

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 Devise 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 tis 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.

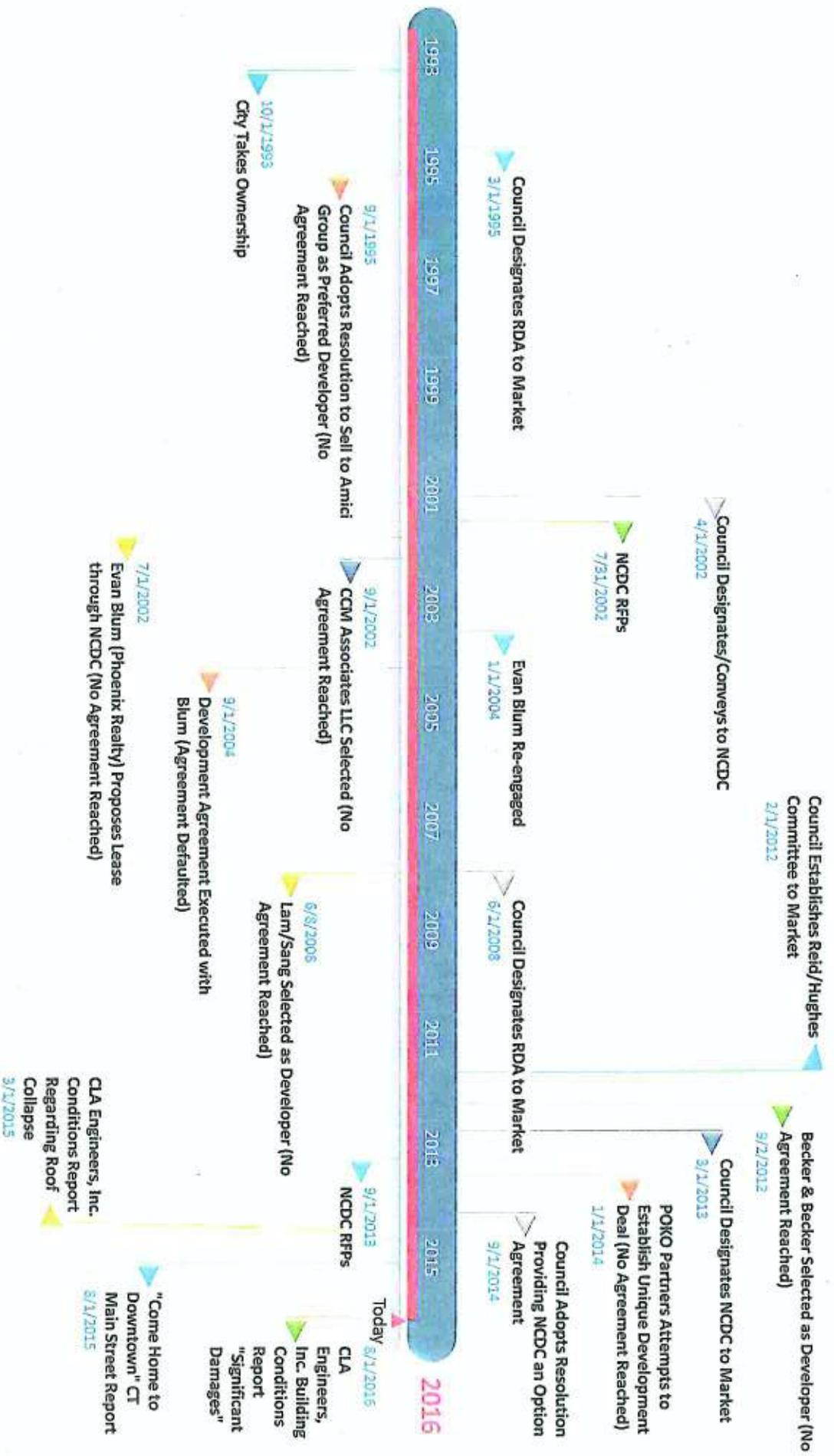
In the event demolition is the chosen method to deal with this issue, it is recommended to engage an historical journalist to properly document the building for the future. This includes photo documentation and journal entries. It would also be the recommendation to review opportunities to preserve the 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



Council Establishes Reid/Hughes Committee to Market
2/1/2012

Becker & Becker Selected as Developer (No Agreement Reached)
9/2/2012

Council Designates/Conveys to NCCDC
4/1/2002

NCCDC RFPs
7/31/2002

Council Designates RDA to Market
3/1/1995

9/1/1995

Council Adopts Resolution to Sell to Amici Group as Preferred Developer (No Agreement Reached)

10/1/1993
City Takes Ownership

Evan Blum Re-engaged
1/1/2004

9/1/2002

CCM Associates LLC Selected (No Agreement Reached)

9/1/2004
Development Agreement Executed with Blum (Agreement Defaulted)

7/1/2002
Evan Blum (Phoenix Realty) Proposes Lease through NCCDC (No Agreement Reached)

Council Designates RDA to Market
6/2/2008

6/8/2006

Lam/Sang Selected as Developer (No Agreement Reached)

Council Designates NCCDC to Market
3/1/2013

POKO Partners Attempts to Establish Unique Development Deal (No Agreement Reached)
1/1/2014

Council Adopts Resolution Providing NCCDC an Option Agreement
9/1/2014

9/1/2013
NCCDC RFPs

"Come Home to Downtown" CT Main Street Report
8/1/2015

CLA Engineers, Inc. Conditions Report Regarding Roof Collapse
3/1/2015

Today
9/1/2015

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

ASSESSMENT AND OPTIONS REPORT

**Reid & Hughes Building
193-201 Main Street
Norwich, Connecticut**

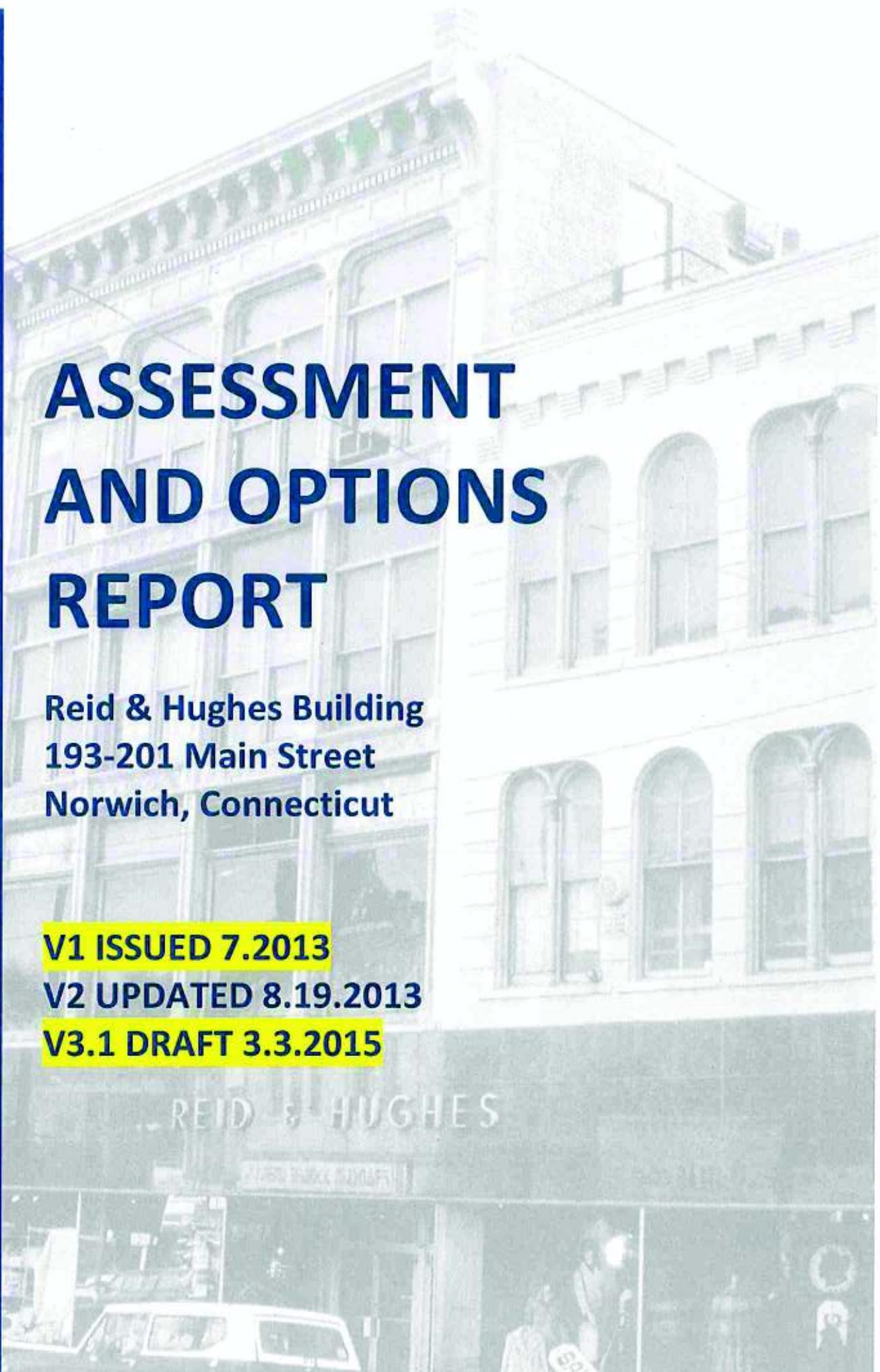
V1 ISSUED 7.2013

V2 UPDATED 8.19.2013

V3.1 DRAFT 3.3.2015

REID & HUGHES

193-201 MAIN STREET



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Report Submitted to Norwich City Council
 100 Broadway
 Norwich, Connecticut
 August 12, 2013
 V1 Presented _____
 V2 Updated August 19, 2013; Presented August 19, 2013
 V3 Updated _____; Presented _____



Report Prepared by
 Norwich Community Development Corporation
 77 Main Street
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askncdc.com

RECENT TIMELINE

Overview

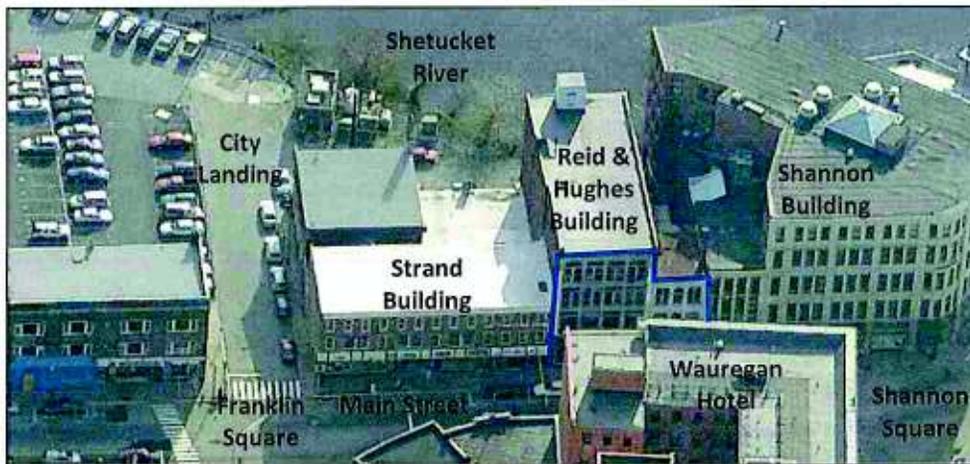
In June 2013, the City Council asked NCDC to develop a Request for Proposals package for the Reid & Hughes Property. Subsequent to that request, NCDC has provided a draft RFP and presented it to the Council. After the presentation, the Council asked for additional evaluation of the building and neighborhood, including temporary building stabilization to address a roof failure and the development of a comprehensive development strategy known as a Municipal Development Plan.

While developing this information, and discussing the project with experts in various fields, it became apparent that in order for a decision to be made the Council would need a report of our findings, a comparison of the various options, and time and budget considerations.

This report attempts to share our findings, and provide the Council with enough information to make an informed decision as to how to proceed with this challenging property.

CONTEXT

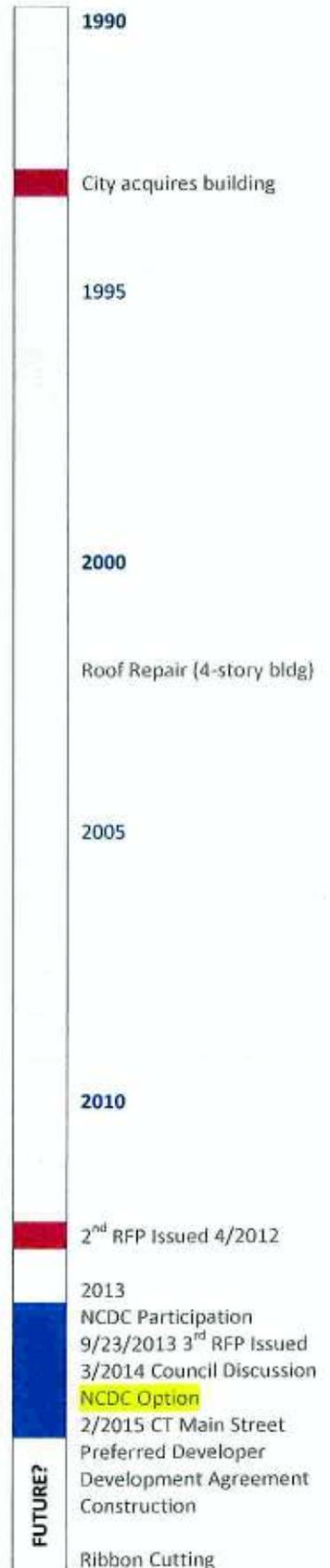
The Reid & Hughes Building, circa 1880, consists of four floors and a basement with approximately 24,390 square feet of space. This building is located in the heart of Franklin Square in the Chelsea Central Zone District, which allows a number of different land use development options. The building is also located in the Downtown Norwich Historic District, which was added to the National Register of Historic Places on April 4, 1985.



View of Reid & Hughes Main Street Façade; Image source: bing.com

Over the years, the City has acquired various reports from City Officials and Professional Engineers regarding the condition of the building. These reports have identified a number of hazards present within the building, have led to the building being condemned by the Building Official, and the engaged the City in making roof repairs.

The Building is actually two separate structures that have been combined to function as one building. The main structure, a four-story building, has 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 of the second and third floors. Note: there are conflicting measurements for both this building and the site that depict a footprint of 6,600 square feet and overall living area of 21,092 square feet.



BUILDING INFO

While the entire site is referred to as the Reid & Hughes Building for simplicity, technically, the eastern building is the original Reid & Hughes Building. It is approximately 36 feet wide along Main Street by 100 feet deep towards the Shetucket River. It is a four story building with a fifth floor mezzanine level located along the Main Street side of the building. This building was reportedly built in 1898.

The adjoining building to the west, often referred to as "the addition" was originally named the Williams and Chester Building. It measures 22 feet wide along Main Street, by 100 feet deep towards the Shetucket River. The second and third floors of the Williams and Chester Building are 22 feet wide by 34 feet deep. This building was reportedly built in 1869.

CHALLENGES

The property has several challenges that must be recognized regardless of the option selected by the City Council:

Property Size	The site is small (about 7,100 square feet). It contains the footprint of the existing buildings and little more. There is no permanent access to the sides or rear of the building. The City has secured the rights to compensate an adjacent owner for to access the rear of the building during construction.
Code Compliance	The building does not have two means of egress. Because of the size of the property there is no room to accommodate a second means of egress on the property. Adjacent property owners will need to be compensated for the right to gain a second means of egress, if they are willing to provide access.
Overall Condition	The property has been vacant for over twenty years. Twenty years of minimal maintenance catches up to a building. In addition, there are areas where birds are freely accessing the space. These areas are distasteful and dirty.
Air Quality	Water has been leaking into the building due to a roof failure on the three-story building. This is causing a mold condition within the building. It appears to have worsened recently due to the significant precipitation the city received in July.
Environmental Contamination	The property was built in an era where many of the conventional building products of the time are no longer environmentally acceptable, including the use of asbestos and lead paint. These materials have to be removed by licensed professionals and sent to a regulated recovery facility, both of which add cost to the project.
Off-street Parking	The property has no off-street parking spaces. Further, it is located in an area with limited off-street public parking and there are only a few on-street spaces located along the front of the building on Main Street. While downtown Norwich has over 3,000 parking spaces (1,000 public spaces) the lack of assigned or dedicated parking spaces for this property makes this a challenge for redevelopment.
Market Conditions	The building is located within a section of the downtown that earns a lower than desired price per square foot in the marketplace. Additional effort is needed to improve the physical spaces adjacent to this property if the building is going to increase the price it demands.

ALTERNATIVES ANALYSIS

An Alternatives Analysis (sometimes called an Analysis of Alternatives) is an evaluation process used to identify all of the potential choices available for a complex decision.

OVERALL OPTIONS

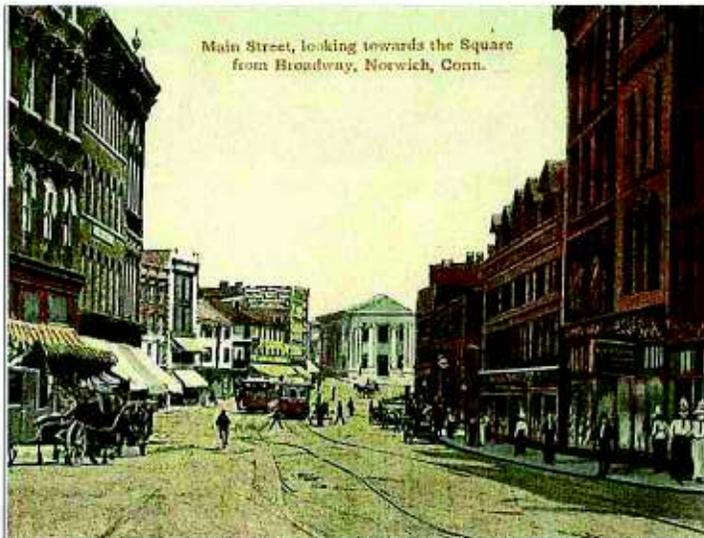
This report is an alternatives analysis (see sidebar) of the City's options for the Reid & Hughes Building. The City has several options available for how to address this building, as depicted below:

Do Nothing	Demolition			Rehabilitation	
Status Quo	Selective	Save Facade	Complete	Partial	Complete

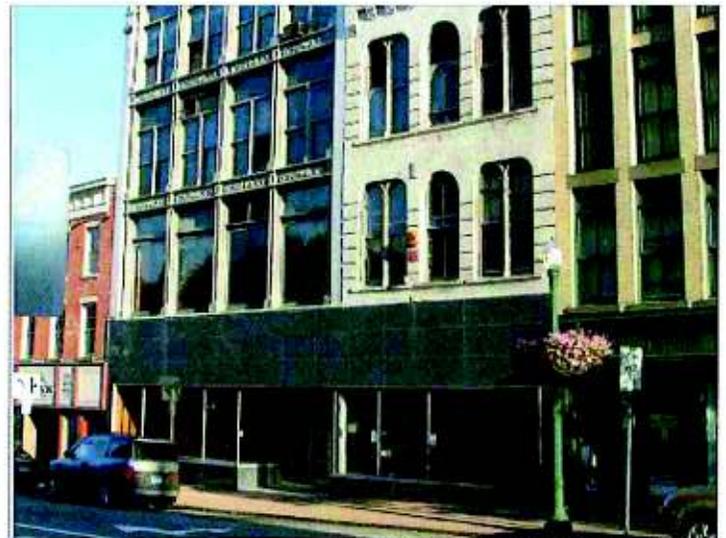
Each option has elements that are favorable (pro) and negative (con) as to why they should be the chosen solution. The following pages evaluate the various options, and scenarios that could be utilized to address the challenges presented by the Reid & Hughes Building.

We have also taken the time to present our proposal for how to proceed, as a concluding element of this report.

Ultimately, the final decision rests with the City Council.



Reid & Hughes, circa 1916; image source: wikipedia.com



Reid & Hughes today; Image source - NCDC

OPPORTUNITY COST

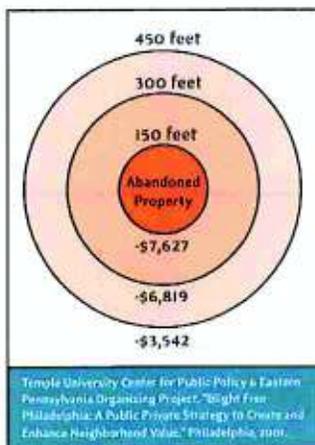
The costs that are forgone in order to pursue, or as a result of, an alternative action / scenario.

IMPACT OF BLIGHT

The Reid & Hughes property has generated \$0 in tax or utility revenue over the past 20 years. If it were in private ownership, it would have produced approximately \$1.8 million dollars over the past twenty years based on today's value and mill rate.

While these numbers could be accurately calculated and determined, there are also intangible values associated with the Reid & Hughes being a vacant building on Main Street.

In a 2001 Study by Temple University in Philadelphia, researchers found that vacant properties had a negative value on adjacent properties, leading to more disinvestment (i.e., it becomes contagious). The following graphic depicts the impact of property values based on proximity to vacant buildings:



Graphic source:
astro.temple.edu/~ashlay/blight.pdf

Do Nothing	Demolition			Rehabilitation	
	Status Quo	Selective	Save Facade	Complete	Partial

“Do Nothing” Option

OVERVIEW

A “Do Nothing” / Status Quo option exists in every alternatives assessment. In this case, the City is already the owner of a building, has owned the building for over twenty years and the building is, and continues to be a non-performing City asset. The lack of functional use of the building has provided a negative value for this asset, as it requires maintenance and management with no return on investment.

There is also an opportunity cost of owning a building that is not used, nor is intended to serve any public purpose. The opportunity cost (see sidebar) includes lost tax and utility revenue and the loss of adjacent property values due to the vacant / blighted condition of the building (see impact of blight sidebar). Vacant buildings send a poor message about the health and vitality of the downtown district. This leads to disinvestment and adversely impacts the demand-driven economic development efforts of various city agencies.

Ultimately the Do Nothing option is not a viable option and should be eliminated from this assessment. Continuation of a Do Nothing approach will cost the City money, and the City will derive no return on investment. Further, a non-functioning asset, in a blighted condition, adversely impacts the value and market potential for adjacent properties, driving negative values even more towards the negative.

We have only been able to find \$50,000 in funding that has been allocated towards this building by the city.

OPPORTUNITY COST DETAILS

	TO DATE	PER YEAR GOING FORWARD
Asset Management ¹	(\$50,000) ²	
Tax Revenue ³	(\$105,740)	
Utility Revenue (NPU) ^{4, 5}	(\$1,442,320)	
Utility Revenue (CITY) ^{4, 5}	(\$160,258)	
TOTAL	(\$1,758,000)	(\$85,000)

1 A complete list of asset management costs has not been maintained over the years, which is common for publicly-owned buildings

2 Roof replacement / temporary building stabilization for the four-story Reid & Hughes Building

3 Tax revenue assumption based on current value and taxation rate

4 Utility revenue assumption based on current rates and comparable uses

5 The City receives 10% of Norwich Public Utilities (NPU) Gross Revenue

Do Nothing	Demolition			Rehabilitation	
Status Quo	Selective	Save Façade	Complete	Partial	Complete

Demolition Option

OVERVIEW

There are three demolition options. These include:

1. Complete demolition (tearing the whole building down);
2. Retaining the front façade; and
3. Tearing down a portion of the building.

The Demolition Option does not readily incorporate an exit strategy for the City, but one can be developed as part of a Request for Proposals (RFP) for the resulting undeveloped site. The resulting undeveloped site is about 7,100 square feet in land area.

Demolition has been estimated to cost between \$574,000 and \$797,000. Hazardous material removal has been estimated to cost \$160,000, which is included in the demolition cost estimates.

SCENARIOS

Selective Demo – Selective demolition (demo) would likely involve the removal of the three-story addition portion of the building. This addition has roof failures that are impacting the structural integrity of the building. It is also the location where birds are accessing the building. Note, a Selective demolition, without a plan in place for the remaining building, will not be a successful end result. If this approach is chosen, steps will need to be taken to protect the four-story building from weather, vagrants, etc.

Save Façade – Saving the Building Façade involves a selective demolition of the building and saving the historic features of the building for reuse at a later date. The façade has been identified as an important feature in the Downtown Norwich Historic District, and preservation of this feature would ensure that the district is not adversely impacted by the loss of another historic asset. There are two ways to save the façade: 1) save in place, and 2) removal and storage.

Complete Demo – Complete demolition (demo) is exactly what it reads to be, the complete demolition of the Reid & Hughes building.

PLACE-MAKING

Placemaking animates public and private spaces. The concept of place is to create a built environment that is inviting, safe and exciting for people that are walking through, or by it.

Here are two spaces that are different places:



Image Source: peoplestreets.org/category/place-making/

Good places:

- Has a good view; people watching (there's a reason people take up cafe window seats first)
- Has seating
- Is an intersection of dimensions; whether it's an intersection of pathways (e.g., public plazas) or physical elements (e.g., benches, plants, lighting)
- Feels safe

Every downtown building that is lost, and not replaced, threatens our ability to place-make in Norwich.

CT ENVIRONMENTAL PROTECTION ACT (CEPA)

CEPA can be found in Sections 22a-15 through 22a-19b of the Connecticut General Statutes

DEMOLITION CASE LAW

In 2011, the case of Connecticut Historical Commission (Commission on Culture & Tourism) v. Town of Wallingford gave preservationists an important victory when Judge Robert Berdon blocked the town from demolishing a house in the Wallingford National Register district. In a departure from some other decisions, Judge Berdon ruled that the high cost of rehabilitation was not, by itself, sufficient reason to justify tearing down the house.

OPTIONS

	PROS	CONS	ESTIMATED COST
Selective Demo	<ul style="list-style-type: none"> Save a portion of the building 	<ul style="list-style-type: none"> Portion of the building remains and needs to be managed Public sector led effort No identified reuse of the property Opportunity costs 	No Cost Estimate Provided
Save Facade	<ul style="list-style-type: none"> Retain historic feature Retain streetscape attribute that is important to place-making 	<ul style="list-style-type: none"> Most expensive solution because of the need for temporary stabilization of the façade No identified reuse of the property Opportunity costs 	\$636,000 - \$797,000
Complete Demo	<ul style="list-style-type: none"> Blank canvas site Five week timeframe from project authorization 	<ul style="list-style-type: none"> Site is too small for an independently built new construction No identified reuse of the property Opportunity costs Lost historic resource Lost streetscape continuity 	\$574,000

Additional information: "Demolition and Façade Preservation Cost Analysis" report dated April 18, 2013, prepared by CLA Engineers, Inc. of Norwich, Connecticut.

IMPLICATIONS OF DEMOLITION

The right to demolish a historic structure in Connecticut is controlled by the State Historic Preservation Office (SHPO) via the Connecticut Environmental Protection Act (CEPA – see sidebar). The Connecticut Trust for Historic Preservation is a leading resource regarding historic building demolition and describes the process as such:

"When SHPO does become aware of a proposed demolition, the staff asks the owner to explain it at a meeting of the Commission (Connecticut Commission on Culture and Tourism). The SHPO determines if the proposal [SIC] is reasonable in light of the facts and circumstances associated with that particular property. The Commission generally asks a series of questions and requests [SIC] specific information concerning the project to determine if there are "feasible and prudent alternatives to the demolition." If the Commissioners decide that the request to demolish is unreasonable, they may vote to ask the Connecticut Attorney General to seek an injunction preventing the demolition."

Not all cases have to go to trial. The EPA can serve as a bargaining chip even when there is no legal action. The review procedure alone can provide an opportunity to persuade owners to find a way to avoid demolition.

...The focus of the EPA is unreasonable destruction of natural and historic resources. While developers and property owners - unfortunately the courts - tend to define reasonableness solely in terms of maximizing profits, owners are entitled to use their property for gain."

Do Nothing	Demolition			Rehabilitation	
Status Quo	Selective	Save Facade	Complete	Partial	Complete

Rehabilitation Option

OVERVIEW

There are a number of rehabilitation / reuse options. A key component to executing these options is the participation of the private-sector in a public / private partnership, that positions the building or site to return to active use. The Request for Proposals (RFP – see sidebar) process has been used twice in attempt of attracting a potential private-sector developer for this project.

The process failed in the past for numerous reasons, many of which are well-known to City officials. The most significant challenge is that for any rehabilitation project the asset value at project completion is lower than the costs to improve the asset. This negative value severely inhibits the private-sector from attracting private capital into the project.

SCENARIOS

Partial Rehab – Partial Rehabilitation (rehab) involves saving elements of the existing buildings when feasible; at a minimum, would include restoring the historic cast iron façade, and would include other features that are salvageable. The partial rehab scenario differs from the partial demolition because it involves a private-sector led effort to rehabilitate the property.

Complete Rehab – Complete Rehabilitation (rehab) involves retaining all features on the site. Some will be restored to historic preservation stands, and others may not.

Temporary Building Stabilization and the development of a Municipal Development Plan (MDP) are complementary components for both of these scenarios and are discussed later in this section.

OPTIONS

	PROS	CONS	ESTIMATED COST
Partial Rehab	<ul style="list-style-type: none"> • Façade is maintained • Brand new building • New building may be cheaper • Easier to accommodate second means of egress • May be achievable without temporary building stabilization • Private-sector led effort 	<ul style="list-style-type: none"> • Loss of historic elements • Can a building be built after demolition is completed? • Code requirements for new construction would impact the use of limited space on this site 	\$1,142,999+ ¹
Complete Rehab	<ul style="list-style-type: none"> • Building remains in place and intact • More efficient use of space due to pre-existing code conditions 	<ul style="list-style-type: none"> • Expensive • Difficult to achieve second means of egress • May require temporary building stabilization 	\$1,142,999+ ¹

¹ See City Commitment on Page 8

REHABILITATION PROCESS

The rehabilitation process involves the sale / disbursement of a city-owned asset to a private-sector led development team.

A Request for Proposals (RFP) process has been proposed as a way to solicit development teams and rehabilitation proposals for this property.

WHAT IS AN RFP?

An RFP (Request for Proposals) is essentially a bidding process to procure goods, or services or solicit potential development proposals.

Development RFPs occur early in the procurement process and are a useful way to solicit potential developers with little risk to the city or the development community. Ultimately, the RFP is a non-binding process.

ADVERTISING THE RFP

It is recommended that the City allocate \$8,000 for advertising the Reid & Hughes RFP, which includes ad development and placement.

The RFP should be advertised in the following locations:

- New England Real Estate Journal
- CT Sitefinder website
- CT Trust for Historic Preservation Historic Property Exchange
- National Trust for Historic Preservation's Preservation Nation website – historic property listing
- Poster / scrim on the building / front windows
- Dedicated NCDC webpage
- City website
- Dedicated project Facebook page

WHAT IS A P3?

P3 stands for public / private partnership. Public / private partnerships are a contractual arrangement whereby the resources, risks and rewards of both the public agency and private company are combined to provide greater efficiency, better access to capital, and improved compliance with a range of government regulations regarding the environment and workplace.

The public's interests are fully assured through provisions in the contracts that provide for on-going monitoring and oversight of the operation of a service or development of a facility. In this way, everyone wins — the government entity, the private company and the general public.

ncppp.org

CITY COMMITMENT

The Rehabilitation Option requires a commitment from the City, perhaps as part of a public / private partnership (P3 – see sidebar). NDCDC has calculated the following commitments that are needed for this project:

CITY PARTICIPATION			
SOURCE	COMMITMENT TYPE	DETAILS	ESTIMATED AMOUNT*
Sewer Connection Fee	Deferred Cost As of Right	50% discount of the total sewer connection fee. The sewer connection fee is calculated based on the uses / activities that are proposed.	To Be Determined
Discounted Property Acquisition	Deferred Cost As of Right	This asset is currently valued at \$243,000. The City is willing to provide clear title to the property for \$1.	\$242,999
Downtown Code Correction Program	Cash, Reimbursement As of Right	Program administered by NDCDC. Up to \$100,000 available as a grant to match private funding. 50% match required.	\$100,000
Enterprise Zone Tax Abatement	Deferred Cost As of Right	50% tax reduction phased in over 7 years. Total deferral amount depends on final assessment.	\$130,000 +/-
Energy Efficiency Programs	Optional	Norwich Public Utilities, a City-owned utility, provides a variety of energy conservation and efficiency programs.	To Be Determined
Building Permit Fees	Deferred Cost Optional	Waiver of up to 100% of Building Permit Fees. City Council Decision (vote required)	To Be Determined
City Bond	Cash, Reimbursement Optional	Grant from the City of Norwich. City Council Decision (vote required)	\$800,000
Off-Street Parking Waiver	Deferred Cost Optional	\$5,000 / space savings in project construction costs (minimum). All waivers must be granted by the Commission on the City Plan.	To Be Determined
TOTAL			\$1,142,999+

- Programs available as-of-right based on City policies
- Optional programs that the City may offer

CITY BID REQUIREMENTS

The City of Norwich uses a competitive bid process to procure goods and services that exceed \$12,000. These requirements are identified in City Ordinance Section 7-39. The City's Purchasing Agent manages the competitive bid process.

ESCALATION OF COMMITMENT

The escalation of commitment involves investing resources in an apparently losing proposition, influenced by effort, money, and time already invested.

businessdictionary.com

SUNK COSTS

Sunken costs are financial investments that have no known / tangible recovery, or return on the investment. These costs are often assessed in retrospective.

businessdictionary.com

Temporary Building Stabilization

If Building Rehabilitation is an objective, the City should consider whether additional steps to stabilize the roof and structural integrity of the smaller three-story Williams and Chester Building should be made. There is a hole in the roof of the Williams and Chester Building and water is now infiltrating the structure. Ultimately, water ruins everything and continued exposure to the elements, particularly rain, snow and ice, will only intensify the damage to the building.

NCDC asked CLA Engineers, of Norwich, to conduct a visual survey of the current conditions and develop a scope of services to address the damage to the Williams and Chester Building. CLA has been through the building many times over the years and has significant awareness of the building condition.

Because public dollars and property are involved, the process has to include plans developed by a professional along with a public bidding process. CLA Engineers outlined a process as follows:

ACTIVITY	COST
1. Develop Construction Drawings ¹	\$10,500
2. Develop Project Plan (e.g., book specifications, construction bid documents, construction cost estimate)	\$6,000
3. Bid Process	\$2,500
4. Construction (construction administration, construction cost)	\$48,000
TOTAL	\$67,000

¹ The cost estimate currently only includes a definitive number for the first task. Additional costs cannot be fully determined until construction documents have been prepared. Based on analysis of performed by professionals frequently engaged in this line of work, it is safe to assume that the construction cost will exceed \$30,000 due to the challenges of access the space, the need to address snow loading and the lack of existing structural capacity on this portion of the building. Because public dollars are at-risk, this cost estimate includes professionally-prepared specifications and oversight to ensure that improvements meet, or exceed the requirements. All activities must be in compliance with state and federal workplace safety and environmental laws. These requirements will have some impact on the overall cost of the project.

WHAT WE HEARD

Numerous building professionals (e.g., designers, engineers, construction experts, and building officials) expressed a concern about investing in roof repairs for the Williams and Chester Building.

The overwhelming concern that we heard was that this work would be like the idiom, "Throwing good money after bad." What that means, is that the temporary building stabilization may involve an escalation of commitment (see sidebar) by City leaders that is not warranted at this time, as it would result in sunk costs (see sidebar) if the building were demolished or rehabilitated.

Not one building professional indicated that this work was a necessity to enable building rehabilitation. One expert indicated that state Building Code requirements might necessitate the demolition of this building as a means to achieve egress requirements.

IMPLEMENTATION TIMEFRAME

		2013					2014												
		A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Temporary Building Stabilization (TBS)																			
1 DEVELOP PROJECT MANUAL	<ul style="list-style-type: none"> Select Structural Engineering Firm Develop Cost Estimate for PM Element Secure funding for PM Element Develop PM Agreement Develop Draft Project Manual Finalize Project Manual and Cost Estimate 																		
2 SECURE FUNDING	<ul style="list-style-type: none"> Share Cost Estimate with City Council City Council Authorizes Funds 																		
3 ADVERTISE BID	<ul style="list-style-type: none"> Advertise Construction Project Bid Response Window Open Bids Identify Lowest Responsible Bid Review Bidders Award Contract 																		
4 CONSTRUCTION	<ul style="list-style-type: none"> Construction of TBS Phase 																		

WHAT IS A MUNICIPAL DEVELOPMENT PLAN (MDP)?

Chapter 132 of the Connecticut General Statutes enables communities to develop a Municipal Development Project (MDP) as a tool to acquire, improve places for economic development purposes.

MDPs that are approved by the state's Department of Economic and Community Development, can then be eligible to receive state funding, when funding is available.

Municipal Development Plan

The Reid & Hughes Building is part of a larger context, its immediate neighborhood (Franklin Square / Main Street) and the overall village (historic Downtown Norwich / Chelsea). Buildings, neighborhoods and villages all have needs, ranging from marketing to overall design. At the larger scale (neighborhoods and villages) these needs are best served through a comprehensive process known as a Municipal Development Plan, or MDP (see sidebar).

The state of Connecticut created this tool to provide communities with an ability to identify needs of a targeted area, whether it be at the neighborhood or village scale, to develop strategies and tools to address those needs, including ways to securing funding for implementation.

NEIGHBORHOOD CONTEXT

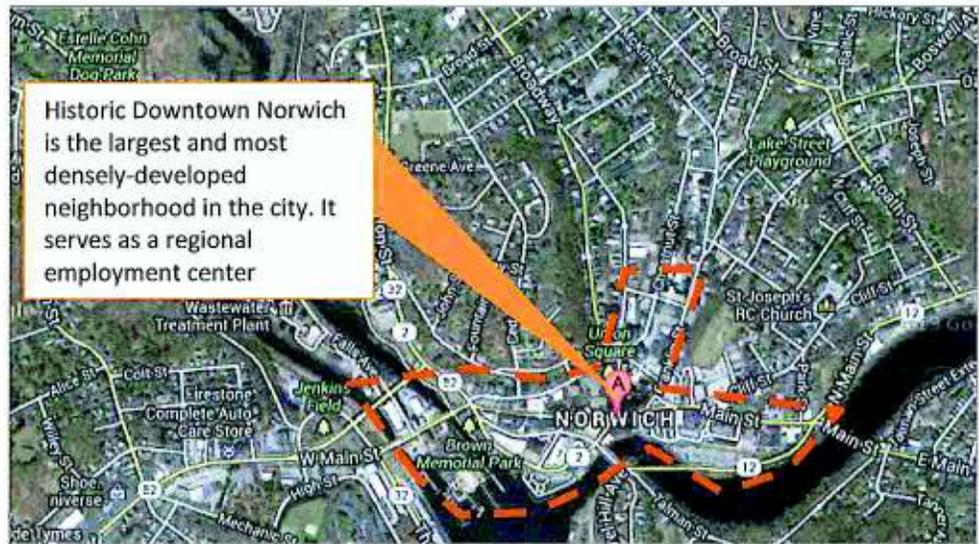


Image source: google.com

The MDP could include several of the underutilized properties located in historic downtown Norwich. Concept sketches of new development opportunities, such as those shown on page 13, could be included in the MDP process.

ACTIVITY	COST
1. RFQ / Consultant Selection	\$5,000
2. Plan Development (planning, public participation and design)	\$245,000
3. Plan Adoption	\$15,000
4. Plan Implementation (scoping)	\$5,000
TOTAL	\$270,000

WHY WOULD WE NEED AN MDP?

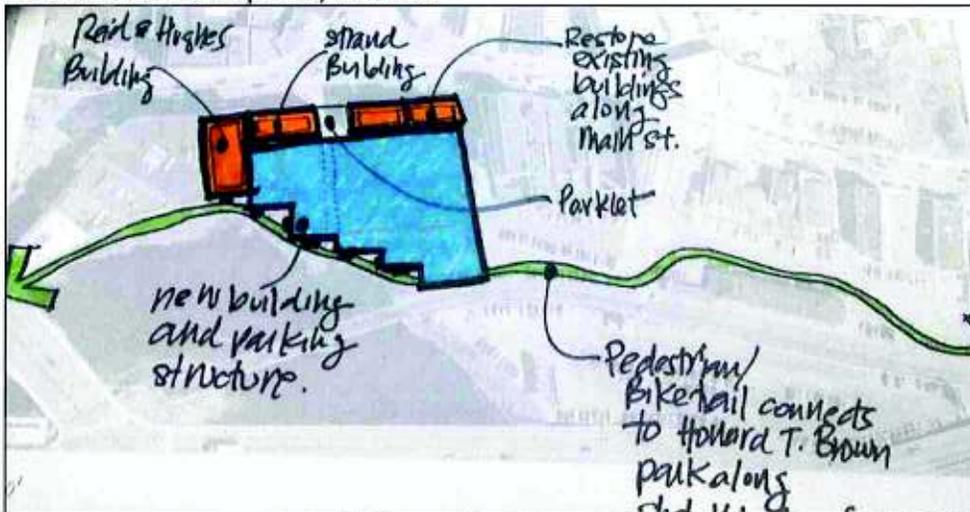
The Municipal Development Plan (MDP) Process could include schematic designs for new development in historic downtown Norwich. The images to the left, prepared by NCDC, are meant to provide an overall concept of the types of activities that could be included in the MDP process and show an alternative development concept that could support the initial investment in the Reid & Hughes project.

These concept drawings utilize adjacent private property as part of the development. These properties would have to be acquired by a potential developer, or the existing owners may choose to proceed with the development opportunity, if the project is lucrative.

These sketches are purely suggestions to articulate why an MDP process may be beneficial. They do not represent an official position by NCDC, the City of Norwich, or any of the private properties that are depicted.

CONCEPTUAL DEVELOPMENT ELEMENTS

Potential New Development, Plan View



Franklin Square, Norwich; image source: aerial - google.com; graphic - NCDC

Potential New Development, View from Shetucket River

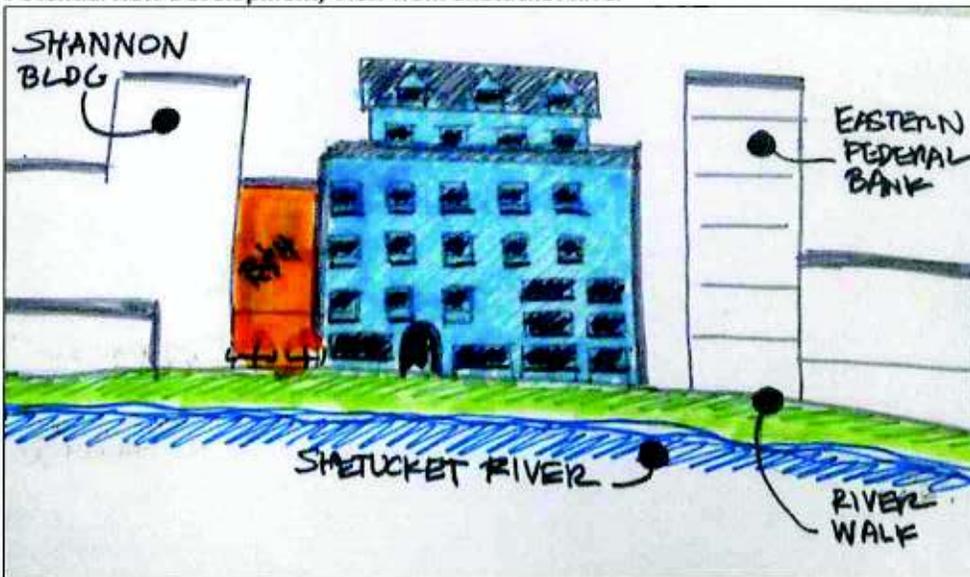
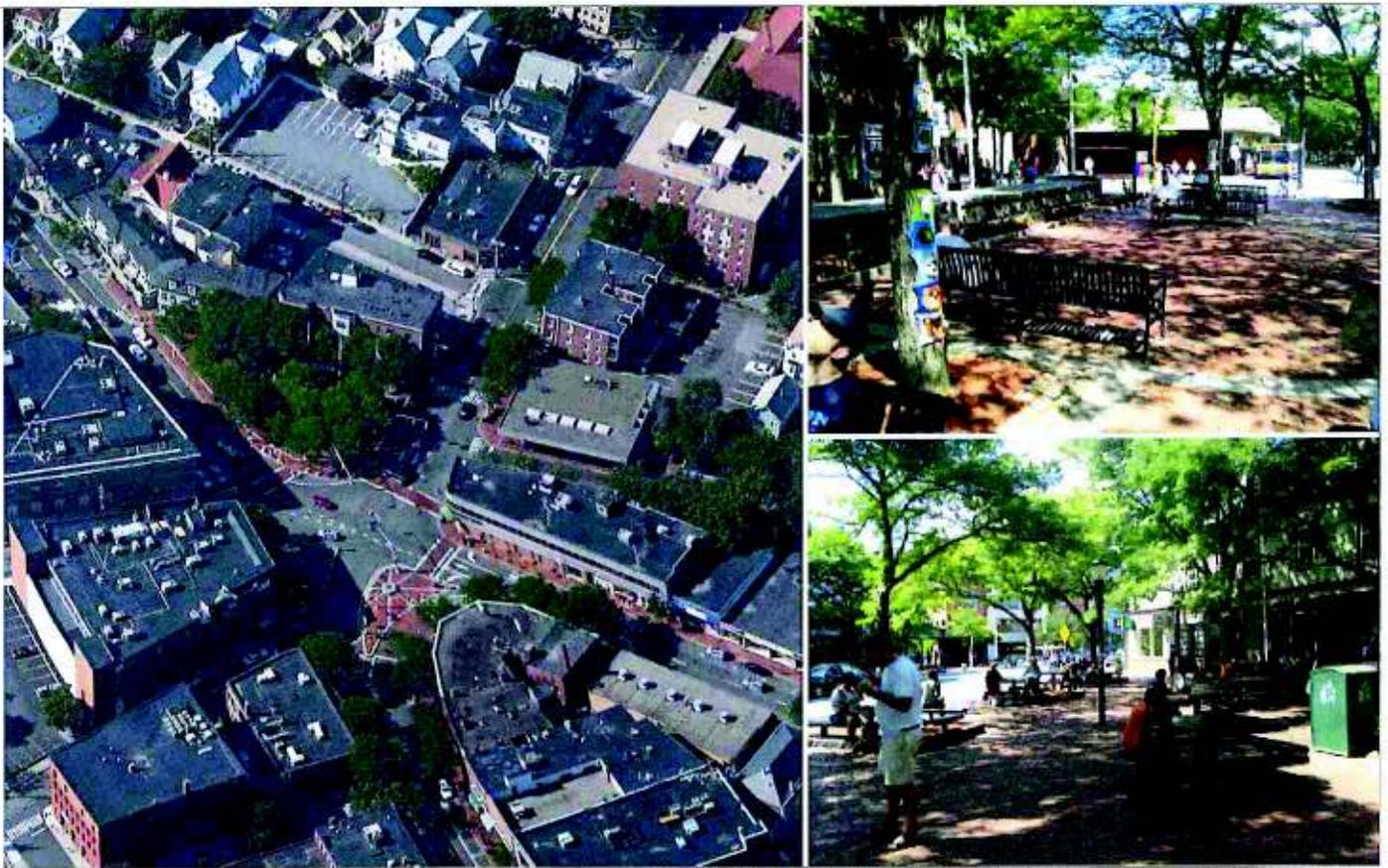


image source: NCDC

For the rehabilitation of the Reid & Hughes Building to be successful, there is a need to improve the public realm in and around this space, to make it an attractive place, a place that people want to hang out and be seen.

There is often fear that the “wrong” people might hang out in these places, and strategies to address these concerns should be developed by merchants, property owners and the city’s community policing efforts. Not creating the right solution, because we are concerned about management issues, will prevent the space from ever achieving the desired purpose.

There are many examples of successful public spaces across the country. Some of these spaces will have management strategies, including event programming, which we could try. Others have great design that make up for the management challenges. Perhaps the Davis Square space in Somerville, Massachusetts (accessed Boston Redline) could be used to inspire a new approach in Franklin Square.



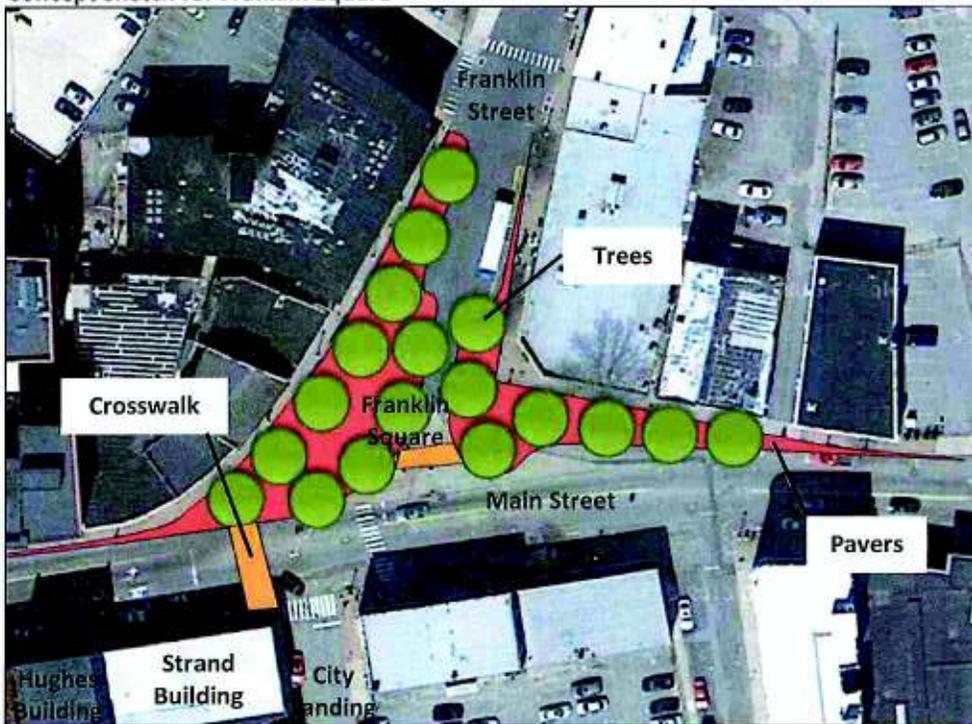
Davis Square, Somerville, Mass.; image source: aerial - bing.com; others - NCDC

Franklin Square, Existing Conditions



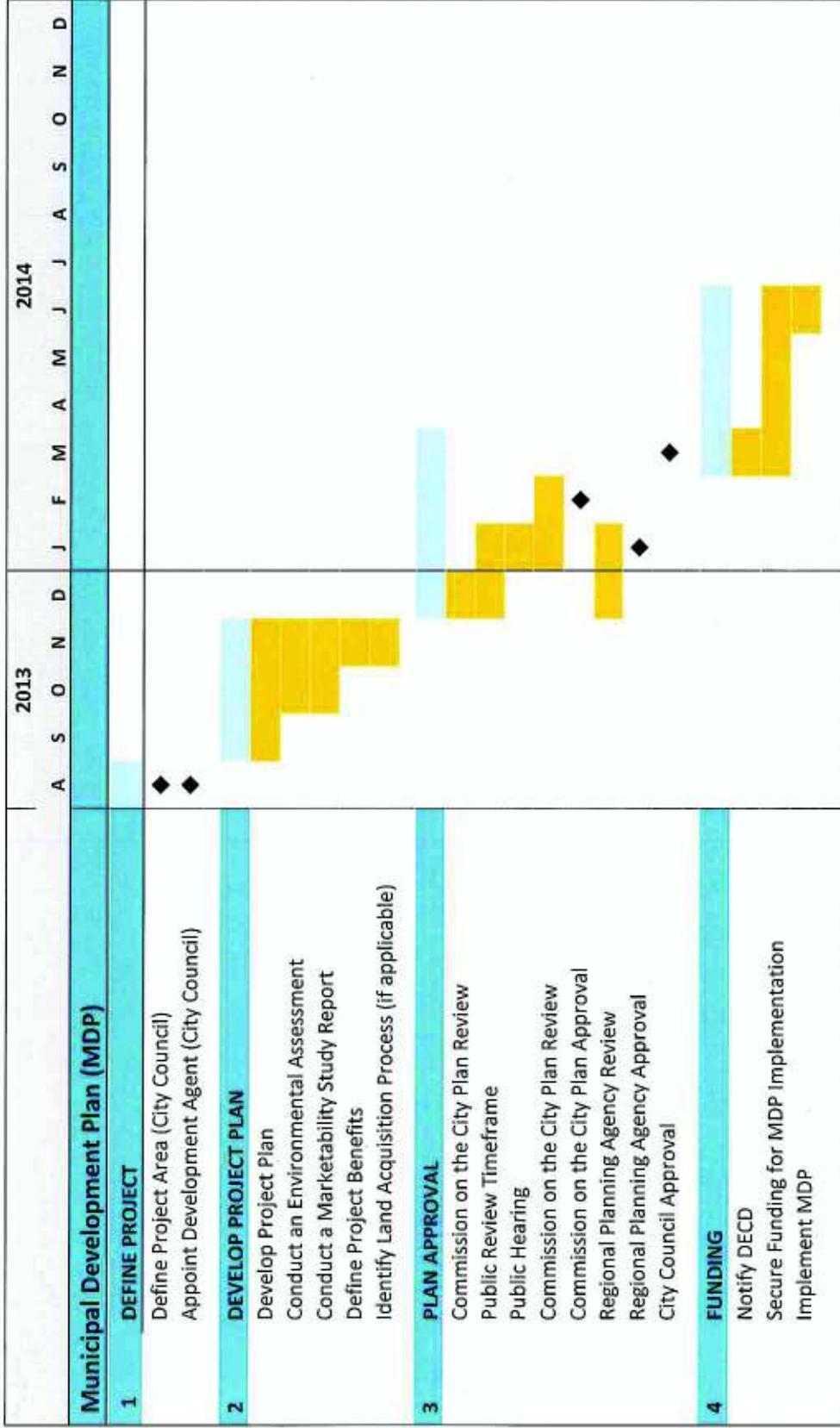
Franklin Square, Norwich; image source: google.com

Concept Sketch for Franklin Square



Conceptual redesign of Franklin Square, Norwich; image source: aerial - google.com, graphic overlay - NCDC

IMPLEMENTATION TIMEFRAME



NCDC Recommendation

We are recommending that the City Council take the next steps

1. Commit to the Effort

- Provide Funding – A funding commitment from the City Council is needed for whichever option is selected
- Delegate Responsibility – A project manager will be needed and the City Council should assign that responsibility
- Provide Resources – The project manager should be given the resources (e.g., time, staff, funding for administration) to complete the task

2. Start the Process

- Establish a timeframe for project completion
- Plan the Work
- Work the Plan



Capital Solutions Norwich, CT

Company Information
Company ID: **735-8790**
Credit Status: **Approved**
Collateral: **Not Required**
Pre-Approved LOC Amount: << **\$69,480** >>

Dear Business Owner,

We are following up to remind you that we still have your company pre-approved for a commercial line of credit. This qualified LOC has come from our recent review of your business profile and good standing with the D&B and you're Paynet Score within your industry.

Since your business profile meets our minimum score, you have been **PRE-APPROVED** for a business line of credit of << **\$69,480** >> with authorization of up to **\$280,000.00**. Since you are **PRE-APPROVED** if your file is activated within <<**10 days**>> we can wire funds to your operating account within << **2 days** >>.

The current available rates are as low as << **3.65%** >> for a secured loan. **Respond today to activate this offer!**

Please fill in the details below and fax back to: (516) 441-3538

First and Last Name	
Company Name	
Company Phone	
Alternative Phone Number	
Credit/Loan Limit Desired	
Email Address	

This follow up program is used to keep in touch with past clients and companies who have requested info. To opt out of our follow up program or if you received this fax as an error please visit www.pleaseunsubscribe.com
Your number will be removed within 30 days.

AD

CLA Engineers, Inc.

Civil • Structural • Survey

317 MAIN STREET

NORWICH, CT 06360

(860) 886-1966

(860) 886-9165 FAX

August 15, 2016

Jim Troeger
Norwich Building Department
23 Union Street, 1st Floor
Norwich, CT 06360

Re: Structural Engineering Services
Preliminary Building Evaluation
The Reid & Hughes Building
193-201 Main Street
Norwich, CT 06360

CLA Job # CL-15-5459

Dear Mr. Troeger,

As licensed structural engineers, we were asked by the City of Norwich to periodically visit the Reid & Hughes building to observe and monitor its general condition following the collapse of a portion of the low roof. The initial low roof collapse at the Williams and Chester portion of the building was first noticed in March, 2015. Since then, we have entered the building every few weeks or months until July, 2016. The intent of this letter is to document the observations from our visits and provide commentary on the building's general structural condition.

The building has been vacant for what we presume to be approximately 30 years. Over the past fifteen years, our office has been requested to provide structural documents with recommendations for locally stabilizing deteriorated portions of the building. Our office prepared a comprehensive structural condition assessment of the building on September 16, 2011; that condition assessment describes the condition of the building and provides general structural recommendations.

GENERAL DESCRIPTION:

The building is located on the south side of Main Street (which nearly runs east-west in this area). The current structure is generally comprised of two adjoining buildings; the Reid and Hughes portion and the Williams and Chester portion. The two adjoining buildings are open to each other and function as one unit. The two collective buildings are currently known as the Reid & Hughes.

The east portion of the building, originally named the Reid & Hughes, was reportedly built in 1898. It measures approximately 36 feet by 100 feet, with the long dimension perpendicular to Main Street. The Reid & Hughes portion is four stories with a full basement and a partial fifth floor mezzanine level located at the north side of the building (approximately 36 feet by 23 feet). The east side of the building abuts the building formerly known as the Strand.

The west portion of the building, originally named the Williams and Chester Building, was reportedly built in 1869. It measures approximately 22 feet by 100 feet, with the long dimension perpendicular to Main Street. The Williams and Chester portion is three stories with a full basement. The second and third floors are approximately 22 feet by 34 feet and are located at the north side of the building. The west side of the Williams and Chester Building abuts the Shannon Building.

The overall collective Reid & Hughes building is generally of wood framed construction with joists and rafters spanning in the east-west direction. The exterior walls of the building are constructed from brick masonry and/or wood studs. There is a line of steel framing and timber beams running the length of the building, which supports the connection of the two portions of the building. There is a steel fire escape over part of the low roof of the Williams and Chester portion of the building.

OBSERVATIONS - COLLAPSED ROOF:

At the time of our initial visit, the southern half of the lower roof of the Williams and Chester portion of the building had collapsed through the first floor framing and into the basement. It is our opinion that the collapse of the roof was likely due to a combination of deteriorated roof and wall framing and snow accumulation. Additionally, the deteriorated first floor framing could not support the impact of the low roof framing.

Prior to collapse, the west end of the low roof rafters were supported on a perimeter stud wall and the east ends were supported on the steel beam that joins the Reid & Hughes and the Williams and Chester. No construction work has been done to the building since the low roof collapse that occurred in March 2015.

The collapse of the roof left portions of the un-pointed face of the exterior brick wall of the Shannon Building exposed. Due to the remaining portions of the wall studs and the loss of the first floor in this area, we were not able to closely nor safely observe the brick wall for damages. At the time of this report, there have been no issues observed by us from inside the Shannon Building.

Recently following the collapse, the north half of the low roof of the Williams and Chester Building showed signs of significant damage. The support of the east end of the rafters had failed causing the rafter ends to drop approximately 12" to 18". We were not able to closely observe the condition of the west ends of the rafters due to unsafe conditions. There was a significant amount of debris, leaking water, and ice on the first floor beneath this portion of the roof. This portion of the roof has continued to collapse and deteriorate during our periodic site visits.

The deteriorating northern half of the low roof of the Williams and Chester Building appears to be in imminent danger of further collapse. There is a high probability of collapse due to a significant snow storm, rain storm, wind storm or seismic event. A collapse of the remaining low roof will likely create additional damage and may result in increasingly unstable conditions. We do not recommend accessing the roof or any floor level below this portion of the roof.

The southern exterior wall of the second and third floors of the Williams and Chester Building is supported on the deteriorating wood framing at the north end of the low roof. It is possible that an uncontrolled collapse of the remaining portion of the low roof could cause damage or collapse of portions of the exterior wall, first floor, second floor, third floor, and high roof of the Williams and Chester portion of the building. It is also possible that a further roof collapse could cause damage to the steel bearing line, parts of the Reid & Hughes portion of the collective building, and/or the wall of the Shannon Building.

If portions of the deteriorating low roof collapse further, we recommend reevaluating the structural stability of the overall building. Depending on the magnitude of damage from the next structural failure, it is possible that the pedestrian sidewalk and roadway could be unsafe for pedestrian and vehicular traffic.

OBSERVATIONS - GENERAL:

During our periodic visits, we observed other areas of deterioration throughout the collective Reid & Hughes Building that are not directly related to the recent roof collapse. These areas include damage and deterioration to structural components and finishes as well as environmentally hazardous conditions and life safety concerns. Many of these areas are mentioned in our report from September 16, 2011. Most of these items are likely a result of lack of maintenance, poor repair techniques, and prolonged vacancy.

Several areas of the floors on multiple story levels contain deflections and depressions of several inches. Displacements of this magnitude are typically a sign of structural failure and should be considered an unsafe condition. Some of these areas are caused by deteriorated or broken joists, beams, and/or connections. People walking in

the building should take extreme care not to walk on or near these areas due to the possibility of falling through the floor and of causing additional collapse.

Several of these deteriorated or damaged floor areas have increased in severity since the low roof collapse that occurred in March 2015. A few days following the low roof collapse, we accessed all story levels to review the overall structural condition of the building. Due to the locations and increasing magnitude of some of these deteriorated areas, resulting in increasingly unsafe conditions, we will no longer access the third floor of the building. The rate of deterioration throughout the collective building is expected to increase with time.

We did not access the high roof during any of our visits following the low roof collapse. Please review our previous condition assessment from September 16, 2011 for information regarding the roof finishes and deteriorated parapets.

We did not perform a close inspection of the exterior finishes during any of our visits since the roof collapse. Through the front windows, we were able to view the decorative metal flashing that makes up the front facade of the building. With the exception of a few corbels near the roof, we did not observe any elements that appeared in imminent danger of falling onto the sidewalk. Our last observation of this area was in the summer of 2015.

Most of the interior finishes are deteriorated and/or collapsed. It is likely that some of these finishes contain mold, lead, and/or asbestos. We did not remove or displace any finishes during our visits to access structural members. People walking in the building should take extreme care and watch for falling light fixtures, ceiling tiles, and other interior finishes. Several lights and other ceiling finishes have collapsed onto the floors.

Environmental biohazards were observed throughout the building. Much of the basement contains significant amounts of mold and mildew due to excessive moisture and prolonged water infiltration. Bird droppings were observed in some rooms to the extent that rooms were not entered and floor finishes could not be visually observed due to the thickness of the layer of droppings. Bird and animal carcasses were observed inside the building on several story levels. Many of these biohazards are causing accelerated deterioration of the wood framing.

It is possible that the air in the building is reaching a particle level that may be considered unsafe. Following our most recent ten minute visit in July, 2016, there was a lingering odor on our clothes and a scratchy feeling in our throats. Due to the high levels of mold in the basement, we no longer recommend accessing the basement and limit time spent in the building to under five minutes, without protective gear.

SUMMARY / COMMENTARY:

It is our opinion that the collapse of the low roof framing last year was a result of snow accumulation on deteriorated building framing. The condition assessment from September 2011 noted the poor condition of the building at that time. Our recent site visits give us the opinion that the rate of building deterioration is increasing. Entering the building is dangerous due to life safety concerns caused by the deterioration, poor framing, and biohazards. If left in its current condition, the building will continue to deteriorate and there is a high likelihood of further collapse from a storm event.

Some of the structural framing was not exposed due to the installation of finishes. Based on what was observable, we estimate that more than 50% of the Reid & Hughes framing and approximately 100% of the Williams and Chester framing is deteriorated or damaged and requires repair or replacement. We did not perform an analysis to determine if any framing members would meet current code standards for load capacity if they were in acceptable condition. We estimate that 100% of the interior finishes of the collective building will require repair or replacement.

Any temporary work to stabilize the roof and upper floors would need to consider possible collapse of lower floors during temporary installation. Any temporary work to stabilize lower floors would need to consider possible collapse of upper floors and finishes during temporary installation. Any work in the building would also need to consider the existing hazardous materials, biohazards, and air quality.

There does not appear to be an immediate danger to pedestrians and vehicles at the front sidewalk of the building. We do not recommend allowing vehicles to drive onto the sidewalk due to the deterioration of the concrete vault beneath the sidewalk. We recommend continued monitoring of the building as further deterioration or collapse of the interior portions of the building may create an unsafe condition at the front of the building. It is highly probable that there will be further collapse during a storm event this coming winter.

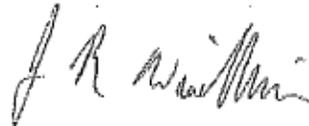
Due to the significant damages and life safety issues of the collective building, we recommend only allowing building access to professionals with experience in buildings of this condition. If the building must be entered, we do not recommend entering the building alone or with any more than two other individuals present. We recommend that individuals do not stand closely to one another, that stair cases are accessed one person at a time, and that individuals do not stand directly above another person on a different story. Our office assumes no responsibility or liability for any persons injured while on site, with or without our presence at the building.

CLA Engineers, Inc. stands behind the accuracy of all statements and observations contained in this report, however; this report is not intended to be considered as any guarantee or warranty (expressed or implied) of the present or future structural condition of the overall building. This report represents our professional opinion based on visible and readily accessible primary structural components of the building observed during the field visits.

Thank you for choosing CLA Engineers, please contact us if you need anything further.

Very truly yours,

CLA Engineers, Inc.

A handwritten signature in black ink, appearing to read "J R Williamson". The signature is written in a cursive style with a large initial "J" and "R".

Jeremy R. Williamson, P.E.

Gary Evans

From: Betsy Crum <bcrum@wihed.org>
Sent: Monday, August 29, 2016 8:52 AM
To: John Salomone
Cc: Gary Evans; Dale Plummer; Susan Masse; Bill Crosskey (wcrosskey@crosskey.com); Brock Williams; Ellen Flanagan
Subject: Reid and Hughes property

John –

As promised, I am writing in follow-up to our recent meeting to discuss the possible redevelopment of the Reid and Hughes building. The Women's Institute was recently alerted about this property by William Crosskey of Crosskey Architects and by John Simone from the Connecticut Main Street Center. Both have a strong interest in saving this valuable architectural resource, and recognize the significant challenges involved. I have worked with Mr. Crosskey and other interested parties over the last several months to undertake some early feasibility analysis in an attempt to determine whether there is a path forward to save this building. I believe that there is, but it will take a combined and focused effort to do so, along with a little luck. The following outlines my thoughts about this path.

Background on the Women's Institute for Housing and Economic Development: The Women's Institute is a regional award-winning affordable housing development organization that has a core mission of promoting economic opportunity and building strong communities by developing safe, affordable and supportive housing for individuals and families. Our strategic focus is to working collaboratively with local partners to address the housing and programmatic needs of residents, neighborhoods, and communities. Founded in 1981, we have developed 75 housing properties and preserved 16 existing affordable developments in Connecticut and Massachusetts, all with the focus to serve people who need high quality, affordable housing. Some local examples have included the redevelopment of the American Legion Veterans Housing property in Jewett City into 18 apartments for Veterans, redevelopment of the former Danielson Mill in Killingly into 32 housing units for families, conversion of the former Park City Hospital in Bridgeport into 110 apartments for seniors, Veterans and people with disabilities, and development of 74 housing units for Veterans families and individuals on the campus of the Newington Veterans Hospital. Detail about our work can be found on our website at www.wihed.org.

Reid and Hughes Building: The Reid and Hughes building at 193 Main Street is 27,340 square feet total and consists of two separate structures that function as one. The larger building is four stories high and the smaller building is three stories. It is currently open to the elements on the first floor in the rear, which has significant potential to accelerate the building's deterioration. Thanks to Bill Crosskey's long interest in this building, we currently have schematic drawings and a concept of what the building could become if brought back to life. His plan would create 20 residential units (studios and one-bedroom apartments) with commercial space at the street level in the front. Several months ago Bill and I walked the building with representatives of LaRosa Builders to get a better idea of the physical condition and what it would take to stabilize and renovate the structure to current code standards. Based on their visit, LaRosa prepared a cost estimate based on their considerable experience in performing similar historical restoration projects. They concluded that the property can be restored, with estimated "hard costs" of \$3.8 million.

It will come as no surprise to you that there are many challenges associated with redeveloping the Reid and Hughes building:

- Building condition and complexity of redevelopment – The historic nature of the property and its siting will require a great deal of attention be paid to rehabilitating it in place and bringing it back to its essential historic nature. At the same time, the building is very dilapidated and potentially unstable. Both of these conditions will result in high per-unit total development costs, making the project both complex and lowering its

competitiveness for state grant financing. Our rough estimate of all hard and soft costs is approximately \$5.5 million.

- Downtown Norwich residential market – based on our initial market analysis, we believe there is demand for studio and one-bedroom apartments in downtown Norwich; however, the rents are not particularly strong. At 20 studios and one bedroom units, the project only marginally cash-flows at the moderate rents that are evident in the area without any debt. We would, therefore, need to raise 100% grant funding for the redevelopment; even at that level, it is not yet clear to us whether the rents we can charge will pay the insurance, property management, other operating costs, taxes, etc.
- Complexity of potential financing plan – The small size of this project and the need for 100% grant financing is a significant challenge. The Women’s Institute has considerable experience in assembling grant financing for similar developments (Jewett City, Mill at Killingly, Victory Gardens in Newington) but doing so requires time, patience and creativity. Most of these financing sources are only made available once per year and are highly competitive. Under a “best case” scenario, it will take us a year to secure these commitments.
- Flood plain considerations – The basement of the property is located within a 100-year flood plain, and the entire property is in a 500 year flood plain. This condition makes redevelopment of the property even more complicated, as egress and occupancy will need to avoid the 100-year areas, and the entire redevelopment will need to be permitted by the state DEEP. I have had preliminary conversations with the Department of Housing (DOH) and DEEP about this process – it is time-consuming and complicated, but can be achieved.
- Environmental considerations – to my knowledge, the building has not yet been assessed for environmental hazards (lead paint, asbestos, etc.). These can add additional costs.
- Parking - there is no parking available to the building, which will obviously be both a zoning and a practical issue.

Having outlined all of these challenges, I do believe that Reid and Hughes is critically important to the fabric of the downtown. I believe that one of Norwich’s greatest asset is its architectural history and the relatively “in-tact” nature of its urban center, which is enhanced by the natural resource of the river. After analyzing the difficult physical and financial challenges, I think that there is a path forward that could restore the building at described into 20 residential units with first floor commercial space. It will, however, require the following:

- 100% Grant financing – because the building is already considered historic, it is eligible for state and federal historic tax credits, which will likely cover approximately 50% of the total cost of redevelopment. The balance will need to be raised through a combination of state, federal and ideally local grant funds, which can include local CDBG, Federal Home Loan Bank, state housing credits, and state CHAMP program funds. As noted above, it will likely take some time and a coordinated effort to secure these resources; however, this is the Women’s Institute’s core business, and we have an excellent track record in this area.
- City participation – We approach every project we undertake with the expectation of full collaboration with local partners. However, the very small size of this project, the very high potential costs, and the extremely challenging nature of the market and the site will require the City and the development team to be true partners. We will have to both be “all-in” to make sure that we can navigate the inevitable highs and lows of getting to completion, occupancy and long-term sustainability. To make the project work, the City’s contribution will need to include:
 - Building stabilization – the property is at significant risk of irreversible deterioration while financing is being assembled. The building would need to be secured against the elements for a period of time to allow for its funding to be secured.
 - Property taxes – the largest projected operating expenses for the property will be flood insurance and real estate taxes. While we always start each development with the intent of paying full taxes, this property simply cannot generate enough cash flow to afford this potentially significant expense. A full or partial tax abatement would go a long way toward making the project financially sustainable.
 - Rental subsidies – Reid and Hughes’ operating income would be greatly enhanced with project-based Housing Choice Vouchers and/or vouchers for Veterans. The VA-CT has expressed a great deal of interest in this project and would like to place some of their Veterans in this building, if built. This would require participation by the Norwich Housing Authority to administer these vouchers and be willing to project-base some of its vouchers into this project.

- Parking – there is literally no parking available for this property. A potential sharing of municipal parking and/or zoning relief would be necessary.
- Municipal partnership – this project is so important to Norwich. If we move forward, we will need to work together to impress that upon the funders, the state and federal historic preservationists, the DEEP, DOH, and to anyone else we encounter. All affordable housing developments hit roadblocks several times as they move forward, and we will need to bring our respective strengths and relationships to make sure we get through the bumps in the road.

I hope this is helpful to you. Please let me know if you have any questions or if there is additional information that would assist you. You and your staff have been extremely helpful in this process, and I think that, if you and the City Council believe it is worthwhile to move forward and are willing to be a partner in this effort, we have a good chance to save this valuable resource.

Thank you for this opportunity.

Betsy

Betsy Crum, Executive Director

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Reserve your ticket to our 35th Anniversary Annual Meeting!

Tuesday, September 20, 2016, from 5:30 to 8:30 PM
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