



DOWNTOWN BOND PROGRAM

Application Analysis 54 - 56 Broadway

LEASE
REBATE



CODE
CORRECTION



REVOLVING
LOAN



APPROVED JANUARY 21, 2014

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Analysis prepared by Norwich Community Development Corporation



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SUMMARY

Property Applicant Business 54-56 Broadway
 Zubair Khan
 UZ-MAH Development Ltd, LLC
 493 Norwich Avenue
 Colchester, Connecticut 06415

Code Correction Request Zubair Khan d/b/a UZ-MAH Development Ltd is requesting a code correction grant of \$100,000; 50% of the code correction elements of a \$405,850 project to make the building functional and code compliant.

Purpose UZ-MAH Development is making improvements to 54-56 Broadway that will create four apartments and a street level storefront (subdivideable).

Project Financing – Use of Funds

The costs proposed include furnishing and installing all materials and labor.

ACTIVITY SUMMARY	ELIGIBLE AMOUNT	CODE CORRECTION FUNDS
Electrical System - Phase 1 Approval	\$34,100.00	\$17,000.00
Fire / Security Alarm	\$8,295.30	\$4,000.00
Structural	\$120,900.00	\$60,000.00
HVAC System	\$40,500.00	\$19,000.00
TOTAL	\$203,795.30	\$100,000.00

Lease Terms Building owner is not applying for a lease rebate; lease terms are not applicable.

Debt and Repayment Schedule This request is for code correction grant. The grant requires a 50% match and is reimbursable upon completion of milestones.

Employment This building is being readied for residential and retail uses; employment level will be dependent upon the business that will occupy the storefront space.

Taxes and Utilities This matters most at the time of disbursement. Payment will not be made if either payments are due.



Front Façade



First Floor Retail Space

DETAILS

Background & Project Overview

Zubair Kahn d/b/a UZ-MAH Development purchased the circa 1750 building located at 54-56 Broadway for \$118,000 in March of 2011. Renovation began in the spring of 2012. Plans for the building include creating two single bedroom market rate apartments on the top floor, one three bedroom apartment on the third level, and one three bedroom apartment on the second level.

The street level storefronts are small and would be difficult to lease; the construction plans call for merging those two small storefronts to create one 1,360 square foot retail space suitable for a store or restaurant. The space has been designed to be subdivided by the tenant, if desired.

During the early stages of the renovation process the contractor discovered structural problems in the building that affected floor loading and the ability of the building to support the changes being planned. As the contractor removed interior walls to begin correcting the structural problems he discovered additional problems with the wiring, electric service, and HVAC system. The building has multiple layers of code violations.

The City Fire Marshal inspected the electric installation and determined that in order to be in compliance with fire / life / safety codes the building would need to be re-wired, the electric services upgraded and the emergency shut off moved to the front of the building. The Building had been under corrective orders from the Norwich Building Official's Office as well. Details of those violations are documented in this analysis.

Business Plan Overview

UZ-MAH Development's business model comprises a conservative approach to borrowing; up until October of this year the owner was funding the entire project from his own funds, but had to seek additional capital to complete the code improvements.

Marketing Overview

Marketing of these facilities will be handled by the building owner.

Discussion of Business Finance and Cash Flow

The code correction program is designed to be a matching grant. Funds for this work will be released upon completion of milestones and approval by a City of Norwich Building Official.

Code Correction Overview

Electrical System (Phase 1)

The entire electrical system had to be replaced as part of the restoration project because of improper (e.g., no permits, under-sized, unsafe conditions) installation by previous property owners.

This entailed upgrading the electric service to the building (6 meters); re-location of the emergency shut off; re-wire apartments and storefront. These improvements were ordered by the Fire Marshal and Norwich Public Utilities. Jaeco Electric of Colchester, Connecticut performed this work for \$34,100.

COST	TOTAL AMOUNT	\$34,100.00	PROGRAM ELIGIBLE	\$34,100.00	FUNDING PROPOSED	\$17,000.00^a
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^a Phase 1 funds have already been committed in the amount of \$15,000. An additional \$2,000 is program eligible but had not been requested by the applicant. \$15,000 in committed funds has been included to demonstration compliance with the \$100,000 program funding cap.

Fire / Security Alarm System (Phase 2)

Fire and security systems were either non-existent or not in compliance with fire codes. Security alarms are not required as part of the development, but are coupled / integrated with the fire alarm system. Integrated Security Solutions, LLC of Oakdale, Connecticut installed a new master control system, annunciators, smoke and heat detectors, strobes and sounders. They were paid a fee of \$8,295.30 for this work. All work was as required by State codes.

COST	TOTAL AMOUNT	\$8,295.30	PROGRAM ELIGIBLE	\$8,295.30	FUNDING PROPOSED	\$4,000.00
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Structural Repairs (Phase 2)

Because of serious structural defaults in the building, the property owner had to secure the redesign of the interior structural supports. J.M. Albaine Engineering, LCC of Waterford, Connecticut was hired to do develop the design specifications (\$1,700). Engineering is a soft cost and is an eligible activity under the Code Correction program.

During construction, the contractor identified additional defects that went beyond the structural analysis performed by the engineering firm, but which did not require engineer-designed plans to perform. In essence, this building was rebuilt from the inside out using the existing brick walls along the sides of the building as a false façade, reinforced by a new concrete foundation support and framed walls, which are typical construction methods.

Construction activities were initiated by Cirioni Contracting of Niantic Connecticut and amounted to \$31,700 worth of eligible work to initiate code correction elements related to the structure. During the work this firm was replaced by Joe Home Improvement of Ledyard Connecticut. Cironio Contracting's work was entirely in support of structural repairs necessary, which was 100 percent of the

ELECTRICAL IMPROVEMENTS



Previous to this work the electric panel was located in an outbuilding. Code Correction funds enable the panel to be relocated into the main building. The outbuilding will be used for storage.



All new wiring has been installed throughout the building. The new wiring replaces nob-and-tube wiring that was in portions of the building

HVAC IMPROVEMENTS



Code Correction funds were utilized to relocate a hot water heater that was illegally positioned in an apartment that was not serviced by the unit.

\$31,700 worth of work they performed. Invoice notes in the remaining amount paid to Ciriono (\$24,200) include references to structural work without an itemized breakdown.

Joe Home Improvement has agreed to fee of \$87,000 to complete the other tasks associated with delivering the apartments in a turnkey condition. This estimate does not include finish work (e.g., toilets, sinks).

COST	TOTAL AMOUNT	\$120,900.00	PROGRAM ELIGIBLE	\$120,900.00	FUNDING PROPOSED	\$60,000.00
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HVAC System (Phase 2)

On January 18, 2011 the building was condemned and deemed unfit for human occupation by the City of Norwich Division of Housing Inspection. Water pipes had frozen and broke. The water service was shut off and all of the damaged ceilings and walls were required to be repaired. The building has not been deemed fit for occupancy since that time. Much of that code correction work is included in the structural fees proposed by Joe Home Improvement.

The HVAC element of this project seeks to address the following directives made by the City Building Officials:

- ▶ Specific to Apartment 4A: Apartment is without hot water and a reliable system must be installed per code (PM-506.4).
- ▶ Specific to Apartment 3: Install heat in the bathroom and kitchen (PM-602.2)

William Trask, of Preston, Connecticut, has proposed a scope of services at \$40,500 for the HVAC System and plumbing. It appears that \$38,500 is program eligible.

COST	TOTAL AMOUNT	\$40,500.00	PROGRAM ELIGIBLE	\$38,500.00	FUNDING PROPOSED	\$19,000.00
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TOTAL PRIVATE INVESTMENT

This project provides a Return on Investment (ROI) rate of 3.05 for the City of Norwich as \$100,000 of Downtown Bond funds will leverage \$305,850.30 in direct private investment as part of this project. The property owner has invested \$187,850.30 in this site and in downtown since property acquisition (\$118,000.00) in March of 2011.

	TOTAL AMOUNT	\$287,850.30	PROGRAM ELIGIBLE	\$203,795.30	FUNDING PROPOSED	\$100,000.00
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NCDC STAFF RECOMMENDATION

The Code Correction Program is a reimbursement program and the project must comply with all federal, state and local codes to receive reimbursement. The applicant has shown good faith that the activities are eligible and in compliance with the requirements of the program. UZ-MAH Development has already made significant investment in this facility without a commitment of program funds.

In addition, NCDC conducted a site inspection with a city code enforcement official, and reviewed contract documents and fees with the Building Official's Office to determine if the request was reasonably aligned to the work being performed.

The project reflects the type of investment that Norwich has been seeking in downtown: mixed use development with upper floor residential and first floor retail. This project meets the overall objective of the revitalization program - creating usable space and filling upper stories, which were not in compliance with existing codes. NCDC would classify this application as being a low risk project.

It is the recommendation of NCDC staff that this application be approved. Payment will not be disbursed until a confirmation that all utility and tax fees are paid. In addition, NCDC will review all building permit applications to ensure that the scope and fee of work are aligned with the program funding.

REVIEWER COMMENTS

- Developer has regional real estate experience and has been known to turnaround challenging sites.
- City participation in this project is appropriate.
- Limited room remains for unknowns.
- Strong amount of owner equity is invested in this project.

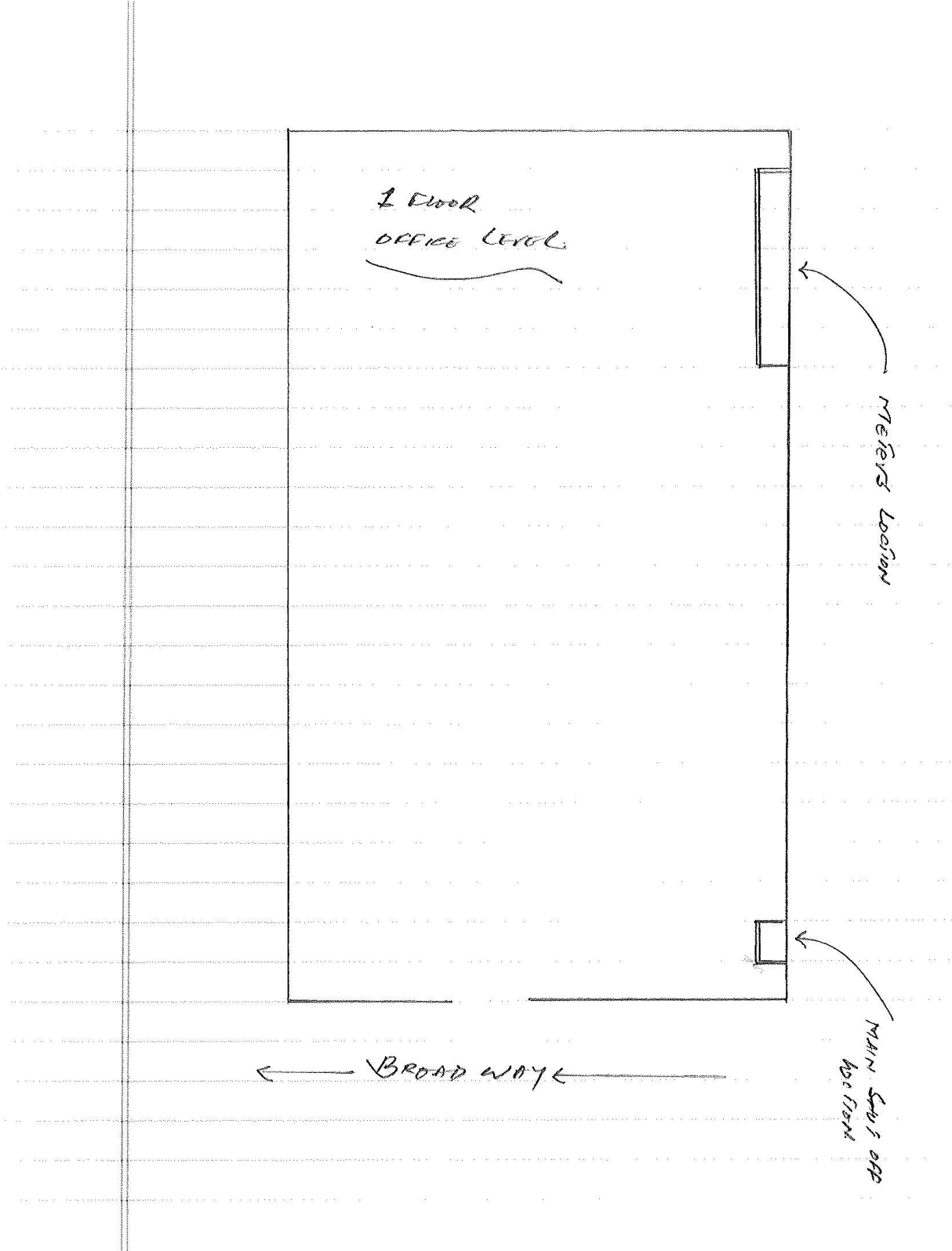
REVIEW COMMITTEE DECISION

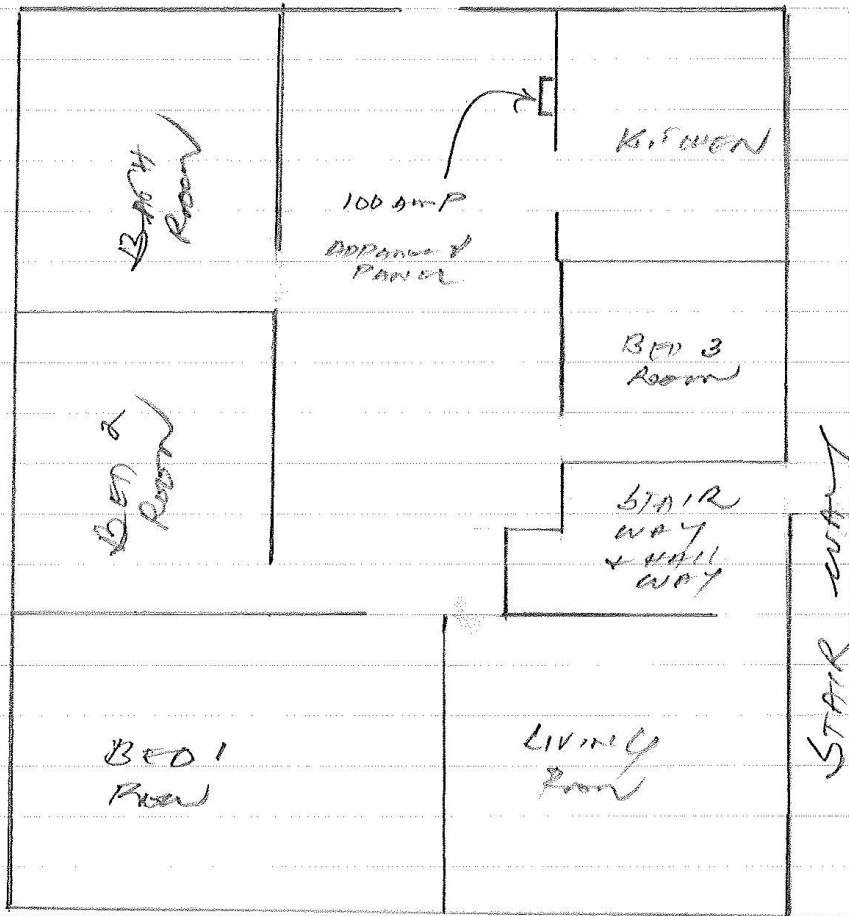
APPROVED YES NO

Vote Tally

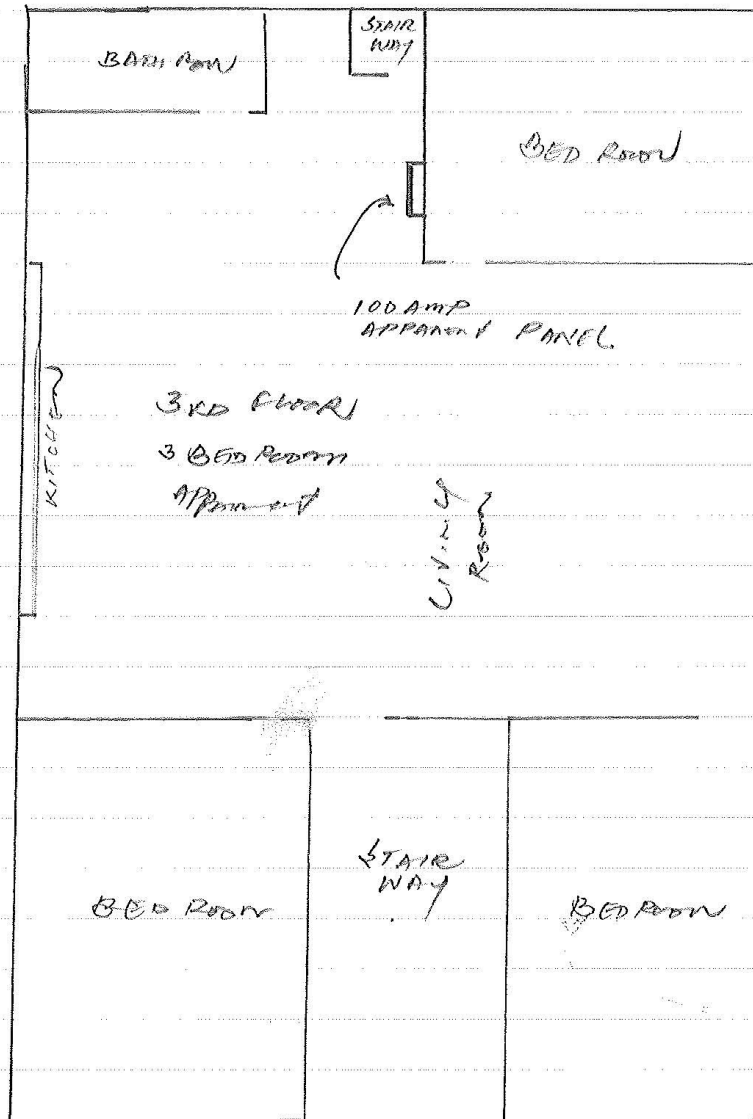
Review Committee Members	Yes	No
Robert Beekman	X	
Christopher Gauthier	X	
Michael Valentine	X	

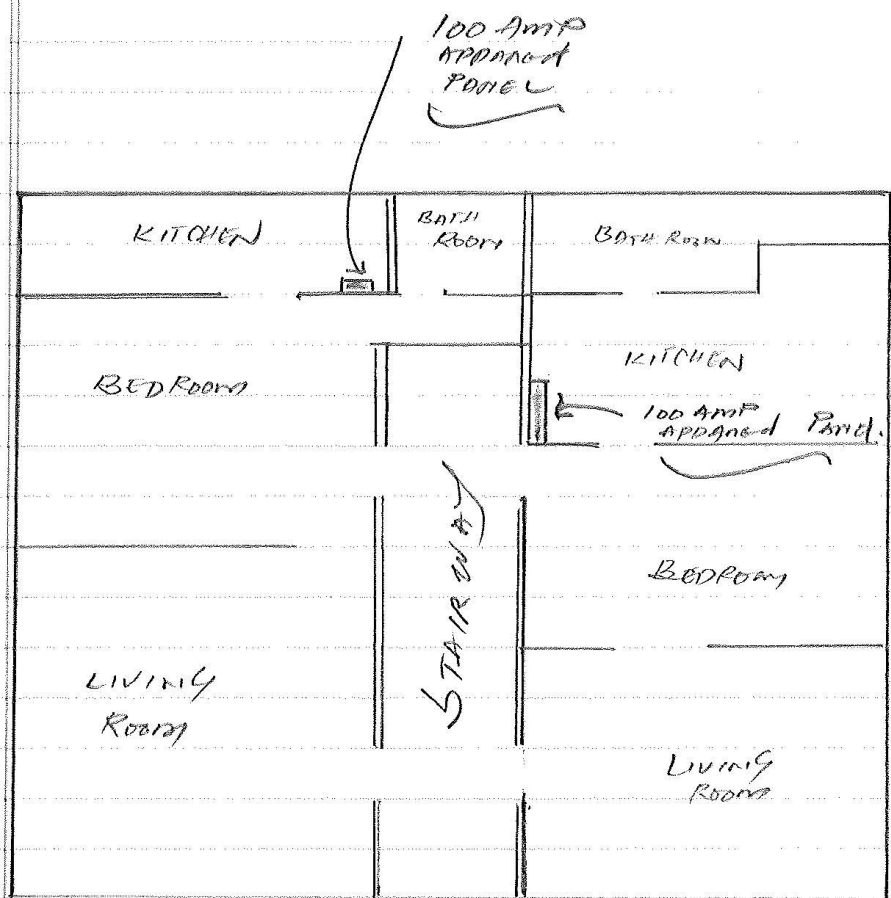
SUPPLEMENTAL INFORMATION





2ND FLOOR
 3 BED ROOM APARTMENT





↑
1ST ONE BEDROOM
APARTMENT

↑
2ND 2 BEDROOM
APARTMENT

4TH FLOOR