

ECONOMIC DEVELOPMENT STUDY

Deep River, Connecticut

March 2005



TPA
DESIGN GROUP

In conjunction with
AMS Advisory Services



Economic Development Strategies Deep River, Connecticut March 2005

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INTRODUCTION

Historical Perspective

The root of Deep River's economy can be traced back appropriately to the Connecticut River. Ferry service across the River to Lyme began in 1723. The Town Landing at the foot of Kirtland Street became the most significant shipping port on the lower Connecticut River and a focal point of community activity. The largest and most significant shipyard at the time was the Dennison Shipyard at the present location of the Essex Steam Train/River Cruise Docking facility.



Deep River's original settlers were farmers but the rocky character of Town, particularly in the eastern part, allowed quarrying to be more profitable. The mining of stone began around 1812 and as many as eight quarries operated in different parts of the hills. At its peak 100 men were employed. The stone was shipped to New York, Philadelphia, and as far away as New Orleans for use in bridge and gutter construction. Granite is still mined from Fountain Hill Cemetery and the Haynes Quarry.

The Town also bustled with activity as African ivory was brought into port. While Essex served as the center of the shipping industry, Deep River became the most important shipping port. The Pratt, Read & Co. together with Comstock, Cheney & Co. in nearby Ivoryton represented 95% of the ivory manufactured in the United States during this time. The companies first began producing combs, taking advantage of Deacon Phineas Pratt's invention for cutting combs. The companies soon expanded into other toiletries, toothpicks, buttons and even billiard balls. Eventually, after both companies turned to the manufacture of pianos and organs, they merged. In July 1881, a disastrous fire destroyed virtually the entire complex and it seemed doubtful the company would be able to rebuild. Recognizing the gravity of the situation, the Town of Deep River unanimously voted to grant Pratt, Read & Company a 5 year tax abatement provided the company remain in town. Nine months later, they were back in business. Through the foresight of the Town, Deep River's entire economy was stabilized by this action. After nearly 100 years of productivity, which

included the manufacture of gliders during World War II, the Pratt Read complex on North Main Street stood idle. It took almost 40 years for rebirth to ensue but the red brick factory is now condominiums, The Piano Works.

Up through the 19th century, other industries linked to ivory production and piano and organ manufacturing prospered, including:

- Denison's Stop Knob Factory (organ knobs)
- Roger's Factory (bone and ivory)
- Box Factory
- Jennings Auger Bits
- A. J. Smith Manufacturing
- William & Marion Wood Turning/Saw Mill
- Hefflon Carriage Company
- Doane Machine Shop
- New Era Printing Company
- Deep River Lumber
- E. E. Nettleton (lumber)
- Connecticut Valley Orchard Company
- Barnick & Beckwith General Store

According to historic accounts, Deep River's Grand List in 1883 was \$566,952.00.

Study Overview

As much as Deep River has changed over the years, much has stayed the same (see Appendix A for a summary profile). The Town continues to grow at an average net increase of 300 residents each decade yet suburbanizing patterns of growth have not robbed the Town of its character-defining features. Affluence is on the rise although income diversity fortunately remains. Approximately 53% of residents have only lived in town since 1990, many lured by an exceptional quality of life. The town's small town charm, highly regarded schools, natural beauty and easy access to major employment centers has sustained Deep River as a highly desirable place to live and raise a family as well as visit. The visit-and-stay scenario is becoming a more frequent phenomenon and one which received distinction in a March 2004 New York Times "Weekender" feature.

However, there remains a core of longer term residents (one- third of the population has lived in town 20 years or more) that have raised their families in Deep River and have helped to shape the community by volunteering. Newcomers are also giving of themselves and appear to have similar ideals as the "old timers" in that they are deeply concerned with protecting Deep River's character and making sure the Town sustains its quality of life.

Growth has implications and the Town has had to keep pace with school enrollment by maintaining and expanding school facilities and programs. Other than the multi-million dollar properties along River Road, few households pay property taxes that cover the cost of public education. The Town's tax base is primarily residential and so residents will continue

to shoulder this burden. Meanwhile, business assessments have declined in the last few years, ranking near the bottom in the region.

The dominance of residential assessments in relation to the commercial/industrial sector is difficult to shift. In fact, making an appreciable difference in this ratio must often occur at the expense of those very same qualities that impart a town's quality of life. Fortunately, Deep River has been pro-active in establishing the type and scale of development that occurs, particularly along the Connecticut River corridor. Due to thoughtfully proactive land use regulations, Deep River does not plan on being over run with subdivisions. Rather, it hopes to instill land use patterns that arise from the natural features of the land.



Compatible non-residential development can alleviate some of the tax burden. The Town has also focused on expanding its industrial base through the development of incubator buildings adjacent to the Route 80 industrial park.

Manufacturing continues to play an integral role in Deep River's economy although nowhere near historic levels. In fact, businesses involved in the metal manufacturing and plastics within Deep River represent two of Connecticut's nine industry clusters. There are 3 privately owned industrial parks in Town. In 1997 the Town constructed a now fully-leased 8,000 SF incubator building using state grants. A 10,000 SF building was completed in 2004 and is nearly full. Two similar structures are planned on an adjacent parcel.

Tourism, another recognized cluster, is tied to a charming walkable downtown business district largely concentrated within a four block area that features mostly mom-and-pop stores. The recent renovation of an Adams supermarket has widened the market area which in the past was predominantly the local population and Chester.

As Deep River grows in population, it hopes to expand its economic base not only to continue providing residents with goods and services but also to generate revenue. But Deep River's economy has always been fueled by industry. As this market continues to shrink, how will Deep River maintain an economic base? How can it attract more businesses? What other opportunities are out there that Deep River could capture? These are but a few of the questions the Economic Development Commission (EDC) has been grappling with.

In the Summer of 2004, the EDC decided that the Town should have a formal economic strategy based on an objective evaluation of current market conditions. The EDC was looking to identify local and regional market forces so that specific implementation actions could be developed to guide decision-making.

The EDC's efforts are the subject of this report. A series of general and specific recommendations have been developed based on a detailed assessment of market and real estate conditions. Potential areas for economic development have also been identified.

The ideas and actions put forth are but one component of the Town's blueprint for the future. The Town must examine its land use policies, its infrastructure and community facilities along with these economic initiatives if it is to gain a full understanding of the consequences of growth, and if it wishes to continue to proactively plan for the future.

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ECONOMIC DEVELOPMENT STRATEGIES

Assets and Challenges

Prior to begin formulating effective strategies, it is often useful to assess the strengths and weaknesses related to economic considerations. Although there are far more specifics that could be added to both columns, the purpose here is to generally identify overriding themes. A comparison of the two columns provides an appropriate framework upon which to begin developing economic initiatives.



Assets

- Quality of life
- Access/interchange exits and state routes
- Viable pedestrian friendly town center
- Walkable/human scaled town center with surrounding neighborhoods
- Compatible architecture
- Industrially zoned land and options for expansion
- Public water and sewer along Route 154
- Overall rural character
- Intact historic properties and architectural interest
- Community minded residents
- Moderate taxes
- Connecticut River with public access
- Other natural resources
- Well balanced mix of stores and services
- Pro-active local government with public investments
- Manageable growth without suburbanizing influences
- Diverse demographics with growing affluence
- Skilled workforce

Challenges

Lack of gateway presence/directional signage
Industrial/commercial properties at Route 9/Route 154 lack cohesive presence, signage, organized access/egress
Lack of design standards in town center
Lack of organized waterfront/harbor planning
Land use constraints along Route 154 (railroad line, ledge, adjacent land uses)
Modest public resources or capacity to promote economic development
Small retail trade area compared to consumer expenditures
Lack of coordinated vision among various commissions
Potential for squeezing out middle income families
Potential for becoming “like Chester or Essex”
Limited expansion potential

Demographic and Economic Trends

A summary of key demographic and economic trends are provided below. These constitute one of the critical components for economic development planning.

Household/Population

- Deep River’s population growth moderated in the 1990s compared to 1980s, from 8.4% to 6.4%. Despite the slowdown, the town’s growth rate was nearly double the annual increase for the State of Connecticut.
- Over the next five years, Deep River is expected to see an increase in the population growth rate translating to an annualized increase of 0.76%, which over a ten year period would represent a 7.4% increase.
- The ratio of households in Deep River with children to total households remained largely unchanged in the 1990s compared to the previous decade. At the current rate of growth of 1% annually this sub group would gain 105 new families with children by 2010.
- Over the next ten years, non-family household growth is expected to be double the rate of family households.
- Despite the increase in number of family households, the number of school age children 5-14 is projected to decline between 2004 and 2009 providing some near term relief on up-coming education budgets.

Income

- Deep River is witnessing a rising level of affluence with median household income increasing 50% from 1990 to 2004 to \$59,560, while average household income is

estimated at \$92,771. Meanwhile, 2004 estimates for per capita income of \$37,518 exceed the county and the state.

- A substantial increase is seen in the number of very wealthy households with 9.8% of households earning over \$150,000 as compared to 9.0% for Middlesex County.
- Although growing in affluence, Deep River continues to display significant income diversity with even distribution of households earning incomes between \$35,000 and \$150,000.

Housing Trends

- Housing production has been steady, but not excessive in the last ten years, averaging 14 homes a year since 2000. Deep River, however, could witness growing pressure for housing development as more prospective buyers become outpriced in shoreline communities
- Home ownership has increased from 67.6% to 71.5% as a result of a rise in single family housing.
- According to 2000 census, most Deep River residents are new to the town with more than 53% moving to the town since 1990 while a third moved between 1995 and 2000.

Educational Attainment

- Deep River residents are well-educated to meet job needs of region with 60% indicating some post high school education as compared to 55% for the state.

Labor Force & Employment Trends

- The Lower River Valley economic base is quite modest with 10,300 jobs and a labor force of 12,300 (consisting of the towns of Chester, Deep River, Essex, Lyme, Old Saybrook and Westbrook).
- In the last decade, Deep River's resident labor force has recorded very low unemployment that has measured consistently below the state and on par with the region. Present unemployment stands at 3.1% as compared to 3.3% for the region and 4.6% for the state.
- Manufacturing jobs rank high with Deep River's resident job base accounting for 19.1% of resident job base as compared to 13.9% for the region and 12.9% for state.
- Deep River residents are less reliant on jobs in Deep River and adjoining communities with 61.5% commuting outside the area in contrast to 43.5% in 1990.

- Notably home-based employment is growing steadily and now accounts for 4.2% of the local work force.
- According to Connecticut Department of Labor, non-farm employment was relatively flat in Deep River between June 1997 and June 2001 (the last year local data was tabulated). During this time the loss of over 100 manufacturing jobs was essentially offset by service jobs.
- Based on Location Quotient analysis which measures an area's economic strength in industry sectors, the Lower River Valley ranked highest in production of fabricated metals, electronic equipment, and rubber and miscellaneous plastics.

Industry Clusters and Employment Forecast

- Connecticut has identified nine cluster industries of importance to the state of which three – Plastics, Metal Manufacturing and Tourism – are represented in Deep River. This has implications for Deep River's economic development strategy, which can link to state initiatives and programs for supporting and promoting these industries.
- Projections for Connecticut employment 2000 to 2010 indicate
 - slow job growth of less than 1% a year on average,
 - manufacturing decline of more than 11,000 jobs, although plastics and stone production are expected to increase,
 - service growth of more than 105,000 jobs, concentrated mostly in business, health and education
 - modest growth in retail and wholesale trade adding 21,000 jobs
 - construction jobs expected to grow by a healthy 9.3%.

Deep River Tax Base Analysis

- Deep River's Net Grand List for 2003 grew by 1.1% over 2002 which is somewhat below the average growth of previous years of 2 to 3%. The below average increase is largely attributed to drop in motor vehicles and circuit breaker assessments, and only a modest increase in personal property.
- Deep River's tax base is increasingly reliant on residential real estate accounting for 87% of real property assessment in 2003 as compared to 84% in 1999, while personal property (most often associated with taxable business property) dropped from 8.3% in 1999 to 7.4%.
- According to a comparative tax study by Connecticut Policy and Economic Council, Deep River ranked lowest of area towns in per capita property tax in 1999 with \$1,286 as compared to a state average of \$1,531. Other notable findings of this study include

- Deep River's Equalized Mill Rate (1999) ranked below the county and state but above adjacent towns of Essex, Old Saybrook and Westbrook.
- The percent change in property tax between 1994 and 1999 ranked lowest of all towns with exception of Killingworth.
- Deep River relies far less on property taxes for total revenue as compared to area towns with 63.2% in 1999.
- With 1998 Grand List, Deep River ranked near the bottom in the region in business property values as a percent of Grand List at 14.4%. Other towns were as follows: Old Saybrook (20.5%), Essex (20.6%), Clinton (20.8%), Westbrook (22.5%), Chester (23.3%), and Killingworth (5.0%).

Physical Considerations

While demographic and market trends are absolutely essential to understanding the forces shaping Deep River's economic climate there are a number of physical considerations that must be factored into the equation. Doing so will also ultimately stimulate dialogue and decision-making regarding the consequences of growth and development and the trade-offs necessary to capture a certain level of economic development.

Access

Highway access to Deep River is primarily from Route 9 at Exits 4 and 5. The only other major collector roads are Route 154, Route 145 and Route 80. Neither interstate exit provides the type of visibility national retailers beckon for nor does it appear that the market demand for this level of development is present in Deep River. Nonetheless, this accessibility renders the Town more attractive to commuters and may play a factor in accelerating suburbanizing influences.



Developability

Deep River's natural assets are also hurdles to certain types and intensity of development. Steep slopes, shallow depth to bedrock, poor soils and sensitive resources render a fair amount of Deep River's available land all but undevelopable. The Town's original 1972 Plan of Development depicted these characteristics in a compiled map (Appendix B). Most of this land now falls in either the "public" or "protected" category. Pockets of developable vacant land remain throughout Town. With water and sewer in place within the Downtown area, the Town may have to consider examining its ability to serve future economic development initiatives. This is not to say that other areas cannot be developed. Typically, potential users look for low purchase prices to offset development premiums to overcome these physical constraints. A prime example is the need for an industrial "package" plant in the absence of sewers. With unsuitable soils on significant slopes, on-site septic would not

be feasible but commercially available packaged systems could be utilized to meet the public health code. The point to be made is that the technology is available but there is a price to pay.

Land Availability

Vacant land that is accessible and developable is still available in Deep River although not in large expanses. An examination of the current zoning map (Figure 1) shows there is limited acreage available in the non-residential classifications. While many towns prefer to zone first and plan later, it would be more appropriate for Deep River to decide on the type and location of its future economic development efforts and hold discussions with the Planning and Zoning Commission. This proactive posture can lead to acceptable rezoning but only where and when necessary. It should come as no surprise that the areas best suited for economic development are linked to the existing Route 154 and Route 80 corridors. There are available lands fronting or accessible by these roadways, both of which follow natural contours and physical features.

Compatibility

Besides infrastructure availability and development premiums needed to overcome physical constraints, Deep River's economic initiatives must factor in compatibility. Natural, cultural and human-made features contribute to Deep River's enviable character. This is an inherent asset that can be used to fuel an economic engine if compatibility can be achieved. Given existing development patterns, the most notable issue will be land use transitions. Many of the non-residential uses are abutting residential (not to mention historic) properties. The Town should embrace compatible development that accounts for appropriate densities and buffers so that unobtrusive transitions between land uses are allowed to proceed with no discernable impact to town character.

Market Considerations

By evaluating physical, demographic and market forces a series of considerations have been derived to help frame Deep River's economic strategies. These considerations, presented in Table 2-1, include a summary of conditions for each market sector, physical conditions that may enhance or deter market development or expansion, followed by economic development opportunities.

**Table 2-1
Summary of Considerations**

Market Sector	Market	Physical	Economic Development
Retail	<ul style="list-style-type: none"> • Retail relatively healthy but signs of over-retailing in region. • Much of the retail in region/state driven by chains seeking strategic locations with strong demographics, visibility, and access. • Downtown offers nice mix of convenience and specialty retail; mostly independents, few vacancies. • Evidence of substantial retail dollar leakage in Deep River that could be captured locally. • Deep River's trade area is tight consisting of mainly the town and Chester to the north; less so from south or west of Deep River. This represents comparatively small population base for support of retail. • Although trade area thinly populated, recent boost in population and income creates new demand for retail. 	<ul style="list-style-type: none"> • Trade area geographically confined by river. • Route 154 is prime commercial corridor but available sites are limited. • Route 80 undeveloped and undefined for commercial use. • Modest traffic counts on Route 154 (even less so on Route 80) discourage national/regional retail interest. • Juxtaposition of commercial with residential will limit expansion potential without undesirable encroachment. • Exit 4 offers greater opportunity for larger scale development due to access and infrastructure but industrial uses are established. 	<ul style="list-style-type: none"> • Opportunity for in-fill, small format retail & service on Route 154 (south of Elm Street). • Preservation and enhancement of downtown should be primary focus. • Commercial opportunity in Winthrop, particularly if this part of the town starts growing. • Big box/large scale retail - unlikely to be interested in Deep River (even at the interchanges) due to market limitations.
Office	<ul style="list-style-type: none"> • Office market is flat regionally and state-wide. Prospect for growth modest over next five years. • Most office demand in region centers along shoreline. Presently more than 375,000 sq feet available. • Very limited market support in Deep River for multi-tenanted office space – virtually none for Class A space. • Some spill-over in demand from shoreline for office space could occur in Deep River based on need for proximity to markets. • Strongest office market opportunity for Deep River seen in healthcare, medical offices, finance services, professional services. 	<ul style="list-style-type: none"> • Operational aspects related to deliveries and parking immediately on-site may be problematic • First floor professional offices with upper residences possible in some locations. • Selective home concessions may be possible if uses/functions do not disrupt residential character. • Pedestrian enhancements and signage/façade improvements would enhance marketability. 	<ul style="list-style-type: none"> • Modest opportunity for office growth targeting Route 154 (professional, medical, financial, real estate) but like retail mostly infill. • Converted homes, upper story space in downtown and mixed-use properties north of downtown offer best chance for capturing office demand. • The creation of a Business Park at Interchange 4 could expand opportunities for larger scale office seeking good access, parking, and moderate rents compared to shoreline. • Home-based businesses could be a source of demand for new office space as they expand.

		Table 2-1 Summary of Considerations	
Market Sector	Market	Physical	Economic Development
Housing	<ul style="list-style-type: none"> Housing has been the most significant economic driver in the town, region and nation for past four years. Some moderation of price appreciation anticipated in near term but housing growth likely to continue as buyers look for moderate alternatives to Old Saybrook and Essex. Housing prices in Deep River have increased by 54% since 2001 significantly changing the economic landscape for housing development in the town. Large number of estate homes being sold in Deep River with the town second only to Essex and Old Saybrook in home sales over \$1 million. The sale of these homes has a trickle down affect on rest of Deep River housing market. Deep River represents strong location for empty-nester ownership community seeking good access to employment centers, proximity to shoreline and river coupled with positive quality of life of small town community. This type of housing translates into a very positive net fiscal impact, particularly in condo/PUD where road maintenance and garbage pick-up are paid for by association. The presence of two life-care and assisted living facilities in immediate area limits options for institutional age – restricted housing over the next ten years. The presence of potentially strong regional demand for upscale rental housing but shoreline along Route 1 more logical location with better access to younger, working transient population base that typically forms the primary target for this housing. 	<ul style="list-style-type: none"> Although perceptions usually relate negative impacts to town character with non-residential uses, distribution and configuration of physical elements make the entire Town attractive for residential development. Avoidance of suburban growth patterns (subdivisions) will help preserve character. Significant portion of land in Town is protected making areas adjacent to these lands more valuable and highly susceptible to development. 	<ul style="list-style-type: none"> Viable option for age-restricted ownership housing targeting move-downs and empty nesters. The more successful developments are association-maintained communities configured as single family homes on small lots. This type of development generally creates a positive tax impact. Less of a market opportunity for assisted living facility or life care retirement community due to nearby competition and fragile investment condition of this type of housing. Winthrop could witness growing housing development interest as site constraints and land availability in eastern Deep River make housing development more problematic.

		Table 2-1 Summary of Considerations	
Market Sector	Market	Physical	Economic Development
<i>Tourism</i>	<ul style="list-style-type: none"> • Tourism and recreation are emerging markets in Deep River supported in part by public access to the Connecticut River, the presence of a private marina, location and termination point for popular Essex Steamboat and Train excursion, numerous special events (including Ancient Muster Parade), and extensive state forest landholdings . • Tourism is a targeted industry of the State of Connecticut that is receiving extensive funding and marketing support. 	<ul style="list-style-type: none"> • These markets relate very well with each other and can flourish without much physical impact if planned appropriately. • Physical connections, way-finding signage and mapping will help to link natural areas to downtown in an organized, controlled manner. • Satellite parking may be warranted. • Safe separation between vehicles and bicyclists may be difficult in the downtown area, therefore thoughtful routing is critical. 	<ul style="list-style-type: none"> • Expanded activities particularly at the Town Landing could attract “day-trippers”, with the result being increased activity in downtown or potential spin-off markets such as outdoor/adventure equipment, lodging and restaurants. • These markets may bring intangible value to Deep River in terms of positioning with Chester and Essex given that the Town is currently not mentioned in any of the web-based information associated with the State’s Connecticut Tourism links, particularly the Connecticut River Gateway activities, events and destinations.

Economic Development Strategies

Branding and Promotions

- Establish a consistent schedule for press releases and consider routine press contact perhaps starting with bi-weekly phone calls.
- Review lines of communication among town agencies and address lack of coordination and duplication of efforts.
- Discuss effectiveness of existing Town tag line (A Nice Town-Work, Play, Live With Us) and develop suitable actions.
- Work with the Planning and Zoning Commission to develop a town-wide gateway/way-finding signage program.
- Create a brochure showcasing downtown merchants, restaurants, public parking, and the waterfront to tie in with opportunities for biking, canoeing, boating.
- Revamp website to incorporate promotional material for entire Town, showcasing unique natural resources, strong community pride and support for compatible economic development.
- Link Ancient Muster Parade with other activities and venues and include in promotions. Consider bringing local vendors on-site.
- Identify compatible cross promotions and link to main events (i.e. Essex Steam Train).
- Discuss mutual promotional activities with Brewer's Marina and the Essex Steam Train.
- Consider Fall Foliage Festivals, Christmas Home Tours, June Garden Tours or other seasonal activities and partner with local restaurants, caterers, etc.
- Consult the Rural Development Council and the Department of Agriculture to explore opportunities to expand the Farmer's Market and promote "Connecticut Grown".



Tourism/Recreation/Entertainment

- Establish priority for completing improvements to theatre and promoting small theatre programs throughout year. Investigate options for partnering with existing theatre groups or operators, or area colleges, traveling troupes.



- Create physical links/pathways among preserved lands, parks and downtown and portray in a colored map for handout to public and placement on web.
- Offer “weekend” packages for bicycling, canoeing, etc. tied to the Riverwind Bed & Breakfast.
- Consider issuing a request for proposals to select street vendors to provide ice cream or snacks at peak periods at the waterfront.
- Approach owners of Essex Steam Train to discuss promoting the Deep River stop on its website and in its promotional brochure.

Other Recommendations

- Establish contacts with State of Connecticut Cluster Initiative (Plastics & Metal Manufacturing).
- Work with local banks on special financing programs for businesses wishing to locate or expand in Deep River.
- As part of the preparation of the Plan of Conservation & Development examine zoning designations and where warranted, propose classifications that are consistent with compatible development strategies.

Site Specific Actions

By focusing on specific areas, the Town can direct its collective energy toward achieving sustainable and compatible development that will help to broaden the tax base, generate revenue to defray the cost of public services and help foster strong community ties.

Targeted Economic Development Sites, subsequently referred to as TEDS, are areas that potentially support development, expansion of existing business or perhaps can capture new and emerging markets. Based on the market assessment performed as part of this study, recommended actions can be matched with available developable sites. In this way, the Town’s economic development initiatives get off on the right foot. Ultimately compatible development is achieved because there is common ground.

The TEDS discussed below were identified by examining current zoning, existing non-residential development, protected/public land and existing infrastructure. This list is not all inclusive, it will continue to change and evolve depending on the direction in which the Town wishes to proceed.

TED NO. 1 Downtown District (Figure 2)

Overall Corridor: extends from Southworth Street north to the Chester Line.

- Undertake study of downtown parking, pedestrian movement and safety, traffic flow and access management.
- Develop matching loan program for signage, facade and lighting improvements.
- Create a special town center district that includes design standards but also offers flexible zoning in terms of use and parking.
- Seek grants (STEAP, CDBG, TEA-21 or other sources) to fund streetscape improvements within the public right of way
- Monitor blighted properties and establish a schedule for zoning and code enforcement evaluations.

Subarea A: vacant “Marble Factory” and Champion Manufacturing to the east with some potential for additional land assembly. Mostly vacant industrially zoned land on the west side of North Main with obvious physical constraints.

- Meet with Champion Manufacturing to determine future expansion needs.
- Contact the owner of the “Marble Factory” (former White Way Laundry) to determine sales/lease terms, building condition, and available acreage.
- Include land zoned industrial west of North Main in any evaluations of Exit 5 development potential.



Subarea B: four residential properties sandwiched between the west side of North Main and Keyboard Pond.

- Meet with owners to discuss the significant role these buildings play in the physical context of downtown; discuss strategies for attracting suitable businesses.
- Discuss shared parking potential with Bridge Street businesses.



Subarea C: commercial block from Elm Street to Essex Street including Town Hall and Adams supermarket.

- General recommendations for promotions and branding will have positive impact.
- Maintain close communications with Cumberland Farms. Property conditions suggest potential for substantial reconfiguration to upgrade to expanded gas (increased canopy/pump area) and convenience (deli, groceries) services.
- Continue dialog with potential developers to attract compatible pharmacy using town-owned land adjacent to Town Hall. Design standards are imperative to this effort.
- Discuss redevelopment opportunities of property between Adams Supermarket and Essex Street with the property owner.



Subarea D: from Essex Street to Southworth Street, this stretch has a more distinct character than the commercial blocks; includes the Riverwind Bed & Breakfast, a funeral home, the Post Office, Historical Society and Devitt's Field. The east side features the Congregational Church and its adjacent Marvin Field/horseshoe pits.

- Care should be taken to retain the existing character while allowing compatible development.
- Town should approach the Postmaster and offer to assist with any other site improvements. Further refinement to recent improvements could also be made.



TED NO. 2 Route 9/Exit 5 Vicinity (Figure 3)

Confined to south of West Bridge Street and north of Route 80 in the vicinity of Rogers Pond including parcels zoned Village Industrial District and vacant/underutilized residentially zoned parcels immediately adjacent to Rogers Pond.

- Areas immediately around the ramps are isolated, having no development potential yet provide the initial perceptions of the Town.
- Development of this area must be visually and physically compatible with the existing residential uses.
- Consider gateway improvements (signage) to direct interest toward downtown.
- Assisted living or age restricted housing may be suitable in the future.
- Evaluate highest and best use of available acreage that could incorporate a mix of uses including commercial, institutional and housing.
- Contact CL&P to determine future plans for the parcel immediately east of Rogers Pond.
- Approach the owners of the former nursing home property on Elm Street to determine future plans. Without surrounding land, this property would be difficult to sustain economically. Physical proximity to residential areas and lack of available buffers is also problematic.
- The soldering iron factory occupies a unique building and setting. The Town should maintain a close relationship with the company/property owner. In the future, the development potential of surrounding properties and reuse potential of the building may make relocation of the business an attractive option.



TED NO. 3 Route 9/Exit 4 Vicinity (Figure 4)

Includes existing industrial areas and properties zoned as Turnpike Industrial District as well as abutting residential properties.

- This area might be considered for mixed-uses as part of an Interchange Zone and presents a proactive opportunity for the Town to collaborate with other property owners.
- Town should establish a gateway arrival from Exit 4. The Connecticut Valley Industrial Park should also have an improved formalized entrance. The businesses fronting Main Street would benefit from some level of cohesive physical improvements as well.
- The Town should consider a public-private venture to assess the developability of the 50 acres adjacent to Commerce Industrial Park.
- Explore prospect of STEAP Grant or Municipal Development Plan for creation of a new business park.





TED NO. 4 Platwood Industrial Park Area (Figure 5)

Confined to Platwood Industrial Park and town-owned properties zoned as Commercial Industrial Park.

- Other than the existing lots available in the Industrial Park and the incubator buildings the Town has developed, there is no expansion potential remaining in the area due to physical constraints or adjacent residential development. The R-80 property to the west may offer some opportunity for expansion.
- The Town should approach Haynes Quarry to ascertain its projected life cycle. Depending on the amount of material remaining, the quarry may become available. If the quarry is operating under local permits, the Town should consider regulations that call for 2 or 3 year renewals. Once the material supply is exhausted, a restoration plan may place some of the property back into productive use.
- Maintain a home-based occupation registry to track business activity to identify potential spin-offs for leasing available incubator space.
- Continue public-private support for development of incubator space.



TED NO. 5 Waterfront/Town's Landing (Figure 6)

Generally includes the waterfront from the Town Landing to Brewer's Marina and lands zoned Harbor Development as well as southern portion of St. John's school (zoned R-40).

- Monitor activity at St. John's School and maintain open communications regarding land divestment of any excess property. Consider participating in a highest and best use study.
- Install way-finding/directional signage between the Town Landing and downtown.
- Conduct boat census and survey owners to determine needs for goods and services.
- Consider expanding the Town Landing area with floating piers, additional moorings, expanded parking and comfort stations.
- Evaluate feasibility of acquiring or leasing the train depot for seasonal or year long use linked with water-related activities (rental of kayaks, sale of marine goods, etc.).



CONTEXT

Physical Setting

Deep River is a Town of approximately 9,500 acres, bounded by Essex and Westbrook on the south, Killingworth on the west, Chester on the north and the Connecticut River on the east. Route 9 (a four-lane, limited access highway) traverses the eastern sector of the Town in a north-south direction, extending from I-91 near Middletown to the Connecticut Turnpike (I-95) in Old Saybrook. These two highways (Route 9 & I-95) form a major transportation axis serving the Connecticut River Estuary Region. The old Penn Central Railroad (now State-owned and leased to the Valley Railroad Company) runs generally parallel to and between both Route 9 and the Connecticut River.

Topography

Deep River is located in the lower Connecticut River Valley where the topography generally slopes down from the Tower Hill area in the west, eastward through the Town to the Connecticut River. The terrain is characterized by rolling hills and valleys that range from zero to 450 feet above sea level.

There are several parts of Deep River that contain slopes of 15% or greater. The main concentrations generally are parallel to the streams and valleys in the Town: Connecticut River, Pratt Cove and Deep River. Other areas of steep slopes exist in the rugged terrain between Rattling Valley Hill and River Road, west of and parallel to Route 9 and Warsaw Street and around Bushy Hill Reservoir. Most of the larger land areas subject to steep slopes are situated along the northern and southern peripheries of the Town.



Natural Resources

Deep River is among the lower Connecticut River valley towns enjoying vast natural resources associated with one of only fourteen American Heritage Rivers designated by Congress. The unique ecosystem associated with Pratt and Post Coves is designated by The Nature Conservancy as one of the forty of the Western Hemisphere's "Last Great Places." The primary habitat of this biologically significant ecosystem is an extensive system of freshwater tidal wetlands – some of the few left in the United States.

In addition, the Deep River runs through the Cockaponset State Forest, snakes through downtown and empties into the Connecticut River just as it flows north into Chester. Due to its topography and geomorphology, there are tributaries to the two main rivers and several other waterbodies throughout town including Tower Hill Lake, Bushy Hill Pond, and Rogers Pond.

Deep River's physical characteristics are natural assets. The Town along with private organizations and the State of Connecticut have protected a considerable amount of land through acquisitions or easements (Figure 7). Recently, the Planning and Zoning Commission's Greenway Committee has launched an initiative to link many of these areas through creation of a pathway system. The intention is to reinforce Deep River's sense of community and highlight its natural beauty and history through this network.



General Development Patterns

The Town's current development pattern can easily be divided into two sectors using the Route 9 corridor. A compiled U.S. Geological Survey Quadrangle map clearly depicts this pattern (Figure 8). West of Route 9 is characterized by large land holdings, including state forests, the Incarnation Camp, Regional School District No. 4 and the middle school, and scattered single-family residences situated on large lots.

In the eastern portion of town, most of the development is confined to west of the railroad. The downtown business district, Fountain Hill Cemetery, St. John's School and water-related uses along the Connecticut River predominate this sector. Downtown is largely concentrated within a four block area along Main Street. The residential development surrounding most of downtown is dense and situated in the historic patterns created by the Town's first wave of growth coinciding with its industrial expansion. The exception, of course, is the eastern nook of town cradled between the River and the Essex town line. In this particular area, residential development throughout the hilly terrain occurs on larger

lots, many of which can be found in the exclusive River Road area. These homes are among the highest assessed residential properties in town.

At the Essex town line, South Main Street, Exit 4 of Route 9 and the railroad converge. Here, industrial and commercial developments occupy both sides of the visible frontage.

Route 80, running east-west through the western sector can be considered as a secondary pattern, although not quite so clearly defined. Winthrop Center, the industrial park and the transfer station are the most predominant land uses along the corridor.

Infrastructure

The Town is fortunate to have public water and sewer systems in place in the most developed portion of town, east of Route 9 (see Figures 9 and 10). The main sewer trunk runs primarily along Main Street from the industrial park north to the treatment plant although there are laterals along several side streets. This system was constructed in 1989 using \$12.4 million in state and federal funds. It is designed to serve 2,600 people and treat up to 225,000 gallons per day. In April 2004, 12,000 linear feet of additional lines were installed in the downtown area.

The Connecticut Water Company serves primarily the same area. Water is drawn from the Goose Hill Reservoir in Chester and distributed through a system running along the same configuration as the sewer system except there are a number of additional side streets served including: Spring Hill, Prospect Street, Read Street, Belmont Street, Lords Lane and the newest extension along Elm Street between Rogers Road and Union Street.

DEMOGRAPHIC TRENDS

Population and Household Trends

Data reviewed includes actual census data for 1990 and 2000 with estimates for 2004 and projections for 2009 provided by ESRI, a leading source of demographic information.

Population in Deep River has grown steadily since 1970 representing an average net increase of 300 residents each decade that has kept reasonable pace with the town's capacity to service this growth. A slight easing in the rate of population growth is observed in the last decade with annual growth dropping from 8.4% in the 1980s to 6.4% in the 1990s.



In contrast, household formation in Deep River accelerated over the past decade in comparison to previous decades. Between 1990 and 2000, the number of Deep River households grew by 9.5% or 159 households. This follows a 12.9% increase in households from 1980 to 1990.

One area where Deep River is bucking state trends can be seen in the relative stability of “family” households to total households with a 69.2% share in 2000 as compared to 69.4% in 1990. By contrast, the state saw a substantial decline in the percentage of families to households of 70.3% to 67.7% over the same period reflecting a growing number of single, split and non-family households statewide and nationally.

Projections for the period 2004 to 2009 point to continued steady expansion of population and household base in Deep River at an annual rate of 0.76% and 1.03%, respectively. Family household growth is estimated to have dipped slightly between 2000 and 2004 but is projected to pick up again in the latter part of this decade. Meanwhile, the rate of population and household growth in Deep River actually surpassed the state average between 1990 and 2000 although it lagged behind the region.

Table 4-1 Change in Population 1970-2000

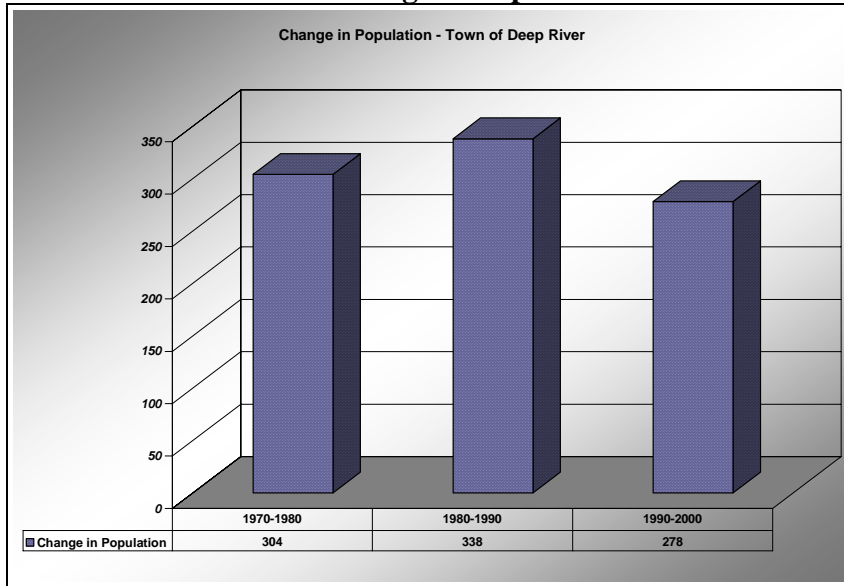


Table 4-2 - Population & Household Trends 1990 -2009

Attribute	Deep River	Middlesex Cty	State of CT
1980 Total Population	3,994		
1990 Total Population	4,332	143,196	3,287,116
2000 Total Population	4,610	155,071	3,405,565
2000 Group Quarters	118	6,227	107,939
2004 Total Population	4,715	161,884	3,475,008
2009 Total Population	4,897	170,502	3,563,632
1990 - 2000 Pop % Change	6.4%	8.2%	3.6%
2000 - 2004 Pop Annual Rate	0.57%	1.08%	0.51%
2004 - 2009 Pop Annual Rate	0.76%	1.04%	0.50%
1980 Households	1,474		
1990 Households	1,665	54,651	1,230,479
2000 Households	1,824	61,341	1,301,670
2000 Average Household Size	2.46	2.43	2.53
2004 Households	1,889	65,019	1,340,803
2009 Households	1,988	69,514	1,387,811
1990 - 2000 HH Percentage Change	9.5%	12.2%	5.7%
2000 - 2004 HH Annual Rate	0.88%	1.46%	0.74%
2004 - 2009 HH Annual Rate	1.03%	1.35%	0.69%
1990 Families	1,156	37,966	864,493
2000 Families	1,262	40,580	881,170
2000 Average Family Size	2.93	2.98	3.08
2004 Families	1,294	42,632	900,068
2009 Families	1,352	45,268	925,530
1990 - 2000 Families Annual Rate	0.88%	0.67%	0.19%
2000 - 2004 Families Annual Rate	0.62%	1.24%	0.53%
2004 - 2009 Families Annual Rate	0.88%	1.21%	0.56%

Source: US Census, ESRI

Household Type

Deep River's household profile has some notable aspects. These include:

- The ratio of households with children in Deep River to total households remained largely unchanged between 1990 and 2000 at 32%. However, annual growth of this subgroup was 1% a year in the last decade representing a net gain of 55 family households with children. By 2007, Deep River is expected to gain an additional 27 households with children.
- Reflecting a national trend, single households are gaining in representation to total households for both men and women expanding from 18% in the 1970s to nearly 25% in 2000.
- Deep River household population is getting slightly older with 21.8% of Deep River's households 65 and older as compared to 19.0% in 1990. However, a noticeable increase in 35 to 54 year old households occurred between 1990 and 2000.
- Non-family household growth is expected to be double the rate of growth of family households in Deep River over the next five years.

Table 4-3 – Household Characteristics

Town of Deep River Households by Type	1990		2000		Annual Rate
<i>Total</i>	1,665	100.0%	1,824	100.0%	0.92%
<i>Family Households</i>	1,156	69.4%	1,262	69.2%	0.88%
Married-couple Families	968	58.1%	1,032	56.6%	0.64%
With Related Children	424	25.5%	435	23.8%	0.26%
Other Family (No Spouse Present)	188	11.3%	230	12.6%	2.04%
With Related Children	99	5.9%	143	7.8%	3.75%
<i>Non-family Households</i>	509	30.6%	562	30.8%	1.00%
Householder Living Alone	392	23.5%	437	24.0%	1.09%
Householder Not Living Alone	117	7.0%	125	6.9%	0.66%
Households with Related Children	523	31.4%	578	31.7%	1.00%
Households over 65	311	19.0%	397	21.8%	

Middlesex County Households by Type	1990		2000		Annual Rate
<i>Total</i>	54,651	100.0%	61,341	100.0%	1.16%
<i>Family Households</i>	37,966	69.5%	40,580	66.2%	0.67%
Married-couple Families	31,512	57.7%	33,346	54.4%	0.57%
With Related Children	14,044	25.7%	15,172	24.7%	0.78%
Other Family (No Spouse Present)	6,454	11.8%	7,234	11.8%	1.15%
With Related Children	3,361	6.1%	4,372	7.1%	2.66%
<i>Non-family Households</i>	16,685	30.5%	20,761	33.8%	2.21%
Householder Living Alone	13,342	24.4%	16,715	27.2%	2.28%
Householder Not Living Alone	3,343	6.1%	4,046	6.6%	1.93%
Households with Related Children	17,405	31.8%	19,544	31.9%	1.17%
Households over 65			14,476	23.6%	

Source: US Census

Age Trends

Data reviewed includes actual census data for 1990 and 2000 with estimates for 2004 and projections for 2009 provided by ESRI, a leading source of demographic information.

Deep River's overall population is projected to increase modestly by 4% between 2004 and 2009. Greatest growth is expected to come from the 45 to 64 age group that is indicative of both a trend towards aging baby boomers and the profile of new homeowners in Deep River as somewhat older and more affluent. Meanwhile, Deep River is expected to have fewer school age children ages 5 to 14 over the next five years in part due to national trends towards smaller households as well as projected decline in the town's 25 to 44 age cohort, representing an age group most likely to have children.

Table 4-4 - Population by Age

	1990	2000	2004	2009	Trend 2004-2009
Total Pop	4332	4610	4715	4897	
0-4	6.5%	5.2%	5.1%	5.0%	Stable
5-9	5.7%	7.2%	6.1%	5.0%	Decline
10-14	7.0%	7.2%	7.2%	6.6%	Decline
15-24	11.5%	10.1%	11.4%	12.7%	Increase
25-34	17.0%	13.6%	10.5%	8.4%	Big Decline
35-44	18.1%	17.0%	17.2%	16.4%	Decline
45-54	11.3%	16.5%	17.2%	17.4%	Increase
55-64	9.4%	9.8%	11.9%	14.4%	Increase
65-74	7.7%	7.2%	7.0%	7.4%	Increase
75-84	4.3%	4.8%	4.7%	4.8%	Stable
85+	1.5%	1.4%	1.7%	1.9%	Stable
18+	76.6%	75.7%	76.8%	78.1%	
65+	13.5%	13.3%	13.4%	14.1%	
<i>Median Age</i>	<i>36.2</i>	<i>39.0</i>	<i>40.6</i>	<i>42.9</i>	

Source: US Census, ESRI

Income Trends

Households in Deep River are relatively affluent with 22.8% of its households earning above \$100,000 and 6.1% over \$200,000. Meanwhile average household income is estimated at \$92,771 as compared to \$57,394 in 1990 ranking the town above the region and the state. Despite a trend towards growing affluence, income diversity within the town is noted by the relatively even distribution between \$35,000 and \$150,000 reflecting the income diversity of the community.

Table 4-5 – 2004 Income Distribution

2004 Households by Income	Deep River	Middlesex Cty	State of CT
Household Income Base	1,889	65,019	1,340,797
< \$15,000	7.7%	7.3%	10.4%
\$15,000 - \$24,999	9.8%	7.6%	8.4%
\$25,000 - \$34,999	10.1%	8.2%	8.9%
\$35,000 - \$49,999	13.4%	12.7%	13.1%
\$50,000 - \$74,999	20.5%	20.2%	18.9%
\$75,000 - \$99,999	15.6%	16.6%	13.9%
\$100,000 - \$149,999	13.0%	18.3%	15.1%
\$150,000 - \$199,999	3.7%	5.1%	4.8%
\$200,000 +	6.1%	3.9%	6.5%
Average Household Income	\$92,771	\$81,944	\$89,582

Table 4-6 – Income Characteristics

2004 Households by Income	Deep River	Middlesex Cty	State of CT
Median HH Income			
1990	\$39,560	\$43,212	\$41,721
2000	\$52,516	\$59,175	\$53,915
2004	\$59,560	\$66,438	\$61,358
2009	\$68,068	\$77,092	\$72,202
Per Capita Income			
1990	\$18,995	\$19,660	\$20,189
2000	\$32,604	\$28,251	\$28,766
2004	\$37,518	\$33,451	\$34,999
2009	\$44,043	\$40,065	\$44,305

Source: US Census

Median income in Deep River has kept healthy pace with inflation over the 1990 to 2000 period but lags slightly behind the state and the region in 2004. By contrast, per capita income is higher in Deep River compared to the state and region having risen substantially over the last five years with the growing number of high income and associated smaller households.

Housing Trends

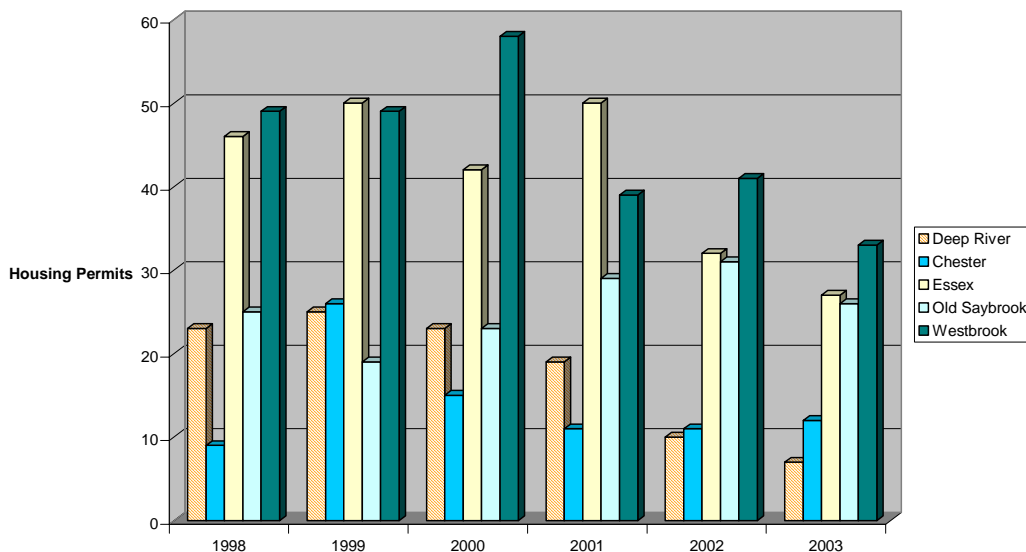
Over the last ten years, Deep River has become recognized as a low key, but desirable New England community linked to a highly regarded school system, reasonable housing options, the amenity of the Connecticut River and local nature preserves, and relatively easy access to major employment centers of New London, Hartford and New Haven. To meet this demand Deep River witnessed steady, but by no means excessive, housing production of principally single family homes. Housing permits averaged 17 permits a year between 1990 and 2000 peaking to 25 in the later part of the decade. Since 2000, housing permit activity has actually dropped slightly to an average of 14 homes a year.

Overall, Deep River experienced a net increase (new units minus demolitions and consolidations) of its overall housing stock of 124 units in the last decade. As noted above virtually all of this growth was associated with new detached single family housing. However, further additions to the single family stock arose from consolidations of two-family units into single family homes. This expansion of single family housing in Deep River led to a rise in the home ownership rate from 67.6% to 71.5% in the past decade.

Most Deep River residents are relatively new to town with growing numbers coming from outside the region, according to local brokers. According to the 2000 census, 36% moved to Deep River in the previous five years while 53% relocated to the community after 1990. Despite the new additions, there continues to be a significant core of long term residents in the community with nearly one-third indicating Deep River as their home for twenty years or more.

Table 4-7

Housing Permit Activity - Select Towns



Although single family homes predominate and much of the recent housing production in Deep River has been single family, the town offers a relatively diversified housing base given its semi-rural character. Multi-family homes of 2 to 4 units comprise nearly 10% of its housing stock. Meanwhile, larger properties containing over 5 units represent 9.4% of all housing in Deep River.

Table 4-8 – Housing Characteristics

			1990		Census 2000		1990-2000
			Number	Percent	Number	Percent	Annual Rate
Housing Units by Occupancy							
Total			1,786	100.0%	1,910	100.0%	0.67%
Occupied Housing Units			1,665	93.2%	1,824	95.5%	0.92%
Owner Occupied Housing Units			1,207	67.6%	1,365	71.5%	1.24%
Renter Occupied Housing Units			458	25.6%	459	24.0%	0.02%
Vacant Housing Units			121	6.8%	86	4.5%	-3.36%
Housing Units by Units in Structure							
Total			1,786	100.0%	1,910	100.0%	0.67%
1, Detached			1,307	73.2%	1,497	78.4%	1.37%
1, Attached			48	2.7%	35	1.8%	-3.11%
2			126	7.1%	83	4.3%	-4.09%
3 or 4			91	5.1%	104	5.4%	1.34%
5 to 9			49	2.7%	49	2.6%	0.00%
10 to 19			55	3.1%	56	2.9%	0.18%
20+			68	3.8%	74	3.9%	0.85%
Mobile Home			17	1.0%	12	0.6%	-3.42%

Year Householder Moved In 2000							
Total					1,824	100.0%	
1999-2000					271	14.9%	
1995-1998					392	21.5%	
1990-1994					302	16.6%	
1980-1989					300	16.5%	
1970-1979					232	12.7%	
1969 and earlier					326	17.9%	

Source: US Census

Educational Attainment

Deep River residents are well educated to meet a wide range of job opportunities with 22% reporting a high school degree and some college as compared to 17.5% for the state. Meanwhile nearly one-third of Deep River's adult population reported a bachelor's degree or better. Only 10.4% lacked a high school degree as compared to 11.3% for the region and 16% for the state.

Table 4-9
2000 Population 25+ by Educational Attainment

	Deep River	Middlesex Cty	State of CT
Total	3,244	108,106	2,295,617
Less than 9th Grade	1.6%	3.3%	5.8%
9th - 12th Grade, No Diploma	8.8%	8.0%	10.2%
High School Graduate	30.1%	28.6%	28.5%
Some College, No Degree	21.8%	18.8%	17.5%
Associate Degree	5.3%	7.5%	6.6%
Bachelor's Degree	18.2%	20.1%	18.2%
Master's/Prof/Doctorate Degree	14.1%	13.7%	13.3%

Source: US Census

5

Tax Base Analysis

Grand List Trends

Deep River's 2003 Net Grand List grew by 1.1% over the previous year representing a noticeable moderation in growth from previous years. Contributing to the slow down was a drop in elderly freeze net assessment along with a slight decline in motor vehicles values, the latter representing a tax phenomena felt by many communities in the state with a recent dip in new auto sales and leases. More troubling was the low gains in personal property values most often attributed to business equipment, which expanded by less than half the rate of previous years.

Table 5-1

Category	1999 Net Grand List (\$million)	2000 Net Grand List (\$million)	% chang e 99 to 00	2001 Net Grand List* (\$million)	% chang e 00 to 01*	2002 Net Grand List* (\$million)	% chang e 01 to 02	2003 Net Grand List* (\$million)	% change 02 to 03
Real Estate	\$226.4	\$232.8	2.7%	\$304.2	30.7%	\$309.6	1.8%	\$314.8	1.7%
Personal Prop.	9.4	10.6	11.3%	11.0	3.7%	12.3	11.8%	13.0	5.7%
Motor Vehicles	23.6	25.5	7.5%	26.6	4.3%	27.6	3.7%	26.8	-2.9%
Elderly Home/CB	5.4	5.0	-8.2%	6.0	20%	6.3	5.0%	5.3	-15.8%
Net Grand List	\$264.7	\$273.9	3.4%	\$348.0	27.1%	\$355.9	2.3%	\$359.9	1.1%

* Deep River's 2001 Grand List reflects revaluation

Grand List Trend by Category

In recent years, Deep River has seen a growing reliance on residential real estate for support of its tax base. Residential assessment now carries 86.8% of the real estate tax burden in Deep River up from 84% in 1999. In context of the total grand list, residential plus vacant land categorized as residential carries 80% of the tax bill versus 77% in 1999. If motor vehicle is included, which is primarily a resident-based assessment, households now account for 87% of the total net assessment.

Contributing to this trend has been the emergence of multi-million dollar riverfront estate homes that has established six owners of residential properties among the top ten taxpayers, compared to one five years ago. The town has also seen a modest wave of new subdivisions in response to the heated housing market of the last several years. But not all of this shift can be explained by high priced homes and new subdivisions. A lackluster economy with minimal to flat job growth has constrained growth in the town's industrial and commercial base. This has led to a decline in business assessment from 14.3% of net grand list in 1999 to 12.3% in 2003, a business assessment ratio that ranks as one of the lowest in the region.

Table 5-2
Deep River Net Grand List Trends
1999-2003

Category	1999 Net Grand List	% of total '99	2003 Net Grand List*	% of total '03
Real Estate	\$226,369,285	85.5%	\$314,883,070	87.5%
% residential	84.1%		86.8%	
% commercial**	7.1%		7.2%	
% industrial	4.2%		2.7%	
% vacant land	4.5%		3.1%	
% other	0.1%		0.2%	
Motor Vehicles	23,577,540	8.9%	26,805,874	7.4%
Personal Property	9,412,364	3.6%	13,047,192	3.6%
Elderly Home	5,310,945	2.0%	5,260,540	1.5%
Net Grand List	\$264,774,084	100%	\$359,996,676	100%
% Business Assess.	14.3%		12.3%	

* Deep River undertook revaluation in 2001-2

** Includes Apartments

Source: Assessor's Office, Town of Deep River

Peer Town Comparisons

In order to evaluate Deep River's competitiveness in attracting additional development and resident businesses, presented below are comparative tax data gathered by the Connecticut Policy and Economic Council (CPEC).

- Deep River's equalized mill rate (1999) ranked below Chester, Killingworth and Haddam, but above adjacent towns of Essex, Old Saybrook and Westbrook.
- Property Tax burden on a per capita basis in Deep River is lowest in the region at \$1,286.
- The percent change in property tax between 1994 and 1999 ranked lowest of all towns in the region with exception of Killingworth.
- Deep River relies far less on property taxes for total revenue as compared to area towns with 63.2% in 1999.
- Deep River ranked near the bottom in the region in business assessment as percent of Grand List with 14.4% in 1999-00.

Table 5-3
Comparative Tax Data Selected Lower River Towns & Cities

Town	Equz'd Mill Rate 1999	Per Cap EQNL* 1998-99	% Change ENGL* '94-'99	Ann. % Change in Mun. Spending '95-'00	Per Cap. Educ. Spending 1999	Per Cap Prop Tax 1999	% Change Prop. Tax '94-'99	Prop Tax as % of Tot Revs. 1999	Per Cap State Aid 1999-00	% Grand List Busi-Ness 1999
Chester	15.28	\$99,840	12.8%	4.2%	\$1,271	\$1,495	14.3%	75.5%	\$376	23.3
Clinton	18.51	\$83,073	7.6%	2.1%	\$1,566	\$1,614	15.0%	71.1%	\$587	20.8
Deep River	14.44	\$85,714	7.1%	5.1%	\$1,247	\$1,286	9.6%	63.2%	\$430	14.4
Essex	10.57	\$127,105	7.9%	2.5%	\$1,040	\$1,460	19.7%	84.9%	\$125	20.6
Killingworth	16.95	\$91,489	17.3%	-3.6%	\$1,513	\$1,460	3.7%	70.1%	\$370	5.0
Haddam	21.65	\$105,014	-1.6%	2.9%	\$1,495	\$2,104	15.7%	94.0%	\$110	24.4
Old Saybrook	13.56	\$143,320	6.7%	2.0%	\$1,190	\$1,916	24.3%	84.5%	\$147	20.5
Westbrook	12.54	\$142,159	11.0%	-1.1%	\$1,296	\$1,927	13.1%	80.3%	\$226	22.5
New Haven Cty. Avg.	21.52	\$65,968	1.5	16.8	\$1,242	\$1,427	13.7	63.1	\$678	N/A
New London Cty. Avg.	15.24	\$86,005	8.0	16.8	1,393	\$1,531	15.1	65.9	\$608	N/A
CT Average	18.41	\$84,369	8.0	15.6	\$1,304	\$1,531	15.1	65.9	\$602	

* ENGL represents Equalized Net Grand List

Source: Connecticut Policy and Economic Council

Economic Profile

Labor Force Trends

Over the past decade, residents in Deep River and the region have benefited from historically low unemployment rates that have consistently ranked below state and national levels. Deep River's low unemployment is even more notable in light of the high percentage of its workers in manufacturing and construction, both considered highly cyclical and sensitive to swings in the economy. For both the town and the region a number of factors have contributed to this employment stability including the presence of a diversified employment base in the region as well as easy access to alternative employment centers that include Middletown, Hartford, New Haven and New London.



Within Deep River and the region near full employment was reached in 2000 (under 2%) but has since hovered between 3% and 4% with the latest national economic downturn. Even with this increase, Deep River compares favorably to the state which reported an unemployment rate of 4.6% in June 2004.

Although unemployment has increased, labor force continues to expand in the town and region having grown by 15% and 19% respectively between 1998 and 2004. By contrast, state labor force growth has remained relatively flat at 3% for the same period. This represents encouraging news to any local recruitment effort for jobs and industry which relies on access to a steady pool of educated and trained workers.

Table 6-1 - Labor Force Data

	1998	1999	2000	2001	2002	2003	6/04	Change 98-04	
								No.	%
<i>Deep River</i>									
Labor Force	2,476	2,645	2,810	2,777	2,690	2,715	2,861	385	15.4%
Employed	2,405	2,587	2,763	2,716	2,592	2,605	2,806	401	16.6%
Unemployed	71	58	47	61	98	110	89		
Percent Unemployed	2.9%	2.2%	1.7%	2.2%	3.6%	4.1%	3.1%		
<i>Lower River LMA</i>									
Labor Force	11,988	12,211	12,938	12,780	13,260	13,354	14,300	2,312	19.2%
Employed	11,644	11,923	12,733	12,515	12,800	12,843	13,800	2,156	18.5%
Unemployed	324	288	205	265	400	511	400		
Percent Unemployed	2.7%	2.4%	1.6%	2.1%	3.0%	3.8%	3.3%		
<i>State of CT</i>									
Percent Unemployed	3.2%	3.3%	2.2%	3.3%	4.1%	5.5%	4.6%		

Source: CT Department of Labor

Employment Trends

Lower River Labor Market Area

An analysis of employment trends was undertaken for the Lower River LMA for the period 1996 to 2002. After this date, the Connecticut Department of Labor dropped Lower River LMA from the list of regions in which monthly employment data by industry was collected, although data on total employment is still obtained.

Overall, non-farm employment in the Lower River Labor Market Area rose 6.1% from 1996 to 2002 as the area and state regained jobs lost during the last recession. However this trend peaked in 2000 and the area has witnessed a modest decline in jobs over the past four years. The major employment categories in the Lower River LMA have changed little from the beginning of the time period, with service sector employment increasing and goods producing employment showing a slight decrease. Goods producing industries, primarily manufacturing, represent one in three area jobs. This is a significantly higher proportion of employment than statewide, where goods producing jobs represent 19% or about one in five.

Among service producing industries, only government and other service sector jobs, which include business and health services, have seen growth over the period analyzed.

Table 6-2
Non-farm Employment Trends - Lower River LMA December 1996-2002
Annual Averages ¹

	1996	1997	1998	1999	2000	2001	2002	Change 96-02	
								Number	Percent
NON-FARM EMPLOYMENT	9,700	9,800	9,900	10,100	10,600	10,500	10,300	600	6.1%
<i>GOODS PRODUCING</i>	3,500	3,400	3,300	3,200	3,300	3,300	3,300	-200	-5.7%
Construction & Mining	400	300	400	400	400	400	500	100	
Manufacturing	3,100	3,100	2,900	2,800	2,900	2,900	2,800	-300	
<i>SERVICE PRODUCING</i>	6,200	6,400	6,600	6,900	7,300	7,200	7,000	800	12.9%
Trans., Comm. & Public Utilities	400	400	400	400	500	500	400	--	
Wholesale T.	400	400	400	400	500	400	400	--	
Retail Trade	1,700	1,800	1,800	1,800	1,700	1,700	1,600	-100	
Finance, Ins & Real Estate	300	300	300	300	300	300	300	--	
Other Services	2,600	2,700	2,800	3,100	3,300	3,300	3,400	800	
Government	800	800	900	900	1,000	1,000	900	100	

Source: CT Department of Labor

Deep River Market Area

Data for Deep River are also provided by the Connecticut Department of Labor, with 2001 being the most recent yearly information available. Data is for June of each year rather than December as presented for the preceding LMA.

Overall job growth in Deep River for the period 1997 to 2001 was generally flat with losses in goods producing employment largely offset by expansion in service jobs. Manufacturing has been hardest hit falling from a 42% share of overall employment in town to 34% in 2001. Despite the drop, manufacturing continues to represent an important source of employment in Deep River as compared to the state, which in 2001 constituted 20% of overall employment in Connecticut.

¹ Presented under Standard Industrial Classification (SIC) codes

Table 6-3
Non-farm Employment Trends - Town of Deep River
June 1997 to June 2001

	1997	1998	1999	2000	2001	2001 %	Change 97-01	
							Number	Percent
NONFARM EMPLOYMENT	1,290	1,310	1,280	1,290	1,280	100%	-10	-0.7%
<i>GOODS PRODUCING</i>	560	540	450	460	460	35.9%	-100	-17.8%
Construction & Mining	20	20	40	40	30	2.3%	10	
Manufacturing	540	520	410	420	430	33.6%	-110	
<i>SERVICE PRODUCING</i>	730	770	810	830	820	64.1%	90	12.3%
Trans., Comm & Public Utilities	80	80	90	70	70	5.5%	-10	
Wholesale Trade	20	40	40	20	10	0.8%	-10	
Retail Trade	120	110	120	110	110	8.6%	-10	
Finance, Ins. & Real Estate	20	30	30	30	20	1.6%	--	
Other Services	180	280	290	250	260	20.3%	60	
Government	310	230	240	350	350	27.3%	40	

Source: CT Department of Labor

Connecticut industry projections prepared by the Department of Labor for 2000-2010 indicate that while overall manufacturing is expected to continue losing jobs statewide, the subsector including rubber and plastics is one of only two for which gains in employment are expected to occur. Plastic is a recognized Connecticut industry cluster, and is an industry well-represented in Deep River. The other manufacturing subsector which is projected to grow includes stone, lumber, furniture and paper. These jobs are generally high paying and increasingly require high skill and are important to the diversity of the jobs base. With the presence of these industries in Deep River and surrounding area, the region appears well poised to continue attracting jobs in these clusters. More information will be provided in the section on employment projections for Connecticut.

Occupational Characteristics

Although well-educated, Deep River's ratio of blue collar workers in the labor force is slightly higher than the region and the state with 24.6% falling into this category versus 19.1% and 19.5% for the region and state, respectively. Manufacturing and construction jobs rank high among Deep River residents for jobs accounting for nearly one-third or 29.5% of the resident job base. While highlighting the importance of industry in Deep River, this employment concentration has important implications for the town in its goal to attract certain types of industry to the town. By comparison, these two employment sectors represent 20.4% of the resident workbase for the region.

Table 6-4 – Occupational Characteristics

	Deep River	Middlesex Cty	State of CT
2004 Employed Population 16+ by Industry			
Total	2,415	83,168	1,687,056
Agriculture/Mining	0.4%	0.4%	0.3%
Construction	10.4%	6.5%	6.2%
Manufacturing	19.1%	13.9%	12.9%
Wholesale Trade	1.8%	2.6%	2.7%
Retail Trade	10.5%	10.8%	11.1%
Transportation/Utilities	4.0%	4.8%	4.0%
Information	2.7%	2.9%	3.3%
Finance/Insurance/Real Estate	4.8%	8.6%	9.6%
Services	41.7%	45.0%	45.9%
Public Administration	4.6%	4.4%	4.0%

	Deep River	Middlesex Cty	State of CT
2004 Employed Population 16+ by Occupation			
Total	2,415	83,168	1,687,056
White Collar	60.9%	65.7%	63.9%
Management/Business/Financial	14.0%	16.3%	15.9%
Professional	26.7%	26.0%	23.3%
Sales	9.7%	10.2%	10.5%
Administrative Support	10.6%	13.2%	14.1%
Services	14.5%	15.1%	16.6%
Blue Collar	24.6%	19.1%	19.5%
Farming/Forestry/Fishing	0.0%	0.2%	0.3%
Construction/Extraction	9.2%	5.4%	5.2%
Installation/Maintenance/Repair	3.3%	3.8%	3.4%
Production	10.0%	6.1%	6.3%
Transportation/Material Moving	2.0%	3.7%	4.4%

Source: US Census, ESRI

Journey to Work

Compared to the region and state, Deep River workers have relatively short commutes to jobs with nearly half traveling less than 20 minutes, while fewer than 6% exceeded one hour. While the bulk of the jobs are in the immediate area, with 14% in Deep River alone, Deep River residents are less reliant on local jobs with 43.5% commuting to area towns as compared to 61.5% in 1990.

Outside the area, residents are traveling to key employment centers of Hartford, New Haven and Middletown easily accessible by Route 9 and I-95. Home-based employment in Deep River constitutes a modest but growing 4.2% of the local work-force.

Table 6-5
Year 2000 COMMUTER TRENDS – TOWN OF DEEP RIVER

Outbound Commuters from Deep River	
To Workplace State- County-Town	Number of Deep River Commuters
Fairfield County CT	9
Hartford County CT	240
Chester town	170
Clinton town	60
Cromwell town	12
Deep River town	337
Durham town	22
East Haddam town	18
East Hampton town	11
Essex town	270
Haddam town	45
Killingworth town	57
Middletown town	162
Old Saybrook town	203

<u>continued:</u>	
Outbound Commuters from Deep River	
Portland town	12
Westbrook town	108
Madison town	78
New Haven town	64
New Haven County, other	130
East Lyme town	22
Groton town	33
Montville town	22
New London town	34
Old Lyme town	32
Stonington town	19
Waterford town	19
New London County, CT, other	24
Other	273
TOTAL Commutes from Deep River	2,376

Source: US Census 2000

Employers in Deep River draw principally from local residents and close-by communities of Clinton, Chester and Essex. However, the percentage of workers from the immediate area has dropped from 67.7% in 1990 to 57.3% in 2000. New Haven and New London County represent a substantial base of workers, pointing to the town's ability to attract workers from other Labor Markets.

Table 6-6

Commuters from Other Communities to Deep River	
Commuting Inbound to Deep River from State-County-Town Name	Number of Commuters
Chester town	105
Clinton town	96
Cromwell town	13
Deep River town	337
Durham town	9
East Haddam town	38
East Hampton town	36
Essex town	57
Haddam town	53
Killingworth town	8
Middletown town	40
Old Saybrook town	22
Portland town	12
Westbrook town	7
New Haven County CT	96
New London County CT	139
Other	35
TOTAL	1,103

Source: US Census 2000

Connecticut Industry Projections

Industry projections released January 2003 by the Connecticut Department of Labor are available for the period 2000-2010. In summary, the projections call for:

- An increase of 152,000 jobs or 8.6% - this rate of growth will be slower than that of the nation as a whole
- The services sector will be the main source of growth: business and health services will dominate, adding more than 105,000 new jobs
- Manufacturing will decline by 11,000 jobs, with decreases in less skilled production jobs and increases in skilled, technology oriented jobs
- The trade sector will experience slower than average growth but will nevertheless expand by 21,000 jobs

A summary table of the projections follows on the next page. Of particular importance are positive projections regarding the two manufacturing sector clusters identified in Deep River: chemicals, petroleum products, rubber and plastics; and wood products, furniture, stone, clay and glass. Construction increases, both in building and trades, could also favorably impact the area.

The expected growth throughout the services sector will be of major significance throughout Connecticut including Deep River, where three out of four jobs are service sector based. Health, education and social services, the major components of services, is expected to add 48,000 jobs statewide. The aging population will impact this sector from both sides- retirements will create replacement job needs and the increase in the senior population will create need for new medical and care giver jobs. This has implications for development of facilities to support these activities in the region.

Also of continued importance to the regional economy will be continued strong growth in the recreation and hospitality sectors, where more than 14,000 additional jobs are projected.

Table 6-7
Connecticut Industry Projections
2000-2010

Industry	Employment		Change	
	2000	2010	Number	Percent
TOTAL	1,776,080	1,928,460	152,380	8.6%
Construction	66,120	72,300	6,180	9.3
Mining, Bldg. & Heavy Const.	20,580	21,920	1,340	6.5
Special Trades Contractors	45,540	50,380	4,840	10.6
Manufacturing	262,360	251,600	(10,760)	(4.1)
Chem., Pet. Prod., Rubber & Plastics	33,620	35,730	2,110	6.3%
Wood Prod., Furniture, Stone, Clay, Glass, Misc	15,110	15,420	310	2.1%
Trans., Comm. & Utilities	79,670	86,330	6,660	8.4%
Wholesale Trade	83,020	88,560	5,540	6.7%
Retail Trade	282,430	303,460	21,030	7.4%
Building Materials, Hardware, Garden & Home Furnishings	26,880	32,560	5,680	21.1%
Food stores & Restaurants	131,960	142,050	10,090	7.6%
Fin., Ins., Real Est.	141,260	152,270	11,010	7.8%
Services	735,140	840,520	105,380	14.3%
Hotels, Theaters, Personal, Amusement & Rec. Services	73,600	88,260	14,660	19.9%
Business, legal, eng., acctng., & management services	172,100	210,120	38,020	22.1%
Medical, Ed., Social Svcs.	349,310	397,590	48,280	13.8%
All other svcs incl self-empl.	140,130	144,550	4,420	3.2%
Government	108,360	111,860	3,500	3.2%

Source: CT Dept. of Labor

Major Employers

The table below lists the major employers in the Town of Deep River and the LMA. Within Deep River, three firms involved with plastics and metal manufacturing account for nearly 15% of the jobs in town. Notably, both of these industries are identified as cluster industries in the state and are a focus of on-going development and support. However education and in-town treatment facility constitute a sizable portion of the town's job base with 38% of Deep River's employment.

Outside of Deep River, a good diversity of major employers and industries exist including two elderly care facilities, two major outlet centers and core manufacturing industries ranging from cosmetics to plastics.

Table 6-8
Major Employers in Deep River and LMA

Name	Location	Industry	No. of Emps.
DEEP RIVER			
Siligan Plastics Corp	Deep River	Plastics Mfg	220
Tri Town Precision Plastics	Deep River	Plastics Mfg	100
Champion Manufacturing	Deep River	Sheet Metal Mng	78
Deep River Elementary	Deep River	Education	
Mount Saint John School	Deep River	Treatment Center	N/A
Region School District 4	Deep River	Education	400
LMA			
Essex Meadows	Essex	Life Care Center	120
Doncasters	Essex	Castings Mng	50+
Whelen Engineering	Chester	Warning Devices Mng	300
The Lee Co	Essex/ Westbrook	Hydraulics Mng	580
Chester Village	Chester	Life Care Facility	N/A
Doncasters	Essex	Castings Mng	50+
Unilever	Clinton	Cosmetics Mng	500+
Connecticut Water	Clinton	Utility	275
Clinton Crossing	Clinton	Retail Trade	550+
IPC Communications	Westbrook	Info Systems Mng	50
Tanger Outlet Center	Westbrook	Retail Trade	300+
Fortune Plastics	Old Saybrook	Poly Bag Mng	N/A

Source: Individual companies

Business Establishments

The Lower River Labor Market Area Business Profile contains 949 worksites, almost one-quarter of the business establishments in Middlesex County. Table 6-9 shows that while Retail Trade, with 142 establishments, is the largest sector, Manufacturing (70), Construction (74), and Wholesale Trade (62) are also well represented. Professional Services (95, one quarter of county total) and Healthcare (70) are also major drivers in the region.

The LMA manufacturing sector shows strength in fabricated metals, machinery, electronics and printing/publishing. The majority of companies are in the smaller job-shop category, with only 2 employers having 100 or more employees. Thirty-two of the 70 manufacturers are within Deep River, which has a tradition of small manufacturing, especially in plastics, metals and machine parts. This region still has nearly 25% of employment in manufacturing. More than one-half of the construction companies and one-third of the retailers are also in town.

Table 6-9
Business Establishments by NAICS, 2003

NAICS Code	Industry	Worksites Deep River	Worksites LMA	Worksites Middlesex County	Worksites CT
	Total, All Industries	254	949	4,222	109,147
11	Agriculture, forestry, fishing and hunting	3	3	3	352
21	Mining		*	3	66
22	Utilities		*	8	140
23	Construction	40	74	486	10,699
31-33	Manufacturing	32	70	282	5,596
42	Wholesale trade	4	62	221	9,552
44-45	Retail trade	51	142	750	13,348
48-49	Transportation and warehousing	8	15	55	1,859
51	Information		15	65	1,752
52	Finance and insurance	11	36	179	6,534
53	Real estate and rental and leasing	4	22	121	3,513
54	Professional and technical services		95	387	12,843
55	Management of companies and enterprises		*	12	630
56	Administrative and waste management		60	233	6,454
61	Educational services		12	52	1,228
62	Health care and social assistance		70	447	9,153
71	Arts, entertainment, and recreation		29	97	1,686
72	Accommodation and food services		59	336	6,963

Connecticut currently recognizes nine “industry clusters”, a term coined by Michael Porter of the Harvard Business School, meaning a concentration of economically linked companies and industries in a geographic region. These companies and industries are interconnected by the markets they serve and the products they produce as well as by their suppliers, trade associations and educational institutions. A high profile example of an industry cluster is Silicon Valley in California with integrated microelectronics, biotechnology and venture capital markets. The nine clusters recognized in Connecticut to date are:

- Aerospace
- Agriculture
- Bioscience
- Insurance/Finance
- Maritime
- Metal Manufacturing
- Plastics
- Software Information Technology
- Tourism

In order to promote the growth of these industry clusters, the state has helped organize initiatives and programs that include training, marketing and financial assistance which can be a valuable resource for any economic development program. Within Deep River and the area, plastics and to a lesser extent metal manufacturing, tourism and the maritime industry are represented. A discussion of these industry clusters are provided below.

Plastics

According to State of Connecticut, an investment of \$135,000 in seed money was made to develop the plastics cluster in 2001 with the following missions:

- Development of image and membership
- Provide programs for workforce development, progressive manufacturing, business practices and shared services

Plastics cluster development is being affected by the Connecticut Plastics Council, located in Waterbury (ctplastics.com). Despite the decline in other manufacturing sectors, the plastics industry continues to grow, not only in Connecticut but nationally – it is the fourth largest manufacturing sector in the U.S. CPC intends to attain global recognition for Connecticut as a premier region for delivering specialty and high tech plastics and product support.

Metal Manufacturing

As a recognized cluster industry in Connecticut, metal manufacturing is the focus of new workplace technologies and manufacturing processes spearheaded by the Manufacturing Education and Training Alliance or METAL. Geographically this cluster industry is mainly concentrated in Bridgeport, Hartford and New Haven Labor Market Areas, of which the latter two regions are closely connected to the Lower River Valley. In recent years, METAL's activities have emphasized sponsoring training programs for increasing the pool and skill level of employees in this industry.

Tourism

Tourism in Connecticut is a \$10 billion industry that supports over 225,000 jobs. In fact, more people are employed in Tourism within the state than Manufacturing or Finance, Real Estate and Insurance. Tourism also has significant economic impact. According to the Connecticut Center for Economic Analysis, every dollar invested in tourism by the State or locality generates \$51 back to Connecticut. The tourism industry in the State is managed through five tourism districts largely supported by the State's hotel and lodging tax. Deep River is a member of Central Connecticut District which stretches along the Connecticut River from the Massachusetts border to Old Saybrook. Deep River supports a number of major tourism activities that includes the Deep River Ancient Muster parade that attracts thousands of people annually in the summer. Deep River is also the terminus and changeover point for the *Essex Steam Train and Riverboat* ride originating in Essex. Meanwhile in the Village Center is the well-regarded Riverwind Bed & Breakfast, the Town's only lodging facility.

Maritime

In December 2000, the maritime industry was recognized by the State of Connecticut as a cluster industry. Consisting of over 350 businesses, this industry supports 12,225 jobs and generates \$553 million in payroll. Of equal importance, the maritime industry spins off more than \$2.6 billion in sales annually according to Connecticut Economic Resource Center. The strategic plan for this industry focuses on five components: transportation, manufacturing services, recreation, commercial fishing, and environment. While primary activity of this cluster is centered on promoting the long term viability and success of the State's deepwater ports, an additional goal is the preservation and enhancement of its inland waterways including the Connecticut River.

Economic Strength

Economists determine the strength of a region by the industries that support its basic economic health. Especially important are those industries that produce goods and services which are then sold outside the region, importing income into the area. These economic engines help sustain the local service sector of the economy. Location Quotients (LQ's) are used to determine current strength by relating an area's industry concentration to a larger geographic area. Table 6-10 compares the LQ's of the state and

the Lower River LMA for LQ's in the region larger than 1. A LQ greater than one suggests a possible economic concentration or industry cluster in the region that can be the focus of an economic development program for industry expansion and recruitment.

Based on this analysis, Lower River's strength is in fabricated metal products, electronic equipment, plastic products, and printing and publishing industries, although the latter industry may have been influenced by the presence of R.R Donnelly printing company which has subsequently closed down. The area reports low economic strength compared to the state in sectors associated with trucking and warehousing, lumber and wood products, wholesale trade, communications and health services and real estate sectors.

Table 6-10

Location Quotients >1 for Lower River LMA		
SIC. Description	Statewide	Lower River
34. Fabricated Metal Products	1.74	7.55
36. Electronic Equipment	1.23	5.20
30. Rubber & Misc. Plastic Products	0.78	3.33
35. Industrial Machinery & Computer Equipment	1.17	2.34
86. Membership Organizations	1.09	2.27
39. Miscellaneous Manufacturing	1.21	2.09
83. Social Services	1.2	1.98
27. Printing & Publishing	1.24	1.81
70. Hotels & Other Lodging Places	0.47	1.86
82. Educational Services	1.71	1.60
07. Agricultural Services	0.81	1.51
88. Private Households Services	0.99	1.47
15. Building Construction - General Contractors	0.64	1.42
64. Insurance Agents & Brokers	1.11	1.16
58. Eating & Drinking Places	0.73	1.14
61. Non-depository Institutions	0.96	1.02

Source: CT DOL

Market Assessment

Office Market

Demand for office space is driven by growth in white collar jobs. In most cases this includes financial and business services, professional services and government and more recently medical services. Within the last three years in the region and nation, this sector has fallen on hard times due to the internet-high tech collapse of the early 2000s and lackluster economy that followed. Demand for office has also changed in response to ways companies manage and operate their businesses, in many cases with fewer people.



In recent months, there have been some signs pointing to a stabilizing market. Statewide employment has nudged up slightly in the last few months after posting more than 2 years of decline between 2001 and 2002, and flat growth through much of 2003 and 2004. In the Greater Hartford region, office vacancy has dropped to 18.6% from a high of 20.2% two years ago. Positive absorption of space is being recorded and percent of available sublease space is falling. Nevertheless, with more than 4.5 million square feet of available office space in the Greater Hartford market, lease rates continue to fall or be encumbered by concessions.

The New Haven Area office market appears to be similarly soft although the downtown market is on firmer ground due to reduction of inventory linked to conversion of office buildings to apartments. Overall vacancy in the region is estimated at 22%, while downtown the vacancy is 18.5%, down from 21.7% at end of 2003.

Table 7-1

Greater Hartford Office Market – Mid Year 2004			
Submarket	Gross Building SF	Vacancy Rate 2004	Vacancy Rate 2003
City of Hartford	9,868,658	18.69%	20.80%
North Submarket	2,742,449	21.51%	%
West Submarket	4,707,354	14.39%	%
South Submarket	3,196,717	16.08%	%
East Submarket	3,461,572	20.78%	20.70%
Total	23,976,750	18.12%	20.59%

Source: CB Richard Ellis

Local Market Opportunity for Office

Historically, the office market in the Lower River Valley region has functioned at a small scale sufficient to accommodate local demand. With Finance, Real Estate and Business services representing a modest 15% of the employment base, demand is estimated at 375,000 square feet of office space which is comfortably met in the communities of Old Saybrook, Essex and Westbrook. Nor does a review of current trends point to an expanding or emerging demand for office within the region with the exception of community-based business space in support of local needs.

Most office demand in the region has centered on small configurations under 5,000 square feet linked with professional users and small businesses with larger users finding the New Haven, Hartford and even the Middletown and New London markets more accommodating in terms of office supply and the labor force to meet employment needs. Moreover, while suburban office growth has caught on in many areas of the state, the Lower River Valley region does not benefit from the economic factors that have spurred this growth including the advantages of accessing the same labor force as cities but offering more convenient, safer usually newer space at competitive prices.

Thus for the near term there are few opportunities for office development in the Lower River Valley region, much less Deep River outside of inexpensive flex space, and in-town professional space. Even in the case of office flex space, the local market appears to have ample supply of similar space along the shoreline from Old Saybrook to Clinton although much of it is located in older buildings. To the extent office demand does occur in Deep River, the former UARCO space has more than 45,000 square feet of class B or C space that could be marketed for this use.

This said there may be opportunities for specialized facilities at some point where proximity to market is important. Health care facilities or medical office space is an example as recently witnessed with the construction of the health facility affiliated with L&M Hospital in Old Saybrook. Need for support of emerging technologically-based

services, education facilities and even government offices are other examples where office development might occur in this market. For the foreseeable future, however, we anticipate much of any growth in this area will center in the Shoreline towns of Clinton, Westbrook and Old Saybrook, and to a lesser extent in Essex where ample options exist for development. If at some time these communities become too expensive or land use prohibitive, the interchanges on Route 9 in Deep River may come under scrutiny by developers.

Retail Market

Regional Demand

The areas from which shoppers are drawn to retail centers are in large part determined by the transportation network and driving times or distance. These will in turn be influenced by the scope of the center. Standard definitions for retail centers are as follows:

- The traditional draw for a **neighborhood center**, the smallest of centers by type, is less than three miles. Neighborhood centers offer *convenience goods* such as foods and drugs and personal services for the day-to-day needs of the immediate neighborhood. Supermarkets usually serve as the anchor tenant. The neighborhood center is the predominant retail format.
- The traditional draw for a **community center** is three to five miles. Community centers provide convenience goods also found at neighborhood centers but also offer soft lines such as clothing and hard lines such as appliances and hardware. These items, for which consumers shop less frequently and comparison shop are commonly known as *shoppers' goods*. A junior department store or discounter may serve as the major tenant in addition to a supermarket. A local example of the community center is the Stop & Shop/Kmart center on Providence Pike.
- The traditional draw of a **regional center** is generally eight or more miles or a drive time of no more than 20 minutes. Regionals provide mainly shoppers' goods including general merchandise, apparel, furniture, and home furnishings in depth and variety, as well as a range of services and recreational facilities. They are anchored by one or two full-line department stores.
- The largest type of center is the **super regional**, which can draw from up to 50 miles, depending on access and drive times. It provides an extensive variety in general merchandise, apparel, furniture, and home furnishings, as well as a variety of services and recreational facilities. It is anchored by three or more full-line department stores and ranges in size from 600,000 to more than 1,500,000 square feet. Most items found at regional and super regional centers are characterized as *shopper's goods*, as opposed to convenience goods. Buckland Hills Mall in Manchester is an example of a super regional mall.

Regional Retail Overview

The retail market has been a major engine in the state and region for over ten years driven largely by growth in big box retail centers (Targets, Home Depots, WalMarts) and expansion of key chains that anchor neighborhood and community centers. With respect to the latter, supermarkets and to some extent drugstores (if on separate pad sites) have often served in this capacity.

In 2002 to 2003, the retail real estate market experienced its slowest growth and lowest absorption of retail space in five years. Modest relief was recorded in 2004, but retailers are increasingly finding saturated markets, fewer and more difficult sites to develop retail locations, and growing local opposition. Where the few large retailers have been active it has been somewhat offset by liquidation of major chains. Vacancy rates for smaller store space under 5,000 square feet within the Greater Hartford area average 9.5% and increase to 15 to 20% for spaces over 25,000 square feet.

The tables on the following page give the degree of expansion and contraction of retail in the Greater Hartford region in the last year and provide some insight into dynamics of this market in the nearby Lower River Valley. The most noticeable trend is that the bulk of the expansions are service related establishments with greatest expansion seen in personal services and fitness centers, the latter influenced by major franchise growth of Curves, a women-only fitness center. Eating places ranked fifth in new openings in the region but is number one in total establishments. Rounding out the list is growth in insurance and real estate locations, two industries that have witnessed growth over the last several years.

In contrast to growth in service businesses, the list of contractions identifies far more traditional retail. Hardest hit are printing and publishing outlets that include copying and binding services. Of particular relevance to Deep River is the decline in Gift and Specialty Items stores and Antique establishments, both of which are well-represented in the community. While Gift stores in general experience higher than normal turnover compared to other retail, the drop-off in antique stores is symptomatic of a national declining trend in this industry impacted both by sluggish economy and the growing use of the internet/E-bay to find and purchase goods.

Table 7-2
Expansion by Number of Stores
Greater Hartford Area - 2003

Business Classification	New Stores	Total Stores
(1) Beauty Salon & Services	36	895
(2) Health & Fitness	25	184
(3) Professional Services	17	140
(4) Medical & Dental Services	13	96
(5) Eating Places	11	1384
(6) Beauty Supplies & Cosmetics	9	57
(7) Food Stores-Grocery	8	396
(8) Telephone Equipment	8	77
(9) Educational & School Services	7	104
(10) Insurance	6	58
(11) Real Estate	6	58

Source: Finard & Company LLC

Table 7-3
Contraction by Number of Stores
Greater Hartford Region - 2003

Business Classification	Store Contraction	Remaining Stores
(1) Printing & Publishing	-10	52
(2) Gift, Novelty & Souvenir	-9	172
(3) Transport/Public Utilities	-7	102
(4) Banks & Savings Institution	-7	250
(5) Record & Tape Stores	-7	26
(6) Miscellaneous Retail	-6	138
(7) Used & Antique Merch.	-6	137
(8) Video Rental	-6	61
(10) Paint Glass & Wallpaper	-5	61
(11) Jewelry	-5	130
(12) Women's Apparel	-5	28

Source: Finard & Company LLC

Downtown Business District

The downtown business district of Deep River is a well defined area of over 50 businesses largely concentrated within a four block area excluding north and south from the intersection of Main Street (Route 154) and Elm Street/River Street. The corridor is anchored by two banks (Liberty and Citizens), a mid-size supermarket (Adams), and various public-oriented facilities that include the Town Hall, the Library and the Post Office. Only a few commercial vacancies are noted in the district and those that exist are linked with a cluster of upper Main Street buildings at the corner of Bridge Road. In total square footage, retail-commercial space of the entire district comprises less than 100,000 square feet.



Virtually all of the businesses in the downtown are independently-owned and operated, in many cases by owners living in Deep River. This local flavor is further reinforced by the absence of any regional or national chains or franchises in the business district, with the exception of Adam's supermarket and Hallmark Gift Shop. Additionally, much of the real estate is owned as opposed to rented representing another layer of local investment in the community.

A survey of businesses in the downtown area points to a nice blend of convenience and local based services and retail with specialty shops and food establishments. A total of 53 businesses exist in this stretch, principally north of Elm/River Street intersection. As noted above, the major anchors in the corridor include the two banks and Adams Grocery Store. The latter is part of a 26,000 square foot retail center that underwent a major renovation in recent years. Among the remaining establishments, specialty stores, that include gift stores and pet retail, rank highest in number (6), followed by personal services (5), and assorted professional services that include real estate and insurance (4) and antique and consignment stores (4). Other key community retail and services that are located on the corridor include laundry/dry cleaning services (2), a Post Office, gas station, and health and dental services (3). Food and dining establishments are well represented in the district accounting for nearly 1 out of every four businesses.

A comparison of existing retail and services along Downtown Main Street in the years 1995 and 2004 reveal a number of interesting shifts. The total number of businesses actually declined during this time from 58 to the present 53 with retail stores seeing the greatest drop. The most significant increase occurred in personal service establishments which increased from 2 to 5 in number, an industry growth trend found in many areas of the state. Specialty and gift shops have also increased from 3 establishments to 6 businesses.



Declines were noted for pharmacy (no longer exists), paint and decorating, and general merchandise.

Based on a survey of businesses, Deep River's commercial district largely caters to a local population that takes in much of the town and Chester to the north. A much wider market draw is achieved with antiques and specialty gift and food stores, but few businesses indicate any history of significant regional or tourist draw to their stores or the downtown.

Table 7-4
Survey of Downtown Deep River Businesses – 1995 & 2004

	1995	2004	Shift
<u>Food & Dining</u>			
Bakery	2	1	-1
Bar/Pub	2	2	0
Convenience Store	2	1	-1
Take-Out Food	2	3	1
Restaurant	3	3	0
Specialty Food	2	1	-1
Supermarket	1	1	0
Net Gain or Loss	14	12	-2
<u>Business/Personal Services</u>			
Bank	3	2	-1
Dental Services	1	1	0
Health Services	1	2	1
Business Services	2	1	-1
Misc. Services/Professional	3	2	-1
Real Estate/Insurance/Legal	6	4	-2
Laundry/Dry Cleaning Services	2	2	0
Personal Services (Hair/Nails)	2	5	3
Funeral Services	1	1	0
Fitness	0	1	1
Car Repair	1	1	0
Postal Services	1	1	0
Net Gain or Loss	23	23	0
<u>Retail</u>			
Antiques/Consignment	5	4	1
Gas Station	1	1	0
Clothing/Shoes	1	0	1
Furniture/Home Goods	1	1	0
Hardware /Decorating	3	2	-1
Video Store	1	1	0
Liquor Store	3	2	-1
Florist	1	1	0
Pharmacy	1	0	-1
Specialty Merchandise	3	6	3
General Merchandise	1	0	-1
Net Gain Or Loss	21	18	-3
<u>Wholesale</u>	0	1	1
Total of Businesses	58	53	-5

Deep River Retail Sales Trends

Deep River sales trends for retail goods by type of business are presented in the table below. Data is supplied by the Connecticut Department of Revenue Services and reflect overall decline in retail store sales of 54% for the period 1995 to 2002 that was offset by a 742% increase in leasing and business service sales, translating into a 48% overall gain. This can be partly explained by the onset of a recession in 2001 and aftermath of 9-11 that cut into consumer expenditures locally and nationally.

It must be noted that interpretation of the data is somewhat difficult because sales of many chain locations may be only reported in the Connecticut headquarters location. For example, food sales for Adams in Deep River are not reflected here. However, in categories where there are more locally owned and operated businesses, such as hardware products and eating and drinking places, data is more reflective of actual experience.

Three hardest hit categories include Hardware, Automotive Products and Miscellaneous shopping goods, the latter representing a category which includes everything from pharmacies to antiques, jewelry, sporting goods, catalogue stores and fuel oil dealers, which dropped by 54% from 1995 to 2002.

Table 7-5
Retail Sales by Type of Business
Town of Deep River
1990 –2002

Type of Business & SIC Code	1990	1995	2002	1995-2002 % Change
				%
Hardware/Decorating(52)	\$955,256	\$1,065,249	\$378,311	-65%
General Merchandise (53)	\$277,212	\$170,467	\$0	N/A
Food Products (54)	\$1,693,680	\$652,481	\$438,074	-32%
Automotive Products (55)	\$2,080,479	\$1,921,095	\$8,174	-99%
Apparel & Accessories (56)	\$450	\$0	\$2,415	N/A
Home Furnishings & Appliances (57)	\$1,178,443	\$805,998	\$569,700	-29%
Eating & Drinking Places (58)	\$1,382,662	\$1,617,340	\$781,867	-51%
Misc. Shopping Goods (59)	\$3,738,672	\$16,601,622	\$8,148,949	-51%
Retail Stores Total	\$11,306,854	\$22,834,252	\$10,327,490	-54%
All Other Outlets	\$7,428,919	\$3,388,107	\$28,531,965	742%
Total	\$18,735,773	\$26,222,359	\$38,859,455	48%

Source: CT Department of Revenue Services

A comparison of retail sales in Deep River with adjoining towns of Essex and Chester highlights the relative differences in retail markets among the three. As reported by the state, the well-established retail market in Essex, benefiting from both a larger and more affluent population base and outside tourism, is five times the size of Chester and Deep River in terms of retail sales. In overall sales, Deep River and Chester are similar in scale, but Chester exceeds Deep River in most retail sales categories with the exception of Miscellaneous Retail. Not surprisingly, a significant gap is noted between the two towns in sales from Eating and Drinking places with Chester reporting \$6 million in sales as compared to Deep River at \$781,000. It should be noted that a portion of Deep River's sales as reported for Food Products may be understated due to the anomaly of data reporting from chains described earlier.

Table 7-6
Retail Sales by Type of Business
Town of Deep River & Neighboring Towns
2002

Type of Business & SIC Code	Deep River	Chester	Essex
Hardware/Decorating(52)	\$378,311	\$7,323	\$4,346,784
General Merchandise (53)	\$0	\$621,699	\$29,602
Food Products (54)	\$438,074	\$1,060,464	\$11,968,059
Automotive Products (55)	\$8,174	\$337,367	\$5,193,981
Apparel & Accessories (56)	\$2,415	\$165,437	\$2,561,095
Home Furnishings & Appliances (57)	\$569,700	\$623,751	\$1,045,562
Eating & Drinking Places (58)	\$781,867	\$6,106,877	\$9,444,128
Misc. Shopping Goods (59)	\$8,148,949	\$3,143,887	\$20,745,582
Retail Stores Total	\$10,327,490	12,066,805	\$55,334,793
All Other Outlets	\$28,531,965	20,781,629	\$144,607,034
Total	\$38,859,455	\$32,848,434	\$199,941,827

Source: CT Department of Revenue Services

Deep River Retail/Commercial Real Estate Trends

Over the course of three years from 2002 to 2004, Deep River has recorded nine commercial/retail building sales along Main Street suggesting a modestly active market for commercial sales. As can be seen from the table below, retail buildings are generally small, in the 1,000 SF to 5,000 SF range. Sales per square foot of building space have been quite variable, ranging from a low of \$16-17/SF to a high of \$238/SF for Gulf Station property.

Table 7-6
Commercial Building Sales
Town of Deep River
2002-2004

Property Address	Bldg Size (sf)	Land	Price	Price/SF	Sale Date
160 Main Street (2 bldgs)	4,680/1,732	2.00	\$475,000	\$74.08	02/12/2004
153 Main Street	1,497	0.12	\$250,000	\$167.00	08/05/2003
439 Main Street	2,204	0.73	\$275,000	\$124.7	08/01/2003
181 Main Street	5,045	0.18	\$200,000	\$39.64	05/21/2003
118 Main Street	3,518	0.07	\$62,500	\$17.76	03/10/2003
116 Main Street	2,787	0.06	\$170,000	\$60.99	01/14/2003
124 Main Street	3,214	0.13	\$215,000	\$66.89	10/29/2002
39 Main Street	6,832	0.29	\$225,000	\$32.93	07/31/2002
173 Main Street/gas sta.	1,156	0.28	\$279,500	\$238.66	02/21/2002

Source: Deep River Tax Assessor

Although there is quite a range in sales based on price per square foot calculations, there is good liquidity in the market. This is an important consideration in the revitalization of older commercial districts which have experienced a cycle of declining occupancy, rents and resulting disinvestment.

Market Area Retail Sales and Expansion Potential

In order to understand where demand for goods and services may come from, we have reviewed spending profile data, based on the Consumer Expenditure Survey as represented in Table 7-7. This information, which is based on consumer expenditure diaries, is presented by category of purchase and then compared to spending patterns for that item at the national level. In this way, local spending can be compared to national norms to show in what consumer areas the local market spends above or below the national average.

A review of this data indicates that generally, the Deep River- Chester trade area is healthy in comparison to the nation with relative spending levels above the national level. National level spending is always at the index standard of 100. Areas of potential retail strength based on the national index can be found in the following categories: Food Away From Home, Non-Prescription Drugs and Personal Care Products, Housewares, Housekeeping Supplies, Apparel & Services.

It is important to note that the market area is a small one, with just 3,470 households. Even with good access via multiple interchanges, the lack of population density will constrain new retail development in Deep River. However, as the region served by Route 9 grows, retail locations diminish along the shoreline and per capita spending increases, Deep River retail locations will become increasingly sought after.

Table 7-7
Retail Goods & Expenditures
Deep River & Chester Market Area

Market Segments			Demographic Summary		2004	2009
Green Acres		21.9%	Population		8,552	8,886
Pleasant-Ville		18.4%	Households		3,471	3,662
Main Street, USA		16.4%	Families		2,337	2,447
Prosperous Empty Nesters		16.1%	Median Age		41.6	43.4
Exurbanites		13.9%	Median Household Income		\$64,822	\$75,495

	Spending Potential Index	Average Amount Spent	Total
Apparel & Services	159	\$4,397.79	\$15,264,714
Computer Sales and Supplies	134	\$371.35	\$1,288,969
Entertainment & Recreation	138	\$4,233.41	\$14,694,169
TV/Video/Sound Equipment	128	\$1,270.95	\$4,411,453
FOOD	158	\$12,250.40	\$42,521,138
Food at Home	157	\$7,350.21	\$25,512,565
Food Away from Home	158	\$4,900.19	\$17,008,573
Nonprescription Drugs	157	\$163.29	\$566,787
Prescription Drugs	120	\$572.82	\$1,988,257
Eyeglasses and Contact Lenses	132	\$116.13	\$403,097
Household Textiles	135	\$168.80	\$585,919
Furniture	133	\$787.55	\$2,733,584
Floor Coverings	138	\$110.42	\$383,269
Major Appliances	132	\$355.63	\$1,234,406
Housewares	197	\$180.77	\$627,458
Small Appliances	130	\$46.77	\$162,355
Luggage	142	\$17.73	\$61,529
Telephones and Accessories	161	\$91.06	\$316,085
Child Care	134	\$549.52	\$1,907,399
Lawn and Garden	142	\$583.73	\$2,026,122
Moving/Storage/Freight Express	132	\$67.55	\$234,470
Housekeeping Supplies	161	\$1,078.68	\$3,744,099
Personal Care Products	158	\$625.47	\$2,171,003
School Books and Supplies	125	\$138.19	\$479,662
Smoking Products	119	\$579.99	\$2,013,150
Vehicle Purchases (Net Outlay)	123	\$6,635.84	\$23,033,005
Gasoline and Motor Oil	124	\$2,185.37	\$7,585,423
Vehicle Maintenance and Repairs	131	\$1,342.90	\$4,661,198

Source: ESRI

Traffic Volumes

Along with per capita spending in the trade area, traffic volumes are an important consideration for retail. Based on Connecticut DOT traffic counts for Route 154 (Main Street), traffic counts are modest for much of the Deep River section of Route 154 ranging from 6,300 cars a day near the Chester border to 7,600 at the intersection of Main and Elm. Traffic along the Essex section of Route 154 is slightly heavier than Deep River averaging 8,000 to 9,500 cars a day. Heaviest traffic counts along Route 154 can be found in Old Saybrook near Bokum Road and the I-95 interchange where ADT ranges from 15,000 to 19,800 cars daily.

In terms of retail potential for Deep River, the traffic counts are not significant enough to attract major interest from chain retailers (primarily comparison and food establishment chains), but appear sufficient for most independent businesses benefiting from visibility but relying more on local market traffic.

Table 7-8
Route 154 Average Daily Traffic – 2003

From	To	Section Length in Miles	2003 ADT both directions
Deep River/Essex Line	Union Street	1.12	7,100
Union Street	Route 80 (Elm St)	.45	6,400
Route 80/Elm Street	Spring Street	.46	7,600
Spring Street	Deep River/Chester Line	.34	6,300

Source: CT DOT

Local Market Opportunity for Retail

There appears to be measurable support for a limited amount of retail in the downtown location for a number of uses that are convenience oriented retail and services as well as food and comparison shopping retail (apparel, specialty shops, etc).

With more than 50 stores and businesses in over 100,000 square feet, the downtown functions both as a shopping destination and as the social center of its community. Route 154 at the intersection with Elm and River Street serves as the natural crossroad and focal point for the business district. Despite the presence of Route 154, the center is pedestrian-friendly (with minor exceptions) offering a well-balanced mix of businesses that are principally food and convenience oriented, but also includes a number of specialty stores, gift shops and antiques stores that cater to a broader market.

Traffic counts along the Route 154 corridor within Deep River are not especially significant or attractive to most major chains (averaging 7,500 ADT). However, limited retail options on the major Route 154 thoroughfare between Essex to Chester, considered a growing and largely affluent marketplace, make Deep River a logical area for retail consideration within the Connecticut River Valley region.

In order to determine the retail potential for Deep River, a trade area which represents the area of potential demand must be defined. A trade or source market area of a retail district or center is a function of the following factors:

- the size, quality and choice offered of the retail facilities developed,
- the size, density and purchasing power of the surrounding population,
- ease of access to the site via the transportation network, and
- the size, location and quality of competitive retail facilities.

Simply stated, it can be thought of as the geographic area from which the bulk of the center's business will originate. Based on discussions with businesses in Deep River, this trade area appears to be Deep River and parts of Chester and only marginally from Essex.

This has important implications in considering market support for additional retail in Deep River as can be seen from an analysis of Retail Leakage or Surplus within two defined trade areas: the first containing just the town of Deep River, the second incorporating both Deep River and Chester into a single trade area. This type of analysis is useful in determining retail potential based on the amount of retail dollars being leaked outside the trade area based on level of type of retail in the area or conversely what retail appears overbuilt given existing demand.

The charts that follow provide results of our Retail Leakage-Surplus analysis for the two trade areas described above. With 100 indicating total leakage of retail dollars to trade areas outside of trade area and -100 indicating presence of total excess supply to meet demand (in other words oversupply), market potential of both unmet or oversupplied demand in the community can be assessed.

As can be seen from the following charts, the Deep River population could be counted on for support of greater number of local shopping, dining and entertainment establishments based on the leakage levels noted. A further breakdown of the retail potential for Deep River indicates highest unmet demand for auto related stores, health and personal care stores (drugstores), apparel and shoes, sporting goods/ hobby/book stores, and food service and full service restaurants. Notably, the aggregated Food & Drink category indicates a ranking at 60.2 suggesting very strong local support for this retail/commercial use.

Table 7-9
Retail Leakage or Surplus – Deep River Trade Area

Deep River Trade Market Area	Supply (retail sales)	Demand (Retail Potential)	Leakage/Surplus (100=total Leakage)	Number of Stores
Total Retail				
Trade & Food & Drink	\$51 million	\$76 million	19.7	52
Total Retail Trade	\$48 million	\$64 million	14.4	42
Total Food & Drink	\$3 million	\$11 million	60.2	10

Source: ESRI Business Report, AMS

When Chester is included in the retail trade area the retail potential jumps dramatically, even accounting for a smaller market share for the combined town trade market. Total retail and food and drink leakage index jumps from 19.7 with Deep River as the trade area to 36.1 with both Chester and Deep River. Total retail demand increases from \$76 million to \$136 million. In terms of square footage, this level of demand represents more than 550,000 square feet of retail and service space. In terms of supply, the two towns have less than half that amount of space.

Table 7-10
Retail Leakage or Surplus – Deep River/Chester Trade Area

Deep River & Chester Trade Market Area	Supply (retail sales)	Demand (Retail Potential)	Leakage/Surplus (100=total Leakage)	Number of Stores
Total Retail				
Trade & Food & Drink	\$64 million	\$136 million	36.1	81
Total Retail Trade	\$58 million	\$115 million	33.3	65
Total Food & Drink	\$7 million	\$21 million	53.7	16

Source: ESRI Business Report

For Deep River, the issue of accommodating more retail in the downtown is less a matter of market and more a lack of land use capacity. Logical locations for consideration include the existing Adams plaza and the town-owned park that previously housed the Deep River Inn, which offers the opportunity for parking and strategic location in the downtown that would be attractive to tenants. Public improvements along upper Main Street could also enhance the marketability of this area, where a number of vacancies are noted in the block south of Bridge Street, although it is our opinion that these spaces are better oriented for professional office use as opposed to retail given the parking issue.

Additionally, select locations on Route 154 between Essex and the Elm Street intersection would also be likely areas of consideration; however, in most of these cases the retail would largely be in-fill and small. Outside of Route 154, a modest amount of convenience retail could potentially be supported on Route 80 with a combined gas and convenience center being the most likely candidate.

For the moment, we do not see the potential for any type of larger scale retail on the order of Power Centers or Big Boxes for Deep River. The logical location for this type of use would be off either interchange of Route 9, with Exit 4 the more logical candidate due to access to public water and sewer. However, retail centers of this type rarely are pioneers and will more often than not gravitate to areas that have a well-established tradition for supporting retail. For Deep River and upper Connecticut River Valley, that day has not yet come.

Industrial Market

A survey of industrial parks in Deep River and adjoining towns indicate all towns with the exception of Killingworth have designated industrial areas. Most of these parks are concentrated in Old Saybrook and Essex, and to a lesser extent in Westbrook.



Deep River has a total of three active parks, all privately owned, although the town has purchased lots for incubator space development within Plattwood Industrial Park off Route 80. The other two parks are located off Main Street near the Route 9 interchange. Of the two on Main Street, one is close to build-out with 127,000 square feet and remaining capacity for 20,000 square feet, while the second has approvals for 93,000 square feet with 16,000 feet built to date.

In order to gauge potential for future absorption, a brief review of regional market conditions is provided below. While there is no ongoing market coverage of northeast Connecticut, trends in Hartford are indicative of market conditions affecting the Lower River Valley region as well.

Greater Hartford Industrial Market

There are several secondary sources that follow the industrial/warehouse/flex space market in Hartford. CB Richard Ellis's report for the first quarter 2004 is what would be expected in view of the loss of manufacturing jobs throughout the region in the past two years: negative absorption, a decrease in construction activity and a softening of rents. Greater Hartford is a 67 million SF industrial market, which had a 14.3% vacancy rate, with the highest vacancy rate prevailing in Hartford itself. Between 2003 and 2004, vacancy increased in all submarkets with the exception of the north region of the Hartford

area. Of greatest impact in this submarket was the consolidation of several distributorships: one company operating from three locations consolidated operations in one larger build-to-suit.

In general, companies continued to downsize, reposition and move to higher quality buildings to gain a competitive edge. Industrial users now reflect a diminished need for manufacturing space and greater need for office/engineering, assembly and marketing in building configurations. Secondly, the technology market, although battered, is still influencing demand for space. Tech requirements vary considerably, blurring the line between industrial and office uses. However, there are some trends which should be encouraging to Deep River industrial development:

- The demand for high-bay distribution centers is still significant with very little product available. Pre-leased or owner-occupied new construction has resulted in very little new construction remaining vacant.
- The lack of speculative building has kept supply and demand in balance well enough to prevent major declines in lease rates. The flip side to this is that even when the market was pressing for new construction in the late 1990s, lease rates were not sufficient to permit speculative new construction. Industrial profit margins are thin to the point that real estate costs must be kept as low as possible.
- Hartford's northern market, characterized by proximity to Springfield and Hartford as well as Bradley International, has the most land for development and one very aggressive land owner – Griffin Land. Where developable land exists, the experience here shows that build to suit opportunities have continued to percolate despite the difficult economy.
- Demand for mid-sized buildings of 10,000 to 20,000 SF has always been a core component of demand in the Hartford area. With a range of acreage from two acres on up, Deep River has the potential to accommodate a wide range of buildings, including the smaller user, to ensure a diversified employment base.

Table 7-11

Greater Hartford Industrial Market – 1st Quarter 2004			
Submarket	Gross Building SF	Vacancy Rate 2004	Vacancy Rate 2003
City of Hartford	3,982,938	22.02%	11.70%
North Submarket	23,695,751	9.31%	12.20%
West Submarket	11,371,556	17.55%	12.10%
South Submarket	11,184,903	14.95%	12.50%
East Submarket	17,035,928	17.09%	16.10%
Total	67,271,076	14.36%	12.80%

Source: CB Richard Ellis

Deep River Industrial Market

Within the region, Deep River is not a significant force in the industrial market, with much of the leasing and sales activity centered along the more desirable I-95 shoreline and secondarily in Essex. Nevertheless, based on linkages to an industrial past, access to Route 9 that includes two interchanges and efforts to create opportunities for attracting industries, Deep River has managed to maintain a core industrial base in the community.

Currently the town has three active industrial parks which together total nearly 50 acres. Of the three, only Connecticut Valley Industrial Park off Route 154-Main Street (Intersection of Route 9) is near capacity and essentially fully leased with 23 businesses in 127,000 square feet of space on 10.5 acres. According to the owner of the property, an additional 20,000 square feet could be built in the park. Immediately opposite Connecticut Valley is Commerce Industrial Park with a total of 12.3 acres, two 8,000 square foot industrial buildings completed in 1999 with 4,000 square feet still on the market. Future build-out potential of the property is 85,000 square feet. Owners of Commerce Industrial Park have indicated little market interest in the remaining 4,000 square feet in recent years. Notably, both parks have access to town water and sewer which was extended up Main Street several years ago.

The third park is an industrially zoned area consisting of 26.7 acres off Winthrop Road (Route 80) that includes Plattwood Industrial Park. Immediately adjacent to the park is Haynes Quarry. In terms of improvements, the park is modest in size with 48,000 square feet in six buildings. Three of the buildings are single occupants at 10,000 square feet each; with the balance associated with incubator space facilities, two of which are owned by the town. The latest town-owned incubator space/flex space was completed in 2004 with a Small Cities Grant and has since reported full-lease-up. Lease rates at the incubator/flex space in Plattwood Industrial Park ranges from \$3 to \$4.50/sf, or well below rates typically offered for this type of facility in the area. An additional 107,000 square feet of space could be constructed within the park based on approved site plans.

Light industrial space is also offered in the former UARCO space that now houses Tri-Town Plastics and PCI Medical. A total of 45,000 square feet is available with asking lease rates of \$9.00/sf, which is more akin to office lease rates.

In addition to the above, Deep River has received plans for development of a new industrial park by the owners of Connecticut Valley Industrial and Business Park. Consisting of 50 acres, the property is targeted for land north of Commerce Industrial Park and involves a railroad crossing of the tourist oriented Valley Railroad Line. According to the applicant, the proposal is still being evaluated by engineers to determine feasibility and development approach in context of the high level of ledge in the area.

Industrial Market Sales

The stagnant state of the regional industrial market is highlighted in the following table where a noticeable decline in sales activity is evident beginning in 2000 and which

marked the start of an 18 month recession followed by a jobless recovery. The contrast in activity and investment is highlighted by the sale of 8 industrial building sales in 1999 as compared to none in 2003 and 1 to date in 2004. To the extent industrial building sales occurred in the region, much of it centered in Old Saybrook and Westbrook. Deep River did record two industrial building sales between 1999 and 2004, including the former UARCO building, representing the second most expensive industrial purchase in the region.

Table 7-12
Sales of Improved Industrial Properties
Lower River Valley, Connecticut

Address	Sale Date	Price	Land Area in Acres	Building Area SF	Price per Square Foot
Chester					
212 Middlesex Ave	06/00	\$3,900,000	17.11	119,656	\$32
85 Winthrop Rd	08/01	\$275,000	3.18	30,424	\$9
Deep River					
12 Bridge St	12/99	\$1,782,620	6.3	138,534	\$13
1000 Industrial Park	03/04	\$450,000	4.48	10,000	\$45
Essex					
Industrial Park Rd	06/99	\$300,000	1.9	N/A	N/A
22 Industrial Park Rd	12/99	\$125,000	1.0	N/A	N/A
126 Main	12/00	\$305,000	5.0	N/A	N/A
Old Saybrook					
3 Custom Dr	06/99	\$150,000	4.7	5,000	\$30
4 Custom Dr	09/02	\$525,000	1.7	18,640	\$28
8 Custom Dr	06/02	\$449,212	1.0	20,160	\$23
167-2 Elm St	10/00	\$350,000	1.0	6,400	\$54
175-1 Elm St	10/00	\$216,000	1.2	4,794	\$45
175-5 Elm St	12/01	\$400,000	2.9	24,740	\$16
Westbrook					
404 Boston Post Rd	09/99	\$189,900	0.2	N/A	N/A
90 Knothe Rd	06/99	\$600,000	3.0	N/A	N/A
Spencer Plains Rd	06/99	\$615,000	0.56	N/A	N/A
35 Westbrook Indust	03/00	\$120,000	0.89	N/A	N/A
76 Westbrook Indust	10/99	\$187,500	1.01	N/A	N/A

Source: The Warren Group and Multiple Listings Service

Industrial Supply & Market Rents

The market for industrial space in Deep River ranges from \$3.00 to \$9.00/sf, the latter associated with the former UARCO space seeking more of an office or flex-office user. The latter complex also accounts for 90% all of available industrial space in Deep River.

Within the region lease rates generally fluctuate between \$4.00 to \$8.00/sf with newer buildings offering smaller configurations allowing for expansion commanding the highest rents in the range. Significant large blocks of space are found in both Essex and Old Saybrook which, combined, account for over 475,000 square feet of vacant industrial space.

Table 7-13
Available Industrial Properties
Lower River Valley, Connecticut

Address	Total Building SF	Available Building Area SF	Lease Price SF	Sale Price	Comments
Chester					
8 Inspiration Lane	38,600	38,600	N/A	\$2,195,000	Chester Research Park, Built 1983
20 Denlar Dr	9,875	8,000	\$7.00	N/A	
92 W. Main	3,000	3,000	\$9.50	N/A	Flex Space, Mill Bldg
Deep River					
12 Bridge St	150,000	45,000	\$9.00	N/A	Former UARCO space
Commerce Industrial Park	8,000	4,000	\$6.00	N/A	Built 1995
53 West Elm	1,800	1,800		\$365,000	Flex, Retail + 2 story dwelling
Essex					
158 Main St	150,000	85,000	\$5.00	N/A	Former Piano Factory, Ivoryton
19 Bokum Rd	20,296	20,296	N/A	\$1,350,000	Former H.S. Wright Co
55 Plains Rd	19,840	19,840	N/A	\$1,500,000	Built 1985
59 Plains Rd	6,000	6,000	N/A	\$750,000	Built 1980
80 Plains Rd	7,500	7,500	N/A	\$725,000	22.47 acres
Old Saybrook					
10 Research Parkway	15,000	15,000	\$6.90	N/A	Built 1996
139 Mill Rock Rd	3,400	3,400	\$8.75	N/A	Flex office
2 Custom Dr	10,000	10,000	\$5.00	N/A	Near I-95, built 1970
20 Research Parkway	7,000	7,000	\$7.70-9.90	N/A	In Multi-tenanted Flex space, blt 1990s
5 Center Rd	10,800	10,800	N/A	\$670,000	New Const. 1997
Donnelly Road	292,800	292,800	\$3.75	N/A	Former Printing factory
Westbrook					
1244 Old Clinton	12,359	12,359	N/A	\$730,000	Blt 1970, flex space

Source: Area Brokers, CERC

Local Market Opportunity for Industrial

Although not a major player in the regional industrial market, Deep River offers an attractive alternative for businesses and industries seeking locations along Route 9. Advantages include competitively priced land and space, two interchanges, a strategic location between I-91 and I-95, and reasonably good access to labor force. Deep River's growing reputation as a desirable riverfront community also represents a positive marketing message to any prospect.

Despite these advantages, industrial expansion in Deep River is likely to remain modest for the foreseeable future. Current stagnation aside, future industrial growth in Deep River will be impacted, if not impeded, by regional-national trends that include continued consolidation/decline of much of the manufacturing industry, productivity gains outpacing productivity (thus need for employees and space), growing vacancies in less established markets, and preference for markets offering high traffic locations and major transportation hubs. In the face of these changes and trends, there are few advantages or carrots which Deep River can provide that can't be matched by other communities against a dwindling set of businesses seeking to relocate or expand.

Growth will also be inhibited by the significant overhang in vacant buildings and developable industrial land in the region. Based on a limited survey of available space in a five town area surrounding Deep River, nearly 600,000 square feet of industrial space is for sale or lease. Even assuming more robust economic times, this could take years if not a decade to absorb as evidenced by the rate of absorption of industrial space in the region in the peak year of 1999 of 80,000 square feet. In this context, it would appear that Deep River has sufficient capacity in its existing parks to meet foreseeable future demand with more than 175,000 square feet of potential buildable industrial space under zoning approval.

On a more positive note, there is growing evidence within the region of a decline in industrially zoned land as demands from more economically viable retail and housing encroach on this land use. Reportedly, this encroachment is most pronounced along the shoreline where land values have skyrocketed thus putting undue pressure on the economics of industrial development, typically operating at low margins, adding to financial risk. As the region's inventory of industrial land is squeezed Deep River could benefit from businesses or developers seeking alternative communities linked to the shoreline and interstates with inventory of cheaper land.

For the present, the Town's strategy to play an active role in developing incubator space for small users appears to be well-founded, guided in part by the success of Walter Meslick's Connecticut Valley Industrial Park and Ted MacKenzie's incubator space on Industrial Park Road. This strategy takes advantage of the sizable scale of small businesses and startups seeking space in the area as compared to larger businesses. Moreover, Deep River can compete quite well at this level in terms of location choice, which usually amounts to simply providing flexible, inexpensive space with good access and storage. In return, if the incubator space is publicly-owned, Deep River gains some

tax base² and some jobs but the more substantial return is targeted long term as firms grow and expand, usually within the same community. If there is a drawback to this strategy, it's the fact that public resources are very limited for undertaking this type of development at any meaningful scale.

While Deep River's public involvement in incubator space has merits and should be encouraged to the extent resources allow, inducing private development of such space is more challenging despite documented demand for such space. One major hurdle is the difficulty in economically designing and constructing new space for this market at lease rates low enough to attract the start-ups and many small businesses. This is why incubator space is so often associated with older buildings acquired at great discount. By its very nature it is space that usually is built on spec, thereby short-circuiting conventional financing. Moreover, multi-tenanted space also represents a higher degree of property management, mechanical upkeep and oversight, thereby cost.

For reasons stated above, Deep River may wish to consider more active involvement with private developers through public-private partnerships. In this strategy, Deep River leverages public dollars, either in the way of site acquisition, road improvements, landscaping, site preparation or other infrastructure costs to induce desired private investment of industrial space. The more logical location for this public investment would be in the Plattwood Industrial Park where there is an established presence of flex space.

Additionally, while the current economic environment has not been conducive to industrial growth locally or regionally, the town could enhance opportunities for attracting industries or firms to the area (or retaining a growing business) by improving the appearance of the southern gateway into Deep River on Main Street off Exit 4 and working with existing owners of industrial and business property in this area in improving entrances, signage and public rights of way. Landscaping and signage improvements are also recommended for Industrial Park Road. Further marketing support could be provided by the town through links to the town website on potential sites or building availability and contacts. The web page could also list advantages and resources, such as availability of public water and sewer, to businesses considering a Deep River location.

Finally, alternative industrial sites off Route 9 both at Exit 4 and Exit 5 should be fully explored and evaluated in terms of land use, development opportunity and feasibility. It would be particularly important that any additional park at the Exit 4 interchange (specifically the proposed 50 acre industrial park under consideration) be fully planned and integrated into a Gateway Improvement Plan for the area.

²Personal-Machinery & Equipment tax.

Housing Market

Housing Production

Over the last six years, housing production in Deep River has averaged a modest 16 homes a year. Surprisingly, despite a very robust housing market, housing activity tapered off in Deep River in 2002 and 2003 but appears to be making a rebound in 2004. In terms of production, the town of Chester has mirrored Deep River's housing growth posting an average of 15 homes a year since 1999. For the balance of the region, housing activity has been more substantial with starts ranging from 25 units a year (Old Saybrook) to 67 units a year (Clinton).

For Deep River, the production of new housing is a double-edged sword with many of the new homes selling at more than twice to three times the value of existing homes in the community and representing an infusion of new tax base. On the other hand, new homes usually include added schoolchildren which becomes a factor on the expense side of the ledger for the town, particularly in the district system where education costs are based on number of schoolchildren.

Table 7-14
Housing Permit Data
Town of Deep River & Surrounding Communities

Town	1999	2000	2001	2002	2003	2004*	Total
Deep River	25	23	19	10	7	7	91
Chester	26	15	11	11	12	5	80
Clinton	81	48	61	104	44	21	359
Essex	50	42	50	32	27	11	212
Haddam	42	36	31	40	51	21	221
Killingworth	73	37	42	32	27	14	225
Old Saybrook	19	23	29	31	26	20	148
Westbrook	49	58	39	41	33	19	239

* January 2004 – June 2004

Source: CT Department of Economic and Community Development

Housing Sales Trends

Housing values in the town, region and the state have gone up dramatically in the last five years as interest rates have dropped, flooding the market with first-time and move-up buyers. In recent months, there are signs the housing market is moderating from its torrid pace of the last three years but most local economists are still predicting a healthy housing environment well into next year.

In Deep River, median single family home values have increased by 55% since 1999, while condo values have jumped by 115%. Meanwhile, sales volume has remained steady at 60 to 65 homes a year for single family homes, peaking at 73 in 2003, suggesting a strong but manageable local housing market (see Table 7-15).

Table 7-15
Residential Transactional Data
Town of Deep River

Year	Single Family Homes		# of \$1 million+ SF sales	Condominiums	
	Median Sale	Number of Sales		Median Sale	Number of Sales
2004*	\$235,000	33	2	\$147,500	16
2003	\$231,000	73	2	\$139,500	23
2002	\$185,000	60	2	\$114,950	26
2001	\$180,000	65	0	\$106,000	19
2000	\$175,000	61	2	\$77,500	15
1999	\$152,000	61	4	\$68,500	15

* January to June 2004

Source: The Warren Group

Of particular interest with respect to the housing sales data is the emergence of luxury estate housing in Deep River, with a growing number of homes selling over \$1 million (refer to Table 7-16). Since 1999, the town has recorded 13 home sales in this price bracket as compared to 2 in Chester and 7 sales in Westbrook (refer to Table 7-16). Old Saybrook with 31 and Essex with 23 sales are the regional leaders in sale of estate homes since 1999.

Not surprisingly, the Deep River estate homes at this price point command direct views if not access to the Connecticut River and are generally clustered just north of the Essex border off River Road (and in fact use Essex post office box). This part of Deep River is also protected from encroachment by the presence of the Canfield Woods Nature Preserve thus adding to its value and allure. For the Town of Deep River the evolution of ultra-priced homes has resulted in a shift among the top tax payers in town to include resident owners for the first time in fifty years. They also usually represent a net tax benefit to the town even if households of such homes contain schoolchildren.

Table 7-16
Sales Trends of \$1 Million Homes
Deep River and Surrounding Towns

Year	Chester	Deep R.	Essex	O. Say.	Westbrook
1998	1	1	1	3	0
1999	0	4	1	6	0
2000	0	2	5	3	0
2001	0	0	3	1	0
2002	1	2	6	5	4
2003	0	2	1	7	0
2004	0	2	6	6	3
Total	2	13	23	31	7

Source: Warren Data

A comparison of median single family values in Deep River with surrounding communities points out the relative affordability of the “upcountry” towns of Deep River, Chester and Haddam as compared to the shoreline communities of the region, which could foster growing interest in Deep River for new homebuyers. According to Warren Data, Deep River’s median single family sale to date in 2004 was \$235,000, while Essex posted \$352,000, Old Saybrook \$314,000 and Killingworth a remarkable \$402,800. Additionally, increases in single family home values along the shoreline have also been more pronounced over the last five years approaching 100% in some cases as compared to 54% in Deep River, 46% in Chester, and 62% in Haddam (see Table 7-18).

Table 7-17
Comparative 2004 Median Values*
Surrounding CT Towns

Town	Single Family Homes		Condominiums	
	Median Sale	Number of Sales	Median Sale	Number of Sales
Chester	\$275,000	21	--	
Deep River	\$235,000	33	\$147,500	16
Essex	\$352,000	52	\$240,000	7
Haddam	\$245,000	46	--	
Killingworth	\$402,800	51	--	
Old Saybrook	\$314,000	94	\$305,000	11
Westbrook	\$297,000	53	--	

*January to June

Table 7-18

Town	Single Family Homes		
	Median Sale 1999	Median Sale 2004	% Change
Chester	\$183,775	\$275,000	46.9%
Deep River	\$152,000	\$235,000	54.6%
Essex	\$225,500	\$352,000	56.1%
Haddam	\$151,500	\$245,000	62.2%
Killingworth	\$205,500	\$402,800	96.0%
Old Saybrook	\$165,000	\$314,000	90.3%
Westbrook	\$152,000	\$297,000	95.4%

Source: Warren Data

Local Market Opportunity for Housing

The two strongest markets over the last five years within the region have been retail and housing. As discussed earlier, retail represents a viable strategy for Deep River if properly located and designed. Housing on the other hand is more problematic despite the presence of a viable market in Deep River and the region. Growth in housing without offsetting revenue from non-residential sources could produce woeful impacts if it results in a major increase of schoolchildren.

There are, however, a few exceptions where housing can represent a substantial net tax benefit to the town. One appears to be occurring in Deep River with the emergence of estate waterfront homes commanding prices above \$1 million. Taxes paid on these homes, even with households with schoolchildren, typically exceed their impact in fiscal cost, sometimes substantially. Nor does the town need to promote such housing as buyers are readily seeking out the opportunities and bidding up the price. However, from a development approach, the potential supply of waterfront locations for such homes is largely fixed in Deep River and does not appear likely to expand. Nevertheless, the introduction of this high-end housing into the community, often perceived as a blue-collar town, should have a beneficial effect on housing values throughout the town. This could prove to be a stabilizing influence on the tax base.



In addition to estate housing, market rate age-restricted ownership housing, usually configured as single family homes on small lots, offers another housing opportunity to gain tax base with marginal impact on town services. This impact is further enhanced if the housing development is designed and organized as a PUD in which maintenance and upkeep of the roads and public rights of way is paid by the association. Successful PUDs, however, typically require higher density than allowed under most zoning

regulations. They also work best in a flexible clustered design that allows for efficient design of infrastructure while also maintaining maximum open space.

A number of national and regional homebuilders have demonstrated the success of these developments even in semi-rural, lightly populated locations. A major component to this success is the targeting of an aging but active baby-boom population considering maintenance-free, move-down alternatives and not adverse to moving to areas outside their hometown. As a location, Deep River has many advantages attractive to an active senior population including a well-preserved and attractive New England village center with convenient shopping and retail, access to highway (Route 9 and I-91), access to river and private marina, proximity to area attractions and entertainment, proximity to the shoreline and related shopping, and a diverse town profile that includes blue collar workers to millionaires. The one asset it lacks is medical facilities, with the closest hospital in Middletown and nearest clinics in Old Saybrook.

The markets for other types of market rate senior or age restricted housing in Deep River is less known. One attractive alternative from a tax base perspective is an assisted living facility. These come in many different formats from strictly rental, targeting a more independent elderly, to continuum care or lifecare facilities that provide different levels of support based on need including nursing home. Within the region, Chester West and Essex Meadows represent two examples of continuum care facilities, with the latter having a nursing home on-site. However, in part due to the existence of these facilities, the market for additional assisted living in this region is expected to be soft until such time as the baby boom population reaches a frail elderly stage, a matter of 10 to 20 years. Nor do specialized elderly care facilities such as nursing homes, Alzheimer facilities or rehab centers represent a likely option for Deep River in the foreseeable future because of the industry-wide fiscal frailty of many of these facilities due to Medicare and managed care cutbacks and rising health costs.



One final housing option that could be considered on the basis of positive tax benefit is luxury rental housing and, to a lesser, extent attached condominiums. Recent studies of new luxury rental developments in Connecticut have shown that such housing has little impact in terms of additional schoolchildren, averaging less than 5 schoolchildren for every 100 households, not far from what you would expect from an age-restricted development, producing a considerable net tax benefit to the community. Condos are more prone to schoolchildren but generally attract either young professionals without children or older empty nesters.

From a marketing perspective, however, Deep River is unlikely to be a logical location for new market rate rental housing of any density. This type of housing is only being

built in areas within or near high concentration of employment that generates the need for a transient and largely younger workforce 18 to 30 years of age. To make matters worse, the rental housing market has fallen on hard times in the last three years due to the economy (lack of jobs) and flight to homeownership driven by low interest rates. The market for condominium housing would appear to be stronger particularly if sited near interchanges, although the most logical market segment would be older move-down buyers as noted above.

With all of the above options, the case for high density housing is complicated by the lack of suitable sites in Deep River. One potential option is the area designated for industrial park development off Route 154, north of the Exit 4 interchange off Route 9 and east of the Valley Railroad tracks. This area would have access to public water and sewer, a definite plus for high density development. While non-residential development is normally preferable as a tax base strategy, consideration should be given to the merits of opening this area for housing or mixed use should it prove that significant build-out of the industrial zoned land is highly improbable given regional economic dynamics, market conditions and cost of development.

Conclusions

Observations and Emerging Trends

- Deep River and the region are expected to steadily grow at a rate of 1% a year outpacing household growth of the last decade.
- Local population base is becoming more affluent, white collar, and less dependent on local jobs.
- Growing number of new residents comprise Deep River with 30% moving to the town between 1995 and 2000 based on last census.
- Over the past decade joblessness has not been an issue for Deep River residents ranging from 2 to 4% and presently stands below the state and region at 3.1%.
- Despite low unemployment, labor force has grown in Deep River and the region providing an expanding base of employees for prospective firms.
- Deep River is experiencing a shift towards greater dependence on residential real estate tax base with residential representing 87% of total real estate tax base in 2004 up from 84% in 1999.
- Personal property tax base (which is largely non-residential) has steadily increased over the last five years at a rate exceeding inflation which has helped offset the diminishing role of non-residential real estate tax base.
- Deep River ranks low in the region in terms of business assessment at 14% of Grand List. However, property tax burden on a per capita basis is also lowest in the area.

Issues and Considerations

Industrial

- Deep River continues to maintain some semblance of its industrial past with major employers in plastics and metal manufacturing. Plastics in particular is of interest given it is one the few growing manufacturing sectors in the state.
- Industrial growth and investment is in a period of stagnation and decline within the region and much of the nation. Future growth potential in the region and Deep River is expected to be modest to low even with an economic rebound.
- Survey of region's industrial parks indicates substantial capacity for absorption of new industry suggesting competition will be keen in any rebound.
- Greatest interest is for inexpensive flex space of under 5,000 square feet. Deep River has been particularly successful in capturing this market in both town-owned and private industrial property. One drawback to this market niche is the need to build space on spec as most small businesses are not in a position to wait 8 to 12 months for move-in.
- The presence of public water and sewer along Route 154 represents an asset for Deep River in efforts to attract larger industry to the area. For smaller users it is less of a marketing advantage.

Office

- Despite signs of improvement, the office market on a regional and state-wide basis has not recovered from the collapse that followed the internet-high tech bust that occurred in 2000. Lack of job growth continues to be a drag on this sector with little prospect for substantial gains in the next two years.
- Office demand, estimated at less than 375,000 square foot, appears to be comfortably met within the region among the towns of Old Saybrook, Essex and Westbrook.
- Such office demand as exists in Deep River and region is largely confined to smaller configurations associated with professional office and small businesses. Users seeking larger floor plates of 5,000 to 10,000 square feet will gravitate towards New Haven area or New London.
- One of the few office submarkets to see growth in the last three years is health centers, medical office space and diagnostic centers where proximity to market is important. It is anticipated that much of this growth will continue to focus within the more populous shoreline areas but could spill over to Deep River if a central location along Route 9 is deemed desirable.

Retail

- Although there are many signs of over-retailing (increased vacancies, liquidations, consolidations, saturated markets), the retail market continues to gain strength from consumer spending that has not let up in the last five years despite a recession and jobless recovery.

- Despite a small trade market area, an analysis of Deep River's retail potential suggests capacity for supporting an additional 40,000 to 100,000 square feet based on 50% capture rate.
- The downtown village consists of 53 establishments representing a well-balanced mix between convenience, food and specialty retail. The village center is anchored by two banks, mid-sized grocery store, a library, town hall and post office. Total square footage of retail/commercial space in the village is estimated at 100,000 square feet with only a few vacancies noted.
- Based on analysis of potential spending in trade area, retail and commercial opportunities may exist for Deep River in food away from home, non-prescription drugs, personal care products, telephone, electronics and accessories, housewares, housekeeping supplies and apparel and services.
- The Route 154 – Main Street traffic corridor provides high visibility to businesses in the village. However, traffic flow is relatively modest averaging 7,000 to 7,500 cars a day which is somewhat low for many retail chains considering new locations.

Housing

- Due largely to historically low interest rates, the housing market regionally and nationally has been consistently strong over the last four years.
- Although many communities have experienced increased housing production in response to rising demand, Deep River has maintained a moderate pace averaging 13 units a year.
- Deep River has benefited from the recent housing market surge with median single family home values appreciating by 54% between 1999 and 2004. Median sales price to date in 2004 is \$235,000 up from \$152,000 in 1999 according to Warren Data reports.
- Deep River is seeing a growing number of estate home sales and is second only to Essex and Old Saybrook in total number of home transactions since 1999 exceeding \$1 million.
- A viable market potentially exists in Deep River for age restricted, ownership housing targeting affluent move-down or empty nesters. The more successful developments are association-maintained communities configured as single family homes on small lots, which translate into a sizable net fiscal benefit to the town.
- There is less of a market opportunity over the next five years for institutional age restricted housing that includes assisted living or life care facilities. The presence of Chester Village and Essex Meadows present significant competition and the demographics for additional facilities in the area will not be favorable for 10 years.

- Luxury rental housing and to a lesser extent condominium housing generally result in positive net fiscal benefit to the host community. Deep River, however, would not be a logical place for new market rate rental housing which typically needs to be in areas of concentrated employment where a transient, younger working population is in demand. Condominium housing could be an option but its most logical market is the move-down empty nester noted above.



Appendices

Appendix A

Appendix B

Appendix C

Business Stakeholder Interviews

In order to obtain direct put from the local business community 12 local stakeholders were interviewed over a four-week period in April-May 2004. These interviews were not intended to be comprehensive but effort was made to obtain a fair representation of the businesses in Deep River. These interviews helped to identify issues and concerns which affect business or business development and specific economic development needs and opportunities.

Stakeholders Interviewed

Walter Mislick	Mislick Development, Co
Ted MacKenzie	Builder
Jim Brown	Deep River Marina
Peggy Marashiello	River Wind Antiques
Don Carlson	Hillside Links
Lee Kiria	Deep River Rent All, Industrial Building Owner
Art Davies	Deep River Hardware
Sue Joyce	Deep River Bakery
Joann Hourigan	Serendipity
Michelle St. Marie	Pasta Unlimited
Deep River Pizza	John Haydu
Richard Smith	First Selectman