

LCI Board Meeting Minutes
October 27, 2021 (Via Zoom)

PRESENT: Neil Currie, Nadine Horton, Seth Poole, Arlevia Samuel (Acting Executive Director), Hon. Ernie Santiago, Evan Trachten (LCI staff), Michael Pinto (Office of Corporation Counsel)

Absent: Hon. Richard Furlow, Patricia Brett

Guests: None

Meeting called to order at 6:03 P.M.

Review of LCI Board meeting minutes from September 29, 2021 Special Meeting. A motion to approve was made by Neil Currie, seconded by Alder Santiago; Approved unanimously.

New Business

346 Grand Avenue & 350 Grand Avenue

Evan told the Board this is a proposal to acquire two structures from the Fair Haven Health Clinic (FHHC). The project involves three adjacent structures. The City currently owns a structure on the corner of Grand Avenue and Lloyd Street (342 Grand Avenue). The City is proposing to purchase 346 Grand Avenue as well as 350 Grand Avenue from the FHHC. This is a package deal to purchase the two structures. We are asking to increase the acquisition price of 346 Grand Ave from up to \$285,000 to up to \$305,000 due to delays with the acquisition, the difficulty of acquiring fire insurance, and the carrying costs of this deal. Evan noted as a package deal the City will gain \$150,000 of equity when the City takes title to both properties.

Evan discussed the property at 346 Grand Avenue. Evan noted that Alder Crespo is in support of this proposal. Evan told the Board that the City Plan report is supportive of the acquisition and that several objectives of the Comprehensive Plan are achieved by this acquisition. The FHHC is preparing to construct a new health care facility on the James Street end of this stretch of Grand Avenue in the future, and our development will compliment that project. The building at 346 Grand Avenue is a residential structure and the building at 350 Grand Avenue is an office building. LCI has recent appraisals for both properties, the value of 346 Grand Avenue was appraised at \$230,000 and the structure at 350 Grand Avenue was valued at \$375,000. We are proposing to pay up to \$305,000 for 346 Grand Avenue and pay \$155,000 for 350 Grand Avenue.

Evan described the project vision. All three properties will be converted to owner occupied two-unit residential structures with a 20-year occupancy period. LCI intends to create off-street parking for each property. LCI believes making these structures owner occupied will help stabilize the block. There will also be a deed restricted rental unit at each property. The structures are brick and LCI will follow all regulations for the rehabilitation to preserve the look of the structures.

Attorney Michael Pinto elaborated on the project. He told the Board the FHC has an option to purchase 346 Grand Avenue. A google street view of this area was presented to the Board. Attorney Pinto walked the Board down Grand Avenue highlighting the project. The FHC had an approval to purchase 342 Grand from the City but they did not complete the purchase. The FHC asked the City to be a partner and develop these three residential properties while they develop a new health clinic on the James Street end of this stretch of Grand Avenue.

Nadine Horton asked staff about the price increase from \$285,000 to \$305,000 and the carrying costs, as well as the issue of acquiring fire insurance. Attorney Pinto explained that originally the City planned to help the FHC quickly acquire the property at 346 Grand Avenue to keep the acquisition cost as low as possible. The FHC was unable to purchase fire insurance because the property at 346 Grand Avenue has fire damage. The seller agreed to extend the purchase option agreement which costs \$5,000 per month. The additional carrying cost due to the timeline for approval may be an additional \$20,000, there will also be about \$7000-\$8000 in closing costs. Attorney Pinto noted that as a package deal these additional costs are not detrimental to the project because if we acquire both properties, we gain a large amount of equity. The project is impactful and the property at 346 Grand Avenue is a linchpin and vital for the City to control.

Nadine Horton also asked, what is the timeline to rehabilitate these properties and selling them? Arlevia told the Board that attorney Pinto can provide good guidance on this aspect of the development. Attorney Pinto told the Board that upon closing on these properties they will be turned over to LCI's Cathy Schroeter and her Division to project manage them. The restoration will take a little longer because the City will meet the standard set by the Secretary of Interior for rehabilitation of historic structures. Attorney Pinto said it may be about two years to develop and sell these structures because of the level of work to be done. Evan thought 18 months would be a general timeframe but if there are supply chain issues or other delays it may take longer. Attorney Pinto thinks that 2 years is the best estimate. Once you start opening walls in a 120-year old house you can have many surprises or delays due to unknowns.

Alder Santiago asked about the occupancy requirement, is it transferable or does it restart if the property is sold prior to the 20-year occupancy being completed? Attorney Pinto told the Board that the requirement doesn't reset, rather the next owner would have a deed restriction and need to satisfy the remainder of the occupancy period. The City must approve any transfer until the 20-year requirement is satisfied. Alder Santiago also asked about selling the property at 60% of the value. Evan said that the information on the PAD coversheet about 60%-100% AMI has to do with the buyers' income, not the value of the property. Evan said that we will not sell the property for 60% of the market value (Neil Currie later pointed out that in-fact we may sell the property at such a discount to an income qualified buyer).

Neil Currie asked a few questions. Neil wanted to know about the owner of 346 Grand Avenue, Frank Sacco; does he or his family have any connection to the City? Evan told the Board there is no connection or conflict of interest issue. The City is in compliance with all regulations and Attorney Pinto would ensure compliance with all ethics regulations and rules. Attorney Pinto told the Board that Mr. Sacco grew up in this house and he inherited the property from his mother. Mr. Sacco has been bearing a risk while this deal evolved, extra time was needed because the original acquisition plan changed. He could have canceled the deal and option and sold the property to some other entity

or rental investor. Staff believe that Mr. Sacco is pleased to see his family's home be renovated and preserved and has been willing to work with all parties while bearing some risk carrying the structure for several months. This acquisition will allow us to control the block.

Neil also asked about what FHHC is paying relative to our cost to acquire? Attorney Pinto said the only difference in price is the cost of the option. We are paying the same base cost. If we can acquire this sooner the cost will be lower. Neil asked what are the carrying costs? Attorney Pinto said the \$5,000 per month cost is the value of the option being extended. The FHHC will not pocket any of the \$5,000 option cost. All the funds will go to the Sacco family.

Seth noted that the FHHC had an approval to acquire 342 Grand Avenue for about \$12,000. If that sale had been completed the property would not have been taxable. Since the City is proposing to develop these properties, we will get tax revenue, owner occupants, and long-term stability because of families and owner occupants. The buyers will gain equity from the properties which helps create generational wealth. Seth asked if the City is eligible for Historic tax credits by doing this project. Attorney Pinto didn't think the City was eligible and noted that we will likely be utilizing Federal Funds such as CDBG or HOME. Evan noted that when utilizing Federal funds, the City will be required to meet the Secretary of Interior's standard for historic rehabilitation. This will not be a "flip" style rehabilitation.

Nadine Horton asked about how will a future homeowner be able to maintain one of these properties at the historical standard, given the increased cost? Evan told the Board that the City will meet the standard and the homeowner shouldn't have any maintenance to do for many years. The homeowner will not be held to the Secretary of Interior's standard for future maintenance (unless they use Federal funds). This property is not located in a local historic district so there are not restrictions in place that would increase the cost of basic maintenance.

Neil asked how the City will price the properties to be affordable given their appraised value will likely far exceed what is defined as affordable? Attorney Pinto told the Board that the City will sell the property below market value and will spend more money than it recoups from the sale of the property. Neil noted that Alder Santiago asked about selling the property at 60% of the market value and staff said that wouldn't be the case, but in reality, we are selling it way below market value so we may be selling it at 60% of market value depending upon the buyer's income level. The buyer will gain a lot of equity upon taking title to the property.

Neil also asked about the affordability, if the City is assessing the property at market value for tax purposes and the owner has restrictions on the rent, how is that affordable? The owner will get income from a rental unit. Neil noted that given the rental units are also income restricted that will not help the owner as much as it could if it were a market rate unit. Evan noted that the Assessor's office will receive a copy of the deed and because there is a deed restriction on the property the assessment would be lower. Evan also clarified his statement to the Board in reference to Alder Santiago's question about selling the property at 60% AMI or 60% of its market value; the City sells a property to an income qualified buyer and in some cases the discount could be significant as noted by Neil Currie. Evan apologized for any confusion.

Alder Santiago asked if there was a tax abatement to make this affordable, he noted that it sounded like a tax abatement was needed to make this affordable. Evan told Alder Santiago that due to the deed restriction the assessor's office makes an adjustment on the value. Alder Santiago made a motion to approve the item. There was a request from staff to include language of "up to \$305,000 plus closing costs" in the motion. Attorney Pinto also asked to make a separate motion for each item.

Alder Santiago made a motion to approve the acquisition of 346 Grand Avenue, Alder Santiago amended his motion to add read " to acquire 346 Grand Avenue for up to \$305,000 plus closing costs", seconded by Neil Currie, all were in favor, Approved unanimously.

A motion to approve the acquisition of 350 Grand Avenue for \$155,000 plus closing costs was made by Nadine Horton, seconded by Alder Santiago, all were in favor, approved unanimously.

Old Business

Seth asked if there was any old business? There was none.
Seth also asked if there was new business?

Nadine asked about the purview of this Board in terms of LCI operations? Evan told the Board he would ask Arlevia to answer this at our next meeting. Nadine mentioned that she had received some questions from members of the community on this topic. Nadine will forward some questions to staff. Neil asked that Evan send the enabling legislation which was provided to him by staff when he was appointed to the Board.

Attorney Pinto thanked the Board for their support on the Grand Avenue project and expressed his appreciation for the architecture and uniqueness of the structures. Seth mentioned the LCI housing project on George Street and the importance of saving brick structures and creating opportunities for housing. Seth told the Board he was in Scarsdale, New York salvaging 120-year old wood flooring from a mansion to install at his home. The mansion is being knocked down.

A motion to adjourn was made by Alder Santiago, seconded by Neil Currie. All were in favor, approved unanimously.

Adjourned at 7:01 P.M.