

REDEVELOPMENT OPPORTUNITY-HIGH MEADOWS PROPERTY

825 Hartford Turnpike
Hamden, Connecticut 06517

MARKET STUDY

Date of Report: January 11, 2024
Colliers File #: BOS230530



PREPARED FOR
Town of Hamden
625 Main Street
Hamden, CT 01036

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES

LETTER OF TRANSMITTAL

COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES



100 Federal Street, 13th Floor
Boston, MA 02110 USA
MAIN 617 330 8000
FAX 617 330 8093
WEB www.colliers.com/valuationadvisory

January 11, 2024

Town of Hamden

625 Main Street
Hamden, CT 01036

RE: Redevelopment Opportunity-High Meadows Property

825 Hartford Turnpike
Hamden, Connecticut 06517

Colliers File #: BOS230530

To Whom It May Concern:

The Town of Hamden has solicited Development Proposals from several firms for the acquisition and development of the subject site through an RFP dated August 25, 2023. The subject property is in southeastern Hamden, approximately 2 miles from the Marketplace at Hamden, Hamden Mart, and Hamden Plaza.

There are two buildable areas of the site: the existing approximately 16 acres campus on the west side of the site and approximately 5 acres on the east side of the site. Most of the remaining area of the site is identified as wetlands by the CT DEEP (approximately 18 acres).

Pursuant to our engagement, we evaluated the three development proposals from three developers: The Carabetta Team Investors Network LLC "Carabetta"; Dakota Partners, Inc. "Dakota"; and The Community Builders "Community Builders". It is our understanding that Dakota Partner's Market Rate Proposal is not being contemplated; therefore, we did not include the proposal in our analysis. On the next page is a summary of the proposed developments.

SUMMARY OF THE PROPOSALS

CATEGORIES	DEVELOPERS		
	CARABETTA	DAKOTA PARTNERS	COMMUNITY BUILDERS
# OF UNITS			
# of Units (Apartments)	124	322	145
# of Units (Townhouse or Single-Family)	<u>119</u>	<u>25</u>	<u>12</u>
Total Number of Units	243	347	157
# OF SENIOR AND AFFORDABLE UNITS			
# of Affordable Units	243	161	145
# of Senior Housing Units	27 (Innovative Homes)	25	45
# OF PARKING SPACES			
# of Parking Spaces	428	540	179
Parking Ratio (Space/Unit)	1.76	1.56	1.14
OPEN SPACE			
Open Space (Acres)	30.17	22.32	31.30
Developed Space (Acres)	20.12	27.97	18.99
Total Site Area (Acres)	50.29	50.29	50.29
% of Open Space to Total Site Area	60%	44%	62%
OTHER CATEGORIES			
# of Residential Buildings	53	13	15
Residential Development Square Footage	287,430	361,066	192,767
AMI % for Affordable Units	80% of AMI or Less	30% to 80% of AMI or Less	30% to 80% of AMI or Less
Financing	Investment capital, mortgage financing, energy incentive funds and available rebates, federal and state programs, environmental cleanup, and neighborhood revitalization, and all other sources of funds available from time to time.	Low Income Housing Tax Credit, Mortgage Financing, DOH Subsidy Loans, Energy Rebates, CHFA Funds, and FHLB.	State Community Investment Funds, Connecticut Community Challenge Grants, Small Cities CDBG or Home Funds, State Bond Financing, Energy Rebates, Tax Credits, and Federal HUD 202 Funding for Elderly Housing
Closing Period	Not Clearly Defined in the Proposal	Not Clearly Defined in the Proposal	2026 "Acquisition Closing"
Tax Abatement or Plot Request	None Requested	Yes- For Phase 1	None Required
Tax Income to Town (Appraiser Projected)*	\$1,706,965	\$2,634,142	\$457,360
Zoning Relief Requirement?	Yes	Yes	Yes
Total Development Cost	\$67,523,780	\$125,371,441	\$81,779,164
Average Cost Per Unit (To Construct)	\$277,876	\$361,301	\$520,886.39
Schedule-Overall and Earliest Completion	Not Defined in the Proposal	Phase 3 Completed in December 2028, Phase 4 is TBD.	2028
Sustainability	LEED Standards for Innovative Homes, Green Building Strategies	High efficiency HVAC systems, low VOC materials, low flow water fixtures, Energy Star appliances and lighting, and enhanced thermal building envelopes. Buildings E & F will also be designed to achieve Passive House standards, which is among the highest levels of sustainability.	Carbon neutral materials, renewable energy solutions, and energy-efficient materials (possibly passive houses)

* The real estate tax projections are partially based on the real estate developer's rent limits provided in their proposals.

SUMMARY OF FINDINGS

Below is a brief synopsis of the five points that the client wanted us to research.

1) Identify the average construction cost for similar developments.

In our analysis, we utilized actual proposed construction costs from comparable apartment developments and Marshall Cost Services to project the costs for the apartment/townhouse/single-family developments.

a) *Apartment Developments*

For the apartment component of the proposed developments, we found that the Carabetta and Dakota development costs were in line with our construction comparables on a cost per unit and cost per square foot of gross building area basis. We found the Community Builder's cost per unit and cost per square foot of building area to be at the higher end of the comparable range.

b) *Townhouse/Single Family Developments*

For the townhouse/single-family component of the proposed developments, we found that all the developments were in line with our construction comparables or Marshall Cost Services on a cost per unit and/or cost per square foot of gross building area basis. The development costs for the single-family/townhouse component will vary based on such items as the quality of finish, the number of garage spaces, the amount of above grade finished area, and if there will be basements. A more detailed description and identification of the single-family/townhouse development would allow for a more detailed analysis of this component.

2) Make a statement regarding the financial feasibility of the developments.

The Dictionary of Real Estate Appraisal defines financial feasibility as, "the capability of a physically possible and legal use of property to produce a positive return to the land after considering risk and all costs to create and maintain the use." In this instance, most of the values of the various phases of the proposed developments are not higher than the total development costs net of land costs. Therefore, the proposed developments are not financially feasible in the traditional sense of the term.

However, almost all *affordable* developments aren't financially feasible in the traditional sense of the term. Therefore, to incentivize developers to create affordable housing, the developers are allowed to attain additional funds to make the project feasible. Various funds and credits were outlined in the proposals that are specific to affordable housing including the low-income tax credit, DOH Subsidy Loans, CHFA Funds, Small Cities CDGB or Homes Funds, and the Federal HUD 202 Funding for Elderly Housing. The various funds are outlined in the "Sources and Uses" of the proposals and in the body of the proposals.

As an example, one of the most popular forms of funding is the federal low-income housing tax credit. Tax credits are awarded to an affordable developer, which they can then sell to investors who utilize the tax credits as a means of offsetting federal tax liabilities. The tax credits are typically sold by the developer to an investor at a fraction of the total gross dollars awarded (for example, \$.80 per \$1.00 of awarded credit) over a 10-year period. In turn, because of attaining the additional funds through the tax credit program, the developer must keep the project affordable (at affordable rents) for at least 15 years. Programs like the low-income housing tax credit and the other various affordable housing funds help to incentivize developers to create affordable housing because affordable housing is typically not financially feasible without additional incentives offered through various state and federal agencies.

3) Find new apartment sales/condo sales in the New Haven and Eastern Connecticut Area.

In our analysis, we utilized sales of market-rate, affordable and townhouse/single-family housing.

a) Apartment Developments

- a. Market-Rate Apartments-** We utilized market-rate sales to compare against Phase 1 of the Dakota Project, which is a market-rate project with an affordable housing component. These sales primarily consisted of new construction, market-rate developments in Eastern Connecticut.
- b. Affordable-Rate Apartments-** The Dakota, Carabetta, and Community Builders projects all had affordable housing apartment phases. We utilized affordable housing sales (LIHTC projects or subsidized projects) in our analysis. It is important to note that we had to expand our search for affordable housing sales beyond the Connecticut border due to the lack of recent affordable sales in Connecticut.

b) Townhouse Developments

- a. Single-Family/Townhouse Sales –** Phase 4 of the Dakota development consists of market-rate, age-restricted (senior) townhouse units. For this phase, we utilized market-rate, age-restricted (senior) townhouse/single family sales in the area. We were missing the sizes of the subject townhouses, if the subject townhouses will have garages and basements, and the level of quality of finishes. Phase 3 of the Community Builders development will have affordable single-family houses constructed by Habitat for Humanity. We utilized the Town of Hamden's affordable housing calculation outlined in Section 652.3 of the Hamden Zoning Regulations to project the sale prices.

4) Provide an analysis regarding the amount of open space for the proposed development.

Below is an outline of several Connecticut developments, which had open space requirements. A more detailed analysis is in the individual reports.

AMOUNT OF RECREATIONAL/OPEN/GREEN SPACE IN LARGE-SCALE MULTIFAMILY DEVELOPMENTS								
#	NAME OF PROJECT	ADDRESS	CITY/TOWN	STATE	# OF RESIDENTIAL UNITS	AMOUNT OF TOTAL SPACE	AMOUNT OF OPEN/RECREATIONAL/ GREEN SPACE	% OF OPEN/RECREATIONAL/ GREEN SPACE TO TOTAL SITE AREA
1	Waterford Woods (Phase 2)	394 Willets Avenue	Waterford	CT	313	27 Acres	11 Acres	41%
2	Beach Hill Riverfront Apartments	404 Berlin Turnpike	Berlin	CT	200	33 Acres	16 Acres	50%
3	Springside Middletown	494 Newfield Street	Middletown	CT	414	49 Acres	20 Acres	40%
4	Triton Square	55 Seely School Drive	Groton	CT	304	14 Acres	7 Acres	50%
5	Kelson Row	1 Kelson Row	Rocky Hill	CT	213	12 Acres	4 Acres	34%

The comparables indicate an open space as a percentage of total space of between 34% to 50%. Below are the open space proposals.

OPEN SPACE IN THE PROPOSALS						
DEVELOPER	OPEN SPACE AREA (AC)	TOTAL SITE AREA (AC)				% OF OPEN SPACE/TOTAL SPACE
Dakota	22.32	/	50.29	=		44%
Community Builders	31.3	/	50.29	=		62%
Carabetta	30.17	/	50.29	=		60%

Generally, the amount of open space as a percentage of total space outlined in the proposals are at or well above the percentage of open space in the comparable developments.

5) Make a statement regarding the property development schedule and zoning approach.**a) Development Schedule**

Dakota and Community Builder's Construction Schedules were in line with the comparable data outlined in the reports. Carabetta's construction schedule of 18-months for the entire construction of the improvements seemed aggressive relative to comparable developments.

A challenging aspect of all the projects is trying to project the pre-development timing. The projects will need to obtain state and federal funding to make the projects viable. State and federal funding is limited, which will require the projects to be broken down into several phases.

b) Zoning Approach

All the projects will require some form of zoning relief. Before the town moves forward, it would be helpful to get a better understanding of the following potential problems, which fall outside of the appraisal profession's area of expertise. Below are some possible issues related to the high density of development.

- Many municipalities require traffic studies during the permitting process. It is recommended that a traffic study be conducted to understand if there will need to be additional public and private infrastructure upgrades.
- Many municipalities require an understanding of how the town and private utilities will be impacted by the additional units. Typically, a town will want an understanding of how the new development will affect the utilities before the permitting process is completed.
- Considering that 2- and 3-bedroom units encompass a large portion of the proposed apartment developments, it would be helpful to understand the stresses that the existing school system and other public resources will encounter with additional population.
- There will be a large amount of public open space on the site. It would be helpful to understand who will be liable for maintaining and providing security for the open space.

COMPARISON OF DEVELOPMENTS



1) Carabetta Proposal-

The Carabetta proposal addressed the 13 community concerns in the Community Engagement Results the most thoroughly out of all three proposals. Their proposal indicates that 60% of the development will be open space, well above the comparable properties researched in this analysis. A portion of the proposed improvements (the universal homes) will conform to LEED environmental standards, which is outlined as one of the community's requests. The proposed development will have the 2nd most amount of senior housing out of the three proposals. Additionally, 75% of the proposed apartment development will be 2 and 3 three bedrooms. The large amount of senior, and 2-to-3-bedroom housing units will create more intergenerational opportunities. According to the rent roll, the developer intends for all the units to be affordable, which is another one of the community's requests. Lastly, the layout of the development with many townhouse and single-family units is most conforming to the existing neighborhoods uses.

One of the disadvantages of this proposal is that the developer did not include how they intend to fund the development (didn't include Sources and Uses). The other proposals went into more detail regarding the sources they intend to utilize to fund the development. More specificity in terms of how they intend to fund the development would be helpful to understand how they expect the project to be feasible. The developer also expects the construction schedule of 18-months for the entire project, which seems slightly aggressive. Lastly, there is some concern over how public services would be impacted by the large number of units, more specifically 2 and 3 bed units.



2) Community Builder's Proposal-

The Community Builders proposal addressed the 13 community concerns in the Community Engagement Results the 2nd most thoroughly out of all three proposals. Their proposal indicates that 62% of the development will be open space, well above the comparable properties researched in this analysis. Community Builders intends to use passive house design, carbon neutral materials, and renewable energy in their design, which highlights its commitment to sustainability. The proposed development will have the most amount of senior housing out of the three proposals. Additionally, 40% of the proposed apartment development will be 2 and 3 bedroom units. The large amount of senior, and 2-to-3-bedroom housing units will create more intergenerational opportunities. According to the rent roll, the developer intends all the units to be affordable, which is another one of the community's requests. Lastly, the entire development is clustered to the west side of the site (as opposed to being on the east and west side), which creates a larger, more continuous amount of open space.

One of the issues that needs further clarification is the Community Builders proposed construction costs. The development costs, on a per unit and/or per square foot basis, are well above the other proposals for the apartment component of the development.



3) Dakota Proposal-

The Dakota proposal addressed the 13 community concerns in the Community Engagement Results the 3rd most thoroughly out of all three proposals. Their proposal indicates that 44% of the development will be open space, similar to the comparable properties research in this analysis. Dakota Partners intends to use passive house design, high efficiency HVAC systems, low VOC materials, low flow water fixtures, and Energy Star Appliances. The proposed development will have the least amount of senior housing out of the three proposals. Additionally, 43% of the proposed apartment development will be 2 and 3 three bedrooms. According to the rent roll, the developer intends only some of the units to be affordable.

This developer intends to build 322 apartment units, which is well above the other proposals. There is some concern over how public services would be impacted by the large amount of 2 and 3 bed units. Also, there is some concern over how the developer intends to fund the market-rate component given that our valuation indicates that the project is not currently feasible. The developer may expect to fund this component with subsidies, credits, grants or an aggressive tax abatement program; however, the details are not outlined.

RANKINGS ANALYSIS

Below is a qualitative analysis of the subject property according to the community concerns outlined in the RFP. The RFP identifies 13 categories. The higher the development addresses the issue, the higher the score. If the developer obtains the highest score in a category (superior-high), then the developer scores 10 points in that category. If the developer obtains the lowest score in a category (inferior-high), then the developer scores 0 points in that category. An average score across all 13 categories is 5 Points X 13 Categories = 65 points.

DAKOTA ANALYSIS

COMMUNITY CONCERNS-DAKOTA PARTNERS (AFFORDABLE PROPOSAL)

	INFERIOR			TYPICAL MARKET STANDARD			SUPERIOR		
	HIGH	MODERATE	SLIGHT	MARKET STANDARD	SLIGHT	MODERATE	HIGH		
PRESERVATION OF OPEN SPACE									
Retaining A Portion of the Site As Open Space and Preserving the Existing Wetland								X	
Walking Trails and Paths as Part of the Development Open to the Public								X	
Have an Open Space Plan								X	
SUSTAINABILITY									
Consider Re-Use of Existing Buildings and Structures			X						
Highest Possible Level of Sustainability in the Design and Construction of the Improvements							X		
Develop LEED Standards with a minimum LEED Silver Standard or equivalent			X						
HOUSING USES									
55+ and Senior Housing Units for older Hamden Residents							X		
Support for the Development of Affordable Housing Units Beyond the 20% requirement imposed by the Town							X		
Development of family-size units to attract families to the Town								X	
Possibility of developing intergenerational housing opportunities				X					
OTHER NEIGHBORHOOD CONCERNS									
Concerns about the impact on the character of the neighborhood			X						
Impact New Development will have on traffic			X						
Pedestrian Safety			X						
TOTAL NUMBER OF ITEMS	0	0	5	1			3	4	0
TIMES CATEGORY SCORE	0	2	4	5			6	8	10
SUBTOTAL SCORE	0	0	20	5			18	32	0

SCORE OF COMMUNITY CONCERNS

SUBJECT SCORE	75
AVERAGE SCORE	65
PERCENTAGE ABOVE (BELOW) AVERAGE	15%

COMMUNITY BUILDERS ANALYSIS

COMMUNITY CONCERNS-COMMUNITY BUILDERS

	INFERIOR			TYPICAL MARKET STANDARD			SUPERIOR	
	HIGH	MODERATE	SLIGHT	MARKET STANDARD	SLIGHT	MODERATE	HIGH	
PRESERVATION OF OPEN SPACE								
Retaining A Portion of the Site As Open Space and Preserving the Existing Wetland								X
Walking Trails and Paths as Part of the Development Open to the Public								X
Have an Open Space Plan								X
SUSTAINABILITY								
Consider Re-Use of Existing Buildings and Structures			X					
Highest Possible Level of Sustainability in the Design and Construction of the Improvements						X		
Develop LEED Standards with a minimum LEED Silver Standard or equivalent			X					
HOUSING USES								
55+ and Senior Housing Units for older Hamden Residents						X		
Support for the Development of Affordable Housing Units Beyond the 20% requirement imposed by the Town							X	
Development of family-size units to attract families to the Town							X	
Possibility of developing intergenerational housing opportunities						X		
OTHER NEIGHBORHOOD CONCERNS								
Concerns about the impact on the character of the neighborhood				X				
Impact New Development will have on traffic				X				
Pedestrian Safety				X				
TOTAL NUMBER OF ITEMS	0	0	2	3	3	2	3	
TIMES CATEGORY SCORE	0	2	4	5	6	8	10	
SUBTOTAL SCORE	0	0	8	15	18	16	30	

SCORE OF COMMUNITY CONCERNS	
SUBJECT SCORE	87
AVERAGE SCORE	65
PERCENTAGE ABOVE (BELOW) AVERAGE	34%

CARABETTA ANALYSIS

COMMUNITY CONCERNS -CARABETTA

	INFERIOR			TYPICAL MARKET			SUPERIOR		
	HIGH	MODERATE	SLIGHT	STANDARD			SLIGHT	MODERATE	HIGH
				MARKET	STANDARD	MARKET			
PRESERVATION OF OPEN SPACE									
Retaining A Portion of the Site As Open Space and Preserving the Existing Wetland									X
Walking Trails and Paths as Part of the Development Open to the Public									X
Have an Open Space Plan									X
SUSTAINABILITY									
Consider Re-Use of Existing Buildings and Structures			X						
Highest Possible Level of Sustainability in the Design and Construction of the Improvements							X		
Develop LEED Standards with a minimum LEED Silver Standard or equivalent							X		
HOUSING USES									
55+ and Senior Housing Units for older Hamden Residents							X		
Support for the Development of Affordable Housing Units Beyond the 20% requirement imposed by the Town								X	
Development of family-size units to attract families to the Town								X	
Possibility of developing intergenerational housing opportunities							X		
OTHER NEIGHBORHOOD CONCERNS									
Concerns about the impact on the character of the neighborhood							X		
Impact New Development will have on traffic							X		
Pedestrian Safety							X		
TOTAL NUMBER OF ITEMS	0	0	1			3	4	2	3
TIMES CATEGORY SCORE	0	2	4			5	6	8	10
SUBTOTAL SCORE	0	0	4			15	24	16	30

SCORE OF COMMUNITY CONCERNS

SUBJECT SCORE	89
AVERAGE SCORE	65
PERCENTAGE ABOVE (BELOW) AVERAGE	37%