THE PLANNING COMMITTEE OF THE COMMON COUNCIL

125 East Avenue
P.O. Box 5125
Norwalk, CT 06856

TO: MEMBERS, PLANNING COMMITTEE OF THE COMMON COUNCIL

FROM: JOHN KYDES, CHAIRMAN

DATE: JANUARY 23, 2017

RE: **MEETING NOTICE**

A Special Meeting of the Planning Committee of the Common Council will be held on **Monday, January 30, 2017 at 6:30 pm** in Room 231 in Norwalk City Hall. Please Note the Time and Location.

PLANNING COMMITTEE OF THE COMMON COUNCIL
SPECIAL MEETING
JANUARY 30, 2017
6:30 PM

A G E N D A

CALL TO ORDER

ROLL CALL

PUBLIC PARTICIPATION

I. BUSINESS

A. **WALL STREET THEATER**

1. Approve advancing to the Common Council the resolution indicating the City of Norwalk's support of the loan structure and underwriting of the $1,666,000 loan to the Wall Street Theater Company, as structured by and due to the Norwalk Redevelopment Agency.
2. Approve advancing to the Common Council a request for the Mayor to execute the associated Funding Approval / Agreement (HUD 7082).

B. **WEBSTER STREET BLOCK**

1. Discuss Webster Street Block development options

II. OLD BUSINESS

III. NEW BUSINESS

ADJOURNMENT

THE PLANNING COMMITTEE
OF THE COMMON COUNCIL
125 East Avenue
P.O. Box 5125
Norwalk, CT 06856

To: Members of the Planning Committee of the Norwalk Common Council
From: Tami Strauss, Director of Community Development Planning
Date: January 23, 2017
Re: Section 108 Loan for the Wall Street Theater

In June 2013, the Common Council approved the Redevelopment Agency to advance to HUD an application for a Section 108 loan guarantee for the redevelopment of the old Globe Theater on Wall Street. In September 2015, HUD approved the City of Norwalk's request for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974 for the Globe Theater Redevelopment Project to be named the Wall Street Theater in the amount of $1,666,000.

As reviewed with the Planning Committee in September 2014, HUD stipulated that the Norwalk Redevelopment Agency (NRA) is to be the Section 108 borrower. The Norwalk Redevelopment Agency agreed to assume that responsibility in September 2014.

In May 2016 a Consent Resolution was approved by the Common Council that stated that prior to the Redevelopment Agency closing on a loan with the Wall Street Theater Company Inc. that the Redevelopment Agency would have underwritten the loan and made such underwriting available to the Common Council prior to closing the loan, and that approval of the closing would not be unreasonably withheld.

Financial Underwriting
The Norwalk Redevelopment Agency received the attached Executive Summary from High Impact Financial Analysis, the firm selected to underwrite the loan. The memo describes the underwriting process and has determined that:

- The projected operations of the theater are sufficient to make payments under the subject financing as required.
- Collateral coverage is strong based on an as complete appraisal of the theater building.
- The project meets the community and economic development objective of the Agency and Program.

High Impact's analysis is based, in part, upon an Agency commissioned June 2016 appraisal valuing the as-completed theater at $5.6 million. An August 2016 appraisal commissioned by Patriot National Bank, the construction lender on the Theater, values the as-completed theater at $11,785,000, strengthening the collateral coverage of the loan.

Market Study
In December 2016, the Agency received a copy of the Wall Street Theater Market Study

from the Wall Street Theater Company. The market study, prepared by AMS Planning and Research for the Arts and Entertainment Industries, offers a favorable socio-demographic and lifestyle profile (15 and 30 mile radii) to justify a new arts and culture venue in Norwalk. The market study recommends further research in terms of a facility feasibility study to help examine the interest in and the desire to participate in activities at a renovated theater, as well as profiling the competitive landscape for arts and cultural participation.

Feasibility and Competitive Analysis

A needs analysis performed by the Arts Consulting Group recommends that a new (or renovated) theater in Fairfield County should, at its start, serve the local community. The scope and scale of a new or renovated theater should be small in nature, yet programmed with a broad mix of popular attractions. The economic impact of a small theater serving local community needs would likely be minimal at the onset. It is possible, over time, a new theater could achieve success and recognition sufficient to make the town into a destination for visitors and tourists.

Business Plan

A business plan prepared by the Wall Street Theater Company details the operations, fundraising and programming plans of the 700-seat Wall Street Theater. The redevelopment of the theater, focused on Performance, Education and Community, will restore the building to a multi-purpose theater to accommodate live entertainment, conferences, public performances, interactive entertainment, digital production, and exhibition space. The Wall Street Theater Company projects nearly $3.0 million in net income from operations in Year 1 with nearly $3 million in expenses including debt service.

The Wall Street Theater will require the hiring of 20 full-time and part-time employees for the operation of the facility and its business, to be filled as part of a training program with an emphasis on local recruiting and training. Additionally, operations will require a significant employment base from the surrounding area on an as-needed basis. These positions include, creative, artistic, security, stagehands, runners, repairpersons and other jobs necessary for the proper operation of a theater.

Construction Update

Per the Developer, as of December 22, 2016, the Wall Street Theater is about 85% complete, and the Developer anticipates receiving a Temporary Certificate of Occupancy by December 30, 2016. Per the Developer:

- All of the interior systems are complete.
- The HVAC structure has been built on the roof and the system itself is ready for testing.
- All new gas, electric and water service has been brought to the site, about a $550,000 upgrade that will allow bigger and better utilities to be used elsewhere on Wall Street.
- The State of Connecticut is bringing in 2GB of fiber for streaming data, which has been completed at the site but won't be actually dug from West Avenue until March.
- The roof, exterior areas and alleys will be completed.

- Finish work is currently underway, with the bathrooms, life safety and sprinkler systems being tested for the TCO.
- There are 4 distinct bar areas in the building, with each one being hand built.
- The walk in refrigerator has been installed.
- Painting is mostly complete with carpeting being laid in certain places.
- The stage fire curtain has been installed, as well as the steel gridiron which holds the rigging system.
- In the next 45 days, the full stage rigging package will be installed, the full theater lights and sound packages will be hung and installed.
- The historic proscenium will be rehabilitated, and the historic murals will be completed, framed and hung.
- The fire doors and fire escapes will be rehabilitated
- 100% completion in approximately 60 days

Construction and Construction Loan Takeout Budget

All tax credits are scheduled to close the week of December 26, 2016. A title search is underway to confirm that the 108 loan will be the only lien on the property once the Patriot Bank loan is taken out.

TO COMPLETE CONSTRUCTION	$ 10,788,225.67
Patriot Bank Construction Loan	$ 8,800,000.00
Federal Historic Equity	$ 1,795,200.00
Patriot Bank Construction Loan Shortfall	$ 193,025.67
PATRIOT BANK LOAN TAKEOUT	$ 8,993,025.67
State of CT Infrastructure Credits	$ 2,291,133.27
State of CT HTC	$ 1,905,226.13
State of CT Green Tax Credits	$ 504,000.00
HUD 108	$ 1,660,000.00
Green Bank	$ 2,632,666.27

Attachments

- Underwriting Executive Summary – September 2016
- Market Study Executive Summary – March 2012
- Business Plan Executive Summary – December 2016
- Cover letter of property appraisal – August 2016

Full documents were provided to Planning Committee members on January 6, 2017.

Action Requested

Approve advancing to the Common Council the resolution indicating the City of Norwalk's support of the loan structure and underwriting of the $1,666,000 loan to the Wall Street Theater Company, as structured by and due to the Norwalk Redevelopment Agency.

Approve advancing to the Common Council a request for the Mayor to execute the associated Funding Approval / Agreement (HUD 7082).

Resolution

From: Common Council City of Norwalk
Regarding: Section 108 Loan Guarantee request for the Globe Theater Redevelopment Project

WHEREAS, the Common Council of the City of Norwalk, CT recognizes the significance of the redevelopment of the old Globe Theater to house a public cultural use that would elevate the Wall Street area as an emerging arts district; and

WHEREAS, the Common Council understands the need for public financing to accomplish this objective and recognizes that public financing is required to make the project, to be named the Wall Street Theater, economically viable; and

WHEREAS, investors in the construction of the Wall Street Theater are: (a) Patriot Bank construction loan - $8.2 million; (b) State of CT DECD grant for acquisition - $1.5 million; (c) Federal Historic Tax Credits - $1.8 million; (d) State of CT Historic Tax Credits - $1.6 million; (e) State of CT Infrastructure Tax Credits - $2 million; (f) Private grants and donations - $260k; and

WHEREAS, the Wall Street Theater Company, Inc. has requested the City's investment be in the form of a Section 108 Loan Guarantee in the amount of $1,666,000 as approved by HUD; and

WHEREAS, Norwalk Redevelopment has agreed to be the borrower of the Section 108 loan funds and the responsible party to effectively underwrite an associated loan with the Wall Street Theater Company, Inc.; and

WHEREAS, the Norwalk Redevelopment Agency has underwritten the loan to Wall Street Theater Company, Inc. and has made such underwriting available to the Common Council for its review prior to closing the loan;

NOW THEREFORE BE IT RESOLVED: that the Common Council of the City of Norwalk on January 10, 2017 herby approves this resolution and indicates its support of the loan structure and underwriting of the $1,666,000 loan to the Wall Street Theater Company, Inc. as structured by and due to the Norwalk Redevelopment Agency.

THE PLANNING COMMITTEE
OF THE COMMON COUNCIL

125 East Avenue
P.O. Box 5125
Norwalk, CT 06856

MEMORANDUM

TO:	**COMMON COUNCIL PLANNING COMMITTEE MEMBERS**
FROM:	**TIM SHEEHAN, STAFF**
DATE:	**JANUARY 25, 2017**
RE:	**WEBSTER STREET LOT PLANNING**

Since the early nineteen eighties the Redevelopment Agency, in conjunction with the City of Norwalk, has on at least three occasions sought to study, plan for and assess the development potential for the Webster Street Parking Lot located in SoNo. The City owns approximately five acres of land in the area defined as the lot, which is currently used to support six hundred surface parking spaces. These shared parking spaces support the business and entertainment uses that surround the parking lot and are currently managed by the Norwalk Parking Authority. The privately purchased parking permits exceed 100% of the capacity of the lot. As other immediately adjacent parking resources are limited to support the existing business and entertainment uses that are supported by the lot, it is evident that any consideration of development on the City owned land within the Webster Street Lot comes with the obligation to replace all of the existing six hundred parking spaces.

While there are soft sites that could be considered as potential acquisition sites by the City / Redevelopment Agency, such sites have been previously factored into the potential development calculations of some previous studies of the lot. Private land acquisition, however, is not being considered as a City / Redevelopment Agency function in this analysis. Acquisitions of privately owned parcels are being assigned to the private sector. What is being assigned to the City / Redevelopment Agency is to assume the public infrastructure burden via a structured parking garage to unlock the surrounding development potential of those privately owned sites, allowing them to become more contributing sites to the district. Without a structured public parking facility, the economic potential of the block has been realized by the existing uses surrounding it. This explains the private sector's inability to introduce new development despite favorable land use regulations with regards to density and height. There is no way to effectively provide for the requisite parking that any meaningful new development would require for any use.

The cost of above grade structured parking is roughly eighty dollars a square foot. The corresponding parking fees will not fully amortize the cost to construct the parking and the financial gap outweighs the private sector developable value of the remaining city land. Therefore, it is unlikely that the private market will respond favorably to assuming the cost of constructing the parking structure in exchange for development rights for the remaining city owned land surrounding the structure. As stated previously, there is no unified ownership of the parcels surrounding the Webster Street Lot. Therefore, the private market will have heavy acquisition costs to assemble development parcels. These costs alone will significantly marginalize development returns well beyond the point that assumption of all of the parking costs could be contemplated. Private development will, however, have some level of private parking to fulfill its financing and marketing requirements.

How much public parking should be considered on the Webster Street Lot? The most recent analysis and those previously have suggested a range of 1,200 to 1,500 spaces inclusive of the 600 existing today. What level of new development demand is this level of parking anticipated to generate? The RBA study suggests development potential of 740,000 square feet of commercial and multi-family residential development would be unlocked. Previous studies are a bit more conservative, estimating roughly 600,000 square feet.

The assessment of current market conditions was undertaken by the Michaud Company in December of 2016 and indicates the following by real estate sector.

Multi-Family Housing
Norwalk has a substantial multi-family housing (4 or more units) market of over 8,000 units, which is roughly 23% of the City's total housing inventory. In this market there are deed restricted affordable units, condominium units and market rate rental units. The analysis assessed 2,800 multi-family market rate units across the city totaling roughly 3,400,000 square feet of development and found the multi-family vacancy rate to be at 5%. Over 2,100 units are currently under construction, permitted, or in advanced planning stages. Approximately 13% of the additional inventory is related to the 273 unit Washington Village project, which given the affordability provisions associated with that project are anticipated to be readily absorbed into the market. The remaining 1,700 plus units of additional inventory is expected to modestly increase vacancy rates in the existing class B and C inventory as the flight to newer quality units continues in Norwalk. The Michaud Company projects no significant increase in overall vacancy, as the demand for higher quality units remains higher than the existing market supply. Additionally, Norwalk continues to enjoy a rental price point that remains 10% below Stamford and $2,000 to $4,000 below New York City.

Flex / Industrial
Within Norwalk there is over 5,000,000 square feet of flex and industrial space tracked in approximately 235 buildings. Of that total, 386,000 square feet remains available with an overall vacancy of 7.5%. The average quoted rent was $11.95, a 12.6% increase from 2015. The Flex / Industrial market is stable in general, but rents have not changed significantly over the past several years. Also, it should be noted, as with all real estate, those properties that put forward functional product perform better than those that are at or close to functional obsolescence.

Retail Market
The City of Norwalk has a substantial retail market consisting of approximately 6,000,000 square feet, with a 3.8% vacancy rate. Transitional retail areas including Wall Street exhibit the highest vacancy rates. Inventory that is either under construction, permitted, or in the advanced planning stages is in large mixed use projects in the City's urban core. 52,000 square feet of retail has been well received by the market at Waypointe's mid-block. Waypointe's south block is preparing to advance over 53,000 square feet of retail which is scaled back from previous plans. The most significant retail project is the SoNo Collection with 750,000 square feet of gross leasable retail space combined with an onsite hotel. It is unclear what the impact of the urban mall will have on older, more established retail locations within Norwalk and Fairfield County. Significant new retail development in Norwalk will depend on the market response to the new property. Favorable response would infer ground floor commercial property close to the mall will see heightened rents and retail interest from tenants that cannot afford mall rents.

Office Market
There is 9,223,379 square feet of office space contained within 318 buildings. There is 1,391,454 square feet currently available (direct vacant and sublease). After positive absorption of 81,283 square feet during 2016, there was an overall 15.1% vacancy rate across all classes. The average quoted rent was $29.76 per square foot with Class A space being quoted at $33.37 and having an 8.9% vacancy rate. The overall vacancy rate in the County increased by 60 basis points in 2016 to 21.2%. Michaud indicates that the county's office market is likely to have a mixed performance in 2017. With GE's relocation coupled with UBS's disposition and RBS's prior announcement to leave Stamford, the county's supply of very high quality Class A office space is expected to increase during the next 12 months driving rent rates down. Nonetheless, there is optimism in niche office sectors, especially those in close proximity to mass transit.

Conclusions
Based on the Michaud 4th Quarter 2016 sector market analysis and the development potential that could be supported on or around the Webster Street Block, there seemingly is market potential for additional multi-family housing, tailored office space of less than 100,000 square feet, retail, entertainment uses and limited flex manufacturing space for the creative economy.

ACTION
There is no formal action being sought from the Planning Committee at this time. Staff is seeking additional discussion and consensus with the Committee regarding the need for a more detailed analysis of a potential public parking structure (configuration, size, pricing, design and financing alternatives) as being the appropriate next step in the Webster Street planning process.