, but these are the principal issues.

I will be glad to speak with you verbally on either of these.

Bill O'Brien, MAI, CCMA
City Assessor
City of New Haven
203 946-8057

>>> "Greg" <dildine2009@comcast.net> 8/4/2010 5:10 PM >>>
Another common misunderstanding is how 360 State Street is Assessed.

I often hear "they pay no taxes." Folks also assume IKEA has some sort of deal too.

Can either of you please set the record straight on 360 and IKEA.

Thanks,

Greg Dildine

Alderman, Ward 25

c. 203.228.4649

360 State Street Fact Sheet

- 678,000 sf, 500-units and 500 parking spaces with ground floor retail
- A full-service urban grocery store of the quality of Whole Foods or Trader Joe's to commence operations within 36 months of the issuance of the first certificate of occupancy for any portion of the project or Becker will be fined.
- $150 million in private equity from union-backed pension funds.
- Built by union labor.
    - On line to bring 1,265 construction jobs and almost 200 permanent jobs to the city.
    - Becker + Becker/Suffolk abided by all City workforce requirements, including Equal Opportunity Requirements, City workforce ordinances, and Small Business Initiative programs and signed a Project Labor Agreement. To date, the developer is on target to meet all workforce goals (as of June 2010):
      Over 690 Workers on Site
      Over 170 Residents on Site
      Over 260 Minorities on Site
      Over 40 females on site
      Over 2.3 million transfer of wealth to residents
    - Project has achieved an **unprecedented $11.7 million in small and minority contracts** and has developed four mentor relationships which has resulted in these partnerships with small and minority contracting bidding on new jobs together meaning that its more than just this project. A sing of ultimate success.
- LEED certification of at least the Silver Standard was required in the development agreement. The developer has exceeded this goal and has achieved a LEED-Platinum certification, the first mixed-use LEED-Platinum in the country.
- 50 affordable housing units in the project;
- **$1.5 in annual tax revenue. NO TAX ABATEMENT**
- **$30 million in spending power**
- **$1.5 million annual tax payment equals 15 new police officers or 9 Open Schools for 34 weeks that will keep our kids engaged in educational and healthy activities.**

- The $1 deal. By selling the land for $1 the City is released from a minimum of $9 million in cost.

    - Becker and Becker took full responsibility for all environmental remediation of the site. Environmental costs are in excess of $3 million.

    - This site was burdened with a requirement to provide 175 parking spaces as part of a past development deal to build the CT Financial Center costs we estimate to be up to $6 million.

    - Land was appraised at $4M

    - This development deal does not burden a future development site with such costs (as the item above) and begins to be a tax producing entity right away after 43 years of operating as a parking lot generating NO taxes.

- Project Tax Facts:

Attachment - 360State_talking points.doc

360 State Street Fact Sheet

- During construction the Assessment is frozen for two years(as part of the As-of-Right Tax Assessment Deferral Program open to any property owner that meets the criteria) but taxes are still collected. The first check during year one of construction was $94,087, more than the Connecticut Financial Center paid in taxes this year--$81,306.58.
- The first year of the as-of-right phase-in after opening the property will contribute an estimated $246,616
- The second year of the as-of-right phase-in the property will contribute an estimated $510,000.
- In year three of the as-of-right phase-in, the property's estimated tax bill will be just under $800,000.
- In year four of the as-of-right phase-in is $1,084,919
- In year five of the as-of-right phase-in is $1,399,656.
- In year six, the property will begin paying taxes at its assessed value and remain the largest tax paying property in Downtown.

These numbers are the same as the numbers from July 2007 (Exhibit 5, page 3).

Exhibit 8: “360 State Fights Eye-Popping Assessment” New Haven Independent Article, Sept 28, 2011 - summarizes tax assessment issue.

NEW HAVEN INDEPENDENT
IT'S YOUR TOWN. READ ALL ABOUT IT.

360 State Fights Eye-Popping Assessment

BY **Melissa Bailey** | SEP 28, 2011 7:56 AM
(39) Comments | Commenting has been closed | E-mail the Author

Posted to: Business/Labor/ Economic Development, City Hall

MELISSA BAILEY PHOTO

City Assessor Bill O'Brien.

Remember when city officials lured a developer to build Connecticut's largest apartment tower downtown? Now they've quietly quadrupled the project's eventual tax bill—and the resulting dispute has landed in court.

The dispute not only reflects a breach in the relationship between City Hall and backers of a showpiece project at the heart of a downtown revival.

If the legal challenge's claims are true—that the city with no basis suddenly jacked up the assessment of

a project wildly beyond officials' own original public projections—then the matter would call into question a central plank of Mayor John DeStefano's reelection campaign: That he has increased New Haven's grand list of taxable property by $149 million amid a recession. 360 State's disputed assessment could account for two-thirds of that gain. As much as $100 million could prove bogus—or at least far more than city officials projected it to be when they originally touted the project.

360 State opened in 2010 with 500 apartments and a parking garage. A food co-op is set to open in October on the ground floor. The building is both financed and owned by Multi-Employer Property Trust (MEPT), a union pension fund. As part of a deal to convince architect/ developer Bruce Becker to proceed with the 32-story tower, the city agreed to phase in real estate taxes on the property over seven years.

The latest assessment shows MEPT will have to pay about $5.7 million in taxes when the deferral is over—four times the amount the city originally estimated when it was courting Becker to town. That original estimate formed the financial basis upon which MEPT committed to the project and anticipated it could meet its financing costs. (Because of the tax deferral program, MEPT doesn't have to pay that full bill for another five years; its tax bill this year is less than $100,000.)

THOMAS MACMILLAN FILE PHOTO

Developer Bruce Becker.

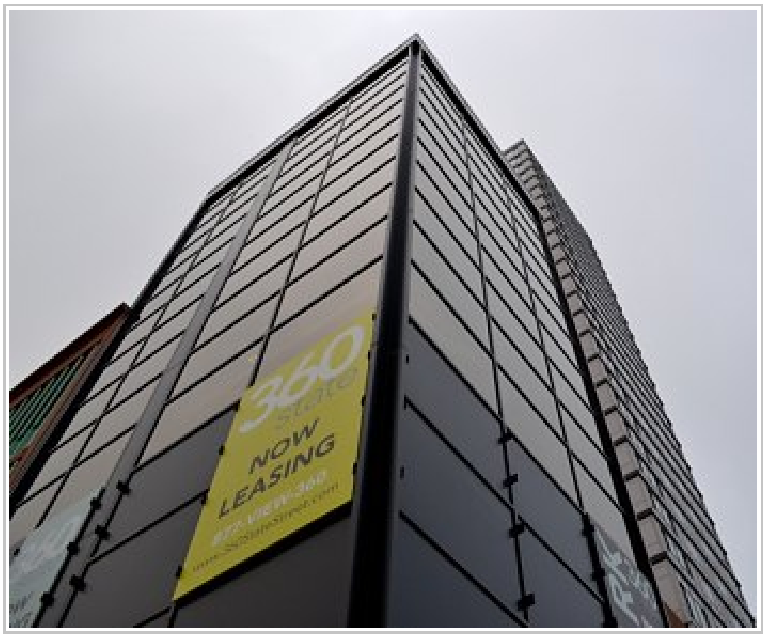
When it's fully phased in, the unexpected tax bill would devastate the project's cash flow, from a net positive $248,000 to a net negative $4.6 million per year, according to 360 State's legal counsel.

With that danger looming, MEPT is now fighting the assessment in state Superior Court.

City Hall's top lawyer, Corporation Counsel Victor Bolden, Tuesday defended tax assessor Bill O'Brien. He said O'Brien has a legal obligation to assess the property according to state law—not according to any prediction that might have been made before the building was built.

Documents prepared by the city's Office of Economic Development estimated the city would receive $1.4 million in taxes from the property once the taxes were fully phased in.

The city estimated the property would bring in $1,399,656 once the taxes are phased in, rising to $1,637,571 in another five years, according to responses Economic Development Administrator Kelly Murphy prepared to questions by aldermen and released to the public in July 2007.



Based in part on that understanding, the pension fund agreed to the deal, and Becker set to work building on a vacant lot on the grave of the former Shartenberg department store.

The latest grand list of taxable properties shows a stark contrast with Murphy's prediction in 2007.

When Mayor DeStefano released the latest grand list in February, MEPT emerged as the city's fourth-highest taxpayer. 360 State added $130 million in taxable property to the grand list, according to the list. DeStefano, who was running for a record 10th term in office, proclaimed New Haven had added $149 million to the grand list, the largest growth across the state.

The growth would have been closer to $50 million if the city had stuck with an assessment in line with the projections it offered in 2007 based on an internal calculation by its assessor's office.

After the sticker shock of its new assessments, MEPT took the case before the Board of Assessment Appeals.

The board wasn't legally required to hold a hearing because of how high the assessment was. Assessments of over $1 million can be directed straight to state court, according to board member Jeff Granoff.

But the owners asked for a hearing and the board complied, he said.

The board ended up denying the appeal, Granoff said: "They presented their evidence, we evaluated it and looked at it, and we felt it would be denied." He declined to comment further on the reasons behind the denial.

MEPT then took the battle to Connecticut Superior Court in Meriden, where the case is now pending. MEPT filed two suits against the city on June 15, claiming it had suffered from "manifestly excessive, disproportionate and discriminatory" property assessments.

The suits were filed by two limited liability corporations affiliated with MEPT: MEPT Chapel Street LLC, which owns the residential portion of 360 State, and MEPT Chapel Street QALICB LLC, which owns the parking garage and commercial space.

Records show the city pegged 70 percent of the assessed values at: $114,556,820 for the residential component; $3,038,840 for the commercial part; and $12,455,660 for the parking garage. That's a total of $130,051,320.

Given the current tax rate of 43.9 mills, taxes on the property compute to $5,709,252 once fully phased in—four times as much as the city estimated in 2007.

The suits charge the assessor "overvalued and over-assessed" the residential and commercial properties in the latest grand list.

The assessments were so out of whack they "could not have been arrived at except by disregarding the provisions of the statutes" governing tax assessments, the suits charge.

Bruce Becker declined to comment for this story.

In two responses filed in court, a city-hired law firm, Halloran & Sage LLP, denied the assessments were unfair.

So why did the property assessment quadruple?

Press Release Math

City Assessor Bill O'Brien offered an explanation Tuesday.

He said the city has three main ways to determine the value of real estate: The cost to build, comparable sales, and the income coming into the building.

For example, O'Brien said, the value of a project should be more than the cost of building it. To determine a project's cost, O'Brien said, the city looks not only at building permits but also at what developers say in public.

In the case of 360 State, O'Brien pointed out, "there were news press releases" and statements in the media about the cost of the building.

In its tax deferral agreement with the city, MEPT declared it expected to spend $109 million to build the project. In 2010, stories in the Independent and the New York Times pegged the project cost at $190 million—but that figure included grants for components like "green" fuel cell.

O'Brien declined to give a specific explanation of why the assessment was so high.

He did say that income to the rental properties is "very relevant."

And he offered this reflection: "In general, it's not unusual for anyone seeking a building permit" to "underestimate" the cost of the building prior to constructing it.

Sky-High Compared To Competitors

O'Brien was also asked why the assessment appears to be higher than that of some other residential buildings around town.

For example, the Eli luxury apartments on Church Street were assessed at $60.38 per square foot. The residential portion of 360 State was assessed at more than four times that rate—$256.67 per square foot.

"Making those kinds of comparisons is not fair," O'Brien replied: The Eli was a retrofitted rehabilitation of a 1938 building, he said. By contrast, 360 State is brand new.

"I'm not too sure there are many brand new" residential buildings to which to compare 360 State, O'Brien said. 360 State has "no deterioration" and "no economic obsolescence" due to a neighborhood going downhill, he said.

"It is certainly unique" in that it's "new, modern and contemporary," O'Brien said.

O'Brien added that the city may assess new buildings at any point during the year to update their value as they are constructed.

360 State has another difference from buildings like the Eli—it includes below-market public-housing apartments.

Earlier Document Unavailable

The projected tax revenue provided by the city in 2007 was based on an initial assessment compiled by O'Brien's office. That assessment was not available as of press time.

Despite that working assessment, the tax deferral deal the city struck with 360 State developers never included any guarantee of what the future assessment would be, city Corporation Counsel Bolden noted in an emailed statement. The estimates cited by Murphy were not part of the legal documents the parties signed.

"Aside from the initial improvement period, the agreement does not guarantee that the property will be assessed at a specific number," Bolden wrote. "Instead, the agreement only addresses deferring the impact of any assessment increase."

The tax deferral deal, signed in November 2008, states that the initial real estate assessment would start at $2 million, before the building is built. Then, when construction is done, the city assessor would make a new assessment of the property. The increase in value would be phased in as followed: The first year, in 2011, the total increase is deferred. Then the increased assessment will be phased in by 20 percent for another five years until it reaches 100 percent.

"The Assessor is required to follow state law in determining the assessed value of all property in the City, including 360 State, and the tax deferral agreement does not say anything different," Bolden wrote. "In fact, the agreement expressly requires compliance with the applicable state law.

Bolden added that "the City declines to engage in a lengthy public exchange on a matter currently before the courts."

O'Brien: "If We Don't Like You…"

360 State developer Becker posed some questions to O'Brien Tuesday morning, when the assessor appeared before a dozen businesspeople and city officials in a question-and-answer session hosted at City Hall by the city's Economic Development Corporation.

Becker didn't bring up 360 State's case. He did ask O'Brien to talk about how the city deals with appeals and deferments.

O'Brien estimated the city has 27,500 real estate parcels, including those that are tax-exempt, as well as 85,000 taxable motor vehicles and 4,400 personal property accounts. Real estate gets revalued every five years; the last reval came in 2006.

Historically, O'Brien said, the Board of Assessment Appeals gets 600 appeals each reval cycle, 200-300 of which end up in court.

O'Brien said there was a spike in appeals last year, which he attributed to tough economic times. His critics—including aldermen who held hearings that led to promised reforms in O'Brien's office and the tax appeals process—claimed his office engaged in bizarrely out-of-whack commercial assessments across town based on "drive-by" looks.

How long does an average appeals case take to be resolved in Superior Court? Becker asked O'Brien.

That depends on "if we like you," quipped the assessor.

"If we like you," the case will go quickly, O'Brien responded.

"If we don't like you, we can drag it out for 10 years."

O'Brien quickly added that he was kidding. He said of the cases that end up in court, 40 percent get withdrawn due to a settlement and about 30 percent go to trial.

O'Brien said the average trial takes two to three days. The city likes to solve appeals promptly: "We like to clear the decks."

If 360 State's case isn't settled before trial, the court will determine whether the owners suffered "manifest" discrimination—and whether DeStefano's claims of robust grand list growth hold up to cross-examination.

Comments

posted by: anon on September 28, 2011 8:19am

“the largest growth across the state.”

Is this actually documented somewhere in public, or is it just that our media accepts a constantly repeated claim as the truth?

posted by: anon on September 28, 2011 8:23am

O’Brien:

If income is relevant (which makes sense, as income determines value), then why is the Eli assessed at 1/4 the rate per square foot? The apartments at the Eli rent out for about the same price as the apartments at 360 State.

posted by: streever on September 28, 2011 9:08am

Did anyone not see something like this coming?

The Mayor is focused to the exclusion of all else on large, headline grabbing moves.

Remember when Resident ID was going to get bank accounts for undocumented immigrants?

I feel badly for Becker that he was suckered in by the Mayor’s usual over-promise, under-deliver spiel.

Makes the whole kerfuffle with Ideat Village kind of ironic, doesn’t it? A city that is so desperate to appease anyone with money that it rolled on the back to try to prevent a New Haven festival from occurring turns around and slaps the same moneyed developer with an assessment totally out of whack from the initial projections.

posted by: david on September 28, 2011 10:11am

A wonderful message to any other would be developers interested in New Haven.

posted by: JAK on September 28, 2011 10:15am

“If we like you”.

This is no joke.

Serious question: Has this developer given any money to the Destefano campaign? I’ll bet not which means he is not on the “like” list.

posted by: Vinny G on September 28, 2011 10:22am

What happened? Becker forget to make a campaign contribution to Johny.

posted by: assessor on September 28, 2011 10:26am

There is a reason O’Brien isn’t in Bridgeport anymore. I just want to know why he ended up in New Haven?

As a resident I am excited there are people investing in our city to relieve residents of our excessive tax burden but O’Brien’s tactics have, historically, been shady and on the edge of the law when he can get away with it….

I would imagine that there is probably a happy medium that can be reached and I hope it happens before the two LLCs claim bankruptcy and screw the city. This is why these should have been condominiums from the starts and not rentals.

posted by: streever on September 28, 2011 10:39am

To Assessor:
I asked a city hall employee that. They told me they couldn't find anyone else. I think the unspoken quality they couldn't find elsewhere was "anyone else who would donate to the Mayor and do as they are told".

The Mayor loves hiring people with little experience or who are compromised at their former jobs. Kingmaker! Classic insecurity.

posted by: East Rock Res on September 28, 2011 10:47am

Why would anyone else want to invest in New Haven after reading this? I can't believe I'm actually siding with the developer on this but if the city makes promises to lure development into town, then it seems fair to honor those, no?

posted by: meridenite on September 28, 2011 11:02am

Interesting comment by the assessor, will this be brought up in the trial, also the full value based on the 70% assessed value is aprox 164 million for the 500 apartments or 328,000 per WOW!!!!

posted by: Bill O'Brien on September 28, 2011 11:34am

With respect to the property at 360 State Street, the Independent could have easily learned much of the detail relating to cost and value by simply utilizing the Internet to extract the rather voluminous cost data and claims of this project. There exists more than ample public information by the developer and his associates, both before and during construction, clearly indicating cost estimates ranging from $140.0 to $200 million.

Here is some important data related to this project: (1) the developers' 2006 RFP submittal lists costs at $150.0 million; (2) the developers 2007 budget submittal indicates cost of $189 million; (3) a July 2008 submittal indicates costs of $186.5 million; (4) the developers' May 2008 application to the State of CT DECD lists cost at $164.5 million; (5) the developers' July 2008 project status indicates cost at $160.0 million; (6) the developers cite a value of $180 million to the New England Real Estate Journal December 2008; and (7) April 2009 developers submittal indicates partial, incomplete costs of $140.0 million

The preceding are merely summaries of data provided by the developer, not the Assessor. In actually valuing the complex, the traditional methods of cost, market and income analysis are considered prior to any reconciled final valuation. It must also be pointed out that values for the 2010 Grand List reflect trend back to 10-1-06 revaluation as required by law, and applicable phase-in. This particular project is presently subject to the deferral, so the legal action is a pre-emptive action taken to enhance future cash flows. The implication that the actual tax bill has quadrupled is untrue; the first years of the deferral the project is taxed on the land value, and structure value is subsequently phased in over a five-year period.

It is not the individual developer who is being oppressed here; it is the balance of the good citizens of New Haven who would be subsidizing this developer, if the various claims put forth publicly are accepted.

posted by: Noteworthy on September 28, 2011 11:48am

This is about taxpayer abuse. Once again, you have O'Brien with DeStefano's blessing, using secret valuation methods to figure out an assessment and then without discussion or warning, dropping the big bomb on the taxpayer. From small businesses to ten cent liens to outrageous valuations, and towing and more, it's just abusive.

As for DeStefano - this is just the latest example of how he operates. "If he likes you…" is operative. Maybe Becker can claim he's a railroad - more likely, he will claim he was railroaded. More importantly, I'd like to know how DeStefano sleeps at night knowing that fake claims of value are the underpinnings of his reelection claim.

Oh, and I guess the fire fighter union and building trade unions comprised mostly of those out of town employees - will need to re-visit their endorsement of DeStefano. Grand list growth was one of their big selling points. Ricci: Can you say “oops?”

posted by: Bill Saunders on September 28, 2011 12:08pm

Wow! That averages out to almost 11.5k in taxes per apartment unit per year. I hope that fuel cell delivers some real savings.

posted by: anon on September 28, 2011 12:18pm

What the fair tax rate for 360 is is unclear to me. But Mr. Becker’s use of the Eli as a comparable doesn’t work. Unlike the Eli, 360 State has a parking garage, a pool, many amenities for tenants & commercial space. It also has a hugely valuable fuel cell - albeit one that is strangled now because the DPUC won’t allow metering. Until the DPUC makes this viable, 360 State has a good argument to lower the assessment on the fuel cell’s value. But for the rest - remember all the public subsidies. Was it $14 million of the “affordable” units? One dollar for the land? And tax deferments. Fuel cell. Roadwork and traffic signals. All to enable this queer eye sore, which kicks everything around it in the nose. Both sides are right in saying that there isn’t a comparable property. Although the whole is greater than its parts, maybe the way to start is to look at the value of all the components in comparable properties, add them up, and estimate what the combination is worth.

posted by: assessor on September 28, 2011 12:47pm

@ “Bill Saunders”

I take it you must not own a home in New Haven because your calculation is pretty close to any single-family property in our city that is in nice shape (like this building), with garages, and other additions (like fireplaces and hardwood floors).

This is a CT issue. Lawmakers at the state need to stop handing out welfare on the backs of homeowners in our state. That is, after all, what we are all subsidizing….

posted by: Amy Meek on September 28, 2011 12:56pm

Hi David Streever,

In your comment, you ask, “Remember when Resident ID was going to get bank accounts for undocumented immigrants?”

I do remember that; in fact, the city has delivered on exactly that promise! I’m surprised that you seem to be suggesting otherwise.

Anyone with an Elm City Resident ID can use it as primary ID to start a bank account at START Bank, the New Haven community development bank that was created through negotiations led by Mayor DeStefano. (See http://www.newhavenindependent.org/index.php/archives/entry/feds_ok_start_bank/ for one Independent article on the genesis of START Bank: “DeStefano at the time led the fight against the [NewAlliance] deal and ended up negotiating the deal with state regulators to provide the money for START.”)

This policy doesn’t just benefit undocumented immigrants who want to open bank accounts; it benefits anyone who has difficulty obtaining identification and access to banking & financial literacy resources. That includes my client population, individuals recently released from incarceration. Access to proper ID is a huge barrier to reentry for individuals returning from incarceration; identification papers are frequently discarded or lost during a period of incarceration, even when the ID is in the possession of the correctional institution. (A quick NPR story on the Reentry Initiative’s work to provide Elm City Resident IDs to formerly incarcerated persons is at http://www.yourpublicmedia.org/content/wnpr/elm-city-id-card-helping-former-inmates). Individuals with criminal records also frequently find it difficult to open a bank account, which is why START Bank’s work to help those from lower-income neighborhoods open banking accounts is so important.

I think this is a tremendous accomplishment, so I just want to clarify for anyone reading that, yes, the Elm City Resident ID does help in opening a bank account for any New Haven resident who otherwise finds it difficult to obtain ID—that includes undocumented immigrants, and also many other types of people in need!

Amy Meek
Coordinator, City of New Haven's Reentry Initiative
203-946-7658

posted by: streever on September 28, 2011 1:08pm

@Amy
I'm sorry if I was unclear!

My point is not that you can use a resident ID card, but that the program was announced as a way to help undocumented citizens obtain bank accounts.

It does not do this. I'm not sure if I'm misunderstanding you, or if you are misunderstanding me, but as of today at 1 pm, Start Bank still requires a physical social security card to open a bank account.

Is this a clarification of the clarification ;-)?

I'm not trying to knock the concept of the Resident ID program—but I am saying that it is a pretty silly notion that banks will accept customers who have no other ID or documentation. I think every thinking person knew that wasn't going to happen without federal reform.

posted by: BIll Saunders on September 28, 2011 1:30pm

Assessor:

I have owned my home in New Haven for over twenty years.
My taxes are less than half of my previous calculated, per capita 360 State Street Apartment tax.

As you have probably guessed, I do not live in East Rock, though I do have a fireplace and hardwood floors.

(Maybe I should just shut my yap.)

posted by: anon on September 28, 2011 1:51pm

Amy, I am interested in getting a Resident ID card. Is the information at
http://www.cityofnewhaven.com/CSA/NewHavenResidents/ up to date?

posted by: Ora on September 28, 2011 1:51pm

Holy Smoly another mess! First, I feel no sympathy for the developer because permit fees were deferred and are worth several million. Taxes are deferred worth millions. Unions paid for the building worth millions. How much of the developers own money has been thrown in? and my guess is not much considering the expense of the whole enchilada.
Now as far as the fairness by this administration with the out of control taxation going on in this city,if I was the developer I would sue also (but I do not, I repeat I do not feel sorry for this developer).
Bill O'Brien is a ... shadow of the mayor.
And the last thing I want to say is "Mayor, once again you deceived (out right) lied to the developer and the citizens of New Haven. Paint any picture you want, but no one can trust you. So fed up with you and your immoral lies and up yours type of attitude toward everyone.

posted by: streever on September 28, 2011 2:23pm

@Anon
I think the information is out of date. It does not mention acceptance at START bank.

posted by: Downtowner on September 28, 2011 2:28pm

Fair is fair.

Fwiw, when Becker and City representatives came before the Downtown-Wooster Square Community Management Team, BEFORE ground was even broken, the community was told by both parties that the ultimate property tax receipts from this project would be about $2.5 Million per year.

So I don't know where that $1.4 Million figure comes from. (was it an estimate on a smaller project?)

Also I guess it should be pointed out that everyone who owns property in New Haven is paying about 2.5% annually on their property's value in taxes. That's a sad fact. So if you do the math, MEPT's argument that their $150-$200 million development should be valued at $60-$70 million for tax purposes is rather ludicrous.

Finally, state law decries that all residential property be assessed at 70% of fair market value, with re-valuations done every five years. (btw, the next New Haven re-val is scheduled three days from now, on October 1st.) Rightfully the only thing MEPT should be challenging going forward is their valuation for tax purposes, which is yet to be determined!

So what is this pre-emptory lawsuit really about? Are we about to see an after-the-fact tax deal put in place for Bruce Becker's development? It sure sounds that way.

PS—360 State did not get a negotiated property tax "deal". Every new development receives the same standard 0%-20%-40%-60%-80%-100% property tax phase-in.

posted by: Assessor on September 28, 2011 2:55pm

At "Bill Saunders":

LOL! The assessor is probably peeking in your windows right now. Good reason not to use your name on tax related commenting boards.

In interest of disclosure, I recently updated my home and did it honestly (with a permit); so, every time I update it I get an increase to my assessment.

posted by: Noteworthy on September 28, 2011 3:14pm

Amy Meek:

The genesis of the Elm City Resident Card was that it would allow people to open bank accounts; that it would make people safer because they wouldn't be carrying as much cash, particularly the immigrant community and that it wouldn't cost city taxpayers anything.

1. All people living in New Haven could already open bank accounts prior to the Elm City ID card as was testified to during the hearing. Banks confirmed that including New Alliance among others.

2. The stories of burglaries and robberies were used to foster the idea that fewer people will be robbed because they won't be keeping cash at home so much now. Whether that was ever true is a matter of speculation and whether that has changed any since then, is certainly dubious given our crime stats.

3. The Elm City card does cost city taxpayers despite the agreement that was passed when it was approved. It is an now an expenditure that costs all taxpayers.

4. As for the prisoner re-entry issue - that this somehow makes it easier - who knows? Fact is, all people need to get proper i.d. The fact they are felons does not bar them from opening bank accounts any more than it does the undocumented community.

Whatever

posted by: BIll Saunders on September 28, 2011 3:48pm

Hey Assessor Dude:

Who does your math anyway??

I just sampled tax data for several single family homes in financially disparate neighborhoods, and all of their taxes are significantly less than 11.5k/year.

I have often thought that Mr. Becker was holding on to a pig in a poke.
At full residency, I barely saw the financials working out.

What would you do if you are charging $1700/month for an apartment, but have to give the City back $1000 per unit in taxes.

If the lawsuit fails, look for rent to rise $720/month/apartment.
(Maybe a little more, to cover the legal fees.)

posted by: robn on September 28, 2011 3:49pm

I'd like to know where the $250k annual profit came from. Sounds like an absurdly low projection for a building of this size and makes me think MEPT is posturing. Any chance MEPT and city hall are in cahoots on this one? Makes sense now why mayor has kept MrO on. Sacrificial lamb anyone?

posted by: Another mess Ollie on September 28, 2011 4:30pm

Just another mess by O;brien, tossed out of Bridgeport to come to New haven for a second time to mess up the city with countless assessment litigation. Look at his record folks check the judicial records I bet the City of New Haven has more pending assessment cases than any other city. His record is far from winning cases. Another case of smoke and Mirrors,shall we call him the Houdini of assessments.

posted by: Bill Saunders on September 28, 2011 4:52pm

Robn,

I have been musing the same thoughts.

250k amounts to the combined yearly income of approximately 10 apartments (out of 500, or a 2% margin). That is indeed slim.

Is that number based on todays occupancy, or projected rate?

Something just doesn't seem copacetic.
(Or is that what you meant by "posturing"?)

posted by: what else is new on September 28, 2011 5:10pm

Way to bite the hand that feeds you Bill. ...
Why didn't you try screwing them a little at a time like everyone else.
That'll keep out future investors.

The City regularly renigs on all these deals beware.

posted by: Curious on September 28, 2011 5:37pm

Wait, 360 State figures they would make $250,000 a year from this building, with the former tax rate?

That's only $500 profit per apartment, per year.

Is that really bad? It seems like it. How do you only make $500 a year on a luxury apartment?

posted by: Curious on September 28, 2011 5:42pm

@ Assessor…

I have friends who pay $11.5k taxes in Connecticut, too.

They live in Fairfield, with considerably better police, lower crime, and better schools. What do New Haven citizens have to show for their tax burden?

posted by: Morris Cove Mom on September 28, 2011 9:00pm

@Curious, you're right. It's the argument I've found myself making time and time again. But the one thing you don't consider is this: New Haven is one of just 5 cities in the state. Fairfield is a town. $11,500 buys a lot of police per square mile, where there are less people, hence less crime. Since New Haven boasts more than 130,000 residents, our crime figures increase exponentially, and we need so much more in the name of police and government action. Which we are still lacking! But the equation for towns and taxes is very different. We need to adopt a working solution, something that a successful (read: safe AND affordable) city is using.

posted by: NH Native on September 28, 2011 9:47pm

Bill,

i understand the developer spent somewhere north of $150 million to build, but how did you reconcile the income approach to your value conclusion? You certainly couldnt find an apartment sale to reconcile to a $320,000 per unit value? Clearly the project was overbuilt based on the economics of the transaction only to be further exasperated by an oppressive tax hit in 5 years.

posted by: Thomas on September 29, 2011 12:10am

how long until this building becomes senior housing run by the city?

posted by: Assessor on September 29, 2011 8:12am

@ Curious:

Your calculations are correct but you would likely pay close to a million or more for a home; so, it is still cheaper to live in New Haven, unless you have 20% to put down on a million + dollar home.

the home taxes don't aggravate me so much…it is the taxes on things like boats, trailers, motorcycles, cars, and business personal property. that is where it becomes highly unfair. The state (if anyone from the state is reading this) should consider changing personal property tax to a straight calculation. I used to live down county and when my automobile was taxed I paid around $195 when new. I moved shortly after to New Haven and that tax bill went up to $630! Now here is where we are seriously screwing the working class. I go from living with a relative to affording a home and now I am doubly screwed because I buy in a lower-rent area. By the way, my insurance also tripled and I have a perfect driving record.

Bottom line is this state favors the rich, takes from the middle class, and hands it out to the poor like our state senators are planting money trees in Hartford.

A first step would be a flat, extra car tax that goes to the municipalities at time of purchase of a used or new car or a straight car tax calculated fairly for each resident. Its a start. It also would level out the playing field on businesses because then they would start coming back to our cities in droves if they knew it was only going to cost "x" to pay property tax on their belongings no matter where they are, rather than 4 to 5 times the cost in the cities than in the burbs (FYI: that is why Shelton has a business boom right now).

posted by: Amy Meek on September 29, 2011 3:50pm

To anon:
The Elm City ID info on the page you linked to looks accurate to me—although it's certainly not exhaustive, as David Streever pointed out. If you have additional questions I'd suggest calling the numbers listed on that page.

To David Streever:

I just re-checked with START Bank to verify their policy, and I stand by my original statement. Individuals are not required to have a “physical social security card” to open a bank account. Federal banking regulations do require banks to ask for both a primary and secondary form of ID, but they don’t require that a social security card be one of those forms of ID. START Bank accepts the Elm City ID as one form of primary ID, and accepts as secondary ID a range of documents that includes not just a social security card but other types of verified documents, such as a pay stub. The purpose of the secondary ID requirement is not to validate the social security number (which isn’t required to open the account), but as a secondary way of validating identity.

I’m not sure to whom you spoke at START Bank, but my guess is that he or she was trying to give you a simple answer and didn’t realize that you wanted an exhaustive list of documents accepted as secondary ID.

(Interestingly, while I think Noteworthy is exaggerating about “all banks” accepting undocumented individuals, it is absolutely true that at least some major U.S. banks have allowed undocumented individuals to open bank accounts using ITIN numbers rather than social security numbers—see http://www.immigrationpolicy.org/perspectives/serving-under-served-banking-undocumented-immigrants for one quick summary. However, that doesn’t discount the difficulty that many undocumented individuals or formerly incarcerated individuals have obtaining identification, which is one reason why the Elm City ID really addresses a need. It’s not that these individuals could *never* get an ID otherwise; however, it can often take months and significant fees to obtain the necessary documents to get a state ID. In the meantime, having a valid photo ID can help these individuals apply for jobs, cash checks, and yes, open bank accounts—which to me is pretty clearly a good thing for New Haven.)

David, I would be happy to speak further in person or by phone to clear up any further misconceptions—I received your voicemail, but you didn’t leave me your phone number!

Amy Meek
Coordinator, City of New Haven’s Reentry Initiative
203-946-7658

posted by: streever on September 29, 2011 4:09pm

Hi Amy,

sorry about that :) I’ll call you back.

Just to answer the question though—I called Start Bank and asked if I could open a bank account with a ResidentID card. The woman who answered said yes. I asked if I needed any other id, and she said, “You’d need a physical social security card. with a valid SSN.”

I asked her if there was any other type of document I could provide and she said no.

posted by: Curious on September 29, 2011 7:40pm

Check home prices easily….

http://www.zillow.com/

It’s not a million dollar house that’s generating $11.5k in taxes for Fairfield, but half that.

posted by: Assessor on September 30, 2011 12:31pm

@ Curious:

I looked in Faifield:

Here’s the math:

3 bedroom w/ 1.5 baths on similar lot as many homes in the better neighborhoods on New Haven: $556,000 (this seemed to be on the lower end…they went up to $800,000)

You have to put 20% down to buy a house today so you shell out $111,200 in cash and then:

Monthly mortgage payments (figuring you'll get low 4s today on interest) is:

$2253.74 + $766 in monthly taxes = $3,019.74

New Haven you can buy a 4 bedroom home with 1.5 baths in Westville, for example for $351,000. You only need $70,200 down, so you are already banking 41,000 and if you invest it at an average of an 8% return for the rest of your life you do well on that money.

The mortgage at the same rate is now:

$1,422 and your monthly taxes are higher at $1,042 = $2464 / month

Lets say you own one two cars (likely) and they are taxed annually,each with a value of about $10,000 on average ($20K):

In Fairfield those car costs you 20 x 23 MILLs or $460 and in New Haven it is 20 x 43.9 MILLs or $878.

It costs you $36,696.88 to live in Fairfield and you are out all that cash on your downpayment, you live in a white-bread community and your kids don't understand tolerance for diversity, but you have the upsides you mentioned…

You live in New Haven with this example and it costs you: $30,446 per year plus you have all that cash in the bank for a rainy day fund, your kids grow up tolerant of every race and social class, you have access to amazing restaurants and culture and it costs $0.50/per gallon of gas!

Basically, I don't get your point about what we have to show for our tax burden. Have you been to downtown New Haven? I can take in a movie, go for a world-class dinner, go dancing till 2AM and then even stay at an after party till the wee-hours of the morning, stay in an amazing hotel, wake up and go to the see the biggest collection of British art in the world, go for an afternoon hike up West Rock and down to Wintergreen Lake, go back out to a different amazing dinner, blah, blah, blah, send my kids to a phenomenal magnet school (pick them up from an afternoon course at Yale).

Or, I can go to an amazing restaurant in Fairfield, walk around a band stand watching retirees play in a Barbershop Quartet, go play a round of golf with people wearing all the same polo shirts and pink pants, and feel confident my kids will grow up with no understanding of anyone that doesn't look just like them.

Figure out the unfair personal property taxes on autos and New Haven seems less expensive and a better place to live.

Exhibit 9: Board of Aldermen Resolution

165 Church Street
New Haven, CT 06510
(203)946-6483 (tel)
(203)946-7476 (fax)
www.cityofnewhaven.com

File Number: ________________

ORDINANCE AMENDMENT TO THE CITY OF NEW HAVEN CODE OF ORDINANCES FOR THE PURPOSE OF AUTHORIZING AND REQUIRING THE MAYOR TO ENTER INTO AN AGREEMENT WITH THE OWNERS OF CERTAIN PROPERTY TO FIX THE TAX ASSESSMENT OF SAID PROPERTY, TERMINATE AN EXISTING TAX DEFERRAL AGREEMENT, AND ENTER INTO AN AGREEMENT CONCERNING PAYMENTS IN LIEU OF TAXES PURSUANT TO CONNECTICUT GENERAL STATUTES §§ 7-498, 12-65, and 12-65a-e.

WITNESSETH THAT:

WHEREAS, MEPT Chapel Street LLC, a Delaware limited liability company ("MEPT Chapel") and MEPT Chapel Street QALICB LLC, a Delaware limited liability company ("MEPT Chapel QALICB," and together with MEPT Chapel, the "Owners") own real property located at 360 State Street, New Haven, Connecticut, and identified on the City Assessor's Map as M/B/L/U: 240/0256/00102 to /00105 (the "Property");

WHEREAS, the Owners and the City entered into that certain Development Agreement by and between the City and Becker Development Associates, LLC, a Connecticut limited liability company on October 4, 2007 (the "Development Agreement"), which was assigned to MEPT Chapel pursuant to that certain Assignment and Assumption Agreement for Development Agreement and Land Disposition Agreement dated September 10, 2008 (the "Assignment"), and thereafter, partially assigned and assumed by MEPT Chapel QALICB pursuant to that certain Memorandum of Agreement Regarding Creation of the 360 State Street Condominiums dated September 2, 2010, by and between the City, MEPT Chapel and MEPT Chapel QALICB (the "Condo Approval Agreement");

WHEREAS, the Development Agreement, the City's land use laws and the land use approvals for the Property, including the City Plan Commission Site Plan Review Approval dated November 18, 2009, the City Plan Commission Site Plan Review Approval dated September 19, 2007 and the City Board of Zoning Appeals Approval dated July 31, 2007 (such approvals being referred to herein as "Land Use Approvals") authorize and anticipate the plan of redevelopment for the Property which included the new construction of certain improvements on the Property (the "Project");

WHEREAS, the City of New Haven (the "City") and MEPT Chapel entered into that certain Agreement by and between the City of New Haven and MEPT Chapel Street LLC for Deferral of Tax Assessment Increase on 360 State Street (f/k/a 745 Chapel Street) New Haven, Connecticut CC No. A08-1316 dated November 18, 2008 and effective February 1, 2009, which was partially assigned and assumed by MEPT Chapel QALICB pursuant to the Condo Approval Agreement (the "Tax Deferral Agreement");

WHEREAS, the Connecticut City and Town Development Act, Chapter 114 of the General Statutes of Connecticut, Revision of 1958, as amended (the "Act"), authorizes Connecticut municipalities, upon adoption of required findings and determinations, and upon the satisfaction of certain other conditions, to execute an agreement with a property owner that provides for an exemption from real property taxes for a development project in rehabilitation areas and for payments in lieu of such taxes by the owners of such development project;

WHEREAS, the City is authorized, pursuant to C.G.S. §12-65, upon adoption of required findings and determinations, and upon the satisfaction of certain other conditions, to execute an agreement with a property owner that fixes the tax assessment of such property owner's property if such property is located within a redevelopment plan and a community development plan;

WHEREAS, the Board of Aldermen of the City of New Haven (hereinafter referred to as the "Board of Aldermen") adopted a resolution and amendments thereto (Journal, Board of Aldermen, September 19, 2005) designating the City as a "rehabilitation area" as defined under C.G.S. §12-65c to 12-65e; and

WHEREAS, it is in the City's best interest to terminate the Tax Deferral Agreement, fix the tax assessment of the Property and the Project, and arrange for the Owners to make payments in lieu of real estate taxes pursuant to the terms and conditions set forth below:

NOW, THEREFORE BE IT ORDAINED that the City has made all findings and determinations under the Act, including finding and determining that the Property and the Project are "development property" pursuant to the Act; and

BE IT FURTHER ORDAINED that pursuant to C.G.S. §12-65, the City has made all required findings and determinations, including finding and determining that the Property and the Project are a "housing project" as that term is used in §12-65, and that the Property and the Project are located in a "redevelopment area" pursuant to C.G.S. §8-127 and within a "community development plan" approved by the City pursuant to §§8-169a to 8-169j; and

BE IT FURTHER ORDAINED that within thirty (30) days after the date of this Ordinance, the Mayor shall be authorized and required, on behalf of the City, to enter into that certain Tax Agreement Concerning Real Property Taxes For 360 State Street attached hereto as Exhibit A (the "Agreement"), pursuant to which: (i) the Tax Deferral Agreement shall be terminated and of no further force and effect; (ii) the Property and the Project shall be exempt from any and all real estate taxes for a period of twenty (20) years from the effective date of such agreement; (iii) the Owners will be required to make certain payments in lieu of real estate taxes to the City for a period of twenty (20) years commencing on the effective date of such agreement (the "PILOT Payments"); and (iv) the tax assessment of the Property and the Project shall be fixed for a period of time starting on October 1, 2012 and continuing for a period of sixteen (16) years thereafter, up to and through the Grand List of October 1, 2027 in the amounts set forth in such agreement, all pursuant to the terms and conditions set forth in the Agreement; and

BE IT FURTHER ORDAINED that the Owners, the Property and the Project have satisfied all other conditions necessary to execute the Agreement which provides for (i) an exemption of the Property and the Project from real property taxes, (ii) for the payment by the Owners to the City of the PILOT Payments, including conditions relating to notice, summary, and public hearing of this resolution as proposed, and (iii) to fix the tax assessment of the Property and the Project; and

BE IT FURTHER ORDAINED that the Agreement shall include the following conditions of approval: (1) Owners shall not become delinquent for more than two (2) months in the payment of such PILOT Payments to the City; (2) for any property in the City which the Owners have a legal and equitable interest, the Owner shall not be more than two (2) months delinquent in the payment of the any real estate taxes assessed against such property; and (3) the Agreement will terminate if the Property receives federal or state subsidies which include payment of local taxes for more than twenty five percent (25%) of the dwelling units in the Project.

Final action has been taken for this legislative file.

ATTEST__________________________ **Date**______________
City Clerk

SIGNED__________________________ **Date**______________
City Clerk

SIGNED__________________________ **Date**______________
Mayor

ALTERNATE SIGNATURE 1__________________________ **Date**______________

ALTERNATE SIGNATURE 2__________________________ **Date**______________

EXHIBIT A

Form of Tax Agreement Concerning Real Property Taxes For 360 State Street

(Attached)

0018-278 bg291d20ks.001 2012-07-31

Exhibit 10: Tax Agreement Concerning Real Property Taxes for 360 State Street

TAX AGREEMENT CONCERNING REAL PROPERTY TAXES FOR 360 STATE STREET

This Tax Agreement Concerning Real Property Taxes for 360 State Street (the "Agreement") made and entered into as of ______________, 2012 (the "Effective Date") is by and among the City of New Haven, a municipal corporation organized and existing under the laws of the State of Connecticut (the "City"), MEPT Chapel Street LLC, a Delaware limited liability company ("MEPT Chapel") and MEPT Chapel Street QALICB LLC, a Delaware limited liability company ("MEPT Chapel QALICB," together with MEPT Chapel, the "Owner").

WITNESSETH:

WHEREAS, MEPT Chapel owns that certain residential condominium unit located at 360 State Street in New Haven, Connecticut and MEPT Chapel QALICB owns that certain commercial condominium unit and parking condominium unit located at 360 State Street in New Haven, Connecticut, which are legally described in Exhibit A, attached hereto (collectively, the "Property");

WHEREAS, Owner and the City entered into that certain Development Agreement by and between the City and Becker Development Associates, LLC, a Connecticut limited liability company on October 4, 2007 (the "Development Agreement"), which was assigned to MEPT Chapel pursuant to that certain Assignment and Assumption Agreement for Development Agreement and Land Disposition Agreement dated September 10, 2008 (the "Assignment"), and thereafter, partially assigned and assumed by MEPT Chapel QALICB pursuant to that certain Memorandum of Agreement Regarding Creation of the 360 State Street Condominiums dated September 2, 2010, by and between the City, MEPT Chapel and MEPT Chapel QALICB (the "Condo Approval Agreement");

WHEREAS, the Development Agreement, the City's land use laws and the land use approvals for the Property, including the City Plan Commission Site Plan Review Approval dated November 18, 2009, the City Plan Commission Site Plan Review Approval dated September 19, 2007 and the City Board of Zoning Appeals Approval dated July 31, 2007 (such approvals being referred to herein as "Land Use Approvals") authorize and anticipate the plan of redevelopment for the Property which included the new construction of certain improvements on the Property (the "Project");

WHEREAS, the City estimated that upon the completion of the construction of the Project as contemplated by the Development Agreement and the Land Use Approvals, the City's total tax assessment value of the Project would be approximately $34,230,000 and the annual real estate taxes due to the City from the Property and the Project would be approximately $1,400,000 ("Original Tax Estimate"), and Owner relied on the Original Tax Estimate when it decided to invest retirement funds from its union pension plans to construct the Project;

WHEREAS, the City and MEPT Chapel entered into that certain Agreement by and between the City of New Haven and MEPT Chapel Street LLC for Deferral of Tax Assessment Increase on 360 State Street (f/k/a 745 Chapel Street) New Haven, Connecticut CC No. A08-1316 dated November 18, 2008 and effective February 1, 2009, which was partially assigned and assumed by MEPT Chapel QALICB pursuant to the Condo Approval Agreement (the "Tax Deferral Agreement"), whereby the City of New Haven, which was designated as a rehabilitation area, pursuant to C.G.S. §§12-65(c) to 12-65(e), provided Owner with a fixed property assessment during the period of time Owner was constructing key features of the Project and a phase-in of the property assessment after the completion of the construction of such features of the Project;

WHEREAS, on or around October 1, 2010, the City Assessor assessed the Property and the Project with its then-completed improvements at $130,051,320, with annual real estate taxes for the Property and the Project of approximately $5,700,000;

WHEREAS, Owner would not have invested retirement funds from its union pension plans to construct the Project if Owner had known that the annual real estate taxes for the Property and the Project would be higher than the Original Tax Estimate;

WHEREAS, the Connecticut City and Town Development Act, Chapter 114 of the General Statutes of Connecticut, Revision of 1958, as amended (the "Act"), authorizes Connecticut municipalities, upon adoption of required findings and determinations, and upon the satisfaction of certain other conditions, to execute an agreement with a property owner that provides for an exemption from real property taxes for a development project in rehabilitation areas and for payments in lieu of such taxes;

WHEREAS, the Board of Aldermen of the City of New Haven (the "Board"), acting within its authority under the Act, and by resolution adopted on [*date*], designated the Project and the Property as "development property" pursuant to the Act and resolved that all requirements and conditions required for the City's execution of an agreement with Owner with respect to the Property and the Project under the Act are satisfied;

WHEREAS, the City is authorized, pursuant to C.G.S. §12-65, upon adoption of required findings and determinations, and upon the satisfaction of certain other conditions, to execute an agreement with a property owner that fixes the tax assessment of such property owner's property;

WHEREAS, the Property and the Project are located both within a "redevelopment plan" (i.e. the State Street Redevelopment and Renewal Plan) and a "community development plan" (i.e. the City of New Haven Five Year Consolidated Plan for Housing and Community Development Programs: 2010-2014), as defined in C.G.S. §12-65;

WHEREAS, the City, acting through its Board and pursuant to its authority under C.G.S. §12-65, and by resolution adopted on [*date*], resolved that all requirements and conditions required for the City's execution of an agreement with Owner fixing the tax assessment of the Property and the Project are satisfied; and

WHEREAS, the City and Owner have agreed that it is in the best interest of the parties to enter into an agreement pursuant to which the Property and the Project will be exempt from any and all real estate taxes, Owner will make payments in lieu of real estate taxes with respect to the Property and the Project and the City will fix the tax assessment of the Property and the Project pursuant to the terms and conditions set forth below:

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged the parties hereto agree as follows:

1. TERMINATION OF TAX DEFERRAL AGREEMENT. As of the Effective Date, this Agreement shall supersede and replace the Tax Deferral Agreement in its entirety, and the Tax Deferral Agreement shall no longer be in force and effect.

2. EXEMPTION. Pursuant to §7-498 of the Act, the Property and the Project are designated as "development property" under the Act and shall be exempt from the payment of any and all real estate taxes that would have been assessed against the Property and the Project and that would have been payable by Owner for the term of the PILOT Payments, including any real estate taxes which are collected by the City on behalf of other public and private entities. The City and such other public or private entities shall not impose any tax, charge or assessment upon the Property or the Project for the purpose of defeating the tax exemption described in this Section.

3. PILOT PAYMENTS. Owner shall make payments in lieu of taxes ("PILOT Payments") to the City with respect to the Property and the Project as follows:

a. For the first calendar year of this Agreement in which the Effective Date shall occur until the first (1^{st}) anniversary of the Effective Date, Owner shall pay the City annual PILOT Payments equal to Two Hundred Eighty Thousand and No/100 Dollars ($280,000.00).

b. From the first (1^{st}) anniversary of the Effective Date until the second (2^{nd}) anniversary of the Effective Date, Owner shall pay the City annual PILOT Payments equal to Five Hundred Sixty Thousand and No/100 Dollars ($560,000.00).

c. From the second (2^{nd}) anniversary of the Effective Date until the third (3^{rd}) anniversary of the Effective Date, Owner shall pay the City annual PILOT Payments equal to Eight Hundred Forty Thousand and No/100 Dollars ($840,000.00).

d. From the third (3^{rd}) anniversary of the Effective Date until the fourth (4^{th}) anniversary of the Effective Date, Owner shall pay the City annual PILOT Payments equal to One Million One Hundred Twenty Thousand and No/100 Dollars ($1,120,000.00).

e. From the fourth (4^{th}) anniversary of the Effective Date and continuing thereafter until the twenty-first (21^{st}) anniversary of the Effective Date, Owner shall pay the City annual PILOT Payments equal to One Million Four Hundred Thousand and No/100 Dollars ($1,400,000.00).

f. Commencing on the twenty-first (21^{st}) anniversary of the Effective Date and thereafter, Owner shall pay the City real property taxes which would be paid on the Property and the Project by a fee owner of the Property and the Project, provided, however, the City and Owner shall mutually and in good faith pursue the execution of another agreement, under terms similar to this Agreement, for an additional twenty (20) year period under the then-existing state and municipal laws, for the payment in lieu of real estate taxes for the Project and the Property.

4. PAYMENT AMOUNTS AND PAYMENT DATES. All PILOT Payments to be made under this Agreement shall be paid by Owner to the City every six (6) months in arrears in an amount equal to fifty percent (50%) of the PILOT Payments due and owing for such twelve (12) month period. The first such payment shall be due on the date which is six months (6) months after the Effective Date, with each subsequent payment due on the date which is six (6) months after the previous payment due date. In the event that any installment of a PILOT Payment is not paid within thirty (30) days after its due date, such installment shall be deemed delinquent and subject to interest at the City's then-existing rate for delinquent tax payments from such due date and continuing until the City's receipt of such installment and all accrued interest with respect thereto. Owner shall not be delinquent in the payment of such PILOT Payments to the City for more than two (2) months. In addition, for any property in the City which the Owner has a legal and equitable interest, Owner shall not be more than two (2) months delinquent in the payment of any real estate taxes assessed against such property.

5. ADDITIONAL PAYMENTS.

a. In addition to the PILOT Payments, for each year that Owner is required to make PILOT Payments to the City pursuant to Section 3 above, the City shall be entitled to receive an additional payment, if any, ("City Participation") equal to (A) ten percent (10%) of (B) any Net Operating Cash Flow (defined below) remaining after Owner receives from Net Operating Cash Flow the amount of Eleven Million Two Hundred Thousand and No/100 Dollars ($11,200,000.00) (the "Owner Return"), which the parties to this Agreement hereby stipulate and agree equals seven percent (7%) of Owner's total investment in the Project as of the Effective Date of One Hundred of Sixty Million and No/100 Dollars ($160,000,000.00) ("Owner Investment").

b. In no event shall the City Participation amount payable to the City exceed an amount equal to: (i) the cumulative amount of real property taxes that would otherwise be paid on the Project by a fee owner of the Project for the period of determination of the City Participation, minus (ii) the total of (A) the net increase in the amount of personal property taxes generated by the Project for such period, plus (B) the PILOT Payments for such period.

c. The amount of any City Participation to be paid by Owner to the City for each year that Owner is required to pay the City the PILOT Payments pursuant to Section 3 above shall be determined on April 15th of the succeeding calendar year and shall be paid by Owner to the City no later than July 15th of such succeeding calendar year.

d. In the event that Owner elects, in its sole and absolute discretion, to develop or construct any additional improvements on the Property or the Project, including the development of any undeveloped portion of the Property, after the Effective Date, the Owner Investment shall increase by an amount equal to the additional capital invested in the Project from any source, including equity or debt financing ("Additional Investment"), and accordingly, the Owner Return shall increase by the amount equal to seven percent (7%) of the Additional Investment.

e. For purposes of this Section 5, "Net Operating Cash Flow" shall mean the gross rental and any other gross revenue of any kind or description to the extent received in cash by Owner from operation of the Property or the Project during a calendar year (but excluding security or other deposits paid under any leases for the Project so long as Owner remains obligated to refund or return any such deposit, and also excluding any prepaid rent) after subtracting the following: (a) all costs of owning, constructing, leasing, maintaining and operating the Property and the Project, to the extent paid in cash during such calendar year, but not including any such payments to the extent that the amounts thereof were reserved against and funded from any operating or capital reserves held for the benefit of the Project; (b) all other operating or other expenses of Owner paid in cash during such calendar year, or any casualty losses incurred by Owner during such calendar year to the extent that such losses are not reimbursed during such year by any third person responsible therefor or through insurance maintained by Owner; (c) operating reserve payments equal to the amounts of reserved cash as may be reasonably determined by Owner to be necessary to provide for maintenance or operation of the Project, and for increases in working capital or other contingencies; (d) capital reserve payments equal to the amounts of reserved cash as may be reasonably determined by Owner to be necessary from time to time, to be available for future tenant improvements, capital improvements and replacements and leasing commissions relating to the Project, (e) any debt service payments to be made by Owner in connection with the Property or the Project, (e) the PILOT Payments to be made by Owner to the City under Section 3 of this Agreement, and (f) any payments required to be made by Owner to the City under the Land Disposition Agreement or the Development Agreement.

f. Notwithstanding anything to the contrary in this Agreement, in the event of any sale, transfer or assignment of all or any portion of the Property or the Project by Owner to a third party, the obligation to make the additional payments to the City under this Section 5 shall terminate and be of no further force or effect.

6. FIXED ASSESSMENT OF THE PROPERTY AND THE PROJECT. Commencing on the Effective Date and continuing for a period of sixteen (16) years thereafter, up to and through the Grand List of October 1, 2027 (the "Fixed Assessment Period"), the City shall fix its tax assessment of the Property and the Project as follows (the "Fixed Assessed Value"):

(i) Residential Condominium Unit: $29,413,343.

(ii) Parking Condominium Unit: $1,951,268.

(iii) Commercial Condominium Unit: $4,022,620.

(iv) Land: $612,500.

a. During the Fixed Assessment Period, the Property and the Project shall be exempt from real property taxes pursuant to Section 2 above, and Owner shall pay the City the PILOT Payments as described in Section 3 of this Agreement in the manner prescribed in Section 4 of this Agreement.

b. Nothing in this Agreement or Title 12, Chapter 203 of the Connecticut General Statutes shall be construed as permitting the City to increase the tax assessment of the Property and the Project during the Fixed Assessment Period over the Fixed Assessment Value, including, without limitation, a City-wide revaluation of the Grand List conducted pursuant to C.G.S. §§12-62.

c. The parties shall submit this Agreement within ten (10) days after its execution to the Superior Court of New Haven (the "Superior Court"), in accordance with C.G.S. §12-65(a). The City, MEPT Chapel and MEPT Chapel QALICB hereby stipulate and agree that the provisions of Section 6 of this Agreement are "fair and reasonable" within the meaning of C.G.S. §12-65(a), as the Fixed Assessed Value is based on the City's assessments of properties that are comparable in size, quality, location and occupancy located within the City of New Haven. If for any reason the Superior Court declines to approve Section 6 of this Agreement, then the parties to this Agreement shall negotiate in good faith to make changes to Section 6 to address any matters disapproved by the Superior Court and shall promptly resubmit this Agreement as so revised to Superior Court for its approval. However, at any time following Superior Court disapproval of Section 6 of this Agreement, Owner may, in its sole discretion, provide written notice to the City that it no longer wishes to have Section 6 included in this Agreement, in which case the parties shall execute an amended and restated version of this Agreement which excludes Section 6 but which is identical in all other respects to this Agreement.

7. CONVEYANCE OF PROPERTY OR PROJECT. In the event of a sale or transfer of all or any portion of the Property or the Project, (except for the payments to be made by Owner pursuant to Section 5 of this Agreement which shall terminate upon the sale or transfer of all or any portion of the Property or the Project), this Agreement shall remain in full force and effect and shall be binding on, and shall inure to the benefit of the Owner's heirs, successors or assigns, as the case may be; provided that the use of the Property or the Project shall remain substantially unchanged from the use of the Property or the Project as of the Effective Date. In the event of any such sale or transfer, the seller or transferor shall be released from any further obligations under this Agreement arising after the date of such sale or transfer, provided that the purchaser or assignee assumes such seller's or transferor's obligations hereunder in writing.

8. AMENDMENT OF OTHER AGREEMENTS BETWEEN PARTIES.

a. The City and Owner hereby agree to enter into a separate agreement, executed and acknowledged by all parties, to amend any provisions of the Development Agreement which may conflict in any way with the terms of this Agreement, and neither party shall unreasonably withhold or delay its consent or approval to such amendment to the Development Agreement.

b. The City entered into that certain Land Disposition Agreement with Becker Development Associates, LLC, a Connecticut limited liability company on July 11, 2008 (the "Land Disposition Agreement"), which was assigned to MEPT Chapel pursuant to the Assignment, and thereafter, partially assigned and assumed by MEPT Chapel QALICB pursuant to the Condo Approval Agreement. The City and Owner hereby agree to enter into a separate agreement, executed and acknowledged by all parties, to amend any provisions of the Land Disposition Agreement which may conflict in any way with the terms of this Agreement, and neither party shall unreasonably withhold or delay its consent or approval to such amendment to the Land Disposition Agreement.

9. MISCELLANEOUS.

a. Entire Agreement. This Agreement embodies the entire agreement and understanding among the parties and supersedes all prior agreements and understandings related to such subject matter, and it is agreed that there are no terms, understandings, representations or warranties, express or implied, other than those set forth herein.

b. Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, that invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been contained herein. Furthermore, in lieu of any invalid, illegal, or unenforceable provision, there shall be automatically added to this Agreement a provision as similar to the illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

c. Authority. Owner and the City each represent and warrant that they have full authority to enter into and perform this Agreement, and that any necessary consents, resolutions, approvals or authorizations from any other parties have been granted or obtained.

d. Notices. All notices, demands, and requests and other communications required or permitted under this Agreement must be in writing and will be deemed to be delivered when actually received by facsimile or personal delivery or, if earlier and regardless whether actually received or not, (i) upon deposit with a nationally recognized overnight courier for next business day delivery, charges prepaid, or (ii) upon three (3) Business Days following deposit in a regularly maintained receptacle for the United States mail, registered or certified, postage prepaid, in either event to be addressed to the addressee as follows:

If to Owner:
MEPT Chapel Street LLC
MEPT Chapel Street QALICB LLC
c/o NewTower Trust Company
3 Bethesda Metro Center, Suite 1600
Bethesda, MD 20814
Attn: Patrick O. Mayberry
Telephone: 240.235.9960
Facsimile: 240.235.9961

With a copy to:
Bentall Kennedy (U.S.) Limited Partnership
1215 Fourth Avenue, Suite 2400
Seattle, WA 98161
Attn: Senior Vice President – Asset Management
Telephone: 206.623.4739
Facsimile: 206.682.4769

And to: Bentall Kennedy (U.S.) Limited Partnership
7315 Wisconsin Avenue, Suite 350 West
Bethesda, MD 20814
Attn: Senior Vice President – Asset Management
Telephone: 301.656.9119
Facsimile: 301.656.9339

And to: McNaul Ebel Nawrot & Helgren PLLC
600 University Street, Suite 2700
Seattle, WA 98101
Attn: Marc O. Winters
Telephone: 206.467.1816
Facsimile: 206.624.5128

If to the City The City of New Haven
____
____
Attn:____________________
Telephone:_______________
Facsimile:________________

With a copy to: _______________________
____
____
Attn:____________________
Telephone:_______________
Facsimile:________________

Any party may change the address to which any such notice, demand, request and other communication intended to be received by such party is to be delivered or mailed, by giving written notice of such change to the other parties hereto

e. Estoppel Certificate. Any party will, upon twenty (20) days' notice at the request of another party, execute, acknowledge and deliver an estoppel certificate stating that this Agreement is unmodified and in full force and effect (or, if there have been modifications, that this Agreement is in full force and effect as modified, and setting forth such modifications), and the dates to which payments due to such party hereunder have been paid, and either stating that no default exists hereunder or specifying each such default of which such party is aware, and stating such other matters relating to this Agreement as reasonably requested. Any such certificate may be relied upon by any person with a legitimate business purpose for obtaining the same, including any existing or prospective mortgagee or purchaser of all or any part of the Property.

f. Headings. The descriptive headings of the paragraphs of this Agreement are inserted for convenience only. They are not intended to and shall not be construed to limit, enlarge or affect the scope or intent of this Agreement or the meaning of any provision of it.

g. Counterparts. The parties may execute this Agreement in one or more identical counterparts, all of which when taken together will constitute one and the same instrument. A facsimile or electronic mail transmission shall be binding on the party or parties whose signatures appear thereon. If so executed, each counterpart is to be deemed an original for all purposes, and all counterparts shall, collectively, constitute one agreement, but in making proof of this Agreement, it shall not be necessary to produce or account for more than one counterpart.

h. No Partnership. Nothing contained in this Agreement or any other documents contemplated by this Agreement is intended or shall be construed to create any other relationship between the parties, including that of joint venturers or partners.

i. Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut, exclusive of the conflict of laws principles of the State of Connecticut. The parties consent to the jurisdiction of the state courts located in New Haven, Connecticut, and to the Federal District Court for the District of Connecticut in the event of any litigation arising out of this Agreement.

j. Attorneys' Fees. In the event either party shall bring legal action for the breach of or to enforce this Agreement, the substantially prevailing party shall be entitled to reasonable attorney's fees, expenses and court costs, including those relating to any appeal. The provisions of this paragraph shall survive the expiration or termination of this Agreement.

k. Fair Interpretation. This Agreement has been carefully reviewed and negotiated by both parties and it shall be given fair and reasonable interpretation in accordance with the words contained in it without any weight being given to whether a provision was drafted by one party or its counsel. Whenever a provision of this Agreement uses the words "include," "including" or words of similar meaning, the words shall not be construed so as to be limiting but shall be treated as illustrative. Paragraph headings are for convenience only and shall not be a part of this Agreement or considered in its interpretation.

l. Termination. This Agreement will terminate if the Property or the Project receives federal or state subsidies which include payment of local taxes for more than twenty five percent (25%) of the dwelling units in the Project.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

MEPT CHAPEL:

MEPT Chapel Street LLC, a Delaware limited liability company

By: MEPT Chapel Street Member LLC, its Managing Member

By: MEPT Edgemoor REIT LLC, its Manager

By:________________________
Name:______________________
Its:_________________________

MEPT CHAPEL QALICB:

MEPT Chapel Street QALICB LLC, a Delaware limited liability company

By: MEPT Chapel Street LLC, its Managing Member

By: MEPT Chapel Street Member LLC, its Managing Member

By: MEPT Edgemoor REIT LLC, its Manager

By:____________________
Name:__________________
Its:_____________________

CITY:

The City of New Haven:

By:____________________________
Name:__________________________
Its:_____________________________

Approved as to Form and Correctness:

____
Name:__________________________
Its:_____________________________

STATE OF)
)ss.
COUNTY OF)

On this the ______ day of _____________, 2012, before me, the undersigned officer, personally appeared ___________________________, a Manager of MEPT Edgemoor REIT LLC, which limited liability company is the Manager of MEPT Chapel Street Member LLC, which limited liability company is the Managing Member of **MEPT CHAPEL STREET LLC**, a Delaware limited liability company, known to me (or satisfactorily proved) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained as his/her free act and deed.

IN WITNESS WHEREOF, I hereto set my hand.

____

Notary Public

My Commission Expires:

STATE OF)
)ss.
COUNTY OF)

On this the ______ day of _____________, 2012, before me, the undersigned officer, personally appeared __________________________, a Manager of MEPT Edgemoor REIT LLC, which limited liability company is the Manager of MEPT Chapel Street Member LLC, which limited liability company is the Managing Member of MEPT Chapel Street LLC, which limited liability company is the Managing Member of **MEPT CHAPEL STREET QALICB LLC**, a Delaware limited liability company, known to me (or satisfactorily proved) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained as his/her free act and deed.

IN WITNESS WHEREOF, I hereto set my hand.

____

Notary Public

My Commission Expires:

STATE OF)
)ss.
COUNTY OF)

On this the ______ day of _____________, 2012, before me, the undersigned officer, personally appeared ___________________________, the ________________________ of the **CITY OF NEW HAVEN**, known to me (or satisfactorily proved) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained as his/her free act and deed.

IN WITNESS WHEREOF, I hereto set my hand.

____

Notary Public

My Commission Expires:

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

Commercial Unit

All that certain real property situated in the City of New Haven, County of New Haven, and State of Connecticut designated as "**Commercial Unit**" together with all appurtenances thereto, being more particularly designated and described in a certain Declaration of 360 State Street Condominiums Declared by MEPT Chapel Street LLC dated September 2, 2010 and recorded on September 3, 2010 in Volume 8594 at Page 38 of the New Haven Land Records.

Parking Unit

All that certain real property situated in the City of New Haven, County of New Haven, and State of Connecticut designated as "**Parking Unit**" together with all appurtenances thereto, being more particularly designated and described in a certain Declaration of 360 State Street Condominiums Declared by MEPT Chapel Street LLC dated September 2, 2010 and recorded on September 3, 2010 in Volume 8594 at Page 38 of the New Haven Land Records.

Residential Unit

All that certain real property situated in the City of New Haven, County of New Haven, and State of Connecticut designated as "**Residential Unit**" together with all appurtenances thereto, being more particularly designated and described in a certain Declaration of 360 State Street Condominiums Declared by MEPT Chapel Street LLC dated September 2, 2010 and recorded on September 3, 2010 in Volume 8594 at Page 38 of the New Haven Land Records.