

Nathan Hale School

160 Spuce Street
Manchester, CT

Report
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Index

Executive Summary	3
Introduction	5
Summary of Market Studies	7
Nathan Hale School	10
Feasibility Alternatives	14
Site Schematics	20
Funding Sources	24
Marketing	27
Sources & Interviews	29
Appendixes	
A. Pro Formas	
B. Market Studies	
C. Marketing Package	



Executive Summary

Goal

The Town Board of Directors intent is to redevelop the Nathan Hale School as a “community asset and to bring renewed energy, vitality and pride to the neighborhood through a combination of uses that takes advantage of the varied character of the space within and outside the building”. The Board also stated a preference for an economically sustainable model. The scope of this report is to move beyond the vision and idea stage and to determine which development options are economically feasible.

Alternatives Studies

The consultants examined the following alternatives:

- Current uses, which are limited in scope.
- 100% community uses, which include municipal and non-profit uses for education, day care, arts and recreation.
- Public/ Private uses whereby the upper floors would be apartments and the first floor community use.
- 100% apartments in the current building as well as expanding the building footprint to allow more units and maximize the site.

Conclusions

- There is a soft demand for 100% community use

Through the interview process municipal and non-profit users expressed an interest in occupying the building. Based on rents they are paying, the Town should be prepared to pay for at least the base building improvements; the tenants would pay for the operating expenses. If this is the desired use, the Town will have to have serious discussions with the proposed tenants to determine their needs for capital improvements as well as their capability of paying rent at the site.

- Private/ Public co-occupancy difficult

Most of private sector developers interviewed had no interest in having community use tenants on the first floor. The principal factor is that they want to maximize the number of units in the building. To do that they need to utilize the gym (which may be made into two floors) and the cafeteria (which is already two stories).

- There is a demand for 100% apartments

There is a demand for affordable housing in the market. This is only going to be feasible if the developer gains historic tax credits as well as other subsidies from government agencies. The Town will need to contribute the building for no to low cost as well as consider tax incentives, depending upon the finance package the developer succeeds in obtaining.

Economic Implications

The following table shows the three alternatives studied, with Alternative 2 being broken down into two options:

1. Current status

The town is currently paying \$60,000 a year to keep the building open. Any monies received from programming goes to running those programs, not against building expenses.

2. 100% Community Uses

If the building is converted to 100% Community use, then the costs to fully operate the building will range from \$6.30 - \$7.04 per square foot. There will also be the cost of renovating the building (new HVAC, remediation, new windows, some site work), which is expected to cost \$3.7 million dollars. The annual cost to amortize that is \$4.14/SF. This does not include any tenant improvements specific to the tenant.

The following table shows two alternatives for community use:

2A Town pays the cost of amortizing the renovations, tenants pay operating expenses

2B Town bears the total cost of renovating and operating the building

3. 100% Apartments

If the building were to be 100% apartments, the income from potential property tax would range from \$0 in the first years (if an incentive is required) to approximately \$362,000 after the tax abatement program phases out.

Alternative	Owner	SF Community Use	Potential Taxes	Direct Town Costs (annually)
1 - Current Status	Town	58,959	NA	\$ (60,000)
2A- 100% Community Low rents	Town	58,959	NA	\$ (244,332)
2B – 100% Community No rents	Town	58,959	NA	\$ (658,949)
3 - 100% Apartments	Developer	0	\$ 0 to \$362,000	\$0

Considerations

- If property is for community use, the Town should be prepared to pay for at least the capital improvements to the property.
- If the property is for community use, the Town will need to address non-profit uses and their overlap with existing Town day care and recreational programming.
- If the property is for residential use, the zoning will need to be changed.
- If the property is for residential use, the Town should consider an easement for the green space to be used as passive recreation space for the community.

Introduction

Background

Nathan Hale Elementary School, located at 160 Spruce Street in Manchester, Connecticut, was built in 1922 by the Cheney Brothers in Neo-Classical Revival Institutional style. It is a contributing property to the Manchester Historic District and is listed on the National Register of Historic Places. The 58,960 SF building closed in June 2012, and its students were dispersed to other schools.

Since then, the Town Planning department conducted two public meetings to get community input into its reuse, the results of which are in the Nathan Hale NextGen Report published in September 2014. Two options identified were for a mixed-use building with and without a residential component.

The Town Board of Directors intent is to redevelop the School as a “community asset and to bring renewed energy, vitality and pride to the neighborhood through a combination of uses that takes advantage of the varied character of the space within and outside the building”. The Board also stated a preference for an economically sustainable model. In January 2015, Bartram & Cochran and Crosskey Architects were retained by the Town of Manchester to advise it on how best to achieve these goals.

The scope of this report is to move beyond the vision and idea stage to determine whether either of the preferred development options is economically feasible. In determining economic feasibility the consultants took into account the demand for residential and non-residential uses; prepared a preliminary schematic concept for the re-use; developed a financial pro forma analysis; identified zoning constraints; and identified possible funding sources. We also recommended development or financing alternatives, which will make a project economically feasible.

Methodology

In the preparation of this report the team:

- Met with the Planning and Economic Development Department and key elected and civic leaders for an “all hands” kick-off meeting and to discuss goals, receive background information and toured the property and market.
- Created a baseline document on the property that includes existing documentation such as maps, environmental reports, and permitted uses under zoning.
- Identified the most attractive alternative uses for the property including housing, office, cultural, and educational.
- Determined the market area geography, current market conditions and target markets for such uses.
- Explored possible business interest in the site.

- Conducted interviews with local real estate brokers, businesses, non-profit organizations and institutions, schools, office and housing developers, etc. to determine the market demand.
- Created concept diagram plans to assist in determining the viability of various reuse options.
- Determined the projected financial results and prepared a pro forma from among the alternatives most consistent with the Town's goals.
- Recommended specific targeted opportunities.
- While the team members are not lawyers, we reviewed the current zoning regulations and commented on issues that may pertain to the potential new uses.
- Prepared a marketing plan for tenants, developers, partners or other institutions.



Summary of Market Studies

Building on Past Reports

This report was expands on recent economic development analysis done by AMS Consulting's report on Downtown Manchester Market Assessment, LWLP's report on Broad Street Parkade Site, the Town's internal reports on market demand for residential development and the Nathan Hale NexGen report. A condensed version of these reports can be found in Appendix B.

AMS Downtown Manchester Market Assessment, November 2014

Summary of Housing Potential that is relevant to downtown:

Moderate Opportunity for Better Housing

- A viable market exists for better housing downtown (rental only) although at present, it is limited to a modest target base seeking alternative housing product to mainstream options.
- Main selling elements for any upgraded housing downtown include: historical linkage and Main Street presence, value in rent, proximity to convenience goods and services (including the library) and access to a burgeoning restaurant district. The downtown is also competitive in terms of highway access and linkage to major town corridors and local employment centers in the downtown, town hall campus and the hospital.
- Market potential is capped by the extensive rental supply in Manchester boosted by the addition of 2,000+ new units in the last two decades. Meanwhile, the 1,000+ units in the Cheney Mill rental community nearby presents formidable direct competition.

Target Market for Updated Downtown Housing: Young, Edgier, Creative, Single

- Target Market most likely to consider the downtown in upgraded housing would be a young single male, or unmarried couple, technology proficient and/or creative in nature if not also as an occupation; and comfortable with edgier, less proven locations.
- Housing that highlights the property's historical architectural elements and features (to the extent they exist) would be viewed favorably by this target base. Apartments that incorporate sustainability, energy efficiency and green features would also be considered a plus (much like the apartments under development by John Lee at 867 Main St).

Meaningful Expansion of Housing Base Unlikely In Existing Buildings

- Based on survey of properties downtown on Main St, there appears to be little opportunity to meaningfully expand the housing base beyond what now exists without new construction- and much of that would be allocated to side streets. In aggregate, the gain in housing units within "undeveloped or unused" upper space would be no more than 25-50 units. And while this could help introduce a market for higher quality housing in the downtown, it is unlikely to be transformative in appreciably changing the existing low income profile of housing in the district. Nor would it meaningfully move the dial up on demand for goods and services downtown.

Few Scenarios Envision Option for New Construction Housing w/o Subsidy

- At the present time it is difficult to envision scenario's involving new construction market rate rental housing downtown, particularly on Main Street, other than rehabs. Much of the development interest is expected to remain in the Buckland area as it has for the last 20 years for such investment, or for that matter the Broad Street Redevelopment site where greater densities in units could be achieved than in the downtown. The downtown meanwhile lacks decent sites and subject to a thinner market without subsidies or deep write-downs, or both.

Best Strategy May Be On Upgrading Existing Housing; Incentives Likely Needed

- Although the potential for adding significant amount of new quality housing downtown appears modest at best, strong strategic consideration should be given to upgrading at every opportunity such housing that presently exists downtown. This includes taking advantage of any change of ownership of the so-called at-risk properties in the downtown as well as supporting property owners looking to expand and/or improve vacant-underutilized space into housing.
- Incentives including a special loan program should be considered to help stimulate such investment for both existing housing and vacant and underutilized upper story spaces with the goal of improving both the quality of the housing downtown and its tenant base.

Artist Housing

- The downtown represents an ideal location and environment for Artists Housing, which often gravitate to downtown districts with its older buildings, high ceilings and open floor plans. It might also represent a housing option for students attending classes at the Manchester Community College satellite facility downtown which will include a focus on the arts. Additionally, artists housing could complement efforts by the downtown to promote art and culture downtown.

Senior Housing an Option for Existing Housing Downtown, But Only with Elevator

- Bennet Apartments, a town-owned but privately developed age restricted apartment downtown consisting of 45 units, provides evidence of a market base for independent senior housing in the district though at rents that are affordable for the area. These, however, are still above those found in the downtown presently. Restricted to seniors 55 and older, Bennet reports rents of \$715 for one bedroom unit and \$805 for two bedrooms. Vacancy stands at 0%, testament of solid demand for such housing.
- For seniors, the benefits of a Downtown location are numerous: access to public transportation, goods and services, health care (in the form of medical practitioners downtown), and proximity to library and town services. Potentially such housing could be targeted to properties with apartments when they come into the market. A major caveat, however, is that few of the older multi-storied properties downtown include elevators, an obvious requirement for this market, which would substantially add to housing rehab cost.

LWLP Broad Street Parkade Study, October 2014

LWLP's report includes the Downtown Manchester Sub-market in its analysis. While the report's focus is on retail, it does provide background for the Nathan Hale market.

- Data on the 1-mile Local Neighborhood Market revealed solid density levels and respectable economics (income base) functioning within the area. More immediate to the downtown is a profile somewhat lower in income.
- The Neighborhood Market base is relatively young, representing a group more disposed to spend (than save) in eating out and shop.
- Signs of negative population growth in the local market point to some neighborhood disequilibrium, though projections indicate a moderation in this rate over the next five years. Town-wide and Region trade area, on the other hand, reflect impressive growth gains in the last decade and continued growth going forward – both important factors in site locational criteria for commercial-retail uses.
- While diversity is growing in all three trade areas, as a market base non-whites and other ethnic groups continue to make up less than 30% of the population locally and closer to 20% in the Town-wide market. This has implications for tenant mix for the downtown.
- Healthy income profiles are noted for Town-wide trade area and even stronger levels seen in the Region. The latter, however, represents more of a challenge in terms of downtown market penetration of consumer base given broad range of retail-commercial options in the region.

Manchester Housing Commission

Excerpts from the Manchester's Housing Commission's report of February 2015 on affordable housing issues for Manchester states that:

Based on the above trends and discussion, the Commission considers maintaining and expanding housing affordability a critical issue affecting all demographic groups in Town. The Commission highlighted several housing issues it considers critical for the Town:

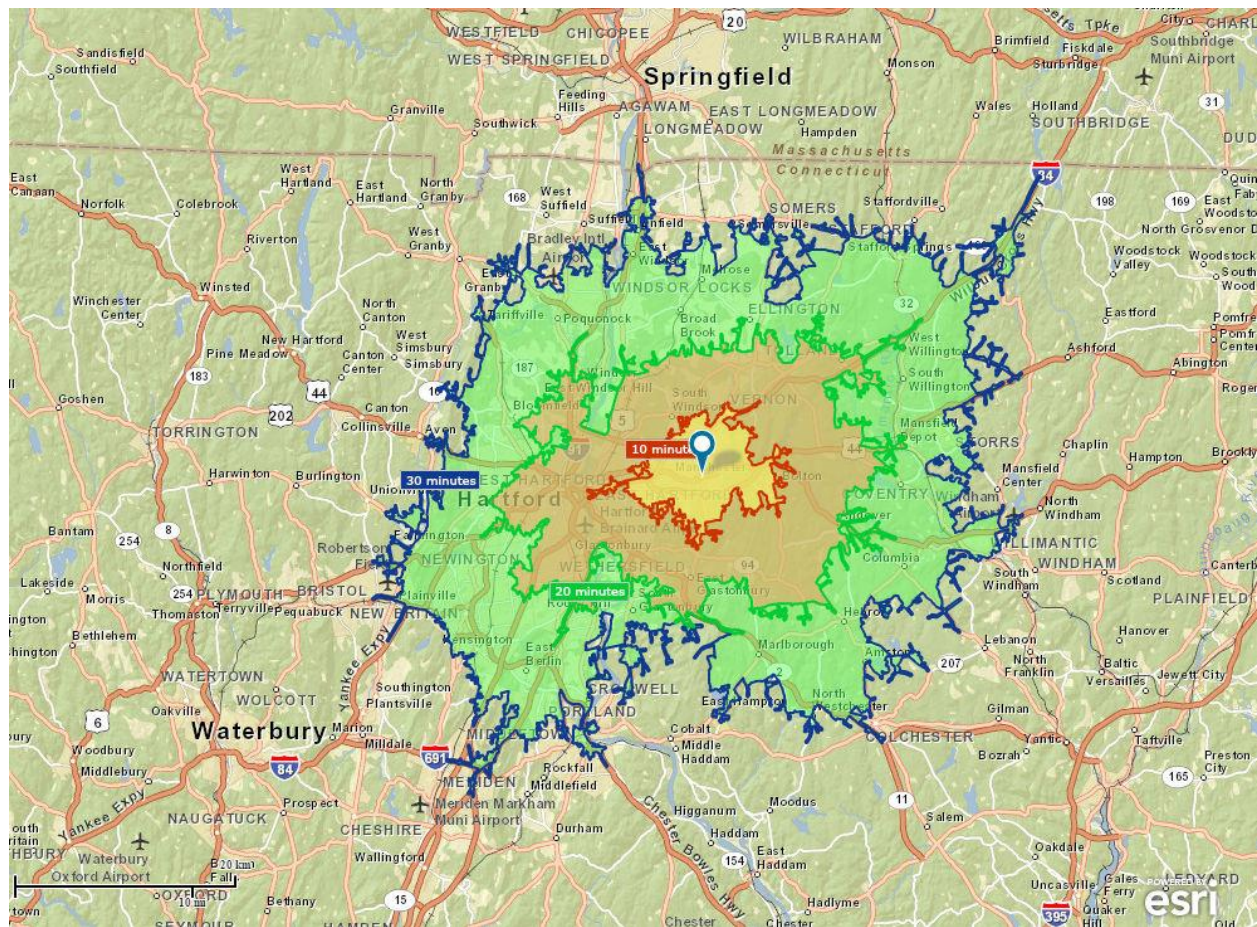
- The importance of increasing the supply of both rental and owner-occupied units and improving the existing housing stock.
- Recognizing the need for quality, affordable rental units for low and moderate-income families.
- Identifying targeted vulnerable populations that need housing, such as veterans.

Nathan Hale School

Market Area

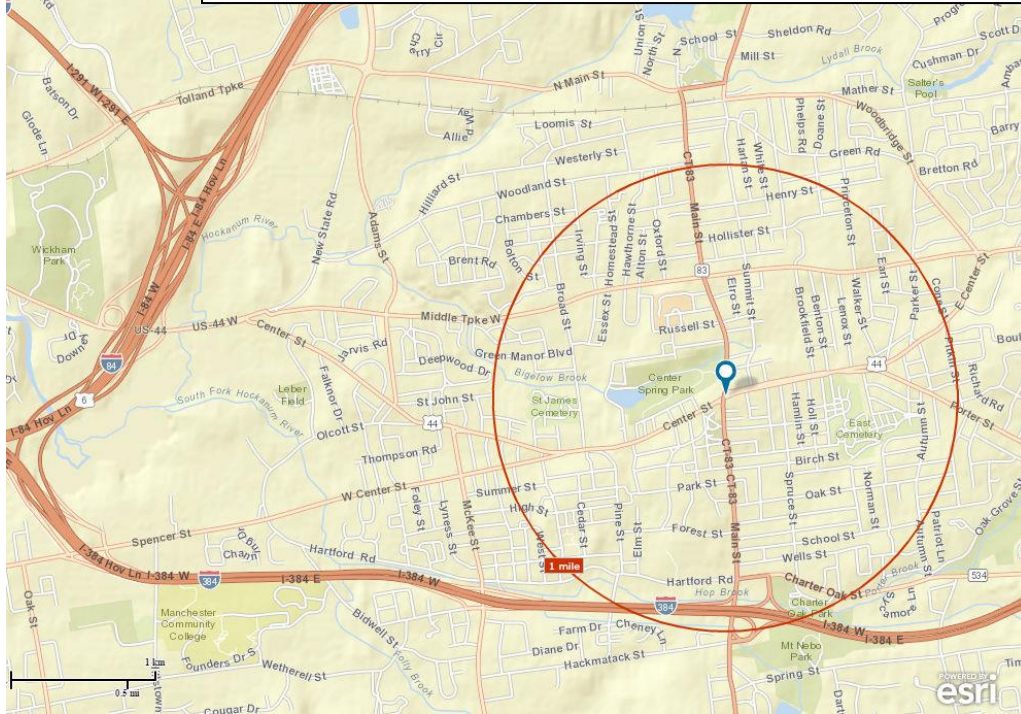
The market area for the site is defined by the average commuting time, which is just under 30 minutes, and includes the City of Hartford and extends as far north as the Massachusetts border, as far south as Meriden, as far east as Willimantic, and as far west as Avon. The area is best described as urban/ suburban. The population growth is expected to be flat over the next five years and the income is above the national average.

Thirty Minute Drive Time from Town Hall, Manchester, CT



For this study, the submarket was defined as a one-mile radius from Town Hall, an area that includes Manchester's CBD as well as the large residential redevelopment of the Cheney Mills. The Nathan Hale School is located one block to the east of Manchester's central business district (CBD). It has easy highway access from I-84 and I-384.

1 Mile Radius of Town Hall



The school, while it has close proximity to Main Street, is not a direct part of that community. The main entrance is on Spruce Street, an area of older homes and local retail. The main asset in the neighborhood, other than the school, is the renovated firehouse across the street that houses many community activities.



Current Use of Nathan Hale

The Town has identified the following programming that currently takes place at Nathan Hale. Only three user groups, the Parent/ Early Childhood education, the Pickle Ball League, and the Manchester Basketball Association use the building on a regular, weekly basis.

USER GROUP	PROGRAM	LOCATION	DESCRIPTION
Manchester Police	Training	2 nd floor	K-9 Training
Manchester Youth Service Bureau	Parent/Early Childhood Ed	2 nd floor room	Education
Manchester Parks and Rec	Pickle Ball	Café/Gym	Adult Sports
Manchester Youth Service Bureau	Early Childhood Fair	Café/Gym	Special Event
Office of Neighborhoods/Families	Community Events	Café/Gym	Special Event
Manchester Basketball Association	Basketball Practices	Gym	Youth Sports
Manchester Police	Car Seat Safety Program	Grounds	Ed/Awareness
Office of Neighborhoods/Families	East Side Flea Market	Grounds	Special Event
Office of Neighborhoods/Families	Summer Outdoor Movies	Grounds	Special Event
Manchester Little League	Organized Baseball League	Grounds	Youth Sports
Drop-in Basketball	Neighborhood Use BBall	Grounds	Open Rec

Zoning

The Nathan Hale School is located in the RB ‘Residence B’ zone. This zoning designation does not permit the use of the building for business or multifamily housing. Site plan approval, using a use variance, PRD, special exception or some other process to be determined by the town will be required to obtain approval. There is plenty of room on site for the number of parking spaces required for either use. The remaining portion of the site that is not delegated to parking will be reserved for green and recreational space that could support community gardens.

Nathan Hale School is in a Residence B (RB) zone which is primarily intended for single and two-family homes as well as a variety of principal uses considered to be compatible with a residential neighborhood. These include municipal parks, recreation facilities, municipal offices and schools. This zoning district would prohibit the conversion of the Nathan Hale School building to a multi-family residential development as described in this report. The zoning district change to Planned Residence Development (PRD) would allow multi-family conversion but would limit the total number of units to 10 dwelling units per acre. This density would not achieve the number of units deemed necessary to make residential conversion economically feasible. The options include requesting a variance to the density limits in the PRD zone; revising the PRD regulations to increases in the allowable densities as proscribed by the regulations as drafted by the Town; or otherwise amend the regulations in a way that would allow the adaptive reuse of the building for housing.

The RB zone would allow the use of Nathan Hale School for most of the nonresidential uses discussed in the report including education, recreation, youth programming and daycare or after school care. A use variance or regulation amendment may be required to accommodate arts or certain assembly related uses depending on the specifics of the use and the provider. Also, if the commercial kitchen were to be licensed to be used by multiple parties, some sort of use variance or regulation amendment would also be required for that particular activity.

Building Condition Report

Business Use

The building is well suited to business use, a B use group. The building appears to be type IIB or IIIB construction per chapter 6 of the CT Building Code. The existing three story 26,500 SF footprint is less than the allowable 4 story and 38,000 SF for B buildings with a sprinkler system of this construction type. Accessory uses which exceed 10% of the floor area or other uses such as residential, assembly, exhibit, community gathering or workshops would need to be separated by fire rated construction. It is possible that the existing walls and floors already provide the fire separations but in any event, such separations do not pose a hardship. Fire exits are more than adequately sized and located.

Layout

The existing classrooms on the upper two floors and rooms below them on the lower level area are each approximately 900 SF. Existing walls may limit flexibility and efficiency of a business use depending on the user's space requirements. The existing building systems are antiquated and obsolete but serviceable. Depending upon the type and quality of space required and the user's budget, these systems could be serviced or replaced. The addition housing the gym, cafeteria, stage and kitchen are still actively used by the community. The current configuration of the addition can continue to support community activities and future art and music programs—the space remains a community asset. Alternatively, the spaces can be converted to business use.

Residential Use

Code

The building is also well suited to use as apartments, an R-2 use group. The building appears to be type IIB or IIIB construction per Chapter 6 of the CT Building Code. The existing three story 26,500 SF footprint is less than the allowable of 4 stories and 32,000 SF for R-2 buildings with a sprinkler system of this construction type. Accessory uses which exceed 10% of the floor area or other uses such as office, assembly, exhibit, community gathering or workshops would need to be separated by fire rated construction. It is possible that the existing walls and floors already provide the required fire separations but in any event, such separations do not pose a hardship. Fire exits are more than adequately sized and located.

Layout

The existing classrooms on the upper two floors and rooms below them on the lower level area are each approximately 900 SF. Based on size and availability of windows, we believe that all floors can accommodate one and two bedroom units as shown on our plans. The building would require complete 'gut' renovation to accommodate this new use. The addition housing the gym, cafeteria, stage and kitchen can be used in its current configuration as these spaces can provide space for the arts. Alternatively they can be converted to residential use. The gym could have a second floor added in the volume of the existing building to gain additional apartments.

In conclusion, we do not foresee any impediments with the conversion of this facility to business or housing.

Feasibility

Information Interviews

The consultants conducted informational interviews in order to collect data from community leaders, business owners, and other stakeholders to determine what people thought about the adaptive reuse and feasibility of the Nathan Hale School. A list of stakeholders was compiled that included the names of organizations, businesses, executive directors, developers, and city officials to be interviewed. Once a list of community leaders was compiled, the consultants schedule times to interview the community leaders either in person or by phone. Stakeholder identification and engagement is critical for the success of any revitalization plan, which has a direct impact on local economic development.

Arts

Those in the arts community had ideas closely related to their fields of interest. Because there is no affordable music performance spaces in the area for orchestras and ensembles (beside churches) that had an intimate setting with smaller seating arrangements and sound absorption, the Nathan Hale School could provide this—not in the auditorium but a smaller venue. Also suggested was an artist colony with single room apartments and larger spaces available as galleries, exhibition spaces and student education.

They are trying to develop a Downtown arts district to make Manchester into a regional arts destination. In that scenario, artists that are living/working at the Nathan Hale School could create their art there and sell it on Main Street, thus connecting the two areas. It was stressed that artists improve their community—especially for the most challenging areas—and bring energy to the neighborhood. After school music programs for the at-risk population in the area also are a positive way to help kids boost their confidence through music performance. Community gardens were also suggested.

Commercial Use

From our information interviews, the demand for office space and retail is essentially non-existent. Retail is already struggling along and nearby Main Street.

The renting of the kitchen for use as a commercial enterprise was examined. This would include the use of the kitchen as an “incubator” for start-up food production. A variety of people that we interviewed, including chefs, food businesses and a business advisor for the State of Connecticut, felt there was significant demand in the Manchester area for a food incubator where startup businesses could share the kitchen and related resources as their businesses were getting off the ground.

After our initial conversation with the business advisor at the State, she reviewed our discussion with the Small Business Development Center Team and they were all enthusiastic about having additional commercial kitchen space available, indicating food industry incubation space is desperately needed across the State. She indicated she had 2-3 clients needing this type of space

and there are at least 6-8 more in the Farmington Valley area. There are also people seeking space who are located in Bristol, Waterbury, New Haven and Eastern Connecticut. Most chefs/cooks looking for this type of capability are having trouble finding space that meets their needs, is not already filled to capacity or can meet their licensing/inspection requirements. There appears to be a growing demand from food truck vendors, mobile catering entrepreneurs and private chefs for commercial kitchen space as they come to the State's Small Business Team for help finding it and navigating the related processes. She has also worked with the Women's Development Center where there are 6-8 people looking for kitchen space.

However, a food incubator would require both refurbishing the existing equipment and potentially acquiring new equipment, as well as addressing issues related to design, management and control, licensing, cleaning and sanitation, scheduling and other matters. It was estimated that an incubator such as this would require 10,000 SF or less of space. While the consultants did not find a ready taker, it may be a consideration if the building is converted for community use.

Residential

From the development perspective, there was some degree of potential interest in the building as a residential project. Observations from one developer included the fact that the building was solid but will need \$1.0 to \$1.5 million for environmental remediation and a new heating/cooling plant. Interest was in apartments (not micro units) with the gym being converted to a two-floor apartment use and without a public sector use. In this case the building would need to be sold to the developer at low or no cost to make the project work.

Another developer felt while the school was fairly near Main Street, the surrounding neighborhood is considered "dicey" and tough. He felt Manchester had a need for market rate rentals and lofts and that a creative loft/residential conversion of the Nathan Hale School might be the best bet. He also felt that the 80% market rate demographic that lives in the Cheney Mills residential apartments would be the target for residential at the Nathan Hale School.

A developer from a corporation that does both for-profit and not-for-profit residential projects—which approach they use depends on the percentage of market rate units and the financing available—felt Nathan Hale was the right size for them with decent development potential including possible additional buildings on the site. His major concern was the need for community/arts space as part of the project. If they were to pursue a project such as this they would own and manage the housing and would need an established non-profit or the Town to oversee the community/arts space possibly with a long-term (20 year) lease.

Other developers were not interested or could not explore things further as their pipeline was already full. A comment was also made that there were area safety concerns (perceived if not actual) and that the low to moderate income area in which the school resides would set the tone for who would want to rent there, as opposed to the young professional market. There was also a comment made that there might be conceptual interest in such a residential project if CHFA financing were to be available.

On the demand side, the CT Department of Veteran's Affairs reports that there is a demand for veteran's housing. While they don't offer subsidies, the federal VA program does.

Manchester Community College (MCC)

MCC is not interested in being a landlord for buildings outside their campus, or paying traditional rent. When they occupy a building they do not own, for their programs, they typically pay \$1/yr. and a percentage of the fees they receive.

They do have a lot of students from outside the area many of whom rent at Cheney Mills and generally such students would be interested in affordable and even "green" apartments. MCC also saw a need for housing for single moms and families with kids. MCC does not want to run its own dorms or student housing.

In terms of their culinary programs, they are trying to get state bonding for a new building that would include their culinary needs. Any potential interest in outside space would depend on the status of that bonding. Use of the Nathan Hale kitchen would probably require a license under the Town. They also mentioned Paul Finney (who the consultants later interviewed) who operates October Kitchens who felt there was a need for kitchen space for MCC culinary graduates and Nathan Hale could meet such a need.

Their summer kids program is packed and does require kitchen preparation space so Nathan Hale could be a good location for that.

While MCC and the Y are competitors for youth programs there are areas where they could partner. MCC does not offer any sports programs for kids.

Early Childhood Development programs would also be a good fit at Nathan Hale, whether for MCC or others.

MCC felt the Hartford Consortium for Higher Education might have interested parties for using Nathan Hale in order to establish a presence East of the River for schools such as Trinity and the University of Hartford.

Non-Profit/ Public Sector

The following public sector and non-profit groups interviewed indicated an interest in the building. These groups usually pay a no to a nominal amount of rent.

- The Adult Education staff indicated that they could consolidate operations from some leased space on Main Street and use of classrooms at the High School to Nathan Hale. They would use of two floors for adult education classes in the morning and evening. Their programming needs shows a need for approximately fourteen classrooms (size to the determined), 13 offices and 2 computer labs.
- The Board of Education might want use of some classroom and recreational space for after school programs for the children that are now bused to three different schools. Food service is provided at the end of the day for the participants.
- The Parks and Recs Department currently uses the gym for recreation programming.

- The Greater Hartford YMCA has a potential interest in the use of the gym space for day and evening programming and some classroom space for childhood development during the day and after school.
- MCC's indicated a potential use for its early childhood development program, especially in the summer months.
- Arts groups indicated a general interest in having gallery space and other studio space, but no group identified as wanting to sign a lease.

Manchester Rental Rate Analysis

Below is a display of rental rates from a group of Manchester apartments.

Manchester Rental Rates

Complex Name	Address	Type	Monthly	SF	Monthly
		Bed/Bath	Rent		Rent/SF
Clocktower Mill Apts.	63 Elm St.	1/1	\$963	670	\$1.44
TGM Waterford Commons	30 Catherine Way	1/1	\$1,115	690	\$1.62
		2/2	\$1,355	1,023	\$1.32
Velvet Mill Apts.	185 Pine Street	1/1	\$897	704	\$1.27
		2/1	\$1,195	1,102	\$1.08
		2/1.5	\$1,143	1,537	\$0.74
Lofts at the Mills	91 Elm Street	1/1	\$940	824	\$1.14
		2/1	\$1,265	1625	\$0.78
The Pavilion	345 Buckland Hills Dr.	1/1	\$1,034	688	\$1.50
		2/1	\$1,180	920	\$1.28
Vintage at the Grove	1500 Horizon Way	1/1	\$1,285	814	\$1.58
		2/2	\$1,550	1,192	\$1.30

Source: Apartments.com

One bedroom ranged from \$.95 to \$1.62/SF per month and averaged \$1.36/SF per month. Two bedrooms ranged from \$.74 to \$1.32/SF per month and averaged \$1.09/SF per month.

LWLP figures for the Manchester properties they studied were \$.88 to \$1.50 per net SF per month (but they also indicated there was one project at \$1.90/SF). In the November 2014 Report from the Manchester Housing Commission, they referred to the LWLP Residential Rental Analysis that used \$1.50/SF in its development analysis. So, while \$1.50 may be the number that is out there, that number may be a bit on the high side (of conservative). However, the \$1.50 number is comparable to the higher end numbers above and therefore competitive. For projects that it is underwriting in greater Hartford, CRDA is reportedly using \$1.60 to \$1.80/ SF for apartment rents.

Pro Formas

Based on the results of the interviews and consultation with the Town, the following alternatives were analyzed in depth in both the design and their ability to be financed.

Alternative 1 – Current Status

This is the base line analysis, showing the current cost of operating the building, \$60,000 a year, and current taxes (\$0, as owned by the Town).

Alternative 2 - Public and Private Sector

2 A The building sold and redeveloped as a mixed-use project. Various public sector uses would pay operating expenses and taxes on the first floor and the top two floors would be apartments. While the Town would need to pay taxes, it would be revenue neutral, as the taxes revert to the Town.

2B As above, but the apartment units would be smaller efficiencies. This would allow lower monthly rent, but use more of the land for parking, and would result in a smaller park area.

2.C As with 2A, but additional units would be permitted on the site, basically maximizing the density, but at the expense of open areas.

Alternative 3 – Private Sector Use

3.A The building is sold to a private developer and the entire building converted to 57 apartments within the footprint of the existing building. The gym would be converted to two floors of apartments. Twenty to twenty-five additional parking would be needed, as the ratio is 1.5 cars per unit. There would still be land to allow for open green space and pocket park to open the property to Cottage Street.

3.B As above, but the units would be smaller efficiencies. This would allow lower monthly rent, but use more of the land for parking, and would result in a smaller park area.

3.C As with 3A, but additional units would be permitted on the site, basically maximizing the density, but at the expense of open areas.

As a result of this analysis and after these runs was completed, several key factors emerged:

- Public/ Private Development (Alternative 2)

The development community did not like the idea of a mixed use public/ private development, as it resulted in too few units. This option was therefore eliminated.

- New Construction (Alternatives 2C and 3C)

The consultants looked to see if the site could handle another building to make up the number count for the developer. The site is too small for a free-standing additional building to make up the difference in the public/ private use. Part of the land behind the

school will need to be used for parking in order to get the ratio up to 1.5 cars/ unit. That option was therefore eliminated.

- Micro Units (Alternative 3B).

In another attempt to increase the apartment count, the consultants looked into “Micro” units. These smaller units are gaining popularity with young professionals that want their own apartment without roommates. The smaller size leads to lower rents.

The building is so solidly built that subdividing the classroom into “micro” units did not work, so that alternative was also eliminated.

The consultants then recast the pro formas as follows:

- Alternative 1 – Current status, very limited community use
- Alternative 2 A– 100% community use, with the user groups paying operating expenses (\$7.03), but not the cost of base building renovations (which would add \$4.14/ SF to the rent, for a total of \$11.18/ SF gross)
- Alternative 2 B – 100% community use, with the Town bearing both the cost of improvement and operating costs.
- Alternative 3 – 100% apartments, including remodeling the gym to be two floors. Rents are based on \$1.50/ SF per month.

The following shows the financial impact to the town on an annual basis of these alternatives. In the unlikely event that the community tenants paid for the amortization of the debt and operating expenses as well, then the direct cost to the Town would be \$0. It should also be noted that the Town may need to provide some tax incentives to the developer to close the financing gap in the first years of operation.

Alternative	Owner	SF Community Use	Potential Taxes	Direct Town Costs (annually)
1 - Current Status	Town	58,959	NA	\$ (60,000)
2A- 100% Community Low rents	Town	58,959	NA	\$ (244,332)
2B – 100% Community No rents	Town	58,959	NA	\$ (658,949)
3 - 100% Apartments	Developer	0	\$0 to \$362,000	\$0

The feasibility of renovating the building into a 57 unit apartment complex is strongly dependent on gaining Federal and State Historic tax credits and other Federal tax credit (and other) subsidies, as current rents will not cover the cost of renovation. The Town should be prepared to offer tax incentives as part of the development agreement, as well as put a very low value (\$1) on the building. Without those concessions, the building has a negative cash flow.

Developers of subsidized housing use the tax credits toward their equity contribution. As payback of any equity to the developer is usually not available in the short term, developers may defer their fees and return of equity until they refinance or sell the project.

Site Schematics

Private Sector Development

The proposed plan does not incorporate the small parking lot to the north currently used by the building. That can remain open parking for the use of the community center in the firehouse across the street.

The site plan opens up a pathway and “pocket park” to connect the site to Cottage Street, and also provide easier access to Main Street. The baseball diamond is removed and would be utilized as open space.

Site Plan



100% Apartments

The architectural drawings for conversion to 100% apartment use calls for the conversion of the gym and cafeteria to 57 apartment units: 50 one-bedroom and 7 two-bedroom apartments with two community rooms. The gym would have a second floor added, the cafeteria is currently two stories. The apartments range in size from 650 to 1,150 SF. The intent is that the apartments have their own washer/ dryers as an amenity.

First Floor



Second Floor



Third Floor



Public Sector/ Community Use

The architects also prepared a site plan for continued community use. The existing parking lot to the north would be used, as well as the drop off for school buses. As in the private sector development, the underutilized ball park would be converted to open space, and the “pocket park” would connect the site to Cottage Street. If the property is sold, the Town could place an easement on the open space for continued community use.

The interior of the building would be modified dependent upon the programming needs of the users.



Funding Sources

Historic Rehabilitation Tax Credit

The CT Historic Rehabilitation Tax Credit Program (<http://www.cga.ct.gov/2014/ACT/PA/2014PA-00217-R00HB-05597-PA.htm>) establishes a 25% tax credit on the Qualified Rehabilitation Expenditures associated with the rehabilitation of a Certified Historic Structure for either 1) residential use of five units or more, 2) mixed residential and nonresidential use or 3) nonresidential use consistent with the historic character of such property or the district in which such property is located. An additional credit is available for projects that include affordable housing as provided in section 8-39a of the general statutes.

Other program highlights include:

- 25% tax credit of the total qualified rehabilitation expenditures
- 30% tax credit of the total qualified rehabilitation expenditures if the project includes an affordable housing component provided at least 20% of the rental units or 10% of the for sale units qualify under CGS Section 8-39a.
- \$31.7 million in tax credit reservations are available each fiscal year; per project cap is up to \$4.5 million in tax credits
- Qualified rehabilitation expenditures are hard costs associated with rehabilitation of the certified historic structure; site improvements and non-construction costs are excluded
- Buildings must be listed on the National or State Register of Historic Places, either individually or as part of an historic district
- All work must comply with the Secretary of the Interior's Standards for Rehabilitation
- State tax credits may be combined with the 20% federal historic preservation tax credits provided the project qualifies under federal law as a substantial rehabilitation of depreciable property as defined by the Internal Revenue Service
- Tax credit vouchers are issued after completion of rehabilitation work or, in phased projects, completion of rehabilitation work to an identifiable portion of the building placed in service (see Appendix B for instructions on phased projects)
- Tax credits are available for the tax year in which the building or, in phased projects, an identifiable portion of the building is placed in service
- Tax credits can only be used by C corporations with tax liability under Chapters 207 through 212 of the Connecticut General Statutes
- Tax credits can be assigned, transferred or conveyed in whole or in part by the owner to others up to three times.

Connecticut Housing Finance Authority (CHFA)

The Connecticut Housing Finance Authority (CHFA) administers the federal “Low-Income Housing Tax Credit” (LIHTC) program and the state “Housing Tax Credit Contribution” (HTCC) program, both of which might be applicable to the financing of the project. They have targeted veteran and low-income housing as a priority for their funding.

Federal Low-Income Housing Tax Credit (LIHTC) Program

In Connecticut, the LIHTC program plays a vital role in the creation and preservation of affordable rental housing by increasing the funding available to eligible projects that best meet the state's goals and requirements for affordable housing. The programs were created by Congress and the state Legislature to facilitate and encourage the creation and preservation of affordable rental housing nationally and in Connecticut. The LIHTC program is contained within § 42 of the [Internal Revenue Code](#) (26 U.S.C. § 42) as a tax incentive program to stimulate investment in affordable housing.

In general, these programs allocate tax credits that significantly reduce the tax liability of developers and investors of rental housing. In exchange for these tax credits, developers and owners are required to provide and maintain lower cost rental units in their housing developments.

The LIHTC program provides incentives for developers to acquire, rehabilitate and/or build low- or mixed-income housing through the allocation of federal tax credits that may be sold to corporations or investor groups to raise equity for a project. The credits represent a dollar-for-dollar reduction in tax liability and often are purchased at a discount. Applications are due in the Fall and acceptances are announced at the March CHFA board meeting.

State Housing Tax Credit Contribution (HTCC) Program

The Connecticut Housing Finance Authority (CHFA) also administers the state Housing Tax Credit Contribution (HTCC) program to provide funding for housing programs sponsored by non-profit developers, or for-profit developers that are jointly developing with a non-profit, in Connecticut. The intent of the HTCC Program is to make funding available for the development of affordable rental housing that benefits very low, low- and moderate- income families in Connecticut. The program also can be used to capitalize a Revolving Loan Fund that lends money to affordable housing developments or eligible individuals who are purchasing a home; or a Workforce Housing Loan Fund that lends money to individuals purchasing a home in the city or town where they work.

Under the HTCC program, a non-profit corporation can receive up to \$500,000 annually in state tax credits which can then be sold to state business firms in return for cash contributions to the non-profit corporation's housing program. Each year CHFA allocates up to \$10 million in state HTCC tax credits on a competitive basis to non-profit corporations.

Federal/ HUD Grants

Community Development Block Grant Program (CDBG) works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. CDBG is important tools for helping local governments tackle serious challenges facing their communities.

The annual CDBG appropriation is allocated between States and local jurisdictions called "non-entitlement" and "entitlement" communities respectively. Entitlement communities are comprised of central cities of Metropolitan Statistical Areas (MSAs); metropolitan cities with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities). States distribute CDBG funds to non-entitlement localities not qualified as entitlement communities.

HUD determines the amount of each grant by using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.

Competitive Housing Assistance for Multifamily Properties (CHAMP)

Through the Competitive Housing Assistance for Multifamily Properties (CHAMP) initiative DECD provides gap funding to owners of existing developments and developers of proposed new developments to increase the supply of safe, decent and affordable housing in Connecticut. Through this initiative, DECD seeks to leverage non-State funds to catalyze the creation and/or preservation of affordable multifamily housing to promote healthy lives, strong communities and a robust economy. DECD funds may be provided in the form of grants, loans or a combination thereof. In addition, funds awarded under this initiative may be combined with financial assistance from the Connecticut Housing Finance Authority, including 4% low-income housing tax credits and taxable and/or tax exempt bond financing.

CT Trust for Historic Preservation

Ct Trust offers a matching grant of up to \$20,000 to municipalities and non-profits for planning purposes. This includes architectural and engineering costs.

Brownfield Grant

As the building has lead paint, and potentially other areas that need remediation, remediation is an issue. Dave Hurley for Fuss & O'Neill said that some remediation monies may be available from the State to the developer, especially if it is used for a program that DECD is in favor of. He did not believe that the Town could get remediation monies if it is for its continued use.

Veteran Housing

The State of Connecticut does not have a subsidy program specifically for veterans, but the Federal government does through their HUD-VASH Voucher program that assists homeless veterans and their families to afford decent, safe and sanitary housing. Thirty-five vouchers are awarded for each professional, full-time case manager at a local VASH.

Marketing Plan

Marketing Strategy

The consultant recommends using the two stages Request for Qualification (RFQ)/ Request for Proposal (RFP) method for choosing a developer. This method allows the maximum response rate, as developers will not have to expend large sums of money to state their case and interest.

The RFQ will provide the development community the opportunity to state their interest in redeveloping the Nathan Hale School and adjoining land into apartment residences. Developers will respond with their qualifications and references and answer questions such as their market focus.

After reviewing the responses a short list is created and those developers will respond to an RFP, which is much more detailed.

In advance of writing the RFQ, the Town should:

- *Create a data base*
The Town will need a data base for the distribution of the RFQ. This list should include area developers, architects, engineers, historic preservation groups, as well as residential and commercial brokers. Those that were interviewed as part of this process are a start of this data base. These lists can be found in Appendix D.
- *PR*
The Town should create a press release to get newspaper, radio and television coverage about the project. This would include a contact for interested parties.
- *Post on Web Sites*
The development opportunity should be posted on LoopNet, CoStar and the DECD Sitefinder websites.
- *Goals and Objectives*
The Town should clearly decide and then state in the RFQ what it hopes to accomplish on the site in terms of both residential development and the need to bring energy, vitality and pride to the site.

Developers respond favorably to RFQ/ RFPs that are specific and clear. The Town therefore needs to decide the following:

- *The Property*
The land to be conveyed will need to be defined.
- *Density*
In advance of the RFQ/ RFP being issued, the Town should be clear as to the number of units that it will permit. This report recommends 57+/- units.
- *Property Value*
A fair market value needs to be established for the property, as that will be a key

component in gaining tax credits. An appraisal should be ordered for this purpose.

- *Restrictions*
If the Town is going to request units are to be set aside for elderly Town residents, Town employees, or any other interest group, that should be made clear as well as if there will be any easements for open space.
- *Community Room*
At the committee level it was discussed asking the developer to incorporate a community room into their design. This amenity could be used by many, including seniors, teens, and community organizations. This can be listed as an “option” that the Town wants the developer to consider.

The Marketing Package created by Bartram & Cochran should be made accessible to RFQ/RFP respondents. It includes:

- descriptive information on the property
- the market area
- market conditions
- housing potential
- demographic, economic, housing and other key data
- floor plans
- site plan
- parking lot plan
- area map
- a one-page flyer (draft form)

Sources & Interviews

Sources

STDB Online
 U.S. Census
 Town of Manchester Planning office
 Town of Manchester Board of Education
 Tai Soo Kim
 AMS Consulting
 LWLP
 CHFA
 CHAMP
 CT Housing Coalition
 Apartments.com
 U.S. Dept. of Housing and Urban Development

Interviews

Anne Miller Real Estate	Donna Connelly
Beller's Music	Nick DuBaldo
Carter Development	Jim Carter
Century 21 Classic Homes	Stephanie Knybel, Shelby Muraski
Chef	Shawn Dickensheets
CHFA	Terry Nash
Corp. for Indep. Living	Chris Canna
Ct Dept of Veterans Affairs	Chuck Leon
CT Small Business Express	Denise Whitford
CT Trust	Brad Schide
Dakota Partners	Steve Kominski
Developer	John Lee
Divine Treasures LLC	Diane Wagemann
Figure Eight Developers	Jim Kelly
Fuss & O'Neill	Dave Hurley
Greater Hartford YMCA	Jim Scherer, COO and Joe Weist, CFO
Grtr. Manchester Chamber	April DiFalco, President
Hinkely Allen	Jorie Andrews, Esq.
Konover Development	Brad Wainman
Lico Development	Brian Liisco
Little Theater of Manchester	Joyce Hodgson (and member of Manchester Arts Commission)
Lutz Children's Museum	Bob Eckert, Exec. Dir., and Chair, Manchester Arts Commission
Manchester Housing Auth.	Joe D'Ascoli, Executive Director
Manchester CC	President Glickman
Manchester CC	Dean DeCordova
Mercer Realty	Garret Heher
October Kitchen	Paul Finney, Owner and Chef
REMAX East of the River	Tom Ferguson
REMAX Manchester	Vincent Diana
Steiner Development	Mark Steiner
Summit Studios	Tom Deffenbaugh
Town of Manchester	Kyle Shiel, Senior Planner
Town of Manchester	Mark Pellegrini, AICP, Director of Planning
Town of Manchester	Scott Shanley, General Manager
Town of Manchester	Chris Silver, Dir., Office of Neighborhoods and Families



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Patricia Brooks, Assistant to the Superintendent, Manchester Public
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Sharon Kozey, Youth Service Bureau
Parks and Recreation staff

