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VIA E-MAIL

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January 29, 2024

Re: Zoning Board Application #222-32-MOD
CP VIII 100 Clinton, LLC
100 & 101 Clinton Avenue, Stamford, CT (the "Property")

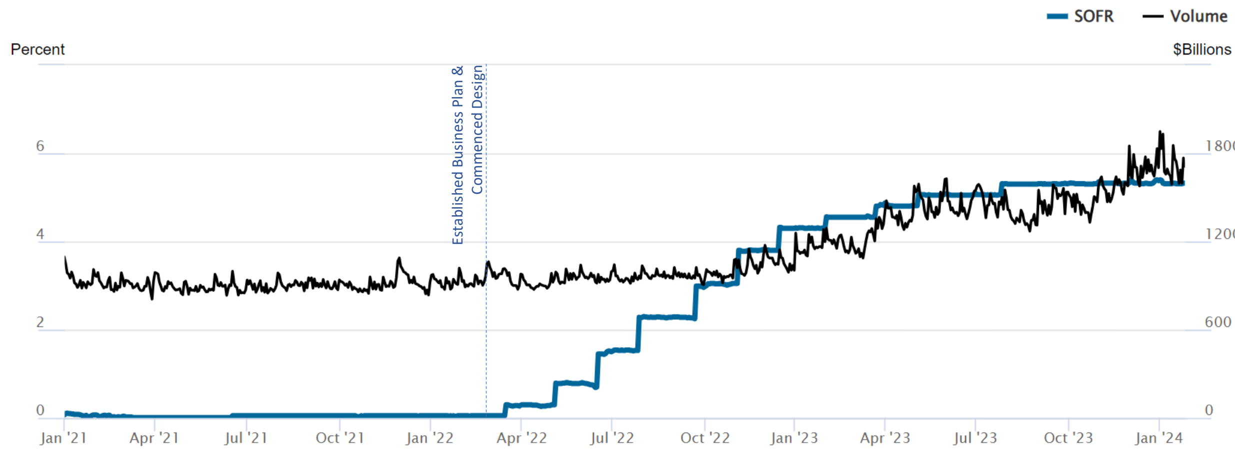
Our firm represents CP VIII 100 Clinton LLC (the "Applicant") in the above-referenced application. At a meeting held on Monday, January 22nd, 2024, the Stamford Zoning Board (the "Zoning Board") commenced a public hearing concerning the Applicant's proposal to make a financial contribution into the Affordable Housing Trust Fund ("AHTF") in lieu of designating 49 of the previously approved 471 apartments as Below Market Rate ("BMR") apartments. As previously discussed, 97% of the onsite BMR apartments would be affordable to residents earning 50% of Area Median Income ("AMI") or more.

During the January 22nd public hearing, members of the Zoning Board asked the Applicant to provide more information regarding its decision to consider a financial contribution to the AHTF. The volatility of capital markets and clear policy direction from the City of Stamford (the "City"), inspired the Applicant to reconsider a contribution to the AHTF as a way to ensure the redevelopment of the Property (and the public benefits that will result from it) will move forward as quickly as possible.

1) Volatility of Capital Markets

Rising interest rates over the past several months have led to volatile conditions in capital markets. The Secured Overnight Financing Rate (SOFR), a widely followed metric to quantify the cost of borrowing, has risen from near 0% in 2021 to 5.32% on January 26, 2024.[1] This rise in rates is meant to slow inflation by slowing the economy through reducing money supply.

[1] See (https://www.newyorkfed.org/markets/reference-rates/sofr).



Rising rates are just one sign of financial uncertainty facing property owners and builders in 2024. Several regional bank failures, including the collapse of Signature Bank, failure of Silicon Valley Bank (the largest bank failure since the 2008 Financial Crisis), and the distressed sale of First Republic have led to more conservative lending practices.

This stress in the lending and banking economy has severally curtailed lending volume across all industries, with real estate development being hit particularly hard. In this difficult environment, it is critical to cast as wide a net as possible to secure financing, given the varying preferences held by lenders. Certain lenders have a preference for on-site affordable housing, which can align with business lines and initiatives within the bank. Other lenders prefer property owners (such as the Applicant) not restrict the rents of onsite apartments by making a financial contribution to a local affordable housing fund (or similar funding source) to mitigate the compliance risk of on-site BMR units potentially holding up certificates of occupancy or leasing. Any such opportunity to lower risk is critical to financing residential development projects, particularly in today's climate where the lending industry is facing uncertainty due to underperforming loans made in other sectors (particularly in the commercial office market) and the tightening of money supply.

(2) City Public Policy Priorities

The Applicant established the business plan and began the design of its 471-unit community in early 2022, before the adoption of the Stamford Housing Affordability Plan (the "Affordability Plan") in May 2022. The Affordability Plan recognizes subsidies as the "most effective tool to serve households at the lowest income level."[2] The Affordability Plan identifies scaling up the financial investment made in housing as one of the primary strategies to addressing the City's housing needs.[3] A key action required to increase funds available, according to the

[2] The Affordability Plan, pg. 6.
[3] Id, pg. 13.

Affordability Plan, is to "[p]rioritize use of fee-in-lieu payments from the Below Market Rate (BMR) program."[4]

Months after the Applicant earned Zoning Board approval to build a multifamily community on the Property, Mayor Caroline Simmons issued an Executive Order rolling out the City of Stamford Housing Affordability Initiative (the "Housing EO"). Mayor Simmons' Housing EO calls for a "policy change prioritizing fee-in-lieu over on-site development…to expand funding for priority units distributed through the Affordable Housing Trust Fund." The Housing EO prioritizes the construction of "very low-income units" and "family size units," two (2) housing types that have been achieved using Fee-in-Lieu funds in the past, but are less frequently realized via the provision of onsite BMR units. For example, in his testimony on January 22nd, Mr. Richard Freedman summarized his experience utilizing fee-in-lieu funds to construct 17 family-sized apartments (two and three-bedroom) affordable to residents making 30%-45% AMI at the David Martin Apartments in Springdale.

The Housing EO also calls for the "[d]evelopment of housing for families and individuals earning less than 50% of the Area Median Income." The City has seen success after success of Fee-in-Lieu funds being utilized to create housing opportunities for residents making less than 50% of AMI, while onsite BMR units are typically reserved for residents making 50% or more of AMI. As applied to the Property, all but one (1) BMR apartment required under the Final Site Plan Approval would be available to tenants making 50% or more of AMI, and almost 60% of onsite BMR units would be studios or one bedrooms.

Inspired by these clear policy statements and the market conditions discussed above, the Applicant considered providing a substantial, multi-million-dollar infusion of money into the Stamford Affordable Housing Trust Fund. As previously documented by the Land Use Bureau, $12.6 million dollars of Fee-in-Lieu funding has been used to build and/or maintain 147 affordable and deeply affordable living opportunities across the City of Stamford. Inspirica's 53-apartment development located at 72 Franklin Street is a prime example of the difference Fee-in-Lieu funds can make in the City. All 53 apartments are reserved for residents making 25%-35% of AMI. These apartments would not have been possible without $2.4 million in FIL funds from the mixed-use development at 245 Atlantic Street. It is notable that the deeply affordable apartments at 72 Franklin Street were completed before their market-rate counterparts at 245 Atlantic Street. The Stamford Zoning Regulations (the "Zoning Regulations") require a Fee-in-Lieu payment to be made prior to the issuance of a Building Permit. As such, these funds would be deposited into the AHTF before the Applicant can even start construction on the project.

(3) Benefits to the City

[4] Id.

Access to additional financing resources made available through approval of the Fee-in-Lieu payment will help the Applicant deliver the approved development. Redevelopment of the Property will also result in several benefits to the City of Stamford, including:

- The construction and completion of the Mill River Riverwalk along the westerly portion of the Property. The Applicant has agreed to fund all design, permitting, and construction costs for this important, publicly accessible resource that exceed a $1.6 million contribution made by the prior owner of the Property.

- Anticipated increase in property tax revenue from $108,000 (as of January 2023) to $3,000,000.00 +/-.

- The provision of fee-in-lieu funds that can be utilized to build housing targeted to meet the most pronounced need among Stamford residents, [5] in the midst of increasing eviction rates.[6]

Clearly, the City and the Applicant have a shared interest in seeing the redevelopment of the Property completed as quickly as possible. Allowing a financial contribution to the AHTF will increase the amount of capital accessible to the Applicant needed to complete the project, deliver several benefits to the City, and help the City achieve important, well-articulated public policy goals.

Sincerely
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Jason A. Klein

[5] As noted in the Affordability Plan, there is a housing gap of 14,953 rental apartments for residents making less than $60,000. See Affordability Plan, pg. 28.
[6] See "Data: Evictions higher in state's cities" by Alex Putterman. The Stamford Advocate. January 15, 2024. https://www.ctinsider.com/news/article/ct-evictions-data-town-by-town-18600707.php