

REID & HUGHES BUILDING

193-201 MAIN STREET NORWICH, CONNECTICUT

ASSESSMENT OF REDEVELOPMENT OPPORTUNITIES

PREPARED FOR: THE CITY OF NORWICH

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BECKER + BECKER

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In 2011, the City of Norwich selected Becker + Becker to provide an assessment of redevelopment opportunities for the historic Reid & Hughes building. The assignment is the first step toward the successful redevelopment of this property. Working with the Reid & Hughes Committee, Norwich Community Development Corporation, the Connecticut Trust for Historic Preservation, and the Norwich Historic Society, the team analyzed the existing conditions, documenting the positive and negative attributes, in collaboration with engineering and hazardous materials assessments recently performed. The team held meetings with the Reid & Hughes Committee and various local stakeholders to assess the community's objectives for the adaptive re-use of the site. With this information, Becker + Becker developed feasible adaptive re-use scenarios, discussed in the body of this report, along with potential funding sources, a proforma, and floor plans.



VIEW OF THE REID AND HUGHES FROM MAIN STREET

EXECUTIVE SUMMARY

Built in 1869 with an addition in 1898, historically a renowned local department store, the Reid & Hughes Building is listed on the National Register of Historic Places as a contributing building to the Downtown Norwich Historical District.

The Reid & Hughes Building, well-regarded for its historic cast iron façade, is prominently located on the south side of historic Main Street abutting the scenic Shetucket River. Rated a "very walkable" site with a <u>Walk Score® of 89</u>, the Reid

& Hughes is within footsteps of many local restaurants, markets, shops, and civic amenities.

The building's currently underutilized state, in downtown among some of Norwich's most intact and densely-grouped historic 19th century structures facing Franklin Square, offers a unique opportunity for a development team experienced in the adaptive reuse of historic structures. The architectural character, scale and location of the building provide an opportunity for a catalyst development, positively impacting neighboring properties and contributing to the revival of the downtown.

The Reid & Hughes building, now vacant for over 25 years, will require a focused vision, community-wide support, commitment and persistence, and a creative mix of public and private partnerships to facilitate and finance the development. With a resourceful and imaginative developer to secure the appropriate package of subsidies and execute an economic development program that is supported by market demand, there are feasible adaptive re-use scenarios.

The scenarios developed and described within the body of this report focus on a combination of complimentary uses supporting the financial feasibility of redevelopment, contributing to the economic development and ongoing revival of downtown Norwich.



EARLY TWENTIETH CENTURY POSTCARD SHOWING REID & HUGHES FACADE

EXISTING CONDITIONS | CHALLENGES AND OPPORTUNITIES

Some of the greatest challenges for redevelopment of the Reid & Hughes building also present some of the greatest opportunities, namely the historic nature of the building, and its state of disrepair. The building, built in 1869 in the Italianate style with an 1898 addition in the Sullivanesque style, is listed on the National Register of Historic Places as a contributing building to the Downtown Norwich Historical District. As such, redevelopment costs of the building (hard and soft costs) are eligible for federal Historic Tax Credits, and State Historic Tax Credits. Together these two tax credits can pay for approximately 30% of the rehabilitation costs related to the existing building. Restoring the existing cast iron façade with its soaring windows will also enhance the marketability of the building to an end user. Because the cast iron façade is rare in Norwich, it is important to restore and preserve it as a significant chapter in Norwich's architectural history.



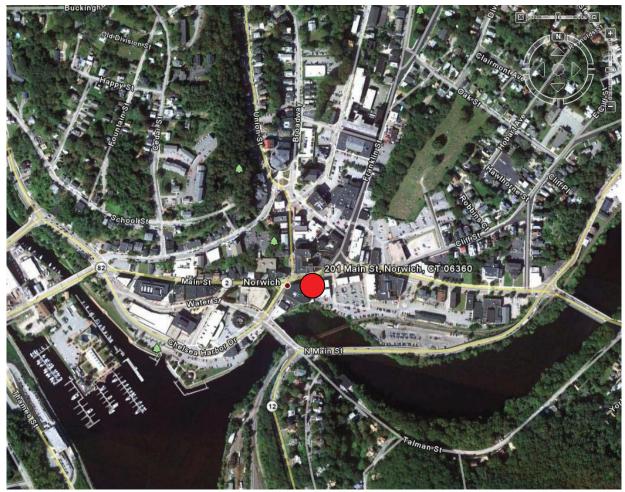
REID & FAÇADE - EXISTING CONDITIONS

To qualify for Historic Tax Credits, both the state historic preservation office (the Historic Preservation and Museum Division of the Connecticut Commission on Culture and Tourism) and the National Park Service will review and comment on the rehabilitation plans to ensure they meet the Secretary of Interior's standards for historic rehabilitation. The fact that there is little "historic fabric" left on the interior of the building should allow for more options when selecting interior finishes. Further, because the floor plans are currently open, the historic preservation agencies should be flexible when approving the layout of spaces within the new floor plans. Both of these circumstances will help keep rehabilitation costs lower and improve marketability.

SITE CONTEXT AND TOPOGRAPHY

The location and topography of the Reid & Hughes site present some of the greatest opportunities for its adaptive reuse potential. Located on the south side of historic Main Street abutting the Shetucket River, the building is ideally sited to continue the retail fabric of downtown and connect to the scenic waterfront with access from the rear of the property.

Assessing a site's location and accessibility to neighborhood amenities is a key factor in considering its adaptive reuse potential. One such metric frequently used by urban planners and developers is the site's Walk Score®. This methodology considers a location's access to a civic center, parks and public space, schools and workplaces; population density and income-mix; access to public transit, and complete streets designed for bicyclists, pedestrians, and transit. The Reid & Hughes Building has a Walk Score of 89 (Norwich average score 47) considered a "very walkable" location with walking access to 16 restaurants, various coffee shops, 4 local grocery markets, 13 public parks and squares, schools and workplaces, and entertainment venues.



GOOGLE EARTH AERIAL MAP OF THE REID & HUGHES BUILDING, NORWICH, CT

The building is prominently located at the core of Norwich's downtown, facing Franklin Square, along with a grouping of other intact 18th century buildings that historically formed the center of big business in Norwich. Its immediate neighbors include the historic Strand Building and the Shannon Building, both occupied and operating as mixed-use retail and office space. Across Main Street, the building faces the recently restored Wauregan Hotel, a mixed-use, fully-occupied 70-unit multifamily housing and retail development.



(FROM LEFT) THE HISTORIC STAND BUILDING, REID AND HUGHES, AND THE SHANNON BUILDING

Situated on the urban square, the building ground floor should continue the retail fabric of the neighborhood. The ground floor has an impressive 15'-0" ceiling height and an opportunity to develop approximately 3,000 square feet of commercial space with 60'-0" of frontage on Main Street. Below, the ground level, a basement provides approximately 2,000 square feet of space to support storage for the commercial space.

The topography of the site allows for access to the rear of the building from the basement level. This presents an opportunity for additional usable space fronting the Shetucket River and future envisioned connection to the Norwich Heritage Riverfront Park, a 2 mile walking and biking trail along the Yantic River & Falls and Norwich Harbor. This trail follows the historic railway along the river providing access to Upper Falls Park and local history museum, passing historic homes, mill villages, and mill buildings. The south end of the trail, near the Reid & Hughes, offers a public park and docks at Howard T. Brown Park. Presently, the walkway between the river and the Reid & Hughes, as well as an attached accessory building in the rear of the property, are privately owned by the adjacent Strand Building property owner. Working together, the city, developer and neighboring landowners

may choose to collaborate on a collective redevelopment of the Riverwalk, increasing the value of the Reid & Hughes and creating a unique public amenity space.



HISTORIC RAILWAY RIVERWALK LOOKING EAST ALONG THE SHETUCKET RIVER (BEHIND THE REID & HUGHES)



HISTORIC RAILWAY RIVERWALK LOOKING WEST ALONG THE SHETUCKET RIVER (BEHIND THE REID & HUGHES)

INTERIOR CONDITIONS

The structural system of the Reid & Hughes building is intact and does not require complete replacement. However, as noted in CLA Engineer's Inc. recent structural report, numerous areas will require structural upgrades due to the bio-deterioration of the wood framing. The roof, interior finishes and building mechanical, electrical, and plumbing systems require replacement. This is due largely to roof failure and resulting water infiltration. The lead and asbestos remediation required is typical for a building of its age. It should not be of significant concern to an experienced developer, and remediation costs can be partially offset with the basis they create for additional tax credit equity.



GROUND LEVEL EXISTING CONDITIONS

The existing interior conditions present opportunities for open, creative space planning. Formerly a department store and commercial space, each floor offers unique architectural aspects including expansive floor to ceiling windows on the north and south façade, with a minimum ceiling height of 10'-0" on each level.

The fourth level includes an expansive skylight on the eastern portion of the roof, allowing an abundance of natural light into the space. At the north end of the building, a fifth level mezzanine exists, which could be used as loft space or offer an impressive 19'-0" ceiling height overlooking historic Franklin Square.



SKYLIGHT ON EASTERN FAÇADE FILLS THE FOURTH LEVEL WITH NATURAL LIGHT



VIEW FROM THE FIFTH LEVEL MEZZANINE ONTO CENTENNIAL SQUARE

EXTERIOR CONDITIONS

The Reid & Hughes Building features an architecturally significant cast iron façade facing Main Street, rare to the City of Norwich and in need of extensive repair to return to its once historic grandeur. The remaining facades consist of coated brick masonry with punch windows in need of stripping, re-pointing, and selective replacement of brickwork. The window support system consists of shallow arches without lintels, many of which have failed or are in danger of failure and will need replacement with steel lintels. The brick masonry parapet requires full reconstruction.

The geometry of the western portion of the building, formerly known as the Williams and Chester Building, is terraced, with three levels of historic facade facing Main Street, stepping down in the rear to allow light and air to enter the western façade of the building. This unique geometry allows for more flexibility in space planning on upper floors, and also presents an opportunity for outdoor terraces overlooking the Shetucket River accessible from the 2nd, 3rd and 4th levels. The existing fire escape along the terraced rooftops requires removal.



VIEW OF THE TERRACED ROOFTOPS ON THE WILLIAMS AND CHESTER BUILDING

POSTIVE ATTRIBUTES

Positive attributes of the Reid & Hughes include a prominent location, the rich and rare architectural character of the Main Street façade, open floor plans with high ceilings, floor to ceiling windows, views of and access to the Shetucket River and surrounding historic buildings, all adding to flexibility in space planning and the marketability of the project. With the renovation of the building, there is further opportunity to add new windows to the Southern and Western facades to improve views and add to the re-use of the building for residential use.



SCENIC VIEW OF THE SHETUCKET RIVER FROM THE REID & HUGHES SOUTHERN WINDOWS

The City of Norwich and neighboring property owners are motivated to improve the historic rail walkway behind the Reid & Hughes to connect to the 2 mile Heritage Trail Walkway. This would be a great asset to the downtown, an amenity to the Reid & Hughes and other downtown properties. Working with the current landowners of the historic railway behind the building will be critical to the success of the project. As a precedent, the reinvention of the abandoned elevated railway in New York City known as the High Line (www.thehighline.org) on the far west side of the city as a public park has attracted millions of visitors since its opening two years ago. It has also helped revitalize this area of the city that is fairly distant from the subway. Creating an historic railway heritage trail connection would help augment Norwich's image as both an historic town with an encyclopedia of

American architecture, and a town striving to modernize itself through sustainable design, environmental and cultural stewardship.



HIGH LINE PARK, NYC

ADAPTIVE RE-USE SCENARIOS

Building codes and zoning regulations will govern re-use options, however both are somewhat flexible. Section 3407 of the Connecticut State Building Code allows exemptions to be granted for historic structures pursuant to section 29-259 of the Connecticut General Statutes. Section 3409, provides additional flexibility for existing buildings with respect to accessibility requirements. Likewise zoning regulations can be modified or variances can be sought to support a re-use plan that is consistent with city objectives.

Because an economic feasibility analysis is a vital component of any re-use study, we have prepared preliminary budgets for adaptive re-use scenarios. Each scenario includes a development budget, state and federal Historic Tax Credit calculation, income and expense assumptions and static 1-year pro forma. Floor plans were only advanced for scenarios that were found to be financially feasible.

To start the feasibility analysis, we developed a schedule of costs and potential funding sources with the goal of putting together a feasible project.

Historic Tax Credits

Federal and state Historic Tax Credits are available as-of-right to buildings listed on the National Register of Historic Places. Through the syndication of federal and state historic tax credits, a developer should be able to cover approximately 30% of the building redevelopment costs. The federal Historic Tax is not competitive; however the developer's plans for the building must meet the Secretary of Interior's Standards for Historic Rehabilitation as approved by both the state and federal agencies through a rigorous three-part program. The state Historic Tax Credit program is competitive but less rigorous than the federal program.

City Commitment

The City's commitment to the Reid & Hughes building is important and will aid in leveraging state resources. This report does not predict the level of financial support and contribution from the city, or methods of such support, however there are existing city programs and sources of which the redevelopment of the Reid & Hughes would be eligible. These potential programs and sources include:

- 1) Sale of the building for \$1.00
- 2) Code Correction Program funds up to \$100,000
- 3) Revolving Loan Program funds up to \$100,000
- 4) Commercial Lease Rebate Program
- 5) Energy Efficiency funding from Norwich Public Utilities

Other Sources:

The sources listed above can pay for a portion of the total development costs. The scenarios below analyze the feasibility of attracting the remaining capital needed.

Retail/Office Re-Use Scenario

Current market rents do not appear to support re-use of the Reid & Hughes building for a mixed-use retail/office building. Asking rents for office space at the neighboring Shannon Building are \$8.00 per square foot annually, and retail rents at the neighboring building (former Strand building) are \$8 to \$10 per square foot. Using these comps to build income assumptions, and a vacancy factor of 15% for the office space, 20% for the retail space and 35% for the basement, it is expected that the Reid & Hughes building would generate approximately \$103,000 in net operating income. This level of income could support a \$1.1 million loan (using a 30-year term, 7% interest rate and a 1.2 debt service coverage ratio), leaving an assumed gap between total redevelopment costs and sources, however if additional funding sources are made available to support this use, or if the preferred developer is able to attract a higher rent for office and retail space, the scenario may become viable.

Please see the attached static proforma for details.

Retail or Medical Office/Residential Re-Use Scenario

While a retail/office building is not by itself financially feasible, these uses should be incorporated into the 1st floor and basement. Having a retail presence is important to the vitality and continuity of the streetscape. Further, bringing a health service use to the downtown would bring more diversity, increase pedestrian traffic downtown, and help support neighboring retailers.

Re-using the upper floors for a residential use targeted to middle-income working people could qualify the project for grants from the CT Department of Economic and Community Development (the "DECD").

To the project's advantage, DECD grant income limits are based on the Area Median Income (the "AMI") for the New London-Norwich Metropolitan Statistical Area. The AMI standards for this larger geographical area are significantly higher than the average income of Norwich residents. Therefore, developers building housing for people making over twice the per-capita rate are eligible to receive DECD housing grants. The per capita income in Norwich is under \$21,000; and the median household income is under \$40,000.

Under DECD's Housing Trust Fund program, tenants can make up to 120% of the AMI (\$69,000 for a single person; and \$79,000 for a two-person household). Under DECD's FLEX program, tenants can make up to 100% of the AMI (\$58,000 for a single person; and \$66,000 for a two-person household). Under the HOME program, people can make up to 80% of the AMI (\$44,000 for a single person and \$51,000 for a two-person household). Utilizing these programs would enhance the housing choices available downtown.

Forgoing Low Income Housing Tax Credits and using DECD's other housing programs could help bring people making 61% to 120% of the area median income into the downtown. Local apartment property managers believe there is a strong housing need downtown for workers in the aforementioned income brackets including veterans and military personnel from the nearby New London base, casino workers, and health service workers. Once a tenant is "income-qualified", their incomes can grow and they can continue to live in their apartment. DECD staff members have confirmed that bringing middle-income housing to Norwich makes sense as it will broaden the continuum of housing choices to meet the needs of middle-income people.

DECD's housing programs are competitive and DECD likes to see that their resources are helping to leverage other resources. Maximizing sources committed from federal, city and private funds (as opposed to DECD funds) will help an applicant's score. Further, the smaller the request on a per unit basis, the higher the score an applicant will receive. The attached budgets assume \$182,000 to \$190,000 in grants per unit from DECD. With this level of subsidy, this re-use scenario is financially feasible. Please see the static proforma and floor plans for details.

CONCLUSION

The Reid & Hughes presents a unique opportunity for a creative, qualified development team to realize its adaptive re-use. The historic building represents a unique chapter in the City of Norwich's architectural and commercial past, which is currently experiencing a renaissance with the reinvestment in historic properties and cultural landmarks around the city. Located on historic Franklin Square with access to the picturesque Shetucket River, the Reid & Hughes is ideally sited within the downtown, surrounded by some of Norwich's greatest architectural treasures. Bringing the Reid & Hughes back to its historic grandeur will aid in progressing the ongoing downtown revitalization.

The momentum at the state level to start housing projects this year presents an even greater opportunity to the developer of the Reid & Hughes to take advantage of funding opportunities that may not be available again for some time. These state grants will allow the project to house middle-income working individuals and families, who will add to the diversity and economic development downtown.

The momentum at the local level couldn't be stronger and more supportive of the Reid & Hughes redevelopment. The city of Norwich and local landowners will be key partners in the success of the project and the developer should view these collaborators as an invaluable resource throughout the redevelopment process.

Redevelopment of the Reid & Hughes will require community-wide support, persistence, and a creative mix of public and private partnerships to facilitate and finance the development. With a resourceful and imaginative developer to secure the appropriate package of subsidies and execute an economic development program that is supported by market demand, this project can be an economic success for both developer and city with a profoundly positive societal impact on the downtown.

ATTACHMENTS

Adaptive Re-Use Scenarios

Office and Retail: Static Pro Forma

Commercial/Residential: Residential Unit Mix and Rental Income Static Pro Forma Workforce Housing Income Chart

Floor Plans

Site Plan Basement Level Ground Level 2nd-3rd Level 4th Level

Reid and Hughes - Norwich, CT

Office and Retail

Static Proforma

Office Average Rent/SF/Yr SF Annual Rent	_	8.0 13,050 104,400		
Less vacancy	15%	(15,660)		
Gross Effective Income	13/0_	88,740		
Gross Erredave medine		33,7.13		
1st Floor Commercial SF		5,670		
NNN Rent/SF/Yr		9		
Annual Potential Commercial Rent	_	51,030		
Less vacancy	20%	(10,206)		
Gross Effective Commercial Income	_	40,824		
Basement SF		5,670		
NNR Rent/SF/Yr	_	4		
Annual Potential Basement Rent		22,680		
Less vacancy	35%_	(7,938)		
Gross Effective Commercial Income		14,742		
Management Fee		(20,000)		
Net Income before taxes and reserves		124,306		
Reserves		(10,000)		
Net Income after reserves		114,306		
Taxes - 10% of Net Operating Income	10%	(11,431)		
Annual Cash Flow before DS		102,875		
Debt Service 3,345,140 loan	_	(267,064)	7% interest loan	30 year term
Net Cash Flow		(164,188)		
		6 400 005		
Estimated Total Development Cost		6,128,035		
Loan that could be supported at a 1.2 DSC ration Debt Service)	1,072,160	7% interest loan	20 year to
		(85,597)	7% interest loan	30 year term
Cash flow after DS		17,278		
Gap		(2,272,980)		
DSC		1.20		

								onths	163,332 Annual Gross Potential Income
total rent	per month	1,824	1,857	ı	2,334	7,596	13,611	12 months	163,332 A
net rent	per unit	809	619	633	778	844			.000
marketing	wance	-50	-50	-175	0	-100			ncome is <\$40,0
less utility less marketing	allowance allowance	-70	-70	-70	-100	-100			dian household
	max rent	728	739	878	878	1,044		atistical Area.	000; and the me
	1 Person 2 People Unit Count	3	c	1	c	6	18	Metropolitan Sta	orwich is < \$21,
mit	2 People	33,300	51,400	66,560	51,400	095'99		ew London I	income in N
Income Limit	1 Person	29,150	44,950	58,240	44,950	58,240		r the Norwich/Ne	at the per capita
	Jnit Type Program Type	50% of AMI*	80% of AMI	100% of AMI	80% of AMI	100% of AMI		* AMI = Area Median Income for the Norwich/New London Metropolitan Statistical Area.	For comparison, please note that the per capita income in Norwich is < \$21,000; and the median household income is <\$40,000.
	Unit Type	studio	studio	studio	1BR	1BR		* AMI = Are	For compari

For comparison, please note that the per capita income in Norwich is < \$21,000; and the median household income is <\$40,000.

18 units 756 Average rent per unit

Reid and Hughes - Norwich, CT

Static Proforma - Commercial and Residential

<u>Apartments</u>		18		
Average Rent/unit/month		756	see Unit Mix worksheet for det	tails
Monthly Rent		13,611		
Annual Rent		163,332		
Less vacancy	7%	(11,433)		
Gross Effective Income		151,899		
Expense/unit/month		(550)		
units		18		
months		12		
annual expenses		(118,800)		
1st Floor Commercial SF		2,860		
NNN Rent/SF/Yr		9		
Annual Commercial Rent		25,740		
Less vacancy	20%	(5,148)		
Gross Effective Commercial Income		20,592		
Net Income before taxes and reserves		53,691		
Reserves		(8,100)	450 per unit	
Net Income after reserves		45,591		
Taxes - 10% of Net Operating Income	10%	(4,559)		
Annual Cash Flow before DS		41,032		
Debt Service	1,661,629	(133,905)	7% interest loan	30 year term
Net Cash Flow		(92,873)		
Estimated Total Development Cost		6,835,274		
Loan that could be supported at a 1.2 DSC	ratio	424,303		
Debt Service		(34,193)	7% interest loan	30 year term
Cash flow after DS		6,839		
Gap		(1,237,326)		
DSC		1.20		

Income
Rental
Mix and
Unit
Residential
Hughes - R
Reid and

21 units

		4	8	1		9	6	12 months	181,068 Annual Gross Potential Income
total rent	per month	1,824	1,238	4,431	ı	7,596	15,089	1.	181,06
net rent	per unit	809	619	633	778	844		·	.000
marketing	wance	-50	-50	-175	0	-100			ncome is <\$40,0
less utility less marketing	allowance allowance	-70	-70	-70	-100	-100			dian household ir
	max rent	728	739	878	878	1,044		atistical Area.	,000; and the me
	1 Person 2 People Unit Count	3	2	7	ı	6	21	Metropolitan St	orwich is < \$21
imit	2 People	33,300	51,400	66,560	51,400	66,560		ew London	income in N
Income Limit	1 Person	29,150	44,950	58,240	44,950	58,240		r the Norwich/N	at the per capita
	Jnit Type Program Type	50% of AMI*	80% of AMI	100% of AMI	80% of AMI	100% of AMI		AMI = Area Median Income for the Norwich/New London Metropolitan Statistical Area.	For comparison, please note that the per capita income in Norwich is < \$21,000; and the median household income is <\$40,000.
	Unit Type	studio	studio	studio	1BR	1BR		* AMI = Are	For compar

21 units 719 Average rent per unit

Reid and Hughes - Norwich, CT

Static Proforma - Commercial and Residential

Apartments Average Rent/unit/month Monthly Rent Annual Rent Less vacancy Gross Effective Income	- 7%_	21 719 15,089 181,068 (12,675) 168,393	see Unit Mix worksheet for deta	ls
Expense/unit/month		(550)		
units		21		
months	_	12		
annual expenses		(138,600)		
1st Floor Commonsiol CF		2.900		
1st Floor Commercial SF NNN Rent/SF/Yr		2,860 9		
Annual Commercial Rent	-	25,740		
Less vacancy	20%	(5,148)		
Gross Effective Commercial Income		20,592		
Net Income before taxes and reserves		50,385		
Reserves	_	(9,450)	450 per unit	
Net Income after reserves		40,935		
Taxes - 10% of Net Operating Income	10%	(4,094)		
Annual Cash Flow before DS		36,842		
Debt Service	1,234,776	(99,506)	7% interest loan	30 year term
Net Cash Flow		(62,664)		
Estimated Total Development Cost		6,820,240		
Loan that could be supported at a 1.2 DSC r	380,975			
Debt Service		(30,701)	7% interest loan	30 year term
Cash flow after DS		6,140		
Gap		(853,800)		
DSC		1.20		

Norwich Incomes and Workforce Housing Program Income Limits

