TOLLAND VILLAGE AREA
HIGHEST AND BEST USE MARKET ANALYSIS

July 12, 2017

hunden strategic partners

July 12, 2017

Ms. Heidi Samokar AICP
Director of Planning and Development, Town of Tolland
21 Tolland Green
Tolland, CT 06084

Dear Ms. Samokar,

The Town of Tolland engaged Hunden Strategic Partners to assess current market conditions of the Tolland Village Area and determine its highest and best mix of land uses to accomplish the Town's goals and meet demand. The study profiled characteristics of the local market, including existing and comparable developments, in order to understand the current environment and future opportunities. The objective of the study is to analyze the residential and commercial market locally and regionally, and to understand the feasibility of new developments. The attached is our report.

This deliverable has been prepared under the following general assumptions and limiting conditions:

- The findings presented herein reflect analysis of primary and secondary sources of information that are assumed to be correct. HSP utilized sources deemed to be reliable, but cannot guarantee their accuracy.
- No responsibility is taken for changes in market conditions after the date of this report and no obligation is assumed to revise this report to reflect events or conditions occurring after the date of this report.
- HSP has no control over construction costs or timing of construction and opening.
- Macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of the project.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

Hunden Strategic Partners

hunden strategic partners

TABLE OF CONTENTS

Executive Summary

Chapter 1: Economic and Demographic Analysis

Chapter 2: Project Profile and Site Analysis

Chapter 3: Residential Market Analysis

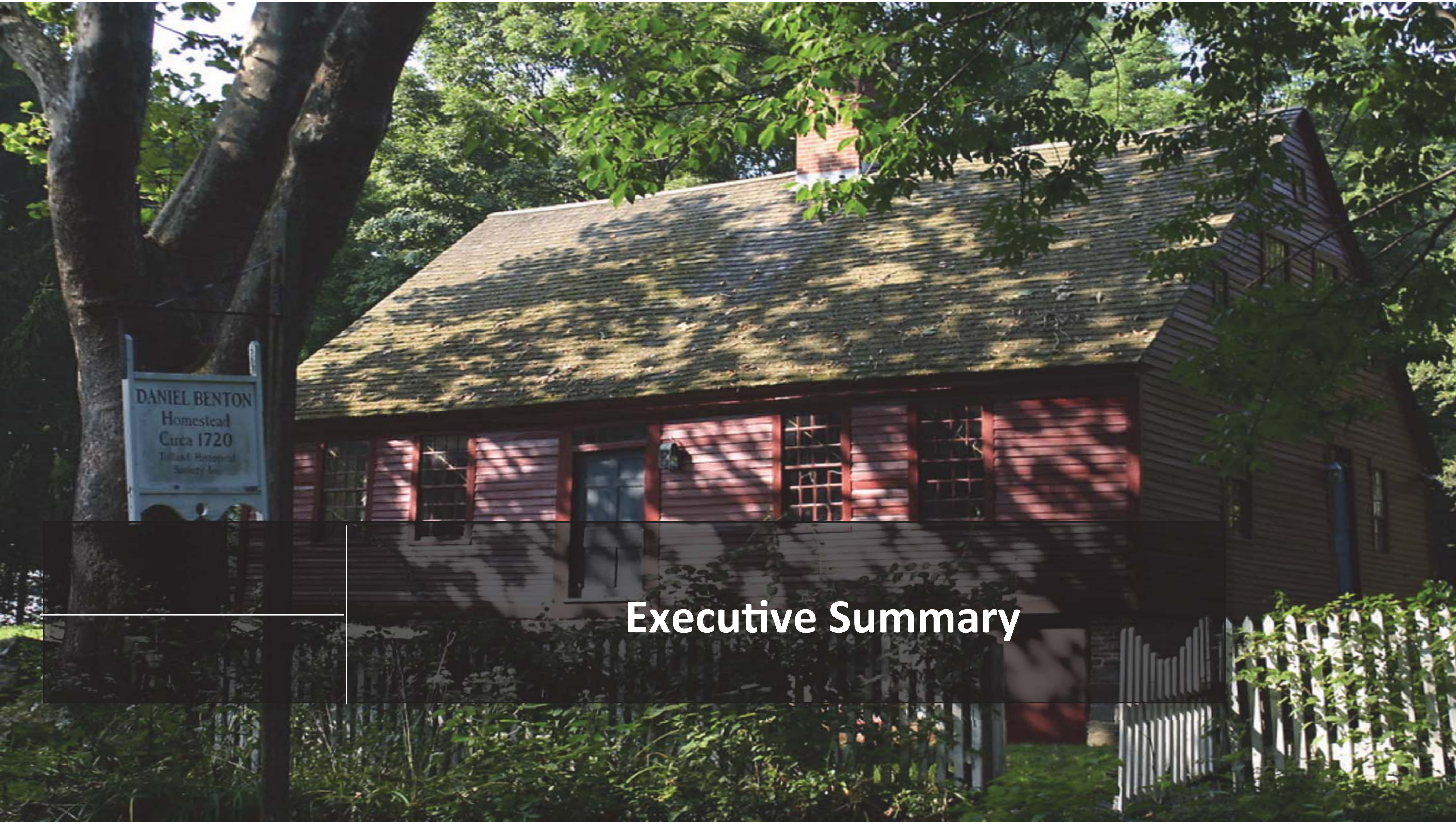
Chapter 4: Retail/Restaurant Market Analysis

Chapter 5: Hotel Market Analysis

Chapter 6: Case Studies

Chapter 7: Findings

Chapter 8: Financial Projections



Executive Summary

The Town of Tolland, Connecticut (Town or Client) engaged Hunden Strategic Partners (HSP) to assess the current market conditions impacting the Tolland Village Area and determine the highest and best mix of real estate uses to accomplish the Town's goals and meet market demand. This analysis provides the Town with market findings regarding the potential development of residential, retail, restaurants, offices, and/or a hotel on the TVA site. The study analyzed existing and competitive developments locally in order to identify gaps in quality and supply. HSP also identified and studied examples of comparable mixed-use developments throughout Connecticut. The goal of the study is to complete a thorough residential and retail market demand analysis of the local and regional markets in order to understand the market and financial feasibility of the potential uses. While this study provides findings and an optimal mix of uses based based on market conditions, the financial feasibility of many of the components does not exist. HSP provided a comparison of the project value and project cost (provided by BSC Group) to demonstrate the financing gap that would likely need to be filled by the Town of Tolland.

The TVA site consists of approximately 34 acres of Town- and privately-owned land that has been identified for redevelopment. In 2016, a proposed mixed-use, private development would have added housing and retail on the TVA site but the community and developer did not agree on terms. The site is still available for redevelopment and this study attempts to identify viable uses that will meet market demand and will be economically feasible.

Over the years, multiple analyses of the market and site have been prepared by the Town and private development interests, and the Town has held public meetings and completed a telephone survey of residents that identified support for a "village-type town center" development. As a result, the Town developed zoning regulations and design guidelines to help ensure realization of the vision.

This section provides a summary of our research, findings, conclusions, and forecasts, and the remainder of the report includes the full results of our work.

HEADLINES

As a result of the analysis, HSP offers the following headlines:

MULTIFAMILY

Analysis Indicates a Market Opportunity for Multifamily Development, But Development Cost Limits Feasibility. The existing local multifamily rental market it performing relatively well, with additional demand indicated, while available supply is constrained. The market, due to excess demand, is accepting older, lower quality options due to the lack of quality supply in the market. This includes demand from professionals, working both locally and regionally, millennials, retirees, and employees or graduate students of the University of Connecticut. Analysis of newer, comparable developments developments in surrounding communities indicates demand for rental apartments, and feedback from market participants indicate potential for competitive rates. Analysis also suggests that UCONN demand will play a role, but the multifamily development will not be reliant upon the university. The presence of a major university within proximity to the TVA site ensures that a portion of the demand in Tolland will be generated by students and faculty. Unfortunately, the rates that the market are willing to pay for apartments are not as strong as what the market will pay at the heart of UCONN. Combined with the high site preparation and infrastructure costs associated with the TVA site, there is a sizable financial feasibility gap.

HEADLINES

As a result of the analysis, HSP offers the following headlines:

COMMERCIAL

There is opportunity for limited commercial development on the TVA Site, but no traditional retail. Analysis of the retail and restaurant opportunity for the TVA site presents modest opportunity. Tolland's existing dining options lacks diversity, and a new development at the TVA site can fill gaps in areas that Tolland is currently leaking spending. A brew-pub style restaurant, coffee house, and convenience store are suggested for the development, however, Tolland lacks the critical mass or population for additional dining or traditional retail.

HOTEL

Analysis suggests an opportunity for hotel development, but a future UCONN hotel development could present challenges. Analysis of historical performance of completive hotels, as well as the easily accessible site and the lack of lodging options on the UCONN campus, suggests opportunity for a limited service hotel development on the TVA site. HSP recommends the development of a hotel as part of the TVA development, but the potential development of a UCONN hotel would significantly impact the market opportunity. The hotel development is the most feasible of the projects, yet would still likely need the Town to cover site prep and infrastructure costs to induce a developer to the site.

In addition to analysis of the existing supply of potential uses, both locally and regionally, as well as historical performance and market trends, HSP also interviewed key market stakeholders to better understand the existing situation in the market and the potential for development on the TVA site. These stakeholders include local developers, real estate brokers, property managers, Town officials, and other professionals with insights into the Tolland Market. The table to the right lists the key stakeholders that HSP interviewed throughout the analysis.

Conversations with these individuals are the basis for the market feedback sections throughout the report.

Tolland - Key Market Interviews
Broadleaf Boulevard Apartments - Representative
Cynthia Van Zelm - Mansfield Downtown Partnership
Damon Bowers - Cushman and Wakefield
Deer Valley Townhomes - Representative
Eric Santini - Santini Developers
Greg Nanni - Fieldstone Commons Shopping Area
Ivy Woods Apartments - Representative
Joe Carnemolla - Campbell Keaune Realty
Joseph Vallone - Developer
Kevin Boulay - EDC
Kevin Santini - Santini Homex
Mark Riesbeck - Berkshire Hathaway
Mike Taylor - Land Owner
Rick Field - Town Council Chair
Scott Garrett - Aritsan Development LLC
Steve Williams - Land Owner
Stever Werbner - Town Manager
The Grand Lofts Apartments - Representative
The Tannery - Representative

FINDINGS

The table to the right shows the optimal mix of uses based on market conditions and assuming financial viability.

- Apartments – 150 units
  - Studio – 30 units, 560 square feet per unit
  - One Bedroom – 60 units, 750 square feet per unit
  - Two Bedroom – 60 units, 950 square feet per unit

- Retail- 22,000 square feet
  - Convenience Store – 12,000 square feet
  - Restaurant – 5,500 square feet
  - Coffee house concept – 4,500 square feet

- Limited Service Branded Hotel – 108 rooms

Additional detail on the optimal mix of uses is provided in the Findings portion of this report. As previously mentioned, while there is a market for additional development, the pricing power of the TVA site *does not match the cost to develop real estate on the TVA site*. This is described in greater detail in the Findings section of this report.

Recommended Tolland Village Area Development

Program	# of Units	Avg SF/Unit
Residential		
Rental Apartments	# of Units	Avg SF/Unit
Studio	30	560
One Bedroom	60	750
Two Bedroom	60	950
Total Residential	150	118,800
Retail (Square Footage)		
Convenience/Drug Store	12,000	
Restaurants (2)	10,000	
	22,000	
Limited Service Hotel	108 rooms	

Source: Hunden Strategic Partners

SUMMARY OF CONCLUSIONS FROM REPORT SECTIONS

Economic and Demographic Analysis

- The Town of Tolland is located in Tolland County, in northeastern Connecticut, and is part of the Hartford metro area that has 1.2 million residents. The Town's population is approximately 15,000.
- Tolland is within an approximately 20-minute drive from both Hartford and the University of Connecticut in Storrs, which are the market's two largest drivers of economic activity.
- Tolland's residential base is known for its high incomes and low poverty level, strong rate of home ownership, educational attainment, and other positive demographics.

Project Profile and Site Analysis

- The project site is known as Tolland Village Area, which is located to the immediate northwest of the I-84 and 195 intersection in Tolland. The site consists of approximately 26 acres of privately-owned land and 7.9 acres of Town-owned land.
- University Gateway Village, a previous proposal to develop the site, was a $92-million project with 359 apartments, 33,000 square feet of retail, and workforce housing. This project did not move forward, based on concerns regarding its density, orientation, request for a donation of Town land, and others. As a result, the TVA site remains undeveloped, and is the subject of this study.
- Throughout the University Gateway Village process and other planning for the TVA site, support for project elements was identified (through efforts such as a survey of Town residents and a hotel study commissioned by the potential developer).

Residential Market Analysis

- Tolland's multifamily inventory (apartments, condominiums, and townhomes) is extremely limited in both quantity and quality. Most residents live in single-family housing.

- The Town's two apartment complexes are Ivy Woods and Norwegian Woods, which have a total of 160 one- and two-bedroom units. Occupancy is very high Approximately (100 percent) and monthly rents range from approximately $830 to $1,500. Rate however, is not as strong locally compared to surrounding communities.

- In general, the market is underserved for residential offerings, and housing options in the area are generally fully occupied. UCONN does not have the number of beds it can fill on campus (graduate students often live in surrounding towns such as Vernon, Coventry, and Willimantic), and there is opportunity for new residential development targeted to multiple market segments, such as students, single adults, empty nesters, and others. Due to the distance from the UCONN campus, however, a multifamily development will not generate the rates that newer developments in Storrs are attracting.

Retail/Restaurant Market Analysis

- Tolland's restaurant offerings are generally low-cost, casual/quick-serve establishments, and most are located near 84/195. There are no high-priced or fast-food restaurants in Tolland. There is opportunity for a higher-priced restaurant and convenience store in Tolland. A fast-food chain and traditional retail are seen as less likely.

- Tolland's retail businesses consist of a number of gas stations and specialty stores, many of which are also located near 84/195. The Town has no true convenience store.

- There is significant retail spending leakage from Tolland, particularly in clothing, department stores, electronics, and other sectors.

Hotel Market Analysis

- Nationally, the hotel industry is performing at all-time highs in terms of occupancy and room rates.
- HSP identified six local hotels that would likely serve as the competitive set for a new hotel in the market. Of these, five are in Manchester and one is in Storrs. The hotels have a total of approximately 540 rooms, and are generally midscale to upscale quality. Room demand and rates have increased steadily in recent years, and demand is generally greatest during the week and from May through October.
- Based on the performance of local hotels, there appears to be unaccommodated room-night demand in the market and an opportunity for additional rooms.
- The potential development of a hotel on the University of Connecticut campus could hinder the future opportunity for hotel development on the TVA site.

Case Studies

- HSP identified four developments in the area that are potentially comparable to a new development at the TVA site: the Storrs Center in Mansfield, the Grand Lofts in Vernon, Broadleaf Boulevard in Manchester, and The Tannery in Glastonbury.
- These developments are primarily residential, although the Storrs Center also has significant commercial offerings. The residential components of these developments are either fully occupied or nearly fully occupied.
- High demand for these developments' residential units indicate opportunity for additional residential development in the market, but these developments are located in larger communities and are generally able to support larger projects and higher rental rates.

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario I (12 Percent Workforce Housing)

HSP completed two scenarios for the multifamily component of the project based on workforce housing requirements in the community. Scenario I assumes the minimum workforce housing requirement, 12 percent, while Scenario II assumes the maximum of 20 percent. The table to the right shows HSP's projections for the multifamily component of the TVA project. HSP assumed a market rent per square foot of $1.60. Assuming 12 percent workforce housing and a one-bedroom maximum monthly rent of $1,061.50 (provided by Town of Tolland), this results in a Year 1 weighted average of $1.58 per square foot. HSP assumed 93 percent occupancy by stabilization. Expenses are based on comparable complexes throughout the region, as well as regional industry averages. HSP projects a NOI of 46 percent in year one, increasing to 51 percent by stabilization.

TVA Multifamily Financial Projections - 12 Percent Affordable Housing

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Units	150	150	150	150	150	150	150	150	150	150
Rent/SF	$1.58	$1.62	$1.66	$1.70	$1.74	$1.79	$1.83	$1.88	$1.92	$1.97
Average SF/Unit	792	792	792	792	792	792	792	792	792	792
Average Monthly Rent/Unit	$1,251	$1,282	$1,314	$1,347	$1,380	$1,415	$1,450	$1,487	$1,524	$1,562
Gross Potential Rent	$2,251,066	$2,307,342	$2,365,026	$2,424,151	$2,484,755	$2,546,874	$2,610,546	$2,675,810	$2,742,705	$2,811,272
Other Revenue per Unit/Year	$290	$297	$305	$312	$320	$328	$336	$345	$353	$362
Other Potential Revenue per Year	$43,500	$44,588	$45,702	$46,845	$48,016	$49,216	$50,447	$51,708	$53,001	$54,326
Gross Potential Revenue	$2,294,566	$2,351,930	$2,410,728	$2,470,996	$2,532,771	$2,596,090	$2,660,993	$2,727,517	$2,795,705	$2,865,598
Vacancy Rate	20.0%	15.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Gross Effective Revenue	$1,835,652	$1,999,140	$2,241,977	$2,298,026	$2,355,477	$2,414,364	$2,474,723	$2,536,591	$2,600,006	$2,665,006
Payroll	$105,000.00	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Payroll	$138,000.00	$141,450	$144,986	$148,611	$152,326	$156,134	$160,038	$164,039	$168,140	$172,343
Management Fee	$105,000	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Operating Expenses	$4,500	$4,500	$4,500	$4,613	$4,728	$4,846	$4,967	$5,091	$5,219	$5,349
Other Administrative	$180,000	$184,500	$189,113	$193,840	$198,686	$203,653	$208,745	$213,963	$219,313	$224,795
Maintenance & Repairs	$72,000	$76,500	$83,700	$85,793	$87,937	$90,136	$92,389	$94,699	$97,066	$99,493
Building Services	$33,000	$35,063	$38,363	$39,322	$40,305	$41,312	$42,345	$43,404	$44,489	$45,601
Insurance	$56,250.00	$57,656	$59,098	$60,575	$62,089	$63,642	$65,233	$66,864	$68,535	$70,249
Real Estate Tax	$209,840	$215,085	$220,463	$225,974	$231,624	$237,414	$243,349	$249,433	$255,669	$262,061
Other Tax/Fee/Permit	$6,000	$6,150	$6,304	$6,461	$6,623	$6,788	$6,958	$7,132	$7,310	$7,493
Utilities	$75,000	$76,875	$78,797	$80,767	$82,786	$84,856	$86,977	$89,151	$91,380	$93,665
Supplies	$11,250	$45,000	$60,000	$61,500	$63,038	$64,613	$66,229	$67,884	$69,582	$71,321
Expenses	$995,840	$1,058,029	$1,105,953	$1,133,602	$1,161,942	$1,190,991	$1,220,766	$1,251,285	$1,282,567	$1,314,631
Expense Ratio	54%	53%	49%	49%	49%	49%	49%	49%	49%	49%
Net Operating Income	$839,813	$941,111	$1,136,024	$1,164,424	$1,193,535	$1,223,373	$1,253,958	$1,285,306	$1,317,439	$1,350,375
NOI %	46%	47%	51%	51%	51%	51%	51%	51%	51%	51%

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario I (12 Percent Workforce Housing)

The table to the right shows the supportable project cost for the multifamily component of the project for Scenario I based on current financing requirements. The supportable debt for the project is estimated to be $9.5 million, and the supportable equity is estimate to be $2.3 million, based on a ten-year average return on equity of 20 percent and a debt coverage of 1.2 in year 2. HSP projects that the supportable financing for the proposed multifamily component of the project is $11.8 million.

Conventional Financing - TVA Multifamily (000s) - 12 Percent Affordable Housing

	Constr. Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Avg
Net Operating Income	$0	$840	$941	$1,136	$1,164	$1,194	$1,223	$1,254	$1,285	$1,317	$1,350	
Interest and Debt Reserve W/D	$297	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$297	$840	$941	$1,136	$1,164	$1,194	$1,223	$1,254	$1,285	$1,317	$1,350	
Debt Service Payment	($297)	($761)	($761)	($761)	($683)	($683)	($683)	($683)	($683)	($683)	($683)	
Net Income to Repay Equity	$0	$79	$180	$375	$482	$511	$541	$571	$603	$635	$668	
Princ. Amount***	$4,750	$9,500	$9,333	$9,155	$9,045	$8,860	$8,665	$8,459	$8,241	$8,012	$7,770	
Interest	$297	$594	$583	$572	$497	$487	$477	$465	$453	$441	$427	
Less Payment	($297)	($761)	($761)	($683)	($683)	($683)	($683)	($683)	($683)	($683)	($683)	
Loan Balance	$4,750	$9,333	$9,155	$9,045	$8,860	$8,665	$8,459	$8,241	$8,012	$7,770	$7,515	
Assumptions				Refi								
Loan Amount ($000's)	$9,500			$9,155								
Amortization Period (Years)	25			25								
Loan Interest Rate	6.25%			5.50%								
Annual Debt Service Payment ($000's)	($761)			($683)								
Equity:												
Equity & Other ($000's)	$2,325	20%										
Private Debt	9,500	80%										
Total Private Financing	$11,825	100%										
Supportable Project Cost ($000's)	$11,825	$78,833.33	per unit									
Debt (Private) Coverage Ratio		1.10	1.24	1.49	1.71	1.75	1.79	1.84	1.88	1.93	1.98	1.67
Return on Equity		3.4%	7.8%	16.1%	20.7%	22.0%	23.3%	24.6%	25.9%	27.3%	28.7%	20.0%
Return on Assets**		7.1%	8.0%	9.6%	9.8%	10.1%	10.3%	10.6%	10.9%	11.1%	11.4%	9.9%

***On project cost.*

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario II (20 Percent Workforce Housing)

The table to the right shows HSP's projections for Scenario II the multifamily component of the TVA project. HSP assumed a market rent per square foot of $1.60. Assuming 20 percent workforce housing for the project and a one-bedroom maximum monthly rent of $1,061.50 (provided by Town of Tolland), this results in a Year 1 weighted average of $1.57 per square foot. HSP assumed 93 percent occupancy by stabilization. Expenses are based on comparable complexes throughout the region, as well as regional industry averages. HSP projects a NOI of 45 percent in year one, increasing to 50 percent by stabilization.

TVA Multifamily Financial Projections - 20 Percent Affordable Housing

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Units	150	150	150	150	150	150	150	150	150	150
Rent/SF	$1.57	$1.60	$1.64	$1.69	$1.73	$1.77	$1.81	$1.86	$1.91	$1.95
Average SF/Unit	792	792	792	792	792	792	792	792	792	792
Average Monthly Rent/Unit	$1,240	$1,271	$1,302	$1,335	$1,368	$1,402	$1,437	$1,473	$1,510	$1,548
Gross Potential Rent	$2,231,137	$2,286,915	$2,344,088	$2,402,690	$2,462,758	$2,524,327	$2,587,435	$2,652,121	$2,718,424	$2,786,384
Other Revenue per Unit/Year	$290	$297	$305	$312	$320	$328	$336	$345	$353	$362
Other Potential Revenue per Year	$43,500	$44,588	$45,702	$46,845	$48,016	$49,216	$50,447	$51,708	$53,001	$54,326
Gross Potential Revenue	$2,274,637	$2,331,503	$2,389,790	$2,449,535	$2,510,774	$2,573,543	$2,637,881	$2,703,828	$2,771,424	$2,840,710
Vacancy Rate	20.0%	15.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Gross Effective Revenue	$1,819,710	$1,981,777	$2,222,505	$2,278,068	$2,335,019	$2,393,395	$2,453,230	$2,514,560	$2,577,424	$2,641,860
Payroll	$105,000.00	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Payroll	$138,000.00	$141,450	$144,986	$148,611	$152,326	$156,134	$160,038	$164,039	$168,140	$172,343
Management Fee	$105,000	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Operating Expenses	$4,500	$4,500	$4,500	$4,613	$4,728	$4,846	$4,967	$5,091	$5,219	$5,349
Other Administrative	$180,000	$184,500	$189,113	$193,840	$198,686	$203,653	$208,745	$213,963	$219,313	$224,795
Maintenance & Repairs	$72,000	$76,500	$83,700	$85,793	$87,937	$90,136	$92,389	$94,699	$97,066	$99,493
Building Services	$33,000	$35,063	$38,363	$39,322	$40,305	$41,312	$42,345	$43,404	$44,489	$45,601
Insurance	$56,250.00	$57,656	$59,098	$60,575	$62,089	$63,642	$65,233	$66,864	$68,535	$70,249
Real Estate Tax	$209,840	$215,085	$220,463	$225,974	$231,624	$237,414	$243,349	$249,433	$255,669	$262,061
Other Tax/Fee/Permit	$6,000	$6,150	$6,304	$6,461	$6,623	$6,788	$6,958	$7,132	$7,310	$7,493
Utilities	$75,000	$76,875	$78,797	$80,767	$82,786	$84,856	$86,977	$89,151	$91,380	$93,665
Supplies	$11,250	$45,000	$60,000	$61,500	$63,038	$64,613	$66,229	$67,884	$69,582	$71,321
Expenses	$995,840	$1,058,029	$1,105,953	$1,133,602	$1,161,942	$1,190,991	$1,220,766	$1,251,285	$1,282,567	$1,314,631
Expense Ratio	55%	53%	50%	50%	50%	50%	50%	50%	50%	50%
Net Operating Income	$823,870	$923,748	$1,116,552	$1,144,465	$1,173,077	$1,202,404	$1,232,464	$1,263,276	$1,294,858	$1,327,229
NOI %	45%	47%	50%	50%	50%	50%	50%	50%	50%	50%

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario II (20 Percent Workforce Housing)

The table to the right shows the supportable project cost for the multifamily component of the project for Scenario II based on current financing requirements. The supportable debt for the project is estimated to be $9.3 million, and the supportable equity is estimate to be $2.28 million, based on a ten-year average return on equity of 20 percent and a debt coverage of 1.2 in year 2. HSP projects that the supportable financing for the proposed multifamily component of the project is $11.6 million.

Conventional Financing - TVA Multifamily (000s) - 20 Percent Affordable Housing

	Constr. Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Avg
Net Operating Income	$0	$824	$924	$1,117	$1,144	$1,173	$1,202	$1,232	$1,263	$1,295	$1,327	
Interest and Debt Reserve W/D	$291	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$291	$824	$924	$1,117	$1,144	$1,173	$1,202	$1,232	$1,263	$1,295	$1,327	
Debt Service Payment	($291)	($745)	($745)	($745)	($668)	($668)	($668)	($668)	($668)	($668)	($668)	
Net Income to Repay Equity	$0	$79	$179	$372	$476	$505	$534	$564	$595	$627	$659	
Princ. Amount***	$4,650	$9,300	$9,136	$8,963	$8,855	$8,673	$8,482	$8,281	$8,068	$7,844	$7,607	
Interest	$291	$581	$571	$560	$487	$477	$467	$455	$444	$431	$418	
Less Payment	($291)	($745)	($745)	($668)	($668)	($668)	($668)	($668)	($668)	($668)	($668)	
Loan Balance	$4,650	$9,136	$8,963	$8,855	$8,673	$8,482	$8,281	$8,068	$7,844	$7,607	$7,357	
Assumptions				Refi								
Loan Amount ($000's)	$9,300			$8,963								
Amortization Period (Years)	25			25								
Loan Interest Rate	6.25%			5.50%								
Annual Debt Service Payment ($000's)	($745)			($668)								
Equity:												
Equity & Other ($000's)	$2,275	20%										
Private Debt	9,300	80%										
Total Private Financing	$11,575	100%										
Supportable Project Cost ($000's)	$11,575	$77,166.67	per unit									
Debt (Private) Coverage Ratio		1.11	1.24	1.50	1.71	1.76	1.80	1.84	1.89	1.94	1.99	1.68
Return on Equity		3.5%	7.9%	16.3%	20.9%	22.2%	23.5%	24.8%	26.2%	27.5%	29.0%	20.2%
Return on Assets**		7.1%	8.0%	9.6%	9.9%	10.1%	10.4%	10.6%	10.9%	11.2%	11.5%	9.9%

***On project cost.*

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Retail/Restaurant

Retail/Restaurant Component Projection - TVA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Gross SF	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Rent per SF (NNN)	$17.00	$17.34	$17.69	$18.04	$18.40	$18.77	$19.14	$19.53	$19.92	$20.32
Gross Potential Revenue	$374,000	$381,480	$389,110	$396,892	$404,830	$412,926	$421,185	$429,608	$438,201	$446,965
Vacancy	45%	23%	5%	5%	5%	5%	5%	5%	5%	5%
Gross Effective Revenue	$204,000	$294,780	$369,654	$377,047	$384,588	$392,280	$400,126	$408,128	$416,291	$424,616
Occupied SF	12,000	17,000	20,900	20,900	20,900	20,900	20,900	20,900	20,900	20,900
Gross Revenue	$204,000	$294,780	$369,654	$377,047	$384,588	$392,280	$400,126	$408,128	$416,291	$424,616
Expenses/SF (Mgmt. Fee, Admin., Owner CAM Taxes, Other)	$3.50	$3.57	$3.64	$3.71	$3.79	$3.86	$3.94	$4.02	$4.10	$4.18
Expenses	$77,000	$78,540	$80,111	$81,713	$83,347	$85,014	$86,715	$88,449	$90,218	$92,022
Net Operating Income	$127,000	$216,240	$289,543	$295,334	$301,241	$307,266	$313,411	$319,679	$326,073	$332,594
NOI %	62%	73%	78%	78%	78%	78%	78%	78%	78%	78%
Expense Ratio %	38%	27%	22%	22%	22%	22%	22%	22%	22%	22%
Annual Rent/Expense Increase										

Source: Hunden Strategic Partners

The table above shows HSP's projections for the 22,000 square foot retail component of the TVA project. HSP assumed a NNN rent per square foot of $17 for these projections. HSP assumed 95 percent occupancy by stabilization. Following expenses, HSP projects an NOI of 62 percent in year one, increasing to 78 percent by stabilization for the retail component of the development.

DEMAND AND FINANCIAL PROJECTIONS – Retail/Restaurant

The table to the right shows the supportable project cost for the retail/ restaurant component of project based on current financing requirements. The supportable debt for the project is estimated to be $2.25 million, and the supportable equity is estimate to be $565,000 based on a ten year average return on equity of 20 percent and a debt coverage of 1.2 in year 2. HSP projects that the supportable financing for the proposed retail component of the project is $2.8 million.

Conventional Financing - TVA Retail (000s)

	Constr. Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Avg
Net Operating Income	$0	$127	$216	$290	$295	$301	$307	$313	$320	$326	$333	
Interest and Debt Reserve W/D	$70	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$70	$127	$216	$290	$295	$301	$307	$313	$320	$326	$333	
Debt Service Payment	($70)	($180)	($180)	($180)	($162)	($162)	($162)	($162)	($162)	($162)	($162)	
Net Income to Repay Equity	$0	($53)	$36	$109	$134	$140	$146	$152	$158	$164	$171	
Princ. Amount***	$1,125	$2,250	$2,210	$2,168	$2,142	$2,098	$2,052	$2,003	$1,952	$1,898	$1,840	
Interest	$70	$141	$138	$136	$118	$115	$113	$110	$107	$104	$101	
Less Payment	($70)	($180)	($180)	($162)	($162)	($162)	($162)	($162)	($162)	($162)	($162)	
Loan Balance	$1,125	$2,210	$2,168	$2,142	$2,098	$2,052	$2,003	$1,952	$1,898	$1,840	$1,780	
Assumptions				Refi								
Loan Amount ($000's)	$2,250			$2,168								
Amortization Period (Years)	25			25								
Loan Interest Rate	6.25%			5.50%								
Annual Debt Service Payment ($000's)	($180)			($162)								
Equity:												
Equity & Other ($000's)	$565	20%										
Private Debt	2,250	80%										
Total Private Financing	$2,815	100%										
Supportable Project Cost ($000's)	$2,815	$127.95	per SF									
Debt (Private) Coverage Ratio		0.70	1.20	1.61	1.83	1.86	1.90	1.94	1.98	2.02	2.06	1.71
Return on Equity		-9.4%	6.4%	19.4%	23.7%	24.7%	25.8%	26.9%	28.0%	29.1%	30.3%	20.5%
Return on Assets**		4.5%	7.7%	10.3%	10.5%	10.7%	10.9%	11.1%	11.4%	11.6%	11.8%	10.0%

***On project cost.*

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Hotel

The table to the right shows HSP's financial projections for the 108-room branded, limited service hotel property on the TVA site. These projections assume that a hotel is not developed on the University of Connecticut campus. HSP projects a year-one occupancy of 57 percent, increasing to 73 percent by stabilization. HSP projects a $125 ADR in year one, increasing to $138 by year five. Expenses are based on regional industry standards for similar quality properties. HSP projects a cash flow from operations of $874,000 in year one increasing to $1.3 million in year five.

Projection of Income & Expense: 108-Room Hotel - (in $000, inflated)

	Year 1				Year 2	Year 3	Year 4	Year 5		Year 10	
Room Count	108				108	108	108	108		108	
Available Room Nights	39,420				39,420	39,420	39,420	39,420		39,420	
Occupancy Rates	57%				64%	69%	72%	73%		73%	
Occupied Room Nights	22,417				25,196	27,274	28,287	28,853		28,853	
Average Daily Rate	$125				$128	$131	$135	$138		$156	
RevPAR	$71				$82	$91	$97	$101		$114	
	$	%	PAR	POR	$	$	$	$	%		
REVENUE											
Rooms	$2,800	98.3%	$25,922	$125	$3,226	$3,580	$3,806	$3,980	98.3%	$4,503	98.3%
Telecommunications	3	0.1%	$26	$0	3	4	4	4	0.1%	5	0.1%
Other Operated Departments	37	1.3%	$341	$2	42	47	50	53	1.3%	60	1.3%
Rentals and Other Income	8	0.3%	$79	$0	10	11	12	12	0.3%	82	0.3%
Total Revenue	$2,848	100.0%	$26,368	$127	$3,282	$3,642	$3,872	$4,048	100.0%	$4,648	100.0%
DEPARTMENTAL EXPENSES											
Rooms	$711	25.4%	$6,584	$32	$755	$805	$856	$895	22.5%	$1,013	22.5%
Telephone	14	500.0%	$131	$1	16	18	19	20	500.0%	23	500.0%
Other Operated Departments	22	61.0%	$208	$1	25	28	30	32	60.0%	36	60.0%
Rent and Other Income	1	6.0%	$5	$0	0	1	1	1	5.0%	4	5.0%
Total Departmental Expenses	$748	26.3%	$6,928	$33	$797	$853	$907	$948	23.4%	$1,076	23.1%
Gross Operating Income	$2,099	74.3%	$19,440	$94	$2,485	$2,789	$2,966	$3,101	76.6%	$3,573	76.9%
UNDISTRIBUTED OPERATING EXPENSES											
Administrative and General	$273	9.6%	$2,531	$12	$299	$313	$329	$344	8.5%	$395	8.5%
Marketing	$177	6.2%	$1,635	$8	$187	$197	$205	$215	5.3%	$246	5.3%
Utility Costs	$182	6.4%	$1,688	$8	$194	$204	$217	$227	5.6%	$260	5.6%
Property Operations and Maintenance	$159	5.6%	$1,477	$7	$167	$175	$186	$194	4.8%	$223	4.8%
Total Undistributed Expenses	$792	27.8%	$7,330	$35	$847	$889	$937	$980	24.2%	$1,125	24.2%
Gross Operating Profit	$1,308	45.9%	$12,110	$58	$1,638	$1,901	$2,029	$2,121	52.4%	$2,448	52.7%
Franchise Fees	$191	6.7%	$1,767	$9	$220	$244	$259	$271	6.7%	$311	6.7%
FIXED EXPENSES											
Property Taxes	$81	2.8%	$750	$4	175	209	242	247	6.1%	292	6.3%
Insurance	34	1.2%	$316	$2	36	36	39	40	1.0%	46	1.0%
Management Fee	100	3.5%	$923	$4	115	127	136	142	3.5%	163	3.5%
Reserve for Replacement	$28	1.0%	$264	$1	$49	$73	$116	$121	3.0%	$139	3.0%
Total Fixed Expenses	$243	8.5%	$2,253	$11	$375	$445	$533	$551	13.6%	$641	
Cash Flow from Operations	$874	30.7%	$8,090	$39	$1,043	$1,211	$1,236	$1,299	32.1%	$1,496	32.2%

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Hotel

The table to the right shows the supportable project cost for the hotel component of project based on current financing requirements. The supportable debt for the project is estimated to be $8.1 million, and the supportable equity is estimate to be $2.7 million, based on a ten year average return on equity of 30 percent and a debt coverage of 1.4 in year two. HSP projects that the supportable financing for the proposed multifamily project is $10.85 million.

Financing Analysis

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	$0	$0	$874	$1,043	$1,211	$1,236	$1,299	$1,363	$1,390	$1,425	$1,460	$1,496
Interest and Debt Reserve W/D	$132	$397	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$132	$397	$874	$1,043	$1,211	$1,236	$1,299	$1,363	$1,390	$1,425	$1,460	$1,496
Debt Service Payment	($132)	($397)	($740)	($740)	($740)	($652)	($652)	($652)	($652)	($652)	($652)	($652)
Net Income to Repay Equity	$0	$0	$134	$303	$472	$584	$647	$711	$738	$773	$808	$844
Princ. Amount***	$2,038	$6,113	$8,150	$7,940	$7,717	$7,480	$7,277	$7,061	$6,833	$6,590	$6,334	$6,062
Interest	$132	$397	$530	$516	$502	$449	$437	$424	$410	$395	$380	$364
Less Payment	($132)	($397)	($740)	($740)	($740)	($652)	($652)	($652)	($652)	($652)	($652)	($652)
Loan Balance	$2,038	$6,113	$7,940	$7,717	$7,478	$7,277	$7,061	$6,833	$6,590	$6,334	$6,062	$5,773
Assumptions						Refi						
Loan Amount ($000's)	$8,150					$7,480						
Amortization Period (Years)	20					20						
Loan Interest Rate	6.5%					6.0%						
Annual Debt Service Payment ($000's)	($740)					($652)						
Equity:												
Developer's Equity ($000's)	$2,700											
Private Debt	8,150											
Supportable Project Cost ($000's)	$10,850		$100,462.96	per room								
Debt (Private) Coverage Ratio			1.18	1.41	1.64	1.90	1.99	2.09	2.13	2.19	2.24	2.29
Return on Private Equity*			5.0%	11.2%	17.5%	21.6%	23.9%	26.3%	27.3%	28.6%	29.9%	31.2%
Return on Assets**			8.1%	9.6%	11.2%	11.4%	12.0%	12.6%	12.8%	13.1%	13.5%	13.8%

**On developer's equity only.*

***On project cost.*

****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

Value vs. Cost

The Town of Tolland engaged BSC Group out of Glastonbury, Connecticut to prepare preliminary cost estimates for HSP's suggested project. Including access roads, site preparation, earthwork, drainage, sanitary, electrical, and water supply, BSC's total projected cost for the project was $58.95 million. For the purpose of this analysis, HSP considered the building construction cost, contingency, and soft costs when comparing costs to HSP's projected value, and then compared the the total cost including site prep and infrastructure. The table below compares the projected costs versus the projected value. Due to the format in which the cost projections were provided, HSP combined the projected value of the hotel and the bar/restaurant.

Tolland Village Area - Projected Value vs. Cost

Component	HSP's Projected Value	Construction, Contingency, Soft Costs	Facility Development Gap	Site Prep and Infrastructure Costs*	Total Gap
Multifamily (12 percent workforce)	$11,825,000	$28,628,250	$16,803,250	$7,396,750	$24,200,000
Hotel and Restaurant	$11,490,000	$11,398,800	-$91,200	$2,471,200	$2,380,000
Pharmacy/Casual Restaurant	$2,190,000	$3,352,825	$1,162,825	$2,459,175	$3,622,000
Total	$25,505,000	$43,379,875	$17,874,875	$12,327,125	$30,202,000

*Does not include $4 million road and infrastructure cost

Source: Hunden Partners, BSC Group

Value vs. Cost

As the prior table shows, HSP projects a sizeable gap in the value of the multifamily development compared to cost. The hotel, due to site advantages and development efficiencies, is more feasible, according to HSP's projections. HSP projects the total value of the the pharmacy and restaurant to be $2.19 million, compared to a total cost of $5.8 million, resulting in a gap of $3.6 million. While these projections are based on a variety of changing factors, HSP's analysis suggests that any multifamily development in the Tolland Village Area will require significant public investment, while the hotel and retail components (though still requiring investment) are more feasible from a private development perspective. In order to induce the development of any of these projects, the Town would need to cover the site prep and infrastructure costs, as well as additional gaps for the multifamily and pharmacy/restaurant development. The hotel development is the most viable, although the Town would still need to assist with site work and infrastructure to make the project feasible.

Chapter 1

ECONOMIC AND DEMOGRAPHIC ANALYIS

ECONOMIC AND DEMOGRAPHIC ANALYSIS

Local market area characteristics such as population, a diversified economy, education, access and tourist attractions influence the potential demand for real estate uses such as residential and commercial developments. This section profiles Tolland and its surrounding area, including an overview of its economic and demographic characteristics that are relevant to economic development at the Tolland Village Area site.

Tolland is a historic town within Tolland County, on the way between Boston, Hartford and New York. It is a 25-minute drive northeast of Hartford, part of the Hartford-East Hartford Metropolitan Area, and a 15-minute drive from Storrs and the 32,000-student University of Connecticut. Many residents of Tolland work in one of these employment centers. The area's residents tend to take on attributes of affluence, and has been noted by CNN/Money magazine as ranking among the nation's "Best places to live in America" on four occasions since 2005.

Tolland's growth and new suburban developments are owed to its location along I-84, a six-lane freeway that carries heavy traffic through the Town, and Connecticut Highway 195 that funnels students and sports fans to and from the University of Connecticut in Storrs. I-84 connects Hartford to the Boston metropolitan area via I-90 to the east, and to Scranton/Wilkes-Barre in eastern PA. The largest airport in the area is Bradley International Airport between Hartford and Springfield, MA, in Windsor Locks, CT. It is the second-busiest airport in New England, with 13 airlines connecting to about 38 destination airports internationally, it serves around six million passengers annually. The airport is a 45-minute drive from Tolland.

As a significant amount of traffic passes through Tolland on I-84, Tolland is on the precipice of suburban development east of Hartford, a metropolitan area of about 1.2 million people, and a combined metro population of 1.49 million. Although the population is stagnant, there is growth in the periphery of the metropolitan area due to shifting migration patterns within the metropolitan area. The area is affluent, historic, and has begun the process of a small amount of suburbanization that is set for growth in the coming years. The intersection of Highway 195 and I-84 is a primary development opportunity because it is the most visible to both locals and travelers-by, and is in line for development. Despite the new construction of the development at this intersection, the historic setting of the main village district is not in danger.

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Population

The table to the right shows the population trends for the country, state of Connecticut, MSA, Tolland County, and Town of Tolland over the last 25 years. Since 1990, the Town's population has increased by 13 percent, to approximately 15,000 residents. This growth rate is similar to the overall change across the country, and slightly exceeds Tolland County's growth.

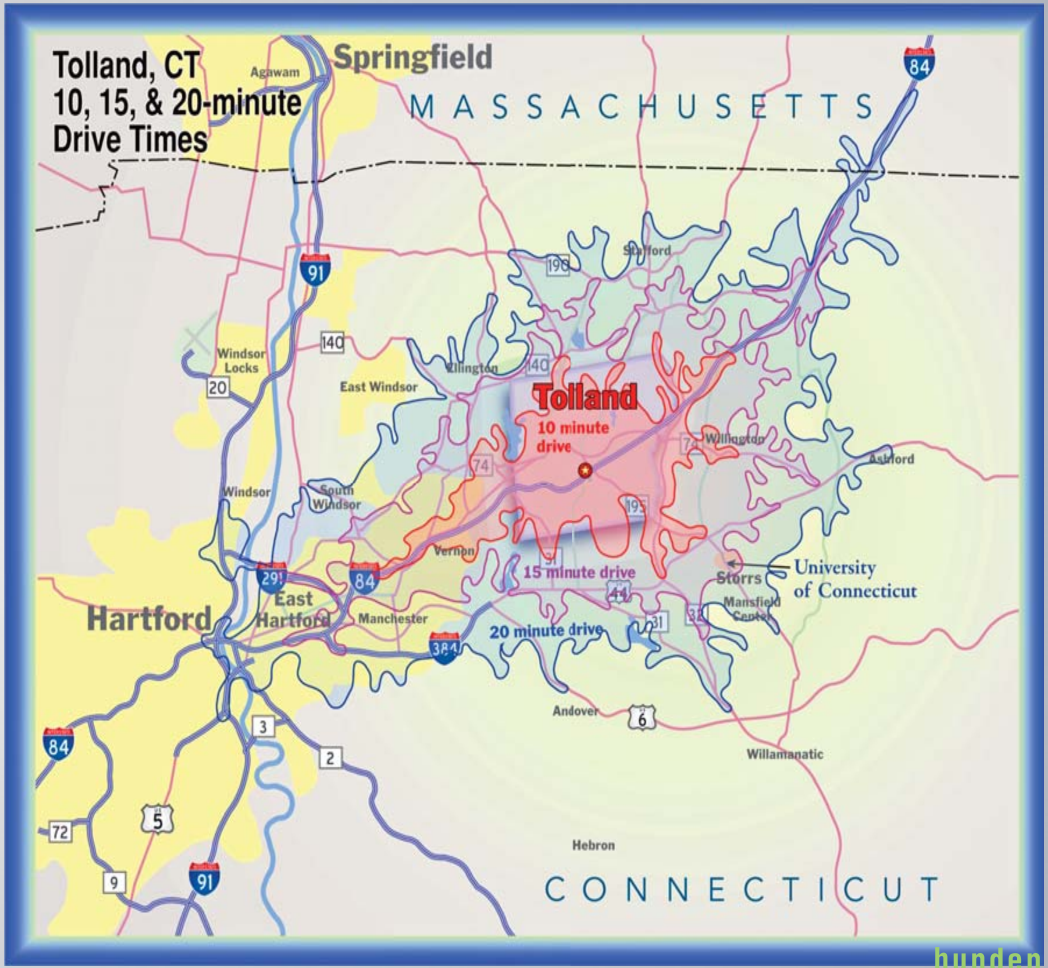
Population and Growth Rates

	Population				Percent Change
	1990	2000	2010	2015 Estimate	***2000-2015***
United States	248,709,873	281,421,906	308,745,538	321,418,820	14.2%
Connecticut	3,287,116	3,405,565	3,574,097	3,590,886	5.4%
Hartford-West Hartford-East Hartford MSA	1,157,585	1,148,618	1,212,381	1,211,324	5.5%
Tolland County	128,699	136,364	152,691	151,420	11.0%
Town of Tolland	11,001	13,146	15,052	14,849	13.0%
City Pop. As % of Metro Area	*1.0%*	*1.1%*	*1.2%*	*1.2%*	--

Source: U.S. Census Bureau, Hunden Strategic Partners

Drive Times

Accessibility is a key feature of any site that would attract residents, businesses, shoppers, or visitors. The map to the right shows driving distances, in minutes, from the site. Interstate 84, which runs from southwest-northeast through Tolland, improves the site's access and enhances the attractiveness of development. Hartford, which is also served by I-84, is approximately 20 minutes from the site and UCONN, the area's other major center of activity, and is a 15-minute drive from the site.



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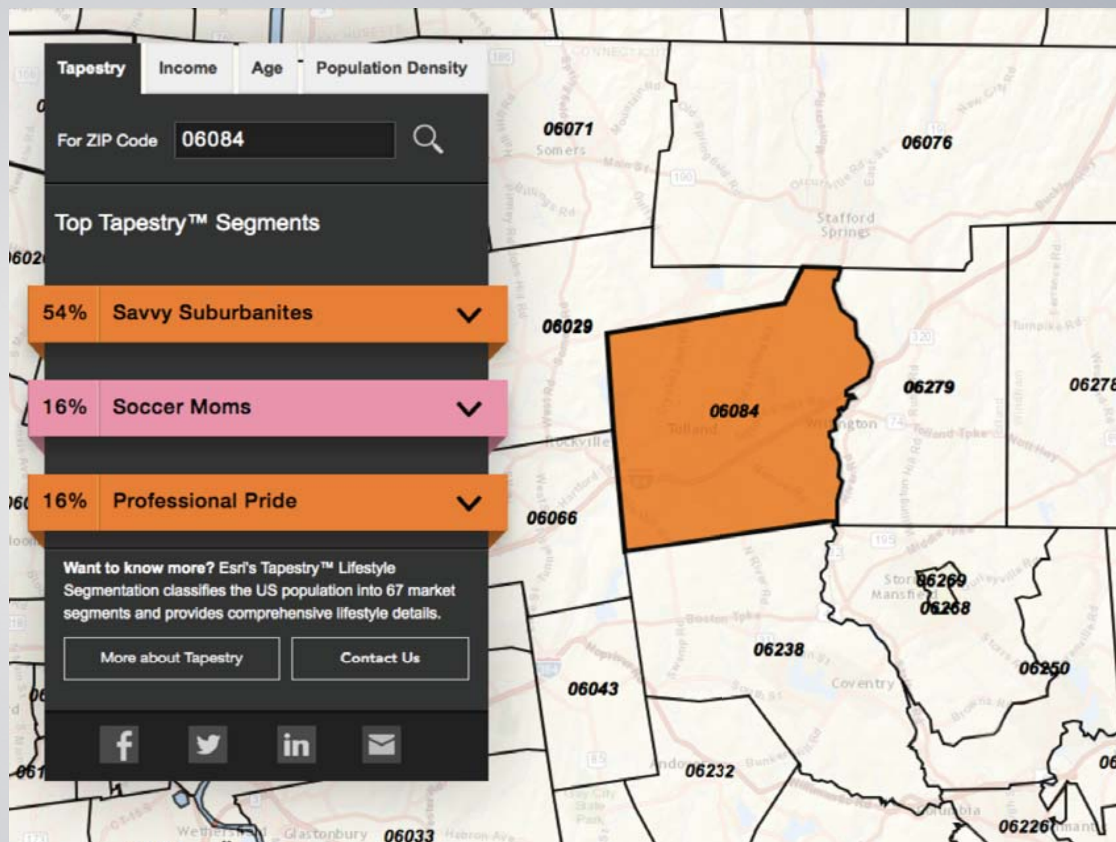
Tapestry Segments

ESRI Tapestry classifies US residential neighborhoods into 67 unique segments based on demographic and socio-economic characteristics. This helps to understand resident lifestyle choices, what they buy, and how they spend their free time. The top segments in Tolland include:

- Savvy Suburbanites: empty-nesters, live-in, owner-occupied suburban neighborhoods, well-educated, tech-savvy, financially secure, healthy and active
- Soccer Moms: relatively affluent, children at home, hectic schedules, tech-savvy, healthy and active
- Professional Pride: well-educated, two incomes, upscale suburban lifestyles, hectic schedules, children at home



Income and Other Data

The table to the right compares income, spending, and other demographic data for Tolland, Tolland County, Connecticut, and the United States. Home-ownership rates (94 percent) in Tolland are significantly higher than in other areas across the country, and home values are relatively high. Other characteristics indicate that Tolland has a relatively high share of family-occupied homes with high incomes. Retail sales per capital are much lower in the Town and the county, suggesting a lack of options in the market.

Income, Spending and Other Demographic Data

Category	United States	Connecticut	Tolland County	Tolland
Homeownership rate, 2011-2015	63.9%	67.0%	73.2%	94.0%
Median value of owner-occupied housing units, 2011-2015	$178,600	$270,500	$247,700	$281,100
Persons per household, 2010-2014	2.64	2.57	2.49	2.82
Median household income, 2010-2014	$53,889	$70,331	$79,626	$110,593
Persons below poverty level, percent, 2010-2014	13.5%	10.5%	7.1%	2.8%
Total employment, 2014	121,079,879	1,485,426	32,223	--
Total employment, percent change, 2013-2014	2.4%	80.0%	4.6%	--
Retail sales per capita, 2012	$13,443	$14,381	$8,599	$6,248

Source: US Census Bureau

Education

The table to the right compares the educational attainment of the Town, county, state, and country. Consistent with Tolland's high incomes, its population is well-educated. In both the Town and County, the share of the population with a Bachelor's or graduate degree exceeds national levels by significant margins.

Tolland Educational Attainment

Age 25+ Population	Tolland	Tolland County	Connecticut	United States
Did not complete high school	1.1%	2.1%	4.3%	13.6%
Completed high school	24.0%	27.4%	27.4%	27.8%
Some college	18.5%	18.5%	17.5%	21.1%
Associates Degree	10.0%	9.6%	7.4%	8.1%
Bachelors Degree	24.1%	21.4%	21.0%	18.4%
Graduate Degree	20.2%	16.6%	16.6%	11.2%

Source: US Census Bureau, Decision Date, Hunden Strategic Partners

Employment

The table to the right summarizes the employment by industry for Tolland County. The largest employers (in terms of industries) are the state and local governments, health care, and retail. The government accounts for approximately 25 percent of total employment and is by far the largest employer of County residents, as nearby Hartford is the state capital and UCONN is the state's largest public university (although neither is located in Tolland County).

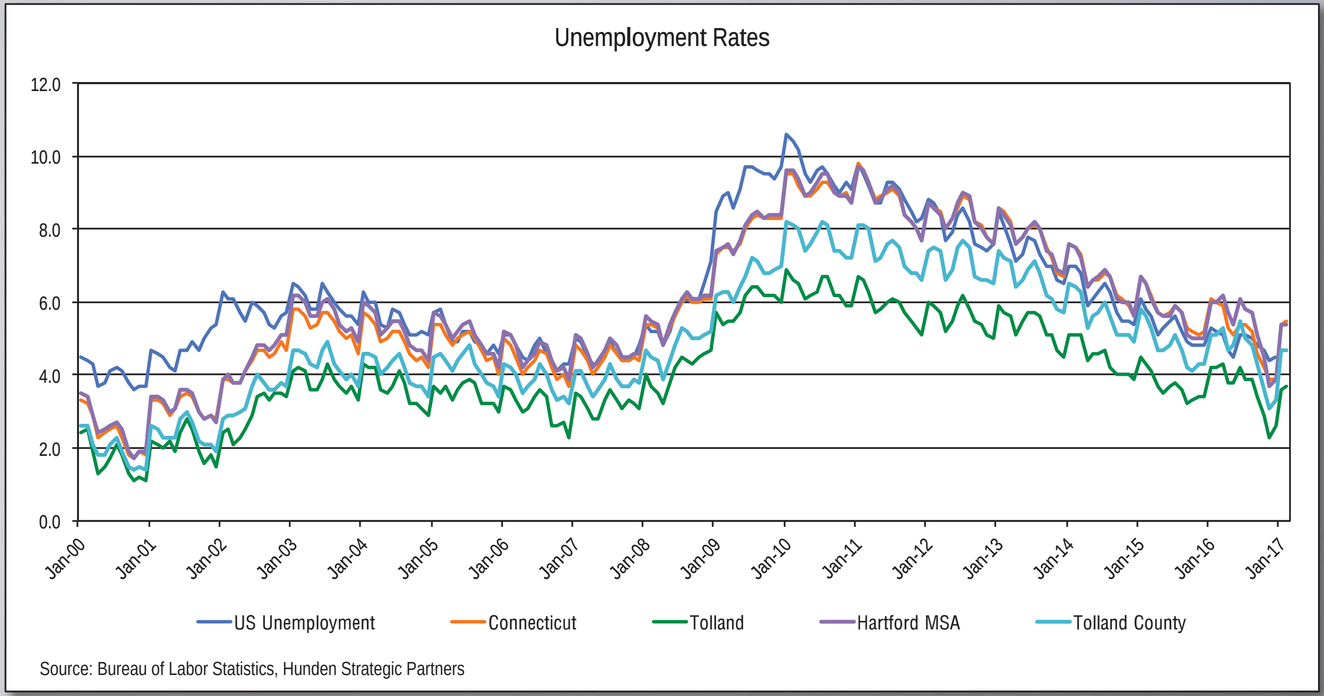
Tolland County Employment by Industry - 2015

Description	Employees	Percentage of Total
Total employment	63,477	100%
By industry		
Farm employment	1,020	1.6%
Nonfarm employment	62,457	98.4%
Private nonfarm employment	46,390	73.1%
Health care and social assistance	6,932	10.9%
Retail trade	6,482	10.2%
Construction	4,092	6.4%
Accommodation and food services	4,061	6.4%
Other services (except public administration)	3,711	5.8%
Professional, scientific, and technical services	3,559	5.6%
Manufacturing	3,423	5.4%
Real estate and rental and leasing	3,232	5.1%
Finance and insurance	2,224	3.5%
Administrative and support and waste manageme	1,900	3.0%
Arts, entertainment, and recreation	1,678	2.6%
Transportation and warehousing	1,386	2.2%
Educational services	1,174	1.8%
Information	659	1.0%
Forestry, fishing, and related activities	263	0.4%
Management of companies and enterprises	127	0.2%
Mining, quarrying, and oil and gas extraction	(D)	--
Utilities	(D)	--
Wholesale trade	(D)	--
Government and government enterprises	16,067	25.3%
State and local	15,483	24.4%
Federal, civilian	262	0.4%
Military	322	0.5%

Source: Bureau of Economic Analysis, Hunden Strategic Partners

Unemployment Rates

The figure to the right shows the unemployment rate for the Town, county, MSA, state, and country over the last 15 years. Changes in local unemployment rates have generally followed those at the national level. Locally and nationally, unemployment spiked during the Great Recession and have since declined, in many cases, to full employment. From 2016 through early 2017, Tolland's monthly unemployment rate ranged from 2.3% to 4.2%, compared to an average of 4.9% nationally



Universities

Universities provide a market with educational opportunities, and their graduates (if retained locally) provide local businesses with a well-educated pool of employees that can help to support a local economy. The University of Connecticut's main campus is located in nearby Storrs and has more than 32,000 students. Within 15 miles of Tolland, there are also two community colleges and Eastern Connecticut State University.

Higher Education - Tolland

Institution	Location	Distance from Tolland (miles)	Highest Degree Offered	Enrollment
University of Connecticut	Storrs, CT	7.6	Doctorate	32,027
Manchester Community College	Manchester, CT	10.3	Associates	6,891
Asnuntuck Community College	Enfield, CT	12.7	Associates	1,571
Eastern Connecticut State University	Willimantic, CT	13.8	Graduate	5,261
Total Enrollment				45,750

Source: National Center for Education Statistics, HSP

University of Connecticut

The University of Connecticut Storrs Campus is located approximately 7.2 miles southeast of Tolland:

- 19,324 undergraduate students and 8,397 graduate students
- A 10-year growth plan (Next Generation Connecticut) created in 2013 to increase enrollment by 31 percent.
- The year-around population of Storrs increased 39% between 2000 and 2012

As previously discussed, a new mixed-use development in Tolland will not be reliant upon the presence of the university, but the concentration of students, activity, and events in such close proximity to the site presents advantages for any project.

UCONN Technology Park

The development of the UCONN technology Park will have a significant impact on both the University and the surrounding market. The mission of the project, which broke ground in 2015, is to create a network of resources, programs, and collaborations that extend through the state. The Innovation Partnership Building, the first building currently under construction, is a $100 million, 115,000-square foot facility with state-of-the-art laboratories and manufacturing equipment. The park has secured financial commitments from GE, Comcast, United Technologies, and Eversource, in addition to other companies. The overall master plan includes 900,000 square feet over 30 acres to be developed over the next 10-15 years. This influx of employment, spending, and activity presents additional opportunities for development in Tolland.

IMPLICATIONS

While Tolland is a small town within the larger Hartford metro area, it is growing and its residents are generally relatively affluent, well-educated, and family-oriented. The town benefits somewhat from its location off of I-84 and its proximity to Hartford and UCONN, both of which are within a 15-to-20-minute drive. The presence of UCONN in particular may present opportunities for new development in Tolland.

With consideration of the Town's economic and demographic characteristics, the following sections explore in greater detail the Tolland Village Area site and the local market for residential, commercial, and hotel development, as well as the characteristics of other mixed-use developments and our findings and forecasts for TVA.

Chapter 2

PROJECT PROFILE

TOLLAND VILLAGE AREA

The Tolland Village Area site considered for this analysis consists of approximately 34 acres of Town- and privately-owned land that has been identified for development. In 2016, a proposed mixed-use, private development would have added housing and retail on the TVA site, but many residents were opposed to the scale. The site is still available for redevelopment and the primary intent of this study is to identify market viable uses.

Over the years, multiple analyses of the market and site have been prepared by the Town and private development interests, and the Town has held public meetings and completed a telephone survey of residents. The Town and its Planning and Zoning Commission recognized that the TVA location would likely lead to development, and 64% of residents expressed support for a “community focal point, similar to a village-type town center, in a walking friendly setting with community gathering spots and shops” in Tolland. To accomplish this, the Town developed zoning regulations and design guidelines to help ensure realization of the vision.

This section provides an overview of the TVA and the most recent development proposal, and the remainder of this report analyzes the market for various land use types and provides our findings based on the market and financial realities.

Tolland Village Area Site

The figure to the right shows the TVA site parcels considered for this analysis. The site includes 26.1 acres of privately owned land (14 usable acres) and 7.86 acres of Town-owned land. As previously mentioned, the site is located at the intersection of Interstate 84 and Route 195.

Tolland Village Area Site

The figure to the right shows traffic counts for the major thoroughfares surrounding the site. I-84 is a major interstate that extends from southwest to northeast Connecticut and beyond, and provides access to Boston, New York, Pennsylvania, and other regional markets. Approximately 77,000 and 64,000 vehicles per day travel east- and westbound on I-84. Rt. 195 (Merrow Road) sees approximately 11,000 vehicles per day north of I-84.

Previous Proposal

The figure to the right shows a rendering of the previous development proposal for the Tolland Village Area, University Gateway Village. Components of the proposed development included:

- $92 million total project cost
- 359 apartments, including 12% workforce housing
- 33,000 square feet of retail space
- A bio park and eco garden
- Significant analyses were performed, including a hotel study that demonstrated demand and viability.

MARKET FEEDBACK

As part of HSP's market analysis, we spoke to local stakeholders regarding the University Gateway Village proposal. The following summarizes feedback received that is specific to the development.

- The project began as a quaint development with a limited number of apartments and a possible hotel.
- The Town refused the idea of assisted living, and the developer increased the project's density to include 300+ apartments and a restaurant, hotel, and retail.
- The project became too dense and too tall, and overall, was not in line with the Town's expectations.
- The economics of the project became difficult, according to the developer, and the retail component was undefined. The name "University Gateway Village" was not well-received by the public.
- The developer also wanted the Town's land at no cost, which was also not well-received.

Chapter 3

RESIDENTIAL MARKET ANALYSIS

RESIDENTIAL MARKET ANALYSIS

This chapter includes an analysis of the Tolland residential real estate market and opportunities for new residential development at the TVA site. In order to determine the market for residential development opportunities, HSP conducted interviews with a wide range of property managers, local residential brokers, developers, and economic development officials.

For the TVA site, HSP focused on opportunities for multifamily development. As such, we analyzed the existing supply of properties in Tolland and their characteristics (such as location, occupancy, rental rates, and others).

The table to the right summarizes the existing multifamily supply in Tolland. There are currently 160 apartment rental units available in the local market, in addition to 123 condominium units and 87 townhouses. Conversations with local stakeholders and market participants indicates that the multifamily supply in Tolland is extremely limited, both from a quality and supply perspective.

Tolland Multi-Family Supply

Property	Type	# of Units
Tolland Meadows	Condos	76
Stone Pond	Condos	47
Ivy Woods	Apartments	64
Norwegian Woods	Apartments	96
Merrow and Anthony Road Development*	Town Houses	87
55 North River Road*	Apartments	12

*Approved but not constructed

Source: Town of Tolland, Hunden Partners

The figure to the right shows the locations of the existing multifamily supply in Tolland. The properties are concentrated along Interstate 84 and CT-195. The two primary rental properties, Ivy Woods and Norwegian Woods, are located three and four miles respectively from the TVA site. The next page provides additional detail on the two apartment complexes in Tolland.

Ivy Woods

- Located four miles northeast of TVA site off of I-84
- Opened in 2005
- 64 units: 32 one-bedrooms, 32 two-bedrooms (16 with garages)
- Conversations with property representatives indicted that Ivy Woods is currently 100% occupied and there is a waiting list for apartments. Residents are primarily professionals, UCONN employees, and some students, according to management.

Norwegian Woods

- Located three miles southeast of TVA site off of CT-195.
- Opened in 1970s
- 96 units: all one- and two-bedrooms
- Conversations with local stakeholders indicated that the complex is maintaining extremely high occupancy levels, but exact performance could not be determined. Rental rates at the complex are currently running $1.50 per square foot.

Local Apartment Supply

Property	One-Bed Avg. SF	One-Bed Avg. $	One-Bed $/SF	Two-Bed Avg. SF	Two-Bed Avg. $	Two-Bed $/SF
Ivy Woods	952	$1,050	$1.10	1,111	$1,350	$1.22
Norwegian Woods	618	$930	$1.50	802	$1,197	$1.49

Source: Hunden Partners

MARKET FEEDBACK

HSP spoke with local and regional developers, brokers, agents and other market stakeholders that are active in the local residential market to better understand the opportunity for a multifamily development on the TVA site. The following summarizes feedback received that specifically relates to the local residential market and opportunities for new development.

- There is opportunity for multi-family residential in the market, but the market likely cannot support the density of the previous proposal. A smaller development would be recommended.
- There is minimal opportunity for condominiums. Any new development should be strictly rental apartments.
- Single-family homes in Tolland are selling very quickly once they are put on the market. This is a strong indicator for the potential of multifamily development.
- Empty-nest couples have no options for downsizing in Tolland. This presents a significant opportunity for new development targeted towards this demographic.
- There is also no product available in the local market for divorced parents, single adults, or people transitioning into retirement.
- The strip club may be deterrent to development. This should be considered as the process moves forward.
- In Vernon, nearly all available housing units are occupied. Nearly 100 percent of available housing in Mansfield is occupied. There is a lack of multifamily supply throughout the general region, not just Tolland.
- Attracting residents from Hartford will likely be difficult, but not impossible. The primary focus should be on millennials, empty-nesters and the University of Connecticut.

MARKET FEEDBACK (cont'd)

- The campus is currently underserved by "thousands" of beds. The university is unable to provide the amount of housing necessary to accommodate demand; TVA presents a perfect opportunity for graduate housing as well as couples and small families.
- UCONN's size and proximity create opportunities for development in Tolland, but will not be the sole drive of demand for multifamily development.
- Graduate students are currently living in the Vernon area, as well as in Coventry and Willimantic.

HSP also reached out to the University of Connecticut to better understand the existing off-campus housing situation and the potential for a new development in Tolland to accommodate student demand. Feedback from conversations with the University included the following:

- Outside of Oaks on the Square and Meadowbrook Gardens, the multifamily supply in the area is extremely dated. Most properties were developed in the 70s or 80s.
- The University currently offers 12,700 beds on campus. Currently, approximately 6,000 graduate students study on the Storrs Campus and 5,500 undergraduate students live off-campus. Students live everywhere from Manchester to Vernon to Hartford. It is impossible to know exactly where students are living, but many live more then 20 minutes from campus.
- Transportation from a new development in Tolland would present challenges for some students, but a high-quality development with a fair price point would certainly attract students. Tolland would likely attract graduate students who are willing to commute further and don't want to live near undergraduate students.
- Historically, the further students live from campus, the fewer issues they present. This should not be a concern for a development in Tolland.
- Of the 12,000 daily commuter students, both graduate and undergraduate, approximately 6,000 live in Mansfield. The remaining 6,000 students live equidistant or further from campus than Tolland. This will be the primary market for a new development.

IMPLICATIONS

Most residential offerings in Tolland are single-family housing; there is a limited supply of multifamily housing in the Town. Tolland has one townhouse, two condominium, and two apartment developments (with a third apartment complex approved but not built). The two existing apartment developments offer 160 units and are priced from approximately $830 to $1,200 for one bedroom and $1,100 to $1,500 for two bedrooms, and are generally occupied. While the local complexes are attracting residents, the current rental rates ($1.10 to $1.50 per square foot) present concern regarding the future financial viability of a high quality multifamily development in Tolland

In addition, UCONN does not have sufficient housing to meet the needs of its community, and many graduate students have to live in towns such as Mansfield, Vernon, Coventry, and Willimantic, and available housing in these towns is also limited due to demand. This presents opportunity for multifamily development, however, many graduate students will be looking in Tolland for a lower price point, and will not be willing to pay the rates that newer, on-campus developments are attracting. In addition to UCONN students, local housing options also appear to be particularly limited for single adults, empty nesters, and retirees.

Chapter 4

RETAIL/RESTAURANT MARKET ANALYSIS

RETAIL/RESTAURANT MARKET ANALYSIS

HSP profiled the Tolland retail and restaurant market via interviews with Town officials, local business owners, commercial brokers, and developers, and collected data from a number of other sources to better understand the restaurant and retail opportunity in the Town. The following chapter provides an overview of Tolland's retail and restaurant market.

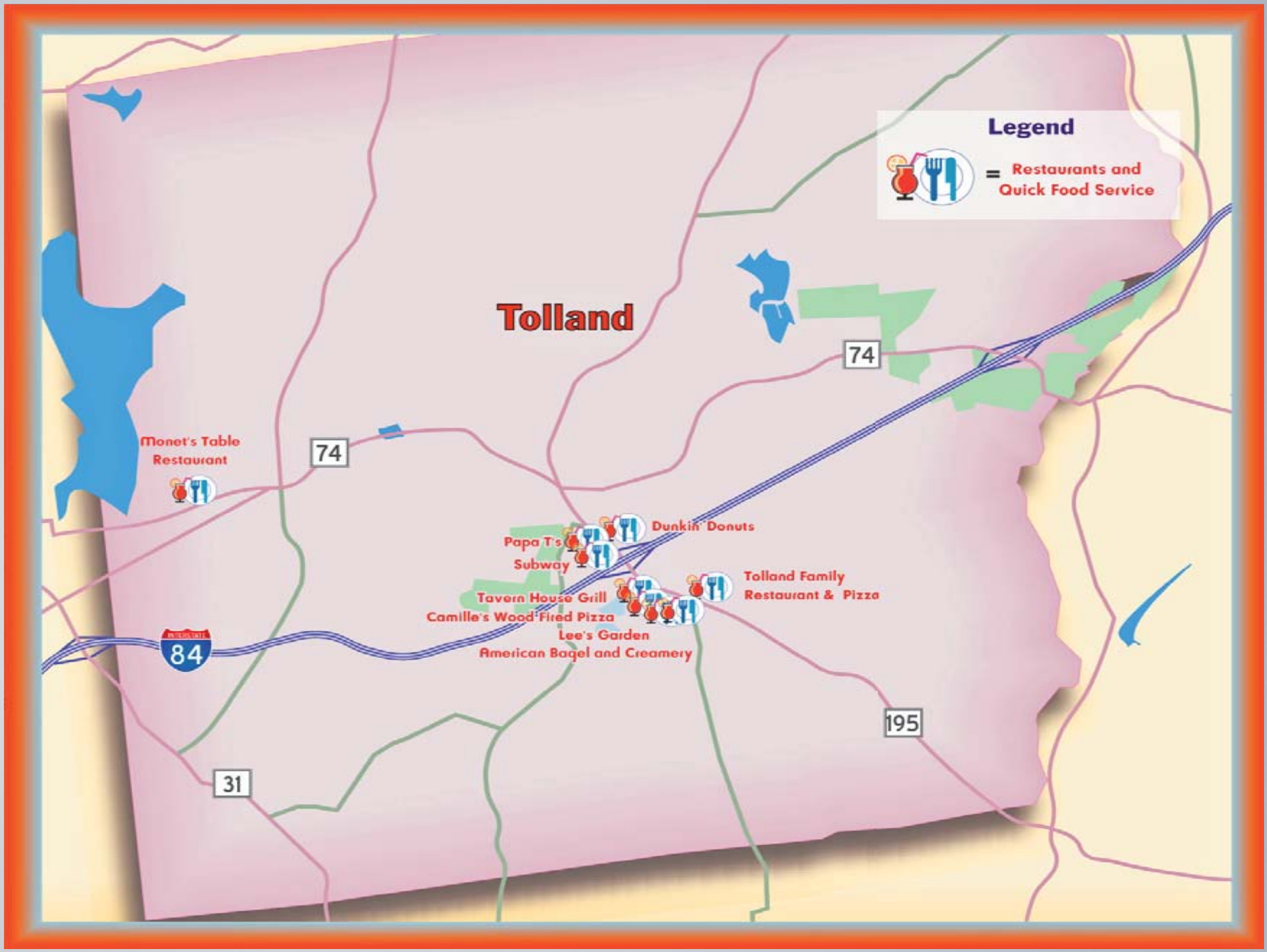
The table to the right summarizes the existing dining supply in Tolland. The properties are primarily pizza and traditional American cuisine options. There is a lack of high-priced options and fast-food chains in Tolland, according to conversations with local stakeholders. The locations of these restaurants are shown on the following page. Most are located near the 84/195 intersection and the TAV site.

Tolland Dining Supply

Name	Concept	Cuisine	Price Range
Papa T's	Casual Dining	Sandwiches	$$
Tolland Family Restaurant and Pizza	Casual Dining	Pizza	$$
Tavern House Grill	Casual Dining	American	$$
Camille's Wood Fired Pizza	Casual Dining	Pizza	$$
Monet's Table Restaurants	Casual Dining	American	$$
Subway	Fast Casual	Sandwiches	$
Lee's Garden	Fast Casual	Chinese	$
Dunkin Donuts	Quick Serve	Coffee	$
American Bagel and Creamery	Quick Serve	Ice Cream	$

Source: Hunden Partners

The figure to the right shows the primary nodes of dining activity in Tolland. The majority of the dining establishments in Tolland are located at the intersection of I-84 and CT-195, within a quarter mile of the proposed site. Residents will be looking for a collection of restaurants and activity within a short walk/drive of their home. While the dining supply in Tolland is limited, the TVA site presents the strongest opportunity for multi-family development.



RETAIL/RESTAURANT MARKET ANALYSIS

Retail Supply

The table to the right summarizes the existing retail supply in Tolland. Key feedback form local stakeholders included the following:

- Big Y is the primary grocery destination in the market. There are no other grocery shopping options locally.
- There is a lack of true convenience store options in Tolland. Outside of gas stations, the market lacks a convenience store.
- The market primarily consists of niche/specialty stores, with no true retail options. Traditional retail will be very difficult in Tolland.
- The location of retail offerings in Tolland is shown on the following page. Similar to restaurants, many are also located near 84/195.

Tolland Retail Supply

Name	Concept	Subcategory
Mobil	Convenience	Gas Station
Gulf	Convenience	Gas Station
Citgo	Convenience	Gas Station
Tolland Xtra Mart	Convenience	Gas Station
Big Y	Grocery	Supermarket
Liquor Wine Discount	Specialty	Liquor
Artsake Gallery and Beads	Specialty	Handmade Beads
Wildflowers of Tolland	Specialty	Florist
Star Hardware	Specialty	Hardware
Bill's Auto Parts	Specialty	Auto Parts
Napa Auto Parts	Specialty	Auto Parts
Anderson Automotive	Specialty	Tires
Mattress Firm Tolland	Specialty	Mattress Store
Gamestop	Specialty	Video Games
Pet Value	Specialty	Pet Store
Worldwide Wine Cellar	Specialty	Wine Store
Tolland Bicycle	Specialty	Bicycle
Headliner's Salon and Spa	Specialty	Beauty Salon
Jeff's Kettle Corn	Specialty	Popcorn Store
Arcari Motor Sales	Specialty	Used Cars
Rockville Equipment Inc.	Specialty	Lawn Mowers
Verizon	Specialty	Cell Phones
Morande Jewelers	Specialty	Jeweler

Source: Hunden Partners

The table to the right summarizes the existing retail supply in Tolland. The concentration of retail is consistent with the dining supply, primarily located at the intersection of I-84 and CT-195. While the market lacks traditional retail, the proximity of existing options to the TVA site presents advantages.

RETAIL/RESTAURANT MARKET ANALYSIS

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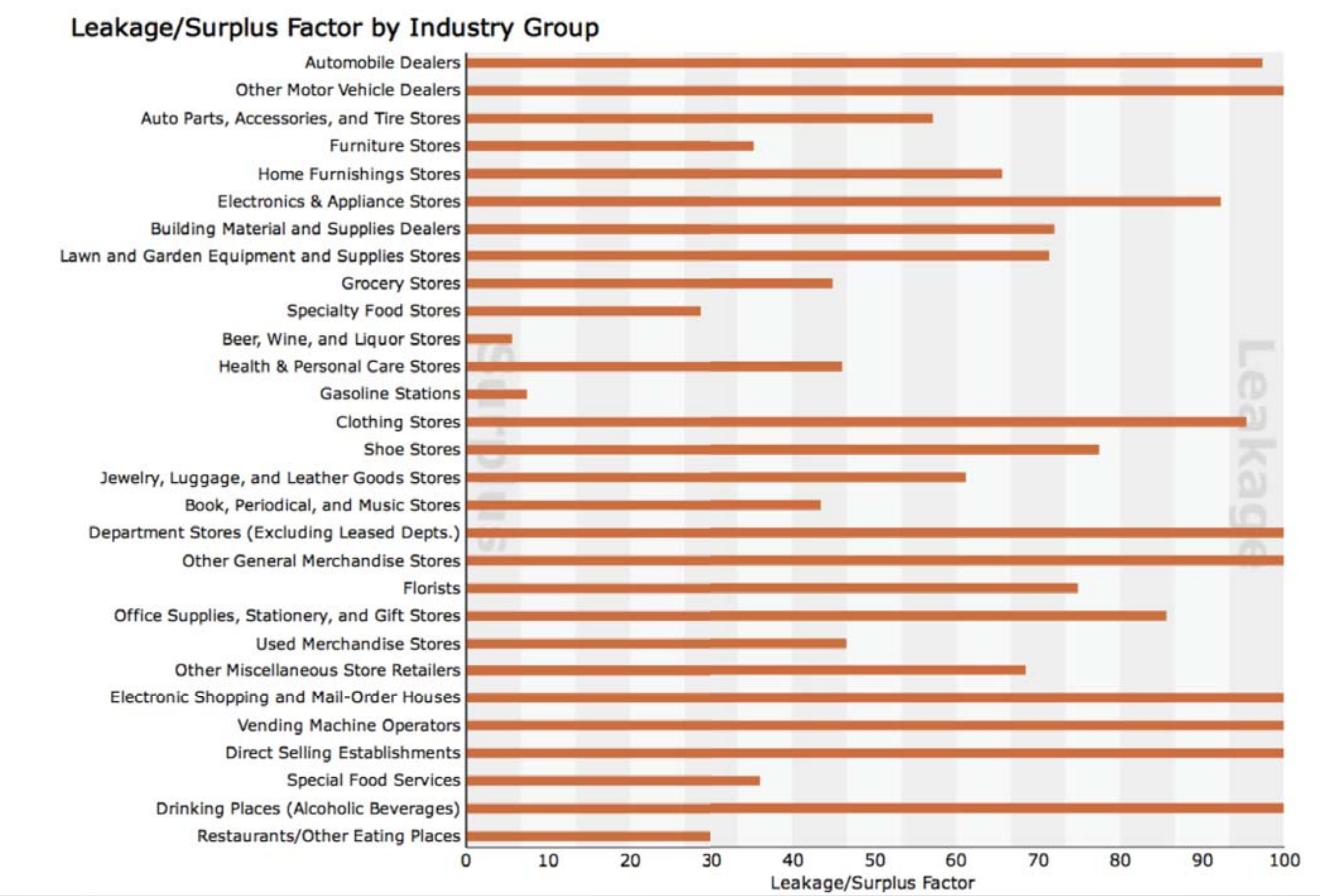
Leakage Analysis

The figure shows the retail leakage by industry subsector in Tolland. This identifies the relative share of spending by local residents that occurs outside of the local market.

- There are several sectors with a significant leakage factor. These include clothing stores, department stores, “other general merchandise stores,” and “drinking places”
- Other similar sectors include car dealers and electronics and appliance stores, and restaurants, to a lesser extent
- Gasoline and beer and wine stores are the only sectors in Tolland without significant leakage.



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Available Properties

The table to the right summarizes the existing retail, office, and industrial properties for lease in Tolland:

- Three retail properties with a total of approximately 20,000 square feet are available, for approximately $14/SF
- Three office properties, with a total of approximately 9,500 square feet, are available for approximately $20/SF
- Two industrial sites vary significantly in square footage and rent
- Overall, there is limited space availability for leasable space in the market. Conversations with market experts indicated that the market is almost non-existent locally.

Tolland - All Properties for Lease

Property	Size (SF)	Type	Rental Rate/SF/Year
200 Merrow Road	6,290	Retail	$15.00
64 Merrow Road	12,000	Retail	$16.00
642 Tolland Stage Road	1,500	Retail	$10.80
Average	6,597	--	$13.93
12 Goose Lane	5,455	Office/Retail/Loft	$12.00
384 Merrow Road	2,100	Office	$20.00
206 Merrow Road	1,750	Office	$27.00
Average	3,102	--	$19.67
259 Hartford Turnpike	55,928	Industrial	$4.25
60 Industrial Park Road	4,800	Industrial	$9.55
Average	30,364	--	$6.90

Source: Berkshire Hathaway

Fieldstone Commons

Fieldstone Commons is the primary destination for restaurants and retail in Tolland. The development is located half a mile from the TVA site, on the opposite side if Interstate 84.

- Opened in 2007
- Primary tenants:
  - Big Y
  - Pet Valu
  - Morande Jewelers
  - Worldwide Wine Cellar
  - Camille's Wood-Fired Pizza
  - Tolland Eye Care

MARKET FEEDBACK

Feedback received that is specific to the area's retail and restaurant market is summarized below.

Fieldstone Commons

HSP reached out to management of the Fieldstone Commons to better understand the property and the existing opportunity for restaurant or retail development on the TVA site. Key feedback included:

- Fieldstone Commons has been viewed as a successful project, and its grocery store is extremely successful.
- Occupancy has remained high, although there was concern initially about the size of the anchor development.
- The complex has worked every hard to attract a drive-through tenant, but all major fast-food chains declined to locate at Fieldstone Commons due to lack of daytime population.
- Lease rates range from the high teens to low $20s per square foot at the property.
- The retail/restaurant component of the previous TVA project was too large, and there is minimal opportunity for typical retail in the market.
- It will be tough to attract chains (such as McDonalds, Panera, Qdoba); they look at markets from a high level and not specific situations, and Tolland's metrics do not qualify it.
- The market needs a pharmacy and CVS was interested in Fieldstone Commons but wasn't able to make the site work.
- There is an opportunity for higher-priced dining experience with dense residential; the community is underserved in this area.
- A casual family restaurant (with bar) and a coffee shop/Panera (or similar) would be recommended for the Tolland Village Area.

Others

Additional feedback from market representatives regarding the restaurant and retail opportunity on the TVA site included the following:

- Convenience store options (such as CVS, Walgreens, Rite Aid) are severely lacking in the community. This presents an opportunity.
- There is a lack of diversity in restaurant options; the market could likely support another quality dining option.
- Dining options are necessary to attract young professionals.
- There is limited commercial opportunity in Tolland, and a lack of demand for traditional retail space.
- Multi-use space is lacking, and there is more opportunity than for traditional commercial space.
- There is minimal demand for industrial space as part of a new mixed use development in Tolland.

IMPLICATIONS

Restaurant offerings in Tolland are limited, as the nine existing establishments are generally low-cost, casual/quick-serve options that are located near 84/195. Retail establishments are similarly limited, in that existing businesses are primarily gas stations and specialty retail stores, with one grocery store (Big Y). As a result, there is significant retail spending leakage out of Tolland, particularly for clothing and department stores, bars, electronics, and to a lesser extent, restaurants.

There appears to be a market for a convenience store/pharmacy in Tolland, as well as a higher-priced restaurant. Tolland's ability to attract and support traditional retail and a fast-food restaurant appear to be more limited, based on HSP's analysis.

Chapter 5

HOTEL MARKET ANALYSIS

HOTEL MARKET ANALYSIS

There is currently no hotel in Tolland but this development type is a potential usage of the TVA site. As such, HSP analyzed the hotel market in the surrounding area through identification of a set of relevant properties and their characteristics, as well as an overview of the national hotel industry National trends are shown below.

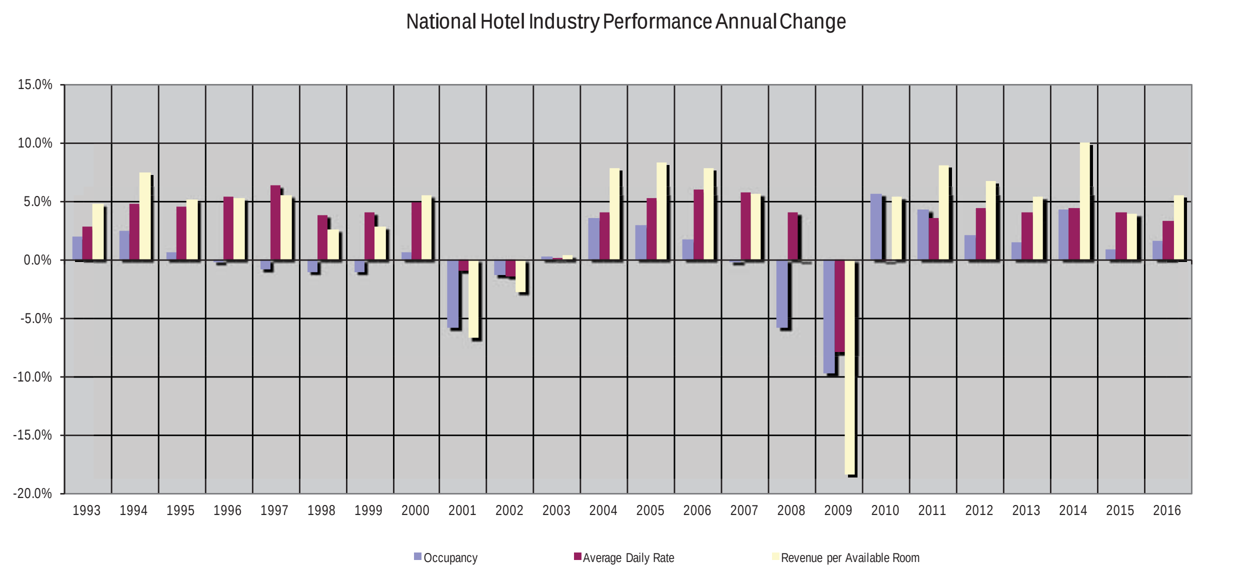
National Lodging Industry Annual Summary

Year	Occupancy	Change	Average Daily Rate	Change	Revenue per Available Room	Change
1992	61.9%	--	$59.62	--	$36.90	--
1993	63.1%	1.9%	$61.30	2.8%	$38.68	4.8%
1994	64.7%	2.5%	$64.24	4.8%	$41.56	7.4%
1995	65.1%	0.6%	$67.17	4.6%	$43.73	5.2%
1996	65.0%	-0.2%	$70.81	5.4%	$46.03	5.3%
1997	64.5%	-0.8%	$75.31	6.4%	$48.57	5.5%
1998	63.8%	-1.1%	$78.15	3.8%	$49.86	2.7%
1999	63.1%	-1.1%	$81.29	4.0%	$51.29	2.9%
2000	63.5%	0.6%	$85.24	4.9%	$54.13	5.5%
2001	59.8%	-5.8%	$84.45	-0.9%	$50.50	-6.7%
2002	59.0%	-1.3%	$83.20	-1.5%	$49.09	-2.8%
2003	59.2%	0.3%	$83.28	0.1%	$49.30	0.4%
2004	61.3%	3.5%	$86.70	4.1%	$53.15	7.8%
2005	63.1%	2.9%	$91.29	5.3%	$57.61	8.4%
2006	64.2%	1.7%	$96.77	6.0%	$62.13	7.8%
2007	64.1%	-0.2%	$102.38	5.8%	$65.63	5.6%
2008	60.4%	-5.8%	$106.55	4.1%	$65.61	0.0%
2009	54.5%	-9.8%	$98.20	-7.8%	$53.55	-18.4%
2010	57.6%	5.7%	$98.08	-0.1%	$56.47	5.5%
2011	60.1%	4.3%	$101.64	3.6%	$61.06	8.1%
2012	61.4%	2.2%	$106.10	4.4%	$65.17	6.7%
2013	62.3%	1.5%	$110.35	4.0%	$68.69	5.4%
2014	65.0%	4.3%	$115.26	4.4%	$75.66	10.1%
2015	65.6%	0.9%	$120.01	4.1%	$78.67	4.0%
2016	66.7%	1.7%	$124.00	3.3%	$83.00	5.5%
Avg. Annual Growth Rate		*0.4%*		*3.1%*		*3.6%*

Source: Smith Travel Research, HSP

- Average daily rate and occupancy of hotels both peaked in 2016, resulting in a RevPar of $83.00, a national record.
- Following the recession, occupancy peaked at an all-time industry high of 66.7 percent in 2016
- ADR also steadily increased, from $98 in 2010 to a high of $124 in 2016. RevPAR was $83 last year, which was a significant increase over recent years

National Industry Performance



Source: Smith Travel Research, HSP

- Aside from two major economic shocks in the US (9/11 and the 2009 Recession), the hotel industry has improved on a year-over-year basis since the early 1990s
- Room occupancy, Average Daily Rate (ADR), and Revenue per Available Room (RevPAR) have all improved annually since 2009

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Competitive Properties

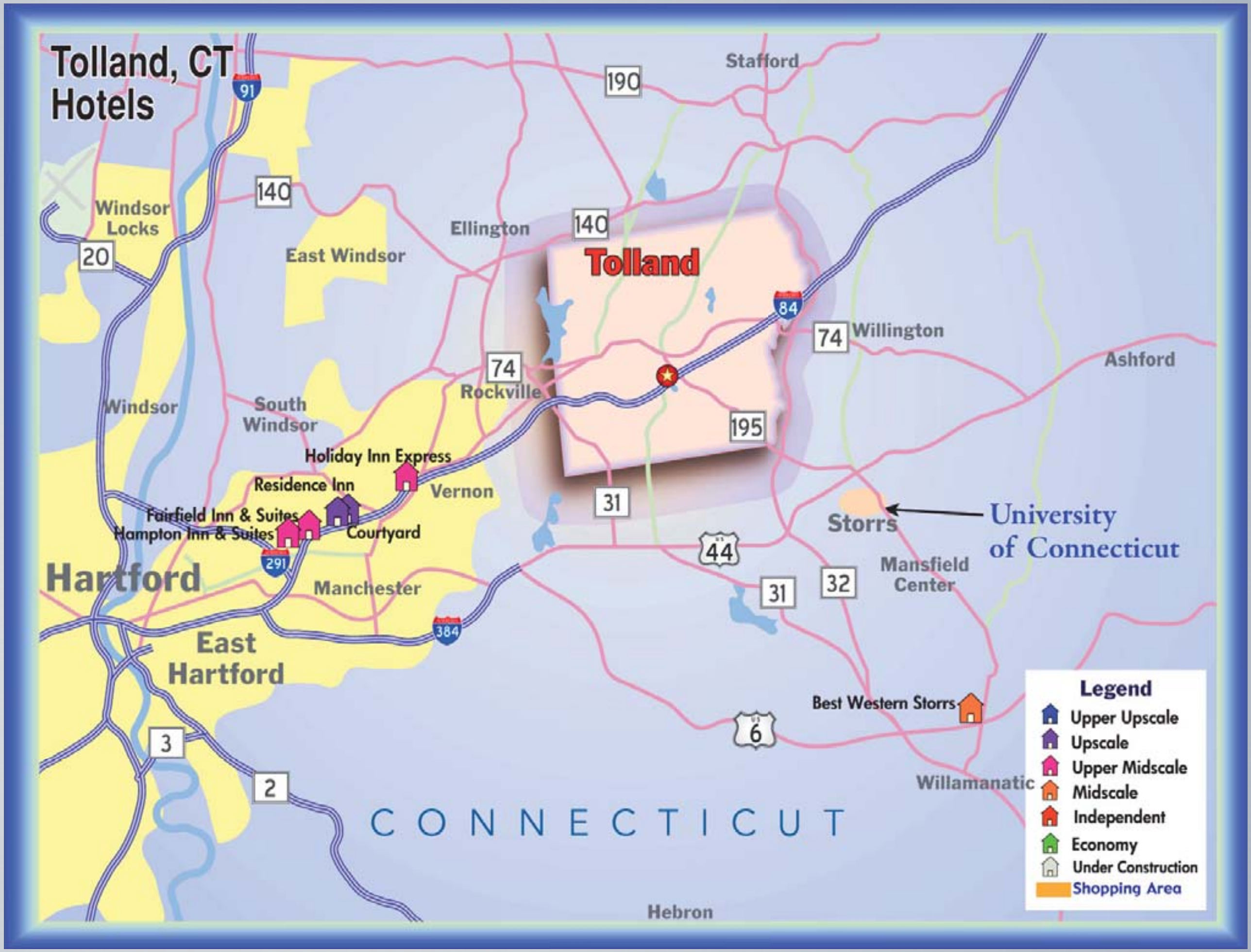
Competitive Area Hotels

Property Name	Distance	Rooms	Chain Scale	Open Date
Best Western Storrs	6.9	87	Midscale	Aug-68
Holiday Inn Express Vernon Manchester	7.6	68	Upper Midscale	Jul-97
Residence Inn Hartford Manchester	9.5	96	Upscale	Jan-00
Courtyard Hartford Manchester	9.6	90	Upscale	Feb-99
Fairfield Inn & Suites Hartford Manchester	10.4	93	Upper Midscale	Oct-00
Hampton Inn & Suites Hartford Manchester	11.2	107	Upper Midscale	Apr-08
Total/Average	9.2	541	--	Sep-95

Source: STR

The table to the left summarizes the competitive set hotels included in the performance data shown in this chapter. The list of competitive properties includes the highest quality hotels that are closest to the site and would be expected to be most competitive to a new hotel. The competitive set includes six properties with a total of 541 rooms. All but one are located in Manchester, and all are within about 11 miles of Tolland. The location of these hotels is shown on the following page

Other than the Best Western Storrs, the competitive local hotel properties are located along Interstate 84, west of Tolland. Similar to the TVA site, these hotels benefit from interstate access, as well as corporate, leisure, and group demand generated by the City of Hartford.



Competitive Properties

Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	% Occ.	% Change	ADR	% Change	RevPar	% Change
2012	536	195,640	--	134,078	--	68.5	--	$103.76	--	$71.11	--
2013	536	195,640	0.0%	131,032	-2.3%	67.0	-2.3%	$110.01	6.0%	$73.68	3.6%
2014	538	196,250	0.3%	132,199	0.9%	67.4	0.6%	$114.51	4.1%	$77.14	4.7%
2015	541	197,465	0.6%	139,722	5.7%	70.8	5.0%	$122.19	6.7%	$86.46	12.1%
2016	541	197,465	0.0%	140,590	0.6%	71.2	0.6%	$124.80	2.1%	$88.86	2.8%
2017 YTD (Feb)	541	31,919	0.0%	18,225	-2.8%	57.1	-2.8%	$119.91	2.0%	$68.47	-0.8%
CAGR* (2012-2016)	0.2%	0.2%	--	1.2%	--	1.0%	--	5.1%	--	6.2%	--

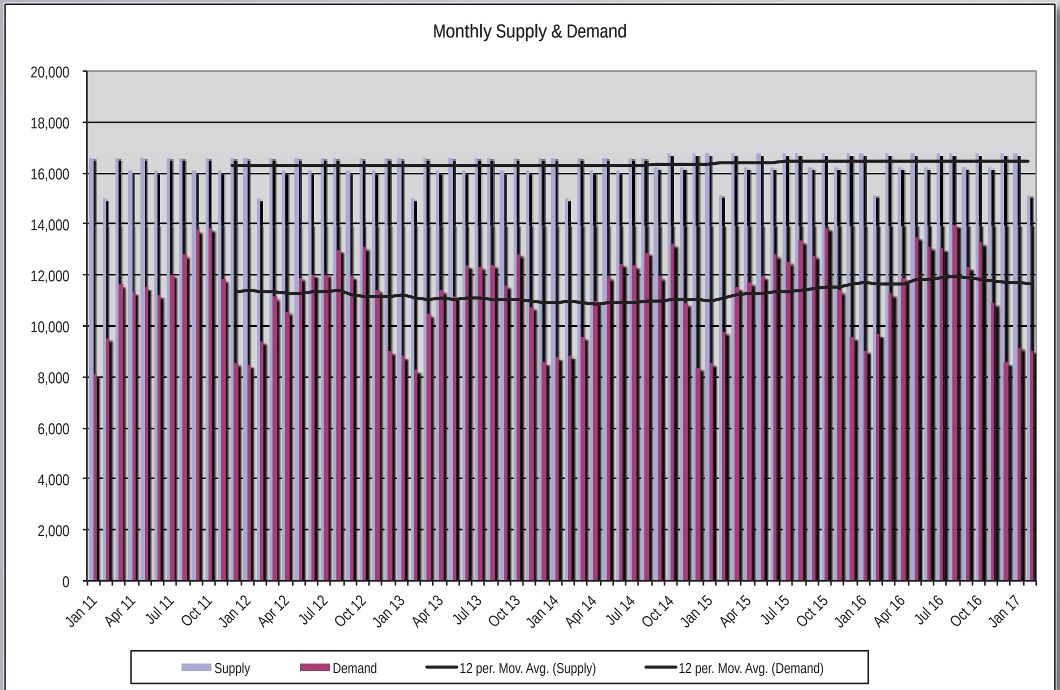
Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels

*Compound Annual Growth Rate

Sources: Smith Travel Research, Hunden Strategic Partners

- The table to the left summarizes the historic performance of the competitive set of hotels.
- Room-night demand has increased slightly in the last five years, and occupancy has increased from 68.5 percent to 71.2 percent.
- The ADR of these hotels has increased beyond inflation (an average of approximately five percent per year), to nearly $125 last year.
- RevPAR has increased with ADR, to approximately $89 in 2016.

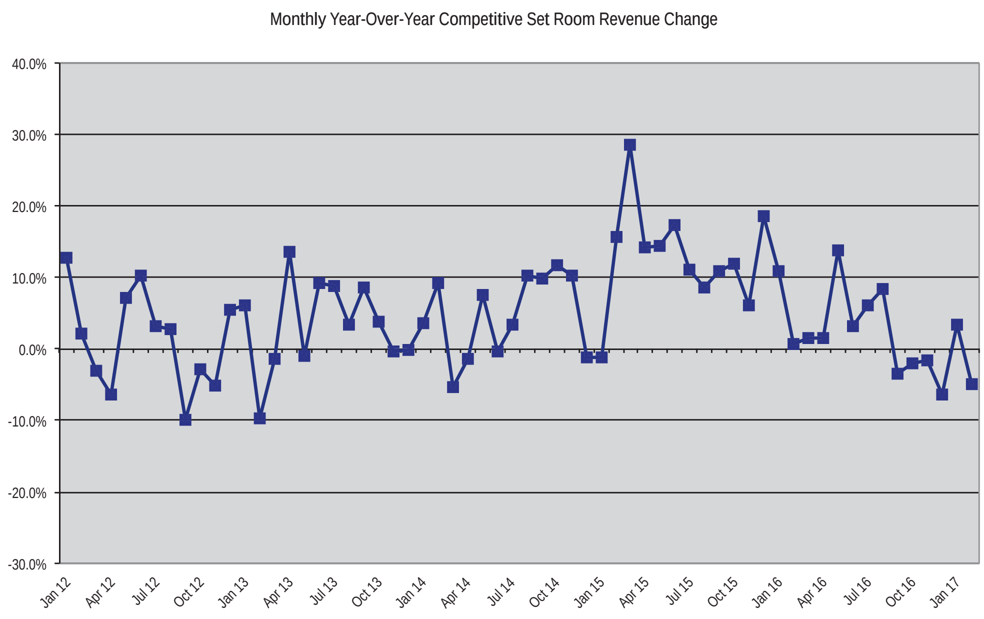
Competitive Properties



Source: Smith Travel Research, Hunden Strategic Partners

- The table to the left shows the supply and demand of hotel rooms in the competitive set since 2011. No new properties have entered the market in that time period.
- As shown on the previous page, annual room-night supply is approximately 197,000 rooms, or 16,000 per month
- Monthly demand ranged from approximately 8,500 to 13,500 per month in 2016, with the strongest demand occurring from May through October
- The average monthly room demand is lowest from December through February

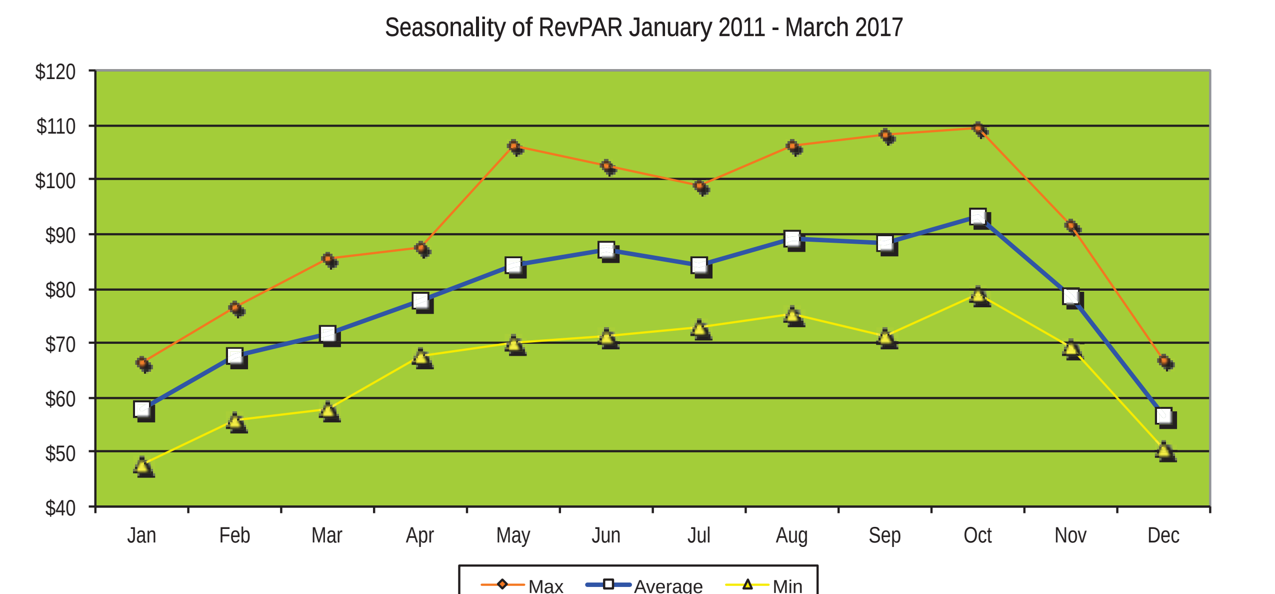
Competitive Properties



Source: Smith Travel Research, Hunden Strategic Partners

The figure to the left shows the monthly year over year room revenue change for the competitive set. Any point above the x-axis represents revenue growth for that month compared to the same month the prior year. Although room-night demand, occupancy, and rates all increased in 2016, particularly strong increases in 2015 caused year-over-year changes to be negative in 2016. Overall, though, this chart shows positive trends for the market.

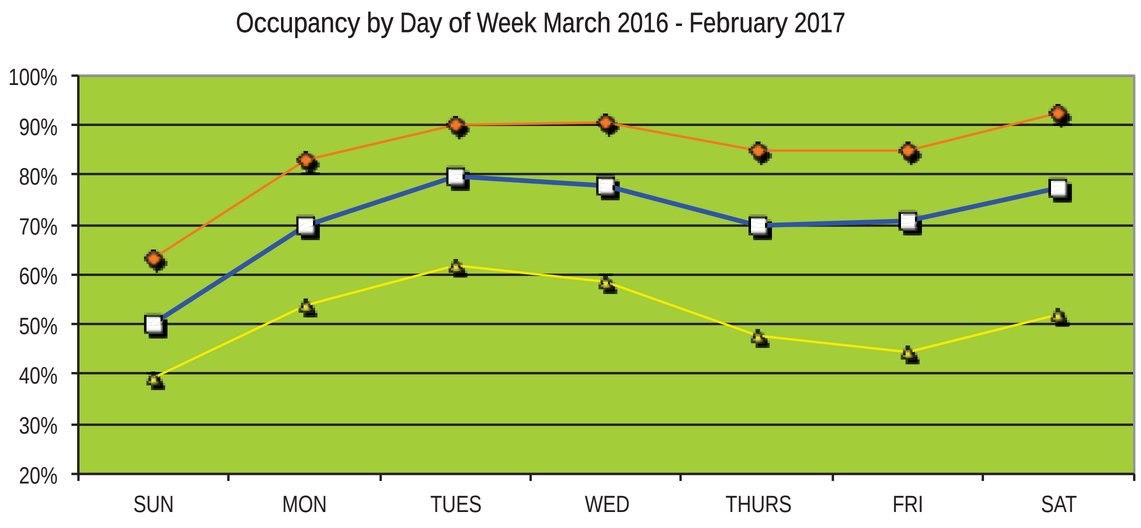
Competitive Properties



Source: Smith Travel Research

The figure to the left summarizes the revenue per available room for the competitive set. Similar to other seasonal changes in the local hotel industry, RevPAR typically peaks from May through October (approximately $100 to $105) and is lowest from December through February (approximately $60 to $75). Overall, revenue per available room for the set shows positive trend.

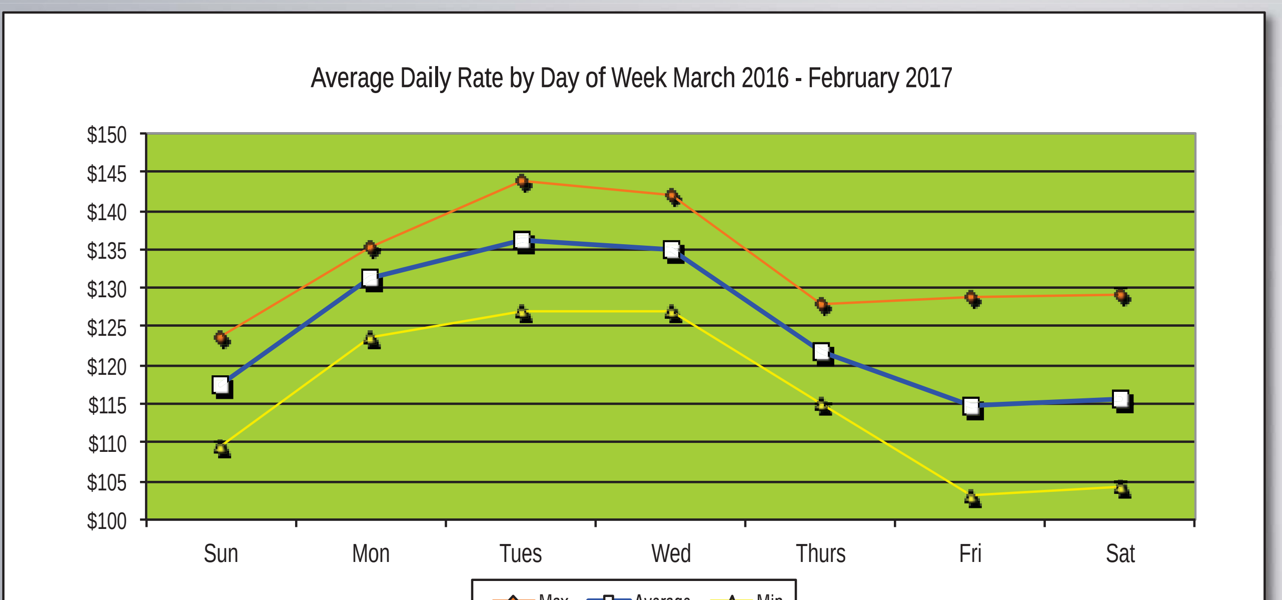
Competitive Properties



Source: Smith Travel Research

The figure to the left shows the occupancy by day of week for the trailing 12 month period ending February 2017. Occupancy is strongest on Tuesday and Wednesday, suggesting that business travel drives most hotel demand. However, demand is also strong on Saturday nights, which generally represents leisure demand. Occupancy is the lowest on Sunday nights, which is typical for most markets

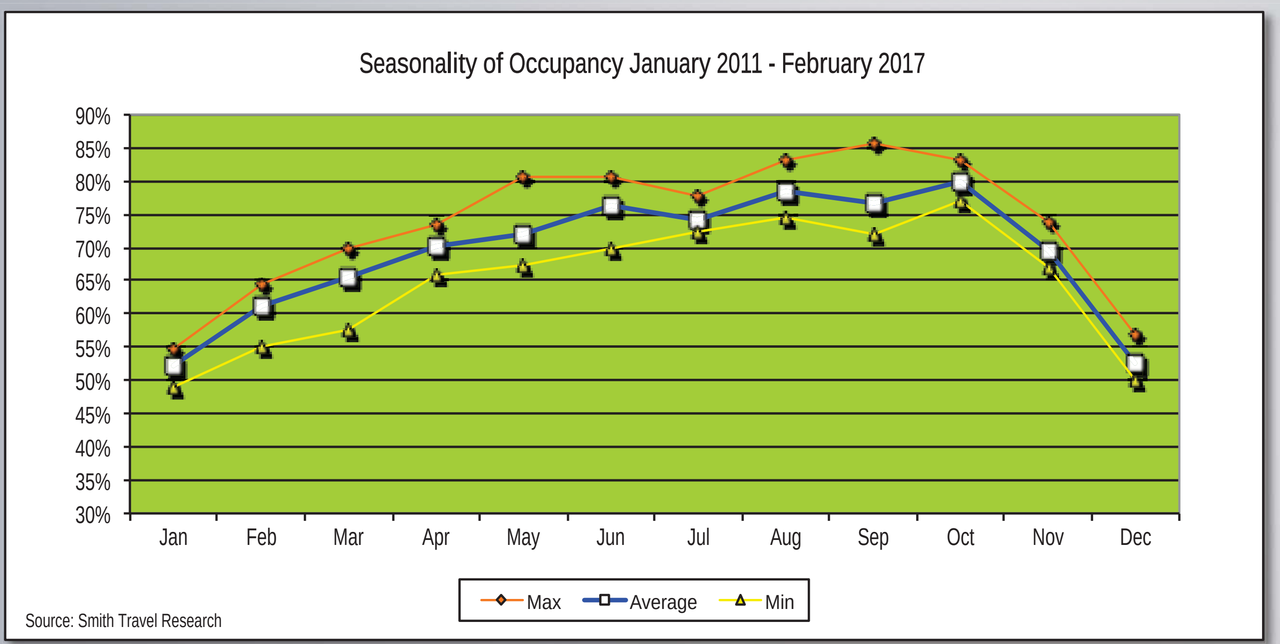
Competitive Properties



Source: Smith Travel Research

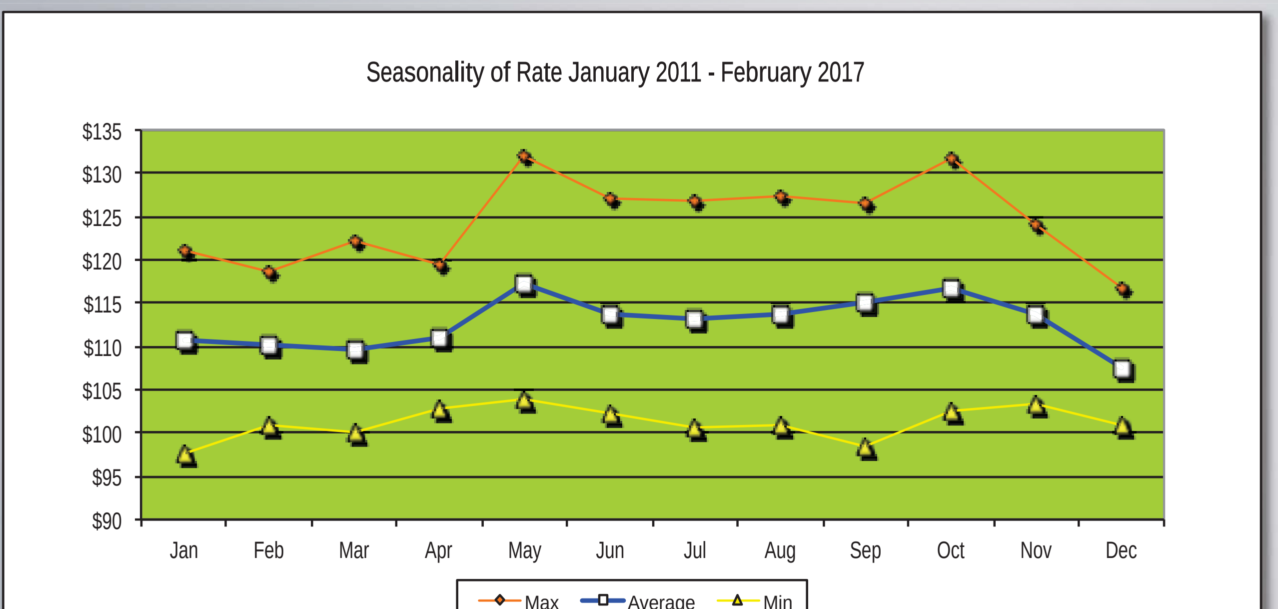
The figure to the left shows the ADR by day of week for the trailing 12 month period ending February 2017. Changes in average rates by day generally follow changes in occupancy, with the highest rates ($135+) on Tuesdays and Wednesdays. Throughout the week, average rates can vary by approximately $20.

Competitive Properties



The figure to the left shows the seasonality of occupancy over the last six years. In terms of occupancy, summer and fall months (May through October) are the busiest, with occupancy rates ranging from approximately 70 percent to 80 percent. Occupancy is lowest in the winter, as monthly rates in December and January are between 50 percent and 55 percent

Competitive Properties



Source: Smith Travel Research

The figure to the left summarizes the seasonality of rate over the last six years. Fluctuations in room rates generally coincide with changes in room occupancy (as shown in the previous page), as rates are highest from May through November. Rate spikes in May and October are likely due to major UCONN events (graduation and sporting events.)

Competitive Properties

Occupancy Percent by Day of Week by Month - March 2016 - February 2017

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Mar - 16	45.1%	68.9%	79.4%	73.6%	65.2%	66.4%	67.2%	67.1%
Apr - 16	46.9%	73.0%	80.7%	81.0%	68.9%	79.5%	79.9%	73.3%
May - 16	61.5%	76.8%	86.9%	90.5%	80.0%	81.3%	90.4%	80.5%
Jun - 16	60.1%	82.9%	89.5%	84.3%	74.3%	82.7%	92.3%	80.8%
Jul - 16	63.3%	71.7%	82.6%	82.7%	78.5%	75.4%	91.5%	77.8%
Aug - 16	58.5%	82.3%	90.0%	89.2%	85.1%	85.1%	89.8%	83.3%
Sep - 16	51.2%	67.1%	85.3%	84.7%	76.3%	76.7%	89.2%	75.8%
Oct - 16	52.5%	75.9%	88.4%	88.8%	80.4%	81.5%	91.0%	79.1%
Nov - 16	39.2%	65.8%	73.5%	75.2%	75.7%	71.8%	65.1%	67.1%
Dec - 16	41.7%	55.0%	61.7%	58.5%	47.6%	44.4%	51.9%	51.2%
Jan - 17	39.8%	53.7%	68.4%	63.8%	50.4%	48.6%	59.0%	54.7%
Feb - 17	42.7%	66.5%	69.0%	64.5%	58.2%	55.5%	61.6%	59.7%
Average	50.5%	70.2%	79.6%	78.3%	69.7%	70.6%	77.5%	

Sources: Smith Travel Research

(yellow)	75-80
(orange)	80-90
(red)	> 90

Occupancy is shown on the left by day of week and month from March 2016 through February 2017.

- Days in yellow (75-80% occupancy) suggest mild displacement and unaccommodated demand; orange (80-90%) shows likely displacement; red (90%+) shows near-certain displacement
- Midweek occupancy, as well as weekend occupancy, is strongest from Spring through Fall

Competitive Properties

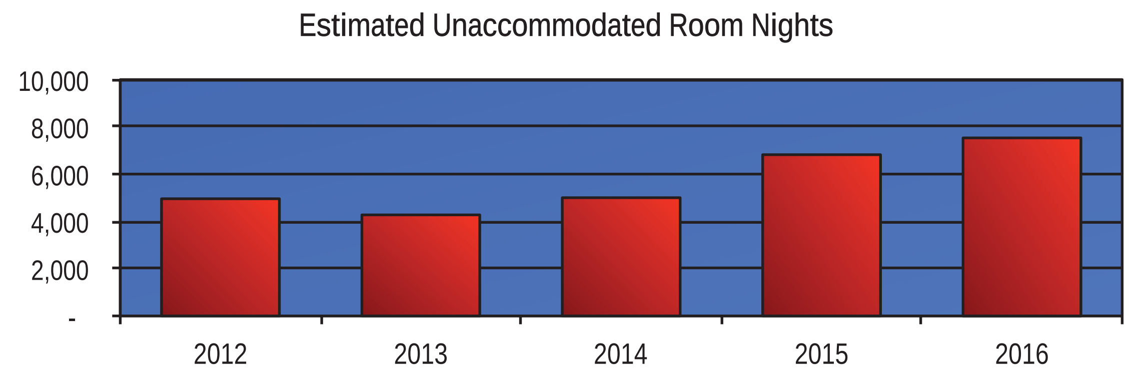
ADR by Day of Week by Month - March 2016 - February 2017

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Mar - 16	114.63	130.71	134.34	131.42	116.76	106.24	109.44	122.08
Apr - 16	113.85	129.36	132.68	132.43	115.14	108.94	107.56	119.54
May - 16	123.67	135.22	138.04	138.05	127.77	128.73	129.19	132.02
Jun - 16	120.48	133.60	138.92	134.51	122.00	117.74	118.58	127.01
Jul - 16	120.49	133.56	136.40	137.15	126.36	119.48	119.11	126.85
Aug - 16	117.69	133.93	138.57	135.72	122.40	117.18	116.53	127.43
Sep - 16	119.98	131.19	140.69	140.76	123.19	115.70	115.49	126.61
Oct - 16	121.25	133.75	143.82	141.93	126.44	123.88	128.28	131.76
Nov - 16	114.46	131.07	135.07	133.82	122.79	112.23	108.71	124.20
Dec - 16	110.84	123.48	127.02	126.97	116.45	105.32	106.25	116.80
Jan - 17	112.02	126.21	131.96	131.32	120.13	107.04	108.32	121.06
Feb - 17	109.42	126.15	131.44	132.07	117.60	103.15	104.16	118.75
Average	117.44	131.20	136.16	135.04	121.77	114.76	115.61	

Sources: Smith Travel Research

- This table shows ADR by day of the week and month for the trailing 12-month period ending February 2017
- As previously shown, monthly rates are highest in May and October (over $130)
- In general, rates are highest on Mondays, Tuesdays, and Wednesdays (approximately $130-$135)
- Rate compression inconsistent with occupancy

Competitive Properties



Source: Hunden Strategic Partners

The estimated number of unaccommodated room nights is determined by first identifying months with occupancy above 66 percent. When rooms sell out or nearly do so, rates can be increased and the viability for new hotels becomes more likely.

- Based on HSP estimates, the number of unaccommodated room nights in the competitive set has increased from approximately 4,000 in 2013 to nearly 8,000 in 2016
- A new hotel in the market would capture some of this unaccommodated demand

UCONN Hotel

- Nathan Hale Inn: a struggling property purchased by UCONN in 2015 for $8.3 million
- Was partially converted into a dormitory; approximately 40 of its 98 rooms are used by students. The other rooms operate as traditional hotel rooms
- In May of 2017, UCONN began seeking proposals from developers for a 100-room hotel that would be constructed at the corner of Route 195 and South Eagleville Road. The 17-acre site is now owned by Mansfield Apartments, which would be demolished. While nothing is confirmed, a new University hotel would have a major impact on the market opportunity for a hotel on the TVA site.

IMPLICATIONS

At a national level, the hotel industry is thriving and operating at historical highs in terms of room occupancy and rates. Locally, HSP identified a set of six hotels that would likely serve as the competitive set for a new hotel in the market. One of these properties is located in Storrs and the others are in Manchester, and they have a total of approximately 540 rooms of midscale to upscale quality. These hotels have generally performed well in recent years, with increasing room-night demand and rates. Demand for rooms is generally strongest during the week (which implies corporate demand) in addition to Saturday nights, and from May through October.

Based on the performance of the local hotels, there appears to be unaccommodated room-night demand in the market and an opportunity for an additional hotel. Historic performance, as well as conversations with local market representatives, suggest an opportunity to benefit from UCONN demand, as well as interstate drive-by room nights and additional corporate and leisure demand. While the market analysis indicates opportunity, the potential development of an on-campus hotel would have a significant impact on the market. For this analysis, HSP is not assuming that a hotel on the University of Connecticut campus is certain to be developed, but this must be considered at the TVA development moves forward.

Chapter 6

CASE STUDIES

ANALYSIS OF CASE STUDY DEVELOPMENTS

In addition to the analyses of individual development types such as residential, commercial, and hotel, HSP has also identified a set of developments in the area that are potentially similar to what could be supported at the TVA site. These five developments have all been recently built and are less than 25 miles from Tolland. Four of the five are primarily residential (with supporting amenities), while one also has commercial offerings and limited office space.

The characteristics, and usage of and demand for, these projects can help inform recommendations regarding a supportable development in Tolland. The following pages describe the five case study developments.

- The case-study developments are all located within 25 miles of Tolland and opened within the last five years
- All have a significant residential component, although the Storrs Center also has substantial commercial offerings
- The table to the right summarizes the rent per square foot for one and two bedroom apartments at each complex.

Comparable Apartment Complexes

Property	Location	Distance from Tolland	Opened	# of Units
Storrs Center	Storrs, CT	8.0 miles	2012	618
The Grand Lofts	Vernon, CT	5.2 miles	2012	350
Broadleaf Boulevard	Manchester, CT	12.5 miles	2015	224
The Tannery	Glastonbury, CT	23.5 miles	2016	250

Source: Hunden Partners

Comparable Apartment Complexes

Property	One-Bed Avg. SF	One-Bed Avg. $	One-Bed $/SF	Two-Bed Avg. SF	Two-Bed Avg. $	Two-Bed $/SF
Storrs Center	548	$1,895.00	$3.46	796	$2,633.00	$3.31
The Grand Lofts	844	$1,363.33	$1.61	1,118	$1,580.00	$1.41
Broadleaf Boulevard	841	$1,481.67	$1.76	1,128	$1,703.00	$1.51
The Tannery	834	$1,786.00	$2.14	1,101	$2,270.00	$2.06
Average	767	$1,631.50	$2.13	1,036	$2,046.50	$1.98

Source: Hunden Partners

Storrs Center – Mansfield

- $220-million mixed-use town center in Mansfield, across the street from UCONN
- The complex includes approximately 170,000 SF of retail, restaurant, and office space. Features 618 rental apartment and 50 restaurants and shops.
- Feedback from property representatives indicated that the complex's restaurants have been much more successful than its retail. The development is looking to add more entertainment options. Very minimal office space is offered, but the complex is looking to potentially develop more. The lack of activity during the summer and winter breaks presents issues for demand, and that should be considered for a development in Tolland. Lease rates range from $25 to $30 per square foot at the property.

Storrs Center – Mansfield

- The Oaks on the Square is the 618-unit residential component of the complex. According to conversations with property management, all 618 units are currently occupied. Residents are almost entirely UCONN undergraduate students.

- The table to the right shows the rental rates for the Oaks on the Square. Per square foot rents range from $3.14 to $3.50

The Oaks on the Square - Rates

Type	Rate	SF	$/SF
Studio	$1,205	384	$3.14
1 BR/ 1 BA	$1,725	548	$3.15
2 BR / 2 BA	$2,710	771	$3.51
3 BR / 3 BA	$3,309	1032	$3.21

Source: Oaks on the Square

The Grand Lofts – Vernon

- 350 apartment and townhouse units (expansion from 150 units since 2012)
- Apartment square footages range from 761 – 814 SF (1-br) to 1,118 – 1,500 SF (2-br)
- Features a fitness center, pool, and lounge area
- Conversations with property developers indicated that the complex has been marketed towards millennials and young professionals. While occupancy statistics was not provided, feedback from management indicated that the the property is performing well.

Broadleaf Boulevard – Manchester

- 224 units, fairly evenly divided between 1- and 2-bedrooms
- 1 BRs: three floor plans, from $1,415 to $1,635 ($1.65 to $1.92 per SF)
- 2 BRs: six floor plans, from $1,595 to $1,830 ($1.51 to $1.62 per SF)
- Features a clubhouse, fitness center, pool, and walking trail
- According to conversations with property management, the complex is currently 97 percent occupied. Tenants include a combination of graduate students, UCONN staff, young professionals, and empty nesters. More of its residents commute to Hartford than to UCONN, but the location is great for commuting to both. Units have experienced increased interest from empty nesters, and this trend is expected to continue.

The Tannery - Glastonbury

- Currently under development - 250 units on 32 acres
- 6,000 SF of commercial space
- 30 floor plans (studios through 3-bedrooms; rents range from $2.07 to $2.31 per SF)
- Features gym, training studio, lounge, billiards, game gallery, 11 acres of walking trails, dog park
- According to conversations with property management, the complex just accepted its first resident, and recently began pre-leasing for four of its seven buildings that will open in phases. The developer identified an opportunity for a high-quality residential development, as existing multi-family properties in the area are old and lower quality. There has been significant interest for the units; 25 percent are leased and full occupancy is expected by the end of 2017. Interest has been generated by a wide range of groups, including empty-nesters, millennials, people who work in Hartford, and a limited number of UCONN students.

IMPLICATIONS

In addition to what was presented in the local analysis of the residential market, the case study developments further indicate demand for a limited supply of housing in the area. The Storrs Center is fully occupied (and as previously shown, there is unaccommodated housing demand on the UCONN campus), and the Grand Lofts and Broadleaf Boulevard are nearly 100% occupied. In addition, The Tannery, which recently opened, is expecting full occupancy by the end of the year.

These dynamics, as well as the lack of multifamily housing in Tolland and its proximity to UCONN and Hartford, provide opportunities for new, high-quality residential development in the area, according to HSP's analysis. However, each of the comparable development profiled in this analysis are located in larger communities than Tolland and are able to support more units than are market feasible in Tolland, according to market feedbacl. This, once again, presents challenges regarding the financial feasibility of the multifamily development in Tolland.

Chapter 7

FINDINGS

FINDINGS

The table below shows the optimal mix of uses based on market conditions and assuming financial viability. Generally, these findings are based on the following characteristics of the local market:

- Its demographics, including population growth and high incomes,
- Proximity to Hartford and UCONN, as well as accessibility via I-84,
- The identified need for additional residential development,
- The lack of commercial offerings in Tolland and the spending leakage from the Town,
- The performance of existing comparable uses nearby,
- Feedback from local market participants, developers, brokers, and other stakeholders.

Recommended Tolland Village Area Development

Program	# of Units	Avg SF/Unit
Residential		
Rental Apartments		
Studio	30	560
One Bedroom	60	750
Two Bedroom	60	950
Total Residential	150	118,800
Retail (Square Footage)		
Convenience/Drug Store	12,000	
Restaurants (2)	10,000	
	22,000	
Limited Service Hotel	108 rooms	

Source: Hunden Strategic Partners

Critical Finding. While there is a market for additional development, the pricing power of the TVA site *does not match the cost to develop real estate on the TVA site*. The cost-to-pricing gap varies from use to use, with the hotel having the best opportunity for success based on its highway location and strong market indicators. However, based on the significant cost to develop the balance of the uses *and* the lower rental rates able to be supported in this location (versus a site in/near UCONN), there is a financial gap for most of the uses, especially the residential component.

Multifamily Housing

The market indicates pent up demand for up to 150 apartment units at the TVA site, with the majority consisting of one- and two-bedroom units. Based on the details of the current and likely future unaccommodated demand, HSP suggests the development of 30 studio units, 60 one-bedroom units, and 60-two bedroom units. These units should be developed as part of a two-story walk up development, and should feature granite countertops, stainless steel appliances, and high-quality finishes throughout. HSP analysis suggests that the existing lack of supply in the market (in Tolland and beyond), as well as Tolland's proximity to UCONN and Hartford, provides a market for new, high-quality rental units, in particular for students, single adults, empty-nesters, and retirees. The strong performance of local multifamily properties, as well as comparable regional complexes, suggest opportunity for a multifamily development.

Commercial – Convenience Store/Pharmacy

HSP found a market need and desire for a convenience store/pharmacy (such as a CVS or Walgreens) and recommends that such a use be built as part of the ground-floor commercial component to a residential development at the TVA site. Based on the market analyses and stakeholder feedback, this offering is lacking in the market and would fill an unmet need. HSP recommends a 12,000-square foot store, which is typical for this type of retail. This development would not only serve the influx residents in the new multifamily development, but would also serve existing Tolland residents and the daily interstate commuters traveling through the area.

Commercial – Full-Service Restaurant

HSP recommends that a full-service restaurant of approximately 5,000 square feet is built as part of the ground-floor commercial component to a residential development at the TVA site. This type of offering would also provide an amenity that is missing in Tolland and is expected to be supported by the local population. HSP recommends, based on market analysis, a brew-pub style restaurant for families and a sports bar crowd.

Commercial – Casual Restaurant/Coffee House

In addition to a full-service restaurant, HSP also recommends that a more casual restaurant/coffee house concept of approximately 5,000 square feet (such as a Panera Bread) be included in the commercial component of a new development. This concept would complement the existing dining options in the area, as well as the new multifamily development and hotel.

Hotel

The hotel component is perhaps the most viable of the recommended uses. HSP recommends that the TVA site include a limited service hotel with approximately 100 to 110 rooms. This size is consistent with many of the modern limited service design layouts, such as a Fairfield Inn, Hampton Inn, Holiday Inn Express and Hyatt Place. Due to the strong performance of existing hotels, the site's location at the I-84 exit, and the unaccommodated room nights in the market, HSP analysis indicates opportunity for hotel development as part of the TVA site. HSP recommends the hotel be associated with a strong limited-service brand from the following brand families: Marriott, Hilton, IHG or Hyatt. There are also other brands that may work; however, the above have the best loyalty programs and would capture at least their fair share of the market. HSP recommends that the hotel offer services that have come to be expected by the modern corporate traveler. These include complimentary Wi-Fi, complimentary breakfast, pool and a business center. Even if a hotel is built at UCONN, the site's highway location is critical as a demand generator, suggesting that the hotel would capture travelers associated with, and, importantly, not associated with activities and business at UCONN.

Chapter 8

FINANCIAL PROJECTIONS

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario I (12 Percent Workforce Housing)

HSP completed two scenarios for the multifamily component of the project based on workforce housing requirements in the community. Scenario I assumes the minimum workforce housing requirement, 12 percent, while Scenario II assumes the maximum of 20 percent. The table to the right shows HSP's projections for the multifamily component of the TVA project. HSP assumed a market rent per square foot of $1.60. Assuming 12 percent workforce housing and a one-bedroom maximum monthly rent of $1,061.50 (provided by Town of Tolland), this results in a Year 1 weighted average of $1.58 per square foot. HSP assumed 93 percent occupancy by stabilization. Expenses are based on comparable complexes throughout the region, as well as regional industry averages. HSP projects a NOI of 46 percent in year one, increasing to 51 percent by stabilization.

TVA Multifamily Financial Projections - 12 Percent Affordable Housing

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Units	150	150	150	150	150	150	150	150	150	150
Rent/SF	$1.58	$1.62	$1.66	$1.70	$1.74	$1.79	$1.83	$1.88	$1.92	$1.97
Average SF/Unit	792	792	792	792	792	792	792	792	792	792
Average Monthly Rent/Unit	$1,251	$1,282	$1,314	$1,347	$1,380	$1,415	$1,450	$1,487	$1,524	$1,562
Gross Potential Rent	$2,251,066	$2,307,342	$2,365,026	$2,424,151	$2,484,755	$2,546,874	$2,610,546	$2,675,810	$2,742,705	$2,811,272
Other Revenue per Unit/Year	$290	$297	$305	$312	$320	$328	$336	$345	$353	$362
Other Potential Revenue per Year	$43,500	$44,588	$45,702	$46,845	$48,016	$49,216	$50,447	$51,708	$53,001	$54,326
Gross Potential Revenue	$2,294,566	$2,351,930	$2,410,728	$2,470,996	$2,532,771	$2,596,090	$2,660,993	$2,727,517	$2,795,705	$2,865,598
Vacancy Rate	20.0%	15.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Gross Effective Revenue	$1,835,652	$1,999,140	$2,241,977	$2,298,026	$2,355,477	$2,414,364	$2,474,723	$2,536,591	$2,600,006	$2,665,006
Payroll	$105,000.00	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Payroll	$138,000.00	$141,450	$144,986	$148,611	$152,326	$156,134	$160,038	$164,039	$168,140	$172,343
Management Fee	$105,000	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Operating Expenses	$4,500	$4,500	$4,500	$4,613	$4,728	$4,846	$4,967	$5,091	$5,219	$5,349
Other Administrative	$180,000	$184,500	$189,113	$193,840	$198,686	$203,653	$208,745	$213,963	$219,313	$224,795
Maintenance & Repairs	$72,000	$76,500	$83,700	$85,793	$87,937	$90,136	$92,389	$94,699	$97,066	$99,493
Building Services	$33,000	$35,063	$38,363	$39,322	$40,305	$41,312	$42,345	$43,404	$44,489	$45,601
Insurance	$56,250.00	$57,656	$59,098	$60,575	$62,089	$63,642	$65,233	$66,864	$68,535	$70,249
Real Estate Tax	$209,840	$215,085	$220,463	$225,974	$231,624	$237,414	$243,349	$249,433	$255,669	$262,061
Other Tax/Fee/Permit	$6,000	$6,150	$6,304	$6,461	$6,623	$6,788	$6,958	$7,132	$7,310	$7,493
Utilities	$75,000	$76,875	$78,797	$80,767	$82,786	$84,856	$86,977	$89,151	$91,380	$93,665
Supplies	$11,250	$45,000	$60,000	$61,500	$63,038	$64,613	$66,229	$67,884	$69,582	$71,321
Expenses	$995,840	$1,058,029	$1,105,953	$1,133,602	$1,161,942	$1,190,991	$1,220,766	$1,251,285	$1,282,567	$1,314,631
Expense Ratio	54%	53%	49%	49%	49%	49%	49%	49%	49%	49%
Net Operating Income	$839,813	$941,111	$1,136,024	$1,164,424	$1,193,535	$1,223,373	$1,253,958	$1,285,306	$1,317,439	$1,350,375
NOI %	46%	47%	51%	51%	51%	51%	51%	51%	51%	51%

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario I (12 Percent Workforce Housing)

The table to the right shows the supportable project cost for the multifamily component of the project for Scenario I based on current financing requirements. The supportable debt for the project is estimated to be $9.5 million, and the supportable equity is estimate to be $2.3 million, based on a ten-year average return on equity of 20 percent and a debt coverage of 1.2 in year 2. HSP projects that the supportable financing for the proposed multifamily component of the project is $11.8 million.

Conventional Financing - TVA Multifamily (000s) - 12 Percent Affordable Housing

	Constr. Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Avg
Net Operating Income	$0	$840	$941	$1,136	$1,164	$1,194	$1,223	$1,254	$1,285	$1,317	$1,350	
Interest and Debt Reserve W/D	$297	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$297	$840	$941	$1,136	$1,164	$1,194	$1,223	$1,254	$1,285	$1,317	$1,350	
Debt Service Payment	($297)	($761)	($761)	($761)	($683)	($683)	($683)	($683)	($683)	($683)	($683)	
Net Income to Repay Equity	$0	$79	$180	$375	$482	$511	$541	$571	$603	$635	$668	
Princ. Amount***	$4,750	$9,500	$9,333	$9,155	$9,045	$8,860	$8,665	$8,459	$8,241	$8,012	$7,770	
Interest	$297	$594	$583	$572	$497	$487	$477	$465	$453	$441	$427	
Less Payment	($297)	($761)	($761)	($683)	($683)	($683)	($683)	($683)	($683)	($683)	($683)	
Loan Balance	$4,750	$9,333	$9,155	$9,045	$8,860	$8,665	$8,459	$8,241	$8,012	$7,770	$7,515	
Assumptions				Refi								
Loan Amount ($000's)	$9,500			$9,155								
Amortization Period (Years)	25			25								
Loan Interest Rate	6.25%			5.50%								
Annual Debt Service Payment ($000's)	($761)			($683)								
Equity:												
Equity & Other ($000's)	$2,325	20%										
Private Debt	9,500	80%										
Total Private Financing	$11,825	100%										
Supportable Project Cost ($000's)	$11,825	$78,833.33	per unit									
Debt (Private) Coverage Ratio		1.10	1.24	1.49	1.71	1.75	1.79	1.84	1.88	1.93	1.98	1.67
Return on Equity		3.4%	7.8%	16.1%	20.7%	22.0%	23.3%	24.6%	25.9%	27.3%	28.7%	20.0%
Return on Assets**		7.1%	8.0%	9.6%	9.8%	10.1%	10.3%	10.6%	10.9%	11.1%	11.4%	9.9%

***On project cost.*

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario II (20 Percent Workforce Housing)

The table to the right shows HSP's projections for Scenario II the multifamily component of the TVA project. HSP assumed a market rent per square foot of $1.60. Assuming 20 percent workforce housing for the project and a one-bedroom maximum monthly rent of $1,061.50 (provided by Town of Tolland), this results in a Year 1 weighted average of $1.57 per square foot. HSP assumed 93 percent occupancy by stabilization. Expenses are based on comparable complexes throughout the region, as well as regional industry averages. HSP projects a NOI of 45 percent in year one, increasing to 50 percent by stabilization.

TVA Multifamily Financial Projections - 20 Percent Affordable Housing

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Units	150	150	150	150	150	150	150	150	150	150
Rent/SF	$1.57	$1.60	$1.64	$1.69	$1.73	$1.77	$1.81	$1.86	$1.91	$1.95
Average SF/Unit	792	792	792	792	792	792	792	792	792	792
Average Monthly Rent/Unit	$1,240	$1,271	$1,302	$1,335	$1,368	$1,402	$1,437	$1,473	$1,510	$1,548
Gross Potential Rent	$2,231,137	$2,286,915	$2,344,088	$2,402,690	$2,462,758	$2,524,327	$2,587,435	$2,652,121	$2,718,424	$2,786,384
Other Revenue per Unit/Year	$290	$297	$305	$312	$320	$328	$336	$345	$353	$362
Other Potential Revenue per Year	$43,500	$44,588	$45,702	$46,845	$48,016	$49,216	$50,447	$51,708	$53,001	$54,326
Gross Potential Revenue	$2,274,637	$2,331,503	$2,389,790	$2,449,535	$2,510,774	$2,573,543	$2,637,881	$2,703,828	$2,771,424	$2,840,710
Vacancy Rate	20.0%	15.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Gross Effective Revenue	$1,819,710	$1,981,777	$2,222,505	$2,278,068	$2,335,019	$2,393,395	$2,453,230	$2,514,560	$2,577,424	$2,641,860
Payroll	$105,000.00	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Payroll	$138,000.00	$141,450	$144,986	$148,611	$152,326	$156,134	$160,038	$164,039	$168,140	$172,343
Management Fee	$105,000	$107,625	$110,316	$113,074	$115,900	$118,798	$121,768	$124,812	$127,932	$131,131
Other Operating Expenses	$4,500	$4,500	$4,500	$4,613	$4,728	$4,846	$4,967	$5,091	$5,219	$5,349
Other Administrative	$180,000	$184,500	$189,113	$193,840	$198,686	$203,653	$208,745	$213,963	$219,313	$224,795
Maintenance & Repairs	$72,000	$76,500	$83,700	$85,793	$87,937	$90,136	$92,389	$94,699	$97,066	$99,493
Building Services	$33,000	$35,063	$38,363	$39,322	$40,305	$41,312	$42,345	$43,404	$44,489	$45,601
Insurance	$56,250.00	$57,656	$59,098	$60,575	$62,089	$63,642	$65,233	$66,864	$68,535	$70,249
Real Estate Tax	$209,840	$215,085	$220,463	$225,974	$231,624	$237,414	$243,349	$249,433	$255,669	$262,061
Other Tax/Fee/Permit	$6,000	$6,150	$6,304	$6,461	$6,623	$6,788	$6,958	$7,132	$7,310	$7,493
Utilities	$75,000	$76,875	$78,797	$80,767	$82,786	$84,856	$86,977	$89,151	$91,380	$93,665
Supplies	$11,250	$45,000	$60,000	$61,500	$63,038	$64,613	$66,229	$67,884	$69,582	$71,321
Expenses	$995,840	$1,058,029	$1,105,953	$1,133,602	$1,161,942	$1,190,991	$1,220,766	$1,251,285	$1,282,567	$1,314,631
Expense Ratio	55%	53%	50%	50%	50%	50%	50%	50%	50%	50%
Net Operating Income	$823,870	$923,748	$1,116,552	$1,144,465	$1,173,077	$1,202,404	$1,232,464	$1,263,276	$1,294,858	$1,327,229
NOI %	45%	47%	50%	50%	50%	50%	50%	50%	50%	50%

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Multifamily Scenario II (20 Percent Workforce Housing)

The table to the right shows the supportable project cost for the multifamily component of the project for Scenario II based on current financing requirements. The supportable debt for the project is estimated to be $9.3 million, and the supportable equity is estimate to be $2.28 million, based on a ten-year average return on equity of 20 percent and a debt coverage of 1.2 in year 2. HSP projects that the supportable financing for the proposed multifamily component of the project is $11.6 million.

Conventional Financing - TVA Multifamily (000s) - 20 Percent Affordable Housing

	Constr. Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Avg
Net Operating Income	$0	$824	$924	$1,117	$1,144	$1,173	$1,202	$1,232	$1,263	$1,295	$1,327	
Interest and Debt Reserve W/D	$291	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$291	$824	$924	$1,117	$1,144	$1,173	$1,202	$1,232	$1,263	$1,295	$1,327	
Debt Service Payment	($291)	($745)	($745)	($745)	($668)	($668)	($668)	($668)	($668)	($668)	($668)	
Net Income to Repay Equity	$0	$79	$179	$372	$476	$505	$534	$564	$595	$627	$659	
Princ. Amount***	$4,650	$9,300	$9,136	$8,963	$8,855	$8,673	$8,482	$8,281	$8,068	$7,844	$7,607	
Interest	$291	$581	$571	$560	$487	$477	$467	$455	$444	$431	$418	
Less Payment	($291)	($745)	($745)	($668)	($668)	($668)	($668)	($668)	($668)	($668)	($668)	
Loan Balance	$4,650	$9,136	$8,963	$8,855	$8,673	$8,482	$8,281	$8,068	$7,844	$7,607	$7,357	
Assumptions				Refi								
Loan Amount ($000's)	$9,300			$8,963								
Amortization Period (Years)	25			25								
Loan Interest Rate	6.25%			5.50%								
Annual Debt Service Payment ($000's)	($745)			($668)								
Equity:												
Equity & Other ($000's)	$2,275	20%										
Private Debt	9,300	80%										
Total Private Financing	$11,575	100%										
Supportable Project Cost ($000's)	$11,575	$77,166.67	per unit									
Debt (Private) Coverage Ratio		1.11	1.24	1.50	1.71	1.76	1.80	1.84	1.89	1.94	1.99	1.68
Return on Equity		3.5%	7.9%	16.3%	20.9%	22.2%	23.5%	24.8%	26.2%	27.5%	29.0%	20.2%
Return on Assets**		7.1%	8.0%	9.6%	9.9%	10.1%	10.4%	10.6%	10.9%	11.2%	11.5%	9.9%

***On project cost.*

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Retail/Restaurant

Retail/Restaurant Component Projection - TVA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Gross SF	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Rent per SF (NNN)	$17.00	$17.34	$17.69	$18.04	$18.40	$18.77	$19.14	$19.53	$19.92	$20.32
Gross Potential Revenue	$374,000	$381,480	$389,110	$396,892	$404,830	$412,926	$421,185	$429,608	$438,201	$446,965
Vacancy	45%	23%	5%	5%	5%	5%	5%	5%	5%	5%
Gross Effective Revenue	$204,000	$294,780	$369,654	$377,047	$384,588	$392,280	$400,126	$408,128	$416,291	$424,616
Occupied SF	12,000	17,000	20,900	20,900	20,900	20,900	20,900	20,900	20,900	20,900
Gross Revenue	$204,000	$294,780	$369,654	$377,047	$384,588	$392,280	$400,126	$408,128	$416,291	$424,616
Expenses/SF (Mgmt. Fee, Admin., Owner CAM Taxes, Other)	$3.50	$3.57	$3.64	$3.71	$3.79	$3.86	$3.94	$4.02	$4.10	$4.18
Expenses	$77,000	$78,540	$80,111	$81,713	$83,347	$85,014	$86,715	$88,449	$90,218	$92,022
Net Operating Income	$127,000	$216,240	$289,543	$295,334	$301,241	$307,266	$313,411	$319,679	$326,073	$332,594
NOI %	62%	73%	78%	78%	78%	78%	78%	78%	78%	78%
Expense Ratio %	38%	27%	22%	22%	22%	22%	22%	22%	22%	22%

Annual Rent/Expense Increase

Source: Hunden Strategic Partners

The table above shows HSP's projections for the 22,000 square foot retail component of the TVA project. HSP assumed a NNN rent per square foot of $17 for these projections. HSP assumed 95 percent occupancy by stabilization. Following expenses, HSP projects an NOI of 62 percent in year one, increasing to 78 percent by stabilization for the retail component of the development.

DEMAND AND FINANCIAL PROJECTIONS – Retail/Restaurant

The table to the right shows the supportable project cost for the retail/ restaurant component of project based on current financing requirements. The supportable debt for the project is estimated to be $2.25 million, and the supportable equity is estimate to be $565,000 based on a ten year average return on equity of 20 percent and a debt coverage of 1.2 in year 2. HSP projects that the supportable financing for the proposed retail component of the project is $2.8 million.

Conventional Financing - TVA Retail (000s)

	Constr. Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Avg
Net Operating Income	$0	$127	$216	$290	$295	$301	$307	$313	$320	$326	$333	
Interest and Debt Reserve W/D	$70	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	$70	$127	$216	$290	$295	$301	$307	$313	$320	$326	$333	
Debt Service Payment	($70)	($180)	($180)	($180)	($162)	($162)	($162)	($162)	($162)	($162)	($162)	
Net Income to Repay Equity	$0	($53)	$36	$109	$134	$140	$146	$152	$158	$164	$171	
Princ. Amount***	$1,125	$2,250	$2,210	$2,168	$2,142	$2,098	$2,052	$2,003	$1,952	$1,898	$1,840	
Interest	$70	$141	$138	$136	$118	$115	$113	$110	$107	$104	$101	
Less Payment	($70)	($180)	($180)	($162)	($162)	($162)	($162)	($162)	($162)	($162)	($162)	
Loan Balance	$1,125	$2,210	$2,168	$2,142	$2,098	$2,052	$2,003	$1,952	$1,898	$1,840	$1,780	
Assumptions				Refi								
Loan Amount ($000's)	$2,250			$2,168								
Amortization Period (Years)	25			25								
Loan Interest Rate	6.25%			5.50%								
Annual Debt Service Payment ($000's)	($180)			($162)								
Equity:												
Equity & Other ($000's)	$565	20%										
Private Debt	2,250	80%										
Total Private Financing	$2,815	100%										
Supportable Project Cost ($000's)	$2,815	$127.95	per SF									
Debt (Private) Coverage Ratio		0.70	1.20	1.61	1.83	1.86	1.90	1.94	1.98	2.02	2.06	1.71
Return on Equity		-9.4%	6.4%	19.4%	23.7%	24.7%	25.8%	26.9%	28.0%	29.1%	30.3%	20.5%
Return on Assets**		4.5%	7.7%	10.3%	10.5%	10.7%	10.9%	11.1%	11.4%	11.6%	11.8%	10.0%

***On project cost.*

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Hotel

The table to the right shows HSP's financial projections for the 108-room branded, limited service hotel property on the TVA site. These projections assume that a hotel is not developed on the University of Connecticut campus. HSP projects a year-one occupancy of 57 percent, increasing to 73 percent by stabilization. HSP projects a $125 ADR in year one, increasing to $138 by year five. Expenses are based on regional industry standards for similar quality properties. HSP projects a cash flow from operations of $874,000 in year one increasing to $1.3 million in year five.

Projection of Income & Expense: 108-Room Hotel - (in $000, inflated)

	Year 1				Year 2	Year 3	Year 4	Year 5		Year 10	
Room Count	108				108	108	108	108		108	
Available Room Nights	39,420				39,420	39,420	39,420	39,420		39,420	
Occupancy Rates	57%				64%	69%	72%	73%		73%	
Occupied Room Nights	22,417				25,196	27,274	28,287	28,853		28,853	
Average Daily Rate	$125				$128	$131	$135	$138		$156	
RevPAR	$71				$82	$91	$97	$101		$114	
	$	%	PAR	POR	$	$	$	$	%		
REVENUE											
Rooms	$2,800	98.3%	$25,922	$125	$3,226	$3,580	$3,806	$3,980	98.3%	$4,503	98.3%
Telecommunications	3	0.1%	$26	$0	3	4	4	4	0.1%	5	0.1%
Other Operated Departments	37	1.3%	$341	$2	42	47	50	53	1.3%	60	1.3%
Rentals and Other Income	8	0.3%	$79	$0	10	11	12	12	0.3%	82	0.3%
Total Revenue	$2,848	100.0%	$26,368	$127	$3,282	$3,642	$3,872	$4,048	100.0%	$4,648	100.0%
DEPARTMENTAL EXPENSES											
Rooms	$711	25.4%	$6,584	$32	$755	$805	$856	$895	22.5%	$1,013	22.5%
Telephone	14	500.0%	$131	$1	16	18	19	20	500.0%	23	500.0%
Other Operated Departments	22	61.0%	$208	$1	25	28	30	32	60.0%	36	60.0%
Rent and Other Income	1	6.0%	$5	$0	0	1	1	1	5.0%	4	5.0%
Total Departmental Expenses	$748	26.3%	$6,928	$33	$797	$853	$907	$948	23.4%	$1,076	23.1%
Gross Operating Income	$2,099	74.3%	$19,440	$94	$2,485	$2,789	$2,966	$3,101	76.6%	$3,573	76.9%
UNDISTRIBUTED OPERATING EXPENSES											
Administrative and General	$273	9.6%	$2,531	$12	$299	$313	$329	$344	8.5%	$395	8.5%
Marketing	$177	6.2%	$1,635	$8	$187	$197	$205	$215	5.3%	$246	5.3%
Utility Costs	$182	6.4%	$1,688	$8	$194	$204	$217	$227	5.6%	$260	5.6%
Property Operations and Maintenance	$159	5.6%	$1,477	$7	$167	$175	$186	$194	4.8%	$223	4.8%
Total Undistributed Expenses	$792	27.8%	$7,330	$35	$847	$889	$937	$980	24.2%	$1,125	24.2%
Gross Operating Profit	$1,308	45.9%	$12,110	$58	$1,638	$1,901	$2,029	$2,121	52.4%	$2,448	52.7%
Franchise Fees	$191	6.7%	$1,767	$9	$220	$244	$259	$271	6.7%	$311	6.7%
FIXED EXPENSES											
Property Taxes	$81	2.8%	$750	$4	175	209	242	247	6.1%	292	6.3%
Insurance	34	1.2%	$316	$2	36	36	39	40	1.0%	46	1.0%
Management Fee	100	3.5%	$923	$4	115	127	136	142	3.5%	163	3.5%
Reserve for Replacement	$28	1.0%	$264	$1	$49	$73	$116	$121	3.0%	$139	3.0%
Total Fixed Expenses	$243	8.5%	$2,253	$11	$375	$445	$533	$551	13.6%	$641	
Cash Flow from Operations	$874	30.7%	$8,090	$39	$1,043	$1,211	$1,236	$1,299	32.1%	$1,496	32.2%

Source: Hunden Strategic Partners

DEMAND AND FINANCIAL PROJECTIONS – Hotel

The table to the right shows the supportable project cost for the hotel component of project based on current financing requirements. The supportable debt for the project is estimated to be $8.1 million, and the supportable equity is estimate to be $2.7 million, based on a ten year average return on equity of 30 percent and a debt coverage of 1.4 in year two. HSP projects that the supportable financing for the proposed multifamily project is $10.85 million.

Financing Analysis

	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	$0	$0	$874	$1,043	$1,211	$1,236	$1,299	$1,363	$1,390	$1,425	$1,460	$1,496
Interest and Debt Reserve W/D	$132	$397	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	$132	$397	$874	$1,043	$1,211	$1,236	$1,299	$1,363	$1,390	$1,425	$1,460	$1,496
Debt Service Payment	($132)	($397)	($740)	($740)	($740)	($652)	($652)	($652)	($652)	($652)	($652)	($652)
Net Income to Repay Equity	$0	$0	$134	$303	$472	$584	$647	$711	$738	$773	$808	$844
Princ. Amount***	$2,038	$6,113	$8,150	$7,940	$7,717	$7,480	$7,277	$7,061	$6,833	$6,590	$6,334	$6,062
Interest	$132	$397	$530	$516	$502	$449	$437	$424	$410	$395	$380	$364
Less Payment	($132)	($397)	($740)	($740)	($740)	($652)	($652)	($652)	($652)	($652)	($652)	($652)
Loan Balance	$2,038	$6,113	$7,940	$7,717	$7,478	$7,277	$7,061	$6,833	$6,590	$6,334	$6,062	$5,773
Assumptions						Refi						
Loan Amount ($000's)	$8,150					$7,480						
Amortization Period (Years)	20					20						
Loan Interest Rate	6.5%					6.0%						
Annual Debt Service Payment ($000's)	($740)					($652)						
Equity:												
Developer's Equity ($000's)	$2,700											
Private Debt	8,150											
Supportable Project Cost ($000's)	$10,850		$100,462.96	per room								
Debt (Private) Coverage Ratio			1.18	1.41	1.64	1.90	1.99	2.09	2.13	2.19	2.24	2.29
Return on Private Equity*			5.0%	11.2%	17.5%	21.6%	23.9%	26.3%	27.3%	28.6%	29.9%	31.2%
Return on Assets**			8.1%	9.6%	11.2%	11.4%	12.0%	12.6%	12.8%	13.1%	13.5%	13.8%

**On developer's equity only.*

***On project cost.*

****Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2*

Source: Hunden Strategic Partners

Value vs. Cost

The Town of Tolland engaged BSC Group out of Glastonbury, Connecticut to prepare preliminary cost estimates for HSP's recommended project. Including access roads, site preparation, earthwork, drainage, sanitary, electrical, and water supply, BSC's total projected cost for the project was $58.95 million. For the purpose of this analysis, HSP considered the building construction cost, contingency, and soft costs when comparing costs to HSP's projected value, and then compared the the total cost including site prep and infrastructure. The table below compares the projected costs versus the projected value. Due to the format in which the cost projections were provided, HSP combined the projected value of the hotel and the bar/restaurant.

Tolland Village Area - Projected Value vs. Cost

Component	HSP's Projected Value	Construction, Contingency, Soft Costs	Facility Development Gap	Site Prep and Infrastructure Costs*	Total Gap
Multifamily (12 percent workforce)	$11,825,000	$28,628,250	$16,803,250	$7,396,750	$24,200,000
Hotel and Restaurant	$11,490,000	$11,398,800	-$91,200	$2,471,200	$2,380,000
Pharmacy/Casual Restaurant	$2,190,000	$3,352,825	$1,162,825	$2,459,175	$3,622,000
Total	$25,505,000	$43,379,875	$17,874,875	$12,327,125	$30,202,000

*Does not include $4 million road and infrastructure cost

Source: Hunden Partners, BSC Group

Value vs. Cost

As the prior table shows, HSP projects a sizeable gap in the value of the multifamily development compared to cost. The hotel, due to site advantages and development efficiencies, is more feasible, according to HSP's projections. HSP projects the total value of the the pharmacy and restaurant to be $2.19 million, compared to a total cost of $5.8 million, resulting in a gap of $3.6 million. While these projections are based on a variety of changing factors, HSP's analysis suggests that any multifamily development in the Tolland Village Area will require significant public investment, while the hotel and retail components (though still requiring investment) are more feasible from a private development perspective. In order to induce the development of any of these projects, the Town would need to cover the site prep and infrastructure costs, as well as additional gaps for the multifamily and pharmacy/restaurant development. The hotel development is the most viable, although the Town would still need to assist with site work and infrastructure to make the project feasible.