

PROPOSED RESOLUTION OF THE CITY COUNCIL
Revised Draft of 2-16-2009

RESOLUTION OF THE COUNCIL OF
THE CITY OF NEW LONDON, CONNECTICUT

APPROVAL OF A SCHEDULE OF PROPERTY TAX
ABATEMENT FOR NEW LONDON HARBOUR TOWERS,
A PRIMARILY RESIDENTIAL DEVELOPMENT BEING CONSTRUCTED
AT 447-461 BANK STREET, NEW LONDON, CONNECTICUT.

- WHEREAS, Public Act No. 75-2, An Act Concerning City and Town Development, Section 19, empowers Connecticut municipalities to abate any property tax on development property up to a maximum of twenty years; and
- WHEREAS, The City of New London is a Connecticut municipality whose Citizens have approved such tax abatements in a public referendum; and
- WHEREAS, In 2005, Columbo, LLC, a Connecticut limited liability company, proposed a condominium project to be called “City Gateway Commons” at 447-461 Bank Street in the City of New London; and
- WHEREAS, In 2008, the project was restructured and new equity investors joined the project which was expanded in size and renamed “New London Harbour Towers” and the development entity named New London Harbor Towers, LLC; and
- WHEREAS, New London Harbor Towers, LLC is developing the “New London Harbour Towers” project as a condominium, including 52 market-rate dwelling units; with supporting structured parking and community amenities and 3,000 square feet of commercial space; and
- WHEREAS, New London Harbor Towers, LLC has assembled the site and obtained the New London Planning and Zoning Commission’s approval for 52 market-rate condominium units and one floor of commercial space; and
- WHEREAS; New London Harbour Towers, when completed, will add between \$12.6 to \$13.6 million to the City’s taxable Grand List as of October 1, 2007; compared to before New London Harbour Towers began; and
- WHEREAS; it is an established revitalization technique throughout the USA that increasing market rate residences in a downtown stimulates the commercial and retail sector which in turn creates a vibrant, active district.
- WHEREAS; Cities throughout the USA have employed tax policy to stimulate revitalization in selected areas; and
- WHEREAS; It is desirable to attract upper income households to reside in a downtown and its immediate environs in order to increase the personal disposable income available for capture by the commercial and retail sector; and
- WHEREAS; A favorable tax abatement for a potential downtown homeowner is unique in the local market area and is expected to generate accelerated absorption of units; and

- WHEREAS; It is very important to the economic and community revitalization of Downtown New London, to the increased success of Downtown businesses, and to the City's Grand List growth that the New London Harbour Towers, proceed with occupancy of all residential units as soon as possible; and
- WHEREAS; The current local real estate market is such that, despite the quality of the New London Harbour Towers units and diligent marketing, qualified households remain reluctant to commit to homeownership on Bank Street; and
- WHEREAS; The New London Harbour Towers project should receive at least the total tax abatements on improvements that any other project would receive under the City's Enterprise Zone Program; and
- WHEREAS; But for the existence of an income limitation under the State created Enterprise Zone Program, New London Harbour Towers would offer the tax abatement benefit to condominium purchasers under that program; and
- WHEREAS; New London Harbor Towers, LLC is eligible for 100% tax abatement during the construction period of the Project under the State Enterprise Zone Program and in recognition of the City's need for tax revenue, elects to pay real property taxes during the construction period per the Grand List of October 1, 2007 and this resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NEW LONDON, CONNECTICUT, AS FOLLOWS:

Section 1 Real property taxes on the land, building and all other improvements constituting New London Harbour Towers shall be abated for a period of five (5) years beginning upon concurrent declaration and sale of a unit.

The Benefit Exemption Schedule is as follows:

| YEAR | % OF ASSESSMENT DEFERRED |
|-------------|---------------------------------|
| First | 70 |
| Second | 60 |
| Third | 50 |
| Fourth | 40 |
| Fifth | 30 |

Section 2 The Benefit Exemption Schedule for units declared and sold will apply to the July tax bill following declaration and sale of a unit. The unit purchaser will be responsible for any partial year taxes due prior to the start of the five year abatement program.

Section 3 In the event it becomes necessary for New London Harbour Towers, LLC to rent units because of slow sales, all unsold units will be assessed on the basis of market rents, market vacancies, market expenses and market capitalization rates as of the date of the City's last revaluation.. New London Harbor Towers, LLC will be responsible for taxes due for all unsold units. Upon sale of a unit previously rented or vacant, it will be eligible for the five-year Benefit Exemption Schedule as limited by Section 5 herein. New London Harbour Towers agrees that at no time will its rental units average less than \$1,000 per month.

Section 4 This Benefit Exemption Schedule shall be applicable to all successors and assigns of the buyers of condominium units.

Section 5 In the event that the Benefit Exemption Schedule for any unit in New London Harbour Towers is not initiated within ten years from either the first unit in the Project commencing the Benefit Exemption Schedule or being rented, such unit shall cease to be eligible for the Benefit Exemption Schedule program authorized by this Resolution.

Section 6 During the construction phase of the project, New London Harbour Towers will pay a flat amount of \$25,000 for calendar year 2009 property taxes, \$35,000 for 2010 property taxes, \$40,000 for 2011 property taxes, \$45,000 for 2012 property taxes and \$50,000 for 2013 property taxes. Construction phase property taxes will decrease on a pro rata basis as units receive certificates of occupancy. (e.g. Two units sold will reduce the construction phase property tax obligation by 2/52¹)

New London Harbour Towers paid on December 12, 2008 the sum of \$25,319 for calendar year 2009 property taxes. This payment shall satisfy the project's property tax obligation for calendar year 2009.

All units and construction of the project will be substantially completed by September 30, 2013. After this date, taxes on New London Harbour Towers will be assessed and payable according to Section 3. Substantially complete is to mean that all exterior work is complete and interior units will have electrical wiring, plumbing, flooring and sheetrock walls completed with the exception of finish work and custom work requested by the unit buyer.

Section 7 This Benefit Exemption Schedule program is subject to immediate termination at the City of New London's option if there is any substantial default by New London Harbor Towers, LLC.

Section 8 In the event of a final Judgment of foreclosure of any mortgage or lien on the land constituting the New London Harbour Towers site, the foregoing Benefit Exemption Schedule is subject to immediate termination at the City of New London's option on the date such Judgment becomes final (including if applicable the conclusion of any appeals), provided that a Judgment of foreclosure of any individual New London Harbour Towers unit(s) not owned by New London Harbor Towers, LLC, shall not affect the Benefit Exemption Schedule as to the remainder of the New London Harbour Towers project. Notwithstanding this provision, if Franklin Enterprises or one of its affiliates initiates a foreclosure against Columbo LLC for the purpose of eliminating any unknown liabilities, this foreclosure action shall not trigger the City's option to terminate the Benefit Exemption Schedule Program.

Section 9

In the event of substantial destruction of the New London Harbour Towers project due to Act of God, war or act of terrorist or ordinary criminal, or any other cause beyond the control of New London Harbor Towers, LLC, or any unit owner(s) or owners' association, this schedule of abatement will terminate at the City of New London's option on the 90th day after such loss (or at such later date selected by the City), unless reconstruction of a development of substantially the same design and scale as New London Harbour Towers is commenced within such 90 days.

Section 10

If the City elects to terminate this Benefit Exemption Schedule program for any of the causes provided in this Resolution, the City will bring no tax collection action within 30 days of written notice to New London Harbor Towers, LLC, of that election, in order to allow them reasonable opportunity to resolve with the City the amount and payment of past and future property taxes by agreement.