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# Memorandum

To: Global Solutions, LLC and LAZ Capital, LLC

From: Econsult Solutions, Inc.

Date: May 13, 2025

RE: Policy Recommendations to Support Commercial Real Estate Reinvestment in Hartford's Downtown

## 1 Purpose

Econsult Solutions, Inc. (ESI) was engaged by Global Solutions, LLC and Laz Capital, LLC to evaluate the impacts of a continued decline in Downtown Hartford's commercial office market and prepare policy strategies to support the repositioning or adaptive reuse of key office properties as part of a revitalization strategy. While increasing office vacancy rates are a challenge for many urban centers in the post-pandemic era, Downtown Hartford faces particularly acute challenges for its nearly 2.2 million square feet of vacant office space.

Although vacancy rates according to CoStar as late as 2024 indicate rates as low as 15 percent across all commercial office buildings, the actual vacancy rate for Class A office buildings Downtown is as high as 41 percent when including expiring leases, announced terminations, downsizing and space currently available for sublease. These vacancy estimates are significantly higher in Downtown Hartford compared to the surrounding region. The City of Hartford collected about $7.6 million less tax revenue in 2024 from office buildings across the City when calculating the estimate lost value compared to the assessed rates in 2019 with the property tax rates in Hartford.

This memorandum provides an initial framework for addressing Downtown Hartford's current and future economic challenges through potential interventions designed to catalyze new investment activity. The ultimate goal is to craft a comprehensive strategy for policy makers, public officials, and other relevant entities that will support increased attention to Downtown through new legislation and/or allocation of financial resources, creating a sustainable path toward reducing vacancy rates and strengthening the economic competitiveness of the urban core.

## 2 Executive Summary

Downtown Hartford's commercial office market faces significant challenges, with nearly 2.2 million square feet of vacant office space and vacancy rates approaching 41 percent in 2025 for leasable Class A office space Downtown, a vacancy rate that is substantially higher than the surrounding region of nine percent. From 2014 to 2023, poor office market conditions – even prior to the COVID-19 pandemic –

resulted in a 24 percent reduction in aggregate commercial office building assessed value across the entire City of Hartford, representing a loss of approximately $368 million in aggregate assessed value. The post-pandemic shift toward remote work has particularly impacted Class A properties, which have experienced a 36 percent decline in inflation-adjusted assessed value from 2019 to 2024, despite Downtown Hartford's strategic advantages including proximity to government institutions, educational facilities, and significant public investments.

### Significance of Downtown Hartford

- State government offices provide stable employment, year-round activity, and occupy significant real estate, reinforcing Downtown's role as Connecticut's civic and administrative center. However, most state employees telecommute as many as four days a week as the result of a labor agreement made in 2021.[1]
- Downtown Hartford serves as Connecticut's civic center housing historical landmarks, UConn's Hartford Campus, and the XL Center. These attractions bring individuals to Downtown for a variety of purposes.
- Downtown Hartford has received significant attention from public investment, including from the Capital Region Development Authority (CRDA). Areas like South Bushell Park and Downtown North have plans for redevelopment, but feasibility challenges limit further action throughout Downtown Hartford.
- More than 15,000 workers in the finance and insurance industries (37 percent of total employment) have employers with Downtown address.[2] However, many of these employers also continue to have work-from-home policies.
- Maintaining a competitive office supply, as well as housing and retail, will be critical to maintain and grow this employment base.
- Overall, the office stock accounts for 53 percent of the assessed value citywide (excluding tax exempt properties,) according to the Connecticut Office of Policy and Management, which directly links the health of the tax base to the value of the office space.

### Risk of Continued Decline in Commercial Building Stock

- Downtown Hartford has 2.2 million square feet of vacant office space within its leasable Class A buildings (41 percent vacancy rate), that has contributed to a 24 percent decline in aggregate assessed value over the past decade.[3]
- Downtown Hartford's office properties risk continued deterioration, increased receivership cases, and extended vacancy periods, which would create a negative feedback loop diminishing the area's overall appeal, significantly impacting surrounding businesses.
- If the current vacancy trend continues without intervention, Hartford faces not only further erosion of its tax base – already representing a loss of $368 million in office property assessed value within the entire City resulting in approximately $7.6 million less in annual tax revenue for

[1] The Wall Street Journal. Connecticut Makes Remote Work Permanent for State Employees, Bruising Hartford's Economy. Accessed April 8, 2025

[2] OnTheMap (2025).

[3] This excludes owner-occupied buildings that are not currently leasing. The vacancy rate of 41% includes both vacant and subleased space.

the City since 2019 – but also diminishing vibrancy, reduced support for retail and services, and a potential downward economic spiral that would affect the broader region's economic competitiveness and livability.

- Since 2020, Downtown Hartford has experienced a net negative absorption of more than 1.6 million square feet, which reflects declining demand for space and signals a market that is continuing to weaken with potential downward pressure on rental rates. Without new tenants, the quality of the Downtown space will continue to be caught in a negative feedback loop of disinvestment and declining property values.

#### Establishing Hartford Office Revitalization Tax Credits and Redevelopment Funding

The following recommendations are intended to specifically address Class A office vacancy:

- Beyond the funds proposed for CRDA and the Municipal Region Development Authority (MRDA), CRDA should receive an additional $150 million capital infusion specifically for Downtown redevelopment projects each year over the course of three years, totaling $450 million of investment.
- It is recommended that the state legislature pass a tax credit similar to that proposed by House Bill 6121, "An Act Establishing a Tax Credit for the Conversion of Vacant Commercial Buildings to Residential Developments," currently before the Joint Committee on Housing as of April 2025.
- A companion bill is also recommended to reinvest in properties identified as unsuitable for residential conversion and reposition these buildings for the competitive continuation of office uses. In addition, eligibility should be expanded in Hartford to include conversions to hotel uses (that would support the needs of the City and the Convention Center)
- At the municipal level, the City should implement either Tax Increment Financing (TIF) or a targeted tax abatement program to further stimulate private investment as well as a sales tax exemption that defers sales and use tax on construction costs for office-to-housing conversions.

While these recommendations address the current needs for revitalizing Class A office space, a more comprehensive revitalization strategy is also likely warranted that addresses further policy, programs, and studies which address the marketing, business attraction, and funding support for new and expanding businesses.

# 3 Downtown Hartford

## 3.1 Definition of the Downtown Hartford Area

Downtown Hartford serves as Connecticut's civic center, home to some of the state's most iconic landmarks and key government institutions. The area features a mix of historic districts, public parks, and major destinations such as the Connecticut State Capitol and the XL Center, offering locals and visitors a variety of recreational experiences. Beyond leisure, Downtown Hartford is a hub for education and employment, anchored by the University of Connecticut's Hartford Campus and its 1,500 enrolled students, numerous state government offices, and a concentration of the City's office buildings.[4] As an

[4] UnivStats. University of Connecticut-Hartford Campus Student Population and Demographics. Accessed 26 March 2025.

established center for government and professional services, Downtown maintains a significant inventory of office space, reflecting its historic role as a key employment district.

This analysis adopts the City's defined boundaries for Downtown Hartford. Downtown extends southward to Capitol Avenue, Buckingham Street, and Whitehead Highway, following the Connecticut River to Charter Oak Landing. Downtown stretches north along the riverfront to Bulkeley Bridge, where the boundary cuts westward to the railroad junction of the Hartford Branch and the New Haven Springfield Line, just south of the Xfinity Theatre. To the west, Downtown is bound by the New Haven Springfield Line railroad tracks and I-84.

**Figure 3.1: Downtown Hartford**


*Source: Econsult Solutions, Inc. (2025)*

## 3.2 Significance of Downtown Hartford

### Key Investments

The strategic location of Downtown Hartford encompassing the central parts of Downtown Hartford and the Connecticut River waterfront enhances its visibility, accessibility, and marketability for new development. Several long-term public investments, many coordinated by the Capital Region Development Authority (CRDA), contribute to Downtown.

- The University of Connecticut – Hartford campus was completed in 2017 and boosts economic activity outside of normal work hours.[5]

[5] Capital Region Development Authority. UConn - Hartford. Accessed 12 March 2025.

- A $250 million project to redevelop Downtown North as multifamily apartments began in 2020, with CRDA loaning $11.8 million to the $56 million first phase.[6]
- The XL Center has been at the center of public funding since 2014, when the Connecticut State Legislature allocated $35 million towards its renewal. Long-term renovation plans designed by CRDA and SCI Architects worth up to $250 million are currently under construction for the XL Center.[7]
- In partnership with Riverfront Recapture, CRDA is developing greenways connecting Downtown Hartford and Hartford East via the Connecticut River waterfront.[8]

Ongoing public planning efforts Downtown are complemented by private investment and partnerships. However, there is a need for the area to attract more private investment to support mixed-use development, contribute to the pedestrian experience, and support year-round vibrancy.

### Figure 3.2: Map of Key Public Investments Impacting Downtown Hartford


*Source: Capital Region Development Authority (2025), Econsult Solutions, Inc. (2025)*

Downtown Hartford is at the heart of the State Capitol. Downtowns in general are often the gateway to a city, but Hartford's Downtown also plays a role in conveying as a symbol of Connecticut's state identity, history, and civic values. A declining downtown can lead to negative perceptions that reverberate beyond just Hartford.

### Employment Hub

Downtown employment has decreased post-pandemic that has had implications for the viability of existing commercial real estate. According to the Census Bureau's OnTheMap database, Downtown

[6] Capital Region Development Authority. Downtown North. Accessed 12 March 2025.
[7] Capital Region Development Authority. XL Center. Accessed 12 March 2025.
[8] Capital Region Development Authority. Riverfront Recapture. Accessed 12 March 2025.

Hartford contains the addressed locations for employers of over a third of all jobs in the City. From 2019 to 2022, the total number of Downtown's jobs decreased from 47,100 to 40,600 (14 percent), a steeper decrease in employment than the City as a whole.[9] During the same period, the total number of jobs in Hartford decreased from 111,000 to 106,700 (4 percent). Major Hartford industries contributed to this general decline. For instance, the number of Finance and Insurance jobs decreased from 17,500 to 15,200 (13 percent), and Accommodation and Food Services jobs decreased from 2,200 to 1,300 (43 percent). Any industry growth, such as in the Professional, Scientific, and Technical Services industry, has been outpaced by losses in others.

In addition to declining employment, telework trends continue to exacerbate Downtown's activity. The proportion of workers in Hartford who worked from home increased to ten percent in 2022 up from 3 percent in 2019.[10] Individuals who originally commuted to work Downtown but stayed remote post-pandemic began spending their wages exclusively outside of the study area, contributing to its economic decline. This includes the many state employees who telecommute as many as four days a week as the result of a labor agreement made in 2021.

### Figure 3.3: Employment in Downtown Hartford, 2019-2022

| | 2019 | | 2022 | | Percent Change | |
|---|---|---|---|---|---|---|
| **Industry** | **Count** | **%** | **Count** | **%** | **Downtown** | **City of Hartford** |
| Finance and Insurance | 17,534 | 37% | 15,200 | 37% | -13% | 3% |
| Prof., Scientific, and Technical Services | 7,801 | 17% | 9,324 | 23% | 20% | 15% |
| Public Administration | 5,754 | 12% | 5,306 | 13% | -8% | -9% |
| Admin. & Support, & Waste Mgmt. | 2,367 | 5% | 2,781 | 7% | 17% | 7% |
| Accommodation and Food Services | 2,218 | 5% | 1,272 | 3% | -43% | -24% |
| Other Services | 1,627 | 3% | 1,159 | 3% | -29% | -30% |
| Arts, Entertainment, and Recreation | 1,273 | 3% | 1,048 | 3% | -18% | -17% |
| Health Care and Social Assistance | 1,029 | 2% | 996 | 2% | -3% | 9% |
| Real Estate and Rental and Leasing | 922 | 2% | 782 | 2% | -15% | -13% |
| Educational Services | 4,544 | 10% | 761 | 2% | -83% | -56% |
| Mgmt. of Companies and Enterprises | 377 | 1% | 485 | 1% | 29% | 19% |
| Information | 626 | 1% | 464 | 1% | -26% | -30% |
| Utilities | 355 | 1% | 351 | 1% | -1% | -6% |
| Construction | 234 | 0% | 317 | 1% | 35% | 12% |
| Wholesale Trade | 241 | 1% | 132 | 0% | -45% | -3% |
| Retail Trade | 128 | 0% | 95 | 0% | -26% | -8% |
| Transportation and Warehousing | 52 | 0% | 72 | 0% | 38% | 3% |
| Manufacturing | 16 | 0% | 27 | 0% | 69% | -13% |
| **Total** | **47,098** | **100%** | **40,572** | **100%** | **-14%** | **-4%** |

*Source: OnTheMap (2025)*

[9] OnTheMap (2025). Note that OnTheMap does not include government jobs within their employment statistics.
[10] Borofsky and Walsh (2024). Work From Home Trends and Commuting Patterns Since 2019, *CT Data Collaborative*.

# 4 Existing Conditions

The following section provides a summary of Downtown Hartford's existing office supply and trends related to declining assessed values and increasing vacancies. Details supporting these findings can be found in the Appendix.

## 4.1 Office Supply

The office real estate market in Downtown Hartford is a core component of the city's economy. Across the entire supply of Class A, B, and C office properties, Downtown has more than 18 million square feet of space, over half of all building space in Downtown.[11] Of this total supply, around six million square feet consists of leasable Class A space.[12] Office properties are a significant source of public revenue. In 2024, the assessed value of Downtown's office properties was $640 million, while the total value of all taxable Downtown properties was $1.15 billion. Assessed values of office properties have decreased post-pandemic. From 2019 to 2024, the assessed value of office properties Downtown decreased by 31 percent, adjusted for inflation.

Several major office buildings have experienced a significant decline in their assessed values, with 18 properties declining in assessed value by at least $1 million each. This list includes highly visible properties like State House Square (9 State House Square), CityPlace II (185 Asylum Street), and Hartford 21 (225-241 Asylum Street). In total, from 2019 to 2024, these 19 office buildings have lost over $124 million in assessed value.

## 4.2 Market Conditions

According to CoStar data, Downtown's office vacancy rate has increased since 2018, reaching a decade-long high of 19 percent in 2023. Property owners struggle to fill space in Downtown Hartford, where commercial office spaces have a 15 percent vacancy rate overall according to Costar reports. However, these numbers underrepresent the true vacancy rate because these include owner-occupied buildings that are not on the leasing market, as well as buildings outside of the Class A office market. Downtown vacancy rates are significantly higher within the leasing Class A buildings at 41 percent per reports from Avison Young.

There are 14 Class A office buildings Downtown with a total of around six million square feet of leasable space and vacancy rate of 37 percent (See Figure 4.1). However, when including subleased space, the conditions are even more dire. In addition to vacancy, sublease space is another measure to consider as well because sublease space on the market is often well below the market rate and signals instability that is not accounted for in the vacancy rate. The combined total of 228,431 SF of sublease space and the 2.2 million SF of available space measures to a total of 41 percent of rentable area the market. This coincides with reports from some Hartford landlords, who in 2025 have estimated the Class A office

[11] CoStar (2025)

[12] This excludes owner-occupied space, such as Travelers at 700 Main Street and 750 Main Street.

building vacancy rate that includes announced terminations, downsizing and space currently available for sublease of around 40 percent as reported by the Hartford Business Journal.[13]

Among properties with substantial vacancy challenges, the Stilts Buildings at 20 Church Street (45 percent vacant), CityPlace I (49 percent vacant), and State House Square (46 percent vacant) stand out as critical Downtown office properties. The State is vulnerable to these trends; vacant State office buildings at 18-20 and 30 Trinity Street were sold in January 2025 for 18 percent of their assessed value to private developers for apartment conversion. Although plans exist for the redevelopment of areas like Bushnell Park South and Downtown North, Downtown's office market continues to struggle.

**Figure 4.1: Leasable Class A Buildings in Downtown Hartford**

| Address | Building Name | RBA (SF) | Vacant (SF) | Sublease (SF) |
|---|---|---|---|---|
| 755 Main Street | The Gold Building | 609,000 | 221,972 | - |
| 100 Constitution Plaza | 100 Constitution | 221,410 | 12,108 | 12,108 |
| 185 Asylum Street | CityPlace I | 885,000 | 436,078 | 12,800 |
| 185 Asylum Street | CityPlace II | 272,124 | 130,431 | - |
| 100 Pearl Street | 100 Pearl | 281,189 | 72,486 | - |
| 20 Church Street | 20 Church | 418,810 | 209,385 | 73,941 |
| 1 American Row | Phoenix | 345,687 | 55,000 | 55,000 |
| 350 Church Street | Metro Center | 290,325 | 58,365 | 24,365 |
| 225 Asylum Street | Goodwin Square | 331,371 | 115,000 | 38,817 |
| 280 Trumbull Street | 280 Trumbull | 700,416 | 416,514 | - |
| One State Street[14] | One State Street | 486,162 | 71,051 | - |
| 10 State House Square | State House Square | 333,882 | 221,531 | - |
| 90 State House Square | State House Square | 379,914 | 108,981 | - |
| 1 Constitution Plaza | One Constitution | 282,578 | 35,637 | 11,400 |
| **Total** | | 5,837,868 | 2,164,539 | 228,431 |

*Source: Horizon (2025), Avison Young*

Persistent vacancies in Downtown buildings, coupled with declining property values, undermine market confidence and the City's tax base.

However, multifamily properties have been a source of growth for Hartford. The largest contributor to Hartford's overall assessed value growth has been the apartment sector, increasing from $85 million in 2014 to $741 million 2023. The second largest driver of land assessment value was residential properties, whose value grew by a third to $1.3 billion.

[13] Hartford Business Journal. Urban 'flight-to-quality' trend continues as companies seek out more vibrant office settings. Assessed 10 April 2025.

[14] Owner-occupied but leasing space.

### 4.3 Current and Proposed State Reinvestment Programs

In addition to the CRDA, a quasi-State Agency, the State of Connecticut also administers the following funding programs relevant to office to residential conversions through The Department of Economic and Community Development (DECD):

- The Community Investment Fund 2030, a program that distributes $175 million in grants and loans to revitalization projects in designated municipalities, including the City of Hartford, through state bond sales. (Note that there have not been any significant CIF grants awarded to Hartford to date.) [15]
- A $15 million grant fund for transit-oriented development TOD, including housing developments with an affordable component within a half mile of a transportation center.[16]
- The Urban Act Grant Program, which distributes funds to municipalities, nonprofits, and for-profit entities for projects with positive community impacts.[17]

In addition to the programs administered by DECD, the Connecticut's legislature is also reviewing several adaptive reuse bills.

- Senate Bill 1444, "An Act Concerning the Conversion of Commercial Real Property for Residential Use," would adopt as-of-right zoning for office to residential conversions.[18] As-of-right zoning requires municipalities to approve projects that satisfy current zoning statutes, and it disallows forced adoption of zoning requirements in cases of nonconforming use. Under the new law office conversions would be subject to fewer reviews, expediting the redevelopment process. This bill is a continuation of Senate Bill 416, which was passed by the Senate in May 2024 and subsequently tabled by the House.[19]
- House Bill 6121, "An Act Establishing a Tax Credit for the Conversion of Vacant Commercial Buildings to Residential Developments," seeks to establish a tax credit for commercial-to-residential developments with at least 25 percent affordable housing units.[20] This bill was introduced in January 2025 and has been referred to the Joint Committee on Housing.

## 5 Risks of Continued Office Market Decline

The Downtown Hartford commercial office market is in dire condition. Over the past decade commercial office building assessed values have declined by 24 percent, translating to losses in City and School District tax revenue. At present, more than 37 percent of the leasable Downtown Class A commercial office space is unused (and expected to increase significantly when accounting for expiring leases). Without intervention Downtown, vacancies will continue to increase, further impacting property assessment values and tax revenue.

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[15] State of Connecticut. About The Fund. Accessed 14 March 2025.
[16] State of Connecticut. Transit-Oriented Development Fund. Accessed 20 March 2025.
[17] State of Connecticut. Urban Act Grant Program. Accessed 20 March 2025.
[18] An Act Concerning the Conversion of Commercial Real Property for Residential Use, Raised Bill 1444, 2025 Session, (2025).
[19] FastDemocracy. SB 416. Accessed 21 March 2025
[20] LegiScan. Connecticut House Bill 6121. Accessed 21 March 2025.

This downward cycle will also lead to deteriorating building and neighborhood conditions, causing further decline. Significant properties, such as the Metro Center (350 Church Street), the Stilts Building (20 Church Street), CityPlace I (185 Asylum Street), and Constitution Plaza (both buildings at 1 and 100 Constitution Plaza) have entered receivership with no viable path forward for repositioning or reuse. These highly visible buildings will remain vacant for extended periods of time, further diminishing the vibrancy and Downtown's economic competitiveness, including a decline in market support for retail and services and an increase in storefront vacancies.

Given the longstanding persistence of high commercial vacancies exacerbated by the COVID-19 pandemic and continued work from home policies, it is highly likely that additional interventions are needed to overcome both the additional challenges these events pose to the Downtown and reverse the trends of the past decade. As the City and State's civic center, Hartford contributes to the regional economy as an employment center. As a result, there is a substantial risk that declining market conditions could reverberate throughout the region without additional intervention.

# 6 Identifying the Desired Outcomes

Based on the longstanding trend of high vacancy in Downtown Hartford compared to the surrounding areas combined with post-pandemic practices such as the increasing acceptance and permanence of telework, it is unrealistic to envision a scenario in Downtown's office space achieves occupancy rates well above current levels. All else constant, Downtown's nearly 2.2 million square feet of vacant Class A office space will remain empty in the short and long term.

In light of the need for affordable housing options, pathways for Downtown Hartford include (1) adaptive reuse to residential uses or (2) repositioning for continued office uses. These approaches can be deployed as a single use or as a mix of uses, depending on the building's layout and physical condition to achieve the most economically viable use (3) expand eligibility for certain tax incentives to include other uses such as hotel conversions.

## 6.1 Repositioning Competitive Office Space

While the office market continues to face challenges and uncertainty, Class A office space generally should outperform Class B and Class C space as firms seek quality over quantity, which illustrates the exceptional need considering how high vacancy rates are in Downtown Class A buildings. The buildings in Downtown Hartford still hold value due to their proximity to City and State administrative buildings and national insurance agency headquarters, although the size of the insurance industry within Downtown has declined since 2019. Consequently, office rent per square foot decreased by 15 percent from 2019 to 2024.

Downtown Hartford continues to be a potentially competitive location for office space. Its proximity to Amtrak and public transportation hubs, centers of State government, and the University of Connecticut-Hartford campus significantly enhances marketability for revitalized offices spaces. Adding and enhancing community amenities could make more office revitalization properties economically viable. This could stem the outflow of insurance industry jobs from Downtown while encouraging the growth of new sectors, such as professional, scientific, and technical services.

Several Downtown office properties are less conducive to residential conversion, including 20 Church Street, and may have the opportunity to be sustained as office space with some level of investment.

### 6.2 Adaptive Reuse to Residential

Downtown Hartford is highly marketable for residential use given its access to greenspaces such as Bushnell and Riverside parks, public transportation via Hartford Union Station, museums such as the Connecticut Science Center and the Wadsworth Atheneum Museum of Art, and the UConn – Hartford campus. Plans exist to create additional residential units, partly through the CRDA[21], although widespread development has been limited by adverse economic factors and feasibility challenges. Additional housing units would draw consumer activity to local businesses and support economic vitality.

Generally, historic office buildings built before 1950 are better suited for residential conversion given interior access to natural light and smaller floor plates, while internationalist style office buildings built after 1950 typically have larger floorplates with less direct light for interior spaces. Although not all Downtown's properties are well-suited for adaptive reuse into residential properties on or near the Pratt Street corridor should be targeted for redevelopment.

### 6.3 Changing the Market Trajectory

The lack of adaptive reuse or reinvestment activity Downtown can be attributed to feasibility challenges, including lack of sufficient demand. Effectively, the cost of reinvestment or redevelopment exceeds what the market can support in terms of achievable rents or sale prices. There is a need for additional funding and capital to bridge the "feasibility gap" for residential adaptive reuse as well as incentives for business operations to attract prospective office tenants. Instances of adaptive reuse observed so far in Hartford have all required subsidies and there have not been any instances where adaptive reuse projects have successfully been completed exclusively with private capital.

Targeted policies, programs, and incentives would help attract new investment, while changing the overall market trajectory for Downtown. Over time, this new private investment would be self-sustaining. These incentives could be further leveraged by additional place-based investments and services, including enhanced street cleaning and physical infrastructure improvements.

## 7 Incentivizing New Investment

### 7.1 Establishing Incentive Programs

Given the challenges faced by Downtown's commercial office buildings, development incentives, as well as legislative and regulatory actions, are needed to support building improvements, business attraction and retention, adaptive reuse, and place-based improvements. The State of Connecticut and the City of Hartford offer a range of funding opportunities for businesses and real estate development, primarily through tax credits, grants, and loans. However, financing opportunities are largely dependent on affordable housing requirements that limit the feasibility of large-scale projects. Bills that would apply

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[21] The CRDA (Capital Region Development Authority) is a quasi-public state agency in Connecticut that's responsible for promoting residential and economic development in and around downtown Hartford.

tax credits and as-of-right zoning to commercial-to-residential conversions are under review, but existing tools have limitations when investing in conversion projects.

### Building Improvement and Revitalization

Downtown's office properties are predominantly older. Due to a lack of new office construction, the office stock will remain outdated in the future. In addition, market conditions in Downtown Hartford indicate that demand for office space has decreased across the board, with Class A buildings decreasing in value the most. This results in substantial vacancies in high-visibility properties and older properties alike.

Lower-tier office buildings are often caught in a negative feedback loop, where declining rental income and deteriorating building conditions reinforce one another. As a result, property owners frequently face challenges in maintaining or improving building quality and competitiveness. When higher-tier offices face high vacancies and declining income, it indicates a systemic drop in demand. In this case, marginal building improvements may have little to no effect on the property owner's income, and owners will require a substantial influx of investment to transform the space into a profitable use. Given these circumstances, public funding targeted to support improving building conditions and/or reuse could play a crucial role in preserving these structures as key drivers of economic development.

Connecticut offers programs for office building revitalization or adaptive reuse. The CDEC's Urban Act Grant and Transit-Oriented Development Fund are options for commercial funding, but applications are competitive, and funding is limited. The CRDA facilitates redevelopment projects, but its resources are spread throughout the Hartford region.

Models from other state programs or examples from other states could be adapted to address this issue. The Kentucky General Assembly allocated $100 million in fiscal year 2025 to fund revitalization projects in Downtown Louisville. The Wisconsin Housing and Economic Development Authority (WHEDA) administers a revolving loan fund for commercial-to-residential conversions. Since 2023, Ohio's Transformational Mixed-Use Development Tax Credit has distributed $100 million in tax credits to complete multifamily conversion projects. These programs offer a blueprint for how public funding can effectively support the revitalization and upgrade of office buildings.

### Business Attraction, Retention and Expansion

In addition to development-based incentives, business incentives can play a role in attracting and retaining tenants. The City of Hartford's Neighborhood Investment Fund Program funds commercial property improvements in major corridors through forgivable loans. Smaller programs like the Microenterprise Microgrant Program and the Small Business Façade Improvement Program incentivize small business development and retention.[22]

Enterprise Zones and Opportunity Zones offer robust incentives to businesses through tax deferrals and credits. Currently, Enterprise Zone and Opportunity Zone parcels are scattered immediately outside

[22] The City of Hartford. Small Business Initiatives & Support. Accessed 13 March 2025.

Downtown.[23] The exclusion of Downtown Hartford from state programs contributes to difficult office market conditions. There is an opportunity to support Downtown businesses by expanding current Enterprise Zone boundaries, establishing new incentive programs to rehabilitate businesses, or facilitating new economic activity in Downtown by developing new housing options and growing the consumer population.

### Commercial to Residential Conversion

The post-pandemic shift toward telecommuting has had a lasting impact on the office market by accelerating the obsolescence of certain types of office products. In response, many cities are taking a more active role in facilitating and/or incentivizing the conversion of commercial office buildings into residential uses. These approaches are intended to both reverse the adverse impacts from increasing office vacancies, while meeting growing housing demand.

While adaptive reuse presents a viable path forward, there are significant feasibility challenges depending on the physical and design attributes of a structure. Additionally, regulatory constraints limit the future use and configuration of certain types of properties and the financial demands of such projects are often substantial, making widespread implementation difficult.[24]

While there are limited state and local resources for these types of redevelopment initiatives, there are some pools of federal funding through the Department of Housing and Urban Development (HUD) and the Department of Transportation (DOT). Under the Biden administration these programs, primarily leveraging resources from Rehabilitation Credits and the Inflation Reduction Act (IRA), provided support through grants, loans, tax credits, and technical assistance that could be applied to commercial-to-residential conversions.[25] Due to funding restrictions under the current administration there is uncertainty over the duration of these programs and if they will continue to be supported in the immediate future.

### Incentive Packages/Incentive Zones

Downtown Hartford is excluded from State and federal incentive structures like Enterprise and Opportunity Zones. Developments within Enterprise and Opportunity Zones may qualify for escalated state tax credits. Candidates for commercial-to-residential conversion in Downtown Hartford would benefit from incentives like those offered by Enterprise and Opportunity Zones. A tax credit program dedicated to large-scale conversion projects in downtown corridors would fulfill the current need for development funding.

## 7.2 Eligibility and Structure

Given the lack of dedicated funds for supporting commercial building reinvestment and/or redevelopment, an incentive program for investments in existing improvements would need to consider the following:

[23] The City of Hartford. Economic Development. Accessed 13 March 2025; State of Connecticut. Opportunity Zones Map. Accessed 13 March 2025.
[24] Econsult Solutions, Inc. A New Opportunity for Office Conversions (2024).
[25] The White House. Commercial to Residential Conversions: A Guidebook to Available Federal Resources (October 2023, Version 1).

- **Commercial uses:** The program should focus on privately owned commercial space and funding would not be available for existing residential, hospitality, entertainment, or arts, cultural, and historic uses.
- **Size of property:** The program would only consider larger-scale commercial properties with 200,000 square feet or more leasable space.
- **Matching funds:** The program would need to ensure private investment, so any funds offered by the State should be matched $2-to-$1 by private investment.
- **Eligible investments:** The program would support the development of affordable housing options in Connecticut's downtown corridors.
- **Incentive programs:** Adding funding opportunities like tax credits, tax increment financing, or abatements for conversion projects would support place-based investments and community development.

## 8 Recommendations

The recommendations of this study are intended to address office vacancy through key financial incentives for commercial building owners. However, further policy, programs and studies will also be needed to address the marketing, business attraction, and funding support for new and expanding businesses through a more comprehensive strategy. While stabilizing and supporting building owners is critical to Downtown Hartford's future, these are also key additional steps to support its revitalization.

Recommended interventions to address Downtown's declining commercial office stock include the following.

### 8.1 Provide additional allocation to CRDA for downtown redevelopment projects

The CRDA and the Municipal Development Capital Authority (MRDA) are well-positioned to support, both financially and administratively, adaptive reuse projects. Governor Lamont recently proposed $50 million in funding for the Greyfield Revitalization program, which is intended to provide gap financing for projects seeking to convert empty commercial buildings to new uses.[26] We agree with the approach of increasing gap funding, however given the current landscape of the office market in Hartford, we recommended a larger investment to address the current office market landscape Downtown.

It is recommended that the State should provide an additional $150 million capital infusion to CRDA specifically for Downtown redevelopment projects each year over the course of three years, totaling $450 million of investment. This funding would be dedicated towards adaptive reuse projects and would allow CRDA to support new developers while continuing its current objectives. During implementation, important factors to consider will be how projects will be scored for consideration (IRR gap, tax-yield potential, placemaking impact) and outlining the repayment expectations on loans.

The additional funding would allow CRDA and MRDA to assist with the following:

[26] Hartford Business Journal. https://www.hartfordbusiness.com/article/lamont-proposes-50m-state-fund-to-support-vacant-commercial-property-conversions. Accessed 10 May, 2025.

- Providing grants and loans to adaptive reuse projects on a case-by-case basis.
- Conducting building and feasibility analysis to determine prime candidates for conversion.
- Guiding developers through state and local regulations and funding opportunities. Developers should have a single point-of-contact within CRDA or MRDA to facilitate coordination.

## 8.2 Establish a tax credit for commercial-to-residential conversions

It is recommended that the State of Connecticut enact a tax credit for commercial-to-residential projects on prominent corridors. House Bill 6121, "An Act Establishing a Tax Credit for the Conversion of Vacant Commercial Buildings to Residential Developments," was referred to the Joint Committee on Housing on January 22, 2025, and seeks to credit conversion projects that plan for at least 25 percent affordable units. To more effectively distribute funding, it is suggested that the existing language of the bill should be amended with the following changes:

- Eligible buildings to be located within a significant downtown corridor and to be at least 200,000 square feet of leasable space. Due to Downtown Hartford's struggling commercial market, it is recommended that at least 50 percent of the tax credit should be dispersed within Downtown.
- Projects are eligible for a tax credit of the lower between 10 percent of developer capital contributions or $40 million. Per-project funding caps ensure that multiple developers can benefit from limited funds.
- To reduce public investment risk and incentivize timely development, the tax credit is distributed after project completion.
- Applications for the tax credit should be reviewed and approved or denied within 90 days of submission. This will reduce costs for developers during the application process.

Alternatively, at 20 percent tax credit for the conversion of obsolete office buildings into other property types (similar to a state historic tax credit) could also be considered. The "Revitalizing Downtowns and Main Streets Act" was introduced on March 27, 2025, in Congress at the federal level could be used as a framework to craft similar legislation at the Connecticut state level. The proposal of these Bills would be further strengthened if the fiscal pay-back period was modeled under multiple scenarios testing 10 percent versus a 20 percent tax credit, as well as different levels of mixed-use requirements.

## 8.3 Expand eligibility in Hartford to support multiple conversion uses

It is recommended that the State considers a companion bill to House Bill 6121 that expands funding eligibility in Hartford for the adaptive reuse tax credit. In Hartford, office-to-hotel conversions and office-to-office redevelopments should also be eligible for tax credits, as large office buildings may be unsuitable for residential conversion, or office to residential conversion may be unfeasible. In addition, House Bill 6121's requirement for at least 25 percent of residential dwelling units to be affordable should be relaxed to 20 percent in Hartford. This will increase revenue post-conversion thereby encouraging development. A lower affordable housing requirement could raise the number of feasible projects, increasing the affordable housing stock.

## 8.4 Establish targeted revitalization programs at the municipal level

To fully realize the rehabilitation of Downtown Hartford, the City should implement adaptive reuse funding programs that complement the State's initiatives. A Tax Increment Financing (TIF) or tax abatement program would best suit the City's needs and consider a sales tax exemption that defers sales and use tax on construction costs for office-to-housing conversions.

It is recommended that all or portions of Downtown Hartford are established as a TIF district. A TIF district captures future tax benefits from real estate improvements to fund upfront costs. The TIF "freezes" property assessment values at a base year, and over its approved duration (which is typically 20 years), the incremental tax revenue above this base year is partially or completely dedicated to improvements within the TIF district. Establishing a TIF district generally involves selecting an area requiring economic revitalization, creating a redevelopment plan, and estimating the potential tax increment revenue that the district could produce.

TIFs are funded through a private bond issued by the City but not guaranteed by the City, so the TIF's initiator is liable for repayment if the district's revenue falls short of covering the loan. Safeguards such as coverage ratios and a private-placement structure should also be considered.

Alternatively, the City should offer 20-year tax abatements to adaptive reuse projects within Downtown. A tax abatement program would review projects on a case-by-case basis. Abatements would be scaled so the City captures more and more revenue through their lifetimes. An abatement program would allow targeted funding toward major redevelopments, as compared to a TIF district's broader scope.

Another incentive for the City to consider would be a sales tax exemption that defers sales and use tax on construction costs for office-to-housing conversions. If similar to the ordinance passed in Seattle, to qualify for this tax exemption, developers would designate 10 percent of the new units as affordable housing and maintain this affordability for 10 years, after which the deferred taxes are permanently waived. (Figure 9.6)

# 9 Appendix

## 9.1 Existing Supply

Downtown Hartford contains 18 million square feet of office space and public and other tax-exempt properties account for over 11 million square feet of additional Downtown space, the second largest category of building area. About 80 percent of Downtown Hartford consists of these two building types, which directly links their vitality to the economic health of Downtown.

Constitution Plaza located in east Downtown Hartford contains buildings that have demonstrated residential conversion potential, and the complex has continued to be very seriously considered in various plans by the City to revitalize the area. In 2023 a state office consolidation transferred state agencies such as the Department of Revenue Services and Office of Tourism into the two buildings at 450 Columbus Blvd, located on the eastern side of the Constitution Plaza.[27]

However, Constitution Plaza will likely still need additional assistance if it is to continue its revitalization efforts. Shipman Goodman LLP, the primary tenant at 1 Constitution Plaza (288,803 SF), filed a lawsuit in 2024 claiming that the condition of the building threatened the firm's ability to operate.[28] In February 2024, the owners of both 1 Constitution Plaza as well as 100 Constitution Plaza (219,859 SF) whose primary tenant is the insurance company AXA XL, filed for bankruptcy.[29]

Residential buildings account for 685 of the 1,468 Downtown buildings, the most by a singular use type. Although Downtown has many buildings, apartment buildings such as the 285 unit building at 777 Main Street, and the 270 unit building at 1212 Main Street contribute the most to Downtown's 3,707 multifamily housing units.

Downtown is anchored around historical buildings and districts, government offices, entertainment facilities such as the XL Center, and prominent office buildings like The Gold Building, CityPlace, and 280 Trumbull. Collectively, these different use-types bring individuals to Downtown for unique reasons and make Downtown Hartford a multifaceted space. Due to the large portion of tax-exempt land in Downtown, the health of the entertainment and office properties are acutely tied to the health of Downtown.

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[27] Hartford Business Journal. 101-unit apartment conversion at former Travelers training center in Hartford gets CRDA backing . Accessed 8 April, 2025.
[28] Hartford Business Journal. Shipman & Goodwin Sues Downtown Hartford Landlord Facing Foreclosure Arguing Building's Condition Threatens the Firm's Ability to Operate. Accessed April 9, 2025
[29] CT Insider. What a bankruptcy could mean for Hartford's Constitution Plaza. Accessed April 9, 2025.

**Figure 9.1: Existing Properties in Downtown Hartford by Use Type**

| Type | Count | Building Area (million square feet) |
|---|---|---|
| Commercial | 141 | 19.41 |
| Offices | 101 | 18.38 |
| Public/Exempted | 201 | 11.20 |
| Residential | 685 | 3.80 |
| Industrial | 16 | 0.66 |
| Hotel/Motel | 3 | 0.11 |
| Garage/Parking | 422 | 0.91 |
| Total | 1,468 | 36.09 |

*Source: City of Hartford Assessor's Office (2025), CoStar (2025)*

## 9.2 Assessment Trends

Excluding the public and other tax-exempt properties valued at $1.85 billion in 2024, the total assessed value of all taxable Downtown properties is about $1.15 billion— the most of any property type. Of that total, Downtown office buildings accounted for $639.6 million in assessed value in 2024. The significant presence of tax-exempt state government buildings in Downtown renders office property the largest stream of property tax revenue. Due to this dynamic between taxable commercial real estate and tax-exempt real estate, the vitality of the commercial real estate is a crucial form of tax revenue. Offices account for 52.9 percent of the property value eligible to be taxed in Downtown and housing accounts for 26.4 percent of taxable value.

Among office properties, Class A buildings contributed $425.6 million in assessed value in 2024, while Class B buildings accounted for $101 million in assessed value, Class C buildings accounted for $102.7 million, and other buildings accounted for $10.2 million.

**Figure 9.2: Assessed Value Change of Office Buildings in Downtown Hartford, by Property Class, 2019 to 2024**

| | | | Assessed Value ($M) | | % Change | |
|---|---|---|---|---|---|---|
| Class | Count | RBA (million SF) | 2019 | 2024 | Absolute | Inflation Adjusted |
| A | 19 | 8.8 | $545.2 | $425.6 | -21.9% | -36.5% |
| B | 37 | 8.1 | $101.3 | $101.0 | -0.3% | -19.0% |
| C | 24 | 1.4 | $91.3 | $102.7 | 12.5% | -8.5% |
| Other | 21 | 0.0 | $11.7 | $10.2 | -13.0% | -29.2% |
| Total | 101 | 18.4 | $749.5 | $639.6 | -14.7% | -30.6% |

*Source: City of Hartford Assessor's Office (2025), CoStar (2025), Econsult Solutions, Inc. (2025)*

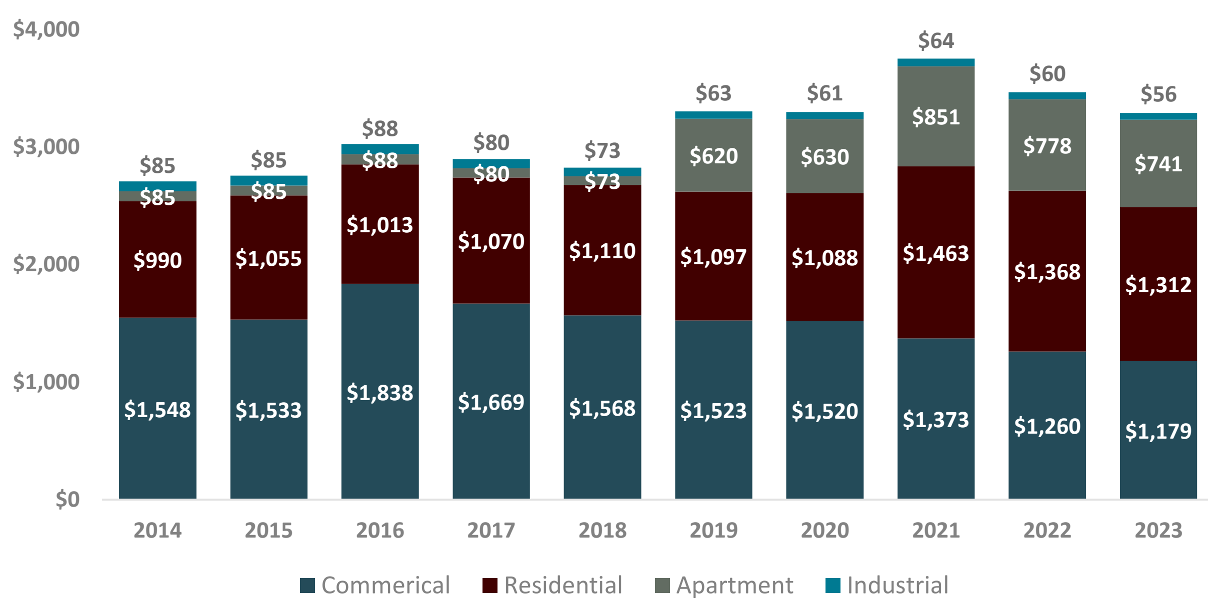
Across all of Hartford, all four property use types shown in Figure 9.3 have declined in inflation-adjusted assessed value since 2019. However, commercial and industrial properties have experienced more severe losses compared to residential and apartment assets. The pandemic had a particularly pronounced impact on Hartford's commercial real estate market, as reflected in the sector's share of total market value dropping from 46% in 2019 to 36% in 2024. In contrast, residential real estate's share increased from 34% to 40% over the same period. This post-pandemic market shift underscores a change in tenant priorities. The decline of office and retail property value—particularly in downtown areas— positions residential real estate as the more resilient asset, as it maintains more value relative to commercial assets.

**Figure 9.3: Hartford Region Property Assessment by Use Type (in 2024 dollars)**

| Type | 2019 Assessed Value ($M) | Share | 2024 Assessed Value ($M) | Share | Absolute | Inflation Adjusted |
|---|---|---|---|---|---|---|
| Industrial | $63 | 1.8% | $56 | 1.7% | -11.11% | -35.9% |
| Apartment | $620 | 18.7% | $741 | 22.5% | 19.52% | -5.27% |
| Residential | $1,110 | 33.5% | $1,312 | 39.9% | 18.20% | -6.59% |
| Commercial | $1,523 | 45.9% | $1,179 | 35.9% | -22.59% | -47.38% |
| Total | $3,316 | | $3,288 | | | |

*Source: Office of Policy and Management (2025), Bureau of Labor Statistics (2024)*

**Figure 9.4: Hartford Region Property Assessment Value by Use, 2014-2023 (in $M of 2023 dollars)**




Source: Office of Policy and Management (2024), Bureau of Labor Statistics (2024)

Since 2014, the assessed value of housing in Hartford—both residential and multifamily—has grown significantly, surpassing commercial property in 2019 and accounting for an increasing share of the City's total assessed value each year. In contrast, commercial property values have declined by 24% from 2014 to 2023, resulting in a total loss of $368 million in inflation-adjusted assessed value. This shift in the City's tax base places greater reliance on residential property owners to sustain municipal revenue.

Office properties have been particularly affected. The office buildings at 225-241 Trumbull Street and 90 State House Square have seen their assessed value drop by $20.5 million since 2019. Additionally, at least 18 office buildings have lost at least $1 million in assessed value, amounting to a decline of $124 million.

Notably, most of the office properties experiencing significant value losses are Class A buildings, which traditionally cater to tenants seeking high-quality office space. This trend highlights the broader challenges facing the downtown office market, including tenants' desire to downsize office space.

Hartford's high property tax rate has long been a challenge for commercial real estate, and recent declines in office property values have significant implications for the city's tax revenue. The current mill rate for real property in Hartford is 68.95, meaning that office buildings are taxed at $68.95 per $1,000 of assessed value. Compared to 2019, the City collected about $7.6 million less in tax revenue in 2024 from Downtown office buildings alone.

**Figure 9.5: Office Properties with Over $1 Million Decline in Assessment Values, 2019-2025 (in 2025 Dollars)**

| | | | Assessed Value ($M) | | | |
|---|---|---|---|---|---|---|
| **Property** | **Class** | **RBA (SF)** | **2019** | **2024** | **$ Decline** | **% Decline** |
| 225-241 Trumbull St | A | 213,464 | $96.8 | $76.3 | ($20.5) | -21% |
| 90 State House Sq | A | 369,023 | $43.3 | $22.9 | ($20.5) | -47% |
| 185 Asylum St | A | 320,381 | $72.4 | $53.9 | ($18.5) | -26% |
| 1 & 100 Financial Plaza | A | 621,830 | $44.9 | $33.6 | ($11.3) | -25% |
| 20 Church St | A | 420,000 | $19.9 | $12.6 | ($7.3) | -37% |
| 20-22 Central Row | A | 340,768 | $40.1 | $33.3 | ($6.8) | -17% |
| 1 Constitution Plaza | A | 288,803 | $41.3 | $35.7 | ($5.6) | -14% |
| 185 Asylum St | A | 320,381 | $14.0 | $8.9 | ($5.1) | -36% |
| 280 Trumbull St | A | 803,967 | $26.7 | $22.0 | ($4.8) | -18% |
| One State St | A | 500,000 | $31.6 | $26.9 | ($4.7) | -15% |
| 55 Elm St | B | 40,233 | $8.4 | $4.2 | ($4.2) | -50% |
| 100 Pearl St | A | 285,000 | $15.0 | $11.2 | ($3.8) | -25% |
| 50-58 State House Sq | B | 80,000 | $5.7 | $3.0 | ($2.7) | -47% |
| 350 Church St | A | 309,514 | $17.1 | $14.7 | ($2.4) | -14% |
| 1 American Row | A | 345,687 | $15.0 | $13.2 | ($1.8) | -12% |
| 56 Prospect St | B | 88,320 | $5.9 | $4.6 | ($1.3) | -23% |
| 200 Constitution Plaza | B | 124,480 | $2.5 | $1.2 | ($1.3) | -53% |
| 36 Talcott St | B | 103,860 | $1.4 | $0.3 | ($1.1) | -79% |
| Total | | 5,575,711 | $502 | $378.5 | ($123.7) | |

*Source: City of Hartford Assessor's Office (2025)*

## 9.3 Proposed Development

The developments currently in the pipeline within Downtown Hartford are predominantly multi-family, which will add nearly 2,000 units to the area's housing supply. Of these units, close to 600 are under construction or renovation and 1,400 are proposed. In addition to the current pipeline, many parcels in areas like Bushnell South are prime candidates for revitalization and are under consideration by developers.

**Figure 9.6: Pipeline Projects**

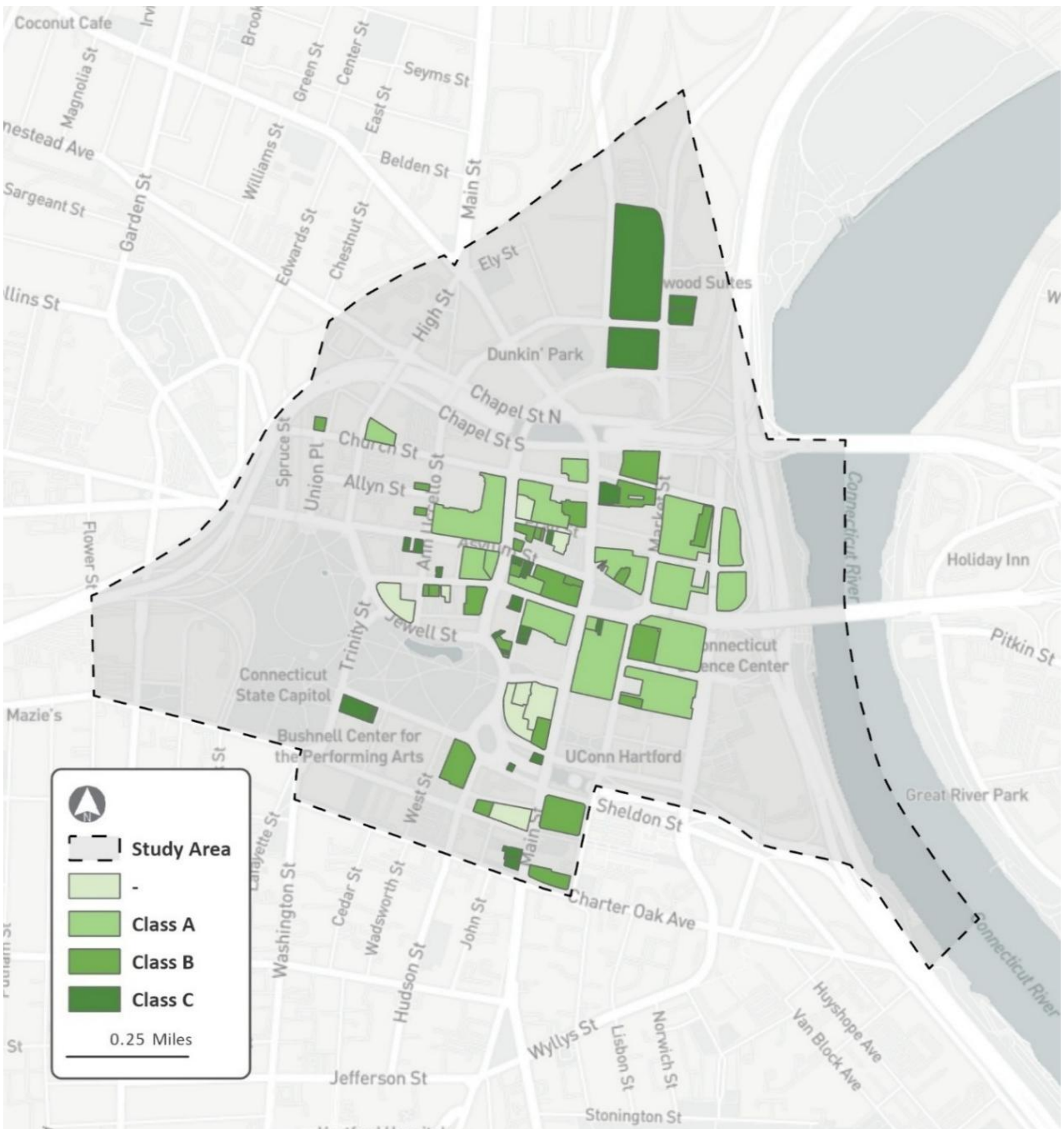
| Address | Use | Status | Units |
|---|---|---|---:|
| 529-539 Ann Uccello St | Multi-Family | Under Renovation | 9 |
| 525 Main St | Multi-Family | Under Construction | 42 |
| 1143 Main St | Multi-Family | Under Construction | 500 |
| 1355-1357 Main St | Multi-Family | Under Construction | 4 |
| 275 Pearl St | Multi-Family | Under Construction | 39 |
| Trumbull St | Multi-Family | Proposed | 228 |
| 150 Trumbull St | Multi-Family | Proposed | 46 |
| 242 Trumbull St | Off-Campus | Proposed | 286 |
| 13 Capitol Ave | Multi-Family | Proposed | 233 |
| 31 Pratt St | Multi-Family | Proposed | 37 |
| 21 Wells St | Multi-Family | Proposed | 126 |
| 275 Windsor St | Multi-Family | Proposed | 473 |
| Total | | | 2,023 |

*Source: CoStar (2025)*

## Office Market Trends

Office property accounts for the most value in Downtown by property type. Per Figure 9.1, the 101 office buildings—totaling 18.4 million square feet in rentable building area—were valued at $639.6 million dollars in 2024. However, the office market weakened significantly post pandemic, as the market value of Downtown office buildings has decreased by about 31 percent since 2019 after adjusting for inflation. This downturn is the result of a contracting demand for prime office space, as key tenants have elected not to renew leases, increasing vacancies. The high-end office market has borne the brunt of this downturn, with Class A buildings losing 36.5 percent of their inflation-adjusted assessed value from 2019 to 2024.

**Figure 9.7: Existing Office Properties in Downtown Hartford**




*Source: City of Hartford (2025), CoStar (2025), Econsult Solutions, Inc. (2025)*

Broader macroeconomic conditions have negatively impacted Hartford's office market. Despite the stable supply of office space, shrinking demand in Downtown has intensified competition among office properties. Class A office buildings have lost 36.5 percent in inflation adjusted assessed value, the most by a single office class (Figure 9.1). As demand for Downtown offices have lessened, developers have delivered several offices in suburban West Hartford, East Hartford, and various suburbs and towns southwest of Hartford.

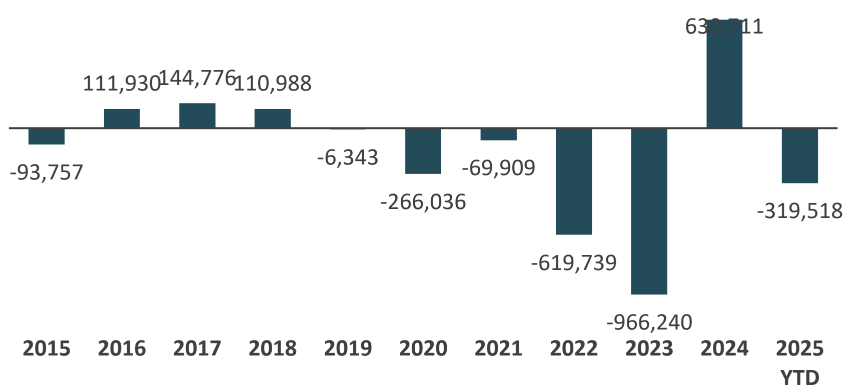
CityPlace I, a 885,000 square feet building owned by Paradigm Properties, currently has over 436,000 square feet of available space, illustrating the lack of tenant interest. Prominent tenant United Healthcare has downsized their 350,000 square feet lease to around 57,000 square feet, for a total of 94,164 square feet leased through July 2031.

The 272,124 square foot CityPlace II building, owned by Madison Realties, has over 130,000 square feet in available space. No new space has been leased in the past year and the net absorption over the past 12 months is -963 square feet, illustrating the stagnant state of the office market. CityPlace II remains 48 percent vacant, a figure that could increase if tenant Bradley Foster & Sargent, Inc. elect to downsize their 10,620 square foot lease expiring in December 2026.

Since the onset of the pandemic in 2020, net absorption rates have remained negative, with the exception of 2024, which recorded the strongest demand in the past decade. However, the market softened by decade-long records in 2022 and 2023, and the market continues to contract in 2025. Developers have avoided new office projects in Downtown, illustrated by the absence of a single new office building being delivered in the past decade, and no new ones under construction in 2025. The combination of persistent negative net absorption and a lack of new development underscores the struggles office property owners face in backfilling vacant space.

Leasing activity has fluctuated in recent years, adding further uncertainty to the market. A total of 16 leases were signed in 2020, followed by 14 in 2021, 19 in 2022, 27 in 2023, and 16 in 2024. These inconsistencies make it difficult for office property owners to gauge future demand and strategize accordingly. The ongoing challenges in absorption and leasing indicate that the office sector remains under pressure, with no clear signs of stabilization in the near term.

**Figure 9.8: Net Annual Office Absorption (SF) in Downtown Hartford, 2010-2025 YTD**




*Source: CoStar (2025), Econsult Solutions, Inc. (2025)*

## 9.4 Relevant Local Incentive Programs in Hartford

| Program | Eligible Project Type | Incentive Type | Overview |
|---|---|---|---|
| Housing and Neighborhood Development | Building | Grant | The Capital Region Development Authority (CRDA) funds affordable housing development in the Hartford region. Eligible projects consist of approximately 80 percent market rate units and 20 percent affordable units. |
| Affordable Housing Plan Tax Deals | Building | Tax Reduction | The City of Hartford will negotiate tax reductions for residential projects with at least 10 to 20 percent affordable units. Projects must also abide by local and minority employment requirements during construction. |
| Residential Tax Abatement Program | Building | Abatement | The City of Hartford's Residential Tax Abatement Program abates residential projects that house exclusively low or moderate income, elderly, or disabled populations. |

*Source: Capital Region Development Authority (2025), City of Hartford (2025), Econsult Solutions, Inc. (2025).*

## 9.5 Relevant State Incentive Programs in Connecticut

| Program | Eligible Project Type | Incentive Type | Overview |
|---|---|---|---|
| As-of-Right Development | Building | Zoning | Senate Bill 1444, "An Act Concerning the Conversion of Commercial Real Property for Residential Use," would require municipalities to allow office to residential conversions as-of-right. This would prohibit municipalities from requiring hearings, permits, or discretionary zoning action when a property complies with current zoning laws or forcing developers to correct non-conforming issues. |
| Commercial Property Conversion Tax Credit | Building | Tax Credit | House Bill 6121, "An Act Concerning Tax Credits for the Conversion of Commercial Properties," would allocate tax credits for commercial-to-residential conversions. Tax credits would be applied to construction costs. This bill is under review by the Connecticut General Assembly's Committee on Housing. |
| Community Investment Fund 2030 | Building | Grant/Loan | The Community Investment Fund awards $175 million each year to projects across Connecticut (increasing to $250 million in 2028). The program is funded through State bonds. |

| | | | |
|---|---|---|---|
| Local Capital Improvement Program (LoCIP) | Land | Grant | The Local Capital Improvement Program (LoCIP) distributes state funds to municipalities for local capital improvement projects. Grants are determined formulaically. Examples of eligible projects include transportation infrastructure and public buildings. |
| Urban Act Grant | Building | Grant | The Urban Act Grant provides funding to municipalities, non-profits, and for-profit entities to finance improvements to community conservation and development in urban areas. |
| CT Communities Challenge Grant | Building | Grant | The CT Communities Challenge Grant is a competitive grant for projects with a variety of attributes, including Downtown development and housing. The last funding round was in 2023. |
| Transit-Oriented Development Fund | Building | Grant | The Transit-Oriented Development Fund provides grants to municipalities for transit-oriented developments and projects exhibiting responsible growth. Eligible projects are within a half mile of a public transportation center and incorporate residential development with a meaningful share of affordable units. |
| Housing Developer Financing Products | Building | Loan | The Connecticut Housing Finance Authority provides financing options for residential development projects with at least 20 percent affordable units. |
| Historic Rehabilitation Tax Credit | Building | Tax Credit | The Historic Rehabilitation Tax Credit is a 25 percent tax credit (or 30 percent if the project is within a federal opportunity zone) on qualified expenditures for the rehabilitation of historical structures. A total of $31.7 million is available each year, with a maximum credit of $4.5 million per project. |
| Neighborhood Revitalization Loan (NRZ) | Neighborhood | Zoning | Municipalities may create neighborhood revitalization zones (NRZ) for areas with a significant proportion of substandard or vacant properties. An NRZ establishes a planning committee that will recommend strategies for development. |
| Enterprise Zones | District | Tax Credit | Enterprise Zones are state designated areas for development. Businesses within Enterprise Zones may qualify for tax credits. |
| Opportunity Zones | District | Tax Credit | Opportunity Zones are federally designated areas for development that benefit from federal tax credits and deferrals. In addition, the State of Connecticut enhances the state program credit offerings within Opportunity Zones. |

| | | | |
|---|---|---|---|
| Planned Development Districts (PDD) and Floating Zones | District | Zoning | Planned development districts (PDDs) and floating zones codify development goals for encompassed parcels. In contrast to traditional zoning, PPDs and floating zones allow greater flexibility. |
| Neighborhood Assistance Act (NAA) Tax Credit Program | Business | Tax Credit | The Neighborhood Assistance Act (NAA) administers tax credits to firms that invest in community assets. For firms that invest in affordable housing, the tax credit equals 60 percent of the firm's contribution amount. The NAA awards up to $5 million each year to qualifying businesses. No business can receive more than $150,000 each year. |
| Innovation Clusters Program | Building | Grant | The Innovation Clusters Program allocates funding to projects that develop Connecticut's innovation hubs. Funded residential projects must include affordable units. |
| Urban/Industrial Sites Reinvestment Tax Credit | Business | Tax Credit | This program offers corporate tax credits to firms investing in urban areas. Eligible investments must significantly boost economic activity, employment, and tax revenue. |
| Competitive Housing Assistance for Multifamily Properties (CHAMP) | Building | Loan/Grant | This program distributes financial assistance to multifamily developers to increase the supply of affordable housing. |

*Source: The State of Connecticut (2025), Connecticut General Assembly (2025), Connecticut Housing Finance Authority (2025), Econsult Solutions, Inc. (2025)*

## 9.6 Relevant Incentive Programs in Other States

| State | Program | Eligible Project Type | Funding Type | Overview |
|---|---|---|---|---|
| CA | Budget Allocation for Downtown Conversions | Building | Grant/Loan | The California General Assembly dedicated $150 million in fiscal year 2022 and $250 million in fiscal year 2023 to conversion projects with affordable components in downtown areas. |
| CO | Tax Credit Commercial Building Conversion | Building | Tax Credit | This bill would create a $5 million annual refundable tax credit for commercial conversion projects. The tax credit would equal the lower of 25 percent of a project's expenditure or $3 million. The bill was sent over unamended by the House Committee on Appropriations in April 2024. |

| | | | | |
|---|---|---|---|---|
| FL | Live Local Act | Building | Zoning/Tax Credit/Loan | The Live Local Act relaxes zoning requirements for multifamily construction, creates a variable tax credit for multifamily projects with more than 70 units at or below 120 percent AMI, and dedicates funding from the State Apartment Incentive Loan program (SAIL) to finance conversion projects with affordable units. |
| AZ | HB 2297: Commercial Buildings; Adaptive Reuse | Building | Zoning | Arizona introduced zoning regulations that require some municipalities to allow adaptive reuse for up to 10 percent of total existing commercial, office, or mixed-use buildings within the municipality. Further, it allows municipalities to designate areas in which multifamily development and adaptive reuse requirements are suspended. Under the new law, standards for multifamily developments and adaptive reuse projects are relaxed statewide. |
| RI | Zoning Acts | Building | Zoning | In 2023 Rhode Island enacted six bills that altered zoning for housing projects, including conversions. |
| WA | HB 1042: Concerning the Use of Existing Buildings for Residential Purposes | Building | Zoning | Washington State prohibits city governments from imposing certain zoning and permit regulations on multifamily conversion projects. |
| KY | Fiscal Year 2025 Budget Allocation for Louisville Conversions | Building | Grant | The Kentucky General Assembly allocated $100 million to the Louisville Metro Government to fund downtown revitalization projects in fiscal year 2025. |
| MA | Commercial Conversion Initiative | Building | Regulation assistance | The Commercial Conversion Initiative supports office conversions by identifying conversion candidates, conducting feasibility analyses, and guiding developers through regulations. |
| OH | Transformational Mixed-Use Development Tax Credit | Building | Tax Credit | This program allocates tax credits to completed multifamily conversion projects. The program has had $100 million available annually from fiscal years 2022 to 2025. Spending on major city projects is capped at $80 million per year. The tax credit equals the lower between 10 percent of developer capital contributions or $40 million. |

| | | | | |
|---|---|---|---|---|
| WI | 2023 Wisconsin Act 18 | Building | Loan | This act created a commercial-to-residential revolving loan program, administered by the Wisconsin Housing and Economic Development Authority (WHEDA). It dedicated 25 percent of WHEDA's funding to residential conversion projects. Loans may not exceed 20 percent of a project's cost or $1 million. Qualifying conversions must result in at least 16 housing units. |
| DC | Housing in Downtown (HID) Program | Building | Tax Abatement | The Housing in Downtown (HID) program administers 20-year tax abatements to qualifying commercial-to-residential conversion projects. In 2024's fiscal year, the program had $1.7 million available. The program's funding in fiscal year 2028 is $41 million. After 2028, funding will escalate by 4 percent each year. |
| - | H.R. 2410: Revitalizing Downtowns and Main Streets Act (Federal) | Building | Tax Credit | The Revitalizing Downtowns Act was introduced to Congress in March 2025 to create a 20% tax credit for expenses to convert obsolete office buildings into residential, hotel, or mixed-use properties. To qualify under this proposal, buildings must be at least 25 years old, and residential conversions would require that at least 20% of the units be dedicated to affordable housing. |
| WA | Council Bill 120937 | Building | Tax Abatement or Exemption | Council Bill 120937 provides a deferral of the 10.3% sales and use tax on construction costs for converting underutilized commercial properties into residential housing. To qualify for this tax exemption, developers must designate 10% of the new units as affordable housing and maintain this affordability for 10 years, after which the deferred taxes are permanently waived. |

*Source: CommercialEdge (2024), San Francisco Business Times (2022), Colorado General Assembly (2025), Florida Housing Coalition (2024), Arizona Office of the Governor (2024), Arizona House of Representatives (2024), Market Urbanism (2023), Washington State Legislature (2024), Kentucky Public Radio (2024), Pew (2024), Ohio Department of Development (2025), Wisconsin State Legislature (2023), District of Columbia Office of the Deputy Mayor for Planning and Economic Development (2025), 119th United States Congress (2025), Econsult Solutions, Inc. (2025)*