



Testimony in Support of H.B. 6606 – An Act Concerning Economic Development and the Renovation of Historic Mixed-Use Buildings in the State

Patrick McMahon, CEO
Connecticut Main Street Center

Joint Committee on Commerce
March 18, 2021

Dear Senator Hartley, Representative Simmons, Senator Martin, Representative Buckbee and distinguished members of the Commerce Committee:

I write on behalf of the Connecticut Main Street Center, Inc. (CMSC) in support of H.B. 6606. CMSC is a state-wide nonprofit working to unleash the economic potential of Connecticut's downtowns.

The purpose of this legislation is to initiate a multi-agency task force to include housing, banking, administrative services and economic and community development to study the impediments to the renovation of historic mixed-use buildings including consideration of financing tools and building safety codes and report on recommendations and to consider whether the state should initiate a small real estate developer training or capacity building program.

Impediments to the Renovation of Historic Mixed-Use Buildings

A nation-wide discussion has been taking place regarding the growing demand for residential options in authentic compact places where one can walk to shops and services, and that this demand is fueled by baby boomers and their children who comprise half of the country's population. In Connecticut, we are blessed with many historic downtowns and village centers that provide us with irreplaceable assets as the foundations for this "place-based development". However, this mixed-use, mixed-income development has become a lost art form.

CMSC, along with CHFA, launched a pilot program in eight communities called Come Home to Downtown to attract developers and "mom and pop" building owners to redevelop vacant or underutilized buildings with a mix of uses and housing choices. We worked with building owners in Danbury, Hartford, Meriden, Middletown, New Britain, Norwich, Torrington and Waterbury. Each building owner was provided preliminary architectural designs and financial proformas to determine the feasibility of having upper-story residential uses. We later launched with CHFA a \$1 million loan program to assist with the redevelopment of projects like these. The most popular aspect of the loan program was \$50,000 predevelopment loans that could be used for architectural, structural engineering, and environmental studies and permitting costs.

Through the Come Home to Downtown Program we have learned that there are opportunities and challenges for mixed-use development in the state. We have also learned how critically important the state historic



rehabilitation tax credit program operated through the State Historic Preservation Office is to these projects, as well as the importance of other state funded sources through DOH, CHFA, and CRDA.

Opportunities:

- There is a huge amount of potential for accommodating mixed-use development in Connecticut's downtowns. Mixed-use development saves money on infrastructure costs while stimulating local economies.
- Restoring structurally sound historic mixed-use building is among the greenest and most sustainable there is.
- There is high demand among young talent and Baby Boomers for neighborhoods with this kind of development.
- When residents live downtown, they spend downtown, helping local small businesses.

Challenges:

- Mixed-use development is one of the hardest types of development to accomplish. Successful projects can be years in the making.
- There is a lack of developers willing to take on these more challenging projects.
- A lack of financing options severely limits property owners and developers eager to create it. Gap financing is required on many rehabilitation projects located in weaker markets.
- Often these projects require a mix of financing tools that take a level of expertise including state historic rehabilitation tax credits.
- Many owners of small, under-utilized properties lack the knowledge or experience to redevelop their properties.
- Although walkable communities are in demand and both car ownership and miles driven are declining, many developers are hobbled by antiquated parking requirements that require an excess of parking spaces be available on site.
- Complying with building and fire safety codes can drive up the costs of these projects.

There have been some successes from the CHDT Program, including:



The Raphael Building 99 West Main Street, New Britain



TOTAL ANNUAL ECONOMIC IMPACT ON THE COMMUNITY

new residential units: 16 local spending per household: \$30,540
retail sq ft: 14,000 # retail jobs: 56 sales: \$4,602,507

The Raphael Building on Main Street in New Britain was renovated to include 16 apartment units above first floor retail. This building is nearby New Britain City Hall and is a short walk to the Fastrak bus station. Former DOT Commissioner James Redeker attended the ribbon-cutting as he understood the importance of having housing proximate to transit.

Brown Building, Downtown Waterbury



The Brown Building in Waterbury resulted in 38 apartments – 32 one-bedrooms and 6 two-bedrooms ranging in size from 688 to 952 square feet over first floor retail. The upper floors were developed for housing for UCONN Waterbury students.



The Lewtan Building at 28 High Street in Hartford has recently been renovated into 28 units of housing over first floor office and retail space. This building is a block away from Bushnell Park.

However, important iconic building projects like these have stalled:



21 Colony Street in Meriden is right next to the new Hartford Line station. Despite this ideal location, the owner of the building has failed to secure state housing funds to move the project forward.



The Massachusetts-based Women's Institute for Housing and Economic Development has canceled plans to renovate the long-vacant 1880 former Reid & Hughes building boarded up at 193-201 Main St. in Norwich. The institute, which took ownership of the building in 2018, announced it could not secure financing for the proposed \$6 million renovation. The building was almost torn down by the City in 2017 before preservation groups interceded.



Murray on Main in downtown Willimantic, Windham, was slated to be redeveloped into 20 homes and over 3,000 sq. ft. of commercial space in a converted and rehabilitated historic retail building. The four-story, mixed-use brick building was expected to expand housing opportunities by transforming this iconic but blighted building and leveraging existing infrastructure and nearby public transit. Women's Institute for Housing and Economic Development was faced with financing challenges and so this project has not moved forward.

The study task force can bring together experts in financing and development to team with state agency representatives with a goal of finding solutions to roadblocks that prevent more of these projects from getting completed.



Small Scale Development Training



Recognizing the challenges and opportunities of small scale development in our communities, in 2019, Connecticut Main Street Center, Eversource, Connecticut Innovations and CTNext brought the [Incremental Development Alliance](#), a national nonprofit specializing in small scale developer training, to Connecticut. IDA provided introductory workshops in Hartford in New Haven and a daylong workshop at the Eversource headquarters in Berlin. The purpose of the workshops was to provide access to knowledge about real estate development and to help governments, banks and foundations retool the ecosystems to make small scale projects possible. The goal is to help locals strengthen their neighborhoods through small-scale real estate projects.

The challenge is we have buildings that are vacant or underutilized and empty lots that are available but we have a scarcity of developers with the skill set to take on the projects. The opportunity is that these vacant spaces and lots can be turned into productive real estate that are home to residents, entrepreneurs, mom & pop retailers, restaurants and offices.

Training and technical assistance is needed to anyone interested in tackling projects like housing, retail and mixed-use projects on main streets and in neighborhoods. Small scale projects typically entail 1-3 story buildings with less than 20 units, which are residential, commercial or mixed use. These were once every day development exercises, but have been pushed aside in favor of large, more efficient projects of scale. Today it is a challenge navigating zoning codes and financial institutions to get projects like this built and that is what needs solving. Click here for a [5 minute video on small scale development training](#).

There is an organization in Bridgeport call [Led by Us](#) that has provided small scale developer training bootcamps in their city. Other communities in Connecticut could benefit from having small scale developer trainings so scaling bootcamps statewide would be beneficial. This legislation would explore that possibility.

Thank you for your consideration of these important topics. Please contact me at 860-985-2083 if you have any questions or concerns.

Sincerely,

Patrick J. McMahon, CEO