

**REDEVELOPMENT AGENCY
MEETING MINUTES
JANUARY 30, 2009**

Members Present: Timothy Devanney, Chair Susan O'Connor
Barbara Weinberg Robert Schneider
Dan Moran Thomas Tomko
Teri Bogli Aaron Ansaldi
Michael Darby

Also Present: Mark Pellegrini, Director of Neighborhood Services
and Economic Development; Gary Anderson, Senior Planner

Chairman Devanney convened the meeting and Mark Pellegrini introduced the guest speakers: Mr. Dennis McConville, Vice-President for Strategic Planning at ECHN and Mike Goman, a private real estate investment consultant. Mr. McConville was invited to provide insights into the medical office market, medical office development, and health care industry trends. This sector was identified as a potential significant use group for the Broad Street redevelopment area. Mr. Goman had extensive national experience as a real estate developer, most recently with Konover Development and now as a development consultant representing large developers. The following is a summary of their remarks, including their responses to questions raised by the members.

Mr. McConville shared the following insights:

- ECHN has been involved in the development of several satellite Class A medical office buildings in suburban communities, including two buildings in Evergreen Walk and one building near the Manchester Memorial Hospital. He explained that in this development model the hospital is a partner in the project, with substantial capital coming from private medical office development partners. Tenancy in the buildings is controlled by ECHN and by the doctors who locate in these facilities. He noted the cost of developing medical buildings is high because of the general cost of construction and the extraordinary power, water, and other operational needs of the physicians.
- He said the need for medical office space is driven by the location of patients and the number of doctors in a given community or market. In terms of physicians, Mr. McConville noted that among the emerging trends are the aging of the current number of doctors, and their desire to retire if possible or to stop running individual practices and be employed by the hospital or some other entity. The latter is due to frustration over the demands associated with managing employees and dealing with HMO's and other health care insurers. He said another trend is a decrease in the number of primary care doctors as older primary care doctors retire and younger doctors pursue more lucrative specialized fields.

- He noted doctors generally want to go to suburban communities because that is where the population is growing and they are not currently saturated with physicians. He noted one of the keys to developing new medical office buildings is to encourage several physicians to locate in a building. By assembling a number of primary care physicians, specialists will want to relocate in these buildings to take advantage of the patient pool and referrals. In order to accomplish this existing doctors must vacate their current medical office space, creating vacancies elsewhere in the market.
- Mr. McConville did not see a demand for a large medical facility in the Broad Street redevelopment area. He said there is no dramatic need for medical office space now, in fact some office space is being vacated. He also indicated ECHN and Manchester Memorial Hospital do not anticipate moving off of their current campus location. He noted a new cancer center will soon begin construction on Haynes Street, the hospital is completing a \$10 million intensive care unit inside the hospital, and improvements to its parking area and other customer or patient amenities are underway. He did not foresee any large expansions beyond these projects over the next four to five years.
- Mr. McConville noted it is difficult to develop skilled nursing beds because it is difficult to certify the need. There are already more beds than may be necessary in that category in the Manchester market, at least according to the State agencies that regulate that industry.

Mr. Goman made the following observations:

- He briefly reviewed conditions in the capital markets, which he described as frozen due to the crisis in the financial industry. He said projects above requiring capital over \$10 million are especially difficult to finance, but those below \$10 million are less difficult but most lenders are tightening their underwriting criteria at this time. He predicted the capital markets might free up later in 2009, and he noted there are many real estate investment trusts and institutional investors accumulating capital. He said once the capital markets begin to free up and the combination of pent-up capital and pent-up demand will begin to stimulate development or redevelopment.
- Mr. Goman noted that when national or regional developers look for opportunities, they are looking for areas with population growth, job growth, and new business formations. He said Connecticut and New England generally do not present strong trends in any of these categories. He noted Connecticut leads the nation in the loss of 18 to 34 year olds, which means the population in Connecticut is growing older. If there is not strong growth, the issue becomes one of capturing market share and new demand is driven by the functional obsolescence of existing buildings or locations.
- He agreed with those on the Agency who were of the opinion that the Broad Street study area was best suited to serve a neighborhood or a community market area. He noted there was no direct highway access or visibility, and there was competition from more accessible sites including the Buckland Hills area in Manchester for regional retailers. He said there are a limited number of new retailers moving into the Connecticut market,

existing retailers are not interested in cannibalizing their existing stores, and those who were planning expansions have been scaling back in recent years.

- He agreed part of a redevelopment plan's highest and best use for the Parkade area and Broad Street area would be a mixed-use project that would include residential, neighborhood retail, and some office and personal service uses. He predicted that redevelopment, if left to market forces, would be mixed use inevitably. The only question is whether it would be planned or piecemeal development driven by market decisions alone.
- Mr. Goman agreed a residential component would be an important part of a successful mixed-use area. He suggested that at least 200 units would be necessary to encourage new retail or service development, but he encouraged trying to secure more units if possible. He said densities of 20 to 25 units per acre would be preferable for a mixed-use project along the new urbanist/smart growth design guides that are being encouraged today. He cited Blue Back Square as an example of such a development.
- Mr. Goman said that while Manchester may not be able to duplicate Blue Back Square, which is an upper-income market project, he believed a similar type of mixed use project with residences and businesses in a compact, walkable, and attractive setting could be successful as a middle-market development in Manchester. He noted there is a continued demand for rental and condominium housing that is affordable to working class and middle-income persons, young people and empty nesters.
- Mr. Goman said in addition to density, the most critical element for a successful project is design. Both the architectural design of buildings and the urban design of street grids, street amenities, etc. He urged the Agency to seek out experts in this type of design, suggesting that there are only a very few in Connecticut who have experience with this type of design and typically this type of expertise is not available on municipal planning staffs.
- Mr. Goman said in order to encourage mixed-use development, it is important to have a friendly regulatory environment. This would include regulations which are flexible, which allow the mix of uses that are desired, and which do not require an inordinate amount of time for developers to get through the process. He said that generally, Manchester has a very good reputation in the region for being a responsive and development friendly community.
- Regarding design, Mr. Goman said while vertical mixed use projects such as Blue Back Square are becoming more common, there are other designs that accomplish mixed-se. He suggested that for the Broad Street study area the Commission should focus on orienting commercial spaces to the busier streets like Broad Street or Green Manor Boulevard, and putting the residential uses behind those commercial uses.
- Mr. Goman said a mixed-use project such as that being discussed by the Agency would take between five and twenty years to complete in its entirety since it will be built in individual pieces and perhaps by multiple developers, and is dependent on financing and

market demand and conditions. However, a mixed-use project at the vacant Parkade could serve as a catalyst to other development in the area, and he urged the Agency in the Town to make a long-term commitment to a vision for what they wish to accomplish and then pursue it over the long term.

The meeting adjourned.

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