

Prepared for:
Town of Sprague

Feasibility Analysis for Baltic Mills



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Feasibility Analysis – Baltic Mills
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Executive Summary

The 16.5 acre Baltic Mill site is located on the northeast bank of the Shetucket River and within the town of Sprague. The property has a long industrial use history, dating back to the nineteenth century. Running through the site is a canal, or raceway, which was used to channel water to provide power. Most of the industrial buildings on the site were destroyed by fire in 1999. The remaining building is a four story granite structure that was constructed in the early part of the twentieth century. This building was severely damaged by fire. The damage to the floors and roof make the structure unsafe for entry. The thick masonry walls appear to be structurally intact although the structural integrity of the building should be evaluated by a professional engineer.

The environmental condition of the site will require remediation and/or capping of contaminants as part of site redevelopment. Significant environmental cleanup of the site occurred subsequent to the fire, including the demolition and removal of a 550 gallon above ground storage tank. A Phase I Environmental Site Assessment for the property was completed by Paul Burgess (LEP) in June 2004. A limited Phase II was then done by Tetrattech NUS in August 2006 working for United States EPA under its Targeted Brownfields Site Assessment Program. The assessment identified the presence of a number of contaminants including asbestos, metals, PAHs, and petroleum hydrocarbons. Additionally, lead paint in the construction debris in the building may or may not require separate abatement.

There are a number of local, state and federal programs that may provide funding for environmental remediation. Presented in the full report are additional details regarding local incentives from the following agencies: Connecticut Department of Economic and Community Development, Connecticut Department of Environmental Protection, Connecticut Development Authority, Connecticut Commission on Culture and Tourism, Connecticut Housing Finance Authority, U.S. Environmental Protection Agency, U.S. Department of Housing and Urban Development, U.S. Economic Development Administration and the National Park Service.

Any analysis of the potential economic uses of a property requires an analysis of the overall economic and demographic trends within the surrounding region. This analysis has been based primarily upon areas or regions that surround the Baltic Mills site. These

areas were defined by the driving times between the Mills site and points encircling it. For the purpose of this analysis, five, ten and twenty minute drive time areas are used, with each of the areas having different degrees of relevance for different forms of commercial development.

Key Findings: Demographic Overview

- The areas surrounding the Baltic Mills site are relatively rural with a number of families and residents who may be looking to retire in the near future (based on the age distribution profiles).
- Home ownership is quite prevalent in the area close to Baltic Mills, while the 20-minute drive time had higher renter and vacancy rates.
- The majority of the people in the area have either a high school degree, some college or an associate's degree, which is an opportunity for industries and occupations requiring specific technical assistance or on-the-job training.
- There is a range of household incomes in the area; there are not as many high-income households as the state average, but a number of households are earning at middle-income levels.
- Traffic counts for the routes close to Baltic Mills are minimal, but the travelers on Routes 2 and 395 are numerous and have been increasing.
- Thousands of visitors travel to New London and Windham counties each day, primarily to the casinos and the Mystic area, which is within a 30-minute drive of the Baltic Mills site. Prior to the economic crisis of 2008, visitors to locales in New London County were many: Foxwoods casino averaged 40,000 visitors each day, Mohegan Sun casino averaged 30,000 visitors per day, and Mystic Aquarium averaged almost 2,000 people per day.¹ In addition to these destinations, there are others including vineyards, parks retail establishments and other venues in New London and Windham counties that attract visitors.

Key Findings: Industry Growth

- Although employment in Sprague has decreased, the surrounding municipalities have seen tremendous growth.

¹ Source: Foxwoods, Mohegan Sun, Mystic Aquarium

- Many of the recent success stories, and much of the economic growth, has occurred in New London County. The casinos have contributed greatly to the increases, but there have also been manufacturing successes.
- Sprague may want to begin by focusing on the current and emerging industry strengths in the region.

Key Findings: Locational Analysis

- There is potential for some additional **retail** use within downtown Baltic, but this is somewhat limited by the configuration of the existing buildings, street patterns and shortage of potential parking.
- The Baltic Mills site lacks the good regional access that has attracted other retail uses within the region. It is located approximately four miles from the nearest interchange of the Connecticut Turnpike, an approximate ten minute drive. The access along Route 97 is somewhat indirect, with going through residential areas of the Occum section of Norwich.
- There has been little new development activity of **offices** in eastern Connecticut in recent years. The development which has occurred has been within population centers along the major transportation corridors of Interstates 95 and 395.
- Most of the more locally generated office demand within the region is within the medical sector, in which physicians establish satellite medical offices outside of the major regional medical centers.
- The local population around the Baltic Mills site is small, but there may be a potential for the location of a small satellite offices may choose this location.
- Our analysis has indicated a number of **industries** within New London and Windham counties that have growth potential either because they have relatively high employment concentrations, or are emerging industries. The ones that may show promise for this site include chemical manufacturing, wholesaling of durable goods and wholesale of nondurable goods. However, large-scale wholesaling would be attracted to sites with greater regional accessibility.
- There are a multitude of small industrial uses within the region which may find a location at this site attractive for the construction of a new building, or as a small tenant of a multi-use building. However, most of these uses are attracted to a ground floor entrance single-story building, and would therefore be unsuited for the existing building.

- The general interest in **hospitality** uses within the region is demonstrated by the recent purchase of the Pautipaug Golf Course by the Mohegan Sun (now the Mohegan Sun at Pautipaug). There may be additional opportunities for tribal investment within this area related to hospitality uses.
- One potential hospitality use would be the conversion of the existing building into a hotel with an eco-tourism orientation. Guests could be attracted by fly fishing opportunities. The site could include supporting services such as accessory retail and restaurants. However, the probability of this occurring is directly related to the willingness of one of the tribal nations to invest in this type of enterprise, as a component of its overall marketing strategy.
- The town has been working to develop the **recreational** potential of this area along the Shetucket River. This has included the restoration of the area east of Route 97 into a Town park. The inclusion of the Baltic Mills Site into a recreational resource is a feasible potential use of the site. However, this would require significant public financing, and would not generate tax revenue. In addition, the re-use of the building would be problematic under this scenario.
- The scope of the work program for this assignment did not include an assessment of the potential for **residential** uses on the site. Therefore, we have not made this quantitative assessment. However, from a broad observation, it may be prudent for the Town to investigate the redevelopment of the existing buildings for residential uses.
- Given the complexity of forces at play for this site, a **mixture of uses** is the most likely development scenario.

Real estate professionals' interviews were incorporated as part of the feasibility study to gain insights on approaches and issues related to undertaking the redevelopment of the Baltic Mill. Nine interviews were conducted in February of 2009 (see Appendix B for additional interview details with public officials and real estate professionals). The individuals interviewed had varying degrees of specific knowledge about the Baltic Mill site. The interviewer provided basic background information to the interviewees in order to elicit relevant observations.

- A common theme in the interviews was that the project must be market driven. It must respond to a need in the real estate market for the space to be created.

- For many uses the site is at a disadvantage because local population is small, the area is not a job center and the site is not close to the highway. This will require the identification of niche markets for the commercial space.
- The space must be able to be delivered at a market rent. Brownfields cleanup or mill redevelopment issues may impose extraordinary costs or the relatively rural location may translate to a lower market rent for the space. In either case government subsidies or incentives would be needed to offset the added costs or reduced rents.
- The present difficult real estate market conditions will add to the challenge of finding a redeveloper. Financing for this type project is difficult to obtain.
- The redevelopment of the property will be a long term endeavor that will require a compatible working relationship between the Town and the developer. Essentially the Town and developer will be “partners” with a mutual goal of successful redevelopment. In selecting a preferred developer it is important to carefully consider not only the developer’s track record and financial capacity but also its commitment to the project.
- The scale of development allowed by zoning will influence economic feasibility. If fixed costs can be spread over more square feet it may help make the project more economically viable.
- The town can split the project into components. This may require subdivision of the site to meet requirements of various funding programs.

The site should be redeveloped as mixed-use and pedestrian oriented. The proximity to Baltic Village, and proposed mixture of uses, make it an ideal situation to promote a good internal and external pedestrian circulation system.

Based upon the information above, the prepared conceptual site plan (see page viii) is based upon the following:

1. The preservation, if feasible, of the south wall crossing the Head Race as part of a vehicular access to the east side of the property, which adds to the historic ambience of the site. An engineering analysis could determine the feasibility and cost of preserving this feature.

2. Redevelopment of Mill Number 10, (labeled as Mixed Use) as offices and retail (Option 1). This would require approximately 250 parking spaces, occupying approximately 2.5 acres of land.
3. Redevelopment of Mill Number 10 as mixed residential/office/studios (Option 2). This would envision the creation of home-work spaces to be used by artists, craftsmen, service providers and other small entrepreneurs. The ground floor would be limited to non-residential uses due to flood plain considerations, with the upper three floors a mixture of residential and mixed spaces. This would anticipate approximately 32,000 square feet of commercial uses, and 24 residential units. A maximum of 170 parking spaces would be required, which would utilize approximately 1.5 acres. However, it may be possible to have fewer parking spaces depending upon the nature of the commercial uses. In addition, some of the parking could be landscaped overflow parking, which would not require the use of impervious surfaces.
4. Development of approximately 20,000 square feet of retail space on the west segment of the property, fronting on Scotland Road. This could take the form of one multi-tenanted building, or could be broken up into two separate buildings, with possibly one as a single tenant (pharmacy or bank) and the other multi-tenanted. This area should be designed with care to present an attractive streetscape and be linked with the main (downtown) section of Baltic Village. Therefore, the facility should include pedestrian linkages with the walkway across the bridge on Scotland Road.
5. Preservation and utilization of open space and passive recreation. This may include paved trails, picnic areas and a comprehensive pedestrian system for the various uses of this property to distinguish it as a unique facility, attractive to businesses, consumers and possible residences including:
 - a. East peninsula between the Shetucket River and Tail Race.
 - b. Wooded area on north side of Tail Race, within eastern corner of the property.
 - c. A walkway along the Tail Race between the redeveloped Number 10 and the proposed retail businesses along Scotland Road.
 - d. A footbridge across the Tail Race to the open space / park on the east peninsula.
 - e. Pedestrian connections to Bushnell Hollow Road.

- f. Pedestrian connection between Town Park across Scotland Road, and major features of the site.
6. The site contains many interesting archaeological artifacts, including the remnants of the old buildings and structures. The ultimate final design of the property should include an assessment of the feasibility of utilizing these artifacts as features of the design.
7. A new commercial building could be accommodated on the eastern section of the site, fronting on Bushnell Hollow Road (Rt. 138). The grade within that area would call for a multi-story building, with a ground floor entrance facing the Tail Race, and a second floor entrance fronting on Bushnell Hollow Road. Uses within this building could include a restaurant, with views of the Shetucket River.
8. It may be feasible to have less parking at this site than would be required for conventional developments. The creation of a live-and-work environment on the site, along with a proximity to retail services, would reduce the demand for automobile usage in certain situations. In addition, the mixture of uses would mean that the peak times of usages would be different, enabling a certain amount of the parking to serve more than one use. The parking areas should be designed to accommodate projected need, but avoid a surplus of parking.

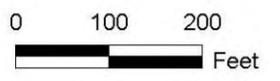
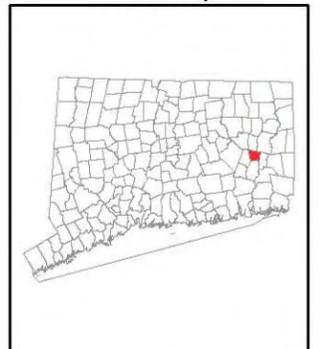
Town of Sprague
Connecticut

Baltic Mills

Legend

- Retail
- Mixed Use
- Office/Restaurant
- Parking
- Open Space
- Preserved
Historic Feature
- New Road

Locus Map



Map Number

1

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Prepared by: Turner Miller Group



1. Introduction

The 16.5 acre Baltic Mill site is located on the northeast bank of the Shetucket River and within the town of Sprague. The property has a long industrial use history, dating back to the nineteenth century. Running through the site is a canal, or raceway, which was used to channel water to provide power. Most of the industrial buildings on the site were destroyed by fire in 1999. The remaining building is a four story granite structure that was constructed in the early part of the twentieth century. This building was severely damaged by fire. The damage to the floors and roof make the structure unsafe for entry. The thick masonry walls appear to be structurally intact, although the structural integrity of the building should be evaluated by a professional engineer.

The purpose of this report is to provide guidance related to the redevelopment of the Baltic Mill site. The site is comprised of two parcels: Map 26, Block 6, Lot 1 and Map 26, Block 5, Lot 4. Physically, the site divides into three parts. The main part of the site fronts Bushnell Hollow Road and has significant frontage on Bushnell Hollow Road and minor frontage on Scotland Road (Route 97). The Bushnell Hollow Road frontage is divided by a small lot under separate private ownership that contains the former pump room, boiler house and smokestack of the Mill. The second largest portion of the site is the site of the former Weave Shed that fronts on Scotland Road (Route 97). Historically the Baltic Mill was powered by water. A canal was cut from the Shetucket River to divert water through the site via a canal or "race." The race is comprised of a head race that lies upstream of the former turbines that generated water power for the site, and a tail race that lies downstream of the area where the turbines formerly were positioned. A portion of the head race lies west of Route 97 and is being converted into a park by the Town. The Weave Shed portion of the site is separated from the main site by the head race and tail race but connected by a structure that is the remnant of the Number 2 power house and bridges the sluiceway (head race and tail race). The third part of the Mill property is known as the peninsula. It is separated from the main portion of the site by the tail race and is bounded on the south by the Shetucket River. A portion of the peninsula is located within the channel encroachment area of the Shetucket River. The only potential vehicular access to the peninsula is through the private Nutmeg Wire property that abuts the peninsula to the west. The Nutmeg Wire property is behind the Town-owned Baltic Mill property fronting on Scotland Road (Route 97) to the south of

the Weave Shed portion of the Mill site. Access to Nutmeg Wire is via easement from the Town. Nutmeg Wire is a single story light manufacturing complex in active use.

The Baltic Mill is listed on the National Register of Historic Places. The Mill site was developed beginning in 1890, and was used as a textile mill from its inception to the closing of the textile operations in 1950. Subsequent to 1950 the property was used for storage and small boat construction. Seventy-five percent of the complex was destroyed by a major fire in 1999. The primary remaining structure on the site is a concrete slab on grade building of 56,000 square feet known as the "Number 10 Addition" circa 1915. This four story granite walled structure has wood floors and wood and metal support beams; its structures are located at the eastern end of the former Mill complex (main portion of the site). The building is about 200 feet long and 80 feet wide with no basement. As a result of the fire the roof has largely caved in and none of the wood floors are structurally sound. The Town received a U.S. Environmental Protection Agency (EPA) grant to remove the windows and other asbestos containing materials from Number 10 addition, as well as remove debris from within a 50-foot radius of the building. As of January 2009 this phase of abatement was completed; however, hazardous materials, including asbestos, still remain in the building.

2. Environmental Condition of the Site

The environmental condition of the site will require remediation and/or capping of contaminants as part of the site redevelopment. Environmental laws and standards have changed significantly since the site was first developed in 1890 and the 1999 fire also impacted the condition of the site. Significant environmental cleanup of the site occurred subsequent to the fire. EPA performed an emergency clean up of the site subsequent to the fire and then followed up with \$2.3 million in additional clean up of the site between 9/00 and 5/01. Post-fire clean up included the demolition and removal of a 550 gallon above ground storage tank. The site is on the EPA CERCLIS List and categorized as "no further action." A Phase I Environmental Site Assessment for the property was completed by Paul Burgess (LEP) in June 2004. A limited phase II was then done by Tetrattech NUS in August 2006 working for United States EPA under their targeted brownfields Site Assessment program.

The Tetrattech Phase II assessment identified the presence of a number of contaminants including asbestos, metals, PAHs, and petroleum hydrocarbons. Also lead paint in the building construction debris may or may not require separate abatement. Identified areas of concern include:

- a. The vicinity of the two previously removed 50,000 underground storage tanks.
- b. Solid waste disposal area on the east side of site.
- c. Ash with PAHs in surface soil from fire debris.
- d. Coal ash fill north of the head race. This was partially investigated and soil and groundwater contamination was identified at levels above Connecticut DEP criteria.
- e. The original canal has unknown fill. This was not investigated.
- f. The tail race sediments were not investigated.
- g. Ash slag fill on the peninsula.
- h. Coal tar in the vicinity of the former gas works.
- i. The Weave Shed area.

Additional analyses expected to be needed beyond the initial Phase II study include:

- a. Testing on the peninsula, site of former coal fired generating plant
- b. Testing below (east of) extant Mill #10
- c. Additional samples for areas of concern not yet tested including the debris area at the east end of the site and the area of the former Weavers Mill on Rte 97.
- d. Additional samples in the vicinity of some of the 8 testing areas sampled to date.

EPA is now conducting a second Targeted Brownfields site assessment project to fill in some of the data gaps related to areas and contaminants of concern. The hope is that the additional testing will provide enough data to allow for a remedial strategy and an initial site clean up cost estimate to be prepared. The site was enrolled in DEP's Voluntary Remediation Program in March of 2008 and Sprague was awarded an EPA Brownfields Cleanup grant for the site. The clean up project is being administered by Paul Burgess LLC, LEP and Eagle Environmental on behalf of the Town. The addressed asbestos removal from the building remain, specifically the windows, which were

removed, and debris on the main access stairway, which was also removed, as well as a 50-foot radius of outside debris.. Asbestos is still present in the remaining roof and dispersed throughout the building from as a result of the collapsed roof.

3. Review of Funding Programs for Environmental Remediation

This section of the report presents information on funding and incentive programs that may assist in the redevelopment of the Baltic Mill property. Interviews with developers and public officials presented in the appendices give examples of successful Brownfields redevelopment projects that were significantly assisted by these programs. These interviews indicate that a combination of incentives is often needed to accomplish brownfield redevelopment projects. Different programs are applicable to the major stages of the project; site investigation, remediation and redevelopment. The Town of Sprague has already made extensive use of programs of the U. S. Environmental Protection Agency to accomplish environmental site assessments and initial site remediation. In the redevelopment phase multiple incentives are likely to be needed, particularly if the reuse is a mixed use project as envisioned by the market studies and conceptual site plan analysis presented in this report. Since many incentive programs do not support mixed use projects it may require creative approaches such as to subdivide or condominiumize the site to secure maximum financial assistance for a mixed use project. The interviews in the appendices give some examples of this approach. The Town of Sprague understands the complexity of combining needed funding sources to accomplish the redevelopment of the Baltic Mill and it can help facilitate multiple funding by providing flexibility in the redevelopment agreements and conveyances related to the site to help achieve mutually desired outcomes.

Additional information, including contact names and web addresses, can be found in Appendix A. Programs change periodically so it is suggested that program managers be contacted for up to date information. For example Governor Rell recommended the suspension of the State Historic Structures Tax Credit Program as part of her February 2009 budget proposal.

Local Incentives

Local Tax Increment Financing - By forming a redevelopment agency under chapter 130 of the Connecticut General Statutes and then preparing a project plan under that section, a town can become enabled to issue bonds for the purpose of providing a grant to a private redeveloper of a brownfields property. The bonds may be issued as general obligation bonds of the municipality. The Town of Windsor followed this method to issue

bonds to assist in a for profit subsidiary of the Corporation for Independent Living to undertake remediation of a Mill that CIL subsequently renovated into 50 market rate condo units. The Town of Berlin has recently created a redevelopment agency with the intent of following a similar path to again assist CIL, in this case to renovate the Sherwood Tool Mill into 74 market rate condo units and to redevelop other portions of the site into 14 new market rate residential condos. Although these examples both involve market rate residential condos, Chapter 130 would allow bonds to be issued to support the redevelopment of a property for a wide range of uses. In order to approve a redevelopment plan under Chapter 130 a Town must make certain findings including that the redevelopment properties are blighted.

Tax Abatement 12-65b - Section 12-65b of the Connecticut General Statutes allows municipalities to provide tax abatements to any party owning or proposing to acquire an interest in real property in such municipality, fixing the assessment of the real property and all improvements thereon or therein and to be constructed thereon or therein, (1) for a period of not more than seven years, provided the cost of such improvements to be constructed is not less than three million dollars, (2) for a period of not more than two years, provided the cost of such improvements to be constructed is not less than five hundred thousand dollars, or (3) to the extent of not more than fifty per cent of such increased assessment, for a period of not more than three years, provided the cost of such improvements to be constructed is not less than twenty-five thousand dollars. Such tax abatement is permitted only if the improvements are for at least one of the following: (1) Office use; (2) retail use; (3) permanent residential use; (4) transient residential use; (5) manufacturing use; (6) warehouse, storage or distribution use; (7) structured multilevel parking use necessary in connection with a mass transit system; (8) information technology; (9) recreation facilities; or (10) transportation facilities.

Tax Abatement City and Town Development Act - Chapter 114 of the Connecticut General Statutes contains the City and Town Development Act. The purpose of this chapter is “ameliorating the deterioration of municipalities by preserving and expanding employment opportunities and the tax base of municipalities by undertaking or assisting in the financing, development or construction of housing, industrial, commercial, parking, retail, office, hotel, warehouse, recreational or transportation facilities or any combination thereof and any service facilities related thereto or supportive thereof”. The Chapter

grants municipalities the power to make agreements for payments in lieu of taxes for up to 20 years and to issue bonds. In order to utilize the powers of the City and Town Development Act a Town's legislative body must pass a resolution containing the following findings and determinations, "(1) An unreasonable number of residents of the municipality are subject to hardship in finding employment and adequate, safe and sanitary housing; (2) conditions of blight and deterioration exist in the municipality; (3) private enterprise is not meeting such need for housing, employment, and the reduction of blight and deterioration; (4) the need for employment and adequate, safe and sanitary housing will be lessened and the municipality will be revitalized by the exercise of the powers granted under this chapter; (5) adequate provisions shall be made for the payment of the cost of acquisition, construction, operation, maintenance and insurance of all development property; (6) a feasible method exists and shall be utilized for the relocation into safe and sanitary dwellings of comparable rent of families and individuals displaced as a consequence of the exercise of any power granted under this chapter and such families and individuals shall not suffer disproportionate injuries as a result of actions authorized by this chapter for the public benefit; (7) development property shall not be acquired or disposed of without due consideration of the environmental and economic impact of such acquisition or disposition and the adequacy of existing or proposed municipal services; (8) the acquisition or disposition of all development property shall advance the public interest, general health, safety and welfare, and development, growth and prosperity of the municipality." The resolution must also be approved by a majority vote in a special or general election of the municipality.

State Department of Economic and Community Development

Special Contaminated Properties Remediation and Insurance Fund (SCPRIF) - The SCPRIF program administered by the Connecticut Department of Economic and Community Development provides low interest loans to conduct Phase II and Phase III Environmental Site Assessments/Investigations, remediation and building demolition activities for brownfields sites. SCPRIF may be useful for this project because it will fund demolition and remediation activities. In general the assistance is structured as a loan that would be paid back at a future point, up to 5 years after the date the building is sold. The loan may be forgiven if the results of the added environmental investigation

demonstrate that the redevelopment of the property as planned is not economically feasible. However, Phase II is complete and Phase III is nearly complete so the SCPRIF program may not be useful for this project.

Dry Cleaner Establishment Remediation – This fund provides grants of up to \$50,000 per year to a maximum of \$150,000 to clean former dry cleaning sites

Brownfield Municipal Pilot Program – This program was created by Public Act 07-233. It provides for grants to up to five municipalities for the investigation and clean up of brownfields properties. \$2.25 million was authorized by the State Bond Commission and a grant round was held with a deadline of July 16, 2008. There is a schedule in the Public Act that defines how many grants are to be given to Towns of various populations. Based on this schedule Sprague would be eligible for the one grant to be made to a Town under 50,000 population and the one grant to be made regardless of population. Sprague applied and was rejected but will try again next year.

Urban Act – This program funds a wide range of projects and the mill redevelopment would generally be eligible for funding. The Office of Policy and Management generally makes funding determinations in concert with the Department of Economic and Community Development. Sprague has opted out of the Urban Act and is now a Small Town Economic Assistance Program (STEAP) community until 2012.

Small Town Economic Assistance Program (STEAP) – This program provides funds to Towns for a wide range of economic development, community conservation and quality of life projects. Projects eligible for STEAP funds include 1) economic development projects including constructing or rehabilitating commercial, industrial, or mixed-use structures; constructing, reconstructing, or repairing roads access ways, and other site improvements; recreation and solid waste disposal projects; housing projects and pilot historic preservation and redevelopment programs that leverage private funds. Project funding is based on periodic competitive funding rounds, subject to legislative authorization and bond commission approval. As stated above, Sprague is eligible for STEAP grants until 2012.

Municipal Industrial Park Program - The Connecticut Department of Economic Development administers a program of grants to municipalities and entities designated by a municipality for the planning and development of municipal industrial park projects. Planning grants would include funding for an environmental impact evaluation of the proposed project and for environmental site investigations. It would be more likely to use this program if the intended end use of the property is for economic base, non-residential uses. Project plans required under the municipal industrial park program can be prepared under Chapter 130, Chapter 132 or Chapter 588I of the Connecticut General statutes.

Urban Renewal/ Redevelopment

Enterprise Corridor Zone – Certain properties within Sprague are within the Route 395 Enterprise Corridor Zone which permits 80% tax abatement on real and personal property for five years; and a 25% or 50% State corporate business tax credit for 10 years. Enhanced State corporate business tax benefit is subject to meeting a minimum hiring threshold. The program is geared toward manufacturing and certain service sector businesses as well as research and development related to manufacturing and non-retail distributors of manufactured products. Eligible facilities include newly constructed facilities; older facilities idle for at least one year prior to being acquired through lease or purchase, and facilities that are substantially renovated or expanded. Leased facilities must be for a minimum initial term of five years with a renewable option for five years or the option to purchase within the first five years. (Three-year lease with three year option are required for companies with less than 10 employees.)

Enterprise Zone Tax Abatements - For projects that do not qualify under the Enterprise Zone Corridor program the municipality may provide a 7 year phase-in of assessment from real property improvement projects with 100% of the increase abated in the first two years, 50% in year 3, 40% in year 4, 30% in year 5, 20% in year 6 and 10% in year 7. The Enterprise Zone Corridor program may also permit additional abatements at the discretion of the Town.

Urban and Industrial Site Investment Tax Credits – “An eligible Industrial Site Investment Project is defined as an investment made in real property, or in

improvements to real property, located within Connecticut that has been subject to environmental contamination. The investment will return the property to a viable business condition that will add significant new economic activity, increase employment and generate additional tax revenue to the state and the municipality in which the property is located. The Urban Site Investment Tax Credit Program, very similar to the Industrial Site Investment Tax Credit Program, is defined as an investment that will add significant new economic activity, increase employment in a new facility and generate significant additional tax revenues to the municipality and the state. These programs offer investors a dollar for dollar corporate tax credit of up to 100% of their investment up to a maximum of \$100 million. An eligible Urban Site Investment Project In general the project must involve an investment of at least \$5 million or \$2 million if the project involves a mixed use redevelopment or historic restoration with at least 4 housing units. The credits are back loaded in the ten year period 0% in the first three years, 10% per year in the next four years, and 20% per year in the final three years. Tax credits are subject to annual audit and the program is most likely to be applicable if the project is developed by or for a large corporate tenant.

DECD Cleanup Revolving Loan Program – The State DECD received a grant from EPA to operate a clean up revolving loan fund. The grant can be used statewide so Sprague would be eligible to apply. The program allows 40% of the funds to be used as grants to eligible projects. There is an annual national competitive funding round. The program requires a 20% local cost share.

Manufacturers Assistance Act – The Connecticut Department of Economic Development also administers the Manufacturers Assistance Act to provide grants and loans to assist development projects for economic base type businesses. Eligible expenses include site remediation and the purchase of environmental insurance. This program may apply if the facility is to be purchased and redeveloped for a manufacturing or similar business. Assistance can be provided directly to the business or through the Town or a designated non-profit organization.

Connecticut Department of Environmental Protection

Urban Site Remedial Action Program – This State program facilitates the transfer, reuse and redevelopment of potentially polluted commercial and industrial real property which otherwise would remain vacant and unproductive for the economy of the municipality, region and state. When necessary, the State can commit public funds to prepare the environmental site assessments and implement the site remediation. These funds are intended as "seed capital" to expedite the project. The Unwilling/Unable Party portion of the program involves a property owner that either has not been identified, is unwilling, or is unable to clean the property. The Baltic Mill would likely qualify under the Unwilling/Unable Party category because Sprague is one of 25 eligible towns. Under this program, the DEP will conduct studies, remedial action planning and, if necessary, the implementation of the remedial action work plan for those properties identified by DECD as significant to the state's economy. The state may seek to recover its funds. The applicability of this program will be dependent on the projected reuse and the ability to convince DECD that the project is "significant to the state's economy."

Targeted Site Assessments - The Connecticut DEP also receives a Targeted Site Assessment grant from EPA so the Town could request additional assessments be done by either EPA or DEP. This program can be used for site assessments through the Phase III and for the preparation of a remedial action plan (RAP) and remedial cost estimate. Completing the RAP and getting the cost estimate is critical because this will drive the determination of market feasibility (or dictate the need for clean up grants). Consultants performing the environmental studies would be under contract to and supervised by DEP. Since EPA has already funded the project it is a good candidate for additional funding. If EPA needs to distribute the money among applicants or if funds aren't available based on its funding cycle then progress on the investigations would be delayed. The Town could also apply for a direct site assessment grant from EPA in the next funding round but this would require that the Town administer the funds, hire the consultants etc.

Emergency Spill Response Funds – The Department of Environmental Protection has funding to undertake emergency site cleanup projects. The Emergency Spill Fund can also fund investigation and non-emergency cleanup activities. DEP would put a lien on the property for the cost of the cleanup.

Connecticut Underground Storage Tank Clean-up Account Program – “This program was established in 1989 to provide financial assistance for the investigation and clean-up of sites impacted by leaking underground storage tanks and to enable petroleum tank owners to meet the financial responsibility requirements of federal regulations. The Account provides coverage of up to one million dollars, per release, for taking corrective actions and for third party liability costs. Notwithstanding such financial coverage, the responsible party for a release must bear all corrective action and third party liability costs less than ten thousand dollars.”

Connecticut Development Authority/Redevelopment Authority

Connecticut Brownfields Redevelopment Authority (TIF) – CBRA is a subsidiary of the Connecticut Development Authority. It administers a program to make tax increment financing (TIF) available to brownfields redevelopment projects. Residential projects have generally not been funded to date but CBRA will consider residential project applications. Mixed use development would also qualify. In general the project needs to have development financing and be ready to go so that the future local property tax revenue stream is certain. The Town the pledges a portion of the local property tax revenues from the project for a period up to 20 years and in return CBRA provides an up front grant to the developer. The amount of the grant is a function of the interest rate on the bonds issued by CBRA to fund the project and the term and amount of the tax lien pledge. Eligible expenses include both remediation and redevelopment. . In general CBRA TIF projects will range from about \$700,000 to \$10 million.

Connecticut Brownfields Redevelopment Authority – Loans - CBRA administers a loan program for site remediation. Loans have a maximum 10 year term, rates are comparable to commercial rates, and the amount of the loan is not based on the number of jobs created by the project. The loan is for the cost of clean up. Clean up must be done as the first step in the development project. The minimum loan under this program is about \$250,000 and the maximum loan is \$5 million.

Connecticut Brownfields Redevelopment Authority – Loans Guarantees- Loan guarantees for up to 30% of the project are available for property clean up. No loans for this purpose have been approved to date.

Connecticut Commission on Culture and Tourism

Connecticut Historic Structures Rehabilitation Tax Credit Program - Public Act 06-186 section 82 establishes a tax credit for the conversion of historic commercial and industrial buildings to residential use, including rental or condominium units. Partial tax credits are available for buildings converted to mixed residential and commercial uses. A list of the key provisions of the program is as follows:

- 25% tax credit of the total qualified rehabilitation expenditures
- buildings must be listed on the National or State Register of Historic Places, either individually or as part of an historic district
- projects under construction but not placed in service as of July 1, 2006, may qualify
- state tax credits may be combined with the 20% federal historic preservation tax credits provided the project qualifies under federal law as a substantial rehabilitation of depreciable property as defined by the Internal Revenue Service
- annual aggregate cap of \$15 million in tax credit reservations under the program
- per building cap is up to \$2.7 million in tax credits
- tax credit vouchers are issued after completion of rehabilitation work or, in phased projects, completion of rehabilitation work to an identifiable portion of the building placed in residential use
- tax credits are available for the tax year in which the building is placed in service or, in phased projects, based on the tax year that an identifiable portion of the building is placed in service
- tax credits can only be used by C corporations with tax liability under Chapters 207 through 212 of the Connecticut General Statutes

Tax credits can be assigned, transferred or conveyed in whole or in part by the owner to other entities that have Connecticut tax liabilities. This program is a significant incentive because the tax credits can be sold thus raising equity for the development project. Since the credits can be taken in the year that the project is placed in service, they can be sold for a high percentage of their face value. Other tax credits such as the Low Income Housing tax Credit are phased in over a period of time after the building is

placed in service so their value will be discounted by the purchaser based on the present value of each estimated annual credit.

A new historic structures tax credit provision was created solely for mixed use projects by Public Act 07-250. Regulations for this program are expected to be adopted by the end of 2008. This new program will have a higher per building cap of \$5 million and a greater credit (30%) if the project has an affordable housing component.

Connecticut Housing Finance Authority (CHFA)

Low-Income Housing Tax Credit Program - “The Connecticut Housing Finance Authority allocates the distribution of federal Low-Income Housing Tax Credits in Connecticut through one or more competitive funding rounds each year. “The program gives developers a financing tool to provide affordable rental housing for people of limited income. Developers who receive tax credits typically sell them to private investors who benefit from a reduction in tax liability. The proceeds from the sale generate equity for the development, reducing the need for debt financing, and enabling the owner to charge affordable rents.”

To be eligible for low-income housing tax credits, the project developer must set aside a minimum percentage of units for low-income residents. This percentage must be maintained throughout the extended use period, usually at least 30 years. The minimum set-aside is either of the following:

- 20% of the units rented to tenants earning 50% or less of the area median income (adjusted for family size) established by HUD.
- 40% of the units rented to tenants earning 60% or less of the area median income (adjusted for family size) established by HUD.

The amount of the tax credits can be maximized by setting aside 100% of the units for low-income tenants. If a project involves either new construction or substantial renovation that is not federally subsidized, the credit is 9% of the eligible basis times the percentage of eligible units allocated prorated over a 10 year period.

CHFA Mortgage Financing for Multifamily Housing - “Increasing the supply and availability of affordable housing for low and moderate income households is the primary role of the Connecticut Housing Finance Authority. To address this mission CHFA offers loans for profit and non-profit developers of affordable housing CHFA offers financing terms not generally available in the commercial market. The Authority can help developers achieve feasibility for projects which otherwise would not be possible. CHFA programs offer:

- Financing for the creation of new or rehabilitated affordable units
- Construction to permanent, or permanent "takeout" financing”
- First mortgage loans with interest rates at or below conventional rates
- Loan terms of up to 40 years
- Flexibly structured loans to fill financing gaps (limited funds are available)
- Non-recourse debt “

United States Environmental Protection Agency

EPA Targeted Site Assessment Program (TSA) – This is the funding source for the Phase II environmental site assessment currently being done for the Baltic Mill site. The investigations are conducted by a consultant under contract to EPA. EPA obtains the reports and provides them to the Town. There are no required local matching funds. EPA also provides grants to State and regional entities under this program.

EPA Brownfields Cleanup Revolving Loan Program – Grants of up to \$1,000,000 are available to create revolving loan funds for site clean up. The program allows 40% of the funds to be used as grants to eligible projects. There is an annual national competitive funding round. The program requires a 20% local cost share. The Grant Recipient cannot lend or grant itself funds. Only one grant is available per assessors map parcel for the life of the program. The Town has already received a clean up grant for the main parcel.

EPA Brownfields Tax Credit Program – Allows eligible remediation costs to be written off in the year in which they were incurred rather than capitalized and deducted over a number of years. This may apply if the Town conveys the property to a for profit entity that agrees to undertake the cleanup. In December 2006, the Brownfields Tax Incentive

was extended to cover eligible expenses through December 31, 2009 and expanded to allow the deduction of expenses for the cleanup of petroleum products (e.g., crude oil, crude oil condensates, and natural gasoline), which had previously been ineligible.

United States Department of Housing and Urban Development

Brownfields Economic Development Initiative (BEDI) – HUD administers the Brownfields Economic development Initiative, BEDI. \$32 million in grants were awarded in 2007 nationwide with a cap of \$2 million per project. Grants must be used in combination with the HUD section 108 loan guarantees used for the project. Since Sprague is not an entitlement community the section 108 loan would need to be processed through the Connecticut Department of Economic and Community Development as administrator of the HUD Small Cities Community Development Block Grant program in Connecticut. Each activity assisted with Section 108 loan guarantees and BEDI funds must meet one of the CDBG Program's three national objectives:

- Benefit low and moderate income persons.
- Prevent or eliminate slums or blight.
- Address imminent threats and urgent community needs.

United States Department of Commerce, Economic Development Administration

Public Works Program - The Public Works and Economic Development Program of the Economic Development Administration (EDA) is designed to enhance regional competitiveness and promote long-term economic development in regions experiencing substantial economic distress. Among the eligible uses of Public Works funds is for the redevelopment of brownfields sites.

A project must be located in or impact a region that, on the date EDA receives an application for investment assistance, satisfies one or more of the established economic distress criteria. In addition, the project must fulfill a pressing need of the region and must: (a) improve the opportunities for the successful establishment or expansion of industrial or commercial plants or facilities in the region; (b) assist in the creation of additional long-term employment opportunities in the region; or (c) primarily benefit the long-term unemployed and low-income residents. All proposed investments must be

consistent with a current EDA-approved Comprehensive Economic Development Strategy (CEDS) or equivalent strategic economic development plan for the region in which the project will be located, and the applicant must have the required local share of funds committed (generally 50% of project cost), available, and unencumbered. Applicants must be able to start and complete proposed projects in a timely manner consistent with award terms and conditions.

National Park Service

Federal Historic Preservation Tax Incentives - Administered by the National Park Service in conjunction with State Historic Preservation Offices (SHPO), the program offers a 20% federal tax credit for qualified rehabilitation expenses. A project must be “substantial” in that the qualifying rehabilitation expenses must exceed the greater of \$5,000 or the adjusted basis of the building. The building needs to be certified as a historic structure by the National Park Service. Rehabilitation work has to meet the Secretary of the Interior’s Standards for Rehabilitation as determined by the National Park Service.

4. Economic and Demographic Analyses

Any analysis of the potential economic uses of a property requires an analysis of the overall economic and demographic trends within the surrounding region. This analysis has been based primarily upon areas or regions which surround the subject areas. The areas were defined by how long it takes to drive between the subject property, and points encircling it. For the purpose of this analysis five, ten and twenty minute drive time areas are used, with each of the areas having different degrees of relevance for different forms of commercial development.

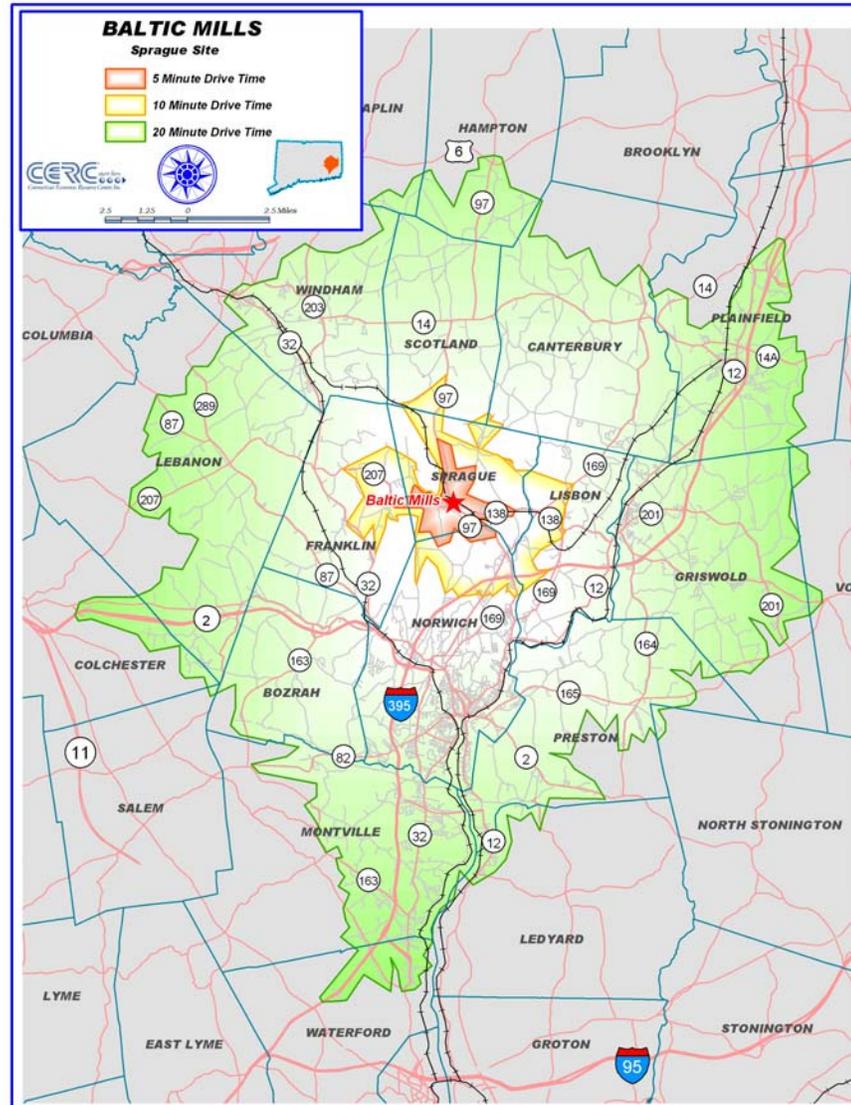
The five-minute drive time delineates the convenience and neighborhood retail market. Goods and services within the neighborhood market are those needed on a regular basis, for which the consumer is unwilling to drive long distances. These uses include some food stores, dry cleaners, liquor stores, etc. The ten minute drive time identifies the community market area, for those goods needed on somewhat of a regular basis. This includes supermarkets, drug stores, specialty retail, etc. Finally the twenty minute drive time is the basis for regional shopping, such as large shopping malls.

The five minute drive time area is generally confined to areas within the Town of Sprague. The ten minute drive time area includes most of the Town of Sprague, the northern section of the City of Norwich, and parts of Franklin, Lisbon and Scotland. The twenty minute area covers a large section of southeastern Connecticut, excluding the shoreline areas, but including the entire City of Norwich, extending south to the northern section of Waterford, north to Hampton and Plainfield, from Griswold on the east to Lebanon and a small section of southeastern Colchester on the west.

Demographic Overview

The Baltic Mills site is located in a more rural area of Connecticut. The map presents the boundaries of the 5-, 10-, and 20-minute drive times around Baltic Mills. More than 2,600 people lived within a 5-mile drive-time of the site and more than 14,000 lived within 10 miles in 2007.²

Almost 92,000 people resided within a 20-minute drive-time area, which comprised almost three percent of the total population of Connecticut. Within the 20-minute area were more than 36,000 households, which was almost three percent of the



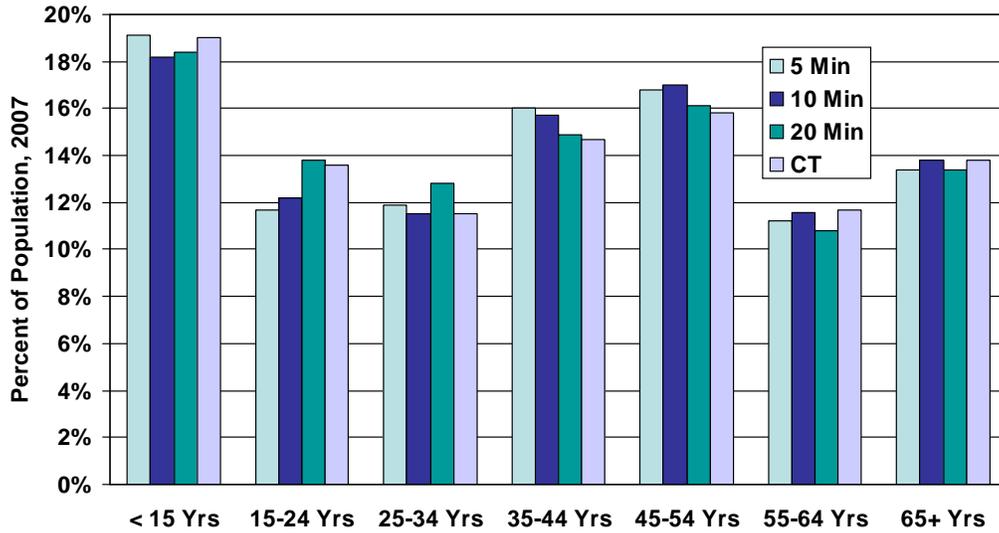
state's total. The population density was approximately half of the state's average density of 713 people per square mile.³

The median age of the 5-minute drive-time area was very similar to the state average of 40 years. The 10-minute drive-time median age was 41 years, and the 20-minute drive-time was slightly less than 39 years.

² CERC DataFinder

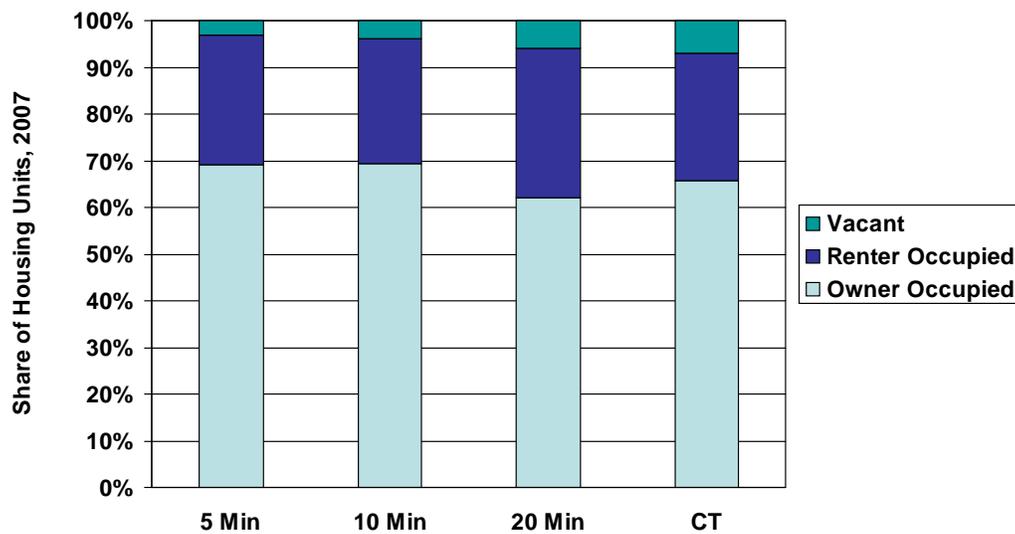
³ Ibid.

The distributions of population by age for the drive-times were similar to the state average: similar shares of people under the age of 15 years and more than 55 years. However, there were some exceptions: all three areas had shares of population ages 35-44 years and 45-54 years that were greater than the state average. The drive-time areas varied somewhat with the state for the 15-24 year and 25-34 year age groups.



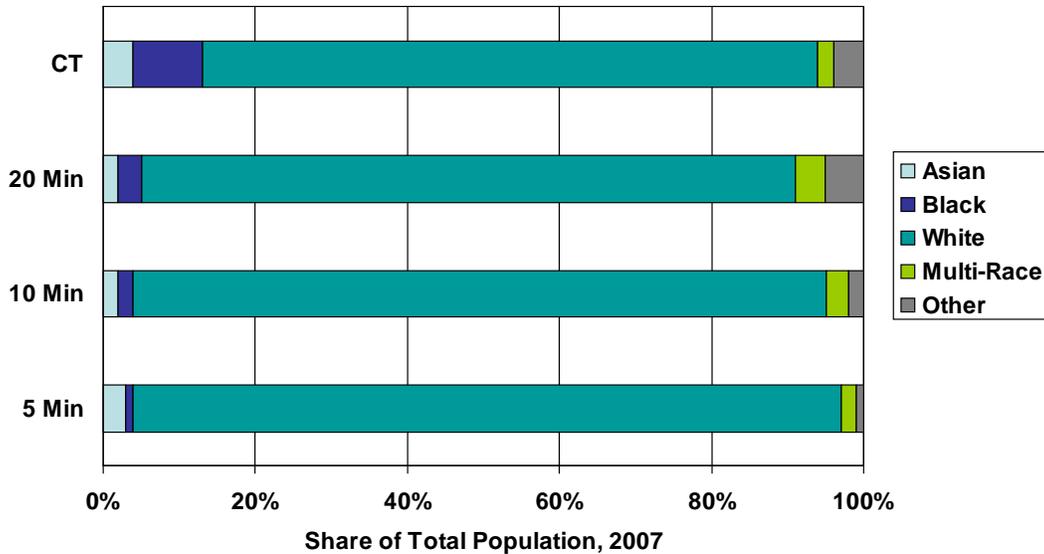
Source: CERC DataFinder

The 5- and 10-minute areas had housing vacancy rates that were lower than the state average, with higher owner occupied rates. The 20-minute area had higher renter and vacancy rates than the other areas and Connecticut.



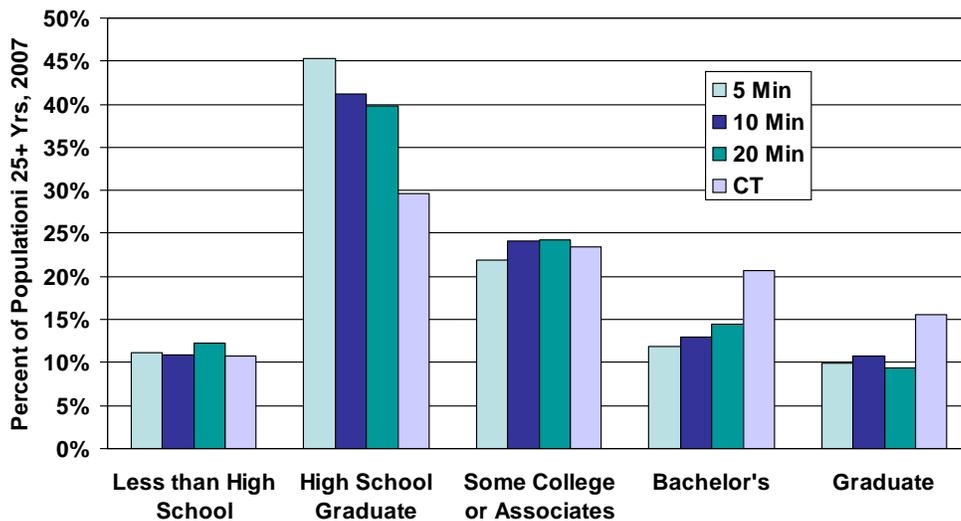
Source: CERC DataFinder

In terms of the distribution of the populations by race, all of the drive-time areas had higher percentages of people who are white than the state average. The 5-minute area had 93 percent white, the 10-minute area was 92 percent white, the 20-minute area was 86 percent white, and Connecticut was 81 percent white. The 20-minute area had shares of people who are more than one race or other (American Indian, Eskimo, Aleut, Hawaiian, Pacific Islander, Other) than the other areas and the state.



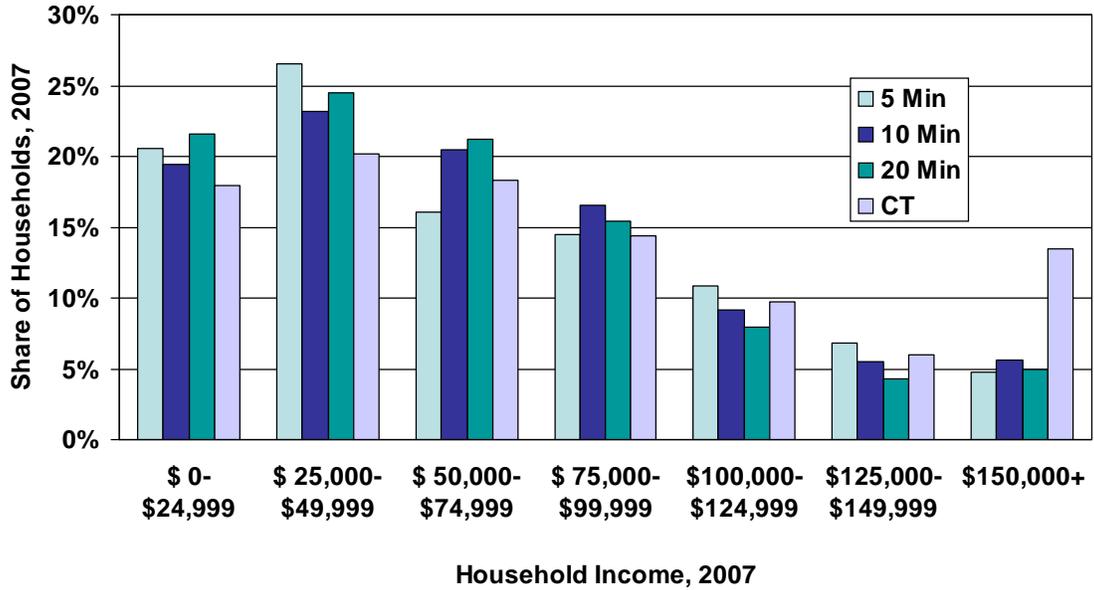
Source: CERC DataFinder

The residents of the area around the Baltic Mills site were more apt to have a high school degree than the state average, but the state as a whole had more people with bachelor's or graduate degrees.



Source: CERC DataFinder

Between 43 and 47 percent of the households in the areas surrounding Baltic Mills had household incomes that were less than \$50,000, while in Connecticut the share was 38 percent. Approximately one-fifth of the households earned more than \$100,000 in the Baltic Mills areas; the Connecticut average was 29 percent.



Source: CERC DataFinder

Traffic counts for the nearby state roads and interstates are shown below. Routes 32, 97, 138, 207 and 660 were not heavily traveled, nor has there been much of a change between 2000 and 2006. However, the segments of Routes 2 and 395 that are a few miles from Baltic Mills did have substantial increases in the amount of traffic, so there are a number of people driving somewhat nearby each day.

Route	Segment Name	Length	2000 ADT		2006 ADT		Change	% Change
97	Norwich-Sprague TL to Maple St.	0.94	4,800	*	4,400		-400	-8.3%
	Maple St. to Route 207	0.22	4,800	*	5,200		400	8.3%
	Route 207 to Route 138	0.16	3,900		4,000		100	2.6%
	Route 138 to Baltic-Hanover Rd.	0.4	2,800		3,200		400	14.3%
	Baltic-Hanover Rd. to Saltrock Rd.	1.22	1,800		2,000		200	11.1%
	Salt Rock Rd. to Sprague-Scotland TL	1.11	1,500		1,400		-100	-6.7%
138	Route 97 to SR 660	2.58	1,100		1,400	*	300	27.3%
	SR 660 to Sprague-Lisbon TL	0.01	1,400		1,400	*	0	0.0%
207	Franklin-Sprague TL to Plain Hill Rd.	0.64	3,700		3,600		-100	-2.7%
	Plain Hill Rd. to School Hill Rd.	0.38	4,600	*	4,300		-300	-6.5%
	School Hill Rd. to Route 97	0.24	4,600	*	5,000		400	8.7%
660	Norwich-Sprague TL to Riverside Dr.	0.3	4,900		4,500		-400	-8.2%
	Riverside Dr. to Kendall Rd.	0.08	3,000		2,900		-100	-3.3%
	Kendall Rd. to Kinsman Rd. Ext (Lisbon)	0.86	2,200		2,000		-200	-9.1%
32	Plains Road to Route 207 (Pond Rd)	2.39	10,000	*	9,800		-200	-2.0%
2	Bozrah-Norwich TL EB to WB Rte 32	0.04	26,000		27,300		1,300	5.0%
395	NB Rte 82 to NB Exit to EB Rtes 32 & 2	2.22	55,000		61,000		6,000	10.9%
	NB Exit Rte 164 to NB Acc Rte 138	0.82	20,700		25,000		4,300	20.8%

Source: CT Department of Transportation

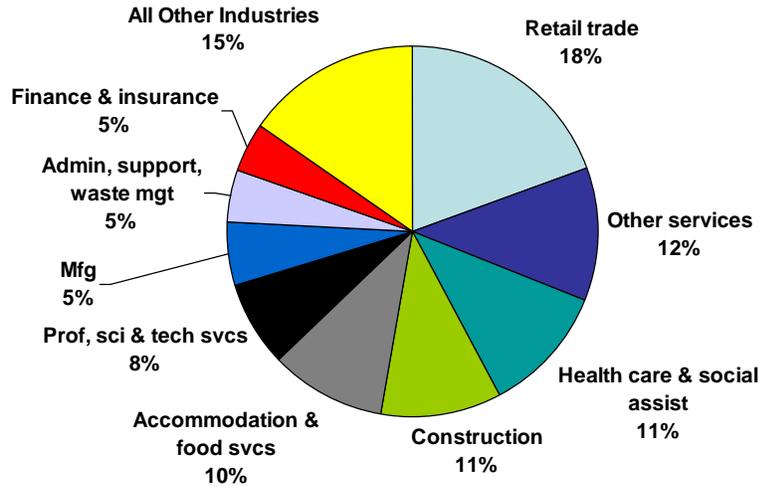
*Indicates road usage approximated from larger segment used in a certain year and not other

Prior to the economic crisis of 2008, visitors to locales in New London County were many: Foxwoods casino averaged 40,000 visitors each day, Mohegan Sun casino averaged 30,000 visitors per day, and Mystic Aquarium averaged almost 2,000 people per day.⁴ In addition to these destinations, there are others including vineyards, parks retail establishments and other venues in New London and Windham counties that attract visitors.

⁴ Source: Foxwoods, Mohegan Sun, Mystic Aquarium

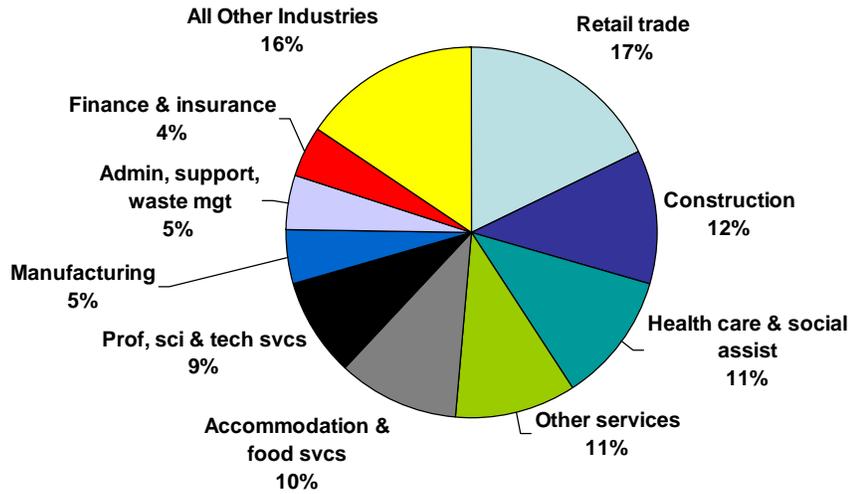
Industry Growth

The retail sector had the largest share of establishments in New London and Windham Counties in 1998.



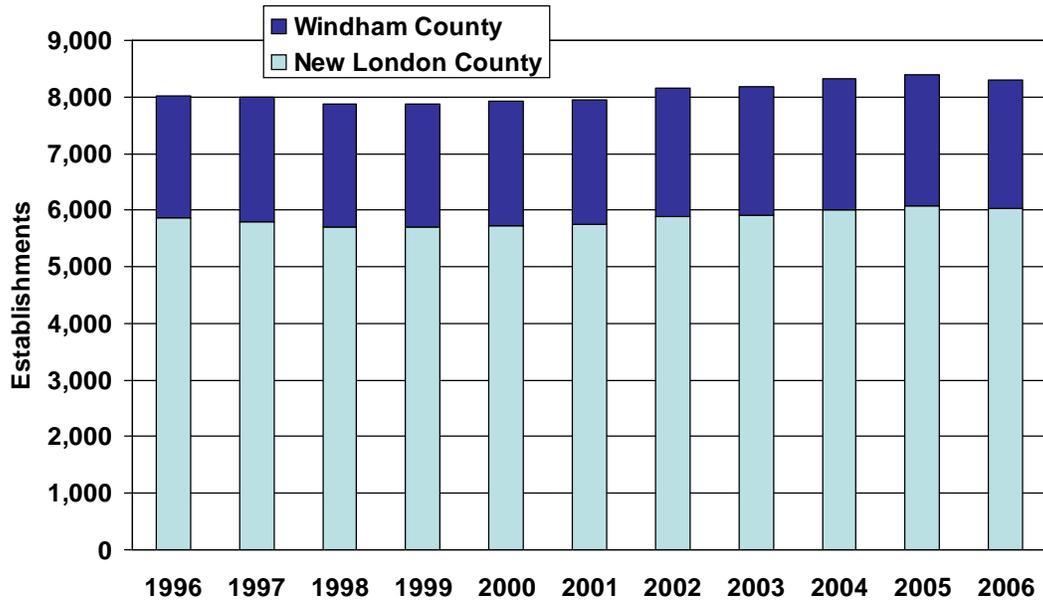
Source: U.S. Census

The retail and construction sectors comprised almost one-third of the establishments in New London and Windham counties in 2006.



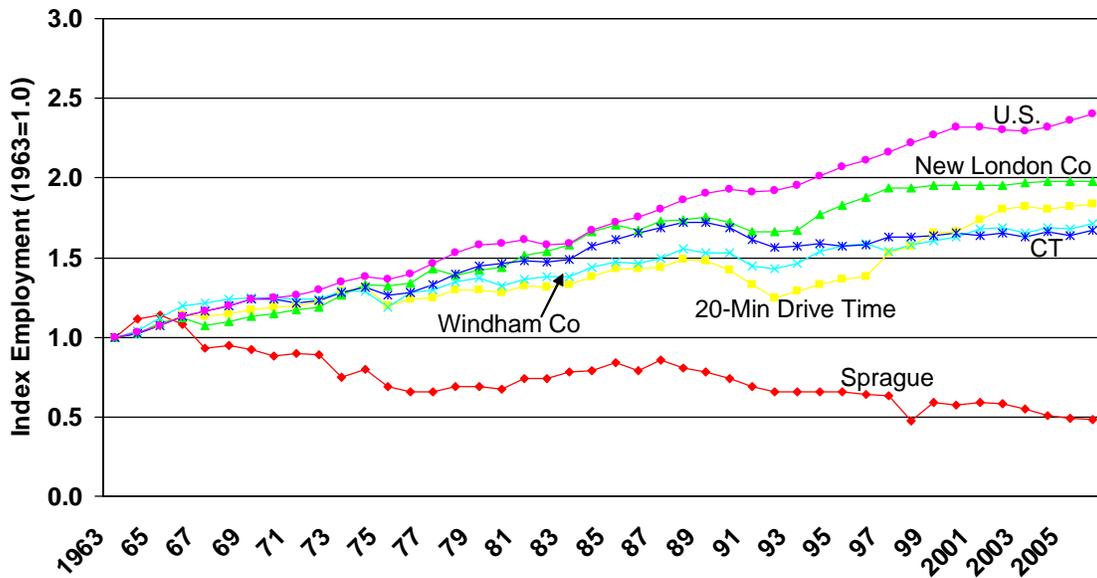
Source: U.S. Census

New London and Windham Counties had almost 8,300 establishments in 2006, a number which has been relatively flat for the last ten years.



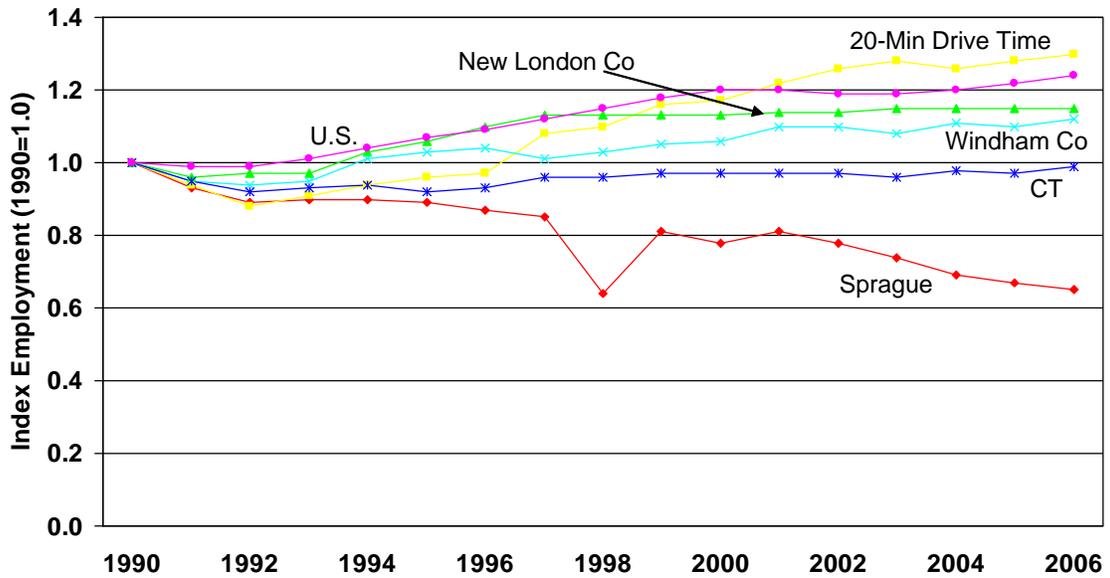
Source: U.S. Census

The next two graphs compare employment changes over the years with 1.0 as a baseline, below 1.0 indicating a decline and above 1.0 noting an increase. Employment in Sprague declined over the past 40 years while surrounding areas have gained.



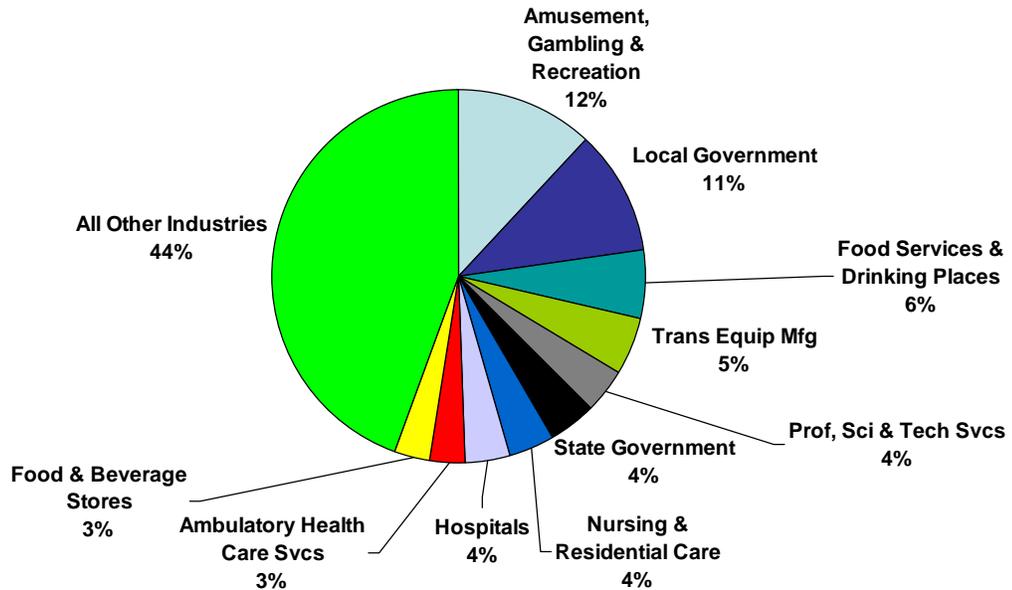
Sources: CT DOL; U.S. BLS

Recently, employment growth in the 20-minute drive time area outpaced the nation, while Sprague declined and the state was flat.



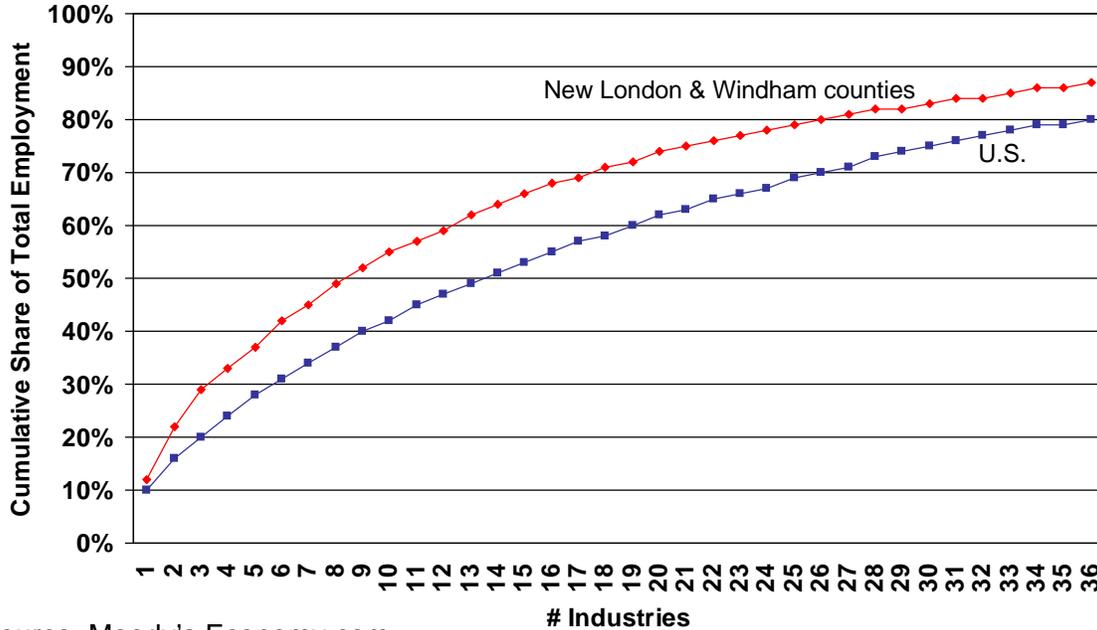
Sources: CT DOL; U.S. BLS

Amusement industries and local government had the largest shares of employment in New London and Windham Counties in 2007.



Source: Moody's Economy.com

Twenty-six 3-digit North American Industry Classification System (NAICS) industries accounted for 80% of employment in New London and Windham counties in 2007. The same industries accounted for 64% of U.S. employment. In total, there were 87 3-digit NAICS industries.



Source: Moody's Economy.com

Industries in New London and Windham Counties with the largest relative employment concentrations are found below.

NAICS	Industry Description	LQ 1990	LQ 2007	Emp 2007
713	Amusement, Gambling & Recreation Industries	0.83	11.25	21,100
712	Museums, Historical Sites & Similar Institutions	6.47	4.00	700
336	Transportation Equipment Manufacturing	5.92	3.68	8,200
483	Water Transportation	3.22	3.63	300
212	Mining (except Oil & Gas)	2.29	3.51	1,000
325	Chemical Manufacturing	2.62	3.40	3,800
493	Warehousing & Storage	0.71	2.82	2,400
486	Pipeline Transportation	0.90	2.72	100
221	Utilities	1.91	2.33	1,700
485	Transit & Ground Passenger Transportation	1.89	2.21	1,200
331	Primary Metal Manufacturing	2.51	2.10	1,200

Source: Moody's Economy.com

A variety of industries in New London and Windham Counties had productivity levels above \$200,000 per worker in 2007.

NAICS	Industry Description	Emp (1000s)	Real GDP (\$Mil)	Productivity (Real GDP per Emp)
		2007	2007	2007
TOT	Total Nonfarm Payroll	179.4	16049	89,444
531	Real Estate (imputed value of rents included)	1.1	1762	1,607,041
533	Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	0.0	30	779,065
523	Securities, Commodity Contracts & Other Financial Investments	0.3	153	542,867
515	Broadcasting (except Internet)	0.2	76	444,978
221	Utilities	1.7	698	415,588
517	Telecommunications	0.7	266	407,504
312	Beverage & Tobacco Product Manufacturing	0.2	71	351,091
525	Funds, Trusts & Other Financial Vehicles	0.0	8	335,010
325	Chemical Manufacturing	3.8	1212	317,311
425	Wholesale Electronic Markets & Agents & Brokers	0.6	202	313,899
518	Internet Service Providers, Web Search Portals & Data Processing Svcs	0.3	71	281,683
483	Water Transportation	0.3	71	232,185
532	Rental & Leasing Services	0.3	66	200,977

Source: Moody's Economy.com

Industry segmentation analysis is an expansion of the relative concentration analysis.

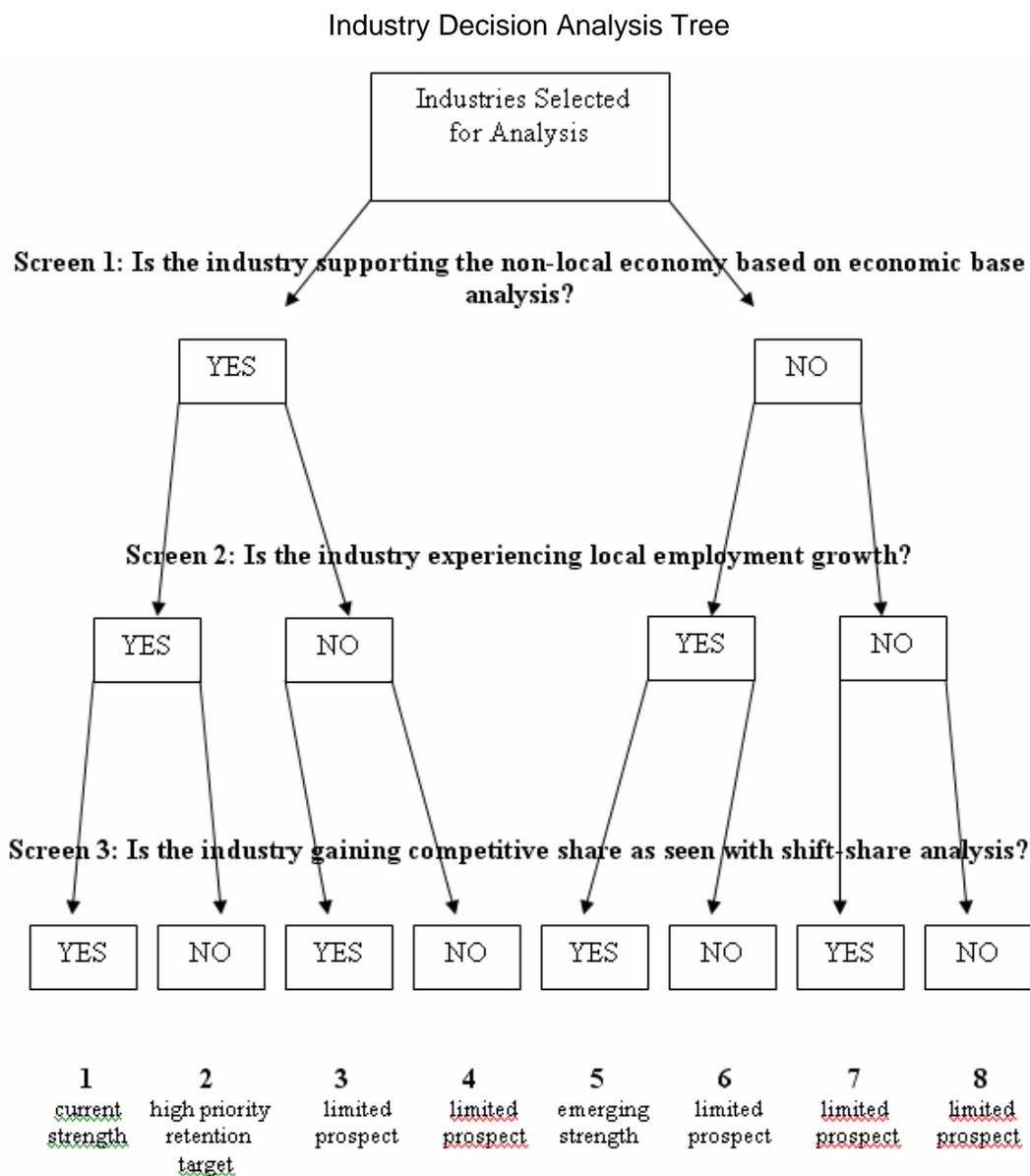
The steps of the industry segmentation analysis include:

1. Calculate employment location quotients (indicators of relative employment concentration) for each industry.
2. Calculate the absolute change in employment for each industry.
3. Perform an analysis to determine each industry's competitive share. If the competitive share component is positive, then the region's performance is not merely caused by national trends—a local advantage is helping the industry to succeed.

After the calculations are complete, each industry is classified into one of the following categories (as seen in the following figure):

- **Current Strengths** have a relative concentration in the local economy and have seen recent growth. These industries have been able to develop a presence in the area and thrive.

- **High Priority Retention Targets** include industries that have done well in the area in the past but their recent loss of competitive share calls for attention before employment begins to decline.
- **Emerging Strengths** do not currently have a relative concentration in the local economy but the industries have seen recent growth.
- **Limited Prospects** include industries with weaker performance in the local area due to external trends or local weaknesses.



Current Industry Strengths in New London and Windham Counties (1990-2007 Data)

These industries have high relative employment concentrations, employment growth, and a competitive regional component.

NAICS	Industry Description
212	Mining (except Oil & Gas)
325	Chemical Manufacturing
485	Transit & Ground Passenger Transportation
493	Warehousing & Storage
623	Nursing & Residential Care Facilities
713	Amusement, Gambling & Recreation Industries
812	Personal & Laundry Services

Source: Moody's Economy.com

Emerging Industry Strengths in New London and Windham Counties (1990-2007 Data)

These industries do not have high relative employment concentrations, but have employment growth and a competitive regional component.

NAICS	Industry Description
423	Merchant Wholesalers, Durable Goods
424	Merchant Wholesalers, Nondurable Goods
444	Building Material & Garden Equipment & Supplies Dealers
452	General Merchandise Stores
622	Hospitals
721	Accommodation
813	Religious, Grantmaking, Civic, Professional Organizations
GVL	Local Government

Source: Moody's Economy.com

Eight of the 10 occupations in the Eastern Region of Connecticut projected to have the greatest number of annual openings require short-term on-the-job training.

EASTERN REGION OCCUPATIONS RANKED BY TOTAL OPENINGS (1-10)	Employment		Annual	Total	Minimum
	2004	2014	Growth	Annual	Training/Ed
			Openings	Openings	Required
Total, All Occupations	191,400	211,770	2,188	6,972	
Cashiers	5,750	6,030	28	308	Short-Term On-The-Job
Retail Salespersons	5,510	6,390	88	289	Short-Term On-The-Job
Waiters and Waitresses	4,060	4,700	64	272	Short-Term On-The-Job
Gaming Dealers	3,770	4,100	33	152	Postsecondary Vocational
Combined Food Preparation, Serving Workers incl. Fast Food	2,200	2,540	34	129	Short-Term On-The-Job
Janitors and Cleaners	3,780	4,200	42	114	Short-Term On-The-Job
Food Preparation Workers	1,990	2,340	35	105	Short-Term On-The-Job
Registered Nurses	3,050	3,440	39	103	Associate Degree
Maids and Housekeeping Cleaners	2,210	2,670	46	92	Short-Term On-The-Job
Gaming Change Persons and Booth Cashiers	1,430	1,650	22	91	Short-Term On-The-Job

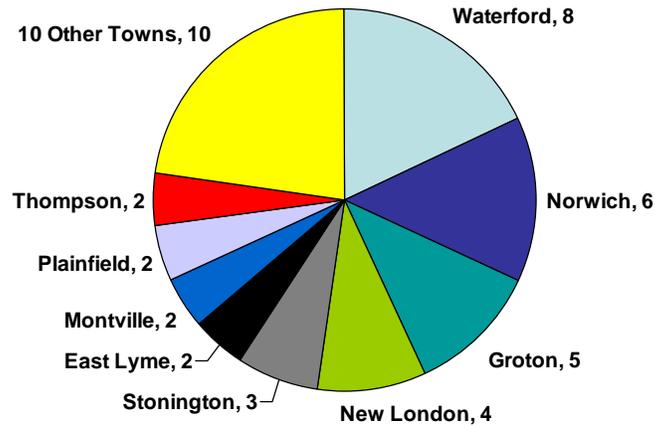
Source: CT DOL

Three occupations in the top 20 for annual openings in the Eastern Region require a bachelor's degree.

EASTERN REGION OCCUPATIONS RANKED BY TOTAL OPENINGS (11-20)	Employment		Annual	Total	Minimum
	2004	2014	Growth	Annual	Training/Ed
			Openings	Openings	Required
Stock Clerks and Order Fillers	2,300	2,270	0	85	Short-Term On-The-Job
Teacher Assistants	2,730	3,040	31	84	Short-Term On-The-Job
Laborers and Freight, Stock, and Material Movers, Hand	1,780	2,030	25	83	Short-Term On-The-Job
Counter Attendants, Cafeteria, Food Concession, Coffee Shop	1,020	1,180	16	83	Short-Term On-The-Job
Office Clerks, General	2,830	2,950	12	75	Short-Term On-The-Job
Customer Service Representatives	1,820	2,240	42	69	Moderate-Term On-The-Job
Sales Representatives, Exc. Technical and Scientific Products	1,280	1,590	32	65	Moderate-Term On-The-Job
Elementary School Teachers, Except Special Education	2,250	2,390	14	64	Bachelor's Degree
Secondary School Teachers, Except Special and Voc. Ed.	1,580	1,770	19	63	Bachelor's Degree
Mechanical Engineers	2,010	2,060	5	60	Bachelor's Degree

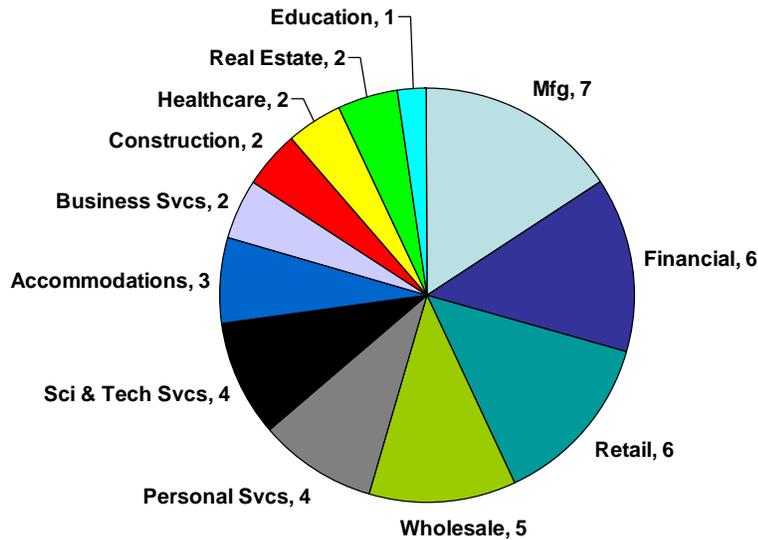
Source: CT DOL

Successful economic development activities result in a relocation, expansion or new business. The pie chart shows the number of successes by municipality in the two counties. Recent (2007 and 2008 Q1) successes in Windham and New London Counties – were primarily in New London County.



Source: CERC

Manufacturing, financial services, and retail and wholesale trade made up more than half of the recent successes in the two counties.



Source: CERC

Locational Analysis

The analysis of the most appropriate land use for a specific area requires an assessment of the underlying factors which would have an impact upon the selection of the most appropriate land uses. The principal factors which would impact the use of the Baltic Mill site include the following:

1. The subject property is located within the Norwich – New London metropolitan area of southeastern Connecticut.
2. The site is approximately eight miles from the center of Norwich and approximately 22 miles from the center of New London.
3. The subject site is within the major east coast corridor, not far from the principal transportation facilities, Interstate 95 and 395. It is approximately 100 miles from Boston and 140 miles from New York.
4. The site has some proximity to the major metropolitan areas of southern New England, being approximately 40 miles from Hartford, 65 miles from New Haven, 68 miles from Worcester, Massachusetts and 48 miles from Providence.
5. The subject property is located along the bank of the Shetucket River, which is an important natural resource within the region.
6. The subject property is adjacent to an important recreational and natural resource, with the improvement of a park site on the west side of Route 97.
7. The center of Baltic Village is directly across the river from the subject site. The subject site has strong historic connections to Baltic Village, and its redevelopment should re-enforce these historic links.
8. Baltic Village is an historic “mill village” used to house the workers and support services for the Baltic Mills. Its residential components have remained intact, but there are few retail / commercial services within the Baltic Mills. Its role has evolved into being an affordable housing center for the region.
9. The mill building still standing on the site is an important historic and cultural resource for the community. It is important that any redevelopment or re-use of the site include the shell of this building.
10. The subject site includes other historic resources, including the canal return and the ruins of former buildings.
11. The overall area is largely rural, with a small population base.

12. The subject site is somewhat removed from the major regional transportation arteries of the region.
13. Southeastern Connecticut has experienced a significant growth in hospitality services, primarily fueled by the growth of the tribal casinos. The tribes have been seeking to expand their hospitality offerings with investments in other communities within southeastern Connecticut. This has been exhibited recent purchase of the Pautipaug Golf Course by the Mohegan Sun.

Demand Analysis

The economic analysis within this report analyzes the underlying market and economic conditions which impact this area. In conjunction with this, the site has certain locational characteristics which have an impact on its potential economic uses. Some of these factors were discussed in the 2006 Baltic Mills redevelopment Analysis and Strategy.

Retail Market Considerations

- The site is located within a rural area. Consequently, the population within the encircling trade areas is relatively low, as seen earlier in the demographics overview. The populations of these areas are shown below:

2007 Demographics	5 Minutes	10 Minutes	20 Minutes
Total Population	2,646	14,063	91,563
Total Households	1,053	5,678	36,470
Female Population	1,367	7,196	46,778
% Female	51.70%	51.20%	51.10%
Male Population	1,279	6,867	44,785
% Male	48.30%	48.80%	48.90%
Population Density (per Sq. Mi.)	289.1	258.1	340.8

Source: CERC DataFinder

- There has been a significant growth of retail development within this area within the past several years, which offers residents a larger range of retail services. This retail development has been concentrated along the interchanges of the Connecticut Turnpike, (Interstate 395). As in most areas, retail development has been attracted to the sites with the greatest regional access, which expands the potential market areas. The most notable example is Lisbon Landing, located just off Exit 84 of the Connecticut Turnpike, (Interstate 395).
- The downtown area of Baltic is located across the Shetucket River from the subject site. This area offers a very limited range of retail services. As in many older downtown areas, there are a number of buildings which were designed, and formerly used, for ground floor retail uses and apartments on the second and third floor. Some of these most prominent buildings are being used solely for residential purposes.
- There is potential for some additional retail use within downtown Baltic, but this is somewhat limited by the configuration of the existing buildings, street patterns and shortage of potential parking.

- The existing retail uses within Baltic, both downtown and on the fringe along Route 97 eastward, consist primarily of convenience retail uses, a pharmacy and several eating and drinking establishments.
- The Baltic Mills site lacks the good regional access that has attracted other retail uses within the region. It is located approximately 4 miles from the nearest interchange of the Connecticut Turnpike, an approximate ten minute drive. The access along Route 97 is somewhat indirect, with going through residential areas of the Occum section of Norwich.
- Much of the residential areas within the Baltic area are old, originally constructed as housing for mill workers. There is a large number of two and multi-family dwellings in this area. This housing is in generally sound condition, and provides a stock of affordable housing for the town and region.

The following analysis was based upon a retail demand analysis which estimated retail demand and retail supply within the designated market areas.

- Supply estimates sales to consumers by establishments within the market area. Demand is the retail potential, and it estimates the expected amount spent by consumers within the market area at retail establishments. This is summarized by the "Leakage Surplus Factor," which presents a snapshot of retail opportunity. It is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales.
- The analysis of market data within the convenience and neighborhood market area reveals that although there is relatively small market in terms of potential retail sales, the area is experiencing retail leakage, and therefore, there is some room for additional retail growth within this area. This information, included within the appendix and summarized below indicates a total leakage factor of 80.1, which indicates that 80% of the retail buying power within the 5 minute market area is leaving the area.

Retail Market Summary for 5 Minute Drive Time

	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	\$29,575,957	\$3,272,003	\$26,303,954	80.1	8
Total Retail Trade	\$25,387,165	\$1,993,078	\$23,394,087	85.4	3
Total Food & Drink	\$4,188,792	\$1,278,925	\$2,909,867	53.2	5

Source: ESRI.inc

However, the total monetary gap is not large, because of the relatively low population. Several additional retail or restaurant establishments could be supported by this market area.

- The analysis of the market area for the community market area (10 minutes drive time), indicates some leakage for food and drink establishments, but an overall balance for retail establishments.

Retail Market Summary for 10 Minute Drive Time

	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	\$156,101,026	\$148,179,440	\$7,921,586	2.6	72
Total Retail Trade	\$134,066,414	\$135,175,000	-\$1,108,586	-0.4	49
Total Food & Drink	\$22,034,612	\$13,004,440	\$9,030,172	25.8	23

Source: ESRI.inc

- Despite the overall balance, there is some retail gap within several retail sectors, as shown in the sectors shown below:

Summary of Retail Sectors with Leakage Within 10 Minute Drive Time

	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Leakage/Surplus Factor
Motor Vehicle & Parts Dealers (NAICS 441)	\$33,012,570	\$28,912,921	\$4,099,649	6.6
Automobile Dealers (NAICS 4411)	\$29,253,279	\$19,163,893	\$10,089,386	20.8
Electronics & Appliance Stores (NAICS 443)	\$3,522,485	\$1,751,479	\$1,771,006	33.6
Food & Beverage Stores (NAICS 445)	\$27,689,284	\$5,875,175	\$21,814,109	65.0
Grocery Stores (NAICS 4451)	\$24,712,476	\$2,261,510	\$22,450,966	83.2
Specialty Food Stores (NAICS 4452)	\$644,332	\$18,939	\$625,393	94.3
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$5,242,240	\$2,514,542	\$2,727,698	35.2
Gasoline Stations (NAICS 447/NAICS 4471)	\$18,040,015	\$15,767,907	\$2,272,108	6.7
Clothing and Accessories Stores (NAICS 448)	\$7,349,974	\$1,266,627	\$6,083,347	70.6
Clothing Stores (NAICS 4481)	\$5,694,192	\$375,177	\$5,319,015	87.6
Shoe Stores (NAICS 4482)	\$803,799	\$802,683	\$1,116	0.1
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$851,983	\$88,767	\$763,216	81.1
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$2,233,884	\$546,669	\$1,687,215	60.7
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	\$1,306,209	\$546,669	\$759,540	41.0
Book, Periodical, and Music Stores (NAICS 4512)	\$927,675	\$0	\$927,675	100.0

Source: ESRI.inc

- Although there is some opportunity within the trade area for additional retail businesses, the subject site does not have the regional accessibility of other sites which can service the trade area.
- The analysis of the market area for the regional market area (20 minutes drive time), below indicates some leakage for retail and food and drink establishments.

Retail Market Summary for 20 Minute Drive Time

	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	\$1,004,898,168	\$941,496,223	\$63,401,945	3.3	715
Total Retail Trade	\$863,374,343	\$825,529,112	\$37,845,231	2.2	510
Total Food & Drink	\$141,523,825	\$115,967,111	\$25,556,714	9.9	205

Source: ESRI.inc

- Although there is some retail leakage from the 20 minute drive time market area, which generally surrounds and includes the City of Norwich, most of the newer regional retail development has been attracted to more accessible locations; those near the interchanges of Interstate 395 and Route 2. It would be difficult for the subject site to compete for significant regional retail businesses with those

more accessible locations. However, there may be some opportunities for some specialty retail uses in conjunction with a mixed use development.

Office Use Considerations

- There has been little new development activity of offices in eastern Connecticut in recent years. The development which has occurred has been within population centers along the major transportation corridors of Interstates 95 and 395.
- Most of the more locally generated office demand within the region is within the medical sector, in which physicians establish satellite medical offices outside of the major regional medical centers.
- The office site advantages of the site are a scenic location in a unique building. The site may be attractive to a corporation seeking this unique circumstance. However, the number of potential uses that would fit these criteria is very limited.
- The local population around the Baltic Mills site is small, but there may be a potential for the location of a small satellite offices may choose this location.

Industrial Use Considerations

- Our analysis has indicated a number of industries within New London and Windham counties which have growth potential either because they have relatively high employment concentrations, or are emerging industries. The ones that may show promise for this site include chemical manufacturing, wholesaling of durable goods and wholesale of nondurable goods. However, large-scale wholesaling would be attracted to sites with greater regional accessibility. In addition, wholesale and distribution uses could not be accommodated within the existing building.
- There are a multitude of small industrial uses within the region which may find a location at this site attractive for the construction of a new building, or as a small tenant of a multi-use building. However, most of these uses are attracted to a ground floor entrance single-story building, and would therefore be unsuited for the existing building.

Hospitality Use Considerations

- The hospitality industry in southeastern Connecticut has grown exponentially within the past two decades, ignited by the development of the three tribal casinos. In conjunction with this growth, the tribal casinos have made hospitality related investments throughout southeastern Connecticut and adjacent areas of Rhode Island.
- The general interest in hospitality uses within the region is well exhibited by the recent purchase of the Pautipaug Golf Course by the Mohegan Sun. There may be additional opportunities for tribal investment within this area related to hospitality uses.
- One potential hospitality use would be the conversion of the existing building into a hotel with an eco-tourism orientation. Guests could be attracted by fly fishing opportunities. The site could include supporting services such as accessory retail and restaurants. However, the probability of this occurring is directly related to the willingness of one of the tribal nations to invest in this type of enterprise, as a component of their overall marketing strategy.

Recreational Uses

- The town has been working to develop the recreational potential of this area along the Shetucket River. This has included the restoration of the area east of Route 97 into a Town park. The inclusion of the Baltic Mills Site into a recreational resource is a feasible potential use of the site. However, this would require significant public financing, and would not generate tax revenue. In addition, the re-use of the building would be problematic under this scenario.
- There may be some opportunity for the development of small commercial uses in conjunction with recreational opportunities.

Residential Uses

- The scope of the work program for this assignment did not include an assessment of the potential for residential uses on the site. Therefore, we have not made this quantitative assessment. However, from a broad observation, it

may be prudent for the Town to investigate the redevelopment of the existing buildings for residential uses for the following reasons:

- There has been a long term demand for affordable housing within the region, based upon demand related to casino development.
- The building is well suited for conversion into high density housing. Old mill buildings make attractive housing, due to their physical characteristics.
- The site of the subject property is attractive, with the natural attributes of the banks of the Shetucket River and proximity to the historic mill village of Baltic.

Mixed Use Considerations

- Given the complexity of forces at play for this site, a mixture of uses is the most likely development scenario.
- The west side of the site would be suitable for small, multi-tenanted light industrial and flex space uses. This could include division of buildings into 1,500 to 5,000 square foot spaces, which could be used for a combination of office, small scale production, distribution, storage and showroom space.
- There would also be the potential for the development of retail uses along the frontage of Route 97, directly across the river from Baltic Mills Village. These uses could include a regional pharmacy, as well as small restaurant and local retail uses.
- The existing building could be redeveloped into a combination of small retail and office uses on the ground floor, a medical office component, and some residential units.

5. Conceptual Site Plan

The planning of the use of this property required consideration of all the information included within this market analysis, as well as the following site features:

1. Parcel with smokestack and old boiler house not included in site plan at this time.
2. Total site area is 16.5 acres.
3. Much of the site is within the floodplain, with some restrictions on development.
4. Plans envision re-use of the existing building, which is a four-story building with a footprint of approximately 16,000 square feet. The demolition of the building would strip the site of real historic significance.
5. The site includes several areas of environmental contamination. Remediation is necessary, but the conceptual site plan attempted to locate uses that would minimize remediation requirements.

Site Recommendations

The site should be redeveloped as a mixed-use pedestrian oriented development. The proximity to Baltic Village, and proposed mixture of uses, make it an ideal situation to promote a good internal and external pedestrian circulation system.

Based upon the information, the prepared conceptual site plan (see page 45 for a visual representation) is based upon the following:

1. The preservation, if feasible, of the south wall crossing the Head Race as part of a vehicular access to the east side of the property, which adds to the historic ambience of the site. An engineering analysis could determine the feasibility and cost of preserving this feature.
2. Redevelopment of Mill Number 10, (labeled as Mixed Use) as offices and retail (Option 1). This would require approximately 250 parking spaces, occupying approximately 2.5 acres of land.
3. Redevelopment of Mill Number 10 as mixed residential/office/studios (Option 2). This would envision the creation of home-work spaces to be used by artists, craftsmen, service providers and other small entrepreneurs. The ground floor would be limited to non-residential uses due to flood plain considerations, with the upper three floors a mixture of residential and mixed spaces. This would

anticipate approximately 32,000 square feet of commercial uses, and 24 residential units. A maximum of 170 parking spaces would be required, which would utilize approximately 1.5 acres. However, it may be possible to have fewer parking spaces depending upon the nature of the commercial uses. In addition, some of the parking could be landscaped overflow parking, which would not require the use of impervious surfaces.

4. Development of approximately 20,000 square feet of retail space on the west segment of the property, fronting on Scotland Road. This could take the form of one multi-tenanted building, or could be broken up into two separate buildings, with possibly one as a single tenant (pharmacy or bank) and the other multi-tenanted. This area should be designed with care to present an attractive streetscape and be linked with the main (downtown) section of Baltic Village. Therefore, the facility should include pedestrian linkages with the walkway across the bridge on Scotland Road.
5. Preservation and utilization of open space and passive recreation. This may include paved trails, picnic areas and a comprehensive pedestrian system for the various uses of this property to distinguish it as a unique facility, attractive to businesses, consumers and possible residences including:
 - a. East peninsula between the Shetucket River and Tail Race.
 - b. Wooded area on north side of Tail Race, within eastern corner of the property.
 - c. A walkway along the Tail Race between the redeveloped Number 10 and the proposed retail businesses along Scotland Road.
 - d. A footbridge across the Tail Race to the open space / park on the east peninsula.
 - e. Pedestrian connections to Bushnell Hollow Road.
 - f. Pedestrian connection between Town Park across Scotland Road, and major features of the site.
6. The site contains many interesting archaeological artifacts, including the remnants of the old buildings and structures. The ultimate final design of the property should include an assessment of the feasibility of utilizing these artifacts as features of the design.
7. A new commercial building could be accommodated on the eastern section of the site, fronting on Bushnell Hollow Road (Rt. 138). The grade within that area

- would call for a multi-story building, with a ground floor entrance facing the Tail Race, and a second floor entrance fronting on Bushnell Hollow Road. Uses within this building could include a restaurant, with views of the Shetucket River.
8. It may be feasible to have less parking at this site than would be required for conventional developments. The creation of a live-and-work environment on the site, along with a proximity to retail services, would reduce the demand for automobile usage in certain situations. In addition, the mixture of uses would mean that the peak times of usages would be different, enabling a certain amount of the parking to serve more than one use. The parking areas should be designed to accommodate projected need, but avoid a surplus of parking.

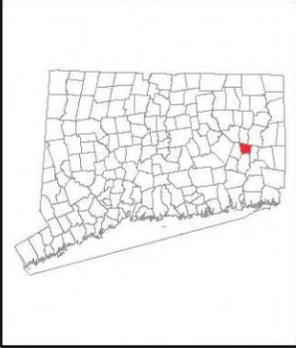
Town of Sprague
Connecticut

Baltic Mills

Legend

-  Retail
-  Mixed Use
-  Office/Restaurant
-  Parking
-  Open Space
-  Preserved
Historic Feature
-  New Road

Locus Map



0 100 200
Feet

Map Number

1

March 2009
Prepared by: Turner Miller Group

