

West Main/Coddington Development Center Master Plan

PREPARED FOR

Town of Middletown, RI

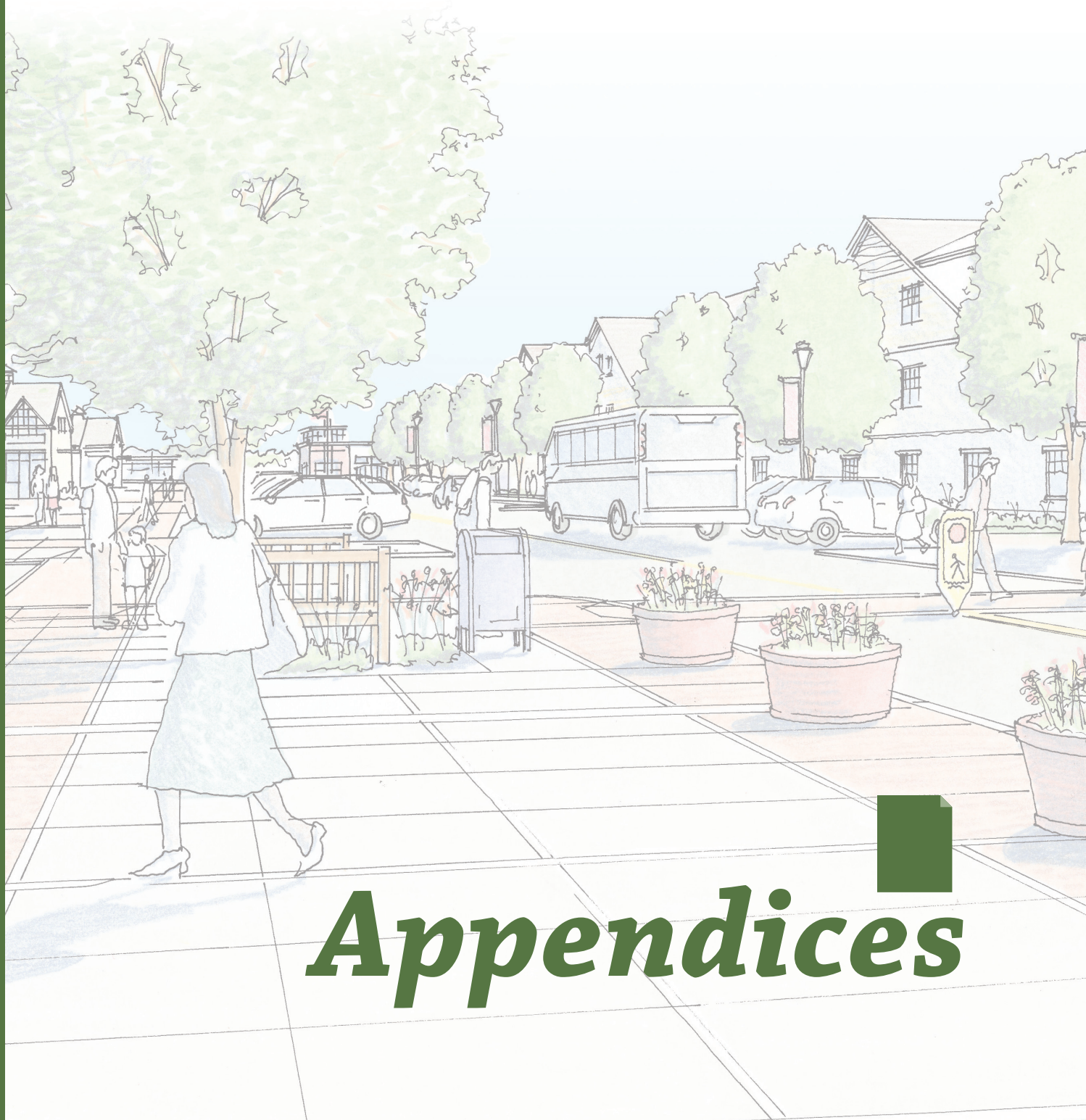
JUNE 2011

PREPARED BY

VHB *Vanasse Hangen Brustlin, Inc.*

in association with

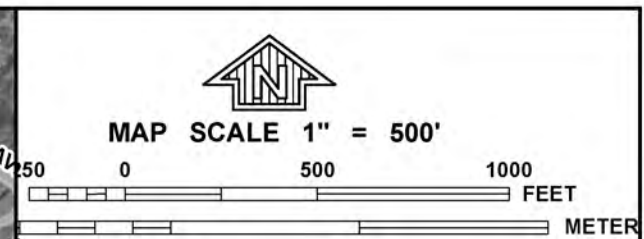
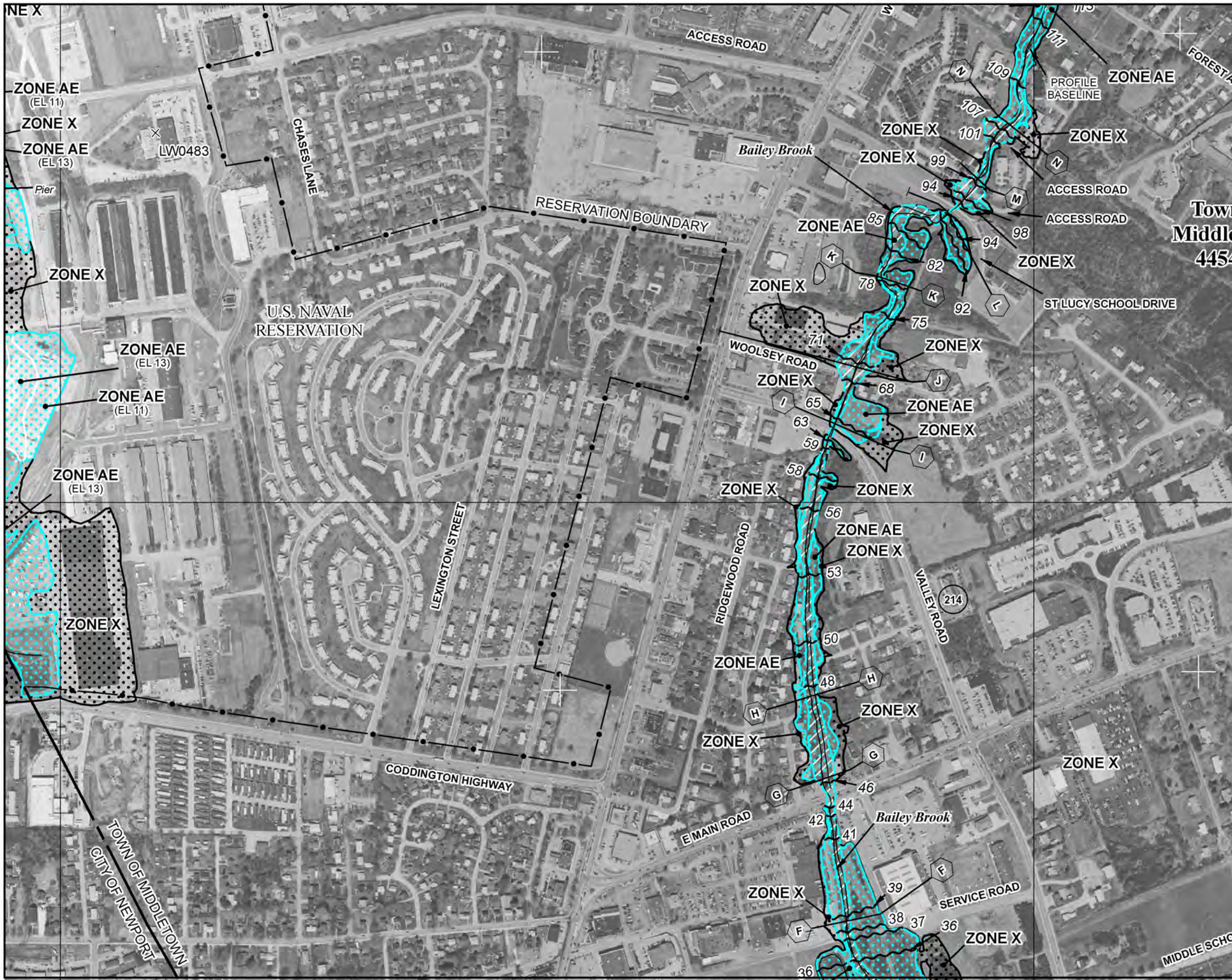
RKG Associates



Appendices

Appendix

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Town Middle 4454

NFIP PANEL 0093H

FIRM
FLOOD INSURANCE RATE MAP

NEWPORT COUNTY,
RHODE ISLAND
(ALL JURISDICTIONS)

PANEL 93 OF 226
(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:

| COMMUNITY | NUMBER | PANEL | SUFFIX |
|---------------------|--------|-------|--------|
| MIDDLETOWN, TOWN OF | 445401 | 0093 | H |
| NEWPORT, CITY OF | 445403 | 0093 | H |

Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.

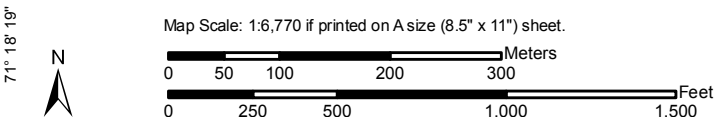
MAP NUMBER
44005C0093H

EFFECTIVE DATE
APRIL 5, 2010

Federal Emergency Management Agency


This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov

Soil Map—State of Rhode Island: Bristol, Kent, Newport, Providence, and Washington Counties
(West Main Road Parcels)



MAP LEGEND






















Area of Interest (AOI)


 Area of Interest (AOI)


Soils

 Soil Map Units

Special Point Features




-  Blowout
-  Borrow Pit
-  Clay Spot
-  Closed Depression
-  Gravel Pit
-  Gravelly Spot
-  Landfill
-  Lava Flow
-  Marsh or swamp
-  Mine or Quarry
-  Miscellaneous Water
-  Perennial Water
-  Rock Outcrop
-  Saline Spot
-  Sandy Spot
-  Severely Eroded Spot
-  Sinkhole
-  Slide or Slip
-  Sodic Spot
-  Spoil Area
-  Stony Spot

 Very Stony Spot

 Wet Spot

 Other



Special Line Features

-  Gully
-  Short Steep Slope
-  Other






Political Features

 Cities

Water Features

-  Oceans
-  Streams and Canals

Transportation

-  Rails
-  Interstate Highways
-  US Routes
-  Major Roads
-  Local Roads

MAP INFORMATION

Map Scale: 1:6,770 if printed on A size (8.5" × 11") sheet.

The soil surveys that comprise your AOI were mapped at 1:12,000.

Please rely on the bar scale on each map sheet for accurate map measurements.

Source of Map: Natural Resources Conservation Service
Web Soil Survey URL: <http://websoilsurvey.nrcs.usda.gov>
Coordinate System: UTM Zone 19N NAD83

This product is generated from the USDA-NRCS certified data as of the version date(s) listed below.

Soil Survey Area: State of Rhode Island: Bristol, Kent, Newport, Providence, and Washington Counties
Survey Area Data: Version 7, Dec 8, 2010

Date(s) aerial images were photographed: 7/19/2003

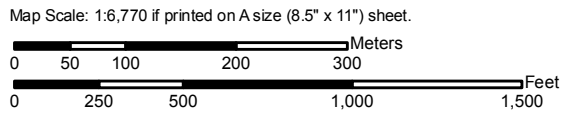
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Map Unit Legend

| State of Rhode Island: Bristol, Kent, Newport, Providence, and Washington Counties (RI600) | | | |
|--|--|--------------|----------------|
| Map Unit Symbol | Map Unit Name | Acres in AOI | Percent of AOI |
| NP | Newport-Urban land complex | 116.9 | 56.5% |
| PmA | Pittstown silt loam, 0 to 3 percent slopes | 48.4 | 23.4% |
| PmB | Pittstown silt loam, 3 to 8 percent slopes | 4.8 | 2.3% |
| Ur | Urban land | 36.9 | 17.9% |
| Totals for Area of Interest | | 206.9 | 100.0% |


Appendix B

Soil Map—State of Rhode Island: Bristol, Kent, Newport, Providence, and Washington Counties
(West Main Road Parcels)



MAP LEGEND






















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Appendix^C



**Market Study for the
West Main/Coddington Development
Center Master Plan**

MIDDLETOWN, RHODE ISLAND

MARCH 10, 2011

Prepared for:

Town of Middletown, RI
350 East Main Road
Middletown, RI 02842

Prepared by:

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I. INTRODUCTION

RKG Associates, Inc. (RKG) was retained by the Town of Middletown, Rhode Island, working as a sub-consultant to Vanasse Hangen Brustlin, Inc. (VHB), to assist in completing the market study component of the West Main/Coddington Development Center Master Plan in Middletown, RI. The West Main/Coddington study area is depicted in Figure 1.

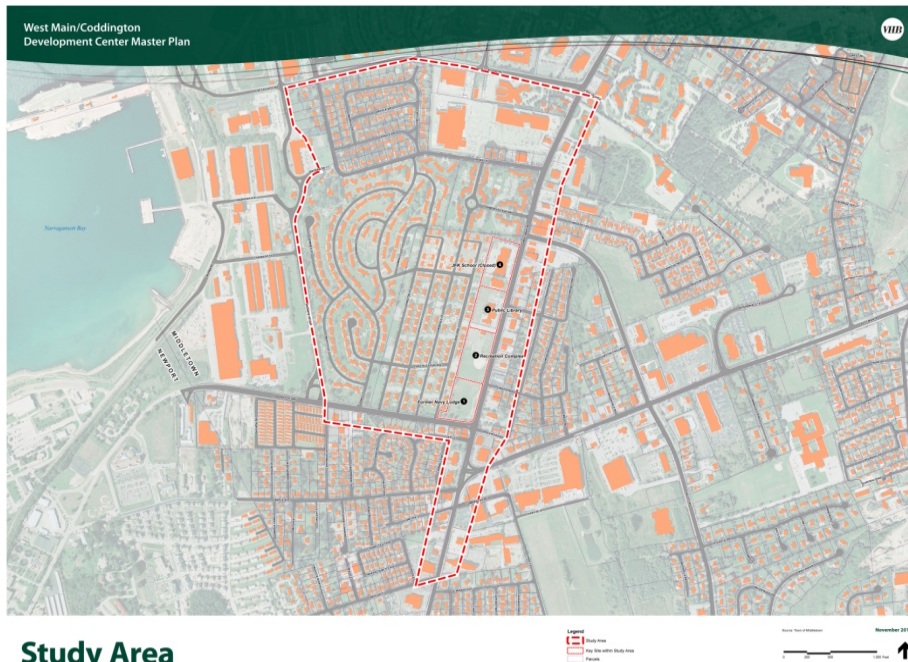


Figure 1 – West Main/Coddington Development Center Master Plan Study Area

One property within this broader West Main/Coddington study area is an approximate 3.4-acre parcel, situated at the intersection of West Main (Route 114) and Coddington Highway, referred to as the former Navy Lodge site. As indicated in Figure 2, the former Navy Lodge site is abutted by a ballfield and municipal uses (to the north); residential development (west); retail and other commercial uses, across the roadways, (south and east).



Figure 2 – Aerial of West Main Road/Coddington intersection and land parcels

A. Purpose

This analysis reviews the market based alternatives for redevelopment of the former Navy Lodge site and its adjoining parcels (refer to Figure 3 and Table 1), relocation), into a single parcel of approximately 15-acres, and referred to in this analysis as the Site.

This analysis reviews the market based alternatives for redevelopment of the Site, and as such, zoning, real estate, surrounding land uses and other “location factors” are considered from a development perspective. A broader discussion of the demographics, employment trends and other baseline indicators are presented in detail in the full reuse plan for Aquidneck Island, or the *NAVSTA Newport Redevelopment Plan and HUD Submission*, issued under separate cover, and in the Appendices of this report.



Figure 3 – Assemblage parcels for the Site

Table 1 : Parcel Assemblage for the Site

| Middletown, RI Parcel ID | Acres | Bldg SF | Use | Land Assess | Per Acre | Total Assess | Total \$/SF | Zoning | Owner |
|-----------------------------|--------------|---------------|-------------|--------------------|------------------|---------------------|-------------|--------|--------------------------|
| 102 / 7 (site) | 3.43 | 0 | Vacant | \$1,642,800 | \$478,950 | \$1,642,800 | \$0 | PA | United States of America |
| 102 / 3 | 3.86 | 0 | Ball fields | \$1,912,400 | \$495,440 | \$1,934,100 | \$0 | PA | Town of Middletown, RI |
| 102 / 4 | 3.02 | 13,262 | Library | \$772,900 | \$255,927 | \$1,887,600 | \$142 | PA | Town of Middletown, RI |
| 102 / 5 | 1.03 | 0 | Vacant | \$493,300 | \$478,932 | \$493,300 | \$0 | PA | Town of Middletown, RI |
| 102 / 6 | 3.68 | 36,368 | School | \$1,762,600 | \$478,967 | \$5,182,000 | \$142 | PA | Town of Middletown, RI |
| Total | 15.02 | 49,630 | | \$6,584,000 | \$438,349 | \$11,139,800 | NA | | |

Source : VisonAppraisal and RKG Associates, Inc.
 Note: PA zoning equates to Public and Traffic Sensitive

B. Prior Studies

Several prior studies, plans and economic studies/recommendations have been completed for both the Town of Middletown and for the Aquidneck Island region. Several of these are referenced more specifically throughout this document, but a brief overview of these reports and selected findings and/or recommendations are warranted at this point¹.

1. Middletown Corporate Buildout Analysis

This report was prepared by Pare Engineering Corporation and Ninigret Partners, LLC, in December 2005 for the Town of Middletown, Rhode Island. This report was prepared in an effort to retain the Town of Middletown’s distinction as Aquidneck Island’s corporate office center. This report specifically addressed the potential corporate buildout analysis for the Aquidneck Corporate Park, the Newport Corporate Park, the Enterprise Center, the proposed Omni Land Development Corporation’s light-industrial subdivision, and three individual office/business parcels.

¹ The reader is directed to each separate report for a more complete analysis and discussion of findings, if so desired.

This report concluded that the demand for defense-related office and industrial space in Middletown is not robust and that the defense industry will not be the driving force in demand for additional office space. The current trend is towards technical research and engineering firms and over the next three years (2006 through 2009) the most demand projected is for approximately 61,000 SF and perhaps as much as 180,000 SF. Further, that existing capacity on Aquidneck Island appears able to absorb this demand. Office parks will continue to attract regional professional service organizations such as lawyers and certified public accountants with accessible parking, but based on growth forecasts for Aquidneck Island, any major office or light-industrial development in Middletown would likely be a “build-to suit” situation.

2. Comprehensive Community Plan

The Town of Middletown, Rhode Island *Comprehensive Community Plan* was adopted in 1992; revised and adopted in April 2003; and, further amended through July 2008. Essentially the plan is a long-range guide for the future development of the Town and for the preservation of the unique characteristics which make the town special for its citizens. Some of the recommendations from the plan, particular to land utilization and potential development of the Site include the following:

- Support the upgrade of East and West Main Roads and the development of multi-modal transportation for Aquidneck Island.
- The Town should develop zoning standards to address commercial sprawl in the West Main Road corridor. Significant parcels of currently undeveloped land should be rezoned to a new zoning district that will permit a mixture of certain types of residential and/or nonresidential uses in a planned village setting; with significant open space areas.

3. Aquidneck Island West Side Master Plan

This report was issued in November 2005 for the Aquidneck Island Planning Commission, West Side Task Force, and prepared by the Cecil Group; Pare Engineering Corporation; SMWM; Edwards and Kelcey; Bonz and Company; and, Ninigret Partners, LLC. While this report does not specifically address redevelopment or alternative utilization of the Site, it does present recommendations that could facilitate or impact such development, including the following:

- The “strip commercial” qualities of many of the areas along the West Main Road corridor may be gradually transformed through the introduction of housing and promotion of mixed use that can more efficiently use the land.
- The transformation of Burma Road (Defense Highway) into Shoreline Drive, a two-lane roadway which would bypass West Main Road from Stringham Road in Portsmouth to Coddington Highway in Middletown. By diverting commuter and tourism traffic from congested roads to an underutilized corridor, traffic on the island will improve.

- Advance RIDOT-sponsored improvements at West Main Road, Coddington Highway to East Main Road with left turn lanes, pedestrian crossings and sidewalks included in the project design (of new development).

4. *The Competitive Edge – Recommendations for Enhancing Middletown’s Economic Climate*

This report was prepared by the Mayforth Group in July of 2007 for the Town of Middletown, Rhode Island. The Mayforth Group conducted an evaluation of the Middletown economic climate by working with business leaders, elected officials, and local citizens to identify issues and recommend courses of action to enhance economic development in the Town. The first step was to provide the Middletown Economic Development Advisory Committee and the Middletown Town Council with an overall analysis of issues that enhance or impede economic growth in the area. The second goal was to provide recommendations to help create, enhance, and sustain a fertile economic environment for the future. The report has a myriad of findings and recommendations, covering a broad base of improving the overall economic environment in Middletown. Some of the findings that may be particularly salient to redevelopment or re-positioning of the Site include the following:

- Middletown has two hubs of economic development. The retail hub located along West Main Road and the technology hub located in the Aquidneck Corporate Park, Enterprise Center and Corporate Place. However, there is not a tourism hub or town center.
- Collaborate with developers to encourage continued development of affordable housing for the young professional and median income population that fits in with the Town’s master plan.

5. *Recreation, Conservation and Open Space Master Plan*

This plan was prepared for the Town of Middletown, Rhode Island by VHB, Inc, in September of 2010. Part of the focus of this plan was to visually identify both the positive and negative attributes of Middletown’s open space and recreation resources. This effort focused on the most visited recreational properties, particularly ones where the Town plays some role in maintenance and management of the facility. The focus of this plan is on publicly owned or managed facilities rather than private ones that may have limited or no public access.

One such facility is the ballfield parcel of the Site, locally referred to as Pottsey Field, which is a less than ideal location given its proximity to a major roadway and the orientation of the field. The findings of the analysis recommended that this field be relocated. The plan identified at least three parcels in Middletown that have potential for the building of new fields and playground areas, including Boulevard Nurseries, Albro Woods, and Tibbett’s Farm.

These previous studies presented numerous recommendations regarding redevelopment, design standards, applicable zoning and other tools/incentives that could foster and direct desired development throughout the Town and in the West Main/Coddington Development Center Master Plan study area, with which RKG concurs and further encourages.

II. MARKET INDICATORS

This chapter presents an analysis and summary of selected real estate market indicators and site location criteria that could influence the redevelopment opportunity of the Site.

A. Zoning

The Site is situated in the Public (P) zoning district, established to provide guidelines and land uses for major public lands owned by federal, state or municipal governments. Also, the Public zoning district relates the zoning map to major elements of actual land use and to the Comprehensive Community Plan. Finally, the Public zoning district establishes zoning controls (guidelines) if the public use is abandoned or the land is sold for private use. The Site is also subject to designation as a traffic sensitive district. These are districts where special regulations regarding lot width and frontage apply, intending to provide for adequate and safe access onto major thoroughfares within the Town, or to:

- Facilitate the movement of traffic along major roads in a safe and orderly manner;
- Reduce the number and increase the spacing of driveways which may disrupt traffic flow;
- Reduce infringement on the rights of the public to travel roadways in a safe manner, while at the same time providing for adequate ingress and egress to properties; and,
- Protect public safety along major thoroughfares in the Town where accidents have frequently occurred.

Additionally, development in a traffic sensitive district requires a minimum of 300 feet of frontage to a state road, and requires there be only one curb-cut opening to the state road.

1. Allowed Uses in the Public District

The by-right and allowed uses (by special permit) in the Public zoning district are somewhat limited in their breadth, as indicated in Table 2. Presumably, if market indicators suggest a retail or commercial use as appropriate for the Site, a zoning variance may be required. Conversations with representatives of Middletown indicated the Town's receptivity to changing the zoning for the Site, pending the market findings and recommendations for alternative development.

Table 2 : Public (P) Zoning District – Middletown, RI

| Zoning - Public (P) District Allowed Uses | By Right | By Permit |
|--|-------------|--------------|
| Crop farms, nurseries | Yes | |
| Livestock (except swine) | | Yes |
| Commercial dock/pier | | Yes |
| Commercial off-street parking | | Yes |
| Electric power substation | | Yes |
| Electric transmission towers | | Yes |
| Sewer treatment | | Yes |
| Solid waste treatment | | Yes |
| Wireless communication facilities | | Yes |
| Education facilities | Yes | |
| Conservation land | Yes | |
| Park land | Yes | |
| Agriculture, produce stands | Yes | |
| Farm accessory use | | Yes |

Source : Middletown Zoning Ordinance and RKG

2. Selected Location Criteria

Traffic volumes, as indicated in the Aquidneck Island Transportation Study, by RIDOT, at the approximate 15-acre Site, indicate the following:

- In 2008, approximately 32,200 ADT (vehicles per day) on West Main Road, north of Coddington Highway.
- In 2009, approximately 18,600 ADT on Coddington Highway, west of West Main Road.

These traffic volumes, coupled with the Site's acreage, frontage to a major arterial and overall visibility would meet the acreage/traffic volume site selection criteria of a number of selected retail developments, as presented in Table 3.

Table 3 : Selected Site Criteria

| Selected Retail Site Criteria | Size in SF | Required Acres | Traffic Count |
|----------------------------------|---------------|-------------------|------------------|
| Grocery | 50,000 | 6.0 | 30,000 |
| Drugstore | 12,000 | varies | 30,000 |
| Discounter | 135,000 | 12.0 | 40,000 |
| Children's | | | |
| Entertainment | 17,000 | varies | 30,000 |
| Bookstore | 45,000 | 4.0 | 30,000 |
| Sit-down | | | |
| Restaurant | 9,200 | varies | 30,000 |

Source : Urban Land Institute (ULI) and RKG Associates, Inc.

B. Real Estate Indicators

The following section reviews various real estate and market conditions, considering demand and supply indicators, which could render development options for the Site.

1. Land Use

The following Table 4, as developed from tax and assessment data from the Middletown Assessor, presents non-residential, but developed, land use information for Middletown. As indicated, there is nearly 2.8 million SF of selected commercial uses in Middletown, including nearly 125,000 SF of eating establishments; slightly more than 571,000 SF of

hospitality space; and, more than 891,000 SF of retail space in various formats. Previous studies² have indicated that Middletown is the “shopping center of Aquidneck Island” with East and West Main Roads serving as both the retail and service sector corridors.

Table 4 : Existing Non-Residential Land Utilization – Middletown, RI

| Selected Commercial Land Uses | Property Count | Building SF | Land in Acres |
|-------------------------------|----------------|------------------|---------------|
| Dining | | | |
| Fast Food | 9 | 25,361 | 7.71 |
| Restaurant | 16 | 99,329 | 14.79 |
| subtotal | 25 | 124,690 | 22.50 |
| Hospitality | | | |
| Hotel | 8 | 417,240 | 23.05 |
| Motel | 9 | 154,390 | 10.59 |
| subtotal | 17 | 571,630 | 33.64 |
| Retail | | | |
| Plaza with Anchor Tenant | 5 | 390,707 | 48.56 |
| Small Commercial | 24 | 105,045 | 63.19 |
| Freestanding | 21 | 232,345 | 30.98 |
| Smaller Shopping Centers | 16 | 163,156 | 14.93 |
| subtotal | 66 | 891,253 | 157.67 |
| Office | | | |
| Office Building | 46 | 495,675 | 144.44 |
| Professional Building | 8 | 363,263 | 25.95 |
| R & D Building | 5 | 233,514 | 25.74 |
| subtotal | 59 | 1,092,452 | 196.13 |
| Mixed Use | | | |
| Office over Retail | 6 | 83,983 | 5.05 |
| Retail, Office, Apartments | 4 | 23,677 | 0.99 |
| subtotal | 10 | 107,660 | 6.03 |
| TOTAL | 177 | 2,787,685 | 415.98 |

Source : Middletown Assessor and RKG Associates, Inc.

2. Housing Market

A majority of the existing and recently constructed housing supply in Middletown is single family units. The Town’s housing supply consists of an estimated 7,871 housing units as of 2009, reflecting the addition 268 units since 2000, based on building permit data. Of these additional units, 252 were single family homes, 6 were duplexes, and 10 were apartment units. Based on this permit data, the Town has absorbed an average of 26 housing units per year over the past decade. As of 2010, the Town had 4,060 single family units (excluding mobile homes) and 300 condominium units. The Town also has a concentration of duplex dwellings which contain approximately 850 units, as well as 150 triplex units. Assessment records

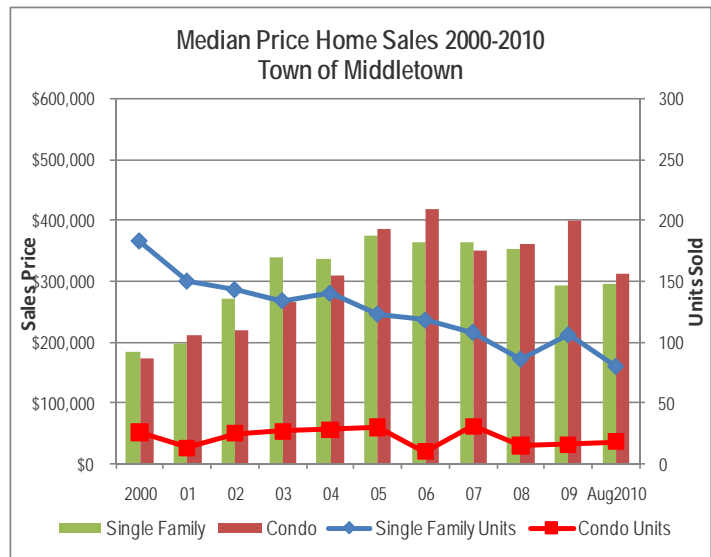


Figure 4 – Trends in Middletown Housing Units & Prices

² The Competitive Edge – Recommendations for Enhancing Middletown’s Economic, the Mayforth Group, July 2007

indicate that the Town had 15 apartment buildings containing 6 or more units. According to a local real estate professional (www.KirbyCommercial.com) the average occupancy rate for multi-family complexes was 92% in Middletown as of January 2011. Additionally, the stabilized average rent for a one-bedroom apartment was around \$925/month and for a two-bedroom unit it was \$1,175/month.

Trends in home sale prices for Middletown between 2000 and 2010 are illustrated in Figure 4. Middletown's housing market has experienced more "moderate" trends than the two other Island communities both in terms of pricing and number of sales. Middletown experienced significant increases in median pricing at the beginning of the decade as did the rest of the Island. From 2000 to 2005, the median sale price of a single family home increased by approximately 16% a year with growth as high as 25% to 35% in some years. The total number of sales achieved a high of 180 in 2000 (as opposed to 240 and 260 in the other towns) followed by a gradual and consistent decline to less than 100 through the third quarter of 2010. The median single family sale price in Middletown peaked at \$375,000, a level that was approximately 12% below the peak in Newport and Portsmouth. After 2005, prices decreased by an average of 4.4% per year through 2009 with a modest 1% increase in 2010 suggesting that for the other towns, pricing may have reached its low point. According to a local real estate professional there were approximately 97 single-family homes on the market in Middletown as of January 2011.

The high end of the single family market in Middletown for 2010 was \$1.7 million with only four sales exceeding one million dollars (through July), according to the Town's assessment data. This number of high-end sales is fairly typical for this submarket (which generally average \$4-\$6 million± sales in prior years) although top sales in prior years were observed in the \$3-\$5 million range. New construction sales prices for 2008-2010 were quite erratic ranging from \$115,000 to \$660,000 with an average of \$277,000 based on only six sales. The average construction cost for these units was \$67 per square foot (SF) with a range of \$35/SF to \$115/SF.

The condominium market in Middletown represented a relatively small portion of the housing sales market over the last decade averaging only 11% of total annual sales, or, roughly 20 per year. Similar to single family homes, condominium prices rose sharply through the first half of the decade averaging 16% growth per year with a peak price of \$415,000 in 2006. Pricing over the last several years has been erratic with an average decline of about 6%.

According to the Town's assessment records, only 32 condominiums have been constructed over the last decade, therefore, values for new construction are quite limited. The eight condominium sales recorded between 2008 and 2010 had an average sale price of \$413,000 with a high end of \$548,000. The units are typically townhouse style units with 1,700 SF to 2,000 SF of living area and an average sale price of \$109/SF.

3. Retail

Middletown, along with Newport and Portsmouth, have a combined total of approximately 4 million SF of retail building space, based on a review of assessment records. The majority of this inventory is located in Newport which has 2.3 million SF,

followed by Middletown's 1.3 million SF³, and about 450,000 SF in Portsmouth. Over the past decade, the Island has absorbed approximately 172,000 SF of new construction in the retail sector, representing an annual average absorption of 17,200 SF. Nearly 148,500 SF of the new retail development has occurred in Middletown, representing 86% of all retail absorption and indicating an annual absorption of 14,850 SF in Middletown, specifically. According to a local real estate professional the current vacancy rate for retail space was 3% in Middletown as of January 2011. Further, there is a shortage of available retail space as many former retail uses have been adapted to medical and other uses. Several "big-box" retailers have entered the market despite an island location which by definition limits a trade area radius or customer drawing capacity. The tourism influence for retail, coupled with a "captive" consumer base is believed to compensate for the limited trade area constraint.

In 2009, the approximate 31,000+ households in Newport County had a combined retail spending demand, for selected goods and services, of \$929.2 million as presented in Table 5, equating to a demand of \$29,800 per household. Conversely, retail sales in Newport County exceeded demand by \$53.3 million, most notably in the food, beverage and eating/drinking sectors. Unmet retail demand, or sales leakage, is most predominant in the general merchandise and hardware/building materials retail sectors. Overall and for these selected merchandise lines, the retailers in Newport County are estimated to be capturing 106% of the local demand, suggesting that the county is a net importer of retailer sales. However, what is not factored in these sales is the amount of visitor and tourism activity, notably reflected in such categories as the 186% capture rate for food/beverages or the 153% capture rate for eating/drinking establishments.

³ The inventory presented in Table 4 indicates approximately 1.1 million SF of retail uses, including 891,300 SF of direct retail, 124,700 SF of restaurant and 107,700 SF of mixed use retail. Other commercial, but not necessarily retail uses in Table 4 include the hospitality and office sectors. The potential discrepancy of 200,000 SF likely reflects additional miscellaneous retail, not categorized in Table 4, including auto related uses.

Table 5 : Estimated Sales Leakage 2009 – Newport County, RI

| Residential Retail Analysis - 2009 Comparative HH Demand & Sales | Newport County, RI - Retail GAP Analysis (2009) | | | Demand per HH | Capture Rate |
|---|---|----------------------|------------------------|------------------|-----------------|
| | Demand | Sales | Under/Over | | |
| Major Merchandise Line (NAICS code) | \$929,195,239 | \$982,516,102 | (\$53,320,863) | \$29,770 | 105.7% |
| Motor Vehicle and Parts Dealers-441 | \$19,834,167 | \$7,346,659 | \$12,487,508 | \$635 | 37.0% |
| Automotive Parts/Accsrs, Tire Stores-4413 | \$19,834,167 | \$7,346,659 | \$12,487,508 | \$635 | 37.0% |
| Furniture and Home Furnishings Stores-442 | \$30,636,714 | \$30,507,525 | \$139,189 | \$982 | 99.5% |
| Furniture Stores-4421 | \$16,988,988 | \$2,377,687 | \$14,611,301 | \$544 | 14.0% |
| Home Furnishing Stores-4422 | \$13,657,726 | \$28,129,838 | (\$14,472,112) | \$438 | 206.0% |
| Electronics and Appliance Stores-443 | \$31,683,549 | \$14,458,851 | \$17,224,698 | \$1,015 | 45.6% |
| Household Appliances Stores-443111 | \$5,336,404 | \$6,325,811 | (\$989,407) | \$171 | 118.5% |
| Radio, Television, Electronics Stores-443112 | \$18,482,993 | \$7,008,062 | \$11,474,931 | \$592 | 37.9% |
| Computer and Software Stores-44312 | \$6,417,972 | \$1,000,188 | \$5,417,784 | \$206 | 15.6% |
| Camera and Photographic Equipment Stores-44313 | \$1,446,180 | \$124,790 | \$1,321,390 | \$46 | 8.6% |
| Building Material, Garden Equip Stores -444 | \$136,524,602 | \$87,141,602 | \$49,383,000 | \$4,374 | 63.8% |
| Home Centers-44411 | \$54,411,815 | \$39,796,656 | \$14,615,159 | \$1,743 | 73.1% |
| Paint and Wallpaper Stores-44412 | \$2,860,468 | \$1,781,753 | \$1,078,715 | \$92 | 62.3% |
| Hardware Stores-44413 | \$11,712,555 | \$6,768,187 | \$4,944,368 | \$375 | 57.8% |
| Other Building Materials Dealers-44419 | \$34,161,768 | \$20,635,781 | \$13,525,987 | \$1,095 | 60.4% |
| Building Materials, Lumberyards-444191 | \$22,672,626 | \$13,260,866 | \$9,411,760 | \$726 | 58.5% |
| Outdoor Power Equipment Stores-44421 | \$963,256 | \$0 | \$963,256 | \$31 | 0.0% |
| Nursery and Garden Centers-44422 | \$9,742,114 | \$4,898,359 | \$4,843,755 | \$312 | 50.3% |
| Food and Beverage Stores-445 | \$178,726,478 | \$331,781,668 | (\$153,055,190) | \$5,726 | 185.6% |
| Supermarkets, Grocery (Ex Conv) Stores-44511 | \$153,715,567 | \$246,155,935 | (\$92,440,368) | \$4,925 | 160.1% |
| Convenience Stores-44512 | \$8,055,864 | \$24,539,307 | (\$16,483,443) | \$258 | 304.6% |
| Specialty Food Stores-4452 | \$5,534,421 | \$11,578,558 | (\$6,044,137) | \$177 | 209.2% |
| Beer, Wine and Liquor Stores-4453 | \$11,420,626 | \$49,507,868 | (\$38,087,242) | \$366 | 433.5% |
| Health and Personal Care Stores-446 | \$72,538,800 | \$87,570,407 | (\$15,031,607) | \$2,324 | 120.7% |
| Pharmacies and Drug Stores-44611 | \$62,439,737 | \$82,223,769 | (\$19,784,032) | \$2,001 | 131.7% |
| Cosmetics, Beauty Supplies, Perfume Stores-44612 | \$2,534,781 | \$1,359,243 | \$1,175,538 | \$81 | 53.6% |
| Optical Goods Stores-44613 | \$2,976,646 | \$1,249,849 | \$1,726,797 | \$95 | 42.0% |
| Other Health and Personal Care Stores-44619 | \$4,587,636 | \$2,737,546 | \$1,850,090 | \$147 | 59.7% |
| Clothing and Clothing Accessories Stores-448 | \$66,479,624 | \$80,990,350 | (\$14,510,726) | \$2,130 | 121.8% |
| Men's Clothing Stores-44811 | \$3,105,310 | \$3,118,786 | (\$13,476) | \$99 | 100.4% |
| Women's Clothing Stores-44812 | \$11,698,050 | \$18,973,058 | (\$7,275,008) | \$375 | 162.2% |
| Children's, Infants Clothing Stores-44813 | \$2,422,980 | \$3,819,670 | (\$1,396,690) | \$78 | 157.6% |
| Family Clothing Stores-44814 | \$25,522,243 | \$38,804,074 | (\$13,281,831) | \$818 | 152.0% |
| Clothing Accessories Stores-44815 | \$1,173,103 | \$800,679 | \$372,424 | \$38 | 68.3% |
| Other Clothing Stores-44819 | \$3,165,037 | \$1,390,540 | \$1,774,497 | \$101 | 43.9% |
| Shoe Stores-4482 | \$8,373,018 | \$6,232,067 | \$2,140,951 | \$268 | 74.4% |
| Jewelry Stores-44831 | \$10,258,321 | \$7,704,071 | \$2,554,250 | \$329 | 75.1% |
| Luggage and Leather Goods Stores-44832 | \$761,562 | \$147,405 | \$614,157 | \$24 | 19.4% |
| Sporting Goods, Hobby, Book, Music Stores-451 | \$26,572,248 | \$28,971,078 | (\$2,398,830) | \$851 | 109.0% |
| Sporting Goods Stores-45111 | \$9,111,517 | \$12,236,453 | (\$3,124,936) | \$292 | 134.3% |
| Hobby, Toys and Games Stores-45112 | \$5,646,407 | \$2,129,234 | \$3,517,173 | \$181 | 37.7% |
| Sew/Needlework/Piece Goods Stores-45113 | \$1,282,112 | \$2,712,802 | (\$1,430,690) | \$41 | 211.6% |
| Musical Instrument and Supplies Stores-45114 | \$1,756,577 | \$893,994 | \$862,583 | \$56 | 50.9% |
| Book Stores-451211 | \$5,897,324 | \$4,533,925 | \$1,363,399 | \$189 | 76.9% |
| News Dealers and Newsstands-451212 | \$298,688 | \$0 | \$298,688 | \$10 | 0.0% |
| Prerecorded Tapes, CDs, Record Stores-45122 | \$2,579,623 | \$6,464,670 | (\$3,885,047) | \$83 | 250.6% |
| General Merchandise Stores-452 | \$180,881,658 | \$48,734,680 | \$132,146,978 | \$5,795 | 26.9% |
| Department Stores Excl Leased Depts-4521 | \$87,808,967 | \$35,026,806 | \$52,782,161 | \$2,813 | 39.9% |
| All Other General Merchandise Stores-45299 | \$93,072,691 | \$13,707,874 | \$79,364,817 | \$2,982 | 14.7% |
| Miscellaneous Store Retailers-453 | \$35,756,647 | \$36,036,387 | (\$279,740) | \$1,146 | 100.8% |
| Florists-4531 | \$2,663,878 | \$2,174,391 | \$489,487 | \$85 | 81.6% |
| Office Supplies and Stationery Stores-45321 | \$8,412,640 | \$8,212,485 | \$200,155 | \$270 | 97.6% |
| Gift, Novelty and Souvenir Stores-45322 | \$6,165,724 | \$7,432,499 | (\$1,266,775) | \$198 | 120.5% |
| Used Merchandise Stores-4533 | \$3,113,942 | \$3,151,861 | (\$37,919) | \$100 | 101.2% |
| Other Miscellaneous Store Retailers-4539 | \$15,400,463 | \$15,065,151 | \$335,312 | \$493 | 97.8% |
| Foodservice and Drinking Places-722 | \$149,550,752 | \$228,976,895 | (\$79,426,143) | \$4,791 | 153.1% |
| Full-Service Restaurants-7221 | \$67,445,484 | \$140,256,508 | (\$72,811,024) | \$2,161 | 208.0% |
| Limited-Service Eating Places-7222 | \$62,952,531 | \$49,036,754 | \$13,915,777 | \$2,017 | 77.9% |
| Special Foodservices-7223 | \$12,321,714 | \$24,854,629 | (\$12,532,915) | \$395 | 201.7% |
| Drinking Places -Alcoholic Beverages-7224 | \$6,831,023 | \$14,829,004 | (\$7,997,981) | \$219 | 217.1% |

Source : Claritas and RKG Associates, Inc.

A previous study⁴ concluded that in 2004 the estimated market capture rate for the communities of Newport, Middletown and Portsmouth (not necessarily county-wide) was 181% of the local demand. The 2004 study also suggested that the potential for additional retail development, to capture sales leakage in those categories where the local market was underserved, amounted to approximately 70,000 SF. In this present and independent analysis, the consultants have assumed a 10% capture of the \$260 million in leaked sales, indicating that as a potential “conservative estimate” the market could support approximately 71,000 SF of additional development (similar to the calculation presented in the 2004 study) as presented in Table 6⁵.

Table 6 : Potential Supportable NEW Retail – Middletown, RI

| Residential Retail Analysis - 2009 Comparative HH Demand & Sales | Supportable New Retail SF at 10% capture | 2009 Sales Leakage |
|---|---|-----------------------|
| Major Merchandise Line (NAICS code) | 71,368 | \$260,034,170 |
| Automotive Parts/Accsrs, Tire Stores-4413 | 4,712 | \$12,487,508 |
| Furniture Stores-4421 | 4,870 | \$14,611,301 |
| Radio, Television, Electronics Stores-443112 | 3,279 | \$11,474,931 |
| Computer and Software Stores-44312 | 1,570 | \$5,417,784 |
| Camera and Photographic Equipment Stores-44313 | 407 | \$1,321,390 |
| Home Centers-44411 | 3,950 | \$14,615,159 |
| Paint and Wallpaper Stores-44412 | 583 | \$1,078,715 |
| Hardware Stores-44413 | 2,673 | \$4,944,368 |
| Other Building Materials Dealers-44419 | 3,183 | \$13,525,987 |
| Building Materials, Lumberyards-444191 | 2,353 | \$9,411,760 |
| Outdoor Power Equipment Stores-44421 | 459 | \$963,256 |
| Nursery and Garden Centers-44422 | 2,307 | \$4,843,755 |
| Cosmetics, Beauty Supplies, Perfume Stores-44612 | 267 | \$1,175,538 |
| Optical Goods Stores-44613 | 566 | \$1,726,797 |
| Other Health and Personal Care Stores-44619 | 698 | \$1,850,090 |
| Clothing Accessories Stores-44815 | 177 | \$372,424 |
| Other Clothing Stores-44819 | 670 | \$1,774,497 |
| Shoe Stores-4482 | 649 | \$2,140,951 |
| Jewelry Stores-44831 | 243 | \$2,554,250 |
| Luggage and Leather Goods Stores-44832 | 154 | \$614,157 |
| Hobby, Toys and Games Stores-45112 | 1,851 | \$3,517,173 |
| Musical Instrument and Supplies Stores-45114 | 392 | \$862,583 |
| Book Stores-451211 | 447 | \$1,363,399 |
| News Dealers and Newsstands-451212 | 55 | \$298,688 |
| Department Stores Excl Leased Depts-4521 | 10,452 | \$52,782,161 |
| All Other General Merchandise Stores-45299 | 21,450 | \$79,364,817 |
| Florists-4531 | 163 | \$489,487 |
| Office Supplies and Stationery Stores-45321 | 73 | \$200,155 |
| Other Miscellaneous Store Retailers-4539 | 140 | \$335,312 |
| Limited-Service Eating Places-7222 | 2,577 | \$13,915,777 |

Source : Claritas and RKG Associates, Inc.

Notable among the estimated additional supportable SF of retail is the 10,500 SF for department store(s) and 21,500 SF for other general merchandise, as well as 2,600 SF of limited service restaurants, such as fast food. Also, if the building materials and hardware/home improvement categories (three-digit NAICS of 444) were combined into a single project, a potential 15,500 SF development may be supported. Potential recapture of sales leakage for most other retail categories present a small and fragmented opportunity, such as 450 SF for a bookstore, or 650 SF for a shoe store.

⁴ The 2006 North End Master Plan – Appendix B Economics and Market Analyses-Working Paper as referencing the Economic and Real Estate Market Analysis, Newport North End Master Plan, April 2006, Bonz & Company

⁵ It should be noted that the 100% capture rate of leaked sales represents an aggressive estimate, however, this analysis has not reviewed projected household growth (refer to the Demographics section in the Appendices).

4. Office & Industrial Market Sectors

Middletown has a substantial base of office and industrial space within the community, much of which is concentrated in the Town's three business parks. These parks were generally established in the 1980s and 1990s, the period when most of the existing buildings were constructed. The three parks include the Aquidneck Corporate Park, Newport Corporate Park and Enterprise Center. The Aquidneck Park has recently undergone approximately \$1.3 million in infrastructure renovation that included upgraded roadways, drainage, utilities, and landscaping, in an effort to maintain competitiveness within the marketplace. A listing of tenants/business and associated employment in Aquidneck Corporate Park appear in Table 7.

Table 7 : Aquidneck Park Tenants and Businesses

| Aquidneck Corporate Park | | | |
|----------------------------------|---------------------|---|---------------------|
| Company | Estimated Employees | Company | Estimated Employees |
| AG Edwards | 5 | Moore, Virgadamo & Lynch, LTD | 9 |
| Avid Airline Products of RI | 10 | Newport County Community Mental Health Center | 150 |
| BAE Systems | 29 | Newport County Regional YMCA | 265 |
| BBN Systems & Technology | | Newport Hotel Group | 15 |
| BCR Diagnostics | 2 | Northeast Engineer & Consultants | 5 |
| Blackstone Caterers | 150 | PDQ Printing & Copying, Inc | 4 |
| Bonnier Marine Group | | Plantation Catering of Newport, Inc | 9 |
| Child Family Services | 280 | Progeny Systems Corp | 3 |
| Computer Sciences Corp | 20 | Research Engineering & Manufacturing Inc | 10 |
| Digital Systems Sciences | | Rite Solutions | 120 |
| DPS Sporting Club Development Co | | SAIC Enterprise Solutions | |
| Harken East | | SEA Research Center | |
| Hood Sailmakers | 14 | SEA Wave | 20 |
| Kahn, Litwin, Renza & Co, LTD | 1 | SeaView Inn | 20 |
| KVH Industries Inc | 228 | Smiths Delection-Live Wave Inc | 11 |
| Kyran Research Assoc., Inc | 31 | Systems Engineering Associates Corporation | 300 |
| Lang Naturals, Inc. | 20 | Telecom Installation Services | |
| Legal Management Services | 6 | TowerStream | 10 |
| Linear Tile & Closing, Ltd. | | Valley Community School | |
| Marine Safety International, Inc | | Vectrix | 10 |
| Mc Laughlin Research Corp | 240 | Wilcox Crittenden | 2 |

Source: RIEDC

Presently, the Town has approximately 1.1 million SF of office space in 74 properties, which includes financial, professional, and R&D buildings, as identified in the assessment records. User-occupied spaces range in size from less than 1,000 SF up to 155,000 SF. The majority of properties (or 55%) have less than 10,000 SF, 20% have over 30,000 SF, with the remaining 25% between 10,000 SF and 30,000 SF. Little new construction has occurred in recent years with 13,300 SF recorded over the last decade and no new construction since 2005, based on assessment data.

Industrial building space totals approximately 477,000 SF in 80 properties. More than half of these properties are smaller, industrial condominium spaces, many of which are located in the Tradesmen Center building situated at the airport, as well as the Aquidneck Park facility. Sixty-eight (68) of the Town's industrial businesses occupy spaces of less than 10,000 SF utilizing approximately 156,000 SF of available inventory. In fact, only five buildings contain over 30,000 SF illustrating that primary demand from industrial users comes from smaller firms. Demand for additional industrial space has apparently been limited with only 43,000 SF of new construction, in four buildings, absorbed over the last decade.

A build-out analysis⁶ conducted in 2005 for the Town's business parks estimated that an additional 370,000 SF to 460,000 SF of new construction could be supported on the Town's undeveloped park land with the potential for an additional one million SF feet of infill development at these facilities, however, this study reflected a differing real estate and economic environment/time that was more robust. As noted above, little construction has occurred since the report was completed, suggesting that a significant supply of potentially developable land is still available in the market.

Table 8 presents a representative inventory of office and industrial properties available for lease in Middletown. As shown, there was approximately 143,000 SF of office space (about 12% of the Town's inventory) available at 22 properties. The average asking lease rate was \$14.64/SF. Very few large spaces were listed with the majority under 5,000 SF. The exception was two Class A spaces of 50,000 SF for \$11.50/SF available at Aquidneck Park in the Tech Plaza 4 building which contains a total of 150,000 SF.

Table 8 : Sampling of for Lease Office and Industrial Space

Listed For-Lease Office and Industrial Space - October 2010
Town of Middletown

| Location | Available Sq. Ft. | Lease Rate SF/Year | Type of Space |
|-----------------------------|-------------------|--------------------|-----------------------|
| 82 Valley Road | 124 | \$29.03 | Office Building |
| 1100 Aquidneck Ave | 300 | \$20.00 | Office |
| 82 Valley Road | 402 | \$16.42 | Office Building |
| 42 Valley Road | 781 | \$16.90 | Office Building |
| 26 Valley Rd | 924 | \$15.58 | Office Building |
| Iron Gate | 1,000 | \$10.80 | Office Building |
| 575 East Main Rd. Wyatt Sq. | 1,126 | \$14.92 | Office Building |
| 333 Valley Road | 1,295 | \$17.14 | Medical Office |
| 42 Valley Road | 1,297 | \$17.58 | Office Building |
| 936 Aquidneck Avenue | 1,300 | \$12.92 | Office Creative/Loft |
| Easton Ponf Business Center | 1,500 | Negotiable | Office Building |
| 401 West Main Road | 1,525 | \$14.01 | Office Creative/Loft |
| 2 Corporate Place | 2,036 | \$13.95 | Office Building |
| 1272 West Main Road | 2,500 | \$12.00 | Office Building |
| 28 Jacome Way | 2,500 | \$12.00 | Office-R&D |
| 1341 West Main Road | 3,000 | Negotiable | Office Building |
| OTP Building | 3,100 | \$13.00 | Office Building |
| 28 Jacome Way | 5,680 | \$12.00 | Office-R&D |
| 1038 Aquidneck Avenue | 5,920 | \$8.00 | Medical Office |
| TECH 2 | 7,500 | \$13.50 | Office Building |
| Tech Plaza 4 | 50,000 | \$11.50 | Office |
| Tech Plaza 4 | 50,000 | \$11.50 | Office |
| Subtotal Office | 143,810 | \$14.64 | Average |
| 28 Jacome Way | 800 | \$12.00 | Industrial Warehouse |
| 28 Jacome Way | 2,035 | \$12.00 | Industrial Warehouse |
| 20 Silva Lane | 4,000 | \$8.00 | Industrial Flex Space |
| 28 Jacome Way | 4,168 | \$12.00 | Industrial Warehouse |
| Subtotal Industrial | 11,003 | \$11.00 | Average |
| Total | 154,813 | | |

Source: LoopNet

Only four industrial properties (three of which were in one building) were identified on the listing service totaling 11,000 SF and, once again, all less than 5,000 SF. The average asking lease rate was \$11/SF. Limited availability of these small user industrial spaces

⁶ *Corporate Build-Out Analysis for Middletown, Rhode Island*, Ninigret Partners, LLC & Pare Engineering Corp., Dec. 2005

may indicate higher levels of demand. Conversations with representatives of CB Richard Ellis (CBRE) indicate that the Aquidneck Island office market is relatively healthy compared to elsewhere in Rhode Island, meaning lower vacancy but also lower lease rates (please refer to Table 9). This is attributed in large part to the many defense related contractors tenanting space in the market. However, considering the potential short-term nature of defense related contracts, most leases are for three to five-year periods. As a result, developers are hesitant to build speculative office space without 10-year lease commitments. As a result, new office development likely to occur would be for owner-occupants or build-to-suit tenants. According to a local real estate professional the overall lease and sale values of commercial properties in Middletown is well below that of comparable areas, suggesting that companies could locate or expand in Middletown at relatively affordable prices, but conversely, the low rents also hinder new commercial investment activity, for uses other than owner-occupants.

Table 9 : Office Market Statistics – 2nd Quarter 2010

| Comparative Office Market | Total | Available | Vacancy | Net (SF) | Asking |
|---------------------------|------------------|------------------|--------------|---------------|----------------|
| Suburban Rhode Island | SF | SF | | Absorption | Lease \$ |
| Aquidneck Island | 975,436 | 109,965 | 11.3% | 9,115 | \$13.63 |
| Northern RI | 1,752,467 | 552,020 | 31.5% | (17,479) | \$16.87 |
| West Bay | 2,965,066 | 565,113 | 19.1% | 82,626 | \$18.00 |
| East Bay | 1,124,478 | 291,496 | 25.9% | 4,936 | \$15.46 |
| Suburban Providence | 827,379 | 207,043 | 25.0% | (5,118) | \$16.93 |
| TOTAL | 7,644,826 | 1,725,637 | 22.6% | 74,080 | \$16.80 |

Source : CB Richard Ellis and RKG Associates, Inc.

Over the past decade, the Island has absorbed approximately 63,300 SF of new office space (or 6,330 SF annually) with 13,300 SF in Middletown, accounting for 21% of the new office absorption and representing less than 1,500 SF annually in Middletown. With respect to the industrial and warehouse market, the three Island communities have added 189,500 SF in the last decade with the approximate 43,000 SF in Middletown accounting for 22% of the total, or less than 5,000 SF annually. According to a local real estate professional, the office vacancy rate in Middletown was around 8.6% as of January 2011.

C. Community Input

As part of this research the consultants met with a variety of local stakeholders, property and business owners and Town officials in order to garner their opinions, concerns and issues regarding the redevelopment potential of the Sites⁷. These interviews are summarized next, particularly from the point of view of the market opportunities and economic issues, and less so from any engineering or environmental perspective.

1. Town Officials and Department Heads

Representatives of various Town departments stated that any water/sewer upgrades, to adequately serve a redeveloped Site, would likely be at the cost to the developer, indicating that the existing infrastructure is essentially past its useful life. Typically there are no Town incentives or concessions offered for such infrastructure development, although given the unique nature of this Site and the potential assemblage of adjoining parcels, everything is negotiable. It was believed that both the school and the library properties had 30-year restrictions for public use only, but these restrictions have expired.

⁷ Town of Middletown Town offices, on 18 November 2010.

2. Newport Navy Base Commander

Representatives of the US Navy cautioned that any potential relocation/re-alignment of Burma Road could be impacted by existing magazine and/or ordinance storage near the golf course. As far as redevelopment, of what the US Navy has designated as surplus land, the primary concerns are to maintain utilities and minimize traffic impacts.

3. Landings Real Estate Group

Representatives of the Landings Real Estate Group, owners of the adjacent and former military housing (known as The Anchorage) to the west of the Site has expressed interest in developing the Site. Discussions of preliminary development opportunities included:

- Potential development of 30,000± SF of retail uses, focusing on drug/health and grocery components. Potential retail development would be specific end-users, as the typical rents for retail properties along West Main Road are \$10/SF or less, thereby limiting speculative development.
- Utilization as incubator office space for high-tech businesses, realizing there would be a high lease turnover of tenants with 1 to 3-year leases.
- A potential phase 1 and phase 2 development process would seem appropriate considering prevailing market/real estate conditions.

4. Picerne Properties

Conversations with a representative of Picerne Properties, owners of the adjacent Harbor Village properties (formerly 200+ units of naval housing), indicated their receptiveness to most types of development that would better serve the residential neighborhoods and properties around West Main Road and Coddington Highway.

5. Open Space and Fields Committee

The ballfields, referred to as Pottsey Field, are used primarily by the men's softball league. Recent investments in the ballfields include lighting to allow for night games to be played. Representatives of this committee expressed their willingness to have the fields relocated elsewhere in Middletown, proving that it was an agreed upon location, night lighting was included and that the "new" fields were ready to go, meaning that there would not be a time lag between leaving the current facility and using the new facility. Committee members expressed concerns that any new development not mirror the other side of the road and that there be adequate sidewalks and pedestrian amenities included. Additionally, Coddington is considered as an entry point into Middletown that currently is not attractive and/or visually appealing. Members of the committee believed that the library, if relocated, should remain accessible via public transportation, and that the Site is not viable for an all encompassing community center and municipal complex, given the heavy traffic on West Main Road.

6. Library Board of Trustees & Middletown Public Library

Representatives of the library indicated that they have maxed out the capacity of the 9,000 SF library building, meaning there is limited capacity to add significant new library

services in the existing footprint. And yet they need to expand services in the adult center, the child center and will be adding more computers all where space is available, if available, and not necessarily in any planned design or layout. There is a need for additional on-site parking, as identified in part through public surveys. Repair work to the physical building has been ongoing. In short, it was believed that a new library facility is needed and there will come a point, when it no longer makes economic sense to continue “fixing” the existing facility. Members of the library committee were uncertain as to when this time would arrive and indicated that they would need to further review their needs and associated costs.

7. Middletown School Committee & Middletown Public Schools

The former JFK elementary school (kindergarten through 4th grade) has been closed for somewhere between one and two-years. A diminishing student population from Navy families, coupled with financial constraints, predicated the closing of this school. However the school committee has not declared the property as surplus and as such the school has not reverted back to the Town, the owner of the school property (per assessment records), as of yet. Members of the school committee cautioned that if Rhode Island mandated pre-kindergarten, then the JFK elementary would need to be returned to service. As noted previously, the school came about in part as a response to the large and immediately adjacent Navy family student population, but in terms of a physical location for a school, nearly all committee members agreed that it was a poor site. In spite of this, the school committee believed that there may be a need for the school over the next three to five years, possibly as a school once again, but more likely as short-term leased space.

8. Property Abutters

Several abutting property and/or business owners expressed an interest in what was to be developed on the Site, suggesting that retail uses and parks/recreational uses would be appropriate. Additional potential uses, from their perspective, included a welcome center or visitor center, along with chamber of commerce offices. One respondent suggested that a retail outlet center would be a welcome addition. A primary concern among respondents is what would be the impacts on traffic and whether any “new” development would compliment or detract from existing development.

9. Middletown Economic Development Advisory Committee (MEDAC)

Representatives of MEDAC indicated that job growth, tax base enhancement and sustainable economic activity are desired for repositioning of the Site. Included in this is a pedestrian-scale development and pedestrian connectivity to the broader study area, noting potential upgrades to two-mile corner (East Main and West Main). Development or a “look” similar to the east side of the street is undesired. Options that were offered include an entertainment district, realizing that tourists “sleep” in Middletown but “play” in Newport and perhaps a development similar to Mashpee Commons (<http://mashpeecommons.com/>) on Cape Cod. MEDAC also questioned whether there a long-term plan in place for municipal facilities, and if so what might be some of the desired locations or elements of such a plan.

III. DEVELOPMENT CONSIDERATIONS

RKG offers the following development considerations regarding reuse and build-out of the Site.

- First, it is assumed that once assembled for alternative use, the Site would share similar zoning regulation to the GB, General Business district (still within a traffic sensitive area). This may not be the case, however the assumption is made in this analysis in order to provide a zoning and regulatory context in which alternative development opportunities for the Site may be presented.
- The GB standards indicate that the maximum size for a single improvement is 35,000 SF (unless a special permit is granted), that parking requirements are approximately 4 spaces per 1,000 SF of improvement and that maximum lot coverage is 25%.
- As an alternative to the assumed GB zoning, RKG suggests the Town consider adopting an overlay zoning district, which would be consistent with the Town's comprehensive plan, recommending that the *“town should develop zoning standards to address commercial sprawl in the West Main Road corridor. Significant parcels of currently undeveloped land should be rezoned to a new zoning district that will permit a mixture of certain types of residential and/or nonresidential uses in a planned village setting; with significant open space areas.”*
- As such, the Town could maintain design guidelines and standards for the overall development, as well as have greater flexibility in offering additional development incentives such as increased density, shared parking and the like.

A. Retail Consideration

Considering the locational attributes, notable among them visibility, traffic volumes along a major arterial, and surrounding/compatible land uses, the market driven reuse opportunities for the Site, from a potential developer's point of view, would focus on retail development. A Phase 1 development may consider the actual former Navy Lodge site combined with Pottsey Field in order to offer 7.3-acres for development, which would facilitate slightly more than 1.8-acres of development, or nearly 79,400 SF inclusive of building and parking.

Because of the traffic sensitivity issue, an entrance to the Site, from Coddington Highway, as well as West Main Road, could permit a flow through traffic pattern, with an ingress/egress point from each of the major arterials. As market demand improves with an improving economy, the remaining parcels, totaling about 7.7-acres could be assembled, allowing for just under 2-acres of additional development (building and parking).

B. Mixed Commercial Consideration

While RKG maintains that the Site location characteristics favor a retail development, there may be some market demand for a mixed-use development, with primarily retail on the lower floor, and perhaps a combination of selected office space on the upper floors. As noted from

conversations with area stakeholders, and office market indicators, there may be some demand for high-tech incubator office space, realizing there would likely be a high turnover rate and limited lease terms. Other potential users could include smaller and more independent users such as finance, information services or other professional/technical business services, essentially a second story office park for users amenable to upper story space but requiring high consumer/traffic access and visibility.

Nonetheless, as noted previously, developers are hesitant to build speculative office space without 10-year lease commitments. Any new office development likely to occur would be for owner-occupants or build-to-suit users. As a result, RKG recommends that any phase-1 development of the Site continue to focus on retail, at the corner location, and that future phase-2 development could have the more mixed component. This is of course is predicated on the acceptable relocation of the public library and the “surplussing” of the former JFK elementary school.

C. Mixed Use Consideration

Another consideration, maintaining a retail use at the retail corner and as a phase-1 development, is to infill the adjacent library parcel with some mix of residential or office use. One scenario could reserve perhaps 3 to 5 acres for residential uses that might be designed as garden style apartments with up to 50 units in total. These would most likely be renter-occupied units, some, or all of which, could be priced at “workforce housing” affordability levels. It would also be a reasonable site for senior housing, given its proximity to services and transit, if demand for such housing was evident at the time of development.

A second scenario would indicate redevelopment of the northern portion of the Site, over time and as part of phase-2, to be the home for the new public library at the former school site. A new library could also serve as a gateway entrance to Middletown and could incorporate recreation and green space as a public amenity and as a buffer to the more densely, private sector development, on the southern tier of the Site. From the stakeholder interviews, maintaining some civic and/or municipal activities on the Site are considered appropriate and desirable. The Town has explored the potential for creating a new town center in the past and the Site could potentially fill part of that expressed need through the establishment of land uses that foster community interaction, notably incorporating some recreational uses and a new, relocated on-site public library.

IV. APPENDICES

Selected data and findings, notably demographics, economic and real estate trends, presented in the full reuse plan for Aquidneck Island, or the *NAVSTA Newport Redevelopment Plan and HUD Submission*, issued under separate cover, are included herein. Note that the page numbering and table schematics are maintained from the larger report for ease of cross-referencing.

I. DEMOGRAPHIC AND ECONOMIC ANALYSIS

A. Introduction

This chapter presents a review of historical demographic and economic conditions within the Aquidneck Island study area over the past few decades, as well as forecasts for key socioeconomic indicators. Trends are presented regarding the dynamics of area population and households, as well as an overview of housing supply characteristics. This is followed by an examination of employment and industry trends within the Island’s economic base and labor force characteristics. Specific attention is given to the study area’s primary business clusters of tourism, marine trades, and the defense industry.

The second portion of this chapter presents a more detailed market analysis for housing, office, industrial, and retail sectors, and the hotel market. These market analyses examine relevant trends over the past decade and provide an estimate of future demand based on foreseeable conditions within each of these sectors.

B. Population and Household Characteristics

Historic population growth trends for the study area (Aquidneck Island) indicate a declining population base over last two decades (1990-2010). Study area population has been declining at a slightly faster rate than the county and the state throughout this time period. Of the three island communities, Newport has sustained the largest continuous population losses since 1980. Overall, the study area population represents approximately 70% of the county-wide total.

State Planning projections for 2015 and 2020 are also presented in Table III-1. Given that the base projection year for this forecast was 2005 it is likely that anticipated growth levels for 2020 do not reflect the current economic downturn and as a result, may not achieve the

Table I-1
Total Population 1980 - 2030

| | Total Population | | | | | | Percent Change | | | | |
|----------------|-------------------|-----------|-----------|-----------|-------------|-----------|-----------------------|-------|-------|-------|-------|
| | | | | Estimate | Projections | | | | | | |
| | 1980 | 1990 | 2000 | 2010 | 2020 | 2030 | 80-90 | 90-00 | 00-10 | 10-20 | 20-30 |
| Middletown n | 17,216 | 19,460 | 17,334 | 16,309 | 17,408 | 17,442 | 13% | -11% | -6% | 7% | 0.2% |
| Newport | 29,259 | 28,226 | 26,475 | 23,682 | 24,737 | 23,937 | -4% | -6% | -11% | 4% | -3% |
| Portsmouth | 14,257 | 16,857 | 17,149 | 16,532 | 18,954 | 19,785 | 18% | 2% | -4% | 15% | 4% |
| Study Area | 60,732 | 64,543 | 60,958 | 56,523 | 61,099 | 61,164 | 6% | -6% | -7% | 8% | 0.1% |
| Newport County | 80,139 | 87,193 | 85,433 | 80,527 | 87,960 | 89,125 | 9% | -2% | -6% | 9% | 1% |
| Rhode Island | 947,154 | 1,003,463 | 1,048,319 | 1,058,412 | 1,111,464 | 1,140,543 | 6% | 4% | 1% | 5% | 2.6% |
| | Population Change | | | | | | Average Annual Change | | | | |
| | | | | Estimate | Projections | | | | | | |
| | 80-90 | 90-00 | 00-10 | 10-20 | 20-30 | 80-90 | 90-00 | 00-10 | 10-20 | 20-30 | |
| Middletown n | | 2,244 | -2,126 | -1,025 | 1,099 | 34 | 1.2% | -1.2% | -0.7% | 0.6% | 0.0% |
| Newport | | -1,033 | -1,751 | -2,793 | 1,055 | -800 | -0.4% | -0.6% | -1.2% | 0.4% | -0.3% |
| Portsmouth | | 2,600 | 292 | -617 | 2,422 | 831 | 1.7% | 0.2% | -0.4% | 1.3% | 0.4% |
| Study Area | | 3,811 | -3,585 | -4,435 | 4,576 | 65 | 0.6% | -0.6% | -0.8% | 0.7% | 0.0% |
| Newport County | | 7,054 | -1,760 | -4,906 | 7,433 | 1,165 | 0.8% | -0.2% | -0.7% | 0.8% | 0.1% |
| Rhode Island | | 56,309 | 44,856 | 10,093 | 53,052 | 29,079 | 0.6% | 0.4% | 0.1% | 0.4% | 0.3% |

Sources: US Census, STDB, and RI Office or Statewide Planning

population increase of 4,532 over the next five years (2010-2015). Instead, this level of growth may, in fact, take five to ten years to achieve as the economy recovers over the next five years. If so, study area growth, as well as state growth, may range between 1%-2% annually over the coming decade.

Despite population losses during the 1990s, the study area added 1,220 households during that time period (see Table III-2). However, the region's 5% increase still lagged behind the county's and state's 8% increase. Current estimates suggest that the total number of

households in the study area declined between 2000-2010, despite an increased rate of housing construction during this time period (refer to Table III-8). These somewhat contradictory trends suggest the estimated decline in households is incorrect, or, much of the housing construction was for seasonal uses. Household size is also estimated to have continued declining as of 2010 but at a slower rate than previous decades.

Table I-2

| Households and Household Size 1980 - 2010 | | | | | | | | | | |
|---|------------|---------|---------|-----------|--------|--------|--------|----------------|-------|-------|
| | Households | | | | Change | | | Percent Change | | |
| | 1980 | 1990 | 2000 | 2010 Est. | 80-90 | 90-00 | 00-10 | 80-90 | 90-00 | 00-10 |
| Middletown | 5,425 | 6,578 | 6,993 | 6,662 | 1,153 | 415 | -331 | 21% | 6% | -5% |
| Newport | 10,439 | 11,206 | 11,566 | 10,519 | 767 | 360 | -1,047 | 7% | 3% | -9% |
| Portsmouth | 5,109 | 6,313 | 6,758 | 6,564 | 1,204 | 445 | -194 | 24% | 7% | -3% |
| Study Area | 20,973 | 24,097 | 25,317 | 23,745 | 3,124 | 1,220 | -1,572 | 15% | 5% | -6% |
| Newport Cnty | 28,185 | 32,688 | 35,228 | 33,533 | 4,503 | 2,540 | -1,695 | 16% | 8% | -5% |
| Rhode Island | 337,695 | 377,977 | 408,424 | 411,325 | 40,282 | 30,447 | 2,901 | 12% | 8% | 1% |
| Average Household Size | | | | | | | | | | |
| | 1980 | 1990 | 2000 | 2010 Est. | 80-90 | 90-00 | 00-10 | 80-90 | 90-00 | 00-10 |
| Middletown | 2.82 | 2.66 | 2.43 | 2.41 | -0.16 | -0.23 | -0.02 | -5.7% | -8.6% | -0.8% |
| Newport | 2.50 | 2.31 | 2.11 | 2.09 | -0.19 | -0.20 | -0.02 | -7.6% | -8.7% | -0.9% |
| Portsmouth | 2.96 | 2.67 | 2.53 | 2.51 | -0.29 | -0.14 | -0.02 | -9.8% | -5.2% | -0.8% |
| Study Area | 2.69 | 2.50 | 2.31 | 2.30 | -0.19 | -0.19 | -0.01 | -7.1% | -7.6% | -0.4% |
| Newport Cnty | 2.73 | 2.53 | 2.35 | 2.34 | -0.20 | -0.18 | -0.01 | -7.3% | -7.1% | -0.4% |
| Rhode Island | 2.7 | 2.55 | 2.47 | 2.48 | -0.15 | -0.08 | 0.01 | -5.6% | -3.1% | 0.4% |

Source: US Census & STDB

Table I-3

| Household and Group Quarters Population 2000 | | | | | | |
|--|------------|---------|------------|------------|--------------|--------------|
| | Middletown | Newport | Portsmouth | Study Area | Newport Cnty | Rhode Island |
| Household Population | 17,027 | 24,393 | 17,113 | 58,553 | 82,961 | 1,009,503 |
| Group Quarters Population | 307 | 2,082 | 36 | 2,425 | 2,472 | 38,816 |
| GO As % Total Population | 1.8% | 7.9% | 0.2% | 4.0% | 2.9% | 3.7% |
| In College Dormitories/Quarters | 0 | 893 | 0 | 893 | 893 | 20,551 |
| In Military Quarters | 17 | 846 | 0 | 863 | 863 | 870 |
| Other NonInstitutional | 41 | 98 | 12 | 151 | 185 | 3,594 |
| In Correctional Institutions | 0 | 0 | 0 | 0 | 0 | 3,576 |
| In Nursing Homes | 249 | 245 | 24 | 518 | 531 | 9,222 |
| In Other Institutions | 0 | 0 | 0 | 0 | 0 | 1,003 |

Source: US Census

Table III-3 shows that 4% of the study area population resided in group quarters as of 2000.

Newport had the largest proportion with almost 8% in said housing facilities. The majority were associated with college dormitories and other military quarters associated with the naval station. Some of this population may be integrated into the community

Table I-4

| Median Age 1990 - 2009 | | | | | |
|------------------------|------------|---------|------------|------------|--------------|
| | Middletown | Newport | Portsmouth | Study Area | Rhode Island |
| 1990 | 31.1 | 31.4 | 35.9 | 32.5 | 33.9 |
| 2000 | 37.9 | 34.9 | 39.9 | 37.3 | 36.8 |
| 2009 | 40.8 | 38.0 | 43.4 | 40.8 | 39.1 |
| Change 90-00 | 22% | 11% | 11% | 15% | 9% |
| Change 00-09 | 8% | 9% | 9% | 9% | 6% |

Source: US Census and DemographicsNOW

housing supply as privatization of the military housing occurs in the future.

Median age of the population continues to climb and is slightly higher than the state median (see Table III-4). Portsmouth in particular exhibits higher population concentrations in the older age brackets. Newport has a somewhat younger profile which is probably partially attributable to students at the Naval facility.

Figure III-1 shows that the only age brackets estimated to have increased in population between 2000-2010 were the near retirement and retirement cohorts of ages 55 and over. A steady decline the 25-34 age group over the last 20 years indicates a lack of new, younger households being formed in the study area. This is likely to result in a further decrease in the child and teenaged population cohorts under age 20 age over the coming decades.

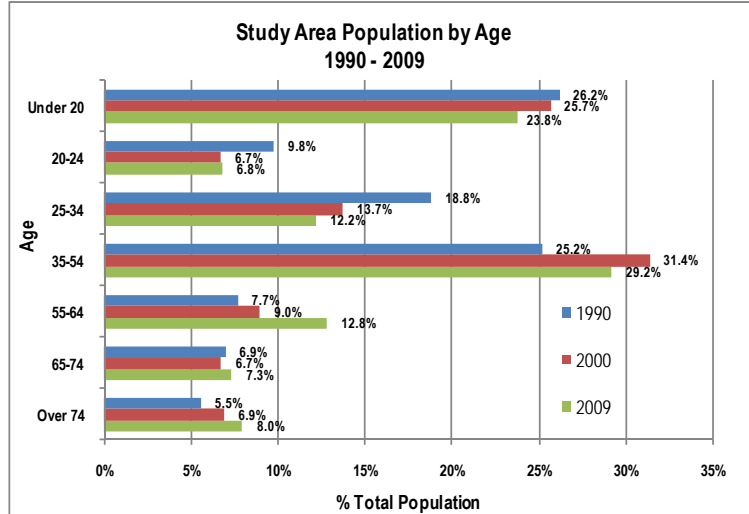


Figure I-1

The study area population is about as ethnically diverse as the state although with somewhat smaller percentages in some categories. The racial composition of the study area population was approximately 89% White as of 2000. The area's minority population is predominantly Black which represented 5% of the population, slightly exceeding the county and state in this category (see Table III-5).

Table I-5

| Racial Composition of the Population in 2000 (Percent of Total Population) | | | | | | |
|--|-------|-------|-----------------------------------|---------------------------|------------|--------------------|
| | White | Black | American Indian, Eskimo, or Aleut | Asian or Pacific Islander | Other race | Hispanic or Latino |
| Middletown | 89.1% | 4.7% | 0.4% | 2.3% | 3.5% | 2.9% |
| Newport | 84.1% | 7.8% | 0.8% | 1.4% | 5.9% | 5.5% |
| Portsmouth | 95.8% | 1.2% | 0.2% | 1.4% | 1.4% | 1.5% |
| Study Area | 88.8% | 5.0% | 0.5% | 1.7% | 3.9% | 3.6% |
| Newport Cnty | 91.5% | 3.7% | 0.4% | 1.3% | 3.1% | 2.8% |
| Rhode Island | 85.0% | 4.5% | 0.5% | 2.3% | 7.7% | 8.7% |
| Change in Percentage 1990-2000 | | | | | | |
| Middletown | -2.9% | 0.1% | 0.0% | 0.2% | 2.5% | 0.5% |
| Newport | -4.5% | -0.3% | 0.1% | 0.0% | 4.7% | 2.9% |
| Portsmouth | -1.8% | 0.3% | -0.1% | 0.3% | 1.2% | 0.4% |
| Study Area | -3.2% | -0.1% | 0.0% | 0.1% | 3.1% | 1.5% |
| Newport Cnty | -2.4% | -0.2% | 0.0% | 0.1% | 2.5% | 0.8% |
| Rhode Island | -6.4% | 0.6% | 0.1% | 0.5% | 5.2% | 4.3% |

Source: US Census

The second largest minority group was the Other category which includes people of mixed racial backgrounds. This category experienced the largest increase between 1990-2000, most likely due to a change in the Census definition during this time period. The study area Hispanic population also saw a notable increase but not as much as the state.

C. Income

Household incomes in the study area tend to be higher than those of the state, on average. As of 2009, the estimated median household income in the study area was 16% higher than the state's. Study area income growth during the 1990s outpaced the state's increase with respective growth rates of 41% and 32% for the median household income (see Table III-6).

Portsmouth tends to have the highest income levels of the three study area communities while Newport has the lowest. Newport's rate of income increase during the 90s also lagged behind the other towns but 2009 estimates suggest this may be changing. However, Newport's 2009 median is still estimated to represent only 97% of the statewide median. A distribution of households by income is shown in Figure III-2.

Table I-6

Median Household Income 1990-2009

| | 1990 | 2000 | 2009 | Percent Change | | % State |
|--------------|----------|----------|----------|----------------|-------|---------|
| | | | | 90-00 | 00-09 | |
| Middletown | \$35,243 | \$51,205 | \$63,214 | 45% | 23% | 119% |
| Newport | \$30,486 | \$40,934 | \$51,343 | 34% | 25% | 97% |
| Portsmouth | \$42,472 | \$58,806 | \$74,616 | 38% | 27% | 141% |
| Study Area | \$34,933 | \$49,245 | \$61,483 | 41% | 25% | 116% |
| Rhode Island | \$32,212 | \$42,361 | \$52,938 | 32% | 25% | — |

Source: US Census and DemographicsNOW

As of 2000, study area households below the poverty level represent almost 9% of total households (see Table IV-7). This rate was about 3.5 percentage points below the statewide household poverty level of 12.4%. Female householders, both in family and non-family environments, represent a higher proportion of the area's households below the poverty level with respective rates of 2.3% and 2.8%. From an individual perspective, Newport's poverty rate of 13.6% far exceeded those of Middletown (5.3%) and Portsmouth (4.6%), as well as the state as a whole.

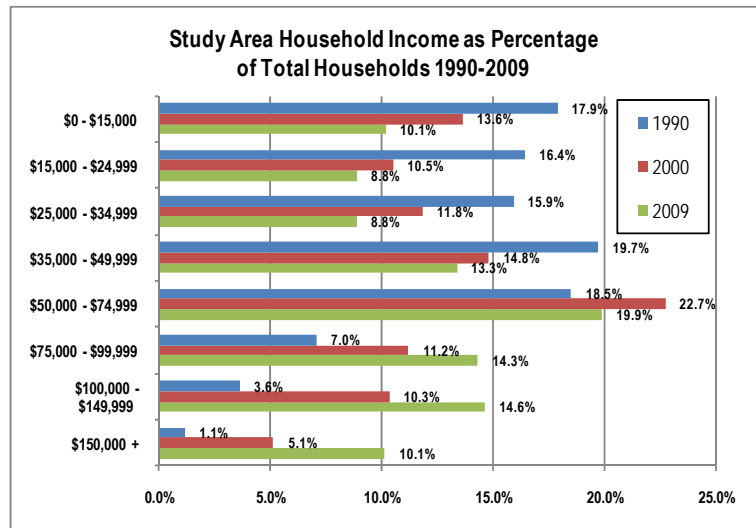


Figure I-2

Table I-7

Households Below Poverty Level by Household Type - 2000

| | Middletown | | Newport | | Portsmouth | | Study Area | | Newport County | | Rhode Island | |
|---|------------|---------|---------|---------|------------|---------|------------|---------|----------------|---------|--------------|---------|
| | Number | % Total | Number | % Total | Number | % Total | Number | % Total | Number | % Total | Number | % Total |
| Family households | 174 | 2.5% | 745 | 6.4% | 97 | 1.4% | 1,016 | 4.0% | 1,212 | 3.4% | 23,608 | 5.8% |
| Married-couple family | 64 | 0.9% | 102 | 0.9% | 48 | 0.7% | 214 | 0.8% | 324 | 0.9% | 7,124 | 1.7% |
| Other family | 110 | 1.6% | 643 | 5.6% | 49 | 0.7% | 802 | 3.2% | 888 | 2.5% | 16,484 | 4.0% |
| Male householder, no wife present | 20 | 0.3% | 55 | 0.5% | 6 | 0.1% | 81 | 0.3% | 94 | 0.3% | 1,873 | 0.5% |
| Female householder, no husband present | 90 | 1.3% | 588 | 5.1% | 43 | 0.6% | 721 | 2.8% | 794 | 2.3% | 14,611 | 3.6% |
| Nonfamily households | 195 | 2.8% | 825 | 7.1% | 214 | 3.2% | 1,234 | 4.9% | 1,569 | 4.5% | 26,897 | 6.6% |
| Male householder | 55 | 0.8% | 334 | 2.9% | 86 | 1.3% | 475 | 1.9% | 596 | 1.7% | 9,827 | 2.4% |
| Female householder | 140 | 2.0% | 491 | 4.2% | 128 | 1.9% | 759 | 3.0% | 973 | 2.8% | 17,070 | 4.2% |
| Total households below poverty level | 369 | 5.3% | 1,570 | 13.6% | 311 | 4.6% | 2,250 | 8.9% | 2,781 | 7.9% | 50,505 | 12.4% |
| Total Households | 6,996 | 100.0% | 11,562 | 100.0% | 6,766 | 100.0% | 25,324 | 100.0% | 35,212 | 100.0% | 408,412 | 100.0% |

Source: US Census

D. Housing Supply

As of 2009, study area communities had a total combined housing stock of approximately 29,470 units, as shown in Table III-8. About 45% of the units are located in Newport while Middletown and Portsmouth each contain approximately 27% of the island's total stock. Overall, the study area's housing supply accounts for 70% of the total housing within Newport County which has just over 42,000 units.

The rate of housing construction during the current decade (2000-09) considerably outpaced that which occurred during the 1990s. As of 2009, 1,253 residential units had been permitted as compared with 782 built during the prior decade, an increase of 470 units, or 60%. Average annual construction increased from 78 to 125 units, respectively, during these two time periods. It should be noted that the recent gains in housing reflected by building permits issued do not necessarily mean that all units have been constructed as of this time. They also do not reflect any potential demolition of units that may offset gains.

Portsmouth absorbed a considerably larger portion of the more recent housing construction adding over 770 units since 2000, a 10.5% increase, as compared with 268 units (3.5%) in Middletown and 212 units (1.6%) in Newport. Portsmouth's growth accounted for over 30% of the total housing constructed in Newport County during this time period.

Table I-8
Total Housing Units 1990 - 2009

| | 1990 | 2000 | 2009* | Change | | Percent Change | | Avg. Annual | |
|----------------|--------|--------|--------|--------|-------|----------------|-------|-------------|-------|
| | | | | 90-00 | 00-09 | 90-00 | 00-09 | 90-00 | 00-09 |
| Middletown | 7,095 | 7,603 | 7,871 | 508 | 268 | 7.2% | 3.5% | 51 | 27 |
| Newport | 13,103 | 13,226 | 13,438 | 123 | 212 | 0.9% | 1.6% | 12 | 21 |
| Portsmouth | 7,235 | 7,386 | 8,159 | 151 | 773 | 2.1% | 10.5% | 15 | 77 |
| Study Area | 27,433 | 28,215 | 29,468 | 782 | 1,253 | 2.9% | 4.4% | 78 | 125 |
| Newport County | 37,475 | 39,561 | 42,024 | 2,086 | 2,463 | 5.6% | 6.2% | 209 | 246 |

*Estimate based on residential building permits
Source: US Census Bureau

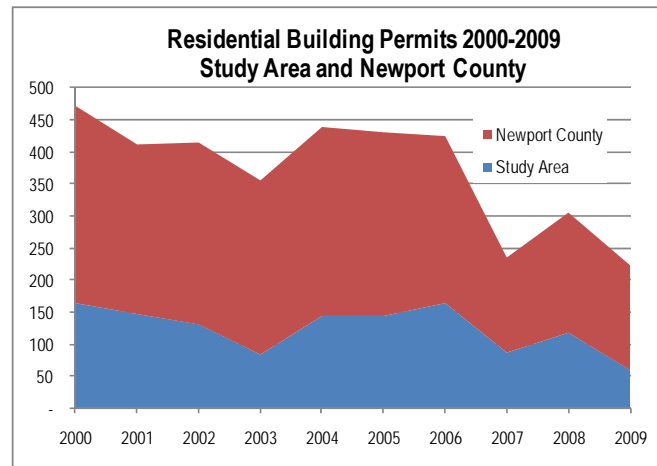


Figure I-3

Table III-9 and Figure III-3 illustrate residential building permits issued since

Table I-9
Residential Building Permits 2000 - 2009

| | Permits Issued (# Units) | | | | Percent by Category | | | Percent Total |
|-----------------------|--------------------------|---------|------------|------------|---------------------|---------|------------|---------------|
| | Middletown | Newport | Portsmouth | Study Area | Middletown | Newport | Portsmouth | |
| Single Family | 252 | 121 | 643 | 1,016 | 25% | 12% | 63% | 81% |
| Two Family | 6 | 58 | 14 | 78 | 8% | 74% | 18% | 6% |
| Three and Four Family | - | 19 | 18 | 37 | 0% | 51% | 49% | 3% |
| Five or More Family | 10 | 14 | 98 | 122 | 8% | 11% | 80% | 10% |
| Total | 268 | 212 | 773 | 1,253 | 21% | 17% | 62% | 100% |

Source: Census Bureau

2000 for the study area communities. The figure shows that construction activity was pretty steady through 2006 adding an average of 141 units annually. Since 2006, construction has dropped steadily in response, perhaps, to overbuilding, as well as effects of the economic downturn. The figure also highlights the fact that considerably more housing units were permitted in Newport County outside of the study area communities. As shown in Table III-9, single family housing (which includes condominiums) accounted for 81% of total unit construction with two to four family structures representing 9%, and larger, multi-family structures, 10% of the total. Portsmouth absorbed the largest portion of single family construction with 643 units, or 63% of the total. However, the town also experienced the biggest increase in 5+ unit structures, adding 98 of these units in 7 buildings. Newport's housing construction was also predominantly single family although the town did absorb the largest percentages of two to four family units as well. Housing construction in Middletown was almost exclusively single family during this time period.

Table III-10 illustrates the composition of the study area's housing supply, by units contained in each structure, for 1990 and 2000. Single family dwellings represent the largest portion of the stock at 59% and given more recent building trends noted above, this percentage will have increased since 2000. However, the Census reported a decrease in condominium units (1, Attached) between 1990 and 2000, suggesting a saturation in this component of the market that may have lead to conversion for rental use (Note: it may also represent misreported information in the earlier census that was subsequently revised).

For structures containing two or more units there was a *net* change of 216 over the course of the decade. The primary gains were recorded in duplex units, as well as structures with 20 or more units. These gains were offset by decreases in structures with 3 to 19 units which may have been absorbed into new housing projects, renovated into different unit configurations (e.g. 3 units converted to 2), or may also reflect the demolition of some units.

Table III-11 provides a further breakdown of housing units in structures by tenure. As shown, the study area had approximately 13,800 owner occupied units and 11,520 renter occupied units as of 2000, not

Table I-10

Study Area Housing by Units in Structure 1990 - 2000

| | 1990 | | 2000 | | Change | % Change |
|-------------|--------|---------|--------|---------|--------|----------|
| | Units | % Total | Units | % Total | | |
| 1, Detached | 13,544 | 49% | 14,896 | 53% | 1,352 | 10.0% |
| 1, Attached | 2,053 | 7% | 1,772 | 6% | -281 | -13.7% |
| Subtotal | 15,597 | 57% | 16,668 | 59% | 1,071 | 6.9% |
| 2 | 3,262 | 12% | 3,459 | 12% | 197 | 6.0% |
| 3 to 4 | 3,516 | 13% | 3,240 | 11% | -276 | -7.8% |
| 5 to 9 | 1,609 | 6% | 1,605 | 6% | -4 | -0.2% |
| 10 to 19 | 1,215 | 4% | 982 | 3% | -233 | -19.2% |
| 20 to 49 | 648 | 2% | 772 | 3% | 124 | 19.1% |
| 50 or more | 481 | 2% | 889 | 3% | 408 | 84.8% |
| Subtotal | 10,731 | 39% | 10,947 | 39% | 216 | 2.0% |
| Mobile Home | 732 | 3% | 593 | 2% | -139 | -19.0% |
| Other | 373 | 1% | 7 | 0% | -366 | -98.1% |
| Total Units | 27,433 | 100% | 28,215 | 100% | 782 | 2.9% |

Source: US Census

Table I-11

Tenure by Units in Structure as Percent of Total Units in Study Area - 2000

| Units in Structure | Owner occupied | | Renter occupied | |
|--------------------|----------------|---------|-----------------|---------|
| | Units | % Total | Units | % Total |
| Total | 13,797 | 100.0% | 11,520 | 100.0% |
| 1, detached | 11,347 | 82.2% | 2,448 | 21.3% |
| 1, attached | 339 | 2.5% | 1,164 | 10.1% |
| 2 | 970 | 7.0% | 2,067 | 17.9% |
| 3 or 4 | 305 | 2.2% | 2,477 | 21.5% |
| 5 to 9 | 219 | 1.6% | 1,109 | 9.6% |
| 10 or more | 176 | 1.3% | 2,108 | 18.3% |
| Mobile home | 434 | 3.1% | 147 | 1.3% |
| Other | 7 | 0.1% | 0 | 0.0% |

Source: US Census

including vacant for-sale or for-rent units. It is noteworthy that over 30% of the area's renter occupied units are comprised of single family detached and condominium type units. This suggests that the availability of multi-family housing is insufficient, or otherwise lacking in amenities (square footage, bedrooms, condition), to meet demand in the rental market. It is also likely to be an indication of the demand placed on the housing supply to support the influx of seasonal residents and tourists.

The change in tenure and vacancy rates for the study area are presented in Table III-12 and Table III-13. Overall, the study area saw a 10% increase in owner occupied dwellings between 1990 and 2000, bringing the total at that time to approximately 54%. However, considerable disparity exists within the three communities where Newport's housing is only 41% owner occupied as compared with 56% and 73% respectively, for Middletown and

Table I-12

Tenure of Occupied Housing Units 1990 - 2000

| | 1990 | | 2000 | | Percent Change | |
|----------------|--------|--------|--------|--------|----------------|--------|
| | Owner | Renter | Owner | Renter | Owner | Renter |
| Middletown | 49.6% | 50.4% | 56.4% | 43.6% | | |
| Units | 3,244 | 3,298 | 3,944 | 3,049 | 22% | -8% |
| Newport | 41.7% | 58.3% | 41.9% | 58.1% | | |
| Units | 4,685 | 6,556 | 4,843 | 6,723 | 3% | 3% |
| Portsmouth | 72.1% | 27.9% | 73.9% | 26.1% | | |
| Units | 4,552 | 1,761 | 4,995 | 1,763 | 10% | 0% |
| Study Area | 51.8% | 48.2% | 54.3% | 45.7% | | |
| Units | 12,481 | 11,615 | 13,728 | 11,535 | 10% | -1% |
| Newport County | 58.6% | 41.4% | 61.6% | 38.4% | | |
| Units | 19,416 | 13,721 | 21,688 | 13,540 | 12% | -1% |

Source: US Census

Portsmouth. The percentage of owner occupied housing grew more rapidly during the 1990s than renters (which actually appear to have declined), a trend which has apparently continued through 2009 since over 80% of units permitted since 2000 were single family dwellings, based on building permit data discussed previously. Estimates from the American Community Survey (ACS) for 2008 bear this out. The City of Newport's owner occupied units increased from 42% to 47% and Newport County's increased from 61% to 64%. Estimates for the other towns were not available but have presumably experienced similar changes.

The study area's vacancy rate for year-round housing decreased by more than 50% between 1990 and 2000, dropping from an estimated 6.7% to 3.6%, with 685 vacant for rent and 128 for sale units. This is an indication of a relatively tight housing market where supply is being outpaced by demand. The rental market was particularly tight with a vacancy rate of only 2.6%. The Census identified an additional 1,432 units that were vacant and for seasonal use in 2000 which represents approximately 5% of the total housing stock. However, given the high demand for housing during peak tourist periods, it is likely that additional units from the island's year-round stock are used for

Table I-13

Study Area Housing Stock by Year-round Use and Vacancy 1990 - 2000

| | 1990 | 2000 | Change | % Change | Vacancy Rate | |
|----------------------------|--------|--------|--------|----------|--------------|------|
| | | | | | 1990 | 2000 |
| Total Housing Units | 27,433 | 28,215 | 782 | 3% | | |
| Year-round Housing | 25,812 | 26,250 | 438 | 2% | | |
| Year-round Vacant | 1,717 | 933 | (784) | -46% | 6.7% | 3.6% |
| For Rent | 1,229 | 685 | (544) | -44% | 4.8% | 2.6% |
| For Sale Only | 259 | 128 | (131) | -51% | 1.0% | 0.5% |
| Rented or Sold, Not Occup. | 229 | 120 | (109) | -48% | 0.9% | 0.5% |
| Vacant Seasonal | 1,249 | 1,432 | 183 | 15% | | |
| Vacant Other | 372 | 533 | 161 | 43% | | |
| Total Vacant Units | 3,337 | 2,898 | (439) | -13% | | |

Source: US Census

seasonal activities. The “vacant other” is defined by the Census Bureau as held by the owner for special use and may include housing associated with the Naval installation.

Vacancy rates in the rental market have loosened to some degree over the past decade but still remain relatively tight. As of 2000, the overall vacancy rate for study area town’s was 3.6% and only 2.6% in the rental market. Individually, rental vacancy rates were 1.7% in Middletown, 3.8% in Newport, 1.1% in Portsmouth, and 2.2% for Newport County. Estimates from the Census Bureau for 2008 place the City of Newport’s rental vacancy rates at 4.8% and 2.7% for the county as a whole. These estimates suggest vacancy rates have increased by only 0.5 to 1.0 percentage points over the decade. This assertion is plausible given the limited amount of multifamily housing construction that has occurred over the decade, as illustrated by building permit activity.

E. Historic Employment Trends

The ten-year change in employment for the study area is illustrated in Table III-14 and Figure III-4. This data is derived from the Quarterly Census of Employment and Wages (QCEW) compiled by the U.S. Bureau of Labor Statistics (BLS), in conjunction with the Rhode Island Department of Labor and Training, and includes only employees covered in the Unemployment Insurance (UI) program; it does not include part-time labor, military personnel, or self-employed proprietors. Between 1999 and 2009, employment in the study area, as well as Newport County, grew 10% overall representing a modest but steady rate of 1% annually. The study area outperformed the state during this time period which experienced a decrease of 2% in total employment with a net loss of approximately 7,900 covered jobs.

As of 2009, covered employment for the three towns totaled 34,162 which represented almost 89% of the total jobs in Newport County (38,598). Government employment accounted for 20% of total employment and grew more rapidly than private employment during the decade with respective growth rates of 19% and 8%. Overall, the study area added 2,066 private sector and 1,077 government sector jobs during this time period. Government employment levels are higher in the study area due to the jobs associated with the Naval Station as reflected by the 30% employment in the City of Newport within this sector.

Of the three communities, Middletown experienced the highest

Table I-14

| Average Annual Covered Employment 1999-2009 | | | | | | |
|---|---------|---------|---------|---------|---------|----------|
| | 1999 | % Total | 2009 | % Total | Change | % Change |
| Middletown | | | | | | |
| Total Private & Government | 9,255 | — | 10,718 | — | 1,463 | 16% |
| Government | 611 | 7% | 764 | 7% | 153 | 25% |
| Total Private Only | 8,644 | 93% | 9,953 | 93% | 1,309 | 15% |
| Newport | | | | | | |
| Total Private & Government | 16,473 | — | 17,516 | — | 1,043 | 6% |
| Government | 4,523 | 27% | 5,195 | 30% | 672 | 15% |
| Total Private Only | 11,950 | 73% | 12,321 | 70% | 371 | 3% |
| Portsmouth | | | | | | |
| Total Private & Government | 5,288 | — | 5,928 | — | 640 | 12% |
| Government | 480 | 9% | 732 | 12% | 252 | 53% |
| Total Private Only | 4,808 | 91% | 5,194 | 88% | 386 | 8% |
| Study Area | | | | | | |
| Total Private & Government | 31,016 | — | 34,162 | — | 3,146 | 10% |
| Government | 5,614 | 18% | 6,691 | 20% | 1,077 | 19% |
| Total Private Only | 25,402 | 82% | 27,468 | 80% | 2,066 | 8% |
| Newport County | | | | | | |
| Total Private & Government | 34,979 | — | 38,598 | — | 3,619 | 10% |
| Government | 6,320 | 18% | 7,656 | 20% | 1,336 | 21% |
| Total Private Only | 28,659 | 82% | 30,942 | 80% | 2,283 | 8% |
| Rhode Island | | | | | | |
| Total Private & Government | 456,392 | — | 448,475 | — | (7,917) | -2% |
| Government | 60,679 | 13% | 60,652 | 14% | (27) | 0% |
| Total Private Only | 395,713 | 87% | 387,824 | 86% | (7,889) | -2% |

Source: QCEW

growth rate at 16%, adding 1,463 jobs, 1,300 of which were in the private sector. Newport added just over 1,000 jobs, a 6% growth rate, with two-thirds of total jobs associated with government expansion. Portsmouth's employment increased by 12% adding 640 total jobs, almost 40% of which were government related.

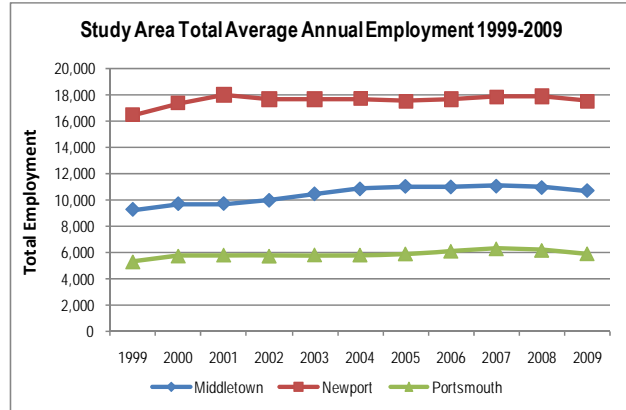


Figure I-4

Table III-15 provides a more detailed perspective on year-to-year changes in study area employment for the government and private sectors. As shown, 2000 saw the largest annual increase during this ten-year period with a 5.7% growth and 1,765 jobs added. Individually, the private sector added over 1,200 jobs and the government sector, 530 jobs that year.

Table I-15

Change in Annual Covered Employment 1999 - 2009

Study Area

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Total Private & Government | 31,016 | 32,781 | 33,515 | 33,358 | 33,935 | 34,370 | 34,458 | 34,777 | 35,191 | 35,033 | 34,162 |
| Change | — | 1,765 | 734 | (157) | 577 | 435 | 88 | 319 | 414 | (158) | (871) |
| % Change | — | 5.7% | 2.2% | -0.5% | 1.7% | 1.3% | 0.3% | 0.9% | 1.2% | -0.4% | -2.5% |
| Government | 5,614 | 6,145 | 6,055 | 6,173 | 6,247 | 6,333 | 6,199 | 6,248 | 6,207 | 6,287 | 6,691 |
| Change | — | 531 | (90) | 118 | 74 | 86 | (134) | 49 | (41) | 80 | 404 |
| % Change | — | 9.5% | -1.5% | 1.9% | 1.2% | 1.4% | -2.1% | 0.8% | -0.7% | 1.3% | 6.4% |
| Total Private Only | 25,402 | 26,636 | 27,460 | 27,185 | 27,688 | 28,037 | 28,259 | 28,529 | 28,984 | 28,746 | 27,468 |
| Change | — | 1,234 | 824 | (275) | 503 | 349 | 222 | 270 | 455 | (238) | (1,278) |
| % Change | — | 4.9% | 3.1% | -1.0% | 1.9% | 1.3% | 0.8% | 1.0% | 1.6% | -0.8% | -4.4% |

Source: QCEW

1.2%. However, in 2008-09, this sector lost approximately 1,500 jobs in a two-year period, thus negating about 40% of prior year gains. The government sector increased more modestly during the decade with annual growth averaging less than 0.5% through 2008 but ending with a significant uptick of 400 jobs in 2009 representing 6.4% growth for that year.

As a comparison to the QCEW employment estimates discussed

Table I-16

Total Full-time and Part-time Employment 2001 - 2008

Newport County

| | 2001 | 2008 | Change | % Change | Avg Annual |
|------------------------------|---------------|---------------|--------------|--------------|--------------|
| Total employment | 52,677 | 55,889 | 3,212 | 6.1% | 0.8% |
| Wage and salary employment | 44,197 | 44,525 | 328 | 0.7% | 0.1% |
| Proprietors employment | 8,480 | 11,364 | 2,884 | 34.0% | 4.3% |
| Farm employment | 344 | 280 | -64 | -18.6% | -2.9% |
| Nonfarm employment | 52,333 | 55,609 | 3,276 | 6.3% | 0.9% |
| Private employment | 41,131 | 45,227 | 4,096 | 10.0% | 1.4% |
| Government employment | 11,202 | 10,382 | -820 | -7.3% | -1.1% |
| Federal, civilian | 4,038 | 3,990 | -48 | -1.2% | -0.2% |
| Military | 3,893 | 2,992 | -901 | -23.1% | -3.7% |
| State and local | 3,271 | 3,400 | 129 | 3.9% | 0.6% |

Source: BEA

above, data compiled by the U.S. Bureau of Economic Analysis (BEA) is presented in Table III-16. The BEA's local area estimates, which are available only to the county level, are based on data from QCEW as well as the Unemployment Compensation for Federal employees (UCFE). In order to provide complete coverage for all wages and salaries earned in the United States, the UI and UCFE data are adjusted for wages and salaries from employment not covered by UI and UCFE programs and for underreporting and misreporting under these programs. The resulting employment measure is of the total estimated number of jobs, full-time plus part-time.

As shown, BEA estimates of full employment indicate total county employment of approximately 55,890 as of 2008. This represents an additional 17,290 jobs within the county above that which was reported by the covered employment data for 2009. The majority of this difference is accounted for by self-employed proprietors which totaled 11,364 representing 20% of the county's total employment. In addition, there were an estimated 5,900 part-time, military, or other types of employees who are not reflected in the UI program statistics. The change in government employment shown in the BEA estimates indicates that there was a decrease of approximately 900 military personnel stationed at the Newport facility during this time period. It also indicates that roughly 1,100 of the county's part-time jobs were in the government sector.

F. Detailed Industry Sector Growth and Employment Forecasts

Table III-17 provides a more detailed perspective on the strength of individual employment sectors within Newport County and the change that occurred between 2001 and 2009. Based on the percentage of total employment in 2009, the county's dominant industry sectors are Accommodations and Food Services (19%), Retail Trade (13%), Health Care (14%), and Professional and Technical Services (10%). These four sectors account for 56% percent of the region's private sector jobs. Figure III-5 illustrates the change in Location Quotient (LQ) for Newport County, as compared to the State of Rhode Island, for 2001 and 2009. The LQ is a ratio that represents the proportion of employees in the local sector (Newport County) to a regional or national economy, which, in this case, is the state. An LQ of 1.0 means both

| NAICS | Industry | Employment | | | | | % Change Rhode Island |
|---|---|------------|--------|---------|--------|----------|--------------------------|
| | | 2001 | 2009 | % Total | Change | % Change | |
| | Total, all industries | 30,903 | 30,941 | 100% | 38 | 0.1% | -4% |
| 11 | Agriculture, forestry, fishing and hunting | ND | ND | ND | ND | ND | ND |
| 21 | Mining, quarrying, and oil and gas extraction | ND | ND | ND | ND | ND | ND |
| 22 | Utilities | ND | 43 | 0.1% | ND | ND | ND |
| 23 | Construction | 1,721 | 1,543 | 5% | -178 | -10.3% | -9% |
| 31-33 | Manufacturing | 3,337 | 2,497 | 8% | -840 | -25.2% | -38% |
| 42 | Wholesale trade | 583 | 621 | 2% | 38 | 6.5% | -1% |
| 44-45 | Retail trade | 4,290 | 3,991 | 13% | -299 | -7.0% | -9% |
| 48-49 | Transportation and warehousing | ND | 548 | 2% | ND | ND | ND |
| 51 | Information | 626 | 663 | 2% | 37 | 5.9% | -7% |
| Financial Activities | | | | | | | |
| 52 | Finance and insurance | 778 | 892 | 3% | 114 | 14.7% | 26% |
| 53 | Real estate and rental and leasing | 469 | 635 | 2% | 166 | 35.4% | 16% |
| Business and Professional Services | | | | | | | |
| 54 | Professional and technical services | 2,590 | 3,151 | 10% | 561 | 21.7% | 8% |
| 55 | Management of companies and enterprises | 74 | 535 | 2% | 461 | 623.0% | -4% |
| 56 | Administrative and waste services | 1,021 | 1,082 | 3% | 61 | 6.0% | -4% |
| Education and Health Care | | | | | | | |
| 61 | Educational services | 1,144 | 1,170 | 4% | 26 | 2.3% | 11% |
| 62 | Health care and social assistance | 4,287 | 4,252 | 14% | -35 | -0.8% | 41% |
| Leisure and Hospitality | | | | | | | |
| 71 | Arts, entertainment, and recreation | 1,576 | 1,462 | 5% | -114 | -7.2% | -9% |
| 72 | Accommodation and food services | 5,919 | 5,962 | 19% | 43 | 0.7% | 5% |
| 81 | Other services, except public administration | 1,614 | 1,659 | 5% | 45 | 2.8% | 3% |

ND - Not Disclosable
Source: BLS

economies have an equivalent percentage of employment in a given sector. An LQ above 1.0 means that the local economy is capturing a greater share of employment. An LQ above 1.0 that has increased between time periods is considered a strong, and growing sector, in comparison to the broader economy.

The county's Business and Professional Services sectors exhibited the strongest performance over the decade adding 1,000 additional jobs, and well exceeded activity at the state level for these types of businesses. It's LQ increased from 1.79 to 1.87, as illustrated in the figure. Projections prepared by the RI Department of Labor and Training (RIDL&T) through 2018 anticipate the addition of 6,300 jobs statewide in this sector, a 2.9% annual growth (see Table III-18), suggesting further growth potential within the study area. Employment in this sector is largely interrelated with the

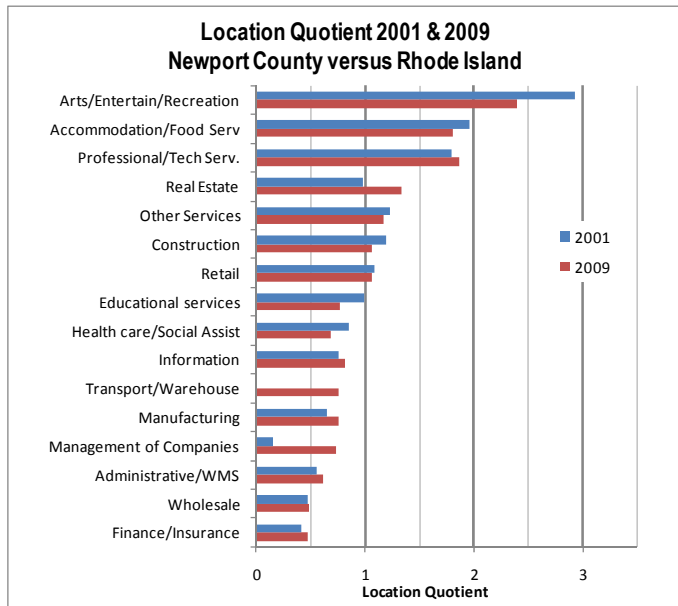


Figure I-5

Table I-18

Rhode Island Employment Projections by Major Sector 2008 - 2018

| NAICS | Industry Title | 2008 Estimated | 2018 Projected | Change | % Change | Avg. Annual |
|-------|--|-------------------|-------------------|---------------|-------------|----------------|
| | Total All Industries | 509,532 | 549,206 | 39,674 | 7.8% | 0.8% |
| 11 | Agriculture, Forestry, Fishing & Hunting | 782 | 778 | -4 | -0.5% | -0.1% |
| 21 | Mining | 220 | 240 | 20 | 9.1% | 0.9% |
| 22 | Utilities | 1,111 | 995 | -116 | -10.4% | -1.1% |
| 23 | Construction | 20,369 | 22,825 | 2,456 | 12.1% | 1.1% |
| 31-33 | Manufacturing | 47,943 | 41,400 | -6,543 | -13.7% | -1.5% |
| 42 | Wholesale Trade | 16,883 | 17,400 | 517 | 3.1% | 0.3% |
| 44-45 | Retail Trade | 49,630 | 53,255 | 3,625 | 7.3% | 0.7% |
| 48-49 | Transportation & Warehousing | 9,698 | 10,670 | 972 | 10.0% | 1.0% |
| 51 | Information | 10,672 | 11,670 | 998 | 9.4% | 0.9% |
| 52 | Finance & Insurance | 25,080 | 26,805 | 1,725 | 6.9% | 0.7% |
| 53 | Real Estate & Rental & Leasing | 6,462 | 6,510 | 48 | 0.7% | 0.1% |
| 54 | Professional, Scientific, & Technical Services | 21,643 | 27,975 | 6,332 | 29.3% | 2.6% |
| 55 | Management of Companies & Enterprises | 9,299 | 10,500 | 1,201 | 12.9% | 1.2% |
| 56 | Administrative/Support & WM Services | 23,922 | 26,800 | 2,878 | 12.0% | 1.1% |
| 61 | Educational Services | 46,309 | 51,000 | 4,691 | 10.1% | 1.0% |
| 62 | Health Care & Social Assistance | 77,785 | 91,110 | 13,325 | 17.1% | 1.6% |
| 71 | Arts, Entertainment, & Recreation | 8,050 | 8,750 | 700 | 8.7% | 0.8% |
| 72 | Accommodation & Food Services | 42,833 | 46,300 | 3,467 | 8.1% | 0.8% |
| 81 | Other Services (Except Government) | 18,250 | 20,100 | 1,850 | 10.1% | 1.0% |
| 92 | Government | 32,978 | 32,340 | -638 | -1.9% | -0.2% |
| | Self-Employed & Unpaid Family Workers | 39,575 | 41,708 | 2,133 | 5.4% | 0.5% |

SOURCE: Rhode Island Department of Labor and Training

Island's defense industry sector, as well as the marine trades cluster.

In contrast, the county's Leisure and Hospitality sectors had relatively flat to declining employment levels and performed below statewide growth rates in the Accommodations and Food Services sector throughout the decade. These sectors had strong but declining LQs over the decade. County employment did actually expand in Food Services but gains were offset by losses in Accommodations (data not shown). State projections indicate that this sector is expected to add approximately 4,000 jobs (including Arts & Entertainment) with an annual growth rate of 0.8%. This may afford the study area opportunity to reverse its historic losses but may necessitate a repositioning or expansion of existing tourist amenities and services.

The Education and Health Care sectors showed strong growth at the state level, a trend that was not reflected at the county level where employment remained relatively unchanged between 2001-09. Location Quotients in these sectors were below 1.0 in 2001 and declined throughout the analysis period. Projections suggest that these sectors will continue to be top performers for the state adding an estimated 4,600 jobs and 13,300 jobs respectively, through 2018, representing annual growth rates of 1% and 1.6%. In light of this, further examination of the region's potential to capture a portion of this projected growth should be considered.

Of the county's top four sectors, Retail experienced the greatest losses throughout the decade, dropping approximately 300 jobs, or 7%, a rate that was slightly below the state's 9% decrease. Statewide projections indicate that this sector may begin to rebound in 2011 with a modest 0.7% annual growth through 2018. This may allow the study area to also regain some of its lost jobs over the next several years but the potential for more sustained, long-term growth is still uncertain at this time.

The Information sector represents only 2% of the county's total employment and its 6% growth represented an increase of only 37 jobs. However, this performance was considerably better than the statewide decrease of 7% and reflected in and increased LQ during the time period. Projections anticipate 1,000 additional jobs through 2014 which may offer moderate opportunity for continued expansion at the local level.

Individually, the Financial and Real Estate sectors also represent relatively small portions of the county's economy but they both exhibited strong growth through the decade that essentially mirrored the state's combined growth for these industries. The Finance sector's LQ was low in comparison to the state and increased only modestly. However, the Real Estate sector's LQ experienced a marked increase between 2001 and 2009 which may reflect the sharp increase in home sales that occurred on the Island during the decade. Projections anticipate little growth in Real Estate employment but a moderate annual increase of 0.7% in Finance which again, may offer potential for moderate job growth within the study area over the decade.

In the goods-producing sectors, both Construction and Manufacturing experienced net decreases in employment of 10% and 25%, respectively, within Newport County. Construction losses were comparable to those of the state (9%) while the local

Manufacturing sector exhibited somewhat more stability declining more slowly than the state's 38% loss over the decade. Projections suggest that Construction will begin to see growth statewide in 2011 but will add over 2,400 jobs through 2018. Manufacturing losses are projected to continue with a statewide decrease of over 6,000 jobs through 2018.

G. Industry Clusters

Within Aquidneck Islands overall employment and industry indicators discussed above are several key "industry clusters" that warrant special consideration. An industry clusters represent a group of interconnected businesses and institutions that are concentrated in a geographic location and that are engaged in the production or provision of goods and services within a specialized sector of the economy. These clusters emerge because firms in the same, or a related economic sector, can gain a collective competitive advantage by locating near to each other. A close association with like firms allows businesses to learn about new developments, create an effectively trained labor pool, and reduce transaction costs. This close interaction can increase the productivity of the entire cluster, which, in turn, can significantly improve the local economy. In short, the drivers of business clusters tend to be competition, the benefits of agglomeration economies, workforce skills, technology and knowledge transfers, and the reinforcing social interactions.

1. Tourism

Perhaps the most obvious of the Island's clusters is the one associated with the area's tourism economy. As noted previously, the Leisure and Hospitality sectors are major components of the local employment base accounting for almost one quarter (24%) of the area's total jobs (7,400). The region employs two to three times as many workers in these sectors than the state as a whole. However, tourism also has a large impact on the Island's Retail sector which accounts for another 13% of total jobs in the region (3,990). Similarly, the Real Estate sector, which employs 630, is dependent on tourism due to the large number of seasonal rental units and second homes that are found on the Island. For example, second home sales and other residential investment properties accounted for an average of 16%-25% (depending on the town) of residential real estate sales over the last ten years. Although all of the Retail and Real Estate sector employment cannot be directly attributed to tourism activities, it is reasonable to assume that a significant portion of their jobs and revenues are related and would be detrimentally affected by a drop in seasonal visitors to the Island.

Although tourism is a major component of the local economy its employment and wage growth have been relatively modest over the last decade. Growth in this sector has not kept pace with state and national trends suggesting that a carrying capacity may have been reached for the Island's establishments and infrastructure. Employment projections remain strong in these sectors which suggests that a repositioning and/or expansion of existing facilities and activities may be needed to attract a portion of this anticipated future growth to the Island. Eating and drinking establishments may continue to have modest growth but demand for additional hotel space will probably remain marginal for the foreseeable future. Some other possibilities for growing this sector may include offering more off-season activities, attracting more business travelers, and enhancing the resort-style development that is occurring, or planned for the Melville basin area in

Portsmouth. This area could support growth in both the tourism and marine trades sectors, as discussed in the following section.

2. Marine Trades

The second specialized industry cluster is the marine trades. The marine trades in Rhode Island derive from boatbuilding and boating-related businesses. These include boat-related design shops, fiberglass and plastic fabrication, woodworking, sails/canvas and metalworking manufacturers, rigging, engine repair, as well as, marina/moorage and docking services, magazines and publishing businesses, yacht brokerage houses, chartering, marine-related retail businesses, yacht and sailing instruction and support services. In short, the marine trades include all the skills involved in building, repairing, selling, servicing, transporting and using sail and power boats. A recently completed study by the state found that Rhode Island has approximately 2,300 marine-trade related businesses that account for over \$1.6 billion in sales and provide over 6,600 jobs paying nearly \$260 million in wages.¹ These marine related businesses account for over 7% of all private employers in Rhode Island and the jobs and wages they provide account for over 2% of Rhode Island's total employment and payroll. The average salary for these jobs amounts to \$39,400, well above the \$38,100 average pay for all industries in the state.

On Aquidneck Island, the marine trades are estimated to include approximately 190 businesses that employ about 1,600 workers. These figures were derived from a commercial business database that does not necessarily reflect actual labor statistics, and therefore, are considered only approximations. In fact, the actual figures are presumed to be somewhat higher since some businesses that are involved in marine trades cannot always be readily identified by their NAICS code and may have some overlap with other industry sectors (e.g. a business may produce or sell plastics that are used for boats as well as other products).

Table III-19 presents a more detailed perspective on the individual business components of the Island's marine trades. As illustrated, a large portion of the activity in this sector is related to the actual manufacturing of boats and their components which account for about 40% of the employment and 27% of the businesses. A significant number of components manufactures are involved in sail production, as well as electronic components.

Table I-19

| Marine-Related Businesses | | | | |
|----------------------------------|-------------------|----------------|------------------|----------------|
| Aquidneck Island | | | | |
| Business Activity | Businesses | % Total | Employees | % Total |
| Shipbuilding and repairing | 39 | 20.3% | 588 | 36.2% |
| Recreation & Retail | 37 | 19.3% | 274 | 16.9% |
| Boat components manufacture | 13 | 6.8% | 267 | 16.4% |
| Professional services | 41 | 21.4% | 162 | 10.0% |
| Water passenger transportation | 21 | 10.9% | 149 | 9.2% |
| Boat dealers | 22 | 11.5% | 75 | 4.6% |
| Boat components sales | 9 | 4.7% | 56 | 3.4% |
| Marinas | 10 | 5.2% | 53 | 3.3% |
| Estimated Total | 192 | 100.0% | 1,624 | 100.0% |

Source: Dunn & Bradstreet and RKG Associates

¹ *The Marine Trades in Rhode Island: A Skills Gap Analysis*, For: The Rhode Island Marine Trades Association, by Planning Decisions Inc., 2008

Recreation and retail activities are a large secondary component in the cluster if joined with water passenger transportation. This latter category is predominantly composed of charter vessel companies, while the former includes diving services, membership organizations, and marine-related retail goods, to name a few. This component of the cluster represents about 25% of total employment and 30% of the businesses. It should also be noted that these businesses have a strong interrelationship and dependency with the Island's tourism cluster.

Professional services, which, as noted previously, accounts for about 10% of the Island's overall employment base, also represents about 10% of the marine-related employment. Businesses in this component include architects, engineers, lawyers, and the like, who specialize in servicing marine businesses and boat owners.

Finally, the three remaining categories shown in the table include businesses engaged in the sale of boats, their components, and their berthing/storage at local marinas. These types of businesses account for the smallest portion of the cluster from an employment standpoint. However, it should be noted that a number of the categories presented in the table are, in many instances, closely integrated in actual operation. For example, a marina may be a component of a business conglomerate that also builds and repairs boats, and which may also provide on-site, professional design services. A good illustration of this is found at the Melville boat basin in Portsmouth which has some 30 marine-related businesses that employ an estimated 430 workers. Of the total marine-related businesses on the Island which are listed in Table IV-19, 115 are in Newport, 53 are in Portsmouth, and 24 are in Middletown.

Projections prepared by the Rhode Island Department of Labor and Training for marine-related businesses in the state call for growth of approximately 7% over the period 2004 to 2014, a relatively moderate rate of growth. The labor force skills gap analysis cited above found that there were approximately 450 unfilled job vacancies in the state's small and mid-sized marine trades businesses as of 2007 and that those businesses planned to grow by an additional 550 to 600 jobs over the next four years. Some of this planned expansion is expected to occur in the Melville area where on-going plans to acquire surplus Navy land, referred to as the "back yard", would allow for growth of existing businesses in that area. The workforce gap analysis concluded that there is an insufficient supply of adequately trained labor to satisfy the existing labor demand, a fact that could hamper future growth if education in the required trades is not accelerated. Future efforts to support this cluster could involve establishing additional training facilities, either at existing educational institutions or at a new one, and reserving adequate land in key locations, such as the Melville basin area, for long-term expansion of marine-related businesses. It could also include support for tourism activities that cross over into the marine sector, such as marina operations, charter services, and the like.

3. Defense Industry

The defense industry has been a long-standing driver of the Rhode Island economy over the last several decades and represents 3% of the total employment base. Information

compiled by the Rhode Island Economic Development Commission (RIEDC) estimate that the state’s defense industry is comprised of more than 100 companies, employs more than 13,000 people and generated \$1.75 billion in revenue in 2008. Underlying these figures is a collection of highly skilled manufacturing companies such as Electric Boat and Raytheon Integrated Defense Systems and numerous software engineering firms located throughout the state and Aquidneck Island.

Figure III-6 illustrates the change in total dollar amounts awarded to defense industry contractors in Rhode Island over the last 30 years. As shown, recent contract totals since 2004 have not returned to the peak 1990 levels but have remained relatively constant above the \$400 million mark after rebounding from the substantial drop-off which occurred in the late 1990s.

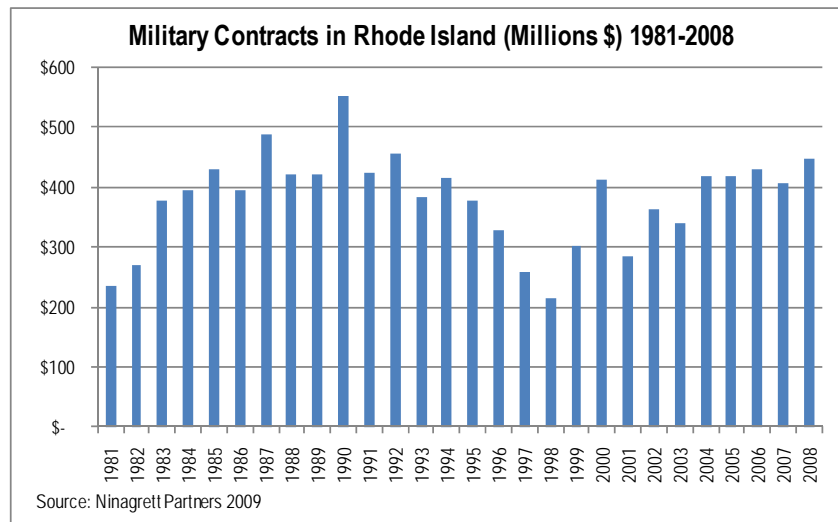


Figure I-6

The technologies that are integrated within the state’s defense industry involve a number of high-tech sectors related to computer hardware and software, communications systems, sonar technology, robotics, propulsion systems, computer simulation technology, ship construction, and a variety of engineering and professional services. A list of the key industry sectors are presented below, many, but not all of which, are found within the Aquidneck Island’s industry base.

- Research, Development ,Testing and Engineering professional services
- Computers systems and software development
- Program management and outsourced services
- Navigation equipment makers
- War game development
- Sonar and acoustics
- Submarine fabrication and outfitting
- Command and control systems development and integration
- Precision tooling
- High performance parts for aerospace applications
- Materials testing services
- Computer aided engineering software
- Language translation tools
- Security services
- Ship repairs

The Island's defense-related economic cluster centers around operations at Naval Station Newport (NAVSTA) and the Naval Undersea Warfare Center (NUWC), which includes the Naval War College and a total of 50 tenant commands and activities. These facilities reportedly engage a total of approximately 7,000 employees and train 15,000 students on an annual basis. The NUWC is involved in providing research, development, test evaluation, engineering and fleet support for submarines, autonomous underwater systems, and undersea weapon systems. The reported employment level for the NUWC in 2009 was approximately 2,400 full-time civilian employees and the equivalent of 2,900 full-time contract labor positions.

The NUWC reportedly had a funded program of \$1.03 billion in 2009. Of this total, more than \$330 million was awarded to private contractors in Rhode Island, Massachusetts and Connecticut, mostly for engineering services. Direct wages paid to civilian employees in Rhode Island was approximately \$190 million.

The presence of the NUWC and other components of this military establishment attract a well educated workforce, both on the base and at private firms located on the Island, which are engaged in contract labor that supports on-going research and development. This is evident in the fact that almost 16% of the regional labor force had Master's Degrees, Ph.D.'s or Doctorates, as compared with only 10% for the state as a whole. It is also reflected in the fact that about 2,600 residents in the area were occupied as computer and mathematical scientists as well as architects and engineers.

The Island's core sectors that comprise its defense/high-tech cluster include the Professional, Technical and Scientific sector (NAICS 54), Computer and Electronics Manufacturing (NAICS 334), and the Information sector (NAICS) 51, where the 100 selected firms have a combined total of approximately 3,800 employees. These figures represent only private sector businesses and do not include any Federal civilian employees accounted for in previously given employment figures. The Raytheon Company represents the largest anchor in this cluster with an estimated 1,600 employees. Other major companies include General Dynamics, SEA, and SAIC.

The 100 firms noted above represent the best estimation of businesses perceived as being directly involved in supporting defense-related activities. Conversely, there will be additional firms in these and other sectors that do support the defense cluster but which cannot be readily identified from available published information. For example, there are a total of 470 firms in the Professional/Technical Services and Information sectors alone. The fact that there is such a large agglomeration of businesses in these sectors located on the Island illustrates how the concept of clustering cuts across various industry sectors. The technology developed by these businesses have applications for not only defense and homeland security, but for the marine industry, ocean-related research, and video game technology, to name a few.

H. Establishments and Wages

Table III-20 illustrates the change in the number of private sector firms, by industry sector, between 2001 and 2009. As shown, the county experienced a net increase of just over 190 establishments during this time period, a 6% growth rate that represents an average of 24 firms each year. Overall, the average size of firms in the region was just about 10 employees as of 2009.

Strong expansion was shown in the Professional Services sector which added the largest amount of new firms at 61 and also saw the largest employment growth (561), as noted previously. The average size of these firms is relatively small with about seven employees, a factor that effects the local office market where the demand for office sizes is equally as small.

Other sectors that also experienced notable increases in establishments include Administrative Services and Waster Management (44), Real Estate (24), Construction (29), which added firms despite a net loss in employment, Finance and Insurance (14), and Management of Companies (16). The region's Leisure and Hospitality sectors (NAICS 71-72) experienced a combined,

moderate increase of 15 firms despite a net loss in employment. The Retail and Manufacturing sectors were the only two to experience an overall net loss in establishments during this time period losing 33 and 31 establishments respectively.

Table I-20

Total Private Establishments 2001-2009

Newport County

| NAICS | Industry | 2001 | 2009 | Change | % Change | Average Employees |
|-------|--|-------|-------|--------|----------|-------------------|
| | Total, All Industries | 3,028 | 3,221 | 193 | 6.0% | 9.6 |
| 11 | Agriculture, Forestry, Fishing & Hunting | ND | 44 | ND | ND | 5.1 |
| 21 | Mining | ND | 3 | ND | ND | 2.4 |
| 22 | Utilities | 4 | 4 | 0 | 0.0% | 11.0 |
| 23 | Construction | 345 | 374 | 29 | 7.8% | 4.1 |
| 31-33 | Manufacturing | 125 | 94 | -31 | -33.0% | 26.6 |
| 42 | Wholesale Trade | 178 | 182 | 4 | 2.2% | 3.4 |
| 44-45 | Retail Trade | 478 | 445 | -33 | -7.4% | 9.0 |
| 48-49 | Transportation & Warehousing | 65 | 73 | 8 | 11.0% | 7.5 |
| 51 | Information | 55 | 60 | 5 | 8.3% | 11.0 |
| 52 | Finance & Insurance | 101 | 115 | 14 | 12.2% | 7.8 |
| 53 | Real Estate & Rental & Leasing | 105 | 129 | 24 | 18.6% | 4.9 |
| 54 | Professional & Technical Services | 352 | 413 | 61 | 14.8% | 7.6 |
| 55 | Management of Companies & Enterprises | 7 | 23 | 16 | 69.6% | 23.3 |
| 56 | Administrative Support & Waste Mngmnt. | 164 | 208 | 44 | 21.2% | 5.2 |
| 61 | Educational Services | 42 | 52 | 10 | 19.2% | 22.5 |
| 62 | Health Care & Social Assistance | 223 | 232 | 9 | 3.9% | 18.3 |
| 71 | Arts, Entertainment, & Recreation | 84 | 97 | 13 | 13.4% | 15.1 |
| 72 | Accommodation & Food Services | 348 | 350 | 2 | 0.6% | 17.0 |
| 81 | Other services | 321 | 350 | 29 | 8.3% | 4.7 |

ND - Not Disclosable

Source: BLS

Table III-21 presents a comparison of weekly wage rates for Newport County and the state as well as total industry wages by sector for 2001 and 2009. The county's average weekly wage was \$734 which had increase by 27% over the decade slightly outpacing the state's 24%

Table I-21
Weekly and Total Private Sector Wages 2001-2009

| Newport County | | Average Weekly Wage | | | % State | Total Wages | | | % Total |
|----------------|--|---------------------|----------|----------|---------|----------------|------------------|----------------|---------|
| NAICS | Industry | 2001 | 2009 | % Change | 2009 | 2001 | 2009 | Change | 2009 |
| | Total, All Industries | \$ 577 | \$ 734 | 27% | 92% | \$ 926,748,000 | \$ 1,181,768,922 | \$ 255,020,922 | 100% |
| 11 | Agriculture, Forestry, Fishing & Hunting | ND | \$ 499 | ND | 103% | ND | \$ 5,861,457 | ND | ND |
| 21 | Mining | ND | \$ 635 | ND | 70% | ND | \$ 240,889 | ND | ND |
| 22 | Utilities | ND | \$ 1,494 | ND | 95% | \$ 3,832,000 | \$ 3,418,317 | \$ (413,683) | 0.3% |
| 23 | Construction | \$ 675 | \$ 840 | 24% | 84% | \$ 60,407,000 | \$ 67,373,544 | \$ 6,966,544 | 6% |
| 31-33 | Manufacturing | \$ 1,014 | \$ 1,418 | 40% | 156% | \$ 175,925,000 | \$ 183,980,861 | \$ 8,055,861 | 16% |
| 42 | Wholesale Trade | \$ 786 | \$ 1,081 | 38% | 94% | \$ 23,837,000 | \$ 34,916,658 | \$ 11,079,658 | 3% |
| 44-45 | Retail Trade | \$ 426 | \$ 519 | 22% | 102% | \$ 94,946,000 | \$ 107,736,356 | \$ 12,790,356 | 9% |
| 48-49 | Transportation & Warehousing | ND | \$ 514 | ND | 75% | \$ 9,862,000 | \$ 14,655,016 | \$ 4,793,016 | 1% |
| 51 | Information | \$ 1,169 | \$ 1,097 | -6% | 95% | \$ 38,044,000 | \$ 37,748,374 | \$ (295,626) | 3% |
| 52 | Finance & Insurance | \$ 780 | \$ 1,242 | 59% | 95% | \$ 31,549,000 | \$ 57,670,971 | \$ 26,121,971 | 5% |
| 53 | Real Estate & Rental & Leasing | \$ 477 | \$ 625 | 31% | 90% | \$ 11,637,000 | \$ 20,631,255 | \$ 8,994,255 | 2% |
| 54 | Professional & Technical Services | \$ 970 | \$ 1,270 | 31% | 107% | \$ 130,590,000 | \$ 208,083,511 | \$ 77,493,511 | 18% |
| 55 | Management of Companies & Enterprises | \$ 840 | \$ 781 | -7% | 44% | \$ 3,233,000 | \$ 21,766,353 | \$ 18,533,353 | 2% |
| 56 | Administrative Support & Waste Mngmnt. | \$ 543 | \$ 666 | 23% | 117% | \$ 28,826,000 | \$ 37,478,099 | \$ 8,652,099 | 3% |
| 61 | Educational Services | \$ 613 | \$ 795 | 30% | 93% | \$ 36,479,000 | \$ 48,359,201 | \$ 11,880,201 | 4% |
| 62 | Health Care & Social Assistance | \$ 495 | \$ 642 | 30% | 82% | \$ 110,325,000 | \$ 141,867,897 | \$ 31,542,897 | 12% |
| 71 | Arts, Entertainment, & Recreation | \$ 371 | \$ 480 | 29% | 107% | \$ 30,418,000 | \$ 36,542,830 | \$ 6,124,830 | 3% |
| 72 | Accommodation & Food Services | \$ 319 | \$ 359 | 12% | 117% | \$ 98,275,000 | \$ 111,353,774 | \$ 13,078,774 | 9% |
| 81 | Other services | \$ 365 | \$ 488 | 33% | 96% | \$ 30,658,000 | \$ 42,083,559 | \$ 11,425,559 | 4% |

ND - Not Disclosable
Source: BLS

growth rate (data not shown). However, despite this increase the local wage rate still represented only 92% of the state's average. The county is competitive with the state in many of its key sectors as illustrated by those that exceed 100% although most sectors lag behind those available in the broader statewide economy. Local manufacturing firms were particularly competitive (156% of the state) indicating that, despite the loss of employment and businesses, the remaining firms have been able to increase wages more aggressively than elsewhere in the state in order to attract a quality labor force.

Total wages in the county increased by over \$255 million during this time period to a level of almost \$1.2 billion annually. Professional and Technical Services represents the largest portion of total revenues (18%), as well as the largest individual increase at \$77.4 million. A significant portion of wages in this sector are related to the Island's defense industry cluster. Manufacturing represents the second largest percentage of total regional wages with 16% but increased more modestly over the decade with the addition of just over \$8.0 million. Health Care is the third largest portion of total wages at 12% but appears to lag considerably behind the state in weekly wages at only 82% of the statewide average. This could partially explain why regional employment in this sector has also not kept pace growth in Rhode Island as a whole (i.e. -0.8% versus 41%).

I. Labor Force Characteristics

Changes in the labor force and unemployment rates between 1990 and 2010 for the study area, county, and state are presented in Table III-22 and Figure III-7. Over this 20-year time period, unemployment rates dipped from levels exceeding 8% in the early 1990s to rates that remained fairly consistent at 4%-5% for much of the current decade (2000-10). During this

more recent period, study area and county rates were fairly comparable and slightly lower than the state's. In 2007, rates began to climb again in response to the national economic downturn and have exceeded those experienced during the recession of the early 1990s, reaching levels around 10% for the study area and county in July, 2010. The local rate continued to remain lower than the state's as of that time and showed some signs of leveling off.

Table I-22

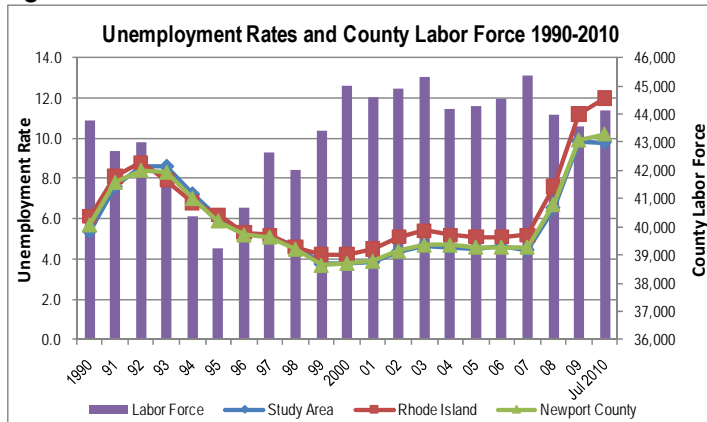
Civilian Labor Force and Unemployment Rate 1990 - 2010

| | | 1990 | 2000 | Jul-10 | Change | | % Change | |
|-----------------------|-------------|---------|---------|---------|--------|--------|----------|-------|
| | | | | | 90-00 | 00-10 | 90-00 | 00-10 |
| Middletown | Labor Force | 8,347 | 8,507 | 8,162 | 160 | -345 | 1.9% | -4.1% |
| | Rate | 5.4 | 3.7 | 9.5 | -2 | 6 | -31% | 157% |
| Newport | Labor Force | 14,024 | 13,679 | 12,573 | -345 | -1,106 | -2.5% | -8.1% |
| | Rate | 5.5 | 4.1 | 9.8 | -1 | 6 | -25% | 139% |
| Portsmouth | Labor Force | 8,876 | 9,212 | 9,449 | 336 | 237 | 3.8% | 2.6% |
| | Rate | 5.1 | 3.4 | 10.0 | -2 | 7 | -33% | 194% |
| Study Area | Labor Force | 31,247 | 31,398 | 30,184 | 151 | -1,214 | 0.5% | -3.9% |
| | Rate | 5.4 | 3.8 | 9.8 | -2 | 6 | -30% | 159% |
| Newport County | Labor Force | 43,776 | 44,980 | 44,134 | 1,204 | -846 | 2.8% | -1.9% |
| | Rate | 5.7 | 3.8 | 10.2 | -2 | 6 | -33% | 168% |
| Rhode Island | Labor Force | 525,851 | 543,404 | 579,053 | 17,553 | 35,649 | 3.3% | 6.6% |
| | Rate | 6.1 | 4.2 | 12.0 | -2 | 8 | -31% | 186% |

Source: RIDL&T

The region's civilian labor force has also fluctuated in response to changing economic conditions, as illustrated in the figure. Total labor peaked around 31,000 in the study area and 45,000 for the county.

Figure I-7



The study area's current labor force of 30,180 accounts for approximately 68% of the total available county-wide, indicating that other portions of Newport County provide an additional 14,000 workers that potentially help to support businesses on Aquidneck Island. This conclusion is further illustrated by the fact that there are approximately 34,100 jobs (probably over 40,000 including part-time positions) on the Island, creating a demand that exceeds the local supply of available labor. Furthermore, the study area's labor force increased more slowly than the county's during the 90s and decreased at a faster rate over the most recent decade, as shown in the table. These trends indicate that study area businesses are dependent on external labor, a factor that will affect the potential for further

Table I-23

Study Area Commuting Patterns - 2000

| Commuters to Aquidneck Island | | | Commuters from Aquidneck Island | | |
|-------------------------------|--------|---------|---------------------------------|--------|---------|
| Origin | Total | % Total | Destination | Total | % Total |
| Bristol County | 1,731 | 4.7% | Bristol County | 610 | 1.9% |
| Kent County | 900 | 2.5% | Kent County | 484 | 1.5% |
| Aquidneck Island | 24,399 | 66.7% | Aquidneck Island | 24,399 | 77.9% |
| Other Newport County | 2,464 | 6.7% | Other Newport County | 632 | 2.0% |
| Providence County | 1,342 | 3.7% | Providence County | 1,976 | 6.3% |
| Washington County | 1,942 | 5.3% | Washington County | 669 | 2.1% |
| Subtotal Rhode Island | 32,778 | 89.6% | Subtotal Rhode Island | 28,770 | 91.9% |
| Bristol County, MA | 2,389 | 6.5% | Bristol County, MA | 1,161 | 3.7% |
| Other Massachusetts | 425 | 1.2% | Other Massachusetts | 797 | 2.5% |
| Connecticut | 622 | 1.7% | Connecticut | 162 | 0.5% |
| Other States | 383 | 1.0% | Other States | 432 | 1.4% |
| Total | 36,597 | 100.0% | Total | 31,322 | 100.0% |

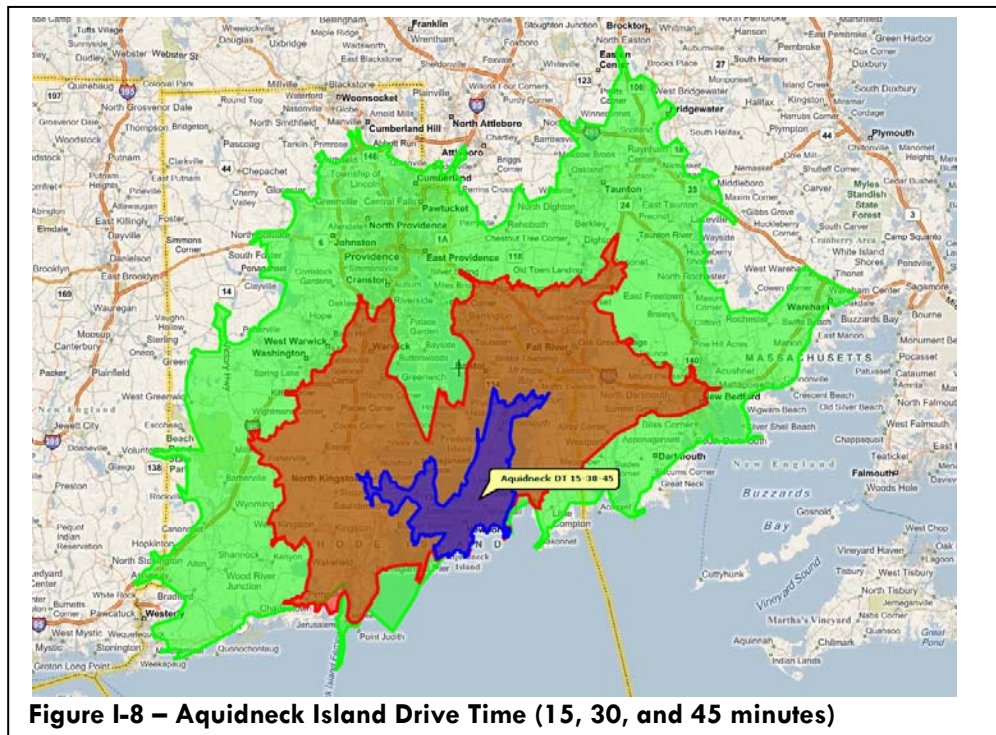
Source: US Census

growth or diversification of the job base.

This dependency on regional labor is further illustrated by commuting patterns from the 2000 Census which are presented in Table III-23. Of the approximate 36,600 workers who indicated they commuted to work on Aquidneck Island, only 67% resided in either Middletown, Newport, or Portsmouth. The remaining 33% came predominantly from other towns in Newport County (6.7%), Bristol County, MA, especially from the Fall River area (6.5%), from Washington County (5.3%) to the east, and from Bristol County (4.7%) and Providence County (3.7%) to the north. This data indicates that an estimated 75% of the Island's workforce is drawn from within a 30-minute drive-time radius, as illustrated by the brown area in Figure III-8.

In comparison, the right side of Table III-23 shows that of Aquidneck Island residents who commuted to work, almost 78% reported that they worked at locations on the Island. Conversely, about 22% of the study area labor force, approximately 6,900 workers, were drawn off the Island for purposes of employment. This net outflow of labor represents an opportunity to expand the local job base if appropriate employment opportunities can be created to retain these workers.

The second largest commuting destination for Island residents was the Providence County which attracted 6.3% of the Island's labor force. In contrast, the Providence area provided only 3.7% of the Island's workforce indicating that there is a net labor loss for the study area between the two destinations.



The occupational characteristics of the county labor force, based on 2006-08 estimates from the American Community Survey (ACS) compiled by the U.S. Census Bureau, are presented in Table III-24. As shown, the largest portion of the county's labor force (28%) is employed in Professional and related occupations with concentrations in computers, architecture and engineering, education, health care, and creative positions. This percentage, combined with an additional 15% in management and financial positions, indicates that a significant portion of the area's workforce is well educated and would appear to be well suited to support the professional and business industry sectors that play a large role in the islands economy, as discussed previously in this report. This fact is further supported by the education attainment levels for study area communities illustrated in Table III-25. As shown, the region has a relatively well educated populace in comparison to the state as a whole. Over 40% of area residents have college degrees versus only 26% of state residents. The study area exceeded the state in both undergraduate and post-undergraduate degrees. However, the study area as a whole tended to have a slightly lower percentage of Associate degree recipients, a figure that is likely to increase given the relatively new Community College of Rhode Island campus in Newport.

Table I-24

| Occupations of Newport County Labor Force - 2008 | | |
|--|--------------------|---------------|
| Civilian Labor Force 16 Years and Older | | |
| Occupations | Estimated Resident | |
| | Labor Force | % Total |
| Management, business, and financial | 6,249 | 15.4% |
| Management occupations | 4,425 | 10.9% |
| Business and financial operations occupations | 1,824 | 4.5% |
| Professional and related | 11,356 | 28.0% |
| Computer and mathematical science occupations | 1,342 | 3.3% |
| Architecture and engineering occupations | 1,279 | 3.1% |
| Life, physical, and social science occupations | 503 | 1.2% |
| Community and social services occupations | 527 | 1.3% |
| Legal occupations | 635 | 1.6% |
| Education, training, and library occupations | 3,121 | 7.7% |
| Arts, design, entertainment, sports, and media occupations | 1,526 | 3.8% |
| Healthcare practitioners and technical occupations | 2,423 | 6.0% |
| Service | 6,915 | 17.0% |
| Healthcare support occupations | 862 | 2.1% |
| Protective service occupations | 917 | 2.3% |
| Food preparation and serving related occupations | 2,317 | 5.7% |
| Building and grounds cleaning and maintenance occupation: | 1,576 | 3.9% |
| Personal care and service occupations | 1,243 | 3.1% |
| Sales and office | 9,772 | 24.1% |
| Sales and related occupations | 4,538 | 11.2% |
| Office and administrative support occupations | 5,234 | 12.9% |
| Farming, fishing, and forestry occupations | 78 | 0.2% |
| Construction, extraction, maintenance, and repair | 3,534 | 8.7% |
| Construction and extraction occupations | 2,407 | 5.9% |
| Installation, maintenance, and repair occupations | 1,127 | 2.8% |
| Production, transportation, and material moving | 2,710 | 6.7% |
| Production occupations | 1,376 | 3.4% |
| Transportation and material moving occupations | 1,334 | 3.3% |
| Total | 40,614 | 100.0% |

Source: US Census Bureau American Community Survey 2006-08

The second largest concentration of labor force occupations are found in sales and office positions which accounted for 24% of the total. These were fairly evenly distributed between sales and office-related positions and are a reflection of the study area's job base in the real

Table I-25

| Population Age 25+ by Educational Attainment - 2000 | | | | | |
|---|------------|---------|------------|------------|--------------|
| | Middletown | Newport | Portsmouth | Study Area | Rhode Island |
| Not Graduated High School | 9.5% | 12.9% | 9.1% | 10.8% | 22.0% |
| High School Graduate | 25.7% | 21.4% | 23.6% | 23.3% | 27.8% |
| Some College, No Degree | 19.4% | 18.7% | 17.7% | 18.6% | 17.6% |
| Associate Degree | 7.2% | 5.5% | 6.7% | 6.3% | 7.0% |
| Bachelor's Degree | 22.6% | 26.3% | 25.9% | 25.1% | 15.9% |
| Master's/Professional/Doctoral | 15.6% | 15.1% | 17.0% | 15.8% | 9.7% |

Source: US Census

estate and financial sectors, as well as support positions for other sectors.

Service occupations represented 17% of the positions held by area residents within the study area. The majority of these were related to leisure and hospitality sectors, as well as the health care industry. Construction and related occupations account for 8.7% of the jobs (3,500) held by local residents, a figure that exceeds the reported covered employment in this sector illustrating the part-time nature of these jobs. Production and transportation occupations comprise the smallest component of local occupations at 6.7%.

J. Economic Diversification Strategy

As noted in the preceding section, as well as in other previously completed economic analyses that have focused on Aquidneck Island, the study area's employment base is largely concentrated in several key industry sectors. These include the defense industry, marine trades, and tourism/retail clusters. This type of economic structure has both advantages and disadvantages. The advantages center around the competitive strength that clustered businesses achieve from locating in proximity to similar businesses. This allows for an exchange of technology and information, can help to attract a qualified employment pool, and may serve to reduce costs for materials and other types of business transactions. For Aquidneck Island, its dependence on the defense industry sector in particular is also an advantage since these types of jobs generally offer higher wages that provide a substantial financial base for the local economy. The presence of jobs in this sector also means that the study area tends to have a better educated workforce than other locations in the state. Similarly, the Island's successful tourism economy is a reflection of its abundant natural resources that have a positive effect on the overall quality of life which also influences the entire economy in various ways. These natural resources also serve to support the marine trades cluster which is also interrelated with the tourism sectors.

The disadvantages that center around this type of narrowly clustered economy are largely related to the potential for declines in these sectors, either suddenly or over a prolonged period, that could result in substantial job and financial losses. The defense industry is susceptible to such shifts given the contract-driven nature of related civilian jobs and the ongoing restructuring that has been steadily occurring within the country's military operations. In addition, the tourism and retail sectors tend to have lower paying wages with more part-time jobs that can result in financial pressures for households tied to this cluster. This is particularly true for the study area where housing costs are pushed higher by demand for second homes and seasonal rentals.

Another issue for the study area is its stagnant population and labor force growth which will make it more challenging to attract new industry. Because of this factor, maintaining competitive wage rates will be all the more important. It also suggests that small business development may be the most feasible approach to economic diversification since it would allow the workforce to be increased more slowly as these businesses grow and expand.

In light of these conditions, it will be important for the study area communities to both support the existing industry sectors while also working to add more diversity to the local economic base. Encouraging such diversity can be achieved through two primary

approaches. One would be to build upon labor skills and technology found in existing businesses to attract other types of industries that employ similar or related skills and technology. The second is attempt to attract some “non-traditional” industries to the area that are not already present, or only marginally so, which are emerging and/or expanding. It is considered likely that the former method would offer the greatest opportunity for success on Aquidneck Island and therefore, is the primary focus of this analysis.

Other important factors that must be considered in this diversification strategy, as well as any economic development planning, are the provision of workforce training and education, maintaining well functioning transportation and infrastructure systems, the availability of workforce housing, protecting the Island’s quality of life, providing a good business climate, ensuring that there is an adequate supply of suitably zone land, and development regulations and a regulatory review process that do not adversely affect economic development efforts.

1. Target Industry Development

The identification of potential industry sectors that could be targeted as part of the Island’s economic diversification strategy considered four primary factors that are outlined below.

- **Identification of Regional Industry Clusters** – The first step in the target process involved an analysis of existing regional industry clusters. The industry cluster analysis identified industries that are prominent within the region and hold some regional competitive advantages due to their clustering. These findings were discussed previously in this chapter.
- **Positive Market Growth Trends and Projections** – The second level of screening identified industry groups that were either growing or reasonably stable in terms of recent trends in employment or output, positive or stable short-term economic outlook (1 to 5 years), and higher location quotients.
- **Regional Wage Competitiveness** – The wage rate comparison reveals those industries that will offer a better compensation for workers. When selecting target industries, it is important to investigate the income and benefits impact an industry will present to local residents to ensure that the locality is maximizing the earning potential of the labor force.
- **Compatible Presence and Fit in the Region** – Market compatibility is important for an industry group to succeed, especially if that industry improves output performance with clustering. If there is no existing presence of an industry, then businesses related to that industry would not be able to capitalize on cluster benefits. In addition, the Aquidneck Island region would not benefit from the addition of an industry if that industry upsets the market balance or adversely impacts the residents and natural resources.

Based on these factors, it is recommended that the diversification strategy focus its primary target industry development on several technology sectors, as well as some specialty materials manufacturing, as listed below. Other key components of the diversification strategy are also summarized here.

- Target Industry Sectors/Clusters
 - Computer and information technologies (software and hardware)
 - Electronics
 - Telecommunications
 - Homeland security
 - Undersea/ocean research technology (non-military)
 - Advanced Manufacturing
 - Composite materials manufacturing
 - Machine manufacturing
 - Renewable energy/“smart” green technology
- Establish coordinated regional marketing strategy and solicit support from existing businesses, educational institutions and the state to further diversification efforts
- Small business recruitment and development
 - Technology/Information transfer
 - Business incubator/accelerator
 - Mentorship/Ambassador program
- Provide adequate vocational and post-secondary training for targets
- Maintain/promote competitive wage structure
- Provide adequate supply of suitably zoned land supported by infrastructure

a) Target Industry Sectors

Much of the detail about the target industries is reflected in the employment and industry analysis presented earlier in this report. However, a review of the more detailed three-digit NAICS codes, for existing industries in the region, as well as a regional business database, reveals particular strengths in the following subsectors.

- NAICS 334 – Computer and electronic manufacturing
 - Communications equipment
 - Magnetic and optical devices
 - Circuit boards
 - Navigation equipment
 - Security equipment
 - Electronic testing and measuring instruments
 - Precision machinery manufacturing
- NAICS 314 and 336 – Transportation equipment manufacturing and Textile product mills
 - Ship building and repair
 - Sail manufacturing
- NAICS 517 – Telecommunications
- NAICS 541 – Professional and Technical Services
 - Computer programming and other services
 - Information Technology
 - Engineering Services

The concentration of firms and employees in these sectors attest to the Island's prominent defense sector as well as the strong presence of the shipbuilding industry. Furthermore, these sectors have an existing or potential interrelationship with one another through similar technologies that support their operations (for example, both use navigation, communication, remote sensing systems, as well as high-tech manufacturing). Although some of these subsectors have declined in employment over the past decade, their higher Location Quotients and combined, total jobs levels, present technology and manufacturing sectors that offer good opportunities for future economic diversification within the region (see Table III-26). These firms represent a workforce and knowledge base that can be readily transferred to numerous other non-defense sector businesses, and also serve to support further expansion of the maritime sector. The computer information services and manufacturing are readily transferrable to other non-defense applications such as gaming simulation, as well as "smart technology" for the green and renewable energy sectors. Similarly, composite materials manufacturing can be employed in renewable energies for making products such as wind turbines.

2. Adopt a Regional Diversification Strategy

The most important goal of this strategy may provide the greatest challenge to implement. However, the adoption and implementation of an economic diversification strategy needs to be done at the region level, and not by the individual communities on the Island. The foundation for all successful economic development and economic diversification strategies is having all stakeholders that influence business recruitment and retention be well organized and coordinated. Business attraction is an ultra-competitive field where every community, region and state is vying for the same companies. When incentive packages become very close, in terms of net benefit to the company, decision makers are forced to rely more on intangible assets than financial considerations. In these cases, one of these assets often noted by companies in selecting a location is the *consistency in message* and *enthusiasm* of all of the stakeholders from that community. There is great value in having a coordinated, consistent message throughout the Aquidneck Island and Newport County area in regards to economic diversification, where all the key stakeholders are involved and supportive of recruitment activities. Providing that "unified front" to a prospect gives confidence that any issues that may arise during construction or operation will be met with equal interest and diligence regardless of which stakeholder is involved.

In tandem with this regional diversification strategy, consideration should be given to consolidating economic development activity into a single entity, as opposed to the current method where each community acts independently. To maximize the effectiveness of implementing a business recruitment and retention strategy, there should be a single, non-governmental entity that acts as the clearinghouse for information that provides the marketing "face" of the region and coordinates the other key stakeholders to make the recruitment process seamless and consistent. The regional entity should be the recruitment and retention of businesses that bring primary jobs and/or have a regional impact

a) Target Industry Marketing Campaign

The target industry marketing campaign involves three basic steps: [1] target identification, [2] target communication, and [3] recruitment. Each step builds on the success of the previous step. However, the steps should be repeated on a regular basis as

new companies locate into the region, leadership within companies change and the local, regional and national markets consistently shift.

Target Identification – Target identification involves developing, maintaining and expanding a list of businesses within the identified industry clusters to actively contact and recruit. It is recommended that the regional economic development entity utilize the following methods to identify potential leads for recruitment. Employ a business database company, such as Dun and Bradstreet, to collect contact information for all businesses within the targeted industries. These data vendors allow a client to input detailed screening criteria to ensure the resulting list best meets the client’s needs. In addition, the development entity should work with industry leaders in the community to gather information on companies they do business with, whether as clients or dealers. This list is most valuable, as these businesses already have some understanding of the region and have contact in the community.

Target Communication – Target communication includes all interaction between the key stakeholders in economic development and the prospects, from initial contacts and follow-ups to face-to-face meetings. The communication process should be initialized through a direct mailing campaign, using the target list developed in the proceeding step. The mailing should include information about the community, a target industry specific brochure and other pertinent documentation. The initial mailing should be followed up with a direct phone call within two to three weeks. This phone call should be made by either regional economic development entity staff or an existing industry leader. If this is a referral, then the person making the referral should be involved early in the process.

Recruitment - Communication beyond the initial phase of contact needs to be tailored based on the response of the prospect. The recruitment process may require several mailings and phone calls, meetings at professional trade shows and/or multiple attempts through the initial communication process. The ultimate goal should be to get the prospect to visit the community either on a one-on-one basis or as part of a recruitment/networking visit. Regardless of the timeline, continued contact is important in developing a rapport with the prospect. It is important to note that the person/persons in charge of working with a prospect should be consistent throughout the process, whenever possible.

b) Target Industry Marketing Materials

Marketing materials related to promoting economic development within the region already exist but will need to be updated and revised to present the diversification efforts. Consistently updating these materials, particularly those related to projects currently under development, is important because these materials not only promote new development in the region, but also provide a status of success for new growth. The regional economic development entity will need to create industry-specific marketing materials for each of the target industries.

c) Industry Roundtables

An industry “roundtable” should be created for the target industry group(s) within the region to participate in programs and services offered by the regional economic development entity. These roundtables should consist of representatives from the specific industry group, members of the economic development entity staff and other representatives from the various regional governments, as necessary. The group should meet on a regular basis (typically quarterly) to discuss issues related to the ability to do

business on Aquidneck Island and be used to disseminate information about current projects and programs being developed and/or revamped, including how these changes will impact these businesses. This forum allows local businesses to participate in the economic development process and be informed of current events while providing feedback on additional efforts that may be undertaken.

3. Small Business Recruitment and Development

As noted previously, small business development and growth is considered to be one of the best methods for diversifying the economic base on Aquidneck Island for several reasons. The Island's existing base is very largely comprised of small businesses and its inventory of commercial and industrial building space caters to this fact. Furthermore, businesses on the Island have been categorized as being very much entrepreneurial in nature which is an asset that would play well with the technology focus of the proposed diversification strategy. And finally, small business development would require less dependence on a large and growing labor force, which is not a historic strength of the region, and are likely to require smaller public investment in infrastructure. Some specific actions that should be considered to support this aspect of the diversification strategy are noted below.

a) Technology and Information Transfer

A key to the successful diversification strategy will be to foster an exchange of information and knowledge between existing business clusters and newly recruited, or "home grown" businesses. A means to foster such an exchange would be through the establishment of technology transfer center making use of the RI Economic Development Corporation's (REIDC) Business Innovation Factory (BIF). The BIF provides resources that are designed to assist existing businesses with new ventures, facilitate local industry partnerships, encourage entrepreneurship, and generally assist in an overall effort to diversify the focus of the existing business base. This initiative would play a major role in seeking cross-over opportunities from existing cluster industries to proposed target industries.

b) Ambassador Program

The ambassador program would function as a subcommittee within the industry roundtable. The ambassador group simply is a collection of business and industry leaders within a particular industry that is active in the marketing and recruitment of new businesses to the Island. Although they likely will have no formal authority within the recruitment process, they provide a "real life" vantage point about doing business in the area for prospects. Utilizing business leaders in the recruitment process legitimizes the recruitment effort through testimonials while leveraging the staff's time and effort.

c) Mentorship Program

A program can be developed to provide assistance in cultivating home-grown talent as well as recruiting talent from outside the region. In general, a mentorship program pairs an existing industry leader with a person interested in opening a business in that industry. These programs provide local entrepreneurs access to someone who has "been there" within their industry, adding confidence in the advice and direction provided. Having a local mentor also provides stability, as the relationship created can carry forward after the program has served its purpose. The mentor typically provides advice on creating a

business plan, assistance in making contacts within the industry and technical and professional guidance, where appropriate.

4. Education and Workforce Training

Along with the target industry and marketing plan outlined above, the region's diversification strategy should also have an education and workforce training component. Although part of the proposed economic diversification will rely on the existing high-tech labor force, it will be equally important to expand this potential labor pool by providing appropriate educational opportunities for high school and college-aged students in the region, as well as retraining options for other residents who may be underemployed or seeking new employment opportunities.

There are presently a number of post-secondary educational institutions and vocational training centers both on Aquidneck Island or in close proximity. These include:

- Salve Regina University, Newport, RI
- Roger Williams College, Bristol, RI
- Community College of Rhode Island (CCRI), Newport, RI
- The International Yacht Restoration School (IYRS), Bristol and Newport, RI
- URI Center of Excellence in Undersea Technology (COEUT), Narragansett, RI
- New England Institute of Technology (NEIT), Warwick, RI
- Motoring Technical Training Institute (MTTI), Fall River, MA

These institutions offer not only training and education but also represent a marketing tool for attracting new employees, as well as the potential for creating business-to-education collaborative that can foster research and help bring new products to market. In addition, the State of Rhode Island and other quasi-governmental entities also offer career and targeted training programs that can be used by residents and businesses within the study area to broaden or expand workforce skills for existing or new employees.

Some of the institutions listed above offer two-year, four-year and advanced degrees in fields of study that are well-tailored to the objectives identified in this target industry diversification strategy. Others provide specialized technical and vocational training that is equally supportive of those objectives. A preliminary review of their coursework and training programs indicates that they provide a focus that is generally complimentary to the goals outlined in this plan. For example, the URI Center of Excellence is pursuing the following mission statement.

The COEUT will perform both basic and applied research focused on the design, development, testing, and implementation of a wide variety of undersea technologies that support both military and civilian applications. Research areas will include distributed network systems for ocean and sea floor monitoring, ocean sensors and instrumentation, distributed sensor systems, autonomous and remotely operated underwater vehicles, and underwater communication, detection, and classification systems, among others. The center will also foster the education and development of the next generation of undersea technology engineers and scientists.

Conversely, in a recently completed Workforce Commission² study of the state's community college system, it was concluded that CCRI must increase enrollments in new areas of study, graduate more students with certificates and degrees in areas of industry demand, and offer more opportunities for students to gain work experience. It must also address the repeated call from employers for entry-level workers with soft skills. These include communicating in a professional manner and providing customer service. Finally, the Commission found that CCRI lacks the resources and flexibility demanded by employers competing in a global market – shortcomings that severely hamper the college's ability to expand its partnerships with employers, industry, and other state and educational institutions. This indicates that while the Island's community college campus represents a positive component for its overall economic development tools, more will need to be done to provide a specific focus on the objectives identified in the target industry strategy.

Ultimately, preparation of the Regional Diversification Strategy outlined in Section 2 above, will need to more specifically examine the offerings at each of these institutions to identify their strengths as they pertain to the region's goals, as well as any gaps that need to be filled to support the growth in the targeted industry sectors, as well as in existing business clusters.

² *Community College of Rhode Island: building a 21st century workforce*, CCRI 21st Century Workforce Commission Report & Recommendations, April 2010

Table I-26

Total Private Employment and Location Quotient 2001-2009 (LQ with Rhode Island)

Three-digit NAICS Level

Newport County

| Industry | Employment | | | | Location Quotient | | | |
|---|------------|-------|--------|----------|-------------------|------|--------|----------|
| | 2001 | 2009 | Change | % Change | 2001 | 2009 | Change | % Change |
| 114 Fishing, hunting and trapping | 47 | 32 | -15 | -31.9% | 7.6 | 6.69 | -0.9 | -12.0% |
| 115 Agriculture and forestry support activities | 20 | ND | ND | ND | 4.68 | ND | ND | ND |
| 221 Utilities | ND | 43 | ND | ND | ND | 0.48 | ND | ND |
| 236 Construction of buildings | 708 | 636 | -72 | -10.2% | 1.98 | 1.96 | 0.0 | -1.0% |
| 237 Heavy and civil engineering construction | 252 | ND | ND | ND | 1.81 | ND | ND | ND |
| 238 Specialty trade contractors | 762 | 790 | 28 | 3.7% | 0.81 | 0.87 | 0.1 | 7.4% |
| 311 Food manufacturing | ND | 70 | ND | ND | ND | 0.3 | ND | ND |
| 312 Beverage and tobacco product manufacturing | 46 | ND | ND | ND | 0.87 | ND | ND | ND |
| 314 Textile product mills | 189 | 138 | -51 | -27.0% | 1.98 | 3.42 | 1.4 | 72.7% |
| 321 Wood product manufacturing | ND | 32 | ND | ND | ND | 0.67 | ND | ND |
| 323 Printing and related support activities | 47 | 24 | -23 | -48.9% | 0.21 | 0.19 | 0.0 | -9.5% |
| 327 Nonmetallic mineral product manufacturing | 40 | 14 | -26 | -65.0% | 0.56 | 0.31 | -0.3 | -44.6% |
| 332 Fabricated metal product manufacturing | 31 | ND | ND | ND | 0.04 | ND | ND | ND |
| 333 Machinery manufacturing | 34 | 21 | -13 | -38.2% | 0.14 | 0.15 | 0.0 | 7.1% |
| 334 Computer and electronic product manufacturing | 1,847 | 1,735 | -112 | -6.1% | 4.02 | 5.65 | 1.6 | 40.5% |
| 336 Transportation equipment manufacturing | 609 | 328 | -281 | -46.1% | 2.26 | 1.26 | -1.0 | -44.2% |
| 337 Furniture and related product manufacturing | 37 | ND | ND | ND | 0.26 | ND | ND | ND |
| 339 Miscellaneous manufacturing | 233 | ND | ND | ND | 0.23 | ND | ND | ND |
| 423 Merchant wholesalers, durable goods | 212 | 236 | 24 | 11.3% | 0.31 | 0.36 | 0.1 | 16.1% |
| 424 Merchant wholesalers, nondurable goods | 300 | 219 | -81 | -27.0% | 0.76 | 0.59 | -0.2 | -22.4% |
| 425 Electronic markets and agents and brokers | 71 | 166 | 95 | 133.8% | 0.45 | 0.63 | 0.2 | 40.0% |
| 441 Motor vehicle and parts dealers | 661 | 569 | -92 | -13.9% | 1.51 | 1.44 | -0.1 | -4.6% |
| 442 Furniture and home furnishings stores | 101 | 99 | -2 | -2.0% | 0.87 | 1.07 | 0.2 | 23.0% |
| 443 Electronics and appliance stores | 69 | 115 | 46 | 66.7% | 0.66 | 1.38 | 0.7 | 109.1% |
| 444 Building material and garden supply stores | 261 | 362 | 101 | 38.7% | 1.2 | 1.29 | 0.1 | 7.5% |
| 445 Food and beverage stores | 795 | 972 | 177 | 22.3% | 1.13 | 1.03 | -0.1 | -8.8% |
| 446 Health and personal care stores | 313 | 293 | -20 | -6.4% | 0.72 | 0.65 | -0.1 | -9.7% |
| 447 Gasoline stations | 144 | 114 | -30 | -20.8% | 0.96 | 0.78 | -0.2 | -18.8% |
| 448 Clothing and clothing accessories stores | 397 | 467 | 70 | 17.6% | 0.98 | 1.25 | 0.3 | 27.6% |
| 451 Sporting goods, hobby, book and music stores | 232 | 223 | -9 | -3.9% | 1.42 | 1.72 | 0.3 | 21.1% |
| 452 General merchandise stores | 630 | 278 | -352 | -55.9% | 0.77 | 0.53 | -0.2 | -31.2% |
| 453 Miscellaneous store retailers | 431 | 338 | -93 | -21.6% | 1.76 | 1.64 | -0.1 | -6.8% |
| 454 Nonstore retailers | 256 | 162 | -94 | -36.7% | 1.67 | 1.24 | -0.4 | -25.7% |
| 484 Truck transportation | ND | 17 | ND | ND | ND | 0.11 | ND | ND |
| 485 Transit and ground passenger transportation | 186 | 273 | 87 | 46.8% | 1.22 | 1.4 | 0.2 | 14.8% |
| 487 Scenic and sightseeing transportation | 206 | 166 | -40 | -19.4% | 8.82 | 9.34 | 0.5 | 5.9% |
| 488 Support activities for transportation | 50 | 68 | 18 | 36.0% | 0.77 | 0.83 | 0.1 | 7.8% |
| 511 Publishing industries, except Internet | 341 | 288 | -53 | -15.5% | 1.27 | 1.6 | 0.3 | 26.0% |
| 512 Motion picture and sound recording industries | 46 | ND | ND | ND | 1.07 | ND | ND | ND |
| 517 Telecommunications | 124 | 241 | 117 | 94.4% | 0.53 | 0.96 | 0.4 | 81.1% |
| 518 Data processing, hosting and related services | ND | 31 | ND | ND | ND | 0.14 | ND | ND |
| 519 Other information services | 68 | 83 | 15 | 22.1% | 1.52 | 1.94 | 0.4 | 27.6% |
| 522 Credit intermediation and related activities | 609 | 641 | 32 | 5.3% | 0.68 | 0.76 | 0.1 | 11.8% |
| 524 Insurance carriers and related activities | 122 | 167 | 45 | 36.9% | 0.18 | 0.23 | 0.1 | 27.8% |
| 531 Real estate | 275 | 490 | 215 | 78.2% | 0.9 | 1.44 | 0.5 | 60.0% |
| 532 Rental and leasing services | 194 | ND | ND | ND | 1.14 | ND | ND | ND |
| 541 Professional and Technical Services | 2,590 | 3,151 | 561 | 21.7% | 1.79 | 1.87 | 0.1 | 4.5% |
| 551 Management of companies and enterprises | 74 | 535 | 461 | 623.0% | 0.15 | 0.73 | 0.6 | 386.7% |
| 561 Administrative and support services | 743 | 895 | 152 | 20.5% | 0.42 | 0.54 | 0.1 | 28.6% |
| 562 Waste management and remediation services | 278 | 188 | -90 | -32.4% | 2.99 | 1.58 | -1.4 | -47.2% |
| 611 Educational services | 1,144 | 1,170 | 26 | 2.3% | 0.99 | 0.77 | -0.2 | -22.2% |
| 621 Ambulatory health care services | ND | 1,153 | ND | ND | ND | 0.62 | ND | ND |
| 623 Nursing and residential care facilities | 1,201 | 1,375 | 174 | 14.5% | 0.94 | 0.95 | 0.0 | 1.1% |
| 624 Social assistance | 1,144 | ND | ND | ND | 1.61 | ND | ND | ND |
| 713 Amusements, gambling, and recreation | 980 | 917 | -63 | -6.4% | 2.53 | 2.03 | -0.5 | -19.8% |
| 721 Accommodation | 1,741 | 1,410 | -331 | -19.0% | 5.33 | 4.57 | -0.8 | -14.3% |
| 722 Food services and drinking places | 4,178 | 4,552 | 374 | 9.0% | 1.55 | 1.52 | 0.0 | -1.9% |
| 811 Repair and maintenance | 357 | 235 | -122 | -34.2% | 1.13 | 0.8 | -0.3 | -29.2% |
| 812 Personal and laundry services | 501 | 374 | -127 | -25.3% | 1.32 | 0.9 | -0.4 | -31.8% |
| 813 Membership associations and organizations | 590 | 826 | 236 | 40.0% | 1.02 | 1.38 | 0.4 | 35.3% |
| 814 Private households | 166 | 225 | 59 | 35.5% | 4.12 | 2.05 | -2.1 | -50.2% |

SOURCE: Bureau of Labor Statistics

II. HOUSING MARKET ANALYSIS

A. Introduction

This report provides an analysis of recent historical trends in the Aquidneck Island housing market with a particular focus on sales and costs. The first section presents a comparative overview of construction and pricing trends for the Island's three communities between 2000 – 2010. This is followed by a more detailed submarket analyses for Portsmouth, Middletown, and Newport over the same time period. The report concludes with an overview of the rental housing market and an estimate of current affordability levels based on pricing and incomes in the study area. It should be noted that some of the findings in this chapter are based on demographic and housing data presented in Chapter IV.

B. Summary of Major Findings

- Aquidneck Island's population has been declining over the last 20 years (1990-2010) with respective population losses of 3,580 and 4,430 for each of these two decades. Since 2000, a majority of the estimated population loss has occurred in Newport (-2,793) with more moderate decreases in Middletown (-1,025) and Portsmouth (-617). Projections prepared by the state forecast population growth of 4,500 over the next ten years (2000-2010) for all three towns but these projections may not be achieved in light of current economic conditions.
- Average household size has also continued to shrink over the last decade from 2.5 to 2.3 persons per household for the study area as a whole. Estimates for 2010 suggest that even the *total* number of households on the Island may have *decreased* over the last decade (2000-10) by as much as 1,500.
- Island communities absorbed a combined average of 125 housing units per year over the course of the decade, 1,250 units in total. However, total building permits issued declined from a high of 165 per year in 2000 to a low of 61 in 2009, for all three towns combined. The vast majority of permitted housing was single family homes (81%) with very few multifamily projects added during this time period.
- If population projections for the next decade are realized, it could represent the addition of 1,000 – 1,500 housing units on the Island, depending on future trends in vacancy rates and household size. It is likely to be at least several years before construction trends begin to approach levels achieved during the earlier portion of the past decade.
- Vacancy rates for year-round housing were quite low as of 2000 with a 3.6% overall rate for the Island as a whole and 3% for Newport County. Census estimates for 2008 suggest a softening in the housing market with a 6%-7% vacancy rate for the county. While the vacancy rate in the rental market has also eased somewhat over the decade it still remains relatively tight at an estimated 2%-3%.
- Sale prices of single family homes increased by 15%-20% annually on the Island between 2000 and 2007 with median prices peaking in the \$350,000-\$450,000 range. This rapid rise in values was followed by several years of decline averaging about

6.5% annually through 2009. Based on median pricing for the first three quarters of 2010, home sale prices on the Island may have reached their low point posting one-year gains of 1% to 3.5%, depending on the community.

- The number of single family homes sales over the decade experienced a similar rise and fall scenario. As of 2000, the number of units sold annually ranged between 175 and 275 in each community with Newport and Portsmouth having the most activity. By 2010, the number of sales for each town had dropped to approximately 75.
- The condominium market experienced similar trends over the decade but was subject to more volatility in pricing. Newport's condominium market had over three times as many sales (175) as Portsmouth and Middletown in 2000 but had declined to about 60 sales as of 2010. Sales in Portsmouth and Middletown seldom exceeded 50 throughout the decade illustrating the more minor role this housing represents in those two submarkets. Median condominium prices tend to be higher in these two towns but the average price per square foot is higher in Newport at \$280, versus \$116 in Portsmouth and \$109 in Middletown, with units also tending to be smaller in size in Newport.
- The sale of single family homes purchased for seasonal use or as investment properties have remained a consistent component of the Island's housing market over the decade averaging 16% of total sales in Middletown, 22% in Portsmouth, and 25% in Newport. In Newport, the percentage of condominium sales for seasonal/investment purposes averaged over 40% illustrating the higher demand in this portion of the market.
- The number of high-end home sales also rose and fell in unison with the overall market trends. During peak sale years earlier in the decade, home sales exceeding one million dollars numbered between 20-30 per year for the Island as a whole with sale prices regularly observed in the \$3-\$5 million range. By the end of the decade, the number of sales of high-end homes had been reduced by about half with prices typically in the \$1.5-\$2.5 million range.
- The number of land sales of residential property over the last several years were relatively limited with almost no sales of any sizeable acreage. Most of the qualified lot sales were less than three acres with an average price per acre of \$1.3 to \$2.5 million. The higher end of this range is generally reflective of value premiums related to water-view properties.
- In the Island's rental market, lease rates have increased by an estimated 50% over the decade. In contrast, rates had increased by only 11% over the previous decade (1990-00). The average lease rate (including utilities) for a two-bedroom unit on the Island was \$1,311 with prices in Newport (\$1,424) typically higher than those in Portsmouth (\$1,219) and Middletown (\$1,095).
- Single family homes and condominiums play a large role in the Island's rental market with over 30% of rental units represented by these housing types as of 2000. Given the lack of multifamily construction over the decade, pressure will continue to be placed on this component of the housing stock to support rental demand.

- The increase in housing costs in the study area have outpaced income growth over the decade, as exemplified by housing costs as a percentage of incomes. In 2000, 32% of renter occupied units in the county were paying in excess of 30% of their income for housing. This figure had increased to an estimated 40% as of 2008. For owner occupied units, the number of households spending over 30% increased from 26% to 36% during this time. Overall, an estimated 6,700-7,000 households on the Island exceed the 30% threshold.
- From a housing affordability standpoint, Middletown and Newport have met, or exceeded, the state’s 10% threshold for total units, but Portsmouth has not. An examination of current housing costs suggests that area rental rates tend to exceed reasonable financial burdens for households making up to 120% of the median income. For homeownership, households between 80%-100% of the median would have difficulty finding reasonably priced alternatives in the market. This indicates that the creation of additional “workforce housing” to support these middle-income households should be considered.

C. Housing Market Overview

The Island’s housing market has experienced some dramatic changes over the last two decades. Based on data reported by the decennial census, the median value of owner occupied housing in the study area changed very little between 1990 and 2000. As illustrated in Table IV-1, the estimated median home value increased by only 1.1% during this time period while the county as a whole experienced only a 2% increase. Values in Newport reportedly grew more rapidly increasing by 3.9% while values in Middletown and Portsmouth remained relatively unchanged. This trend is generally corroborated by the median home sales prices of single family homes presented in Figure V-1. As shown, the sale prices achieved between 1990 and 1999 remained generally flat between \$100,000 and \$150,000. However, this stagnant period was followed by precipitous growth in prices beginning in 2000, and plateauing around 2006, with prices ranging between \$350,000 and \$450,000. This represents an average growth of 250% to 300% for the first half of the decade. In response to these price increases, home sales and building permits spiked in 1999-00 but then steadily tapered off through 2010 returning to 1990 levels, as shown in Figure V-2. The study area towns issued over 1,250 housing units in ten years, or 125 per year, most of which was permitted prior to 2007.

Table II-1

Median Home Values of Owner-Occupied Housing 1990 - 2000

| | Middletown | Newport | Portsmouth | Study Area | Newport Cnty |
|----------|------------|------------|------------|------------|--------------|
| 1990 | \$ 159,878 | \$ 154,806 | \$ 168,157 | \$ 161,325 | \$ 160,292 |
| 2000 | \$ 160,177 | \$ 160,876 | \$ 167,197 | \$ 163,137 | \$ 163,432 |
| Change | \$ 299 | \$ 6,070 | \$ (960) | \$ 1,812 | \$ 3,140 |
| % Change | 0.2% | 3.9% | -0.6% | 1.1% | 2.0% |

Source: US Census

The vast majority of these units (81%) were single family homes, which may include some detached condominiums. Larger, multifamily projects over the decade were limited to the construction of only 122 units, much of which was located in one building in Portsmouth. Duplex construction also increased marginally with the addition of 78 units (Refer to Table III-9).

The last four to five years of this decade saw total home sales begin a downward slide (Figure IV-2) with prices declining by approximately 20%-30%, as shown in Figure IV-1, leaving future market expectations somewhat uncertain. However, median sales prices for January through August 2010 show a slight uptick that may indicate the low point in the market has been reached.

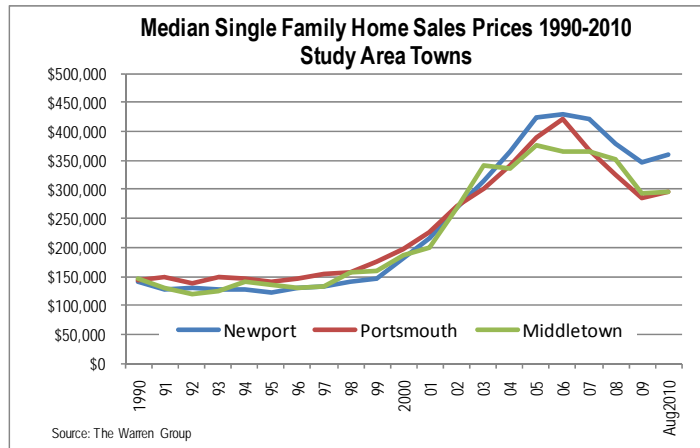


Figure II-1

Table III-12 in the previous chapter illustrates that a large portion of the Island’s year-round housing stock has historically been renter occupied, particularly in Newport (58% renter) and Middletown (43% renter). Portsmouth’s stock was predominantly owner occupied as of 2000 at 74%. The preponderance of single family building permit issued since 2000 suggest that the percentage of owner occupied housing will have increased to some degree. Estimates from the American Community Survey (ACS) for 2008 bear this out. The City of Newport’s owner occupied units increased from 42% to 47% and Newport County’s increased from 61% to 64%. Estimates for the other towns were not available but have presumably experienced similar changes.

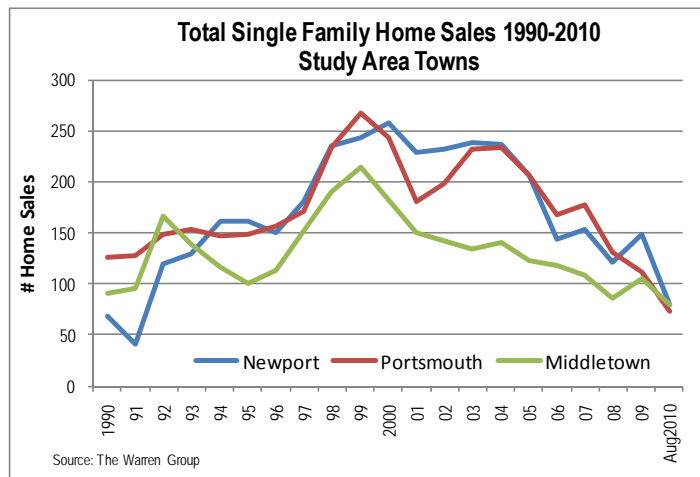


Figure II-2

A significant percentage of the Island’s housing stock is owned by seasonal residents or other absentee landlords. For example, as of 2010, ownership of the 7,128 residential properties in Portsmouth was 81% year-round occupants (5,788 properties) with 19% owned by non-residents (1,340 properties), based on owner’s addresses in the assessment records. Almost 12% of these non-residents (837 properties) were from out-of-state with the largest concentration located in Massachusetts (362). Other predominant locations included Connecticut, Florida, New York, and Virginia. In the City of Newport, nonresidential ownership is somewhat higher at 26% (6,159 properties) with 18% (1,523 properties) of the total living in out-of-state locations. In Middletown, 16% (787 properties) of residential properties were in nonresidential ownership with only 9% (450 properties) were owned by out-of-state owners.

The strength of the second home market is illustrated by single family home sales in Portsmouth over the past decade where, of the 1,860 homes sold between 2000-2010, 22% are owned by nonresidents. The percentage sold to nonresidents fluctuated over the course of the decade but the 22% average indicates that the demand for second homes, or other investment properties, has remained steady despite the considerable fluctuations in the Island's overall housing market noted above. In the condominium market, 23% of the 260 sales during this time period went to nonresidents. In Newport, 25% (295) of the decade's single family sales and 43% (388) of condominium sales were to nonresidents, illustrating stronger demand in the condominium market for seasonal or investment housing within the city. Middletown had the lowest percentage of homes purchased by nonresidents with just under 16% of single family homes sales over the decade generated by buyers residing outside the town.

Figure IV-3 and Figure IV-4 present median prices and units sold, from a comparative perspective for all three study area communities, over the current decade of 2000 to 2010. As shown in Figure 3, single family prices started the decade for all three locales in the \$180,000-\$200,000 range. At that time, the number of units sold were at their high point at roughly 250 in Portsmouth and Newport and 175 in Middletown. Prices rose fairly steadily through the first half of the decade averaging around 16% annual growth across all jurisdictions. Prices peaked between 2005-07 with medians in Newport and Portsmouth achieving levels around \$425,000 while Middletown's median remained below the \$400,000 threshold. Following this growth period, prices declined at an average annual rate of 6.5% for three to four years with homes in Newport tending to hold a higher median than the other two towns. Concurrent with this rise and fall of prices was a fairly steady overall decline in the number of units sold, dropping by roughly 50%-60% of the levels experienced at the beginning of the decade. Sales for 2010 through August had reached only 75-80 units in each of the three communities. How quickly the number of sales will begin to approach previous levels is unclear but likely to take at least several years. However, median sales prices through these first three quarters of the year show some stabilizing, and even some increasing in prices, ranging from 1%-3.5% over the previous year.

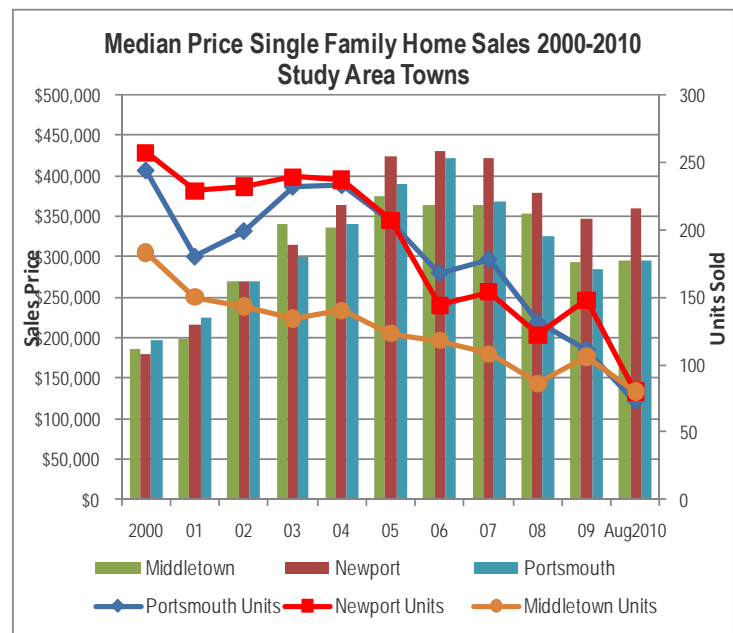


Figure II-3

Overall decline in the number of units sold, dropping by roughly 50%-60% of the levels experienced at the beginning of the decade. Sales for 2010 through August had reached only 75-80 units in each of the three communities. How quickly the number of sales will begin to approach previous levels is unclear but likely to take at least several years. However, median sales prices through these first three quarters of the year show some stabilizing, and even some increasing in prices, ranging from 1%-3.5% over the previous year.

Figure IV-4 portrays the trend in median prices and units sold for condominiums over the same time period. Although the overall trends were similar to those of single family homes

there were some notable exceptions. There was considerably more volatility in the pricing for this segment of the market and considerable variation in the number of sales with Newport far exceeding the other towns. Historically, Newport has had a larger supply of condominium units in its housing stock but recent construction trends in the other towns have narrowed the gap somewhat.

The number of condominiums sold in Newport was more than three times the rate of Middletown and Portsmouth early on but median prices in Newport were lower and increased at a slower rate. On an average annual basis, median sales prices were up about 13% in Newport between 2000-06, as compared with 16% in Middletown and 22% in Portsmouth.

Portsmouth's median peaked in 2007 at \$540,000, notably higher than Middletown's \$420,000 and \$300,000 in Newport. The variation in pricing between Newport and the other towns is attributable to several factors. First, many more units were sold in Newport which means there is greater potential for price variation. Second, there is likely to be a greater variety in the types of condominium units sold in Newport with the city's stock including many apartment and single family home conversions with less square footage and fewer amenities than some the product being offered elsewhere in the market.

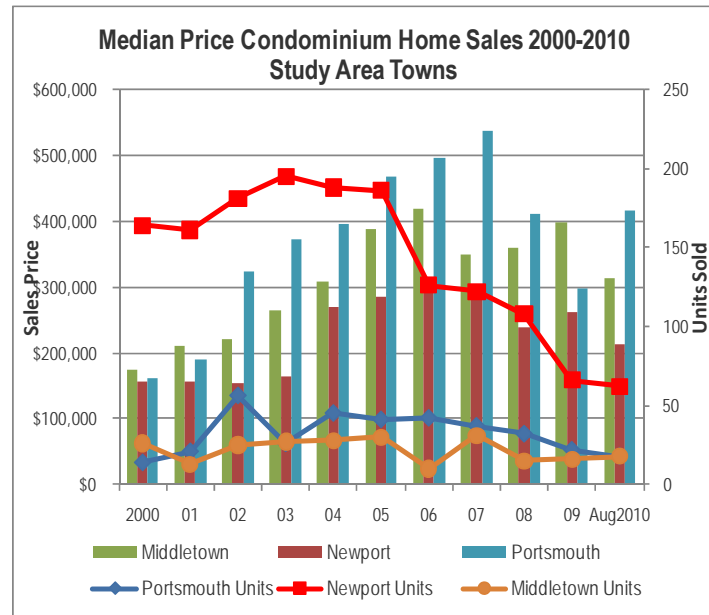


Figure II-4

In the latter half of the decade the number of sales continued to decline, particularly in Newport, but showed some signs of leveling off between 2009-10, albeit at relatively low totals. This decrease in sales lead to considerable price volatility after 2007 resulting in median prices that offer no apparent emerging trend as of yet in the condominium market.

1. Portsmouth Housing Market

According to the town's assessment records, there were approximately 6,075 single family homes and 430 condominium units in Portsmouth as of 2010. Single family housing has been the primary product added to the local market with 510 units constructed since 2000. As shown previously in Table III-9, the town absorbed a total of 773 housing units, based on building permits issued, or about 77 units per year. Of the total units permitted, 83% were single family dwellings (an average of 64 per year).

As illustrated in Figure IV-5, the median price for single family homes in Portsmouth rose steadily between 2000 and 2006 with average annual growth of 14.5%. Although

this growth rate was substantial it lagged behind appreciation in the condominium market where the median increased at an average annual rate of about 20% over seven years. In 2007, single family median home prices began to decline about 12% per year through 2009. Total sales reached a high of 230-240 earlier in the decade and declined to 70 for the first three quarters of 2010. As of 2010, median prices appear to have leveled off with units selling for just under \$300,000 with a 3.5% growth rate over 2009 median pricing. Sale prices of new construction between 2008-10 was limited to only 13 sales which ranged in price from \$115,000 to \$2.4 million with square foot prices of \$39 to \$187 and an average of \$93.

Of the 50 single family home sales recorded in the assessment records for the first half of 2010, \$735,000 represented the highest price and \$115,000 the lowest. Only eight sales exceeded \$500,000 during this six-month period. In 2009, 22 sales exceeded this half million dollar threshold with three sales between \$1.2 and \$2.8 million. In 2008, there were 33 sales over half a million dollars including eight over one million ranging from \$1.0 to \$3.9 million. This historical trend in pricing was evident for much of the decade with the highest recorded sale price of a single family home at \$5.8 million in 2006.

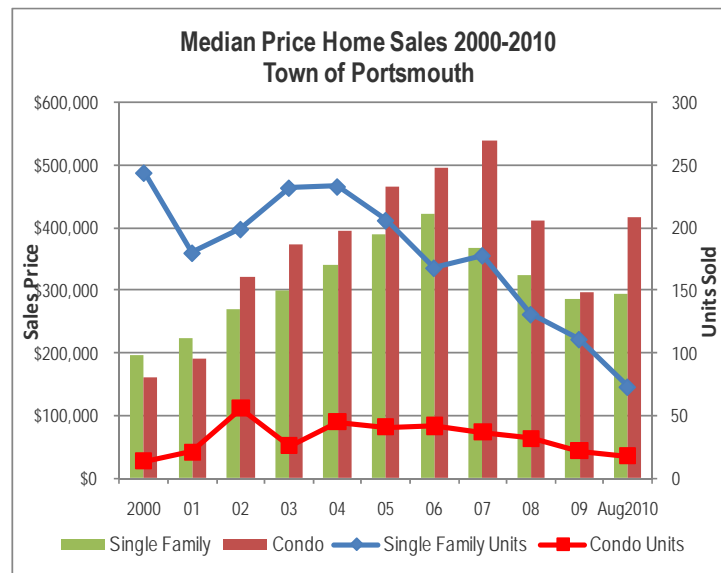


Figure II-5

Many of these million dollar plus homes are located at the Carnegie Abbey development, which is perhaps the signature luxury development in Portsmouth. This mixed use project includes 54 house lots (both fee simple and condominium ownership), 22 clubhouse condominiums, and a 22-story condominium tower with 80 units. This resort-style development offers access to a number of amenities including club membership (which is mandatory), golf course, pool cabana ownership, marina access/boat slip ownership (27 of 41 slips are reportedly sold), among other facilities and services, as well as views of Narragansett Bay. Twenty-one (21) traditional cottages are planned for the condominium lots and eight have been sold since 2006 with prices ranging between \$1.8 and \$2.2 million. Of the remaining 33 house lots, all 21 “estate lots” have been sold and built since 2001 with initial prices between \$900,000 and \$2 million and sales after 2005 escalating to between \$2 million and \$5 million. These homes have square footage of 5,000 to almost 9,000. The other 12 fee simple lots have seven houses built with sale prices between \$1.9 and \$2.4 million.

Another luxury single family development that recorded sales prices over a million dollars include King’s Grant, a 75 lot subdivision located just north of Melville, with

views of the Bay. A previous market analysis estimated that a 25%-35% price premium can be attributed to water views while homes with actual water frontage can command premiums of 75%-100% over otherwise comparable properties³.

In the condominium market, assessment records indicate that about 140 condominiums have been built in Portsmouth since 2000, most of which were constructed prior to 2005. As illustrated in Figure V-5, condominium sales prices rose steadily through 2007 while the number of units sold annually peaked in 2002 at 56 and then gradually declined to 18 as of August 2010, based on data gathered by the Warren Group. The most recent condominium development was the Ferry Landing subdivision, with initial sales beginning in 2004/05, which is comprised of 73 “luxury townhomes” constructed at the northern tip of the town overlooking the Mt. Hope Bridge area (most reportedly have water views). These attached units (3-6 units per building) have between 2,100-2,500 square feet of living space. The project has sold an average of 10-12 units per year with seven reportedly unsold as of 2010. Since 2005 there have been eight qualified sales reported in the assessment records for this development ranging in price from \$404,000 to \$705,000 with an average of \$536,000. The three most recent sales in 2010 have ranged from \$425,000 to \$635,000. For construction at the Ferry Landing development completed prior to that time the average sale price per square foot was \$116 with a range of \$84 to \$148. There was essentially no new construction in the condominium market after 2007 upon which a price per square foot could be reliably obtained.

Another project of note is Overlook Point, a 70 unit townhouse development constructed earlier in the decade, and which is situated between the Navy’s Tank Farms 3 and 4 on the Bay. Initial sales of this project ranged between \$300,000 and \$450,000 with some later sales, or re-sales through 2007 pushing to the \$530,000 - \$620,000 range but then returning to their initial lower range by the end of the decade.

At the Carnegie Abbey, the 22 clubhouse condominiums range in size from 1,300 to 2,500 square feet with offering prices of \$895,000 - \$2.5 million. These units are purchased on a long-term lease basis (98 years) with all 22 sold since 2002. The 80 Tower condominiums at this development are unique products in the market offering units ranging from 1,500 to 2,800 SF in size (with other configurations possible) and asking prices of \$950,000 to \$7 million, as well as a penthouse offered at \$14.5 million. These units have been available for occupancy since 2008 and as of October 2010, only two have been sold for \$1.9 and \$2.1 million. Reportedly, there was more interest in pre-sales of these units but development delays, followed by the market downturn, has apparently significantly curtailed sales volumes.

Full absorption of the remaining Tower units could take five or more years which would mean that complete absorption of all units at the Carnegie Abbey will have extended over roughly a 15-year time period. However, the project’s developer has approved plans for two additional residential products on the site including 36 attached, 2½ story, townhouse condominiums and two, 12-unit condominium buildings with flats of 1,500-1,800 square feet. The townhouses are anticipated to be brought to market in 2011-12 for under \$1

³ 2006 North End Master Plan, Newport, RI, Appendix B, Economics and Market Analyses – Working Paper

million. Construction of the flats would be delayed until more Tower units are sold with an anticipated price range of \$900,000-\$1.6 million.

Two other mid-level to high-end housing projects have been proposed for introduction into the Portsmouth market by the developer of Carnegie Abbey which are in various stages of permit review and approval. These include Weaver Cove (aka The Hood property) and the Newport Club (aka the Weyerhaeuser property or Arnold Point), both of which will offer waterfront and water views of the Bay, as well as marina access and other amenities. The Weaver Cove property lies just south of the Melville marina on land formerly owned by the Navy on Narragansett Bay. The 43 acre site straddles Defense Highway with 35 acres of waterfront and 8 upland acres. The site has been approved for 988 housing units, 100,000 square feet of commercial space, a hotel, and a 1,400 slip marina. The housing would be a combination of 510 market-rate rental housing on the upland area, which may include 100 units priced for low/moderate income households, and 478 for-sale condominium flats along the waterfront. The flats would be situated above first-floor commercial space. The developer anticipates construction of the apartments in 2011, along with the hotel, boardwalk and some marina slips as the first phase. Apartments would be 900-1,400 square with rents starting around \$1,000/month. The condominiums would be 1,100-1,500 square feet with offering prices of \$400,000 to \$1 million. No operator has been identified as yet for the hotel but is anticipated to be a "boutique" style facility. Construction of the marina would also occur in several phases with a combination of owned/leased slips.

The Hood property has required remedial clean-up for a variety of hazardous materials, a process which is only partially completed. Complete remediation may take one to two years or more with additional project construction being phased as possible around this process, as well as changing market conditions. The developer estimates that clean-up has cost an average of \$70,000 per acre thus far.

The second partially approved project, the Newport Club, is a 126 acre site to the north of the Carnegie Abbey development with frontage on Narragansett Bay. This project is approved for 152 units including 106 single family lots and 48 condominium flats in a 2-3 story building. Lots are anticipated to sell for one to two million dollars, the high end being waterfront locations. Sale prices for homes on these lots are expected to be slightly lower than comparable units at the Abbey with construction beginning in 2011. Construction of the flats would be a future phase with prices ranging between \$900,000 - \$1.5 million. This facility would also include a 160 slip marina, equestrian center/riding trails, tennis and pool, in a membership environment.

2. Middletown Housing Market

Middletown's housing stock is similar to Portsmouth's in that a majority of the existing, and recently constructed supply, is single family units. The town's housing supply consisted of an estimated 7,871 housing units as of 2009, reflecting the addition 268 units since 2000, based on building permit data. Of these additional units, 252 were single family homes, 6 were duplexes, and 10 were apartment units (Refer to Table III-9). Based on this permit data, the town has absorbed an average of 26 housing units per year

over the past decade. This rate is comparable to Newport’s 21 units per year but well below the 77 units per year constructed in Portsmouth during that time period.

As of 2010, the town had 4,060 single family units (excluding mobile homes) and 300 condominium units. The town also has a fairly large concentration of duplex dwellings which contain approximately 850 units, as well as 150 triplex units. Assessment records indicate that the town had 15 apartment buildings containing 6 or more.

Trends in home sale prices for Middletown between 2000 and 2010 are illustrated in Figure IV-6. Middletown’s housing market has experienced more “moderate” trends than the two other Island communities both in terms of pricing and number of sales. Middletown experienced significant increases in median pricing at the beginning of the decade as did the rest of the Island. From 2000 to 2005, the median sale price of a single family home increased by approximately 16% a year with growth as high as 25%-35% in some years. The total number of sales achieved a high of only 180 in 2000 (as opposed to 240 and 260 in the other towns) followed by a gradual and consistent decline to less than 100 through the third quarter of 2010. The median single family sale price in Middletown peaked at \$375,000, a level that was approximately 12% below the peak in Newport and Portsmouth. After 2005, prices decreased by an average of 4.4% per year through 2009 with a modest 1% increase in 2010 suggesting that, as noted for the other towns, pricing may have reached its low point.

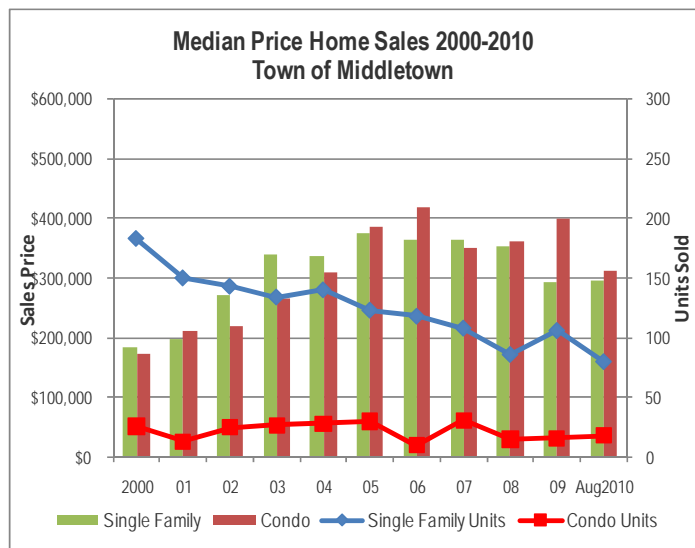


Figure II-6

The high end of the single family market in Middletown for 2010 was \$1.7 million with only four sales exceeding one million dollars (through July), according to the city’s assessment data. This number of high-end sales is fairly typical for this submarket (which generally average 4-6 million dollar plus sales in prior years) although top sales in prior years were observed in the \$3-\$5 million range. New construction sales prices for 2008-2010 were quite erratic ranging from \$115,000 to \$660,000 with an average of \$277,000 based on only six sales. The average construction cost for these units was \$67 per square foot with a range of \$35 to \$115.

The condominium market in Middletown represented a relatively small portion of the housing sales market over the last decade averaging only 11% of total annual sales, or, roughly 20 per year. Like single family homes, condominium prices rose sharply through

the first half of the decade averaging 16% growth per year with a peak price of \$415,000 in 2006. Pricing over the last several years has been erratic, as shown in the Figure, with an average decline of about 6%.

According to the town’s assessment records, only 32 condominiums have been constructed over the last decade, therefore, values for new construction are quite limited. The eight condominium sales recorded between 2008-2010 had an average sale price of \$413,000 with a high end of \$548,000. The units are typically townhouse style units with 1,700-2,000 square feet of living area and an average sale price of \$109 per square foot.

3. Newport Housing Market

The City of Newport’s housing stock included approximately 4,395 single family homes and 1,950 condominium units as of 2010, based on the city’s assessment records. Over the course of the last decade (2000-2010), residential building permits were issued for a total of 212 housing units, an absorption rate of about 21 units per year (Refer to Table III-9). This was a comparable rate of construction to Middletown’s 26 units per year but considerably below the 77 units absorbed annually in Portsmouth. Of the total units constructed in Newport during this time period only 57% were single family homes, a notably lower percentage that both Portsmouth (83%) and Middletown (94%), a fact that illustrates the attractiveness for multifamily housing within this submarket of the study area. In addition, the number of duplexes experienced a small surge in 2008/09 in Newport with the construction of 58 units. These units were related to the Newport Heights housing redevelopment project.

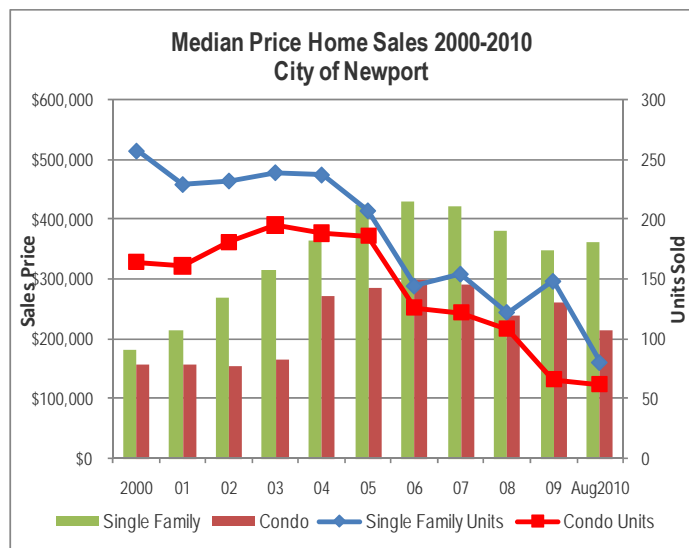


Figure II-7

The for-sale single family home sales market in Newport exhibited the most activity within the study area averaging 186 sales annually over ten years, slightly higher than Portsmouth’s 177 average and well above Middletown’s 124. Despite this higher activity, Newport, like the entire study area, experienced a dramatic decline in single family sales over the decade, from a high of over 250 in 2000 to about 75 through the first three quarters of 2010, as shown in Figure IV-7.

The increase in the median price of single family homes in Newport averaged approximately 18% per year for 2000-2005, exceeding the growth rates in Portsmouth and Newport, as illustrated in Figure IV-7. Home sales prices peaked around \$425,000 in 2005, remained flat for several years, then experienced an average annual loss of 6.8%

through 2009. As of September 2010, median sales value increased 3.7% over 2009 to about \$350,000, against a return to declining sales.

The high end of the single family market for 2010 was \$2.1 million with only four sales exceeding one million dollars (through July), according to the city's assessment data. This is down from prior years when million dollar plus sales averaged 8-12 per year with top sales ranging between \$3-\$5.5 million. New construction sales prices for 2008-2010 were quite erratic ranging from \$48,000 to \$2.0 million with an average of \$640,000 based on only six sales. The average construction cost for these units was \$123 per square foot with a range of \$31 to \$273.

In Newport's condominium market, sales were relatively robust between 2000 and 2005 averaging around 180 per year. Median pricing surged between 2003-04 by over 60% but this represented an anomalous increase with annual growth in other years averaging 6% or less. This average annual growth rate continued through 2007 with sales ranging between \$270,000 and \$290,000. The last three years of the decade (2008-10) saw some erratic median pricing with an average annual decline of about 9% and a range of \$212,000 - \$240,000. The number of sales also dropped during this time but may have leveled off as of 2010.

High-end condominium sales in 2010 were relatively limited with one at \$7.6 million and one at \$1.8 million. However, condominiums in this submarket tend to be smaller in size and thus, have higher per square foot sales values than in Portsmouth and Middletown. The average square foot values in Newport were \$280 (for sales under \$1 million) as compared with \$116 in Portsmouth and \$109 in Middletown. Over the last five years, Newport condominium sales in this price range have averaged between \$260 and \$307 per square foot. Sales over the million dollar threshold have square foot values that are two and three times this range (\$500-\$900). There has been little in the way of new condominium construction in Newport over the past several years, according to assessment records. For the sale of seven new units recorded since 2008 the average per square foot cost was \$604.

D. Land Sales

Recent land sales in the Town of Portsmouth were comprised primarily of previously subdivided house lots with very few large land parcels being sold and/or purchased, according to assessment records. From 2008 to 2010 only 11 qualified residential lot sales were recorded, all of which were under three acres in size. The average value per acre of these sales was \$708,000. This price per acre is generally representative of values that were achieved through the peak of the market (2004-07) where per acre values ranged from \$680,000 - \$890,000. In 2008, a single, half-acre water view lot sold at Carnegie Abbey for \$1.5 million representing a per acre value of approximately \$2.5 million. Waterfront lots of this size can reportedly sell for up to 25% more.

The only recently sold, unimproved residentially designated parcel in Portsmouth of any size was a 47 acre property which sold in 2007 for \$770,000, approximately \$16,000 per acre.

This property is a back lot located in the central part of the Island off East Main Road with some frontage on St. Mary's Pond.

Recorded residential land sales in Middletown also included only small lots of three acres or less. The 10 qualified sales over the last several years averaged 0.89 acres in size with an average sale price of approximately \$680,000. This represents an average price per acre of approximately \$1.3 million.

E. Rental Market

The change in median rental costs for the study area between 1990 and 2000 is illustrated in Table IV-2. The data indicates that rents increased by an estimated 10% during this time period, from \$561 to \$617 monthly. However, this overall average increase in the study area was depressed by Portsmouth's marginal 2% growth rate, in comparison to increases of over 11% and 12% respectively, for Newport and Middletown. These increases were more commensurate with countywide growth rate of 11.4% during this time period. Portsmouth has the smallest rental market of all three communities and added few new units during this time period. This lack of new product was likely a major contributing factor to the more marginal increase in rents recorded by the census.

| | Middletown | Newport | Portsmouth | Study Area | Newport Cnty |
|----------|------------|---------|------------|------------|--------------|
| 1990 | \$615 | \$525 | \$606 | \$561 | \$551 |
| 2000 | \$694 | \$586 | \$618 | \$617 | \$614 |
| Change | \$79 | \$61 | \$12 | \$56 | \$63 |
| % Change | 12.8% | 11.6% | 2.0% | 10.0% | 11.4% |

Source: US Census

A summary of recent (2009-10) lease rates for rental properties in the study area is presented in Table IV-3. These rates were compiled by HousingWorks RI from various listing sources and adjusted to include allowances for utilities. For the Island as a whole, there were a total of 128 property listings observed, almost half of which were located in Newport. There is quite a large variation in the lease rates from their low to high range. This reflects the fact that there is a broad variety of product available ranging from converted outbuildings, to garden apartments, to duplex and single family dwellings. Location will also affect priced with units readily accessible to the waterfront commanding considerably higher rates.

The average lease rate for a two bedroom rental was \$1,311 for the study area with a broad range of \$849 to \$2,754. The highest observed rates for this size unit were found in Newport where the average adjusted lease rate was \$1,424.

Although there is no consistent variation in the lease rates between the three communities, Newport's rates do tend to be somewhat higher, on average, than those evident in Middletown and Portsmouth.

Rental rates in the study area have escalated considerably over the last decade, based on estimates from the Census Bureau. Median contract rent for Newport County increased by 52% between 2000 and 2008 from \$689 to \$1,045. In contrast, rents increased by only 11% over the prior decade of 1990-2000. Similarly, the City of Newport's median rental rate increased by 65% over the current decade (from \$646 to \$1,065), versus a comparable 11% increase during the previous decade, based on census estimates. Although estimates are not available for Middletown and Portsmouth it is reasonable to conclude that rental rates have increased at a commensurate percentage in these communities.

Table II-3
Rental Property Lease Rates*
Study Area

| | Bedrooms# | Listings | Low | High | Average | % Study Area |
|-------------------|-----------|----------|----------|----------|----------|--------------|
| Middletown | | | | | | |
| | 0 | 4 | \$ 700 | \$ 800 | \$ 775 | 97% |
| | 1 | 11 | \$ 900 | \$ 1,400 | \$ 1,054 | 100% |
| | 2 | 9 | \$ 950 | \$ 1,104 | \$ 1,095 | 84% |
| | 3 | 4 | \$ 1,419 | \$ 2,019 | \$ 1,844 | 102% |
| Newport | | | | | | |
| | 0 | 7 | \$ 700 | \$ 878 | \$ 809 | 101% |
| | 1 | 19 | \$ 800 | \$ 1,904 | \$ 1,060 | 101% |
| | 2 | 20 | \$ 914 | \$ 2,754 | \$ 1,424 | 109% |
| | 3 | 20 | \$ 1,054 | \$ 2,519 | \$ 1,692 | 94% |
| Portsmouth | | | | | | |
| | 0 | 4 | \$ 700 | \$ 903 | \$ 802 | 101% |
| | 1 | 18 | \$ 700 | \$ 1,304 | \$ 1,020 | 97% |
| | 2 | 10 | \$ 849 | \$ 1,554 | \$ 1,219 | 93% |
| | 3 | 8 | \$ 1,519 | \$ 2,919 | \$ 2,057 | 114% |
| Study Area | | | | | | |
| | 0 | 15 | \$ 700 | \$ 903 | \$ 798 | — |
| | 1 | 47 | \$ 800 | \$ 1,304 | \$ 1,049 | — |
| | 2 | 34 | \$ 849 | \$ 2,754 | \$ 1,311 | — |
| | 3 | 32 | \$ 1,054 | \$ 2,919 | \$ 1,802 | — |

*Includes allowances for utilities
Source: HousingWorks RI

Vacancy rates in the rental market have loosened to some degree over the past decade but still remain relatively tight. As of 2000, the overall vacancy rate for study area town's was 3.6% and only 2.6% in the rental market. Individually, rental vacancy rates were 1.7% in Middletown, 3.8% in Newport, 1.1% in Portsmouth, and 2.2% for Newport County. Estimates from the Census Bureau for 2008 place the City of Newport's rental vacancy rates at 4.8% and 2.7% for the county as a whole. These estimates suggest vacancy rates have increased by only 0.5 to 1.0 percentage points over the decade. This assertion is plausible given the limited amount of multifamily housing construction that has occurred over the decade as illustrated by building permit activity.

F. Housing Costs and Affordability

The issue of housing affordability is one that is regularly raised amongst Aquidneck Island communities. Typically, the higher cost of rental units and home sale prices that have been found on the Island are attributed to the demand placed on the housing supply by affluent, out-of-state buyers who purchase second homes, as well as the seasonal tourist influx, that is created by the tourism and recreational components of the local economy. This has led to concerns that higher housing prices will limit economic development because Island businesses will not be able to attract employees who can afford the higher housing costs with local wage rates.

In Rhode Island, "Affordable Housing" means residential housing that has a sales price or rental amount that is within the means of a household that is moderate income or less. In the case of dwelling units for sale, housing that is affordable means housing in which principal, interest, taxes, and insurance constitute no more than thirty percent (30%) of the gross

household income for a household with less than 120% of area median income, adjusted for family size. In the case of dwelling units for rent, housing that is affordable means housing for which the rent, heat, and utilities constitute no more than thirty percent (30%) of the gross annual household income for a household with eighty percent (80%) or less of area median income, adjusted for family size. The state has set a 10% threshold as the minimum amount of affordable housing each community should have as a proportion of its housing supply.

The cost of housing within the study area in relation to incomes is illustrated in Table IV-4. In 2000, the percentage of renter occupied units exceeding the 30% threshold was approximately 32% for both the study area and Newport County, but less than the state's (36.6%). In fact, the study area's overall rate was primarily a reflection of greater percentages of Newport households (34.5%) exceeding this threshold while Middletown and Portsmouth were considerably lower at approximately 28% of total households. However, households under 25 and over 65 years of age in particular, tended to exceed the 30% threshold in most locations.

Table II-4
Housing Costs Exceeding 30% of Monthly Income by Age of Householder in 2000

| | Gross Rental Costs | | | | | | | Total |
|--------------|-------------------------|----------|----------|----------|----------|----------|-------|-------|
| | 15 to 24 | 25 to 34 | 35 to 44 | 45 to 54 | 55 to 64 | 65 to 74 | 75+ | |
| Middletown | 18.6% | 20.9% | 24.8% | 28.8% | 35.1% | 51.8% | 49.7% | 28.7% |
| Newport | 46.2% | 25.0% | 33.3% | 32.2% | 41.4% | 48.3% | 34.3% | 34.5% |
| Portsmouth | 34.5% | 24.0% | 29.1% | 15.6% | 24.6% | 54.4% | 36.8% | 28.5% |
| Study Area | 40.7% | 23.9% | 29.8% | 28.9% | 36.5% | 50.1% | 40.1% | 32.0% |
| Newport Cnty | 42.9% | 23.1% | 28.7% | 29.5% | 33.0% | 50.4% | 40.2% | 31.8% |
| Rhode Island | 48.3% | 31.7% | 32.1% | 30.9% | 35.1% | 43.7% | 46.3% | 36.6% |
| | Selected Mortgage Costs | | | | | | | Total |
| | 15 to 24 | 25 to 34 | 35 to 44 | 45 to 54 | 55 to 64 | 65 to 74 | 75+ | |
| Middletown | 0.0% | 31.0% | 31.4% | 23.4% | 23.3% | 23.2% | 28.4% | 26.2% |
| Newport | 0.0% | 19.6% | 27.0% | 31.6% | 25.7% | 20.5% | 36.3% | 28.1% |
| Portsmouth | 46.7% | 49.9% | 22.9% | 23.8% | 17.2% | 23.4% | 31.5% | 25.3% |
| Study Area | 14.6% | 36.7% | 26.9% | 25.7% | 21.4% | 22.5% | 32.7% | 26.5% |
| Newport Cnty | 37.3% | 33.1% | 26.8% | 23.9% | 23.2% | 22.7% | 32.2% | 26.1% |
| Rhode Island | 44.3% | 27.9% | 26.2% | 19.6% | 22.5% | 24.1% | 30.1% | 24.5% |

Source: US Census

For homeowners, 26.5% of study area households had housing costs exceeding the 30% of income level. Once again, this rate was equivalent with the county's (26.1%) but slightly above the state's (24.5%). Newport's homeowners also tended to pay more of their incomes toward mortgage costs (28.1%) but there was less disparity with Middletown (26.2%) and Portsmouth (25.3%) in comparison to the rental market. Younger households (25-34) were more likely to exceed the threshold, particularly in Portsmouth (49.9%), as well as the very elderly over age 75 (32.7%).

Recent estimates for 2008 from the Census suggest that the number of households paying in excess of 30% of their monthly incomes for housing has increased notably. American Community Survey (ACS) estimates for 2008 suggest that this indicator has increased to 40% of renters and 36% for owner occupied units within the county. Currently, it is estimated that approximately 6,700-7,000 households in the study area pay in excess of 30% of their income for housing costs. These findings indicate that growth in household income has not kept pace with increases in housing costs throughout the decade. These impacts may have been moderated to some degree over the last several years, particularly in the for-sale housing market, given the drop in prices discussed previously in this analysis.

Table IV-5 presents a comparison of 2009 estimated household income for study area communities to the maximum rental or home purchase costs that would not exceed 30% of the median income for households. Purchase price costs are based on typical 30-year mortgage costs of principal, interest, taxes and insurance. Overall, the cost of rental housing appears to be more out of balance with incomes than owner occupied units. A condition which is likely a reflection of the demand created by the seasonal housing market.

| Study Area | Housing Costs of 30% of Income | | | | | | | | | | |
|------------|--------------------------------|-----------|-----------|------------------------|------------|-----------------|----------|----------|--------------------|------------|------------|
| | Household Income 2009 | | | 2009 Median Sale Price | | Max Rental Cost | | | Max Purchase Price | | |
| | 80% | Median | 120% | Single Family | Condo | 80% | Median | 120% | 80% | Median | 120% |
| Middletown | \$ 50,571 | \$ 63,214 | \$ 75,857 | \$ 293,500 | \$ 398,750 | \$ 1,264 | \$ 1,580 | \$ 1,896 | \$ 200,000 | \$ 250,000 | \$ 305,000 |
| Newport | \$ 41,074 | \$ 51,343 | \$ 61,612 | \$ 347,000 | \$ 261,250 | \$ 1,027 | \$ 1,284 | \$ 1,540 | \$ 170,000 | \$ 215,000 | \$ 260,000 |
| Portsmouth | \$ 59,693 | \$ 74,616 | \$ 89,539 | \$ 285,000 | \$ 298,500 | \$ 1,492 | \$ 1,865 | \$ 2,238 | \$ 245,000 | \$ 305,000 | \$ 370,000 |

Source: DemographicsNOW and RKG Associates

From a homeownership perspective, this table illustrates that households in Middletown and Newport would have a more difficult time finding affordably priced housing, based on the 80%-120% thresholds established by the state. For example, households in Middletown making 80% of the median could afford a maximum purchase price of \$200,000 while the median price of single family home sales was \$293,500. Only households with incomes approaching the 120% threshold making \$305,000, could reasonably afford to purchase a house at this price. In Newport, the disparity is greater where even households with incomes at 120% of the median (\$61,612) could not afford the median priced single family home (\$347,000) while the median condominium price might just be within reach (\$261,250). In fact, households in Newport making the median income would have a difficult time finding reasonably affordable housing in any of the Island communities. In Portsmouth, where incomes are the highest on the Island, households between 100% - 120% of the median could reasonable afford both the median single family home and condominium price, but those between 80% - 100% would have fewer alternatives.

An analysis of rental costs and affordability is somewhat less conclusive since rental data provides only a limited perspective on potential availability of units by number of bedrooms. From a general perspective, households in Middletown and Newport that earn 80% of the median (\$1,264 and \$1,027 monthly) could not reasonably afford the average-priced two bedroom unit on the Island at \$1,311 per month (refer to Table IV-3). In other words, half of the households in these towns would have difficulty renting a two-bedroom unit within the study area. Households at 120% of the median in these towns should more reasonably be able to afford the average-priced rental unit of two bedrooms or smaller. Still, there appears to be a gap in affordability for households between 80% and 100% of the median in Newport. Households in Portsmouth should be reasonably able to accommodate the average rental costs for most sizes of units presented in this sample.

It should be noted that based on the state's most current estimate of affordable housing units as a percentage of total housing in 2009, Newport has the highest percentage at 16.5%. Middletown is just under the identified 10% threshold at 9.2%, while Portsmouth's proportion stands at 3%.

III. COMMERCIAL/INDUSTRIAL MARKET ANALYSIS

A. Introduction

This chapter presents an analysis of the Island's non-residential real estate market with specific focus on the office, industrial, retail, and hotel components. The information presented includes a review of historical trends with regard to absorption, types of product that exist in the market, lease rates for each of the three study area communities. A forecast for potential future demand is also provided for the study area as a whole, based on these historical trends combined with anticipated employment growth, as well as assumptions regarding when economic conditions may begin to improve from their current, atypical levels.

B. Summary of Major Findings

a) Office & Industrial Markets

- The Aquidneck Island's market contains approximately 2.0 million square feet of private sector office space and 1.3 million square feet of industrially classified space, based on a review of local assessment data. These figures do not include the Raytheon facility in Portsmouth which contains an additional 400,000 square feet of office and 360,000 square feet of industrial/R&D space, nor any facilities located on Navy property.
- Over the past decade (2000-2010), the Island has added an estimated 53,000 square feet of office and 110,000 square feet of industrial/warehouse space. This represents an average annual absorption of 5,300 square feet of office and 11,000 square feet of industrial and warehouse space amongst all three communities. It is likely that additional space will have been added to the inventory through renovation of existing structures, particularly in the Newport submarket, but actual square footage cannot readily be determined.
- These figures, as well as discussions with area professionals, indicate relatively weak demand in both sectors, and little willingness to undertake speculative building. However, estimated vacancy in the office market is about 12%, a rate which is relatively healthy overall. In the industrial market, despite the absorption of 110,000 square feet of industrial space, area brokers indicate there is little demand for "true" manufacturing space. Anecdotal information suggests that a good portion of the industrial inventory has been transitioned by landlords to accommodate a variety of service, office, and other non-industrial users. This trend would also contribute to lower demand in the office market.
- Historical employment data for the region shows strong growth in the business and professional sectors, as well as the financial sectors, which are primary drivers of office market demand. However, average business size is relatively small which translates into demand for smaller user spaces. This is particularly true in the Newport office market with most offices less than 2,000 square feet in size and average office-related businesses having five employees. Middletown's office market

offers larger spaces, although half are less than 10,000 square feet, and has an average business size of 18 employees in office-related businesses.

- Employment in the Professional and Business Services sectors in Rhode Island is projected to increase by 11.5% between 2009-2014, an average annual growth of 2.2%. However, positive gains in this sector may be delayed until 2012. Newport County has outperformed the state in terms of capturing employment in this sector which suggests that demand for office space on the Island should remain comparable with historic absorption trends for at least the next several years.
- Demand for office space in the study area is reportedly driven, to a large degree, by small, entrepreneurial start-up firms whose proprietors elect to establish a business on Aquidneck Island as part of a broader lifestyle choice.
- Office demand for defense-related businesses on the Island has apparently been tempered by the construction of new on-base facilities over the past decade. Figures are not readily available as to how much construction has occurred within the fenceline; however, area real estate brokers have indicated that these actions by the military have virtually eliminated the need for any larger office facilities for these types of firms, a conclusion that seems to be born out by historic absorption levels.
- There may be some latent demand for new medical office space in the market. However, if said space were available it would likely take tenants from existing, older office space for renters who might prefer to own, according to area brokers. This conclusion is supported by the lack of employment growth in the region's health care sector over the decade which lagged behind state level growth rates.
- The Island's marine trades sector remains a relatively small, but important component of the overall economy. Like many industry sectors, employment growth in the marine-related businesses has been tempered by recent economic conditions. Some expansion is still evident but has been reduced to 10%-15% of previously anticipated employment targets which may now take 5 or more years to achieve. In the Melville area, development of the "backyard" property will reportedly accommodate demand for the foreseeable future, according to business representatives. New building space constructed on this property may be as much as 40,000 square feet of 3-4 story structures for boat construction/repair with some ancillary office space. Present expectations are that this would support foreseeable expansion needs of area businesses, although additional boat storage may still be needed. This could include in-season, dry-boat storage (rack style), as well as winter storage.
- Aside from the expansion needs that will be accommodate on the backyard property, the ability to find suitably trained employees to fill existing job vacancies is a problem. This deficiency has been identified by the state, as reported in the baseline conditions analysis, and is confirmed by area businesses. There are a lack of training/education facilities to support the marine trades in Rhode Island, as well as elsewhere in New England.
- Lack of sewer capacity, or the inability to obtain higher flow rates in the existing infrastructure and treatment facilities, could be a significant limitation of future development potential on the tank farm properties.

- There may be some limited demand for small industrial space in the market place based on the lack of listed leasable properties. This space might be of the contractor/tradesmen variety for firms with a few employees that do repair or light manufacturing and also require some warehouse space. Development of this type in the Melville area could support ancillary businesses associated with the marine facilities but it may draw from existing tenants on the Island, located in older facilities, that want to upgrade or be in closer proximity to the marina.
- Recent demand for office space in the study area has largely been driven by smaller firms requiring limited square footage, typically less than 2,000 to 3,000 square feet. However, if a business requiring larger amounts of space (e.g. 15,000 square feet or more) were to express interest in locating within the study area, the options available to such a user would be limited.

b) Retail Market

- In the retail market, estimates suggest that local retailers are capturing 106% of the total demand indicating the county is a net importer or retail sales. However, a major factor in this capture rate is related to visitor and tourism activity which drives up demand in for food/beverage (186% capture) and eating/drinking establishments (156% capture).
- It is estimated that the Island could support an additional 70,000 square feet of retail development. The largest portions of this space could potentially include 10,500 square feet of department store space and 21,500 square feet of general merchandise retail. Additionally, if individual demand in the building materials and hardware/home improvement categories were combined, it could potentially support 15,500 square feet of development.

c) Hotel Market

- The greater Newport/Bristol County hotel market contains approximately 3,900 rooms in 184 lodging facilities. About 95% of these rooms (3,750) were located in Middletown and Newport.
- Based on a sampling of upscale lodging in the market, occupancy rates averaged around 62.3% between 2004-2007 but dipped to 57.6% in 2008-09. The average occupancy overall for this six year time period (2004-09) was about 60%. However, as of September, 2010, the year-to-date occupancy showed signs of improvement, having achieved 63%, which represented a 7.7% increase year-to-year (September to September).
- Revenues also showed some signs of rebounding from the recessionary conditions. Total revenues for this upscale segment averaged about \$51.4 million over six years, having achieved a high-point of \$57.7 million in 2007. Despite declines in 2008-09, revenues as of September, 2010 had increased by 12.5% over the previous year's level. Some of this current year increase is related to increases in rates suggesting real growth in revenues was about 8%.

- Overall, this analysis indicates that the bottom of the market may have been reached and that occupancy appears to be returning to historic levels that preceded the recession. However, long-term occupancy rates do not achieve the 65%-70% threshold that typically signals a potential demand for new construction.
- Existing occupancy rates do not necessarily preclude reuse of the Navy hospital site for a new, high-end hotel if the facility offered something unique in the marketplace and was appropriately priced. This site would, perhaps, offer guests a more quiet environment than a location in downtown Newport. However, this location may also be just far enough removed from central tourism activities to warrant special development demands necessitating the creation of a full-service, resort facility that offers an array of on-site amenities.
- A mixed use development that combines an upscale hotel with higher-end condominium units could also serve to make redevelopment potential more enticing to private developers. These residential units, combined with the site's potential for construction of a marina, would make it an attractive for seasonal residential units and also help to support increased hotel occupancy levels from boaters.
- Future improvements proposed as part of the North End Master Plan, which include improved roadway and bridge access to the Pell Bridge, as well as the creation of new development sites around the reconfigured road network, would also help to support such reuse of the hospital site as a hotel. If these changes occur it could create more of a redevelopment catalyst in the future. However, unless tourism numbers grow in the future, construction of a new hotel would not be without risk and would likely result in the redistribution of visitors from existing facilities within the study area.

C. Portsmouth Office/Industrial Trends

Portsmouth is the smallest of the Island's three office submarkets but contains the largest supply of industrial building space. The town hosts the Raytheon facility which contains approximately 768,000 square feet, in six buildings, on 137 acres. This space includes 404,000 square feet of office, a 145,000 square feet R&D building, and 220,000 square feet of light manufacturing/pre-engineering space, based on the town's assessment records. These facilities were constructed during the 1960s and 1980s. Raytheon reportedly has available space within existing facilities due to employment downsizing that occurred earlier in the decade. Other concentrations of development are located at the town's business park situated at the junction of Route 24 and West Main, as well as the marine oriented businesses in the Melville area.

Construction of Portsmouth's business park was initiated in the late 1970s with its most recent building constructed in 2005. The park is 52 acres

Table III-1

| Portsmouth Business Park | | | |
|----------------------------|---------------------|----------------------------------|---------------------|
| Company | Estimated Employees | Company | Estimated Employees |
| A2B Tracking Solutions | 13 | Newport Tent Company | 20 |
| Belgravia Imports | 7 | Northeast Diving Services | 2 |
| bioprocessH2O | 10 | Northeast Manufacturing | 4 |
| Garda - Laser Performance | 16 | Park Place Holdings | 3 |
| Global BSI | 2 | Peak Fitness | 6 |
| High Point Styling Salon | 5 | Providence Journal - Circulation | 6 |
| Island Self Storage | 2 | Ronslan International, Inc. | 7 |
| MDF Powder Coating Systems | 5 | Techteam Government Solutions | 7 |
| Mikros Technologies | 2 | Vanguard Sailboats | 59 |
| Newport County Propane | 1 | Vulcan Catalytic Systems | 5 |
| | | Weissenfels USA Inc | 4 |

Source: RIEDC

in size with only a few acres of developable land remaining. Presently, there are eight buildings in the park containing 21 tenant spaces in a total of 282,000 square feet. Buildings range in size from 6,000 square feet to 84,000 square feet with an average tenanted space of approximately 14,000 square feet. There is an additional 44,000 square feet of self-storage warehouse buildings as well. The park's building space is predominantly a combination of warehousing and light manufacturing with supporting office. The tenants at the park represent a mix of industry sectors with some clustering evident in several areas. Of the 19 occupied spaces, five are engaged in the production, sales and service of boats and/or other marine-related activities, several manufacture hardware and machinery, a few are high-tech involved in research or computer and electronics technologies, with the remainder involved in transportation and warehousing (see Table V-1).

In the Melville marina area there are approximately 30 businesses involved in the manufacturing, maintenance, operation, and sale of recreational boats and other marine

related products and activities (see Table V-2). In fact, marine-related businesses represent a major industry cluster in Portsmouth with some 45 businesses supporting approximately 570 employees, based on a recently conducted survey. This level of employment represents about 10% of the town's total job base. Real estate and available building space is in short supply around the Melville basin

Table III-2

| Melville Marine Area | | | |
|--------------------------------------|---------------------|---|---------------------|
| Company | Estimated Employees | Company | Estimated Employees |
| Al Fresco Composites, LLC | 4 | Newport R & D, Inc. aka Garry Hoyt | 2 |
| Cay Electronics | 11 | Newport Yacht Management | 2 |
| Custom Navigation Systems | 4 | North Sails RI | 15 |
| De Paul Diesel Service, Inc. | 10 | Ocean Link, Inc. | 7 |
| East Coast Yacht Sales | 3 | Oyster Harbors Marine | 1 |
| East Passage Yachting Center | 22 | Perini Navi USA | 4 |
| Eastern Yacht Sales | 3 | Rig Pro & Southern Spars & Sparcraft | 11 |
| Fontaine Design Group | 4 | S & S Fabric Products | 15 |
| Friendship Yacht Company | 1 | Ship's Store & Rigging | 4 |
| Hunt Boat Builders | 26 | Sonic Works | 5 |
| Kiwi Marine Services, Ltd. | 1 | Tartan C & C Yachts of RI | 1 |
| Life Raft & Survival Equipment, Inc. | 11 | Ted Hood Yachts & Portsmouth Marine Co. LLC | 8 |
| Loughborough Marine Interests | 2 | The Hinckley Company Lotloe Harbor Yachts | 120 |
| McMillen Yachts | 15 | US Sailing Association | 35 |
| Melville Grille | 11 | Waterline Systems, LLC US Watercraft | 20 |
| Naiad Inflatables of Newport | 5 | Wellington Yacht Partners | 1 |
| New England Boatworks | 88 | | |

Source: RIEDC

which has lead area businesses to pursue acquisition of land owned by the Navy that lies in the heart of the marina area. Acquisition of this "back yard" area, a 30 acre parcel in the midst of the existing boat works, has been underway for the better part of a decade. Reportedly, only about 15 acres of the site will be readily useable due to parcel configuration and site contamination which will not be remediated. According to property representatives, this additional acreage will allow for planned expansion of existing businesses presently operating at the marina which might include two new buildings with as much as 40,000 square feet of building space. These would likely be 3-4 story, steel warehouse-style buildings for boat manufacture and service, with loft space for office use. Additional site activities would include a travel-lift pier for moving boats in and out of the water, as well as some indoor/outdoor boat storage space. It was anticipated that this expansion would accommodate an additional 200-300 employees for area businesses which were expected to be hired relatively soon when the initial land acquisition process began around 2000. While this hiring level is still expected to be a long-term target, short-term hiring goals are presently at about 10%-15% of those levels. Initial construction is anticipated in 2011, according to

property representatives, if final approvals can be obtained from federal and state agencies regarding remediation and property transfer proceedings.

Portsmouth's office market is comprised of approximately 190,000 square feet of building space in some 45 buildings. This figure does not include Raytheon which, as noted above, supports an additional 404,000 square feet of office space at its secured, campus-style facility. Portsmouth's office market is typified by smaller structures, including 14 office condominium spaces ranging in size from 500 to 24,000 square feet with a median of approximately 2,400 square feet. Over the past decade, new construction in the town's office market has been moderate with approximately 34,000 square feet of absorption between 2000-2010 through the addition of six buildings. It has reportedly taken several years to obtain 85% occupancy in one new 10,000 square foot office building, indicating relatively low tenant demand with secured spaces typically less than 1,000 square feet in size.

The town has approximately 785,000 square feet of building space in some 80 buildings that are categorized as industrial structures in the assessment records. This total does not include the 360,000 square feet of comparable space located at the Raytheon facility. Almost 315,000 square feet (35%) of the town's inventory is warehouse space, 410,000 square feet of manufacturing space (50%), 40,000 square feet of garage space, and 20,000 square feet of industrial condominiums which are largely dedicated to office uses. Since 2000, the town has absorbed approximately 133,000 square feet of new industrial space (in 14 buildings averaging 10,000 square feet), an average of 13,300 square feet per year, much of it being warehouse structures.

Table V-3 presents a representative sample of available properties listed for lease in Portsmouth. As shown, only a little over 7,000 square feet of office space was offered at four property locations. The average size of available space was about 700 square feet with an average lease rate of \$14.45/sq. ft.

| Location | Available Sq. Ft. | Lease Rate SF/Year | Type of Space |
|-------------------------------|-------------------|--------------------|-----------------------|
| 1676 East Main Road | 325 | \$12.50 | Office Building |
| Old Almy House | 550 | \$16.36 | Office Building |
| 1676 East Main Road | 580 | \$12.41 | Office Building |
| 1676 East Main Road | 590 | \$12.20 | Office Building |
| Old Almy House | 650 | \$18.46 | Office Building |
| Old Almy House | 719 | \$16.69 | Office Building |
| Old Almy House | 776 | \$18.56 | Office Building |
| 14 Regatta Way | 900 | \$13.33 | Office Building |
| 1676 East Main Road | 905 | \$8.95 | Office Building |
| New Professional Office Space | 1,200 | \$15.00 | Office Building |
| Subtotal Office | 7,195 | \$14.45 | Average |
| 207 High Point Avenue | 2,812 | \$9.50 | Industrial Flex Space |
| 207 High Point Avenue | 2,788 | \$9.50 | Industrial Flex Space |
| 207 High Point Avenue | 5,412 | \$9.50 | Industrial Flex Space |
| Subtotal Industrial | 11,012 | \$9.50 | Average |
| Source: Loopnet | | | |

Only one industrial property was listed, a flex space building located at the business park where 11,000 square feet is available at \$9.50/sq. ft.

D. Middletown Office/Industrial Trends

Middletown has a substantial base of office and industrial space within the community, much of which is concentrated in the town's three business parks. These parks were generally established in the 1980s and 1990s, the period when most of the existing buildings were constructed. The three parks include the Aquidneck Corporate Park, Newport Corporate

Park, and Enterprise Center. The Aquidneck Park has recently undergone approximately \$1.3 million in infrastructure renovation that included upgraded roadways, drainage, utilities, and landscaping, in an effort to maintain competitiveness within the marketplace. Table V-4 lists existing tenants at the park.

Presently, the town has approximately 1.2 million square feet of office space in 74 properties, which includes financial, professional, and R&D buildings, as identified in the assessment records. User-occupied spaces range in size from less than 1,000 square feet up to 155,000 square feet. The majority of properties have less than 10,000 square feet (55%), 20% have over 30,000 square feet, with the remaining 25% between 10,000-30,000 square feet.

Table III-4

| Aquidneck Corporate Park | | | |
|----------------------------------|---------------------|---|---------------------|
| Company | Estimated Employees | Company | Estimated Employees |
| AG Edwards | 5 | Moore, Virgadamo & Lynch, LTD | 9 |
| Avid Airline Products of RI | 10 | Newport County Community Mental Health Center | 150 |
| BAE Systems | 29 | Newport County Regional YMCA | 265 |
| BBN Systems & Technology | | Newport Hotel Group | 15 |
| BCR Diagnostics | 2 | Northeast Engineer & Consultants | 5 |
| Blackstone Caterers | 150 | PDQ Printing & Copying, Inc | 4 |
| Bonnier Marine Group | | Plantation Catering of Newport, Inc | 9 |
| Child Family Services | 280 | Progeny Systems Corp | 3 |
| Computer Sciences Corp | 20 | Research Engineering & Manufacturing Inc | 10 |
| Digital Systems Sciences | | Rite Solutions | 120 |
| DPS Sporting Club Development Co | | SAIC Enterprise Solutions | |
| Harken East | | SEA Research Center | |
| Hood Sailmakers | 14 | SEA Wave | 20 |
| Kahn, Litwin, Renza & Co, LTD | 1 | SeaView Inn | 20 |
| KVH Industries Inc | 228 | Smiths Detection-Live Wave Inc | 11 |
| Kyran Research Assoc., Inc | 31 | Systems Engineering Associates Corporation | 300 |
| Lang Naturals, Inc. | 20 | Telecom Installation Services | |
| Legal Management Services | 6 | TowerStream | 10 |
| Linear Title & Closing, Ltd. | | Valley Community School | |
| Marine Safety International, Inc | | Vectrix | 10 |
| Mc Laughlin Research Corp | 240 | Wilcox Crittenden | 2 |

Source: RIEDC

Little new construction has occurred in recent years with 13,300 square feet recorded over the last decade and no new construction since 2005, based on assessment data.

Industrial building space totals approximately 477,000 square feet in 80 properties. More than half of these properties are smaller, industrial condominium spaces, many of which are located in the Tradesmen Center building situated at the airport, as well as the Aquidneck Park facility. Sixty-eight (68) of the town's industrial businesses occupy spaces of less than 10,000 square feet utilizing approximately 156,000 square feet of available inventory. In fact, only five buildings contain over 30,000 square feet illustrating that primary demand from industrial users comes from smaller firms. Demand for additional industrial space has apparently been limited with only 43,000 square feet of new construction, in four buildings, absorbed over the last decade.

A build-out analysis conducted in 2005 for the town's business parks estimated that an additional 370,000 to 460,000 square feet of new construction could be supported on the town's undeveloped park land with the potential for an additional one million square feet of infill development at these facilities. As noted above, little construction has occurred since the report was completed indicating a significant supply of potentially developable land is still available in the market.

Table V-5 presents a representative inventory of office and industrial properties available for lease in Middletown. As shown, there was approximately 143,000 square feet of office space (about 12% of the town's inventory) available at 22 properties. The average asking lease rate was \$14.64/sq. ft. Very few large spaces were listed with the majority under 5,000 square feet. The exception were two Class A spaces of 50,000 square feet for \$11.50/sq. ft. available at Aquidneck Park in the Tech Plaza 4 building which contains a total of 150,000 square feet

Table III-5

Listed For-Lease Office and Industrial Space - October 2010
Town of Middletown

| Location | Available Sq. Ft. | Lease Rate SF/Year | Type of Space |
|-----------------------------|-------------------|--------------------|-----------------------|
| 82 Valley Road | 124 | \$29.03 | Office Building |
| 1100 Aquidneck Ave | 300 | \$20.00 | Office |
| 82 Valley Road | 402 | \$16.42 | Office Building |
| 42 Valley Road | 781 | \$16.90 | Office Building |
| 26 Valley Rd | 924 | \$15.58 | Office Building |
| Iron Gate | 1,000 | \$10.80 | Office Building |
| 575 East Main Rd. Wyatt Sq. | 1,126 | \$14.92 | Office Building |
| 333 Valley Road | 1,295 | \$17.14 | Medical Office |
| 42 Valley Road | 1,297 | \$17.58 | Office Building |
| 936 Aquidneck Avenue | 1,300 | \$12.92 | Office Creative/Loft |
| Easton Pnf Business Center | 1,500 | Negotiable | Office Building |
| 401 West Main Road | 1,525 | \$14.01 | Office Creative/Loft |
| 2 Corporate Place | 2,036 | \$13.95 | Office Building |
| 1272 West Main Road | 2,500 | \$12.00 | Office Building |
| 28 Jacome Way | 2,500 | \$12.00 | Office-R&D |
| 1341 West Main Road | 3,000 | Negotiable | Office Building |
| OTP Building | 3,100 | \$13.00 | Office Building |
| 28 Jacome Way | 5,680 | \$12.00 | Office-R&D |
| 1038 Aquidneck Avenue | 5,920 | \$8.00 | Medical Office |
| TECH 2 | 7,500 | \$13.50 | Office Building |
| Tech Plaza 4 | 50,000 | \$11.50 | Office |
| Tech Plaza 4 | 50,000 | \$11.50 | Office |
| Subtotal Office | 143,810 | \$14.64 | Average |
| 28 Jacome Way | 800 | \$12.00 | Industrial Warehouse |
| 28 Jacome Way | 2,035 | \$12.00 | Industrial Warehouse |
| 20 Silva Lane | 4,000 | \$8.00 | Industrial Flex Space |
| 28 Jacome Way | 4,168 | \$12.00 | Industrial Warehouse |
| Subtotal Industrial | 11,003 | \$11.00 | Average |
| Total | 154,813 | | |
| Source: LoopNet | | | |

Only four industrial properties (three of which were in one building) were identified on the listing service totaling 11,000 square feet and, once again, all less than 5,000 square feet. The average asking lease rate was \$11/sq. ft. Limited availability of these small user industrial spaces may indicate higher levels of demand.

E. Newport Office/Industrial Trends

Newport's office and industrial markets present a notable contrast to those found in the Middletown market. Newport's properties are not located in typical business parks nor does the city have a significant supply of conventional office buildings. Instead, the city's office space is largely comprised of in-town, smaller-scale professional buildings, converted residences, and space on the upper floors of street-level retail businesses. Properties classified as industrial are largely concentrated around the Pell Bridge interchange on Third Street, Halsey Street, and JT Connell Memorial Road. For the most part, industrial properties are comprised of older warehouse-style and manufacturing buildings.

Existing office space totals approximately 730,000 square feet in 146 user spaces (i.e. offices/condominiums within a building), which are located in some 50-60 buildings. The office stock is comprised of three primary components. There are 30 buildings categorized as professional, financial, or other general office buildings which contain almost 300,000 square feet, about 40% of the inventory. These size of these buildings are fairly evenly divided into two categories; 10,000 – 34,000 square feet and less than 10,000 square feet. Another 105,000 square feet are contained 90 office condominiums (14%), almost all of which are less than 3,000 square feet in size. The remaining 325,000 square feet (45%) of inventory area is located in 26 offices over retail stores, also with two prominent size categories (10,000 – 45,000 and less than 10,000 square feet). Some portion of this last category will include the retail square footage.

Based on assessment records, there has been only 16,000 square feet of new construction over the past decade, located in three buildings constructed after 2005. However, Newport’s office market cannot be evaluated solely on the rate of new construction since, as noted above, much of its existing office space is located in existing structures that have been adapted for office use. How much office conversion has occurred cannot be readily determined from available data sources.

Newport’s industrial market includes approximately 320,000 square feet of inventory in some 25 buildings. Five of the structures contain 59 industrial condominium units which brings the total number of user spaces identified in assessment records to 76 (i.e. individual buildings plus condominiums). The 20 individual buildings range in size from 1,000 square feet to 25,000 square feet with 10,000 square feet as the median size. Individual condominiums are, with only a few exceptions, all less than 2,000 square feet in size.

New construction recorded over the past decade totals approximately 13,500 square feet of industrial condominiums built on Connell Memorial Road in 2008. The structure contains 12 units which have an average size of approximately 1,100 square feet each.

Table V-6 presents a representative sample of recently listed office and industrial properties available for lease in Newport. As shown, there were some 30 office

Table III-6

Listed For-Lease Office and Industrial Space - October 2010
City of Newport

| Location | Available Sq. Ft. | Lease Rate SF/Year | Type of Space |
|------------------------|-------------------|--------------------|-----------------------|
| 130 Bellevue Ave | 325 | \$25.85 | Office Building |
| 42 Spring St. | 430 | \$13.26 | Office Building |
| 42 Spring St. | 430 | \$13.26 | Office Building |
| 9-11 Bridge St. | 465 | \$26.17 | Office Building |
| 42 Spring St. | 491 | \$20.77 | Office Building |
| 580 Thames Street | 570 | \$16.84 | Office Building |
| 11 Touro Street | 650 | \$12.92 | Office Building |
| 7 Bowler Lane | 650 | \$12.46 | Office Building |
| 9-11 Bridge St. | 690 | \$25.13 | Office Building |
| 213 Goddard Row | 748 | \$28.88 | Office Building |
| 79 Thames Street | 816 | \$9.56 | Office Building |
| Admirals Gate Tower | 850 | \$17.65 | Office Building |
| 130 Bellevue Ave | 1,000 | \$21.00 | Office Building |
| 304 Thames Street | 1,200 | Negotiable | Office Building |
| 580 Thames Street | 1,452 | \$19.01 | Office Building |
| 9-11 Bridge St. | 1,845 | \$7.80 | Office Building |
| 240 Thames Street | 2,800 | Negotiable | Office Building |
| Admirals Gate Tower | 4,500 | \$12.00 | Office Building |
| Office Subtotal | 19,912 | \$17.66 | Average |
| 494 Broadway | 175 | \$44.57 | Office Creative/Loft |
| 494 Broadway | 175 | \$44.57 | Office Creative/Loft |
| 494 Broadway | 175 | \$27.43 | Office Creative/Loft |
| 28 Pelham Street | 200 | \$19.50 | Office Creative/Loft |
| 28 Pelham Street | 200 | \$27.00 | Office Creative/Loft |
| Music Hall | 268 | \$21.26 | Office Creative/Loft |
| Music Hall | 461 | \$13.02 | Office Creative/Loft |
| 8 Freebody Street | 750 | \$12.80 | Office Creative/Loft |
| 110-112 William Street | 800 | \$26.25 | Office Creative/Loft |
| 8 Freebody Street | 900 | \$21.33 | Office Creative/Loft |
| 110-112 William Street | 1,200 | \$25.00 | Office Creative/Loft |
| 110-112 William Street | 4,482 | \$20.08 | Office Creative/Loft |
| Office/Loft Subtotal | 9,786 | \$25.23 | Average |
| 295 Connell Highway | 800 | \$15.00 | Industrial Flex Space |
| Total | 30,498 | | |
| Source: Loopnet | | | |

properties listed, a portion of which were categorized as perhaps more unique office/creative loft space. Overall, there was almost 30,000 square feet of leasable space identified, which represents about 4% of the city's inventory. The available offerings reflect the smaller sizes typical of the market, as noted previously, with the majority under 1,000 square feet. The average lease rate for general office space was \$17.66/sq. ft. with the specialty spaces, which tended to be even smaller in size, at a higher \$25.23 square foot average.

Only one small industrial flex space property, containing 800 square feet, was identified for lease in on-line listings. This suggests that demand is relatively strong in this component of the market, similar to what was observed in the Middletown industrial market as well.

F. Retail Market Trends

The study area communities have a combined total of approximately 4.0 million square feet of retail building space, based on a review of assessment records. The majority of this inventory is located in Newport which has 2.3 million, followed by Middletown's 1.3 million, and about 450,000 square feet in Portsmouth. Over the past decade, the Island has absorbed approximately 172,000 square feet of new construction in this sector which represents an annual average increase of 17,200 square feet.

In 2009, the approximate 31,000+ households in Newport County had a combined retail spending demand for selected goods and services of \$929.2 million which equates to a demand of \$29,800 per household. Retail sales in Newport County exceeded demand by \$53.3 million, most notably in the food, beverage and eating/drinking sectors. Unmet retail demand, or sales leakage, is most predominant in the general merchandise and hardware/building materials retail sectors. Overall, and for these selected merchandise lines, the retailers in Newport County are estimated to be capturing 106% of the local demand, suggesting that the county is a net importer of retailer sales. However, what is not factored into these sales is the amount of visitor and tourism activity most notably reflected in such categories as the 186% capture rate for food/beverages, or the 153% capture rate for eating/drinking establishments.

A previous study⁴ concluded that, in 2004, the estimated market capture rate for the communities of Newport, Middletown and Portsmouth

Table III-7

Estimated Retail Sales Leakage - 2009
Newport County

| Major Merchandise Line (NAICS code) | Supportable New Retail SF | 2009 Sales Leakage |
|--|---------------------------|----------------------|
| Total Estimated Square Footage/Leakage | 71,368 | \$260,034,170 |
| Motor Vehicle and Parts Dealers-441 | 4,712 | \$12,487,508 |
| Furniture and Home Furnishings Stores-442 | 4,870 | \$14,611,301 |
| Electronics and Appliance Stores-443 | 5,256 | \$18,214,105 |
| Radio, Television, Electronics Stores | 3,279 | \$11,474,931 |
| Computer and Software Stores | 1,570 | \$5,417,784 |
| Camera and Photographic Equipment Stores | 407 | \$1,321,390 |
| Building Material, Garden Equip Stores -444 | 15,507 | \$49,383,000 |
| Food and Beverage Stores-445 | 0 | \$0 |
| Health and Personal Care Stores-446 | 1,531 | \$4,752,425 |
| Clothing and Clothing Accessories Stores-448 | 1,893 | \$7,456,279 |
| Sporting Goods, Hobby, Book, Music Stores-451 | 2,745 | \$6,041,843 |
| General Merchandise Stores-452 | 31,902 | \$132,146,978 |
| Department Stores Excl Leased Depts | 10,452 | \$52,782,161 |
| All Other General Merchandise Stores | 21,450 | \$79,364,817 |
| Miscellaneous Store Retailers-453 | 376 | \$1,024,954 |
| Foodservice and Drinking Places-722 | 2,577 | \$13,915,777 |

Source : Claritas and RKG Associates, Inc.

⁴ The 2006 North End Master Plan – Appendix B Economics and Market Analyses-Working Paper as referencing the Economic and Real Estate Market Analysis, Newport North End Master Plan, April 2006, Bonz & Company

(not necessarily county-wide) was 181% of the local demand. The 2004 study also suggested that the potential for additional retail development to capture sales leakage in those categories where the local market was underserved, amounted to approximately 70,000 square feet. Assuming a 100% capture of the \$260 million in leaked sales, the market could presently support approximately 71,000 square feet of additional development, as presented in Table V-7.

Notable among the estimated additional supportable square footage of retail is the 10,500 square feet for department store(s) and 21,500 square feet for other general merchandise, as well as 2,600 square feet of limited service restaurants, such as fast food. Also, if the building materials and hardware/home improvement categories (three-digit NAICS of 444) were combined into a single project, a potential 15,500 square feet development may be supported. Potential recapture of sales leakage for most other retail categories present a small and fragmented opportunity, such as 450 square feet for a bookstore, or 650 square feet for a shoe store.

G. Hotel Market Trends

The hotel and lodging market for the greater Newport County area is largely concentrated in the City of Newport and the Town of Middletown. Data compiled by the Newport Convention Center and Visitor’s Bureau indicates that, as of July, 2010, there were a total of approximately 3,930 hotel rooms in Newport and Bristol Counties located at 184 lodging establishments. Of this total, about 95% of the rooms were located in Middletown and Newport, as illustrated in Table V-8. The Town of Portsmouth contains an additional 48 rooms at 8 establishments, according to this inventory.

| | Middletown | | Newport City | | Other Locations | | Total | |
|---------------|------------|------------|--------------|------------|-----------------|------------|-------|------------|
| | Rooms | Properties | Rooms | Properties | Rooms | Properties | Rooms | Properties |
| Hotels/Motels | 1,303 | 18 | 1,409 | 15 | 71 | 2 | 2,783 | 35 |
| Inn/B&B | 70 | 15 | 536 | 101 | 115 | 24 | 721 | 140 |
| Timeshare | - | - | 374 | 7 | 51 | 2 | 425 | 9 |
| Total | 1,373 | 33 | 2,319 | 123 | 237 | 28 | 3,929 | 184 |
| % Total | 35% | 18% | 59% | 67% | 6% | 15% | 100% | 100% |

Source: NCC&VB

The data in Table VI-5 illustrates that the supply of hotel/motel rooms in Middletown (1,303) has expanded over the years to a level that is almost equivalent to the Island’s prime tourist destination in Newport which has just over 1,400 rooms. The average size of hotel/motel facilities is larger in Newport at 93 rooms while Middletown’s establishments have 72 rooms on average. However, Newport has a secondary supply of additional rooms at specialty and niche establishments such as Inns/B&Bs and timeshare condominiums that far exceeds what is available at other locations on the Island or elsewhere in the region.

The most recent additions to the lodging inventory include several mid-priced establishments constructed in Middletown over the past decade. These properties are as follows with a combined total of 255 rooms.

| Rooms | Yr Built | |
|-------|----------|---|
| 95 | 2003 | Hampton Inn Suites |
| 43 | 2006 | Quality Inn & Suites Atlantic Beach Hotel |
| 117 | 2000 | Holiday Inn Express |

Tourism is the primary driver for hotel room demand with an estimated 70% of hotel visitors traveling for leisure purposes.⁵ However, business travelers, military-related clients, and visitors to area post-secondary educational institutions also contribute to occupancy of lodging facilities. In fact, according to area professionals, a key reason for the expansion of mid-priced hotel rooms in Middletown has been due to this non-leisure component of the market.

In order to ascertain the market potential for additional lodging facilities in the study area, data gathered by Smith Travel Research (STR), an industry analytical firm, was examined. This data is based on regular surveys conducted by STR with a variety of facilities on the Island and across the country. Some of the key trend indicators used to understand the dynamics of the lodging market include:

- Occupancy Rate – Rooms sold divided by rooms available.
- Average Daily Rate (ADR) – the actual dollar amount paid for rooms
- Revenue Per Available Room Night (RevPar) – total room revenue divided by the number of rooms available (rented or vacant)
- Room Supply and Room Demand – the total room nights available for the year (or other time period) versus number of rooms actually rented
- Revenues – Total room revenue generated from the sale or rental of rooms

There are several categories of lodging facilities available on the Island which include upper upscale, upscale, mid-priced, economy, and independent (which can vary in price range). As denoted by their names, these categories reflect room rates at the various facilities which are relative to property design, amenities and services, location, etc., that are available at a given property. Given that the Navy hospital site offers a waterfront location that is not too distant from downtown Newport, which typically captures the high-end of the lodging market, it has been assumed that an upscale hotel is most likely the type of facility that would be constructed if this site were used for lodging. Based on this assumption, the data examined here is derived from a sampling of eight higher-end hotels that currently operate in the market. These facilities contain approximately 1,240 rooms in total which represents approximately one-third of the Island's total supply.

⁵ *North End Master Plan, Appendix B, Economic and Market Analysis*, Bonz & Company, 2006

The data in Table V-9 and Figure V-1 illustrates the economic downturn's effect on the lodging market where indicators show a marked change before and after 2007. Prior to this date, occupancy rates for these upscale establishments averaged around 62.3% but dipped to 57.6% in 2008-09. The average occupancy for this six year time period (2004-09) was about 60%. However, as of September, 2010, the year-to-date occupancy showed signs of improvement having achieved 63% which represented a 7.7% increase year-to-year (September to September). The market analysis conducted as for the Newport North End Plan reported a similar occupancy rate of 63% between 2000 and 2004 indicating that this has been a consistent ceiling for occupancy in the market over the past decade. Only in 2000

Table III-9
Market Indicators for Upscale Hotels 2004-2010

| Study Area | Occupancy (%) | % Change | ADR (\$) | RevPAR (\$) | Room Nights | | Revenue (\$) | % Change |
|---|---------------|----------|----------|-------------|-------------|---------|--------------|----------|
| | | | | | Supply | Demand | | |
| 2004 | 62.8 | — | \$169 | \$106 | 441,285 | 276,921 | \$46,901,042 | — |
| 2005 | 61.4 | -2.1% | \$180 | \$110 | 440,065 | 270,384 | \$48,587,540 | 3.6% |
| 2006 | 61.4 | -0.1% | \$192 | \$118 | 439,775 | 269,850 | \$51,679,447 | 6.4% |
| 2007 | 63.5 | 3.6% | \$204 | \$130 | 445,094 | 282,852 | \$57,708,220 | 11.7% |
| 2008 | 59.2 | -6.8% | \$204 | \$121 | 471,945 | 279,594 | \$56,913,086 | -1.4% |
| 2009 | 55.9 | -5.6% | \$178 | \$100 | 471,945 | 263,933 | \$47,090,663 | -17.3% |
| Avg 04-09 | 60.6 | — | \$188 | \$114 | 451,685 | 273,922 | \$51,480,000 | — |
| 2010 Year-to-Date (Jan-Sep) | | | | | | | | |
| Average | 63.0 | | \$194 | \$122 | 352,989 | 222,218 | \$43,085,416 | |
| September to September (2009-10) | | | | | | | | |
| % Change | 7.7 | | 4.4 | 12.5 | 0.0 | 7.7 | 12.5 | |

Source: Smith Travel Research

did occupancy rates reach higher to 68.3% (data not shown). General industry standards typically consider occupancy rates of 60%-65% to be normal conditions capable of sustaining operations. However, rates in excess of 65%-70% usually need to be achieved before developers will consider demand strong enough to warrant new construction of additional facilities.

There is also considerable variation in the seasonality of occupancy rates. The high season for these upscale facilities, as well as the Island as a whole, is June through August. During that period, average occupancy reached about 84% for this six year time period, even exceeding 90% in August (data not shown). The Fall shoulder season also does well with average rates of about 75% in September and October. However, the remaining off-season periods can experience rates as low as low as 25%-30% and averaged about 43% during this time period.

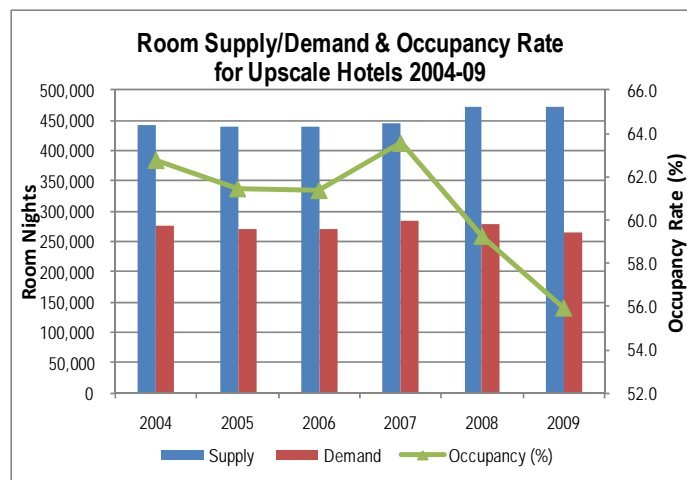


Figure III-1

Along with occupancy rates, revenues also indicate some signs of rebounding from the recessionary conditions. Total revenues for this upscale segment averaged about \$51.4 million over six years having achieved a high-point of

\$57.7 million in 2007. Despite declines in 2008-09, revenues as of September, 2010, have increased by 12.5% over the previous year's level. Some of this current year increase is related to increases in rental rates, as represented by the Average Daily Rate (ADR), which grew by 4.4%, suggesting real growth in revenues was about 8%.

Overall, the analysis of this upscale sample of study area lodging facilities indicates that the bottom of the market may have been reached and that occupancy appears to be returning to historic levels that preceded the recession. However, long-term occupancy rates do not indicate that there is a strong demand in the market to add additional rooms. This is not to say that the Navy hospital site could not support a new, high-end hotel if the facility offered something unique in the marketplace and was appropriately priced. Future improvements proposed as part of the North End Master Plan would also help to support such a reuse of the site if access were improved and additional supporting land uses were also developed in the area. However, unless tourism numbers grow in the future, construction of a new hotel would not be without risk and would likely result in the redistribution of visitors from existing facilities in the study area.

H. Conclusions

This analysis has presented an overview of the changes that have occurred in the office and industrial markets on Aquidneck Island over the past decade. It also presented an estimate of retail sales leakage and the potential additional square footage that could be supported based on current consumer spending patterns, as well as hotel occupancy trends and future indicators for the Island's upscale lodging market.

Overall demand in the office and industrial markets has been relatively modest in terms of total square footage absorbed over the last decade. The size of leased space is typically relatively small for both market segments. However, the historic absorption data may understate actual demand since the assessment data on which it is based would not necessarily include existing space that was converted to office use. Furthermore, space in existing industrial/warehouse buildings is often being used by atypical tenants which makes forecasting future demand somewhat less clear. Growth in industry sectors that drive office demand is expected to remain relatively strong over the next five years which suggests that absorption will be at levels that, at least, match historic trends. Industrial demand may also remain comparable but new construction could occur at the expense of existing properties by attracting tenants from older facilities. As discussed previously, demand for true industrial manufacturing space has been limited and therefore, this category has been grouped as industrial/flex/warehouse space given the uncertainty surrounding potential types of users.

The retail analysis indicates there is existing, unmet demand in the market but absorption would probably be more successful if phased in over a number of years. As the economy improves beyond the five-year horizon demand is also likely to increase somewhat across these sectors. Based on this potential, as well as other factors examined as part of this economic base analysis, Table V-10 illustrates the estimated potential for short-term and long-term absorption of building space within these real estate sectors.

Table III-10**Historic and Projected Building Absorption (Sq. Ft.)****Study Area**

| Study Area | Historic Absorption 2000-2009 | | | | | Projected 10-Year Absorption | | |
|---------------------------|-------------------------------|---------|------------|---------|-----------|------------------------------|-----------|---------|
| | Middletown | Newport | Portsmouth | Total | Ann'l Avg | Average Sq.Ft. Per Year | | |
| | | | | | | 1-5 yrs. | 6-10 yrs. | Total |
| Office | 13,300 | 16,000 | 34,000 | 63,300 | 6,330 | 7,500 | 10,000 | 87,500 |
| Industrial/Flex/Warehouse | 43,000 | 13,500 | 133,000 | 189,500 | 18,950 | 10,000 | 15,000 | 125,000 |
| Retail | 148,446 | 24,258 | - | 172,704 | 17,270 | 15,000 | 15,000 | 150,000 |

Source: Local Assessment Data and RKG Associates

Appendix

Draft Coddington Center Overlay District

May 2011 Draft

Zoning Provisions

101 Purpose.

The Coddington Center Overlay District is established to encourage the development of small scale mixed-use, commercial, and multi-family housing developments; to allow for municipal buildings; to provide goods, services and housing in a more compact environment; to encourage redevelopment; and, to create a vibrant, walkable, pedestrian- and bicycle-friendly environment. The Coddington Center Overlay District seeks to enhance a mix of uses within the district.

It is hereby declared to be the intent of the Coddington Center Overlay District to establish reasonable standards that permit and control mixed residential, commercial, governmental, institutional, and office uses in the Town of Middletown. Furthermore, it is the intent of this district to:

1. Encourage a diverse mix of residential, business, commercial, office, governmental, institutional and entertainment uses for workers, visitors, and residents.
2. Encourage mixed uses within the same structure.
3. Encourage first floor retail space.
4. Encourage a transit, pedestrian and bicycle friendly environment so that commercial enterprises and consumer services do not rely on automobile traffic to bring consumers into the area.
5. Permit uses that promote conversion of existing buildings in a manner that maintains and enhances the visual character and architectural scale of existing development within the district.
6. Minimize visual and functional conflicts between residential and nonresidential uses within and abutting the district.
7. Allow for more compact development and density than may be permitted in other zoning districts to reduce the impacts of sprawl and to support a vibrant town center.
8. Encourage consolidation of curb cuts for vehicular access and promote more efficient and economical parking facilities.

102. Applicability

The provisions of this section shall provide the primary development and redevelopment regulations for properties located within the Coddington Center Overlay District boundary, and supersede other development regulations and standards in the underlying districts.

103. Location

The Coddington Center Overlay District shall consist of the area delineated on the Town's zoning map, but shall include the area approximately along West Main Road from Valley Road to the intersection with East Main Road.....

104. Permitted Uses

The following uses shall be permitted by right in the Coddington Center Overlay District:

1. Multifamily dwellings
2. Mixed residential and commercial uses (mixed-use structures)
3. General merchandise retail activities (not including department stores)
4. Convenience stores, delicatessens, fish markets, fruit and vegetable markets, bakeries, dairy products stores
5. Restaurants (with and without alcoholic beverages)
6. Tavern, café, club bar or cocktail lounge
7. Packaged liquor store
8. Laundry or dry cleaners, or self-service laundromat
9. Beauty or barber shop
10. Duplicating, printing or photocopying services
11. General professional offices
12. Bank or financial institution
13. Office – customary home occupation
14. Temporary real estate office located on the premises being sold
15. Day nursery school, kindergarten or other agency giving day care
16. Municipal, civic or public service buildings, such as post office, town offices, school, library, or museum

17. Any accessory use customarily incident to a use permitted in the district and located on the same lot as the principal use

The following uses shall be permitted by special use permit in the Coddington Center Overlay District:

1. Drive-throughs for any of the above allowed uses
2. Free-standing automated teller machine (ATM)
3. Therapeutic massage and physical therapy services
4. Church or other place of worship
5. Professional or musical schools
6. Membership athletic clubs
7. Small-scale shopping centers not to exceed 20,000 square feet
8. Miscellaneous retail commercial, personal services, business services, or professional services not otherwise classified

The following uses are specifically prohibited in the Coddington Center Overlay District:

1. Single- and two-family dwellings
2. large-scale shopping centers
3. Gas service stations
4. Gasoline station with convenience store
5. Auto dealers, trailers (new and used), tire, battery, access, dealers
6. Automotive repair, service and garages, vehicle body shop and welding
7. Miscellaneous repair shops and miscellaneous services
8. Outdoor storage of vehicles or merchandise
9. Any use with a gross floor area in excess of 35,000 sq. ft. with the exception of municipal uses
10. Any other use not listed above as allowed by right or by special use permit.

105. District Dimensional Regulations

1. The height of buildings in the Overlay District shall be thirty-five (35) feet or two (2) stories including the roofline, except that multifamily residential structures shall be allowed to be up to forty (40) feet or three (3) stories in height including the roofline. See design standards in the Commercial Development Standards (Section 521 of the Rules and Regulations Regarding the Subdivision of Land).
2. Minimum lot size – twelve thousand (12,000) square feet
3. Minimum frontage – fifty (50) feet
4. Minimum setbacks: front yard – none provided that at least fifteen (15) feet of right-of-way is available for sidewalks and streetscape amenities; side yard – five (5) feet; rear yard – ten (10) feet

106. Parking Requirements

1. Parking areas shall be located to the side and/or rear of the structure.
2. Parking areas shall include provisions for the "parking" of bicycles in bicycle racks in locations that are safely segregated from automobile traffic and parking. For parking areas of ten (10) or more spaces, bicycle racks facilitating locking shall be provided to accommodate one (1) bicycle per twenty (20) parking spaces or fraction thereof. Bicycle racks shall be placed so as not to obstruct pedestrian walkways or impede upon the parking area for automobiles.
3. Where a proposed parking lot is adjacent to an existing parking lot of a similar use, providing vehicular and pedestrian connections between the two (2) parking lots may be required. The parking areas shall be interconnected between lots by cross access driveways in a manner that allows the unobstructed flow of pedestrians between businesses and the parking areas. A sidewalk shall be provided on at least one side of the driveway.
4. The parking ratios for the Coddington Center Overlay District shall be 1.5 spaces per residential dwelling unit and 3 spaces per 1,000 square feet of commercial, office or retail space.
5. The applicant may reduce the number and/or the location of the required parking spaces, through a Special Use Permit. Consideration may be given to the hours of usage of the proposed use/structure, hours of usage of other uses/structures within the Coddington Center Overlay District (including municipal uses), amount of shared parking with other uses, as well as other relevant information to assist the granting authority in determining the need for additional parking for motor vehicles. Relief may be granted provided that it is demonstrated that the additional demand for such spaces can be reasonably met without

placing an undue burden on existing facilities already relying on such spaces under the following conditions:

- a. Allow parking areas to be shared with adjoining businesses based upon having peak user demands at different times provided that all businesses sharing parking are located on the same lot.
 - b. On-street parking spaces within a radius of two hundred (200) feet may be counted as part of the required parking need.
 - c. Parking spaces on a separate lot or lots within a radius of six hundred (600) feet, measured from the lot line of the principal use, may be counted.
6. Where such parking abuts a residential district or use, the standards of Section 1301(B) shall apply.

DRAFT

Commercial Development Standards

101. Site and Design Criteria.

1. Location and Distribution of Uses

For buildings that front along West Main Road or Coddington Highway, the ground floor of a commercial building or a mixed use residential/commercial building shall be occupied by business uses only.

2. Building Design and Architecture

- a. Orientation. Buildings shall be oriented parallel to the front setback line to preserve a consistent façade line with the street. Primary building entrances should easily be identified and be oriented to the street. The primary entry should be clearly visible from the public street which provides the building's main orientation.
- b. Articulation. New and redeveloped buildings should reinforce the character of the existing streetscape by creating visual interest and reinforcing pedestrian scale. The apparent bulk and large wall expanses of multi-story buildings as well as single story buildings of fifteen (15) feet in height or more should be minimized by incorporating one (1) or preferably a combination of the following:
 - 1) Windows
 - 2) Architectural details
 - 3) Canopies
 - 4) Overhangs
 - 5) Indented bays
 - 6) Change of building materials
- c. The top of such buildings should display a distinct profile or outline incorporating such elements as a projecting parapet, cornice, upper level setback or pitched roofline. When immediately adjacent a building with such articulation, new and redeveloped buildings should provide a treatment that is respectful, such as providing a consistent cornice line where possible.
- d. Large expanses of blank walls are prohibited for commercial and mixed use development. The ground floor facade along the primary street shall have continuous storefront windows, with the exception of necessary piers, columns, pilasters, etc.
- e. Buildings must have a primary entrance facing a public street or way and should be visually prominent.

- f. Transparency. For commercial and mixed use buildings, a minimum of sixty (60) percent of the building façade oriented to the street must feature clear windows that provide views to indoor retail space, dining space or product areas when applicable. Where parking occupies the ground floor, the same solid to void ratio must be achieved utilizing techniques such as half-walls, grillwork, or landscaped trelliswork, or their equal.

3. Site Access

- a. Curb cuts shall be minimized. To the extent feasible, access to businesses shall be provided through one of the following methods: (a) through a common driveway serving adjacent lots or premises or (b) through an existing side or rear street thus avoiding the principal thoroughfare. Garages doors or loading docks are prohibited on the front façade of any building facing the street.
 - i. All new curb cuts are subject to Development Plan Review.
 - ii. Curb cuts greater than thirty (30) feet and driveway openings greater than twenty (20) feet are subject to a Development Plan Review.
- b. Site access shall be comprised of either a single two-way driveway or a paired system wherein one driveway is designed and appropriately marked to accommodate ingress traffic, and the other driveway is designed and appropriately marked to accommodate egress traffic.
- c. Cross access driveways and shared driveways are intended, and shall be designed, to be used exclusively for internal circulation.

4. Pedestrian and Bicycle Circulation

Provision for safe and convenient pedestrian access shall be incorporated into plans for new construction of buildings and parking areas, and should be designed in concert with landscaping plans noted below. New construction should improve pedestrian access to buildings, sidewalks and parking areas, and should be completed with consideration of safety, handicapped access and visual quality. Where appropriate, applicants are encouraged to provide pedestrian and/or bicycle paths connecting their site with abutting areas in order to promote pedestrian and bicycle circulation and safety. When parking is located in the rear, pedestrian access via a pedestrian-oriented alley or walkway through to the primary street is encouraged.

5. Pedestrian Spaces and Comfort

For the purpose of providing a pedestrian friendly environment in the Coddington Center Overlay District, new and redeveloped buildings should provide for outdoor seating areas, or outdoor display areas scaled to the size and demands of the proposed use, where feasible. For example, a multi-story project should provide a patio or small plaza area located near

the front entry with multiple benches and landscaping. A mixed-use project with ground floor retail such as a restaurant may provide an area for outdoor dining which extends the indoor dining space for seasonal use. A ground floor use may provide a sidewalk bench where there is sufficient width. Such pedestrian areas provide space that affords visual connectivity but is setback from major pedestrian flow and vehicular ways and is appropriate to the location.

6. Landscaping and Appearance

Landscaping and design shall be incorporated into new and expanded development within the district. Landscape design plans shall be prepared by a landscape architect. Landscape plans shall show the type, size and location of all proposed plantings.

- a. Side yards shall be screened or landscaped as follows:
 - i. Where the distance between structures is greater than ten (10) feet the space shall be appropriately landscaped.
- b. All parking areas shall be landscaped in accordance with the Rules and Regulations Regarding the Subdivision of Land.
- c. A minimum of one (1) shade tree shall be planted for every thirty (30) feet of street frontage or fraction thereof. Trees may be clustered and should be located between the sidewalk and the curb or in tree wells installed in the sidewalk.
- d. Streetscapes shall be accentuated with benches, planters, and other similar amenities to encourage pedestrian use.
- e. Site lighting, security lighting, and architectural/landscape lighting should provide the user with illumination levels appropriate for the designed activity (e.g. parking, walking, outdoor dining) while meeting minimum requirements. Illumination levels should also be reasonably uniform throughout the site and strive to minimize glare onto adjacent properties.

7. Signs

- a. For a single non-residential use on a parcel, no more than one (1) awning, wall or projecting sign is permitted in the Coddington Center Overlay District.
- b. For a mixed-use structure, the provisions for the number of signs allowed for office parks found in Section 1211 of the Middletown Zoning Ordinance shall apply.
- c. Sign materials in the Coddington Center Overlay District for hanging signs: Traditional-looking materials such as wood, brass, bronze, or others are to be used, as they are most appropriate. Wooden signs should be constructed of dense wood that will accept paint readily.

- d. Signs shall be externally lit from the front. Back lighting of signs shall not be used.
- e. Neon, flashing signs, moving signs, and roof signs shall not be used.

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