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City of Norwich
Connecticut

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To: Mayor Hinchey and members of the City Council
From: John Salomone, City Manager
Subject: City Manager's Report
Date: September 6th 2016

I would like to welcome home our Director of Public Works, Ryan Thompson. Thank you for your dedication and service to our Country and Community. I would also like to thank Pat McLaughlin for this dedication and hard work as Acting Director while Ryan was away.

Interviews were conducted for the position of the City Manager's Executive Assistant. I will be making an appointment in the next week or so.

On the afternoon of the 18th I attended the Vet Center Annual picnic at Mohegan Park. The beautiful sunny afternoon was enjoyed by the Veterans and their families. The volunteers did an outstanding job hosting this event with great food and entertainment. Thank you to all the men and women who have served for their country.

Later that day I also met with Dennis Slopak of the School Facilities Review Committee to discuss options pertaining to the school facilities plan.

The Mayor and I also met with Bob Mills of NDCD that day to discuss 206 Main Street.

On Tuesday August 23rd the Mayor and I met with the City's Comptroller and the City's Assessor to discuss the Veterans Property Tax.

On Thursday the 25th I met with the Mayor to discuss a Community Center.

On Saturday my wife and I joined many others to say farewell at the Retirement Dinner held in honor of our recently retired Police Chief, Louis Fusaro.

This past Tuesday the Mayor, Councilwomen Gould and I attended the Norwich Public Schools 2016 Convocation.

The Reid & Hughes building report has been completed. I have prepared a report and a brief slide show presentation for your viewing.

REID AND HUGHES SUMMARY REPORT

Submitted by John L. Salomone, City Manager

Note: This document provides a brief summary of the acquisition, analysis and related transactions related to the Reid and Hughes building located at 193-201 Main Street, Norwich, CT. It also contains a summary of four options, previously presented, available to the City regarding the disposition of the property. Those options include rehabilitation, full demolition, selective demolition with structural support of the façade and selective demolition with storage

Background

The Reid and Hughes is located at 193-201 (sometimes listed as 201-203) Main Street and was acquired by the City from the William W. Backus Hospital and the United Community Services, Inc. on October 25, 1993, for no consideration. Backus Hospital and United Community Services acquired the property through Certificates of Devises from Ellen E. Williams in 1959 and Anne E. Williams in 1986. The long term tenant had left prior to acquisition by the City.

The original building was built around 1880 and consists of four floors and a basement with approximately 24,390 square feet of space. The building is comprised of two separate structures that have been combined to function as one building. The main structure is a four-story building with approximately 3,800 square feet per floor. The addition is a three-story building with about 2,300 square feet on the first floor and about 500 square feet on each additional floor. The building is located in the Downtown Norwich Historic District, which was added to the National Register of Historic Places on April 4, 1985.

Since acquisition, the City has attempted to market and stabilize the Reid and Hughes to the best of its abilities. There have been approximately seven formal proposals with unsuccessful negotiations (see Chart of Activity). The City has worked independently to market the building and has also assigned development responsibility to the Redevelopment Agency (RDA) as well as Norwich Community Development Corporation (NCDC). This took place approximately four times to increase the potential purchase and development of the building. The current option agreement between the City and NCDC is set to expire on September 14, 2016, prompting this current analysis.

Approximately \$190,000 has been allocated to maintain, study and/or sustain the property for possible re-use. On subsequent pages is an itemized description, timeline and a brief summary of key points associated with the City's previous efforts.

The Development Option

The City has entered into approximately seven formal development proposals related to this property. In each case, a number of barriers to development arose which inevitably led to the deals being rescinded. Noted challenges are:

1. The property site is approximately 7,100 square feet with no access to the sides and no permanent access to the rear of the building. Rear access is provided through compensation to an adjacent property owner
2. The building lacks sufficient means of egress in order to meet code compliance. In order to achieve compliance, the owner of the Reid and Hughes would have to seek a right-of-way agreement with abutting owners; previous experience shows this may be difficult
3. Being vacant since it was conveyed to the City in 1993 has raised concerns regarding the building's structural integrity. A number of reports have been issued regarding the safety of the building. There are environmental concerns associated with the building. The determined construction material in most areas may be hazardous, requiring abatement and disposal by licensed contractors. Water is leaking into the building due to a roof failure, causing mold and other structural issues.
4. The property has no off-street and limited on-street parking spaces or designated parking areas
5. Due to a change in the Federal Emergency Management Association's (FEMA) flood mapping, the rear of the property is now located in a flood plain, thereby restricting funding sources and increasing costs to meet mandatory requirements for rehabilitation
6. Market conditions will impact the desired price per square foot required to sustain the development long term. The current building configuration can support no more than 20 dwelling units, which are likely to be studio and/or one bedroom apartments. It is not clear how strong the current market is for this style of moderately-priced units
7. At 20 studio and/or one bedroom units the project only marginally cash-flows. Even with 100% grant funding for the redevelopment, the rental income may not be sufficient to cover operating costs, such as taxes, insurance, and maintenance.

The City recognizes the importance of the building to maintaining the fabric of the downtown. There are sources of funding available to address some of the barriers associated with developing the property. The type of assistance developers have typically been requesting to address some of these issues include:

- City capital dollars (bonds), tax abatements, parking spaces, fee/building waivers, etc.

- Project Based Section 8 (HUD) Vouchers
- Community Development Block Grant dollars
- Federal Low Income Housing Tax Credit
- Federal Historic Tax Credits
- State Department of Housing (DOH) Funding/Tax Credits

Not including any assistance from the City through bonds or Project Based Section 8 Vouchers, these other funding sources are offered as competitive applications during various time periods. As an example, the bulk of assistance available from the DOH and CDBG may not be available until September 2017, at the earliest. Funding is not guaranteed.

While other funding may be accessible by early summer of 2017, it would not be enough to stabilize the building. According to architects and building officials, it is estimated that approximately \$300,000 is required to structurally secure the building to survive the elements pending any development. These funds are not currently allocated and would require a bond.

Any possibility for development would require this funding to help stabilize the building until adequate resources were made available to significantly rehabilitate the Reid and Hughes. A realistic timeframe from a new RFP to completion is approximately 20-24 months.

The Demolition Option

According to various records, NCDC presented information regarding multiple options associated with the Reid and Hughes. A document entitled "Assessment and Options Report" (see attached), dated August 12, 2013 was presented to the Council and outlined several demolition options. These options coincided with a report created by CLA Engineers, Inc. dated April 18, 2013 which outlined costs associated with these three items. Costs have been adjusted to reflect inflationary components and engineering costs. Please note that demolition costs assume the City would be able to adequately access the property, ensuring the most cost effective method to demolish the building.

Option 1: Selective Demolition and Façade Preservation/Storage (90 days)

Selective demolition, façade deconstruction and off-site storage of materials to be used for future use are estimated to be between \$675-750,000. This process is a combination of selective demolition of the buildings while removing and protecting the historic uniqueness related to the

façade. Post building demolition, the façade could be removed and stored, allowing for possible re-use within the community at a future date – this would provide a preservation of the historical fabric associated with Norwich and the Reid and Hughes building.

Option 2: Selective Demolition & Temporary Steel Support of Façade (90 days):

Selective demolition of the Reid and Hughes with temporary support of the façade would preserve the exterior features of the building as well as the aesthetics of surrounding buildings. The temporary supporting structure could eventually become a permanent part of a proposed new building, eliminating the labor required for both deconstruction and reconstruction of the façade. The cost is estimated to be between \$775,000 and \$850,000.

Option 3: Complete Demolition (60-days):

Complete demolition is estimated between \$650-725,000. This would raze the entire building, leaving a clean and open space. No re-use has been identified for the space. Re-use would be a crucial element for mitigating loss of the structure. Also, it is important to consider the impact regarding the loss of an historical property and the change in aesthetics to the area.

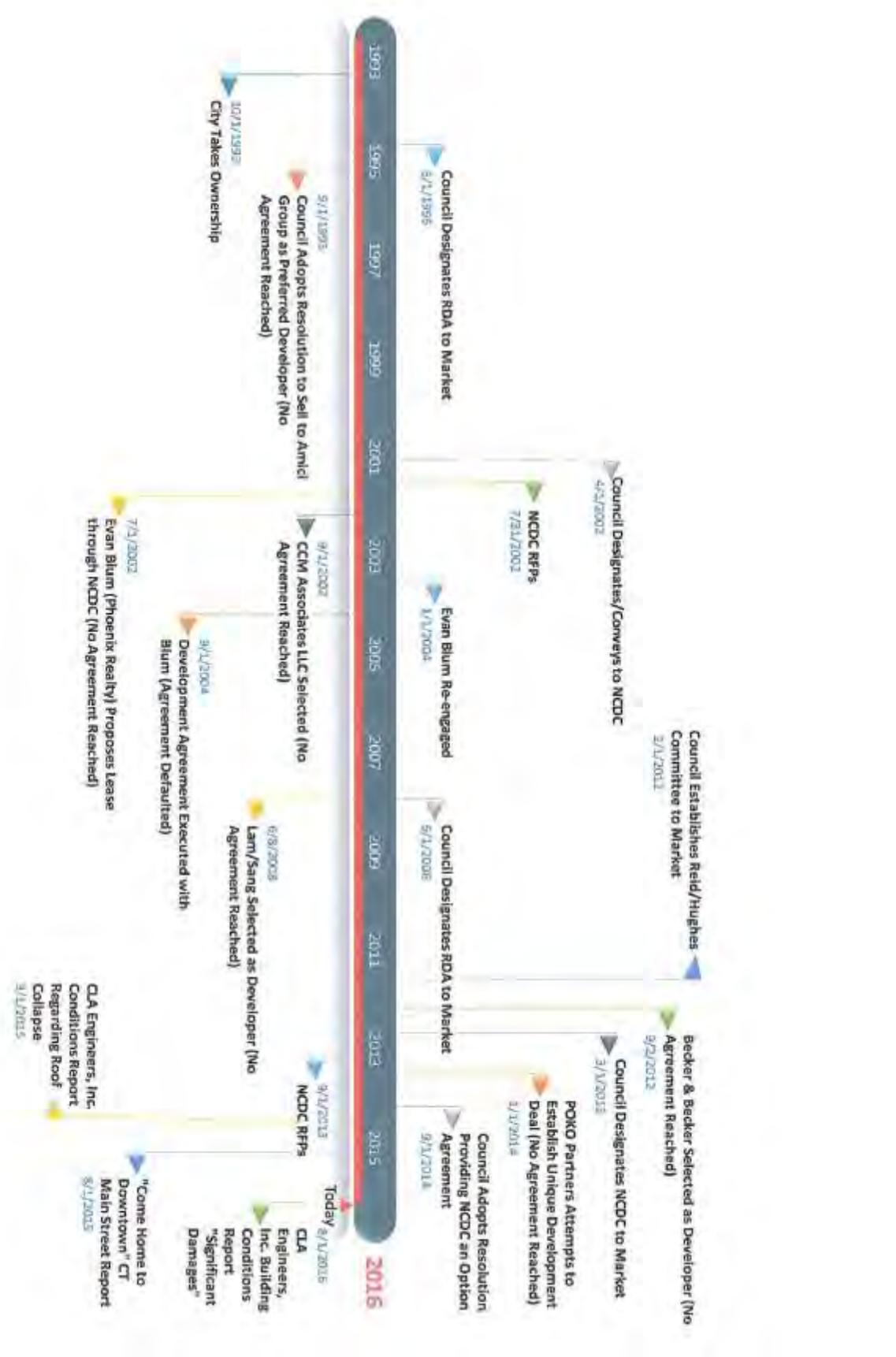
In the event demolition is the chosen method to deal with this issue, it is recommended to engage an historical journalist to properly document the building for the future. This includes photo documentation and journal entries. It would also be the recommendation to review opportunities to preserve the historical fabric of the community through the rehabilitation of other historically significant properties that could be preserved. There is a cost associated with this, which should be considered with any appropriation to ensure a fair review of total costs.

Summary of Efforts

Based on information from the Comptroller's Office, the City has expended approximately \$195,000 in regards to the Reid and Hughes since 1993. The following Chart of Related Activities as well as the timeline reflects key events associated with the City's efforts to return the Reid and Hughes to productive use:

Chart of Related Activity

DATE	ACTION
Oct-93	Taken over by quit claim
Mar-95	Council charges RDA with responsibility for marketing downtown properties
	Amici Group submits proposal for development and is named prime developer
Sep-95	Council adopts resolution for agreement to sell Reid and Hughes to Amici Group
	No agreement reached between City and developer
Aug-96	RDA creates Redevelopment Plan for downtown
Jan-01	Abutting property owner raises issues regarding property boundary
Jun-01	Council appropriates funds to repair roof
	Boundary issues restrict access necessary to repair roof
Apr-02	Council conveys Reid & Hughes to NCDC to market
	Evan Blum (Phoenix realty) proposes lease of Reid and Hughes through NCDC
Jul-02	Deal never completed and NCDC continues to market through RFP
Sep-02	RFPs due - CCM Associates LLC selected to develop (4 total proposals rec'd)
Dec-02	CCM Associates relinquishes developer status
2003/2004	City re-engages with Evan Blum
Mar-04	Potential development agreement with Blum
Sep-04	Correspondence notifies Blum of default under a 4/2004 agreement
	Abutting property owner re-engages with discussion about property - no solution
Oct-06	CDBG funds approved for improving Reid & Hughes through the RDA (façade)
Dec-06	Proposal for design services for Reid & Hughes façade
Aug-07	Council adopts resolution to proceed with litigation with abutter
Mar-08	Agreement entered into with abutter for limited construction/maintenance
Jun-08	Council designates RDA to market property for preferred developer by 2/2009
May-09	Janney Lam/Chong Jon Sang recommended as developer - no agreement reached
Feb-11	Council establishes Reid and Hughes Committee (ad hoc)
Mar-11	Per recommendation of R/H Committee, apply for HPTAG Grant (matching)
Jul-05	Council recaptures CDBG from RDA for inaction
Feb-12	Council establishes R/H Planning and Development Committee - develop RFP
Jul-12	Becker and Becker selected as developer, pending negotiation of agreement
Sep-12	No agreement reached between City and developer
Mar-13	Council discharges R/H Committees
	Formal rejection of Becker and Becker proposal
	NCDC directed to prepare a new RFP
Jun-13	First draft of new RFP presented to Council
Aug-13	Assessment and Options Report received from NCDC for RFP
Sep-13	RFP published
Jan-14	POKO Partners attempts to establish unique development deal - no agreement
Sep-14	Option Agreement established with NCDC through Council
Mar-15	CLA buildings condition report - roof collapse
Aug-15	"Come Home to Downtown" CT Main Street - Real Estate Re-Use Concept Plan
Jul-16	CLA buildings condition report



CLA Engineers, Inc. Building Conditions Report "Significant Damages"

CLA Engineers, Inc. Building Conditions Report Regarding Roof Collapse

"Come Home to Downtown" CT Main Street Report