The City as a Real Estate Investor

Transcript of the lecture delivered by

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The city of Hartford is in the middle of the insurance capital of the world, the Aetna Life and Casualty, the Traveler’s Insurance Company. It has the third highest cost of living in the United States. It has a very high standard of living and quality of life. It’s located along the Connecticut River and it’s in what’s known as the Tobacco Valley. ... We grow tobacco from western Massachusetts, down along the Connecticut River, to about Cromwell, Connecticut, which is about thirty miles south of Hartford. It’s very important to know that we grow tobacco there because it has an impact on what’s happening in the city.

There’s really two cities in Hartford. There’s a city of people who have means like myself who are well off, who really -- it’s a great city to live in. And there’s a city of have-nots. That’s the elderly, youth, Hispanics, Blacks, poor Whites, welfare mothers, welfare children, okay, it’s a city of have-nots. So here you have a city that’s very rich, very affluent, with one of the highest standards of living in the United States, the highest cost of living, insurance capital, billions and billions of dollars controlled through the corporations that are domiciled in the city, and then you have a whole group of people who are poor.

The city is very small in terms of size, approximately 17.6 square miles. If you take away a portion of the Connecticut River, we would be smaller, a land area of about 17 square miles. We have approximately nine thousand people per square mile, so we’re very dense. Small, dense. Our housing stock was mostly built prior to World War Two. Our housing stock was built for factory workers because Hartford started out historically as an industrial area -- Colt’s Manufacturing, Royal Typewriter, Underwood. We built an automobile, the Pope car. Bicycles,
we produced the first bicycle. So we were both an industrial area and a farm area. We always had two economies going in the city, or the Hartford County. So the housing stock that was in the city was built for factory workers. If you look at the census data, the city of Hartford, the average size dwelling unit has 4.1 rooms. In the suburban community it’s 6 rooms.

So, what we have is a housing stock that is old, it’s small, and it’s unit size is small. It’s the oldest housing stock in America. For a long time we had a trickle down theory of housing. You know, the oldest housing was where the poorest people lived.

Now, in 1916, Hartford was moving and had a labor shortage because it was moving into the highly industrial area, you know, into manufacturing. So, the tobacco industry, which was a prime industry in the county, was short of workers and the Hartford tobacco industry went down south -- and that’s when you had the cotton decline with the boll weevil -- and recruited workers. Then by 1917, in the city of Hartford, we had a problem of housing Negroes within the city. The First Congregational Church and the Chamber of Commerce called a meeting to solve the housing overcrowded-ness for the Negro worker, and that’s out of the newspapers and the Journal. Every year thereafter, the city of Hartford, the tobacco industry, recruited farm workers to come up and work within the city.

At the same time, the manufacturing which paid more money was recruiting workers from Germany and foreign countries. In fact, a part of Hartford is built, the houses were designed to be attractive to the German workers, and that was the Colt housing. Samuel Colt built housing to house his German workers who were highly productive. So, we started in 1917 with two societies. 1980, today, we still have two societies: one which is Black and Hispanic, and one which is White. One is poor, one is rich.

Now, Dick Nathan did a study of the city and the suburbs and what happened was the city of Hartford was rated third worst in terms of disparity between the have-nots who lived in the city and the haves who lived in the suburbs, the disparity in income. The city of Hartford ranked the
second highest among 56 cities that were studied in housing over-crowdedness. The city of Hartford ranked the second worst in the United States in education deprivation. By education deprivation, we defined it as adults over twenty-five who had not graduated from high school.

At the same time our economy was changing. We no longer were just a manufacturing economy. Our economy changed where we became a financial, service economy with computers. Now-what happened, you had the city here which was changing with the businesses, the corporations, and the tall buildings, where education inputs became important in terms of their work force, who they hire to run the computer, the data processing.

But then we had white flight. The inner ring suburbs which were built up prior to 1940, you know, being East Hartford, West Hartford, Wethersfield, Bloomfield - started losing half their population to the outer ring suburbs. So, now what was happening was the state of Connecticut wanted to create a highway system with a beltway that went around the outer ring suburbs, and the inner ring suburbs to connect them up to the outer ring suburbs. What was happening was an abandonment in the city of land. We had barren land on Main Street, these buildings taken through urban renewal, but no one was coming because as you expanded the highway system, the land values would increase along the highway system. Factories were being moved out of the city because we had the old factories -- So Hartford-Parker moved out to Bloomfield; Hartford Stamp Works moved out to Rocky Hill; Hartford Ball Bearing moved out. So, what we had was our factories moving out to the suburbs, the outer suburbs and the fringes, away from the central city.

We had the population of the city locked in because most of the housing stock in the suburbs was in single family homes. So, what we then did was started isolating the poor within the city. So, what we had was real estate values in certain neighborhoods which were predominately the first factory homes, which were now, the trickle down homes of the farm workers -- Blacks, Hispanics, and the poor Whites -- being abandoned and not kept up. The jobs moved out.
At the same time, the Federal government, in 1970, started going through a massive change. This is when Richard Nixon was elected president and he decided to come up with a Southern strategy. The Southern Strategy was to take the categorical programs, okay, and the categorical programs were programs of aid or assistance to persons or cities based on need, you know, poverty, need. They took the categorical programs based on need, like model cities, urban renewal, neighborhood facilities, the 701 planning that might give you capacity to help yourself solve problems. They combined these into the Community Development Block Grant funds. The city of Hartford had had a cash flow from Washington of about 18 million dollars a year. Now, when they came in with the community development block in 1974, they reduced it from 18 million dollars down to 10 million. In 1979, under the original formula we were supposed to be reduced down to 4 million. At the same time, because the suburbs had no open housing policy, they had no public housing for families, because we had racism and classism in this area existing for years, starting back to 1916 when we first started recruiting Blacks into the greater Hartford area to be farm workers and we could distinguish between people. So that the suburban communities around Hartford grew up where the single family homes, large lot zoning was in place. No public housing. The public housing, the multiple family housing was concentrated within the city.

This gave the city several problems, Let me give you a couple. The Council on Municipal Performance analyzed 38 cities In the United States and was trying to come up with a definition which is called the “intensity of poverty,” in other words, how poor are the people that live within the city, you know, however we measure it. What they gave, they took the 1970 census and then they took the Bureau of Labor Statistics intermediate budget, which is not the real poverty budget, but it’s one budget above poverty, it’s the intermediate budget. They ran that against Hartford’s population. Now we had, in 1970, 158 thousand people. They said that 96 thousand people within the city of Hartford lived below this poverty line as they defined it, the Bureau of Labor Statistics.

The average person, and I think the budget was like twenty-eight hundred dollars per person, and
the average person in the city of Hartford was short one thousand five hundred dollars per person or a grand total of a hundred and forty-seven million dollars. Yearly. That for us to take all the 39 percent of the people who lived above the poverty line, this line defines them, tax them so that their income came down to the poverty line and transfer that money to the people below the poverty line, the 61% below the poverty line, the entire city would be bankrupt. In other words, these people did nor have enough money to pay for food, clothing, shelter, everyday subsistence. The entire city budget, we had the highest property tax in the United States on our houses. So, these poor people who lived in these houses, and whether they owned them or rented them, paid the highest taxes for government services.

The entire city budget was about 134 million dollars, I mean, was a 150 some odd million of dollars, say 160 millions of dollars. So, if we took the entire city budget that we collected off the buildings and the corporations, and we gave it to the people who were below the poverty line so that they could pay for food, clothing, and shelter, we would have maybe 13 or 14 million dollars -- no cops, no firemen, no school system, no health facilities, no park system. So, the problem was how the city could develop a strategy to solve this problem. Which is, one, we have an educationally deprived population, what we really have is unemployed farm workers, and the other thing is if you took a helicopter and flew all over the city of Hartford you wouldn’t find one tobacco farm. But if you flew out to the suburbs, you'd find plenty of tobacco farms. So, what we were doing is we were housing a work force which we recruited to the greater Hartford area to provide cheap inexpensive labor to a farm system, which refused to house, which refused to educate, and refused to pay a decent wage which allowed the people to survive in an economy with the third highest cost of living in the United States. And if they refused to house the people, the people had no other place to live but within the city. They were not decently housed within the city. They lived in housing which was deteriorating, which was overcrowded, and they needed services from the city which the city could not provide them, in terms of an education system that worked because we were graduating kids from the twelfth grade with fourth or fifth grade reading levels.
We also had elected a governor, a governor who decided that he didn’t want to spend any more money, and Connecticut has one of the worst tax systems in the United States. It’s one of the most regressive tax systems and the state government doesn’t do anything in terms of human services, in terms of education financing. The state of Connecticut ranks 48th out of the 50 states in the United States in aid to public education. There are only two other states cheaper than the state of Connecticut. So, the cost of educating the children of the poor farm workers and the women whose husbands left them or divorced them, or whatever reason, who could no longer afford to live in the suburbs because there’s no public housing, so they came into the city. That’s a large portion of our white poor population, was female heads of households who were either abandoned or husbands couldn’t support them or divorced, in the suburbs who couldn’t live in the suburbs because there was no public housing because the suburbs refused to share public housing.

So, we had several strategies. The first strategy we decided was that the city should become an advocate on behalf of its people, by whatever means possible. So, we started initiating law suits against the state on education, against the utility companies, and North east utilities which charge poor people more money per unit of electricity, the telephone company which took security deposits if you were poor, the bus company which ran commuter lines from the suburbs into the city, but didn’t take any of the poor people who didn’t have cars to the jobs that were moving out to the suburbs. Because there ain’t no buses that goes from a poor neighborhood to an industrial park in the suburbs. The highway system which was going to further move jobs away from people and away from the accessibility to public transportation. So, we made a public policy that we were going to become the advocate on behalf of poor people.

The second public policy was that anything that affected people, even if it was in the private sector, like automobile insurance rates, bank redlining, the movement of our savings account to house it in the city, refusing to invest in the city, jobs with people who did business with the city, the insurance companies. We asked them “who did you hire, how many Hartford residents did you hire, what was your affirmative action program, what’s your pay scale for women?” That
was our business, it was a legitimate public business. Anything that adversely affected the standard of living of the people who lived within the city of Hartford was our business. Auto rates. If you lived within the city of Hartford, and had a car, you paid twice the insurance premium if you lived over the town line in East Hartford or West Hartford where people had cars, where 48 percent of the households had no cars. The Fair plan, where certain neighborhoods in the city you couldn’t buy fire insurance without going to the Fair plan and you had to pay a premium of 25% more. So, anything that impacted the cost of living of the people in the city of Hartford we could reduce through law suits, legislation, or advocacy was our business because we didn’t have the money, the 47 million dollars to give the people. So one of the things we want to do is to drive down the cost of living. So, we looked at all the systems that impacted upon people. We looked at employment patterns of the ‘defense contractors in the suburbs. We hired a civil rights group to go to those defense contractors and look at their affirmative action and minority employment, look at the profile of the companies because they were supposed to be equal opportunity employers. And what we found is in these suburbs there were fourteen employers employing over one thousand people, large employers who had no access by public transportation. So, if you’re poor in the city and on welfare, you ain’t got no credit, because no one’s going to give you anything. You need a car to go there, you ain’t going to get no job. So, you are stuck forever on the rolls of the poor.

So, we looked at systems that impacted on people. Structures that impacted on people, be it the financial structures, credit availability, the insurance system, the utility companies, but we also found is that during the riots of ’69, ‘70 in the city, most of the poor neighborhoods and stores were burnt and put out of business. So to get food, the ma and pa stores were charging 20-25 percent more, okay, because they couldn’t buy as effectively as the large discount stores which were in the suburbs. So, our second notion was after reducing down the cost of living for people, how can we increase the wages for the people in the City of Hartford.

One of the things we did was we moved to advocate increased welfare benefits. That the welfare benefit load ought to be equal to what it costs to pay for food, clothing and shelter. We created
what was called the “Citizens Lobby” and we lobbied on it. The second thing we did was look at affirmative action because most of our poor people were Black and Hispanic or female heads of households and we went after every company we could on affirmative action. No one could do business with us. We were ready to cancel the insurance with Travelers Insurance Company if they didn’t give us the utilization forms. We wanted to know, if you wanted our dollars, the municipal government’s dollars, what was your affirmative action; were you in equal opportunity because the dollars didn’t come free anymore. They were part of an economic strategy tying back to putting our people to work. We looked at creating part time jobs, we looked at entry level jobs, we said if we’re going to give a tax abatement to somebody to move a business into the city, who are they going to employ? It doesn’t do us any good, and we made a mistake, we brought in American Airlines, that’s one of the real estate -- now I’m getting into the real estate deals.

They come into the city of Hartford. We bought an old department store. We renovated it, the city owns it. We leased them space at the full cost of the city plus taxes, on the condition that they would come into the city and that they would hire. So! American Airlines comes into the city and they agree to hire Hartford residents, but we have to produce people who have eleventh grade proficiency in English and eleventh grade proficiency in math because they’re going to take airline tickets over the telephone. We had more people in the city who were not qualified because they could not do the basics, reading and writing. So, we weren’t going to have economic development until we had investment in human beings. That a good portion of these people who were educationally deprived who were going through the school system had to get where they could become employed with marketable skills. That if we were going to bring in an education intense industry that had a high level demand in terms of skill that we had to close the gap between our work force and that industry or we had to look at jobs which would employ those people.

So, we started looking when we wanted to attract business in and we were going to use some of our resources to create wealth, for our people to increase income. We wanted to look at the job
profile. Who would you employ? What were the skill levels? Would you have entry level jobs, would you have training programs to bring our people along? We decided, since we were getting no additional aid from the state and no additional aid from the federal government, that we had to try to create wealth. We had to look at the assets we had besides the people to create wealth.

One of the assets we had was that we had land in the city. Land which was bought during the late 50’s and 60’s, urban renewal land. We said, how can we create a value on this land? One of the things we decided is to create value on the land, that real estate which we owned. We had to stop letting businesses getting away from us. We had to stop the growth in the suburbs. We had to stop the shopping centers in the suburbs to create value. That’s when we looked at the transportation system. The transportation system is absolutely critical to land value.

In 1971 we filed a complaint against the state highway department that we weren’t involved in the planning, because they have what they call the three “C” planning process. So, we filed an administrative complaint. The U.S. Dept. of Labor says to the state, “You’ve got to involve the city in planning for the highways.” So, we created what we call the “Capital Region Land Use Transportation System.” Now, we needed control of it but we had a voice, our foot in the door. We did not want the beltway to go through. They couldn’t construct a beltway until we came up with a land use transportation plan. Because we had a governor who was unfriendly to us and an administration at the highway department who was unfriendly to us, our tactic was, now that we were in there, to demand information which would take time to complete until we got a governor who was going to be more friendly to us. So, we stopped the highway construction because we didn’t have the legal power, but we had the legal power to stall the planning process which ultimately stalled the highways. The second thing we learned is that sometimes the direct route is not the most direct way, and that sometimes an indirect way is the way to accomplish a goal. We stalled the planning process and strung it out, and what we did, they never built the highways. Now, because they never built the highways when the energy crisis came along, all of a sudden the real estate that was in the city became more important.
The second thing that we did was our pursuit of civil rights, human rights, and affirmative action. We got where the state would develop an urban policy statement. Part of the urban policy statement that the state of Connecticut developed, their urban plan, is that they would not make grants to areas which were not open, which did not have affirmative action programs. We stopped the town of Glastonbury, across the river from us, in which we had sued because it didn’t have open housing, and was not part of our “fair share” housing plan which we created in the region. We stopped the state from giving them any money to create an industrial park, which meant that they couldn’t raid any business from the city, to bring them into the suburbs. We also stopped land grants for sewers and water which would allow, if you could extend the sewer system, then you could build plants. So, as we stopped the highway system, we now stopped the lateral sewers and state grants to the outer ring suburbs. What we were advocating was to keep the suburbs suburbs, so that they didn’t become city. We wanted to keep the rural areas, rural areas and we wanted to protect the open spaces of the farmlands. And we wanted to keep the city from becoming wasteland.

What that did was to start enhancing the value of the land in the city. So, we created value and that’s what you’ve got to remember. You can create value through land use planning. If you look at zoning, if you look at transportation, if you look at sewers and water. Now that we created value, we wanted to maximize the benefits of any development that took place in the city. There are several ways you can look at development. Let’s quickly look at some of the ways. One, is you can look at, if you put a building up, is ownership of the building. Two, is to look at who built it. Three, is to look at who worked in this building, who’s the ultimate employer, the profile of the workforce, who built it.

The fourth thing you look at is what happens to the surrounding property around it. If you put up a thirty story building here, does that increase the value of the property around it, what does this do to your surrounding housing stock, because we’re concerned for the cost of living for the people in the city. So if we put up a 30 story building that recruits its 15 thousand people who don’t live in the city, we’re going to have a housing problem because its going to accelerate the
increase in the cost of housing, which is happening to many cities now, which has implications. Economic development, per se, is not necessarily good, if you don’t look at the impact of economic development on the existing neighborhood, if you don’t look at who gets employed.

When we acknowledged that we had two societies in Hartford, one poor and one rich in the suburbs, one White and one Black, the minute that you understand that, then you have to go through these analyses to look at who benefits. There were several things that the city now did on each of the analyses. One of the things we had, our tax rate was twice that of the suburban towns, remember I told you that we had the highest tax rate. So, we had land that we wanted to enhance the value of. So, developers would come and tell us that they needed a tax break. What we decided was that we had a downtown that was barren, empty, that closed up at five o’clock. It was just a retail center, employment center, but it wasn’t anything else, it did not work.

So, we decided what we wanted our city to be. When I say “we,” I mean the people at city hall. What we wanted to be was the regional retail center, we wanted everybody to come in and shop there, because if you can’t get to the jobs in the suburbs, there’s no sense letting all the shopping centers go to the suburbs because they don’t employ people who are isolated in the city, they didn’t employ any of our people. So, we wanted them to move the retail center back in the city. We wanted to move retail sales back in the city. We also wanted it to become the entertainment center of the region, so we wanted to move restaurants, theatres back in the city. We have in the downtown, no theaters, no movie houses. In fact there’s very few movie theaters at all in the city, and still don’t have. We wanted to become the tourist center of the region. We wanted to develop the hotel business in the region.

What we had was people with 8th, 9th, and 10th grade education levels staying in school, education that -- education deprivation was the second highest --- but who could not get employed in other industries. So, we wanted to create an industry that which would employ people at an entry level. Restaurants, hotels, retail clerks; these were all time jobs that were moving out. We also wanted to become the medical center of the region. Because that employed
people. We had a lot of people who were nurses aids, couldn’t get to the convalescent homes in the suburbs. We looked at all the job profiles because we did not have the money to take an adult population, a population of people who were 18, 19, or 20 and 30 years old and bring them up to a college level. Our education system was strained to the seams.

What we had to do was to get jobs that they could do. We developed the concept of part time jobs and a multi-wage family, that if one person couldn’t support the family, that we ought to create part time jobs and we ought to create a multiple wage-earner family concept. Part time jobs were just as critical as full time jobs. When we built the Hartford Civic Center, all the part time jobs were restricted to Hartford residents, which were about 400 jobs. All the part time jobs were distributed through the educational system. We had four high schools in the city and we divided the jobs up among the four high schools. It you wanted to work part time, you had to go to school, because the work study vice-principal got these jobs in the civic center. The concessions, the ushers, were all part time students working in the civic center which supplemented that family income shortage.

When we built the civic center, the Aetna and Casualty wanted to buy the air rights. We refused to sell the air rights because we -- what we were doing, we were creating valuable real estate. So, we decided that the ownership remained in the public. What we did was instead of selling the air rights to Aetna Life and Casualty, we negotiated the value for the air rights. They said that it was worth 800 thousand dollars, we said it was worth a million-six, and we split for a million-four. We capitalized it out for 8% a year on the value of the air rights, plus 1% of the gross rentals that they collected on the stores. We took a kicker, like they would. So, the more business the stores did, the more that flowed into the city treasury. After twenty-five years, we’re going to revalue the air rights, and then they have to pay us more. At the end of 80 years, the 70 million dollars of public improvement that they made in those buildings, the ownership reverts back to the city of Hartford.

We put a hotel in, sharing a hotel. We didn’t have money to buy the land from the urban renewal
agency which was another branch of the city but we had to pay off the federal government, What we did was we said, "We’re not going to sell you the land to build the hotel there unless you agree to give us 20 years of rent in advance, so we can buy the land from the urban renewal agency, and then you’re going to pay us a fee each year." So, the hotel will revert to the ownership of the city. Now, those were our first deals and we weren’t too sophisticated, but we knew we created value and we wanted the value to accrue to the public.

We then came back on employment, first on construction. We fought the construction unions down the line. We established a trade by trade minority employment force that we monitored. Next, who built it? We wanted to make certain the Hartford residents built it and particularly Hartford minorities. That was through the affirmative action. We then set a minority set aside as part of the building proceeds go to minority contractors, businesses owned by minorities so we can get out of the... the minorities always being employees and get them into ownership where they become part of the economic system. So, we created set-asides for the minority contractors as well as a work-force quota, job by job, trade by trade, so all trades have opened up. employment in the buildings in the Civic Center and in the hotel. The unions that controlled the hotel jobs had to come in and give us an affirmative action plan before we agreed to let the hotel go union. Once we struck a deal with the hotel union on affirmative action, then we went after the hotel owners, and made them recognize the union and agree to affirmative action. We made the owner of the hotel responsible for making sure the union lived up to his part of the bargain, so that those jobs would not go to people outside of the city. So, we started with the hotel and the Civic Center doing one thing. We started importing dollars to the city of Hartford instead of exporting dollars. We started to keep the dollars there because we started to grab a piece of it for our people in terms of employment. So we were bringing dollars into the neighborhood because we were putting people to work. That’s what we did in the building of the buildings, the employment in the buildings, and the ownership of the buildings. With these two deals, we minimized the impact on the neighborhood, because they were not importing workers who were going to come in and bid up the price of the housing. Those were the first deals we did.
Now what happened when the federal government created the community development block grants, we had no way we could assemble land anymore in the city.

My next problem was how to assemble land for the city, if I have no money to buy the land. Remembering that our tax rate was twice that of the suburbs, I went to the legislature. We wrote a bill called “The City and Town Development Act” which said economically depressed areas could negotiate taxes for a period of up to twenty years if they had fee to the land. The only way we could forgive taxes was if we could have fee to the land. So, this is the housing deal and I’ll show you what we did. There was an old convent and a school for girls that went out of business. The state cut off the grant, this Republican governor. So the convent closed and the school closed. So, this land now became our real estate market. A developer came along and bought the land for about two million dollars from the nuns. The developer came to us and said that the wanted Section 8 housing. I said you get no Section 8 housing in the city, because we don’t give any of our Section 8 money which comes from the federal government for new construction. We’re taking all our Section 8 money for existing housing because it we trade in a new unit, we can get three existing Section 8 units. However, I’ll tell you what I’ll do with you. We’ll go to Washington and the Secretary of HUD had the discretionary part and they had new Section 8 monies. If you get it, we’ll let you put it there and we’ll support you in getting it as long as you don’t take what comes to us by right, on the allocation system. So he agreed. I says, however, there’s one other thing. You’re going to need a tax abatement because the deal won’t work with you paying full taxes on new construction, it will be 800 dollars a year. It can’t work. What we’ll do for you is we’ll forgive or defer the taxes. We’re not going to forgive them, we’re going to defer them, but we’ll enter into a tax agreement with you. Remember, I’m using the word defer, and taxes.

On the condition that you give us the land. So, the deal was that he gave us the land for one dollar. We then leased the land back to him for a dollar a year. We entered into a tax agreement with him where we took three hundred dollars a year per unit. He had three hundred and ninety six units of all elderly, low income housing. That meant that we were forgiving 500 dollars a
year per unit in taxes. So, we take, every year we add up 396 times 500, and we put together a number, let's say its 2 million dollars. So, we're giving up 2 million dollars in Income per year but what he's doing is he's housing 400 of our poor people, elderly. But we don't forgive that, we defer it. Now when he pays off the HUD mortgage in four years, he will have another... (end of side one)

I'll show you another way we created wealth. We had another piece of property that we bought through urban renewal. The preservationists beat the hell out of us. They said, "Don't tear the buildings down," We agreed not to tear the buildings down. Now we're going to rehab them. The bank says, "Well, in the deal we made to the developers, we'll sell you the buildings for a stated price, a very low price, and then we will lease you the land in which the building is on." So, the bank is going to put a private mortgage on it, and says we're not going to do that unless you subordinate the lease to the mortgage. In other words, if the builder doesn't pay us, we can foreclose and take title. Now, I'm getting really killed by all the conservationists because I won't agree to the deal.

They started picketing at city hall, etcetera, and my land use policy and calling me a communist and all that. (I'm not a communist by the way.) So, I finally had to capitulate or else I lose control of the situation. So, I said, all right, you have to apply for a planned area development, a PAD, and under a PAD zoning, you write a zoning ordinance, which you approve, the specific plans, and that becomes part of the zoning contract with the city. We state that if there is any change in the future because we conveyed these buildings on this land use and if there is any change in the land use because they are going to come in with a new zoning permit because it foreclosed and the guy wants to put a 60 story sky scraper there, he needs a zone change, He's going to pay us cash, dollars, because we're going to revalue the land after use, a highest best use, and we will then assess the value at the new use as of the zone change. That's how we used our zoning power and used it where we lost control, where we could potentially lose control of the land, but we snared it back another way. We maintain control of the land because the land allows you to create value, to participate. We now have people donating businesses to the city,
buildings to the city. I discovered this by accident.

I did some lecturing at the University of Hartford. So, I’m out there and they’re talking about one of the major department stores on Main Street in Hartford, C. Fox’s, wants to donate a couple buildings to the school. The school’s got to hire a developer and the school’s going to make money. I said, “I’m sorry I heard this,” to the treasurer and president of the school, “you know, you don’t have to renew my contract, but I’m going to try to stop that from happening because I don’t want any more tax exempt property in the city.” I called the head of the department store and said that I wanted to see him. I said, “Why do you want to donate the buildings to the college?” He said, “Well, look. Our stores make a lot of profit. We depreciated these buildings down. We’re carrying them on our books for zero. If we sell the buildings to a developer, then we’ve got to pay ordinary income tax, and give it to Uncle Sam. So, if we donate the buildings to the University of Hartford, and you’re assessing them at 7 million dollars, Nick, we can write off the 7 million dollars as a gift and that will cut down our tax thing.” I said, “Is that your problem? I’ll tell you what we’ll do. Donate the buildings to us.” So, that’s what we did. It’s on Main Street, the old brown Townsend’s building, which is now called the Richardson, for those of you in Plainville and Norwich, donated to the city of Hartford. C. Fox wrote off the 7 million dollars and Uncle Sam subsidized it, but the city gained a building.

What we did was to keep fee to the land. We leased the interior walls of the building to the developer and he created a development. He pays us a fee and he pays us taxes, we own the building. On the exterior walls, what I was going to do before I left, lost, office, was to create a for-profit corporation which we were going to be the general partner and I was going to syndicate the depreciation, the historical depreciation, on the outside wall which I made the developer improve for me because he steam cleaned it. I lost the election and the new group in city hail doesn’t believe in any of my policies. But that could have given us cash. Because if you take the value of the exterior walls and the improvements and if it’s over five years, someone will, pay you about 25 percent for it, of the value, for the historical tax credit, and that gives us a
cash flow to the city, over and above the exterior.

So, real estate now becomes an asset to the city. If real estate’s going to appreciate in value, the city ought to look to go into business. We’ve got a warehouse donated to us, we had an old factory donated to us that we converted into housing on the condition that 80 percent of it could be market, and 20 percent had to be low income, If they go and refinance it, they have to turn around and pay the city and they pay full taxes because 80% is moderate income, middle income. So, they pay us full taxes. We own the land. We lease the land to them. We sold them the building. The building reverts back to us. They created housing and we instructed part of the deal. When they refinance it, we get a spill of the refinance. If they sell it, we get a split of the proceeds.

We never lose our interest in the building. It’s part of the lease agreement. What we’ve done is become a real estate investor. First, we created the value. Then we looked at what was stopping the deals from taking place and we got into a position where we could do something about what was taking place, the high tax rate, and we put ourselves in a position where we could negotiate, which helps us get more land.

We also had three blocks of streets, Frederick, Owens, and Medicine Place, which was four hundred and ninety-six units, which was built housing which was dilapidated. The developer came along, bought it off, and needed a tax fixing agreement because he couldn’t get a HUD mortgage because his expenses were too high. HUD says, “We’re not going to give you a mortgage on it until you can fix it up unless you get a tax fixing agreement.” He came to the city for a tax fixing agreement. He was going to go all moderate market rate housing, a 202 market rate. We said, “Nope, we’re not going to give you a tax fixing agreement.” He says, “What are the conditions?” Three conditions. One: twenty percent of the housing low income. Two: you have to donate the land to us. Three: we defer the taxes, we don’t forgive the taxes, and we put a lien on the property when you pay off the mortgage. Then you have to pay us. Finally, you can’t refinance without giving us a piece of the action. That’s the deal we made on that. We own the
land. We will end up owning the four hundred and ninety-six units. So, we’re creating wealth.

We own an office building. The city owns an office building on Main Street, which we bought and put money in. We got the 5 and a half percent money because we sold bonds then at 5 and a half percent. We improved it. The building probably cost us altogether 8 million dollars. We put a thousand jobs in there, American Airlines, and we got about thirty percent of the jobs for Hartford residents. It changed the downtown very dramatically. We own the building. That building today is worth $25 million if the city wanted to sell it. So, we created wealth. We went into the real estate business. Today, with the shortage of capital, buildings and land in the city have a very intensive value. Real estate is going to appreciate in time United States.

Any city that can hold its land, and allows its land to be leased, takes a part of the action. The way we structured our partnership was liens against the buildings, as part of the lease. We did not defect, we became a limited partner, but we did not take any of the depreciation because we couldn’t use it. So, we let the individual investors do that. But, we took an equity position because we wanted to capture the appreciation. We created a business for the city of Hartford, and that business is real estate.

The purpose of that is to create wealth in dollars so we can go back and solve the social problems of the city. Second, is to make certain that on every public investment we maximize the benefit to the city. When we built the Hartford Civic Center, the same year we started construction, I put through the council a bond issue. Remember I said that if you buy land, if you make a public improvement, you improve the value of the land next to it? We bought the two blocks next to the civic center where the city was making a 30 million dollar investment. We bought it for 25 million dollars, we own it all, we’re collecting rents, but we’re also allowing the elderly to run a store there. We charge them no rent where they sell their hand crafts that they make in the senior centers that we sponsor which gives them some income, because we have a large, a lot of poor elderly who an make blankets, who can paint, who can do crafts and handiwork at the centers. We allow them to sell, and the city subsidizes it because we charge them no rent. We give them a
city employee, the money to hire an employee to run the store. So, they put their goods in there and we take nothing off of it. That’s another way of giving residents income.

We’ve kept the land that we’ve had in buildings, also in the buildings we own as a city. We kept the small businesses in, the American Airlines building, amid the minority people we put in business in those buildings. So that they could get patented. A part of the action. The retail stores, liquor stores, cigarette stores. We put people in business through our Hartford Economic Development Corporation, SBA loans, community development block grants. Not only do we own real estate that has a tenant, we have a social purpose on how we use it. And who leases it for us and who goes in business, and we help people who can’t afford to go into business in these spaces. What I was trying to show you is there is a way of creating wealth, there’s value there, the city does not have to think of itself traditionally.

How do you make these judgments? The judgment is if the protection of human life and happiness and not its destruction is the purpose of government, okay, if that’s the purpose of government, then you need the resources to protect human life. You need the resources to insure happiness, and if that means you should create wealth so that you can do that and meet that obligation, then you have to do it. If the federal government doesn’t want to give you any money and if the governor doesn’t want to give you any money and if your people are poor, then you have to find a way to redistribute it. If real estate works, and if real estate is what the Arabs who are investing in the United States are doing and if that’s what English capitalists are doing because England isn’t safe anymore and they’re transferring the capital here, and that’s why New York city real estate, office rentals, are now $45 a square foot. If that’s what Italian capitalists are doing, why can’t the people who own the property become capitalists too and make money? That we can use because they don’t want to pay taxes, that we can use to provide services that are needed to that we can protect human life and happiness. I think it’s legitimate for the government to do it. That’s how we do it. That’s the scenario of how we took a city that was dead, we created value because we stopped letting business get away from us because that was a problem and that was all the stuff we did in the suburbs, the environmental impact, etcetera.
What I hope I did is to give you an idea of how to think about a problem creatively and let nothing stop you from solving it. No one to my knowledge ever did this in the city of Hartford or the state of Connecticut and used its governmental powers in such a way or had that kind of strategy. Thank you.