

The “City-Wide” Assessment Deferral Program: An Evaluation

A Joint Report of the Office of Economic Development and the Livable City Initiative

Prepared for

The Honorable Board of Alders of the City of New Haven

August 28, 2019

I. Overview.

A. History. The Rehabilitation Area property tax assessment deferral program, more commonly referred to as the “City-Wide” Assessment Deferral program, was first authorized by the Board of Aldermen in 1975, and has been in existence in its current form since 1981. The program is an invaluable tool for both the Office of Economic Development and the Livable City Initiative. It has provided an incentive for investment in improving and expanding the housing stock and for improving commercial buildings throughout the city. The program was most recently renewed in late 2014, and is due for renewal by January 1, 2020.

B. Purposes. The program encourages property owners to rehabilitate existing buildings or to construct new buildings for residential rental or cooperative housing purposes by deferring the assessed value of the improvements during the rehabilitation period and then phasing in the taxes on the improvements over a period of five (5) years. While there is no restriction on the use for a rehabilitated building, a “Manufacturing Facility” within the meaning of Connecticut’s state statutes is not eligible for this program (although it is covered under a separate program).

C. Importance of the Program. The City-Wide Assessment Deferral program is a critical development incentive for the city. Despite facing the most difficult economic climate in fifty years, the City recently has experienced one of its largest building booms, with several million square feet of new construction completed or underway over the last several years, and the City-Wide program has been an important component to many of these current projects. While the City-Wide program has been used to attract development Downtown, it has also been true to its name – attracting development throughout the City, improving the city’s neighborhoods, with continued investment in home-ownership expansion in the Dixwell, Newhallville, and Hill neighborhoods.

Further, the City-Wide Assessment Deferral program is the primary business incentive that the City has to attract development, increase employment, and help expand its tax base. The City-Wide Assessment Deferral program is of particular importance in areas not covered by the similar Enterprise Zone Assessment Deferral program, which is limited in its geographic area only to certain parts of the city.

In addition, the City-Wide program is an invaluable tool for ensuring investment in New Haven. New Haven must be able to compete successfully for investment dollars, and each of the other Connecticut cities in its peer group has similar or equivalent programs. Hartford, for instance, offers extensive Tax Increment Financing incentives, while Hamden offers a tax deferral program for both real estate and business personal property, and other surrounding towns also offer various tax incentives to attract investment. Finally, cities in neighboring states of similar size and standing to New Haven also use tax incentives to aggressively court development investment: Providence, Worcester, and Springfield all offer various lucrative incentives, including tax abatements, Tax Increment Financing, and tax incentives to rehabilitate vacant buildings.

D. Program Evaluation. Pursuant to Section 4 of the Administrative Procedures passed by the Honorable Board of Alders of the City of New Haven as part of the 2014 resolution renewing the City-Wide Assessment Deferral program, the following joint report of the Office of Economic Development and the Livable City Initiative details activity and use of the program from 2015 through 2019.

II. Use of the Program.

A. Recently Phased-In Properties. The City-Wide Assessment Deferral program has been used extensively by larger developments in and around Downtown, as well as for revitalizing housing in the Dixwell, Newhallville, and Hill neighborhoods. Downtown projects include, for example, mixed-use developments at the former Salvation Army site at 301-305 George Street, and the Novella mixed-use project at 1245 Chapel Street. The program currently is being used to support Spinnaker's mixed-use development at Orange and Audubon Streets, as well as AdamAmerica's mixed-use project at 87 Union Street. Both of these sites were previously underutilized, and their redevelopment will have a positive impact on the City's tax base. Exhibit A is a summary of larger projects in the Program and their potential tax impacts.

The program also has been used successfully as a home ownership incentive for residential properties Newhallville, Dixwell and the Hill: the Winchester Lofts project at 275 Winchester Avenue (Newhallville), and the Quality Hyundai project at 115 Peat Meadow Road (Annex), are prime examples of repurposing formerly vacant sites and are nearly fully phased in.

Finally, the Program has actively supported smaller, neighborhood residential projects for private homeowners, as well as for local not-for-profit housing developers such as Neighborhood Housing Services and Habitat for Humanity (See Exhibit B). Once these properties have completed the phase-in period, they will be fully taxable.

B. Future Projects. The Office of Economic Development is currently working with applicants to complete applications for an additional five (5) projects throughout the City. For example, local artist Titus Kaphar has acquired the former Furniture Doctor site at 140 Derby Avenue (West River) and, after performing a minor environmental cleanup, will develop a smaller version there of his soon-to-be-completed NXTHVN project on Henry Street in Newhallville. East River Partners will soon commence construction of a mixed-use project on Chapel Street near State Street. Chapel West’s Wendy Chang is finalizing a plans to upgrade a small, mixed-use building at 1289 Chapel Street.

III. Financial Information.

The projects using the City-Wide Assessment Deferral Program shown on Exhibits A and B are a testament to the Program’s incentive to invest in the city. The following data demonstrate the Program’s effectiveness at leveraging investment in the city, and the increased assessed value of the properties after rehabilitation. (Values are the totals for projects on both Exhibits).

Total Pre-Rehabilitation Assessment	\$35,713,570
Post-Rehabilitation Assessment	\$226,331,740
Assessed Value of the Rehabilitation Improvements	\$190,618,170

The following table demonstrates the annual benefit to the tax base of the Program. (Values assume the current 42.98 mill rate.)

Pre-Rehabilitation Taxes	\$1,534,969
Post-Rehabilitation Taxes	\$8,192,768
Tax Base Expansion	(+) \$6,657,799

IV. Program Improvements.

A. The Office of Economic Development continues in its efforts to improve the operation of the City-Wide Assessment Deferral program. The Office has collaborated with the City Assessor, Livable City Initiative, and Corporation Counsel for improvements to the Program.

The Office has also met with current developers to gain insight as to how they view the Program, and how proposed modifications to the Program may impact their continued interest in developing in New Haven.

The Office also has marketed the Program to the various Neighborhood Business Districts (i.e., Whalley Avenue Special Services District, Chapel West Special Services District, West River Neighborhood Services, and Westville Village

Renaissance Alliance) to ensure that ALL developments have an opportunity to participate in the Program.

B. The Office proposes to enhance the Program both in ways that it believes will not impact negatively the Program's benefits to developers and other real property owners, and in ways that will bring in more tax dollars sooner and provide funds to support the City's Affordable Housing Initiatives:

- **Shorten the construction period from two (2) years to one (1) year.** Most projects involving residential housing receive partial Certificates of Occupancy as units are completed. The Office proposes now to use the sooner of the date of issuance of any Certificate of Occupancy or two (2) years as the trigger date to signify completion. The State Statute that authorizes the Program requires an additional year at Base Assessment following the issuance of a Certificate of Occupancy, so a maximum of two (2) years (instead of the current three years) will accelerate the phase-in of the Improvement Value.
- **Eliminate the transfer of the Deferral benefit to future owners** by cancelling any Deferral (and returning to full Market Value) if the property changes ownership and/or control at any time during the Deferral period.
- **Increase the current phase-in annual percentages to support affordable housing development.** Currently, the phase-in percentages, following the construction period, are: 20% (Year 1); 40% (Year 2); 60% (Year 3); 80% (Year 4); 100% (Year 5). The Office proposes to increase the percentages by 5% (i.e., 25%; 45%; 65%; 85%; 100% respectively), with the additional amounts generated by that 5% increase to go toward an Affordable Housing Fund operated by the City. These revised phase-in percentages will apply **ONLY** to residential/mixed-use properties that contain five (5) or more residential units and all eligible commercial/industrial projects; the current phase-in percentages will continue to apply to smaller, one-to-four family residential/mixed-use properties.

Management and staff of the Office of Economic Development (including the Office of Business Development and Livable City Initiative) consider City-Wide Assessment Deferral a valuable Program that encourages development and positively impacts the City's tax base. We strongly believe that the building boom in New Haven over the past decade would not have been as robust were it not for this Program. The Program is easy to understand and administer, eliminates the need for negotiations on a project-by-project basis, and levels the playing field for all developers, large and small alike.

August 28, 2019

Exhibit A

COMPLETED ASSESSMENT DEFERRAL PROJECTS (CY 2014-2018)						
PROJECT ADDRESS	PROJECT NAME	EFFECTIVE DATE OF CONTRACT	PRE-CONSTRUCTION VALUE	DEVELOPER COST (PER A.D. APPLICATION)	ASSESSED VALUE AS COMPLETE	GRAND LIST IMPACT
115 Peat Meadow Road	Brandfon Hyundai (f/k/a Quality Hyundai)	May 27, 2013	1,473,920	2,190,551	2,460,570	986,650
275 Winchester Avenue	Winchester Lofts	October 15, 2013	658,280	36,212,763	15,424,500	14,766,220
100 College Street (EZ)	Alexion Building	December 31, 2013	3,252,270	176,688,000	26,006,050	22,753,780
91 Church Street	91 Church Street, LLC	September 19, 2014	304,193	944,870	1,138,550	834,357
205 Church Street	The Union	June 12, 2014	11,517,310	18,523,051	15,622,810	4,105,500
102 Wheeler Street	Wheeler Enterprises, LLC	October 29, 2014	438,200	2,619,650	1,862,420	1,424,220
1245 Chapel Street	The Novella	November 20, 2014	314,860	11,780,000	10,760,190	10,445,330
200 College Street	Crown & College CenterPlace	December 15, 2014	1,826,720	15,431,014	10,034,590	8,207,870
260 Crown Street	Metro 260	April 25, 2016	701,260	2,054,655	1,417,150	715,890
1040 State Street	The Corsair	October 3, 2015	640,937	33,547,723	15,720,950	15,080,013
35-39 Church Street	The Washington Building	April 26, 2016	791,630	6,955,165	2,406,530	1,614,900
249 Legion Avenue	Route 34 Phase I, LLC	January 26, 2016	478,520	6,795,405	34,250,030	33,771,510
274-278 Crown Street	Metro 303	April 25, 2016	701,260	2,054,655	1,230,040	528,780
301-305 George Street	Metro 303	June 27, 2016	1,197,070	14,426,052	4,039,420	2,842,350
470 James Street (EZ)	The District	June 30, 2016	1,446,340	11,404,969	5,169,430	3,723,090
9 High Street	323 George Street, LLC	November 8, 2017	764,540	8,500,000	9,805,600	9,041,060
15 High Street	323 George Street, LLC	December 21, 2017	515,130	360,000	606,690	91,560
22 Gold Street	RMS Gold Street, LLC	January 26, 2018	989,450	11,270,000	10,443,020	9,453,570
367 Orange Street	367 Orange Street, LLC/Lofts at Audubon Square	February 26, 2018	721,490	32,350,000	34,866,580	34,145,090
1151 Chapel Street	The Graduate (f/k/a The Duncan)	February 9, 2018	2,022,720	12,708,033	11,308,780	9,286,060
703 Whitney Avenue	703 Whitney, LLC	August 2, 2018	1,134,210	8,344,016	3,708,530	2,574,320
76 Blatchley Avenue (EZ)	Triffin Building/Fair Haven Furniture	May 8, 2017	333,830	179,379	652,750	318,920
169 Henry Street (EZ)	169 Henry Street, LLC/Titus Kaphar	March 18, 2018	369,320	5,982,000	2,074,660	1,705,340
190 River Street (EZ)	Bigelow Square, LLC	October 4, 2018	47,600	805,000	246,400	198,800
281 Chapel Street	281 Chapel Street, LLC/Ralph Mauro	February 21, 2017	397,880	138,167	509,880	112,000
335 East Street	Stimson Realty/Bender Plumbing	December 27, 2016	514,430	1,449,500	725,720	211,290
620 Grand Avenue	620 Grand Avenue, LLC	July 5, 2018	429,730	1,324,000	759,080	329,350
TOTALS			33,983,100	425,038,618	223,250,920	189,267,820
PENDING ASSESSMENT DEFERRAL PROJECTS (Preliminary Applications Received, Other Info to Determine Values Pending)						
87 Union Street	44 Olive Street Ltd. Partnership					
216 Congress Avenue	216 Congress Avenue, LLC					
224-246 Lafayette Street	RMS Lafayette Street, LLC					
742 Chapel Street	Chapel & State, LLC					
754 Chapel Street	Bassett Building, LLC					

Exhibit B

PROJECT ADDRESS	PROJECT NAME	EFFECTIVE DATE OF CONTRACT	PRE-CONSTRUCTION VALUE (\$)	DEVELOPER Cost \$(PER A.D. APPLICATION)	ASSESSED VALUE AS COMPLETE (\$)	GRAND LIST IMPACT (\$)
29 Clinton Avenue	Sarah Miller & Lee Cruz	1/8/2016	123,550	58,099	190,890	67,340
201 Pine Street	Art Builders, LLC	4/1/2016	51,310	81,150	109,410	58,100
154 Alston Avenue	Shel Swanson	4/24/2016	177,240.00	102,000	237,000	59,760
679 Winchester Avenue	679 Winchester Avenue, LLC	8/6/2016	96,810	105,867	154,280	57,470
13 Rock Creek Road	Habitat for Humanity	2/7/2017	31,010	74,330	118,510	87,500
847 State Street	Church on State, LLC	4/18/2017	589,120	640,000	1,075,480	486,360
116 Carmel Street	Neighborhood Housing Services	8/10/2017	24,500	175,000	101,150	76,650
112 Carmel Street	Neighborhood Housing Services	9/20/2017	33,600	168,000	103,740	70,140
753 Winchester Avenue	Neighborhood Housing Services	2/8/2018	49,000	230,300	125,440	76,440
387 Lenox Street	Habitat for Humanity	2/12/2018	74,760	74,330	123,970	49,210
43 Lawrence Street	Jackie Carleton McFadyen	5/8/2018	154,140	63,500	198,310	44,170
92 Clark Street	James & Robin Kalfaian	9/17/2018	295,190	144,000	394,100	98,910
93 Hillside Avenue	Scott & Lisa Santoroski	10/17/2018	30,240	126,000	148,540	118,300
Totals			1,730,470	2,042,576	3,080,820	1,350,350