

# **DOWNTOWN REVITALIZATION PROGRAMS: PROJECT PLAN**

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- Norwich City Council
- Norwich City Departments
- Downtown Neighborhood Revitalization Zone
- Norwich Community Development Corporation
- Norwich Historical Society
- Norwich Public Utilities
- Office of the Mayor
- Otis Library
- Redevelopment Agency
- Rose City Renaissance



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## DOWNTOWN REVITALIZATION PROGRAMS

### PROJECT PLAN

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## **INTRODUCTION**

From the time it was settled in the 1600's, Norwich has been one of Eastern Connecticut's most densely populated centers of commerce. Chelsea Landing, the town's urbanized core, supported commerce with facilities for shipping and warehousing, wharves and support industries, law offices and general commerce. With the arrival of rail in 1800's and 1900's the City's economic profile was enhanced and provided modern transportation means that attracted a number of large textile mills and more investment. With business investment, Norwich became a city of wealth with fine homes and a vibrant city center that spoke of the success of the Rose City. Many of the buildings constructed during Norwich's economic peak line the downtown streets and City gateways today. As the textile industry waned in the mid-twentieth century, so did the prosperity Norwich had experienced. Large industrial mills went dark, downtown commerce declined, and lacking an aggressive plan to replace them, an economic downward spiral began.

Today, a core of Norwich leaders recognizes that the City is losing its sense of community and is working diligently to help lead the City to "Turn The Curve" toward a revived and healthy economy. As noted in the City's current Plan of Conservation and Development, preserving cultural resources like historic buildings and sites is a valuable way for Norwich to maintain its community identity. In the 2002 version of that plan, revitalizing downtown is noted as a key economic development program element; that remains a true and worthy objective today.

With the 2009 election of new community leadership, the mayor, aldermen, economic development organizations, public and others have been meeting regularly to assess the economic situation and determine a set of strategies to begin to alter the community's economic decline. With the assistance of outside experts and professionals, this dedicated group of individuals has established 20 key strategies to address the issues required to begin returning the community's economic health. The team has adopted the process of utilizing the principles of Results Based Accountability in going forward. The principle RBA component removes much of the time consuming and non-productive debate while driving the use of knowledge into decision-making. The Mayor's "Team Norwich" Economic Development Organizations, (EDOs) deserves much credit for taking on the difficult task of volunteering to lead the total effort and inform important decisions for generations to come. The first process, to seek funding support of the public, addresses the heart of the City of Norwich, its Downtown.

**SECTION 1: PROGRAM SCOPE**

There are approximately 1,300,000 square feet of mixed-use urban spaces in the Chelsea Central zoning district; of that it is estimated a current vacancy of 250,000 square feet exists, much of which is above street level. Though the reasons that those spaces remain vacant are numerous and complicated, discussions with property owners bring to light a few common issues. Upper floors require modern fire-life-safety updates and improved access in order to be useable today and obtain a City of Norwich Certificate of Occupancy. The construction costs for sprinklers, floor load adjustment, elevators, handicapped accommodations as well as fees, licensing, permitting, and utility hookups create a negative rate of return given the low lease rates currently commanded in the downtown market. It is often more cost effective for property owners to allow the upper floors of their buildings to remain dark, robbing the community of the vibrant downtown they desire and the economic value they deserve.

Critical to revitalizing the downtown is bringing a sustainable level of economic activity to the streets. Filling upper floors with an additional 250,000 square feet of businesses and residences will begin to bring activity to street level and will begin to create a market for downtown businesses that can stimulate and support that activity. Property owners cannot operate at loss, Norwich must implement logical policies, programs and incentives that will incent business and property owners be financially able to return to downtown.

The basic components of this program comprise the following three elements:

**A. Occupancy Assistance- Code Improvements**

This element of the program is designed to stimulate investment in a portion of the City that has serious economic challenges. It is conceived to leverage Public investment with a dollar for dollar co-investment by Private entities, specifically targeting the downtown. It will address accessibility limitations driven by the American with Disabilities Act (ADA) and code issues from Fire-Life-Safety Code problems stemming from required improvements including sprinklers, floor loading, elevators, as well as fees and licensing concerns. Targeted areas shall be determined by Norwich City Council in concert with an advisory recommendation from the Mayor's EDO Council. This program targets 75,000' of vacant upper floors in downtown and will reimburse property owners upon completion of the remediation. At an estimated \$30-\$50 total investment per square foot of space to be returned to productive use, with a 50/50 public/private investment strategy and a penetration rate of 40%, the exposure for the first five years of the program is approximately \$1,800,000. This incentive can be used in combination with any other incentive offering based upon the eligibility of the property and owner. Eligible uses for these funds include projects that create usable spaces on upper floors that are currently code non-compliant and for upper floor projects that support mixed uses.

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The criteria for evaluating proposed projects will include:

Prescriptive Standards:

- Structure Impact
  - Projects that create code compliant occupiable spaces on upper floors of currently unoccupiable targeted buildings
  - Projects that increase/improve space utilization
- Utilization Impact
  - Projects targeting businesses that support mixed use development on upper floors
  - Projects that promote upper floor urban living environments
- Project/building use plan.

### **B. Market Stimulation and Support- Lease Rebates**

Norwich's downtown commercial markets lag comparable urban areas in terms of robustness (percent occupied with appropriate uses) as well as absolute levels of use (total amount of useable space). This element stimulates the market to action through synthetically improving commercial leases by up to \$5.00 per Sq Ft through a lease subsidy for desired tenants. It is run on a declining block basis over a term of up to 5 years. The purpose of the incentive is twofold: 1) to fill the gap between the below market leases in eligible properties that investors are currently restricted to in Norwich compared to the leases of healthier marketplaces; and 2) to concentrate this benefit in a compressed period of time in order to help "make" the market happen in several downtown locations in a near simultaneous time span. This incentive can be used in conjunction with any other incentive based upon a combination of the eligibility of the tenant and the facility. The initial budget estimate for this program component is \$500,000 over the 5-year program timeframe. Program target impact is estimated at 75,000 square feet of space.

The criteria for evaluating proposed projects include:

Prescriptive Standards

- Market Impact
  - Location within building
  - Business type
  - Feasibility of lessee's business plan
  - Compliant with downtown development plans
  - Number of jobs
  - Skilled vs. unskilled jobs

### **C Business Enhancement- Revolving Loan Fund**

This element of the program is designed to create an advantage to targeted business types to open and operate in Downtown Norwich through a Revolving Loan Fund. Typically, in stressed urban environments, the “early adopters” or “urban pioneers” can be more risky and less “bankable” than if the health of the community was better and more able to let the market determine eligibility. Additionally there are high-end spin-offs from large multinational firms who bring intellectual property, patents, and business concepts in entrepreneurial operations. These opportunities are exactly the kind of fit for small spaces potentially available downtown. The Mayor’s EDO’s have been looking at attracting more entrepreneurial and start up businesses to the downtown. These businesses need additional consideration to become successful. Loans will be made available to screened and qualified businesses in targeted investment areas. This will aid underwriting the large amounts of the private investments and conventional financing required to fill vacant spaces with preferred businesses. Through a mentoring effort, this program element should actively strive to have the businesses eligible for more conventional financing at the end of the first five years. This program element has a budget of \$1,000,000; providing funding to 15-40 businesses during the first 5-year period.

The criteria for evaluating proposed projects include:

#### Prescriptive Standards

- Business Climate Impact
  - Entrepreneurial/Startup;
  - Feasibility of the business plan;
  - Viability of financing plan;
  - Business bankability;
  - Skilled vs. unskilled jobs;
  - Number of jobs.

**SECTION 2: PROJECT PLAN**

**1. Legal Description of Properties in Project Area**

The proposed programs will address properties in the Chelsea Central Zoning District (CC) and the Hollyhock Island Section of the City adjacent to the Chelsea Central District. The program area includes approximately 250 individual tax parcels located as follows:

**CHELSEA CENTRAL DISTRICT: Inclusive**

STREET	FROM LOCATION	TO LOCATION
Arcadia Street	9	22
Bath Street	7	15
Broadway	4	101
Chelsea Harbor Drive	52	150
Chestnut Avenue	2	Franklin Street
Chestnut Street	1	142
Cliff Street	0	38
Cliff Street	31	69 odd numbers only
Church Street	17	85 odd numbers only plus 80
City Landing	0	Main St
Courthouse Square	1	40
Franklin Street	2	346
Hill Street	0	15
Main Street	9	364
Market Street	Main Street	Chelsea Harbor Drive
Myers Alley	Main Street	Franklin Street
Oak Street	7	11
Railroad Avenue	10	
Union Street	23	Broadway odd numbers only
Water Street	52	161
Willow Street	4	Franklin Street

**HOLLYHOCK ISLAND; Inclusive**

STREET	FROM LOCATION	TO LOCATION
Falls Avenue	5	36 and Hollyhock Island
West Main Street	38	101

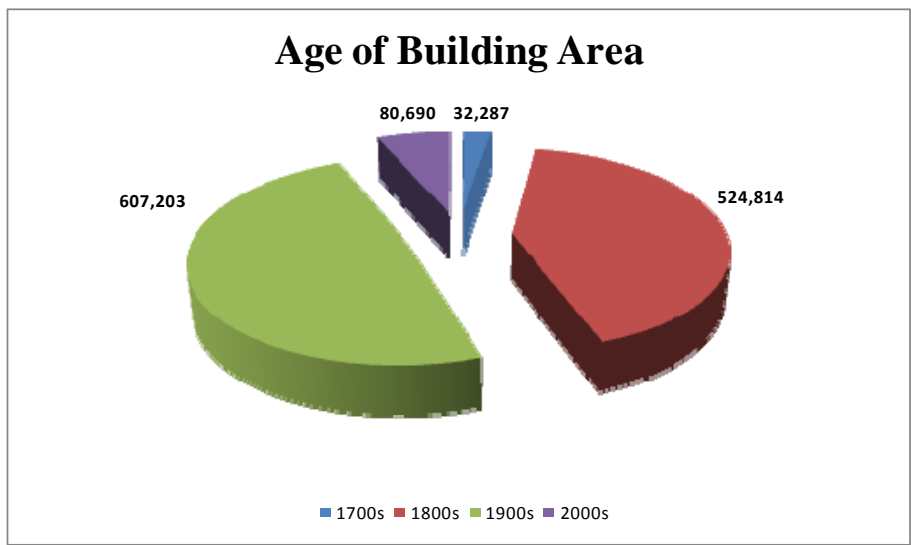
The above list of properties and their current use reflect the status carried in the Norwich Assessor's database as of July 1, 2010. See appendix A for map and property list.

**2. Present Condition and Uses**

Over the last 30 years there has been a trend for population bases to return to the older urban cores of America's past. In the last 9 years, author Richard Florida has documented a demographic shift of the growing populations in downtown areas. These urban areas prove to be

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particularly attractive to the young, educated and technologically savvy component of the newest members of America’s society. These portions of the public lament the bland, cookie cutter type development in our nation’s suburban areas and are nostalgic for the “downtowns” of the past; they being stately, majestic and incredibly sustainable. Many of the remaining buildings in Downtown Norwich are historically relevant, aesthetically pleasing and worthy of renovation. However, historic architecture means old buildings with outdated codes and standards that make occupying old buildings more difficult and less financially rewarding than many alternatives. In order to attract these urban pioneers to downtown, properties must be readied for occupancy. Nearly two-thirds of the buildings were constructed prior to 1900. Unless recently renovated, these buildings suffer from fire life safety and ADA compliance issues that need to be addressed before upper floors can be put to productive use.



**Historic and Stately Buildings**

- 1 Built in 2000s
- 48 Built in 1900s
- 59 Built in 1800s
- 4 Built in 1700s

While several of the downtown building owners have made façade improvements and code upgrades there are still a large number of buildings, in prominent and visible locations, that are in need of significant repair. Collapsed roofs and broken windows have exposed the interiors to the elements, the results being significant structural damage to some and an elevated risk to others. .

Today, downtown is primarily filled with legal offices, social service providers, and some service industries. At street level, many storefronts house operations less attractive to visitors, residents and the suburbanite of today. Things like tattoo parlors, pawnshops, check cashing operations, daily work centers are important but offer services to a narrowly defined slice of the public and are less valuable to the balance of society. There are offices and banks, interspersed with a few cafes, pubs, and a few small arts related operations appealing to a broader community, but together they do not offer a significant enough value proposition to sustain the economic needs of Norwich’s urban center. Upper floors are currently either vacant or house small offices or some small amount of service businesses such as hair and nail salons. Few market priced residential units exist in the district. This configuration does not lend itself to a

walkable urban center that is vital to the balance of the community or region, and certainly do not create a destination for visitors.

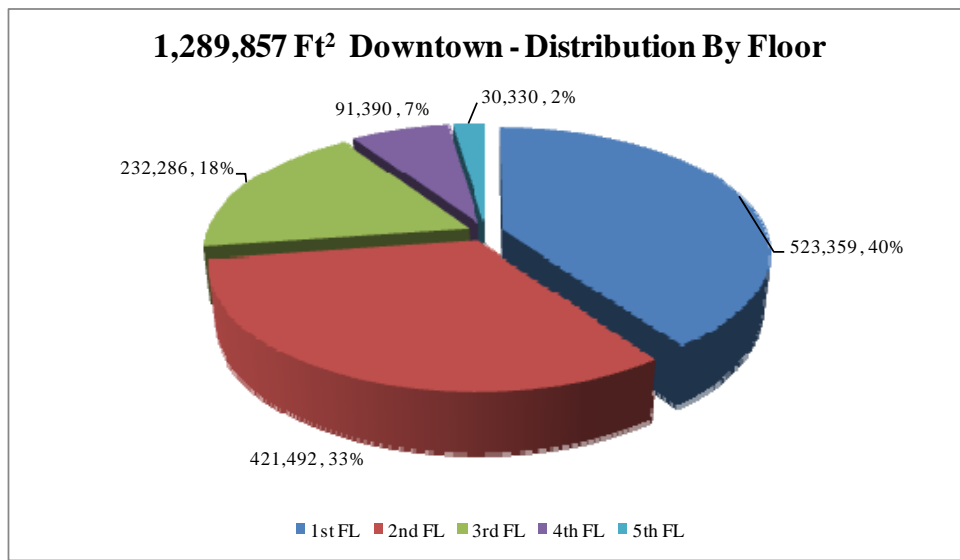
### **3. Description of Proposed Uses**

As stated in the City’s 2002 Plan of Conservation and Development (POCD), “the economic health and appearance of the downtown continues to be of concern to Norwich residents”. The intent of this program is to revitalize the Chelsea Central District, Norwich’s Downtown, by reinvesting in the existing infrastructure. The programs will incent the full economic potential of the district’s buildings and begin to create the downtown density needed for sustained vitality. The POCD goes on to suggest that revitalization efforts need to fill vacancies with “business uses that complement the City’s downtown business development strategies”. The plan is designed to fill storefronts and many second floors with business types that support urban living; execution of the plan will not be cause for buildings already fully occupied with office suites to make changes to their current configuration.

The proposed programs address the following Downtown issues:

- Vacancy: Continued occupancy of key storefronts and buildings is important to the economic viability of Norwich and an overall sense of cohesion and vitality. Vacancies can be attributed to the collective condition of downtown properties and to the apparent lack of investor confidence in the future of downtown.

### **Opportunities for Re-use**

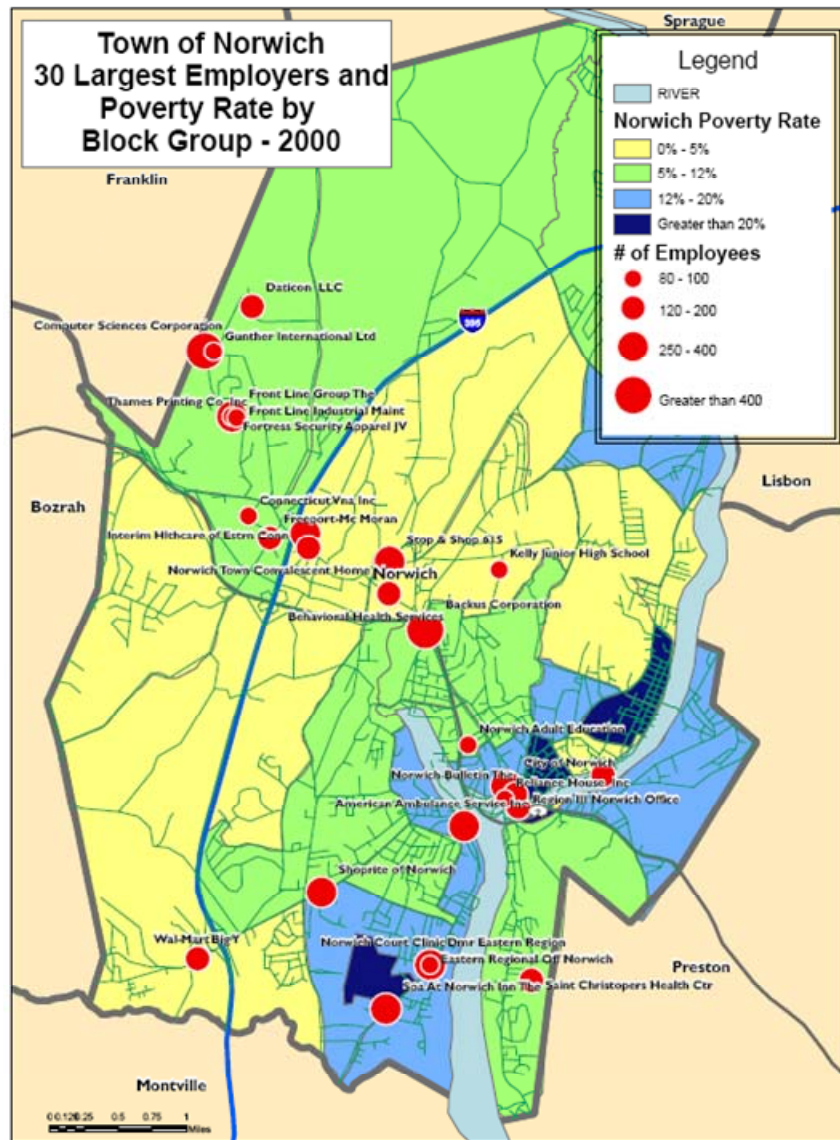


60% Of Usable Space Downtown Is Above The First Floor.

Estimates indicate that +/-250,000 square feet of this space is vacant

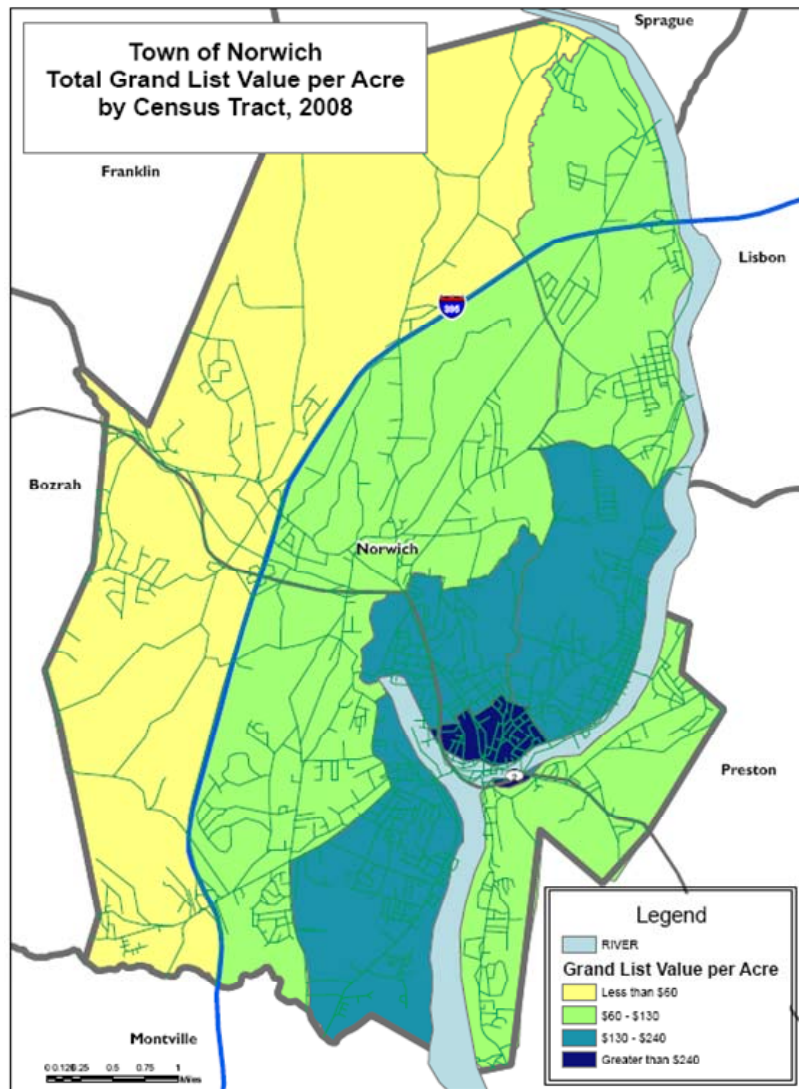
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- Population: A key component of successful downtown revitalization is an increase in the numbers of permanent residents. There is currently a high concentration of low-income residents in the downtown area and a shortage of market rate rental or ownership units, and few opportunities for employment. Bringing business and higher wage jobs to the downtown directly impacts quality of life issues for all income levels. The map below shows the concentration of poverty in and around the downtown.



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- Underutilized Property: The utilization of buildings in the Chelsea Central district has not adapted to the changed role and needs of the desired or preferred urban use; many of the buildings in the district can be classified underutilized in today’s market. In part, occupancy is challenged by architectural barriers that restrict mobility and access. Property owners have not been able to maximize their investments by increasing the value, utilization and financial returns from the buildings. As shown below, the Chelsea Central District is densely developed and has the highest grand list value per acre. Even modestly increasing the value of the properties there will have a net positive impact on the grand list, and as long as property owners are receiving appropriate returns on their investments, will have a very good return in the marketplace. This will make Norwich a more desirable place to live, work, and invest.



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- Deterioration: The Chelsea Central District is one of the oldest sections of Norwich and contains some of the community’s most important and distinctive buildings. Building age alone is not the cause of the level of blight and deterioration that currently exists in that district nor is it a sufficient reason for its spread. There has been limited success in curbing the blighted conditions and no measurable success in implementing leveraged strategic investment in the Downtown.

The overarching program goals aim to improve the quality of life in Norwich significantly by fostering a vital and economically stable downtown. Moreover, by leveraging past and current infrastructure investments, (specifically the soon to be complete Intermodal Transportation Center), public transit will connect the region’s population to jobs as well as connect visitors to downtown Norwich as a destination location.

#### **4. Description of the types and locations of present and proposed streets, sidewalks and sanitary, utility and other facilities and the types and locations of other proposed project improvements.**

The bond appropriations will be used to supplement private investment in the downtown including building remediation and rehabilitation; none of the appropriation will be used for City infrastructure improvements.

#### **5. Present and Proposed Zoning Classifications of Project Area**

Zoning has been practiced in the City of Norwich since 1927. Presently, the project area is primarily zoned Chelsea Central (CC), with the exception of the area commonly known as Hollyhock Island being zoned Waterfront Development (WD) to the South and recreational open space (ROS). The intent of the Chelsea Central zoning district is to ensure that development in the project area complements and preserves the City’s historic character, that it improves economic conditions and promotes development that is consistent with the goals and objectives of the Downtown Plan of Development. The Chelsea Central zoning district permits a mix of uses, including but not limited to office, retail, museums, theaters, parks, public buildings, and housing on upper floors. Within the Waterfront Development zoning district, no use of “waterfront” property is permitted unless the use is water-dependent as defined in Section 22a-93 (16) of the Connecticut General Statutes. Uses permitted are in part, public parks, marinas, boat docks, piers, retail sale of boats, restaurants, museums with nautical themes, professional offices, hotels, housing and transportation facilities.

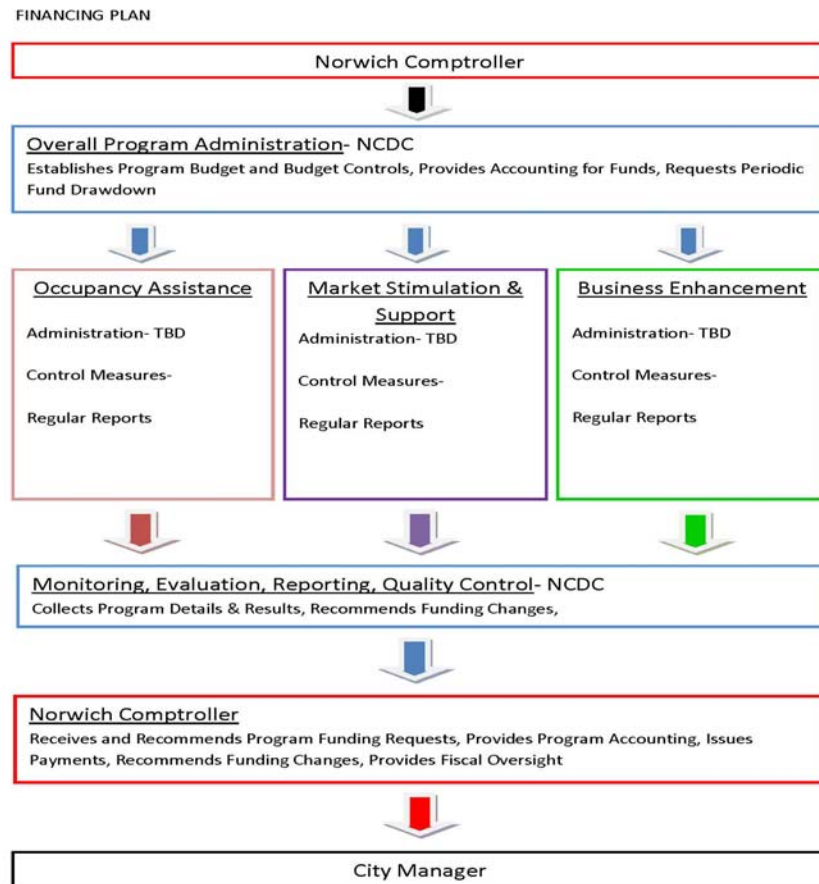
There are no plans to amend the zoning classifications of the subject project area. Planning staff has determined that the uses enumerated in the current Chelsea Central (CC) and Waterfront Development (WD) zoning districts support the proposed Downtown Economic Initiative.

## **6. Plan for Relocating Project Area Occupants**

The proposed programs target vacant and underutilized spaces; the need to relocate project area occupants is not anticipated. However, since the programs do not disallow investment in occupied buildings, the owner will be required to address any relocation issues as part of the program application process.

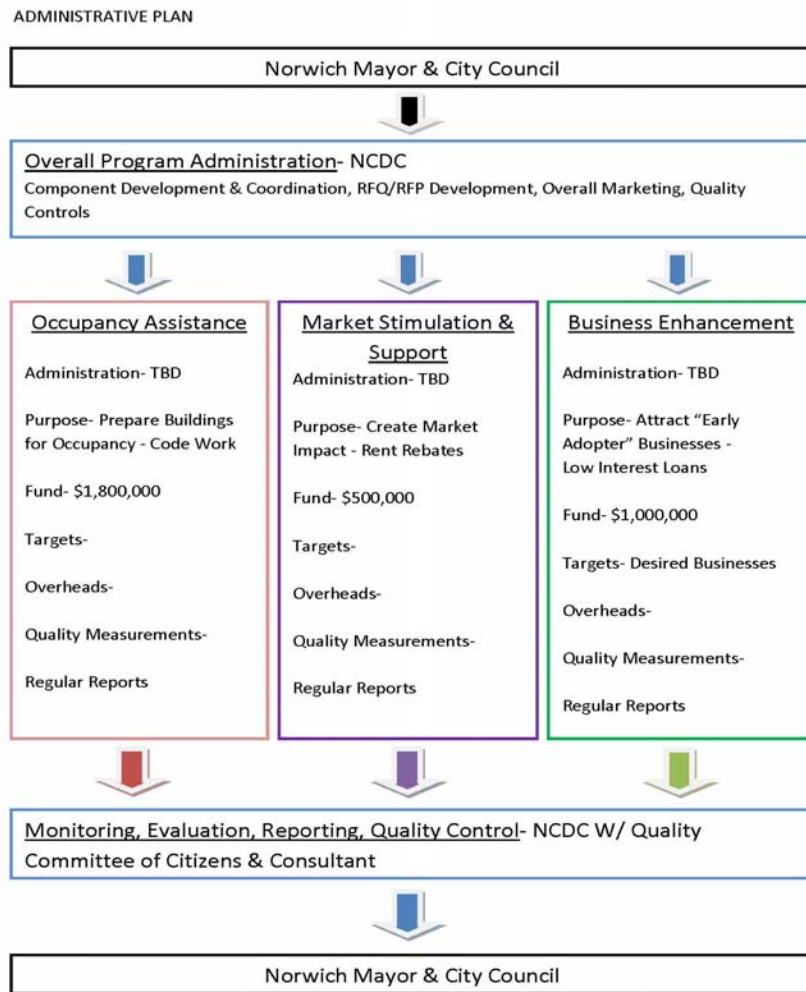
## **7. Financing Plan**

The City of Norwich is putting a bond referendum together for November 2010 ballot in order to kick start the revitalization of Downtown Norwich. This bonding money will be controlled by the City's Comptroller, drawn down as required and either distributed to end recipients of the funds or to intermediary program administrators. The Comptroller will distribute all funds and maintain all financial records.



**8. Administrative Plan**

NCDC has been selected by City Council to assume the role of administrative entity and will be held accountable for the implementation of the programs and the appropriate use of funds. NCDC will be responsible for program oversight, evaluating and reporting success measures, coordination and collaboration among members of the Mayor’s EDO Council. The Mayor’s EDO Council comprises a number of economic development organizations each having a downtown focus and each with distinct areas of knowledge and expertise. The programs will be best served by utilizing the skills resident in each of these organizations to manage components of the program as they demonstrate best fit. Each organization will administer, monitor program performance metrics, and report program progress/success to NCDC who will coalesce data and information for analysis, program adjustments, and periodically report to the mayor and City Council.



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The goal of both the financial and administrative plans is to keep the economic development activities separate from the political processes. The evaluation and project selection processes will be overseen NCDC with the aid of by impartial citizens with business experience. This will allow decisions to be made exclusively on the merits of the request. Administration and management of the plan will be accomplished from NCDC's usual budgeting sources.

### **9. Marketability and Proposed Building Use Study**

*Norwich Downtown Plan of Development*, a study commissioned by Norwich's Planning Department and the Commission on the City Plan in 1993 addresses a number of building use issues. The report is a bit dated but the analyses and conclusions are fundamentally still valid.

#### Residential Uses:

Nearly three decades ago residential use comprised a significant amount of downtown floor area in the form of small rooms and apartments. This trend changed with the advent of suburban development; an exodus to the outskirts drained the downtown of its vitality and its population. Creating housing in the downtown is a critical component to creating a market that will support retail and other services. Preference is given to using floors above street level and, where feasible, above the second story as residences; close to restaurants, services, and public transportation these housing units would be suited well for young professionals and senior populations.

#### Office Uses:

The downtown will need to maintain office use as a foundational component of its revitalization effort. Several downtown buildings are already fully dedicated to office use; employees from those offices create the daytime 'feet on the street' in the downtown. The plan calls for offices and higher wage technology based entrepreneurial enterprises to populate floors above street level and preference is given to second floor office occupancy.

#### Retail Use:

Retail, an important component of in downtown revitalization, is targeted to occupy the street level storefronts. It is highly unlikely that a large retail business will become an anchor store downtown; the plan will target retail establishments that complement the upper floor building uses and support the needs of the downtown community as well as assist in making Norwich a destination for visitors. Downtown retail will have at least five markets: residents of the greater downtown area; those working in and around the downtown; those visiting tourist attractions; those using public services; and those needing specialty items.

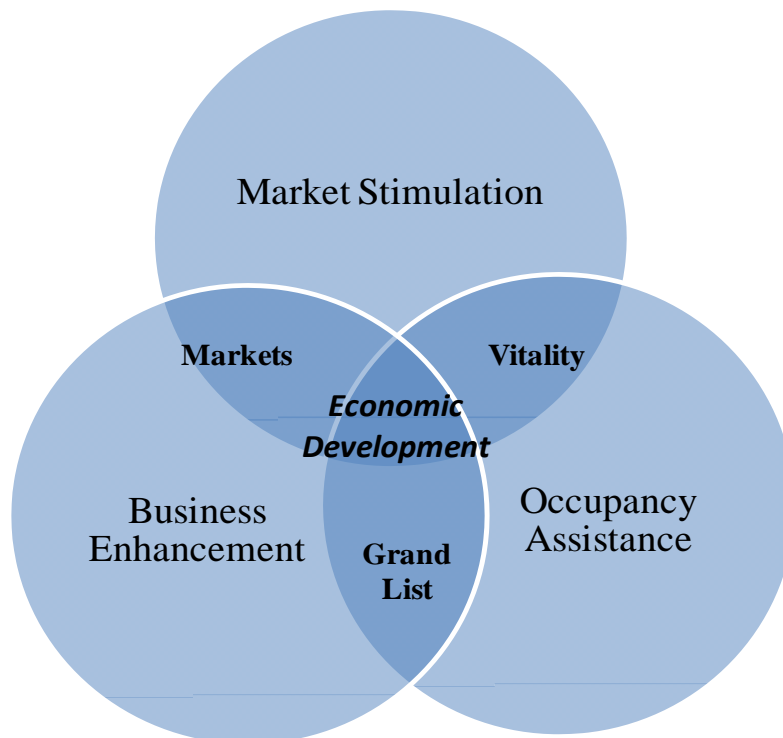
#### Parking Use:

Parking assets will be much better leveraged with an evolving 24 hour use pattern: residential use overnight and weekends; office use during the work week; retail use mid morning, evenings and weekends.

**10. Economic Benefit Including Jobs and Housing Availability for Those Employees**

Norwich has a number of vacant spaces throughout the community but vacancies are especially apparent in the downtown. The reasons are many and difficult to address in a single manner or with a physical “fix”. A number of complex physical, economic and market needs prevents most reinvestment and occupation of these spaces. As long as these underperforming assets are allowed to exist, there is an inherent and very real cost to the entire community (and State!) It is estimated that for every square foot of non-performing asset in downtown, it directly costs the Norwich community a minimum of \$0.64 in lost real estate tax revenue and an additional \$15.00 of missed opportunity in rental income and wealth generation in the community. Downtown Norwich has approximately 250,000 square feet of vacant and underutilized space that directly costs the rest of the community a minimum of \$161,000 annually along with untold value to the region and state.

Connecticut Office of Policy and Management data shows that Norwich has lost a significant number of jobs and those jobs that have been regained are not the same types or value of the jobs that were lost. The region’s large industry clusters have a history of employment ebb and flow; a recent job shed has created an environment fostering start-up and entrepreneurial businesses that need smaller, affordable spaces. If captured, these businesses would bring jobs to downtown and people to the residential downtown units. It is well known that ‘people spend money where they live’; business and population density would become the catalyst for filling the storefronts.



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On August 4, 2010, at a general meeting of the Commission on the City Plan, the Commission voted unanimously to support these initiatives as consistent with the Plan on Conservation and Development.

### **Occupancy Assistance - Code Improvements**

This element of the program is designed to leverage public investment with a dollar for dollar co-investment by private entities, specifically targeting the downtown. Eligible applicants will comprise those developers and/or building owners remediating upper floors of downtown buildings with an intended use that includes office and residential. Eligibility of the applicants will be determined by the applicant's development plan and must include a financial plan. This incentive can be used in combination with any other incentive offering based upon the eligibility of the property and owner.

### **Market Stimulation and Support- Lease Rebates**

This element stimulates the market to action through synthetically improving commercial leases by up to \$5.00 per Sq Ft through a lease subsidy/grant for desired tenants specifically targeting the downtown. It is run on a declining block basis over a term of up to 5 years. Eligible applicants will comprise those tenants populating buildings with targeted businesses and demonstrating need for financial assistance. This incentive can be used in conjunction with any other incentive based upon a combination of the eligibility of the tenant and the facility.

### **Business Enhancement- Revolving Loans**

This element of the program is designed to create an advantage to targeted businesses to open and operate in Downtown Norwich through a Revolving Loan Fund. Loans will be made available to screened and qualified businesses in targeted investment areas. This element will aid underwriting the large amounts of the private investments and conventional financing required to fill vacant spaces in key locations with preferred businesses. This program element should actively strive to have the businesses eligible for more conventional financing at the end of the first five years.

## **11. Appraisal Report and Title Search**

Norwich's grand list suffers for every square foot of underutilized or sub-code property. The following chart shows that an estimated 250,000 square feet of vacant space in the core downtown is resulting in an average grand list loss of \$0.64 per square foot. Remediating and utilizing these spaces to their best and highest use could add more than \$8 million to the grand list's value.

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Appraised Value Land & Buildings	Usable Feet <sup>2</sup>	Average Appraised/Ft <sup>2</sup>	Difference in Value Compared to Downtown Average	Currently Lost to Grand List	Lost Annual Revenue @ .02802	Lost Annual Revenue Square Ft @ .02802
<b>Downtown Spaces</b> \$ 86,275,000	1,289,860	\$ 66.89				
<b>Example: 77 - 91 Main Street</b> \$ 1,306,000	38,400	\$ 34.01	\$ 32.88	\$ 1,262,465	(\$24,762)	(\$0.64)
<b>Vacant Downtown Space</b>	250,000		\$ 32.88	\$ 8,219,172	(\$161,211)	(\$0.64)

**12. Findings**

- a. The land and buildings within the boundaries of the project area will be used principally for business purposes including commercial, financial, retail or tourism and for market rate housing.
- b. The plan is in accordance with the Norwich Plan of Conservation and Development adopted by its planning commission in 2002, and is aligned with the regional CEDS.
- c. The plan is not inimical to any state-wide planning program objectives of the state or state agencies as coordinated by the secretary of the office of policy and management and is aligned with the State’s plan for revitalizing urban areas.
- d. The project will contribute to the economic welfare of the municipality and the state. Developing monitoring and reporting success measures are integral parts of the administrative plan.

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Resource List

Norwich Plan of Conservation and Development

*Commission on the City Plan 2002*

Norwich Downtown Plan of Development

*Commission on the City Plan and Planning Department Staff 1993*

Renovating in Downtown Norwich - A Guideline

*Rose City Renaissance 2008*

Economic Growth and Development Provisions From:

*The Norwich Harbor Management Plan 2010*

A Waterfront Vision and Implementation Strategy for the City of Norwich

*Norwich Community Development Corporation Waterfront Development Division 2004*

Mayor's Economic Development Organizations Meetings and Workshops

*December 2009 through Today*

Don Klepper-Smith, Chief Economist

DataCore Partners, LLC and Chairman of Governor's Economic Advisory Council

James B. Farnam, Principal

Holt, Wexler & Farnam, LLP

Robert Santy, President

Connecticut Economic Resource Center, Inc.

Alissa DeJonge, Director of Research

Connecticut Economic Resource Center, Inc.

Team Norwich and Mayor's EDO Council