

**REVOLVING LOAN FUND PROGRAM**  
**APPROVAL MEMORANDUM**

<b>BORROWER:</b> Taom Heritage New Haven, LLC	<b>DATE:</b> August 7, 2018
<b>CURRENT ADDRESS:</b> c/o Reed Realty Group 2250 N.W. 22 <sup>nd</sup> Avenue, Suite 602 Portland, Oregon 97210	<b>LOAN AMOUNT:</b> \$800,000
<b>PROJECT ADDRESS:</b> 133 Hamilton Street New Haven, CT 06511	<b>JOB CREATION:</b> Present: Unknown After Loan: 125 (Construction) 15 (Final F/T)
<b>PRINCIPALS:</b> John Blevins, Scott Reed	
<b>GUARANTORS:</b> RRA 3.0 LLC (Parent) – Same Address	<b>CENSUS TRACT:</b> 1422
	<b>AREA BENEFIT:</b> Jobs, Clean-up of “challenging” site.
<b>SOURCE OF REPAYMENT:</b> Cash Flow/2 <sup>nd</sup> Mtge. on Real Estate/Guaranty	<b>LEVERAGE:</b> Clean-up cost: \$6.6 million. Leverage: 8.25:1

**Background**

One Thirty-Three Hamilton Street was developed between 1826 and 1840 as a carriage manufacturer. In 1845, clockmaker Chauncey Jerome moved his Jerome Manufacturing Company to the site. Following the bankruptcy of Jerome Manufacturing in 1855, the New Haven Clock Company was founded and operated from the site until 1960.

Since 1960, the site has been occupied by a variety of clothing manufacturers, an aircraft radio manufacturer, a tool company and other retail and service businesses. The property has been owned by the Yagovane family since 1980 and largely maintained the same tenant mix, becoming mostly vacant over the past quarter century. Current uses are a nightclub, an auto body repair shop and a vehicle cleaning and detailing business.

The site, consisting of nearly a dozen connected masonry buildings, comprise nearly 150,000 square feet. They are listed on the National Register of Historic Places.

The City of New Haven has been seeking an appropriate development at the site for decades. Its former uses, particularly as a clock manufacturing facility, have resulted in contamination by a variety of materials, including radium, PCBs, volatile organic compounds (VOCs), extractable petroleum hydrocarbons (ETPH), polycyclic aromatic hydrocarbons (PAH) and metals.

Taom Heritage New Haven, LLC (Developer), an affiliate of Reed Realty Group of Boston, MA has proposed the development of a 130± units of low income housing at the site, focusing on the artist community, to be called Clock Shop Lofts. Reed Realty specializes in preservation and conversion of large, difficult to redevelop historic properties into spaces that are vibrant and highly sought after. Whenever possible the historic elements of the existing buildings will be preserved.

However, before the proposed housing can be developed, the site must be appropriately remediated.

### Summary of Site Remediation

As previously mentioned, environmental concerns at the site include the presence of radium, PCBs, VOCs, ETPH, PAHs and metals. The PCBs are primarily limited to several debris piles from previous demolition along Wallace Street. There are also low levels of PCBs in the concrete slabs of several buildings. Radium has been found in several buildings. Impacted fill material containing coal and ash has been identified underlying the majority of the site and is the likely source of metals. ETPH and PAH concentrations are at several locations across the property.

Six release areas have been identified on the site, with VOC detections measurements in excess of Remediation Standard Regulations present in at least two of them.

Radium-impacted materials will be removed from the site in accordance with a Cleanup Plan approved by the U.S. Nuclear Regulatory Commission. PCB-contaminated materials will be either disposed off-site or buried and capped on-site, depending on the ultimate use of the Courtyard area as a parking area.

The Developer has retained Triton Environmental, Inc. as its environmental consultant. Triton has prepared the required Analysis of Brownfields Cleanup Alternatives (ABCA) and Quality Assurance Project Plan (QAPP). Approval of these documents by the federal Environmental Protection Agency (EPA) and/or the state Department of Energy & Environmental Protection (DEEP) will be conditions of approval of the financing presented herein.

The cost of the remediation is estimated at \$6.6 million, with the Sources of funding as follows:

State of CT DECD	\$4,000,000
City of New Haven Grant	400,000
BRLF Loan	800,000
Developer Funds	<u>1,400,000</u>
TOTAL	\$6,600,000

The \$4,000,000 DECD loan has already been approved and documents executed. This loan has a 20-year term and an initial interest rate of 1.0% per annum commencing on the date on which the initial advance is made. Payments of principal and interest are deferred for the first twelve months following the initial advance, with accrued interest added to the principal balance after the first year. Thereafter, the loan will be repaid in equal monthly principal and interest payments, with a final payment of all principal and interest due on the twentieth (20<sup>th</sup>) anniversary of the initial advance. There are two Milestones for loan forgiveness: (1) \$2,000,000 shall be eligible for forgiveness upon completion of the remediation and abatement to the satisfaction of DECD (Milestone #1), and (2) \$2,000,000 shall be eligible for forgiveness upon completion of lease-up of 80% of the affordable housing units achieved for the residential completion of the Project (Milestone #2).

The City of New Haven's \$400,000 grant has been approved by the City's Board of Alders. It is expected that the City and BRLF funds will be reimbursements for costs already incurred by the Developer and will be the "last funds in." The City grant will require that the Developer comply with certain state and local regulations, including Chapters 12-1/4 (Small Contractor) and 12-1/2 (CEO/Workforce).

### BRLF Proposal

The proposed \$800,000 EPA-funded loan will be amortized over 30 years at zero (0.0%) per cent interest. Annual payments of \$26,667 will commence in 2023 (the first year that projected cash flow is sufficient for repayment to commence) and continue until paid. This loan will be secured by a junior mortgage on the project.

#### Community Impact

As discussed above, the presence of radium, PCBs and other hazardous materials have made this site a challenge to redevelop. Remediation of the site and its return to productive use is the primary benefit.

Other benefits include up to 125 construction jobs with Living/Prevailing wages (as required), an estimated 15 permanent jobs to support the operational and maintenance functions of the completed project and the addition of 133 affordable residential units.

#### Financial Summary & Debt Service Analysis

Financial information on the project was submitted to the City in February, 2018 as part of the Developer's request for a property tax abatement, and updated in May, 2018. A summary of projected Cash Flow and Debt Service ability is shown on Exhibit B attached.

The project proposes a Permanent Mortgage of \$8.3 million, with an annual debt service requirement of \$687,990.

The proposed \$800,000 BRLF loan will carry zero percent interest for thirty years. Assuming a minimum Debt Service Coverage Ratio (DSCR) of 1.2 x Cash Flow, adequate debt service ability for the BRLF will not occur until 2023. Therefore, that is when annual BRLF payments will commence.

#### Collateral

The proposed BRLF loan will be collateralized by a mortgage on the property junior to the permanent and other financing. This mortgage is proposed as an abundance of caution, as the final value of the property is not expected to exceed the proposed debt.

A modification of the State of Connecticut Assistance Agreement documents will be required, as the current Agreement prohibits any financing beyond its \$4,000,000 loan (Section 2.11) and prohibits additional encumbrances (Section 2.17).

#### Risks & Mitigants

**Risk:** The BRLF loan will be undercollateralized.

**Mitigant:** RLF will fully monitor the project to ensure that the cleanup is completed and that the project is developed and leased as proposed. This is a challenging property to rehabilitate; the City has actively sought to develop this property for decades.

**Risk:** Projections are not attained.

**Mitigant:** The Applicant and its related companies have experience in performing adaptive reuse of difficult to develop properties. There is also a need for affordable housing in New Haven; the addition of 133 units will help fulfil some of the need.

#### Summary & Recommendation

Taom's proposal for adaptive reuse of this site

Approval of the proposal is recommended as presented, with the following conditions:

1. Approval subject to modification of the State of CT Assistance Agreement to permit the financing proposed herein and to permit a mortgage on the property;
2. BRLF Standard Terms & Conditions (attached).

By:

(Clayton Williams, Jr., OED Small; Business Development Officer and BRLF Fund Manager)

8/7/2018

Date:

(Helen Rosenberg, OED Business Development Officer and BRLF Project Manager)

8/7/18

Date:

Matthew Nemerson, Economic Development Administrator

8/7/18

Date:

**Taom Heritage New Haven, LLC****Exhibit A  
Terms & Conditions**

1. Compliance with all EPA & BRLP guidelines and regulations as may be applicable to this project;
2. As appropriate, compliance with all State of Connecticut Department of Energy & Environmental Protection (DEEP) and Department of Economic & Community Development (DECD) guidelines and regulations;
3. Certificate of insurance on all business assets and real estate held as collateral with the City designated as additional "Loss Payee" and "Additional Mortgagee," as applicable;
4. Submission at closing of certification that there has been no adverse change in the borrower's financial condition and that all applicable taxes, permit fees and license fees have been paid;
5. Compliance with appropriate City of New Haven regulations, including (but not necessarily limited to) permitting, zoning, site plan, etc.
6. Borrower shall comply with all applicable federal, state, regional and local laws and regulations pertaining to its operations. Any license renewals and results of any audits by governmental or other entities with whom business is conducted must be submitted to the City within 10 days of receipt. Non-renewal of any required license or permit will be an event of default;
7. Borrower agrees to use its best efforts to hire employees and consultants from New Haven and to work with local Department of Labor job training programs or regional work force boards to identify local employees;
8. Borrower agrees to its inclusion (name, location, amount of assistance) in City of New Haven publications and marketing material as deemed appropriate by the City;
9. Other conditions as may be required or recommended by Counsel.

