

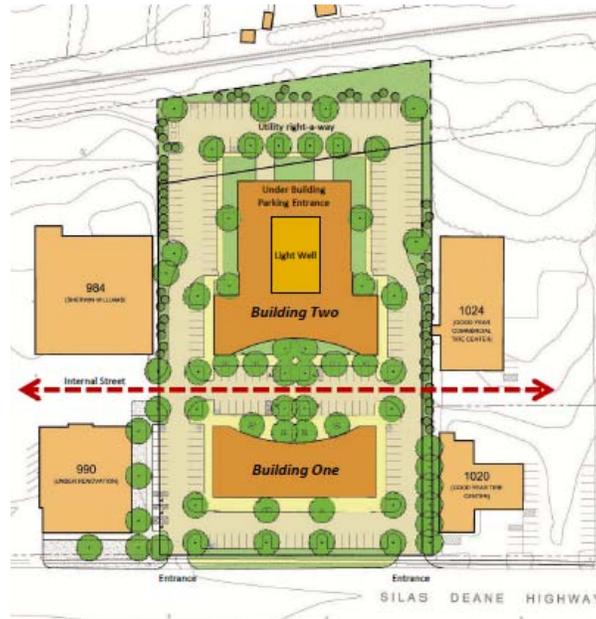
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BARTRAM & COCHRAN

National Real Estate Consultants

DRAFT – For Discussion Purposes Only

Market Analysis Report 976-1060 Silas Deane Highway Wethersfield, Connecticut



Prepared for the
Wethersfield Redevelopment Agency

June 20, 2011

Information for this study is taken from sources that we deem to be reliable, but are not warranted. Bartram & Cochran is not a real estate appraiser, and therefore can only opine on investment value of real estate (what two independent concerns would pay in the market), and is not providing a formal appraisal.

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Summary

Bartram and Cochran (B&C) is pleased to present our analysis and recommendations to the Town of Wethersfield's Redevelopment Agency. The analysis has been completed in several phases. In the first phase, we examined eight buildings on six sites located at 976 through 1060 Deane Highway. Together, the sites have the potential for the assemblage of approximately 15+ acres of land. Redevelopment options include various approaches including the retention or demolition of existing structures and the division of the site into separate parcels. Consistent with your requirements, it had been the intent of the report to create a redevelopment plan for these properties that will serve as a model for other redevelopment opportunities along the Silas Deane Highway.

Based on the work in the first phase of the process, we are recommending that the Redevelopment Agency focus its attention on 1000 Silas Deane Highway. However, any plans for that building must be integrated with the entire site, both now and so as to accommodate and encourage future development.

Key factors in reaching this conclusion included:

- The study area has six different owners, each with varying interest in selling, redeveloping or relocating. The owner of 1000 Silas Deane wants to consider his options and, in fact, has participated in the funding of this report.
- The other buildings on the site are functioning businesses and are not blighted, and all, excepting only one, are occupied and in reasonably good physical condition. The one vacant building is currently being renovated.
- The other buildings on the site are occupied and as such, the cost for a developer to buy the landlords and/or tenants out and induce them to relocate is not financially feasible. For example, it has been reported that there may be two higher-end "big box" retailers in the market to locate a site for development. A prototype "big box" store requires 14 acres of land for the building and associated parking. A "big box" retailer can typically pay \$2 million for a site; an amount which is insufficient to cover the costs of buying out the present owners and occupants.

The second phase concluded with a preferred option and the creation of a redevelopment plan for 1000 Silas Deane.

1000 Silas Deane

Though relatively small at approximately 3.5 acres, 1000 Silas Deane Highway enjoys a favorable position along an important thoroughfare. It is centrally located, nearby the intersection with State Route 3, has excellent access to Interstate 91 and to travel in all four compass directions. Similarly, Wethersfield, Connecticut, enjoys an excellent location within the greater Hartford metropolitan area. An architectural study as part of this report indicates that up to 182,800 SF of mixed-use improvements could be accommodated on the site under current zoning. The conceptual plan calls for 90 to 115 dwelling units and 15,000 – 40,000 SF of retail/ commercial space. A zoning change to accommodate greater density may (or may not) be required.

The economic viability of the development of the site will depend on the cost of

construction and the market rents at the time the project comes on the market. This report used industry standards for a multi-family mid-rise in the Greater Hartford market with open shop labor. The rental rates are at the very low end of new mid-rise apartment developments in Greater Hartford. These rates are above the current market in Wethersfield. The retail rental rate is based on the reported achieved rate for newer retail strips on the Silas Deane Highway. In any event, some form of municipal incentives will be required to develop the site.

Recommendations and Action Steps

- B&C recommends that the existing building located at 1000 Silas Deane be demolished and redeveloped as a mixed- use retail/ commercial and residential development.
- The value of the land and zoning entitlements will drive the density of new development. And the willingness of the owner to sell at a reasonable price will influence phasing of the development as well. These two factors need to be fully clarified before redevelopment can proceed.
- Due to the scale of such a project, the Town should actively engage in community outreach to determine consistency with the Plan of Conservation and Development. The Redevelopment Agency will need Board of Selectmen approval to declare the site as blighted.
- The Town should consider obtaining a purchase option on the site in order to control the process. This option could be transferred to a chosen developer selected through an RFP process.
- The cost of new construction, operating expenses and taxes will not be adequate to cover financing and a return of equity to the developer. New development will require that the Town provide economic incentives to the developer. These could take several forms:
 - Tax abatement program
 - Contributing to the cost of acquiring the site or demolishing the building
 - Contributing to infrastructure to the site (roadways, traffic light and utilities)

Conclusion

The consulting team believes that the successful redevelopment of 1000 Silas Deane Highway will act a key in the creation of a new economic development area in Wethersfield. The rear properties to the north and south will gain new access and viability for either new construction or rehabilitation.

Overview

The Team

This report was prepared in conjunction with Fletcher Thompson Architects of Hartford and the land use and urban planners Richter & Cegan Inc. of Avon.

Goal

The full deployment of this important site is to serve as a catalyst for economic growth and revitalization, aesthetic improvement and overall quality improvement along the Silas Deane Highway and within the Town of Wethersfield. As set forth in the Request for Proposal, “The Agency and the property owners would like to explore the potential development alternatives of this building and/or site and then prepare a redevelopment plan under the provisions of Chapter 130.”

The Town intends to utilize this site to be part of a larger effort to encourage economic growth and the vitality of the community. The goal of this consultant’s report is to:

1. Complete a feasibility analysis,
2. Refine a preferred option and
3. Prepare a redevelopment plan pursuant to Chapter 130 of the Connecticut General Statutes.

The Report

The consultant’s report is divided into three distinct phases:

- Phase 1 – Feasibility Analysis
- Phase 2 – Preferred Option
- Phase 3 – Redevelopment Plan

Methodology

B&C utilized the following methodology:

1. Created a collaborative team comprised of members with subject matter and professional expertise, Town officials, elected and volunteer officials, engaged residents and businesses. Various members of the team met as required and we worked with Town Planner Peter Gillespie, his staff and the Redevelopment Agency.
2. Toured the site and the Wethersfield real estate market with team representatives from Town Management, the Redevelopment Agency, the Planning Department, Bartram & Cochran, Richter and Cegan and Fletcher Thompson. Town Planner Peter Gillespie provided a tour of the subject properties and the Town’s other key economic development areas.

3. Attended a Redevelopment Agency meeting including Town Management and the Town planner to review land use options and to refine and identify the most attractive alternatives for this study.
4. Reviewed existing documentation for the site and updated information as was required. Information included base-line information on environmental, Town of Wethersfield, tax and zoning documentation.
5. Interviewed city officials, local real estate brokers and developers, and other community leaders and businesses to solicit community input and participation and to gain their market and community insights. Over 25 interviews were conducted over the course of this study.
6. Prepared and analyzed detailed market area economic conditions, trends, forecasts including demographics for the market area.
7. Researched and analyzed current real estate market conditions (market rental rates, absorption, financial market, comparable land sales) for the following uses:

Office:	Professional and small medical office
Retail:	Small local stores to major national chains
Hotel:	Not a consideration at this time
Industrial:	No longer the best use at this location
Residential	Single and multi-family homes
Institutional:	Cultural, Medical or Educational facility
8. Reviewed the Town of Wethersfield Assessors cards for the subject properties and discussed with the Assessor.
9. Prepared financial pro formas that analyzed the density required to buy out the present owners.
10. Evaluated the potential tax benefit of the development alternatives and the type and magnitude of tax incentives to accelerate redevelopment.
11. Addressed the different alternatives that might be available to the owners individually or as part of an assemblage
12. Completed the study requirements for Connecticut General Statute 130, including:
 - Project Boundary
 - Existing Conditions
 - Description of Area
 - Proposed Land Uses
 - Environmental Evaluation
 - Utilities/Infrastructure
 - Zoning
 - Statement of Blight and Deterioration
 - Relocation Plan
 - Financial aspects/plan

- Plan of Conservation and Development Compliance
13. Discussed with the Redevelopment Agency the Attributes of a Successful Town Center or Mixed-Use Development
 - Create an enduring and memorable public realm
 - Respect market realities
 - Share the risk; share the reward
 - Plan for development and financial complexity
 - Integrate multiple uses
 - Balance flexibility with a long-term vision
 - Capture the benefits that density offers
 - Connect to the community
 - Invest for sustainability
 - Commit to intensive on-site management and programming
 14. Held team meetings to review alternatives and prepare alternative development alternatives.
 15. Prepared a draft report and discuss the preliminary findings and recommendations with the Redevelopment Agency.
 16. Delivered and presented a final report and recommendation.

Background

The Town of Wethersfield, Connecticut is located near the geographic center of the State along the Connecticut River and it is served by Interstate 91, a major north-south highway through New England. It neighbors Hartford and the suburban communities of Glastonbury, Rocky Hill and Newington, Connecticut. As the oldest town in the State, having been founded in 1633, Wethersfield enjoys a long history and much of the historical legacy has been preserved. The Town's population is relatively stable at approximately 26,000 residents and the 2009 median household income of \$67,729 mirrors the only slightly higher \$68,055 State of Connecticut median. There is little developable land within the Town and any development is in-fill.

Similar to other inner or first-ring suburbs characterized by dense commercial development along a principal arterial thoroughfare, Wethersfield faces challenges in order to remain competitive as a desirable residential, commercial and retail center. Among suburbs similar to Wethersfield, it is not uncommon to observe a mixture of sometimes unplanned residential, strip mall, office, stand-alone retail, hospitality, and former manufacturing and distribution facilities lining a four lane road with heavy traffic counts in the 20,000 vehicle per day range.

Wethersfield, however, has chosen to actively address the Silas Deane Highway and in 2004 created an Advisory Committee. The Committee and the Town have commissioned an updated master plan that has since included an updated market assessment, a program for facade improvements and the Town was awarded a grant from the State of Connecticut for capital improvements.

In 2006 the town commissioned a transportation study that was completed by Fuss & O'Neill and Ferrero Hixon Associates. That study detailed the potential for "Nodal

Development” along the Silas Deane Highway. Specifically, the study identified:

“There exists an opportunity to develop a hierarchy of patters along the corridor with the creation and enhancement of specific nodes. These development nodes would primarily be located at the major interchanges as well as each of the town centers of Wethersfield and Rocky Hill.

“The proximity of residential neighborhood to the Silas Deane highway lends to the true mixture of the nature of the corridor. Opportunities for creating transitional, higher density residential housing exist in both towns. These higher density-housing areas will help provide impetus for further neighborhood commercial expansion and provide an appropriate transition from lower density residential neighborhoods to the commercial corridor.”

The subject site was identified as a key parcel and as a node in the Fuss & O’Neill study (identified as Parcel 4.) Their plan for the site, however, did not include two of the buildings included in our study area. Their plan called for a small park with gazebo, 57,000 SF of retail, 35,000 SF of Class “B” office along the Silas Deane, and 140 units of housing on the eastern side of the parcel. That development would require a total of 530 parking spaces. As only 410 spaces would be accommodated as surface parking, a parking deck would be required in order to provide all of the spaces and to comply with current zoning regulations.

The Site

The consulting team considered all of the following buildings in the initial phase of the report:

Building	976-88 Silas Deane	1000 Silas Deane	1020 Silas Deane	1024 Silas Deane	1030 Silas Deane	1060 Silas Deane	Totals
Tenants	Mila fabrics, Porch & Patio	Vacant, former Weight Watchers	Goodyear	Goodyear	Fast food	Light manufacturing	
SF	58,997	78,881	7,666	12,084	4,440	50,749	212,817
Land (Acres)	3.5	3.51	0.83	1.5	1.2	4.35	15
Type	Retail, warehouse	Industrial	Service shop	Service shop	Fast food	Industrial	
Zoning	RC	RC	RC	RC	RC	RC	
Condition	Class B	Very poor	Class B - - partial AC	Class C - no AC			
Year built	1958	1954	1968	1950	1957	1956	
Comments	Three building complex.	Very poor condition	Partial AC	No AC			

Source: Town of Wethersfield Assessors Cards & B&C

After review and discussion with the Redevelopment Agency, the team directed its efforts to the redevelopment options for 1000 Silas Deane, but with due consideration of the impact to its potential development to the entire 15 acre site.

The Interviews

Redevelopment Alternatives

The consultant team understands that the Town of Wethersfield, through its Redevelopment Agency and as a result of our interviews with various businesses, residents, staff and public officials has established the following aspirations for the site:

- Any development on the site must be a positive catalyst and serve to encourage and enhance future development along the length of the Silas Deane Highway,
- The recommended development opportunity must meet a clearly identified need in the local real estate market and be an “upgrade” from most existing development along the Silas Deane Highway,
- A development must be economically feasible on a sustainable basis over time and contribute to the Town’s grand list,
- And the development should add to the overall quality of life in Wethersfield by providing opportunities for the town’s residents to live, work, and convene for shopping, entertainment, and/or recreation with a particular focus on attracting a younger demographic.

Redevelopment of the site must give consideration to the following:

- The 15-acre site is suitable for development that can be adjusted to accommodate market conditions over time.
- Market conditions are more favorable for residential and retail use than for office and hospitality uses.
- Given weak financial market conditions, the costs associated with development including for example, infrastructure, environmental and demolition costs will require public support through bonding or favorable tax treatment.

Interviews

Bartram & Cochran interviewed over 25 firms and individuals. By way of example, interviews included senior public officials, community leaders, Town staff, volunteers, residents, retailers and owners and space users along the Silas Deane Highway. In general, the site is attractive for development, the Town is supportive of uses that increase the tax base and add to the quality of life, and residents recognize and hope to see improvements to the quality and utility of development along the Silas Deane Highway. It needs to be further explored if the Town is prepared to consider favorable tax treatment and public bond infrastructure funding for development on the site.

The interviewees recognized that current economic conditions, including frozen capital markets, increasing office vacancies, declining residential values and slack retail sales make development difficult until such time as there is solid evidence of a general economic recovery. Certain of the properties have a very high economic basis resulting from property transfers at or near the peak of the real estate market cycle.

Those interviewed expressed the following opinions:

- The site is important and should be developed to its highest potential
- The Town needs more gathering places, including for the younger demographic sometimes described as the “Laptop and Latte Cohort.” Starbucks or Panera Bread restaurant are examples of such a gathering place.
- A movie theater, perhaps for independent films, would be desirable.
- Look to mixed use – retail on the first floor, office or housing above
- Inappropriate uses include low density alternatives use as single-family housing or one-story buildings.
- There is no interest from the leaders in the community for more “low-end” uses such as dollar or discount stores, nail salons etc. Many pointed out the opportunity to do something more “upscale”.
- The site (in agreement with the Fuss & O’Neill 2005 transportation study) should have a secondary access road that parallels the Silas Deane. This will allow fewer curb cuts and open up the rear parcels
- There is demand for small floor plate office tenants in good buildings paying under \$18.00/ SF.
- There is no demand for speculative office space (voiced by several interviewed); rents do not cover the cost of new construction. Landlords of older buildings told of rents at \$10 gross, which did not cover operating costs and taxes.
- Hospitals continue to grow the suburbs; one major hospital said that they had saturated the Silas Deane market and would not be looking to expand again there in the near future.
- Retail demand is picking up after two years of being flat. The demand is coming from both “Mom and Pop” stores that want to lease under 3,000 SF and national stores with strong credit that want larger stores. Rents range from \$15 as-is to \$20 NNN. Tenant improvement depends on the credit and desirability of the tenant.
- There are two “big box” tenants in the market. As an example, Target is looking for 14 acres; they typically pay \$2 million for a site without approvals.
- There is a demand for apartments or condos that would sell for under \$200,000. In the past six months 8 condo units sold below \$150,000, 3 sold under \$200,000 but there were no sales over \$200,000.
- To attract institutional investors, a development needs to be over 100 housing units. Could make 60 units work, but would require higher financing costs. That developer indicated that he is working with a retailer that requires 65,000 SF, and that the Silas Deane could be an alternative for them to consider doing a mixed-use retail/ housing development.
- Equity investors in developers are looking for returns in the mid to high teens
- The owners of the occupied/ improved properties in the 976-1060 block were willing to consider including their properties in a master planned development if they achieved the full value of their properties as operating businesses and a comparable (or better) location was available for relocation.
- The owner of 1000 Silas Deane was interested in the outcome of this report, as it will impact his decision on the property. He is not interested in (re)developing it and is considering listing it with a commercial broker for sale.

In the discussions, interviewees also acknowledged that economic conditions, including frozen capital markets, increasing office vacancies, declining residential values and slack retail sales make all forms of development difficult until a sustainable general economic recovery is evidenced or the project receives subsidies.

Demographic and Economic Data and Analysis

Wethersfield, Connecticut, a town of 26,000 residents, has little projected population and employment growth. In fact, most projections are that the population of the Town will remain flat or decline somewhat at a level consistent with the State of Connecticut as a whole. Wethersfield's population is on average older than State levels and is significantly older than national averages. There is disposable income and capacity to support retail, restaurants and entertainment with median household income "on par" with the State of Connecticut. The Town has the benefit of favorable borrowing costs with an "AA" bond rating, Town revenue generation is stable with a 99% collection rate on current year taxes, though overall the grand list has stagnated as might be expected in a community that is fully built out.

Real Estate Market Data

The following chart summarizes the current market rents and the rents required to successfully finance new construction.

Type	Market Rate/ SF	Needed for New Construction	Feasible
Office Medical	\$22.00	\$34.50	No
Office Class "A"	\$17.00	\$34.50	No
Office Class "B"	\$12.00	N/A	No
Hospitality	\$74.00	\$115.00	No
Residential	\$1.20 – 1.36 (per mth.)	\$1.80	Possibly
Retail	\$18.50 to \$20 NNN	\$20 NNN	Possibly

Wethersfield does not have new mid-rise apartment or condominium apartments. Those that were built in Hartford and New Haven are achieving rents from \$1.75 to \$2.50 a month. Retail is feasible if the property can be achieved at a reasonable price.

Conclusions

Development at the site is impeded by current economic and real estate market conditions. As such, none of the real estate development alternatives we examined fully and immediately satisfy the development criteria used to guide this report's recommendations. Nonetheless, there are phased options and action steps to consider in anticipation of an economic recovery and a return to more "normal" economic and real estate market conditions.

Office Space

Speculative office construction (less than a minimum of 60% pre-commitment) is not feasible under current market conditions. With the exception of 60,000 SF of office space in West Hartford's Blue Back Square, all of the new office construction in the last five years in the market area has been in build-to-suit facilities. Overall market demand for office space remains very weak in most metropolitan areas including Hartford. It was recently reported by CB Richard Ellis that Downtown Hartford is particularly weak having approximately 30% of its office space vacant. Generally, market equilibrium is described to be in the 10-12% range and speculative construction will not occur until vacancy levels decline to that level. Class "B" and class "C" properties along the Silas

Deane are also languishing due to market conditions characterized by weak demand across the spectrum of commercial real estate. A structural demand change is occurring as small businesses are able to satisfy their workplace requirements at home being enabled by technology and motivated by expense reduction efforts. In any event, developers do not build class “B” or class “C” real estate. These properties evolve over time as they are adapted, repurposed or otherwise deteriorate with age.

Multi-Family Housing

Multi-family housing is an attractive alternative for the site, particularly in conjunction with a larger mixed-use development. A minimum of 100 residential units are required for a feasible and profitable multi-family development.

Retail

A surplus and leakage report is attached as Exhibit E which details the extent to which any given retail sector is over or underbuilt as evidenced by expenditures satisfied within the Town and those which must go outside of the community to be satisfied. The largest single category of expenditures made outside of the community is for the purchase of automobiles. This is the result of zoning requirements.

Retailers continue to find Wethersfield attractive and we understand that a “high end” big box may be in the market to secure a site in Wethersfield. Rates however, do not support new development, though as the economy improves, we can reasonably expect a retail recovery to follow. In our form of pro forma, we have shown rental rates at a very reasonable \$18.00 SF. The density contemplated for housing at the site will have the ability to provide base-line support for any retail operations on the site particularly as it regards convenience services.

During our interviews, we have consistently heard an interest in a grocery operation for this section of the Silas Deane. Several refer to having had the convenience of the A&P and later a Stop & Shop. A Fresh Market, Whole Foods or smaller local equivalent retail grocery would be a welcome addition to a mixed-use project at this location.

Feasibility Analysis

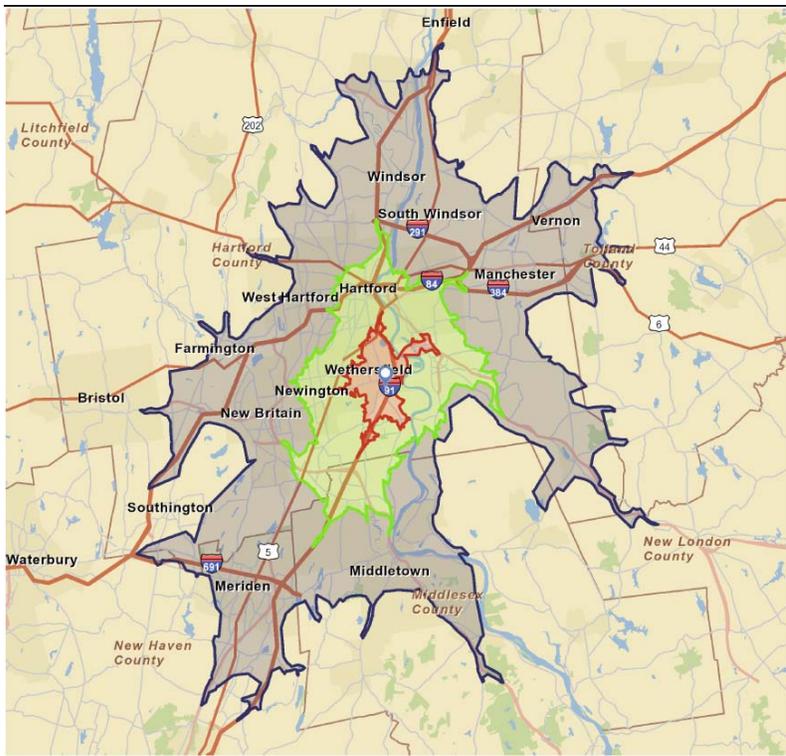
Market Area

The market area for this site is a 20-mile radius from the Silas Deane or the geographic area typically used to describe metropolitan Hartford. It is a geographic trade area that extends from Meriden to the south, north to Enfield, east to Vernon and west to Farmington. Wethersfield has an excellent transportation infrastructure. Interstate I-91, and State Route 15 (the Berlin Turnpike) provide major north/south connections and State Route 3 connects the town to the eastern suburbs. Bradley International Airport is less than a 30 minute drive, and Brainard Field is a few minutes away for private and corporate aircraft services. Bus service is available through Connecticut Transit, Greyhound and Peter Pan Bus lines. Intra-city and commuter buses are also available. Freight service is provided through Conrail and freight line is located on the east side of the study area.

The total population in 2010 for the market area is 710,192, and is expected to grow 0.19% annually over the next five years.

	Market Area	U.S. Average
Median HH Income	\$59,911	\$54,442
Median Home Value	\$210,890	\$157,913
4+ years of College	30.2%	28.1%
Commute Time	21 Minutes	25.5 Minutes

Source: U.S. Census



Source: STDB

Demographic and Economic Data and Analysis

Our research indicates that the three largest single demographic cohorts within a five mile radius of the property are “Prosperous Empty Nesters”, “Main Street USA” and “Newcomer and Old”, meaning single newcomer and single elderly adults.

<u>Prosperous Empty Nesters</u>	<u>Characteristics</u>
Demographic	57% are aged 55 years or older, not ethnically diverse
Socioeconomic	They invest prudently, 771% of households derive income from investments, 38% collect social security benefits and 28% receive retirement income. Many are still working in well-established careers holding professional and management positions, especially in the education and health care industry sectors.
Residential	Neighborhoods experience little turnover, with nominal change from year to year. Most housing units at 77% were built before 1980.
Preferences	Residents place a high value on their physical and financial well-being. Residents exercise regularly and take multiple vitamins. Leisure activities include refinishing furniture, playing golf and attending golf tournaments, going power boating, attending sports events. Shopping habits include ordering from catalogues and using coupons. The clothing store of choice is Eddie Bauer. Households are likely to own or lease a luxury car. These residents take an active interest in their homes and communities. Home remodeling, home improvements and lawn care are priorities. They travel extensively, home and abroad, and are partial to staying at a Super 8, Holiday Inn, or Comfort Inn.

<u>Main Street USA</u>	<u>Characteristics</u>
Demographic	This cohort has a median age of 36.7 years old which matches the US median. About half are married and this group is sometimes described as the “typical” American.
Socioeconomic	The median household income for this group is slightly in excess of \$55,000 and is wage income based. Net worth has a median of \$114,319, 20 % have a college degree and 30% have attended college.
Residential	Generally in single family homes and multi-unit dwellings of smaller metropolitan cities in the northeast, west and Midwest. Homeownership is high at 66% and the median home value is \$222,126.
Preferences	Main Street, USA members are active in their communities particularly civic issues and volunteering. Friendly’s and Red Robin are typical restaurants. They undertake household maintenance and renovation projects themselves and are frequent users of Home Depot and Ace Hardware.

<u>Old and New Comers</u>	<u>Characteristics</u>
Demographic	Old and Newcomer communities are in transition, populated by renters and are either in their 20’s or aged 75 older but the median age is 37. The older group is significantly larger than US averages. Racial diversity is similar to US averages,
Socioeconomic	Labor participation is above average and household income is \$42,971

	and the median net worth is \$74,682. Educational attainment is above average.
Residential	This is a more transient population. More than half of the population has moved in the last five years, More than 60% rent and about half of those rentals are in mid-rise or high-rise buildings. Median value for owned homes is \$188,795.
Preferences	Purchases reflect the ability of a renter to have an unencumbered life style. Compact cars generally are the choice in automobiles. They like to see movies in theaters and also are large users of DVD's. Leisure activities are varied.

Real Estate Market Data

Global economic conditions have damaged all asset classes within real estate. Demand is weak and financing remains unavailable in commercially reasonable amounts and at rates that support leverage. Market rates are generally inadequate to justify the costs associated with new construction in the absence of favorable public financing, tax abatements or significant pre-commitments from tenants.

- Office

Office developments have differing characteristics depending on the end-user:

Corporate tenants typically take over 10,000 SF and want to be in a Class "A" office building over 100,000 square feet (SF) in either an urban center or suburban office park. Due to the cost of these buildings, gross rents need to be at or above \$34.00 per SF gross. The top market rates for corporate offices in the Hartford South market is currently \$24.50 per SF on a gross basis.

Professional Offices (doctors, lawyers, accountants, real estate offices) require less leasable area (under 5,000 SF) and smaller floor plans. These tenants are the traditional tenant base of the Silas Deane Highway. These buildings, if wood frame, cost less to build. New construction will require rents in the mid-\$20's. Local commercial realtors report a strong demand is for offices under \$19/ SF gross. Medical offices usually pay a higher rent, but that is offset by the higher cost of their tenant improvements that are amortized into the rent.

In this economy, it is difficult to finance any speculative development. Greater Hartford has had few speculative office buildings constructed over the last ten years. An alternative is build-to-suit offices, as they are fully leased and therefore can be financed. In looking at the site, a consideration is a "pad" location for a build-to-suit.

- Hospitality – Whereas the hospitality business in greater Hartford had been performing well, it is now suffering as conference, meeting, business and leisure demand are all weakening. The Goodwin Hotel, a premier location in Hartford, closed at the end of 2008. A recovery in hotel demand is not likely.

Our analysis shows that mid-level hotels require revenue per available room (RevPAR) of \$115 in a market that achieves only \$74.13. (The RevPAR equation is revenue x occupancy = RevPAR; a hotel with revenues of \$150 a night with 75%

occupancy has a RevPAR of \$112.50.)

- **Residential** – Development in certain residential categories such as apartments will likely continue despite the overall decline of the housing industry. As down payment and credit underwriting become more restrictive, rental housing will serve to provide housing that otherwise might have been equity based. In the 4Q10, the Hartford apartment rents rose 4.3%, to an average of \$977 a month.

Wethersfield has a low percentage (12.5%) of housing stock that is apartments (complexes with ten or more units). This can be detrimental to both young professionals and retirees that want to remain in town but not maintain a home.

This For example, this would include senior housing and rental apartments. Housing for seniors, including “active over-55”, assisted living to skilled care, is currently in balance to over-built. Experts are confident that there will be a demand for this sector within 10 years, as baby boomers enter that segment of the housing market in significant numbers.

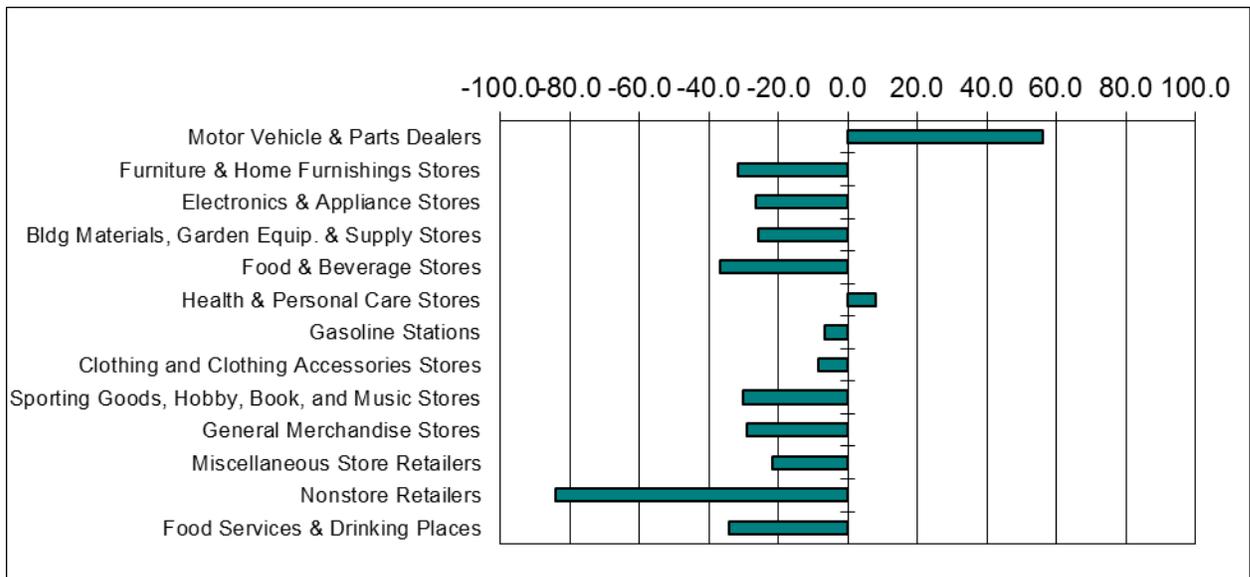
Housing demand can, in some instances, justify new construction. Unit size needs to remain small to control costs, tax abatement is desirable and/or necessary and a guaranteed minimum or rent subsidy from a credit-worthy educational institution is required. Developers look to have over 80 units in a development to make it economically feasible.

As there are no direct rental comparables for this type of housing in the Wethersfield market, B&C’s analysis is based on rental rates in recently completed projects in Greater Hartford, that are now getting rents in the \$1.95 to \$2.10/SF/ Mth range. Our analysis estimated the rents at \$1.85/ SF/ Mth.

A study recently completed by an architect reflects that the site could accommodate 90-92 rental units that are 1,125 SF each. This is larger than most apartment complexes, but will allow the eventual developer to do a mix of smaller units that typically achieve higher rents with the larger units that would appeal to senior and those wanting a live/ work environment.

- **Retail** – The City of Wethersfield has indicated support for a mixed-use development on the site. As with other development types, retail development has almost entirely halted nationally and in Connecticut. Rents for retail are higher than office and our retail demand study demonstrates an overbuilt market in most categories within the market area. Market rates for newer buildings in Wethersfield are \$17.50 – \$21.00 partial net (plus electric and janitorial). Developers interviewed believed that the retail market demand is returning and indicated an interest in the site. This would be particularly true if incorporated into a residential mid-rise development.

The NAICS study of retail demand for the five-minute drive time for the site shows that the only market segments that are underserved are motor vehicle and parts dealers and to a lesser extent, health and personal care stores.



Source: STDB

Capital Markets

A major factor in the development of a project is the ability of a developer to finance the construction. Since the Third Quarter of 2008, construction of all types of projects, with the exception of build to suits, came to a standstill. Over the last six months, access to debt capital has dramatically improved, though favoring top-tier assets in major markets.

This is due in part to the softening of the housing single-family market, as more families don't have the equity required to own their own home. Marcus & Millichap, a national leader in multi-family brokerage and financing, notes that this year will mark the first across-the board reduction in vacancy recorded since at least 1990 in the 44 markets that it tracks; the strongest effective rent growth since 2006, and that market supply will decline in all but six markets.

Debt availability has increased dramatically from the trough two years ago, but the overall supply remains limited and selective. Institutional debt sources share a preference for low-risk, high quality assets in top-tier markets with strong sponsors. This mandate leaves the majority of the transaction bell-curve, which includes sales of \$5 million to \$50 million in the B-minus to C-quality range with fewer financial options. Transactions of this kind can get funding, but the process and qualifications are more challenging, with a significant focus on sponsorship. Local developers interviewed stated that they would anticipate needed 30-35% equity to start a project, and that their investors are looking to double digit returns on capital.

The *Marcus & Millichap 2011 Annual Report* provides the following outlook for 2011:

- Fannie Mae and Freddie Mac provide apartments a financing advantage relative to other property types, though more commercial banks and life insurance companies are stepping up with competitive terms.

- Economic growth and increases in apartment property values, particularly for high-quality assets, will relieve some pressure and lead to more sales and refinancing
- Some levels of distress at the local-and regional ban level with high exposure to lower-quality assets and construction loans will persist into 2013
- 10- year Treasury yields to remain low, holding that yield in to 3.4 percent to 4.0 percent range through most of 2011.
- All-in rates are attractive, but lender requirement hurdles remain.
- Seller financing, assumable loans are prevalent. For more board-based easing in traditional lending sources to occur, the economy will need to post several consecutive quarter of solid employment growth and overall expansion.
- Life Companies ramp up lending and the CMBS market re-emerges.

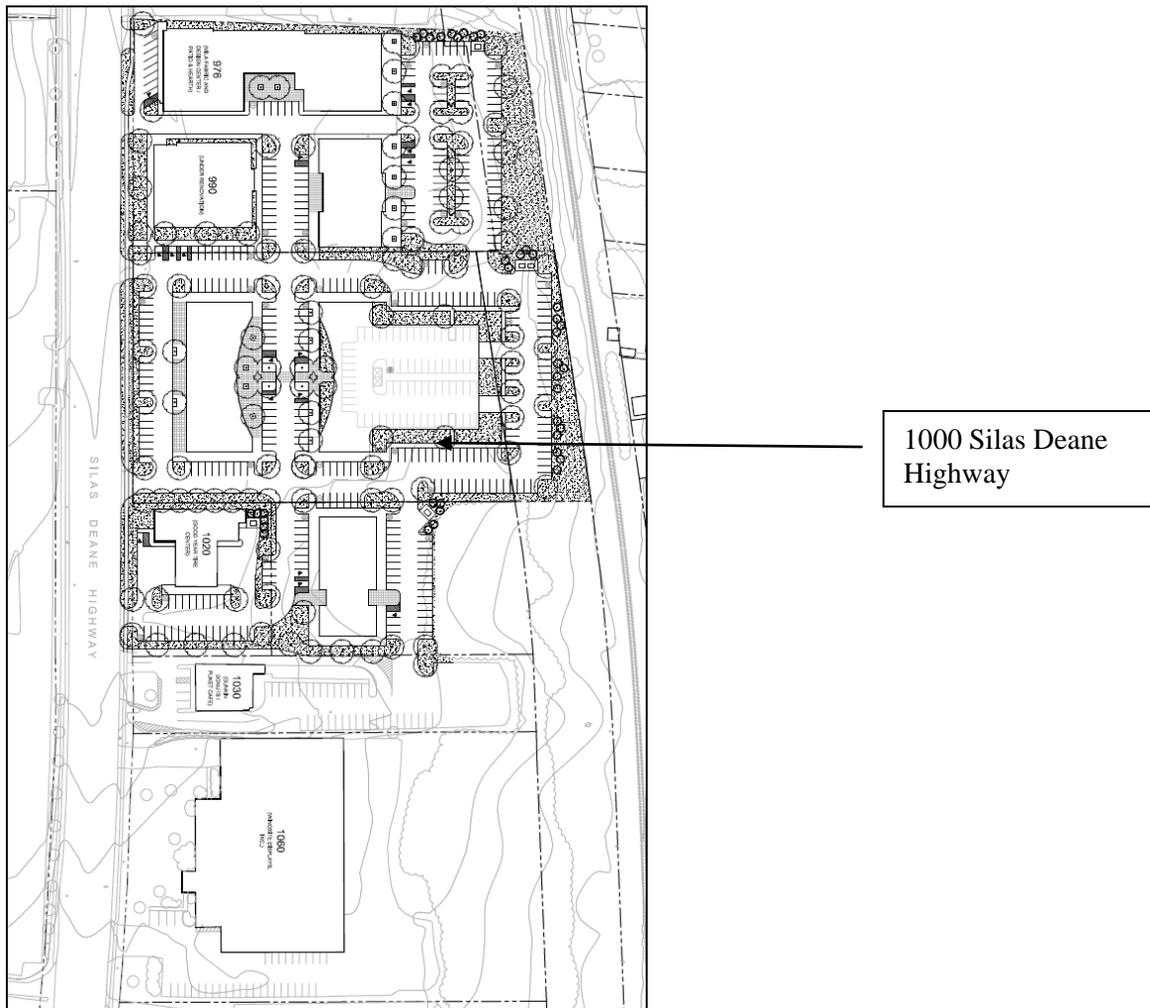
Preferred Option

After due deliberation, the Redevelopment Agency decided to focus the redevelopment plan on 1000 Silas Deane, with plans to integrate present and future uses of the other buildings from 976-1060 Silas Deane.

The options for 1000 Silas Deane considered included:

- Apartments
- Retail
- Mixed-use of apartments and retail, either in one or two structures
- Parking for adjacent owners to maximize their sites

Conceptual Development Plan



Source: Richter & Cegan

After studying a number of building options and how each relates to the site and surrounding context, the recommended development scenario centers on the demolition

of the existing structure and replaces it with two multi-story buildings separated by an internal street that gives the development a more urban feel. Sidewalks, shade trees, site furnishings and on-street parking provide a streetscape effect commonly found in most urban settings. Ample room is provided along the sidewalks to allow for outdoor seating associated with a café or other retail space. The facing curved walls of the two buildings form an outdoor space at street level which could be closed down on occasion, and used for community events such as street fairs, concerts and performance events.

The internal street is strategically located to allow for the potential extension to the north and south opening each adjacent parcel up for future redevelopment. Sidewalks, shade trees and on-street parking would extend to the north and south, providing both strong vehicular and pedestrian circulation internal to the overall development. This in turn, will alleviate some of the traffic congestion along the Silas Deane Highway in the area as users can come to the site, park and walk from one commercial establishment to another. The concept of a mixed-use urban “main street” begins to emerge with both commercial and residential uses adjacent to an active streetscape, similar to a downtown environment.

Access to the site is planned to be limited to curb cuts at the extreme north and south ends of the property. This preserves the center of the site for development of the building program which totals 182,800 SF in this development option. The southerly access drive is to align with the curb cut for the medical office building on the west side of the Silas Deane Highway. It is anticipated that the density from both developments will necessitate the need for a traffic light. The configuration of the site positions parking along the perimeter focusing attention on the buildings and internal pedestrian spaces and connections. This approach provides an opportunity to change the character of future development along the Silas Deane Highway.

The buildings are expected to be steel frame with a brick face with concrete block back up. As this is a conceptual plan, the design of the facades would be finalized by the developer and approved by the Town in advance of permitting.

Building “One”, which faces both the Silas Deane Highway and internal streetscape is proposed to be a two-story structure with 15,000 SF of retail on the ground level, and a 10,000 SF second floor to be used either for offices or live/work studio spaces. The building was purposely designed at two stories to have a similar relationship in scale with other buildings along the Silas Deane Highway in this area. The building would have 70 parking spaces allocated for its use.

Building “Two” is to be a six-story residential development. The first floor would have larger units that would also lend themselves as to live/work studio spaces and 5,000 SF of common space for use by the building’s residents. Alternatively, the western portion of the first floor (approximately 15,000 SF) could be used for retail or commercial space. The upper floors are designed to have units of varying sizes and configuration and offer balconies for access to the exterior. With the terrain of the site sloping from the street along Silas Deane to the back of the parcel, the building would be constructed to take advantage of the slope allowing for 70 parking spaces to be located under the building. An additional 100 spaces would be located around the building for a total of 170 spaces allocated for its use.

Note that the Town has the approval of the use and density for the final plan. This will directly impact the parking required. For instance, the parking ratio is higher for office

than for residential, but the usage of the parking would potentially not overlap, allowing double usage of the spaces.

We believe that the proposed plan will maximize the full measure of benefit to the community, providing a small amount of retail space, a type of residential development that is not currently found anywhere in Wethersfield and increased tax revenues

	Use	Gross SF	Net SF	# of Units	Parking
Building One					
First Floor	Retail	15,000	15,000	0	60
Second Floor	Mixed Use	<u>10,000</u>	<u>7,800</u>	<u>5</u>	<u>10</u>
Subtotal		25,000	22,800	5	70
Building Two					
Garage	Parking	26,400	26,400		
First Floor	Mixed Use	30,800	19,900	15	30
Second Floor	Residential	21,400	16,200	15	30
Third Floor	Residential	21,400	16,200	15	30
Fourth Floor	Residential	21,400	16,200	15	30
Fifth Floor	Residential	21,400	16,200	15	30
Six Floor	Residential	<u>15,000</u>	<u>11,000</u>	<u>10</u>	<u>20</u>
Subtotal		157,800	122,100	85	170
Total		182,800	144,900	90	240

Source: Fletcher Thompson

Rational of the Preferred Plan

The existing building at 1000 Silas Deane is functionally obsolete and is past the point of being economically viable to redevelop. The consulting team therefore looked to plans that would maximize the development of the site, improve the redevelopment opportunities to the adjoining neighbors and have a plan with would contribute to the Town's vitality.

The Town of Wethersfield is has a low percentage of apartments in its inventory with even fewer new options available. Apartments are one component in balancing a community to allow young professionals, newcomers to the area and seniors to remain in their community without the burden of home ownership. New apartment complexes in greater Hartford have done well, making it one option that is almost feasible now.

Retail has been the lifeblood of the Silas Deane. In interviews with local owners they believe that there would be demand for additional new construction, especially if it is in a planned development.

Other potential uses, such as hotels and office, are not economically feasible at this time. Other uses such as industrial or manufacturing would not utilize the site to its fullest potential. The team therefore focused the reuse of 1000 Silas Deane for a mix of retail and residential, a desire of many interviewed.

The consultant team examined the ratio of retail to residential. The determining factor

became the parking ratio. Retail requires 4 to 5 cars for every 1000 SF; residential requires 1 to 2 cars per unit. As developers need a minimum of 80 units to be financially viable, the plan evolved to be 90-115 residential units and 15,000 SF of retail. This redevelopment plan has built-in market flexibility. The potential developer will have the alternatives of creating larger or smaller residential units to meet market demand at the time of construction.

The team also looked at the possibility of structured parking, but the high costs of construction and the low revenues that could be generated eliminated that as an alternative.

Interviews & Sources

Interviews

CBRE – Residential and Commercial
Hartford Hospital
JDA (developer of Blue Back Square, West Hartford)
Neiditz Realty
Prudential Connecticut Realty
OR&L
Dan Camilliere
Konover
Chamber of Commerce – multiple members
Town of Wethersfield elected officials and senior staff
People’s Bank
Liberty Bank
Brookfield Financial
Mila Design and Fabrics
Wingfoot Commercial Tire
Goodyear Tire & Rubber Company Real Estate
Premier Building
Sylvia Gaston
Mussman & Associates
T & S Realty
Colvest
Colliers Dow & Condon
Bell Realty and Development
Hart Seed Company

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