RKG ASSOCIATES INC

REAL ESTATE MARKET ASSESSMENT
CALVERTON ENTERPRISE PARK (EPCAL)
RIVERHEAD, NEW YORK

DECEMBER 8, 2011

Prepared for:

The Town of Riverhead, New York
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I. INTRODUCTION

This report presents the findings of a real estate market assessment prepared by RKG Associates, Inc. and Jeffrey Donohoe Associates LLC for the Calverton Enterprise Park (EPCAL), located in Riverhead, New York. These firms are working in collaboration with VHB, Inc. which is responsible for overseeing preparation of a comprehensive development plan for the site. The purpose of this analysis is to provide a basis for preparing the comprehensive plan within the context of economic and real estate conditions that will influence alternative development concepts considered for the site.

The EPCAL site is located in the Calverton area of the Town of Riverhead. The overall site contains approximately 2,900 acres and was formerly operated as the Naval Weapons Industrial Reserve Plant (NWIP) by the Grumman Corp. which vacated the site in 1994. Shortly thereafter, the town took control of the property and prepared a reuse strategy with a supporting market analysis. The town sold the site's existing industrial buildings, which contain approximately one million square feet, on 490 acres of land, to a private developer in 2001. The town retained ownership of the site's two runways (10,000 and 7,000 feet in length) and the remaining acreage. Two additional outparcels were also sold, one for the development of a water park and the other to Stony Brook University for a business incubator. The initial reuse plan called for a mixture of uses on the site including an industrial business park, a theme/entertainment park, sports park and natural open space park. Limited development has occurred on the site since the initial plan was prepared 15 years ago and therefore, the town initiated this update to the original 1995 market analysis.[1] A complete description of site conditions at EPCAL is provided in the complimentary reuse plan being prepared by VHB, Inc.

The EPCAL site is located near the eastern end of Long Island in Suffolk County. The site is situated within approximately 3 miles of the terminus of the Long Island Expressway, the Island's primary commercial highway that extends into the New York metro area. In addition, the site is now served by a recently upgraded, freight rail spur that extends into the original industrial core portion of the property, connecting with the New York & Atlantic railroad, which connects with the Long Island Railroad.

The Long Island economy, which also includes Nassau County, has a total population of approximately 2.8 million with an employment base of almost 1.2 million. However, like many regional economies throughout the country, Long Island's has been hampered over the last several years by the economic downturn and is facing continued slow growth for a number of years. This market assessment begins with an overview of the changing demographics and housing market trends that exist within the regional economy. This is followed by an evaluation of labor market conditions which illustrates changes that have occurred in the Island's industry sectors over the past decade. Related to this analysis is an assessment of anticipated growth sectors and which of these may have significance for the

[1] *A Comprehensive Reuse Strategy for the Naval Weapons Industrial Reserve Plant at Calverton*, prepared by Hamilton, Rabinovitz & Alschuler, Inc., et al, as part of the HR&A Team's *Opportunities and Constraints Analysis*, October 1995.

EPCAL site. The final portion of the baseline analysis includes a review of real estate conditions in the office and industrial markets in order to determine how the EPCAL site is competitively placed. The market analysis also includes a section on specialty uses (e.g. aviation, entertainment, tourism) that may potentially be viable for the site. The report concludes with a summary of findings and recommendations that can be used to support conceptual development alternatives for the site and supporting market strategy. Also noted are a series of issues and constraints related to the site that should be addressed in conjunction with any long-term marketing efforts for the property.

II. DEMOGRAPHIC CHARACTERISTICS

A. Population Change

The historic and projected population changes for the Town of Riverhead, Long Island, and the State of New York are presented in Table II-1. As illustrated, population growth in Riverhead has outpaced the counties and the state over the past two decades (1990-2010) with consistent percentage gains of approximately 20%, while the region and state had only single-digit growth rates during that time period. Overall, the town's population increased by almost 10,500 residents over 20 years.

Suffolk County has been the primary growth center in the Long Island market area, especially over the last ten years. Suffolk's population increased by over 150,000 residents between 1990-2010 while Nassau added only 52,000 residents.

Population projections prepared by the Suffolk County Planning Department anticipate a relative continuation of these trends over the coming decade. Growth rates are expected to slow somewhat in the first half of the decade (2010-15), but overall, Riverhead's population is projected to increase by almost 5,000 which is comparable to increases of the previous decade. Similarly, Suffolk County's growth is projected to slow but 10-year population gains are expected to approach 69,000 additional residents. If achieved, the projected population gains will continue to drive demand for housing and services at a significant rate. It also suggests that the region's labor force will increase to support

Table II-1

Total Population 1990-2015
Riverhead, Long Island and New York State

				Projection	
	1990	2000	2010	2015	2020
Riverhead	23,011	27,680	33,506	35,601	38,576
Suffolk County	1,321,647	1,419,369	1,492,634	1,517,592	1,561,545
Nassau County	1,287,541	1,334,544	1,339,532	1,343,578	1,355,693
New York State	17,990,458	18,976,457	19,378,102	NA	NA
Change in Population					
		90-00	00-10	10-15	15-20
Riverhead		4,669	5,826	2,095	2,975
Suffolk County		97,722	73,265	24,958	43,953
Nassau County		47,003	4,988	4,046	12,115
New York State		985,999	401,645	NA	NA
Percent Change					
		90-00	00-10	10-15	15-20
Riverhead		20.3%	21.0%	6.3%	8.4%
Suffolk County		7.4%	5.2%	1.7%	2.9%
Nassau County		3.7%	0.4%	0.3%	0.9%
New York State		5.5%	2.1%	NA	NA
Average Annual Change					
		90-00	00-10	10-15	15-20
Riverhead		1.9%	1.9%	1.2%	1.6%
Suffolk County		0.7%	0.5%	0.3%	0.6%
Nassau County		0.4%	0.0%	0.1%	0.2%
New York State		0.5%	0.2%	NA	NA

Source: U.S. Census Bureau and Suffolk County Planning Department

potential job growth and business expansion. However, the sustained recessionary conditions that continue to hamper the region's and the nation's economic recovery will most likely delay expansion until the latter half of the decade, as illustrated by the projections in the table.

B. Age of the Population

The changing age structure of the town's and the county's population between 2000 and 2015 are illustrated in Table II-2 and Figure II-1. Since the U.S. Census Bureau has not yet released detailed population characteristics related to age, the data presented here are estimates prepared by DemographicsNow (DNow), a private data modeling firm.

This data illustrates a number of notable changes within the town's population. Overall, Riverhead's population has a larger proportion of older residents as indicated by a median age which exceeds the county's by almost five years (44.9 vs. 40.5 in 2010). As of 2010, about 20% of the town's population was estimated to be 65 years of age or older as compared to only 14% for the county.

The shaded cells in Table II-2 highlight significant growth in individual age cohorts which are further illustrated in the figure. Generally, the growth cohorts mirrored one another at the local and regional levels although the rates of growth varied in a number of instances. A somewhat bimodal

Table II-2

Population by Age 2000-2015*
Riverhead and Suffolk County

	Town of Riverhead						
	Estimate 2010	Projection 2015	Change 00-10	Change 10-15	Percent Change 00-10	Percent Change 10-15	% Total Population in 2010
Under 5	1,752	1,688	46	-64	2.7%	-3.7%	5.1%
5 to 19	6,134	5,903	958	-231	18.5%	-3.8%	18.0%
20 to 24	1,815	2,050	641	235	54.6%	12.9%	5.3%
25 to 34	3,300	3,781	16	481	0.5%	14.6%	9.7%
35 to 44	4,132	3,570	-403	-562	-8.9%	-13.6%	12.1%
45 to 54	5,550	5,258	1,663	-292	42.8%	-5.3%	16.2%
55 to 64	4,487	5,259	1,676	772	59.6%	17.2%	13.1%
65 to 74	3,537	4,248	997	711	39.3%	20.1%	10.4%
75+	3,458	3,647	891	189	34.7%	5.5%	10.1%
	Suffolk County		**00-10**	**10-15**	**00-10**	**10-15**	
Under 5	88,085	81,959	-12,219	-6,126	-12.2%	-7.0%	5.8%
5 to 19	308,878	288,531	6,700	-20,347	2.2%	-6.6%	20.3%
20 to 24	99,701	108,001	24,036	8,300	31.8%	8.3%	6.6%
25 to 34	166,437	186,008	-25,258	19,571	-13.2%	11.8%	10.9%
35 to 44	198,218	167,091	-53,382	-31,127	-21.2%	-15.7%	13.0%
45 to 54	252,095	234,736	54,502	-17,359	27.6%	-6.9%	16.6%
55 to 64	190,589	220,792	57,813	30,203	43.5%	15.8%	12.5%
65 to 74	119,989	145,321	28,083	25,332	30.6%	21.1%	7.9%
75+	97,892	106,177	22,240	8,285	29.4%	8.5%	6.4%
	Median Age		**00-10**	**10-15**	**00-10**	**10-15**	
Riverhead	44.9	46.6	4.3	1.7	10.6%	3.7%	
Suffolk Cnty	40.5	41.5	3.9	1.0	10.6%	2.6%	
Nassau Cnty	42.0	43.2	3.5	1.1	9.1%	2.7%	
NY State	38.5	39.5	2.6	1.0	7.1%	2.7%	

*2000 data not shown

Source: U.S. Census Bureau and DemographicsNow

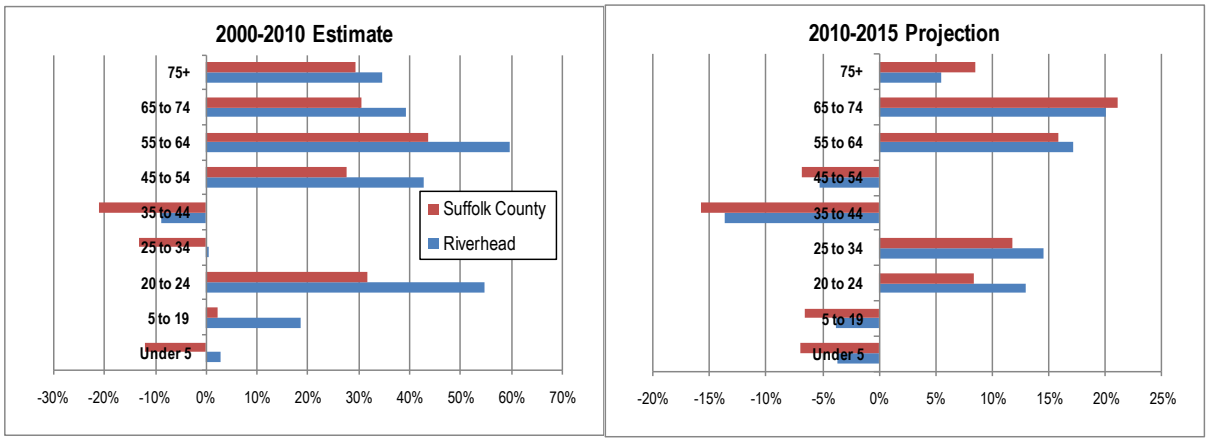


Figure II-1 Percent Population Change by Age 2000-2015
Town of Riverhead and Suffolk County

population growth occurred between 2000-2010 with growth in the children and young adult cohorts (5-24) as well as the mature, near retirement, and senior age groups of 45 and older. Noticeably absent were increases in the new and younger household age categories between 24 and 44. This suggests that housing growth over the past decade was primarily driven by households that were both "trading up" from starter, or lower cost housing and also possibly downsizing into retirement, or active senior's housing. Projections through 2015 suggest that a continuation of the latter trend is anticipated as more of the baby boom generation approaches retirement age. However, there is also an indication that more demand for starter housing may materialize with moderate growth projected in the 20-34 age groups.

C. Households

The local and regional population growth trends identified in the preceding sections are further reflected in the increase in households presented in Table II-3. Since 1990, the town has experienced the addition of approximately 2,200 households representing an average decennial growth rate of about 22%. This rate is fairly commensurate with population growth rates indicating a relatively stable average household size despite some fluctuation (i.e. a decrease in the 90s followed by an increase in the 00s) as shown in Table II-4. The increase from 2000-2010 was not reflected in Suffolk County's households and, if accurate, reverses a long-term decrease in household size that has typically been found in most locales. It may be a reflection of current economic conditions wherein older children, extended families, or unrelated individuals are sharing housing due to financial conditions. However, projections prepared by the County Planning Department suggest it will continue through 2020 in Riverhead with household size increasing from 2.52 to 2.61.

Table II-3

Total Households 1990-2015
Riverhead, Long Island and New York State

				Projection	
	1990	2000	2010	2015	2020
Riverhead	8,737	10,749	12,990	13,545	14,470
Suffolk County	424,641	469,299	499,586	507,086	519,586
Nassau County	431,581	447,387	448,528	449,778	452,278
New York State	6,639,314	7,056,860	7,317,755	NA	NA
	Change in Households				
		90-00	00-10	10-15	15-20
Riverhead		2,012	2,241	555	925
Suffolk County		44,658	30,287	7,500	12,500
Nassau County		15,806	1,141	1,250	2,500
New York State		417,546	260,895	NA	NA
	Percent Change				
		90-00	00-10	10-15	15-20
Riverhead		23.0%	20.8%	4.3%	6.8%
Suffolk County		10.5%	6.5%	1.5%	2.5%
Nassau County		3.7%	0.3%	0.3%	0.6%
New York State		6.3%	3.7%	NA	NA
	Average Annual Change				
		90-00	00-10	10-15	15-20
Riverhead		2.1%	1.9%	0.8%	1.3%
Suffolk County		1.0%	0.6%	0.3%	0.5%
Nassau County		0.4%	0.0%	0.1%	0.1%
New York State		0.6%	0.4%	NA	NA

Source: U.S. Census Bureau and Suffolk County Planning Department

Table II-4

Average Household Size 1990-2020
Riverhead, Suffolk and Nassau Counties

				Projection	
	1990	2000	2010	2015	2020
Riverhead	2.55	2.50	2.52	2.57	2.61
Suffolk County	3.04	2.96	2.93	2.93	2.95
Nassau County	2.94	2.93	2.94	2.94	2.95

Source: U.S. Census Bureau & Suffolk County Plan Dept.

Similar to future population growth, projected household growth for Riverhead over the coming decade (2010-2020) is expected to occur at about half the rate of the previous decade. Still, this would result in the addition of 1,480 new households over the ten year period. This could represent a potential demand for in excess of 1,000 dwelling units, depending on prevailing vacancy rates. Furthermore, if average household size does not increase as projected, the demand for new housing could go somewhat higher.

D. Household Income

A comparison of median household income levels for Riverhead, Long Island's counties, and the state is presented in Table II-5. As shown, the town's income relative to the region and state grew more rapidly between 1990-2000 increasing by 42% in comparison to increases of about 33% in other locations. However, as of 2000, the town's income still represented only 70% of Suffolk County's median. Estimates from DNow for 2010 suggest a moderate slowing in the town's income growth relative to the county resulting in a slight dip to 68% of the region's median.

Table II-5

Median Household Income 1990-2015
Riverhead, Long Island and New York State

			Estimate	Projection	Percent Change	
	1990	2000	2010	2015	90-00	00-10
Riverhead	$32,466	$46,173	$56,487	$61,896	42%	22%
Suffolk County	$49,229	$65,570	$83,390	$90,328	33%	27%
Nassau County	$54,469	$72,265	$91,607	$99,248	33%	27%
New York State	$33,029	$43,642	$54,752	$58,652	32%	25%
Riverhead's Median Income as Percent of						
Suffolk County	66%	70%	68%	69%		
Nassau County	60%	64%	62%	62%		
New York State	98%	106%	103%	106%		

Source: U.S. Census Bureau and DemographicsNow

Table II-6 provides a more detailed perspective on how the town's household income levels changed over the past decade. Once again, the major changes in these income categories are illustrated by the highlighted cells in the table. As shown, household growth from 2000-2010 in Suffolk County as a whole is estimated to have occurred only for households with $100,000 or more in income, a trend which is projected to continue through 2015. The majority of Riverhead's household growth also occurred in these higher income brackets. However, notable growth also occurred in the $75,000-$99,000 range (261) with more marginal increases in some of the lower brackets. The increase in these lower income households may be a reflection of the growing number of senior households which tend to be on fixed incomes, but may also reflect other segments of the population in lower wage jobs or receiving public income assistance.

Table II-6

Households by Income Level 2000-2015*
Riverhead and Suffolk County

Riverhead

	Estimate	Projection	Change		Percent Change	
	2010	2015	00-10	10-15	00-10	10-15
$0 - $15,000	1,421	1,361	25	-60	1.8%	-4.2%
$15,000 - $24,999	1,511	1,477	89	-34	6.3%	-2.3%
$25,000 - $34,999	1,283	1,222	-38	-61	-2.9%	-4.8%
$35,000 - $49,999	1,514	1,429	-102	-85	-6.3%	-5.6%
$50,000 - $74,999	1,997	1,950	49	-47	2.5%	-2.4%
$75,000 - $99,999	1,638	1,698	261	60	19.0%	3.7%
$100,000 - $149,999	1,916	2,202	826	286	75.8%	14.9%
$150,000 +	1,481	1,806	902	325	155.8%	21.9%

Suffolk County

	Estimate	Projection	Change		Percent Change	
	2010	2015	00-10	10-15	00-10	10-15
$0 - $15,000	29,547	26,676	-8,028	-2,871	-21.4%	-9.7%
$15,000 - $24,999	28,026	25,883	-6,097	-2,143	-17.9%	-7.6%
$25,000 - $34,999	28,559	25,690	-9,405	-2,869	-24.8%	-10.0%
$35,000 - $49,999	44,982	40,354	-15,654	-4,628	-25.8%	-10.3%
$50,000 - $74,999	83,710	78,019	-17,908	-5,691	-17.6%	-6.8%
$75,000 - $99,999	73,965	72,865	-3,609	-1,100	-4.7%	-1.5%
$100,000 - $149,999	106,390	116,398	30,591	10,008	40.4%	9.4%
$150,000 +	85,755	98,181	41,745	12,426	94.9%	14.5%

*2000 data not shown

Source: U.S. Census Bureau and DemographicsNow

Finally, Table II-7 illustrates household income changes by age of the householder. The highlighted cells in this table denote increases of 10% or more in an income bracket with the number of income brackets reduced to four (as opposed to eight in the previous table) to simplify the data.

Between 2000-2010, households under age 44 grew only in the income brackets of $100,000 or more suggesting good wage growth in the town's younger and maturing households during that time period. These younger households accounted for an estimated 26% of total households in 2010. More established households (45-54), as well as those approaching retirement (55-64), represented a combined total of 41% of all households in the town.

Table II-7

Households by Income and Age of Householder 2000-2015*
Town of Riverhead and Suffolk County

	Town of Riverhead								Suffolk County							
	Households				Change		% Change			Households				Change		% Change	
	2010	% Total	2015	% Total	00-10	10-15	00-10	10-15		2010	% Total	2015	% Total	00-10	10-15	00-10	10-15
Under 35 Years									**Under 35 Years**								
Less than $60,000	764	52%	779	48%	-78	15	-9.3%	2.0%	Less than $60,000	23,322	39%	22,530	35%	-11,405	-792	-32.8%	-3.4%
$60,000 to $99,999	362	25%	406	25%	-94	44	-20.6%	12.2%	$60,000 to $99,999	18,362	30%	19,433	30%	-5,416	1,071	-22.8%	5.8%
$100,000 to $149,000	216	15%	270	17%	113	54	109.7%	25.0%	$100,000 to $149,000	11,875	20%	14,433	22%	1,639	2,558	16.0%	21.5%
$150,000 or More	123	8%	165	10%	39	42	46.4%	34.1%	$150,000 or More	6,648	11%	8,559	13%	2,682	1,911	67.6%	28.7%
Subtotal	1,465	100%	1,620	100%	-20	155	-1.3%	10.6%	Subtotal	60,207	100%	64,955	100%	-12,500	4,748	-17.2%	7.9%
% Total	11%		12%		-2%	1%	-16.9%	7.3%	% Total	13%		13%		-3%	1%	-19.2%	7.2%
Age 35 - 44 Years									**Age 35 - 44 Years**								
Less than $60,000	795	41%	605	37%	-446	-190	-35.9%	-23.9%	Less than $60,000	25,234	29%	17,933	25%	-20,800	-7,301	-45.2%	-28.9%
$60,000 to $99,999	531	28%	435	27%	-140	-96	-20.9%	-18.1%	$60,000 to $99,999	26,495	31%	20,762	30%	-15,535	-5,733	-37.0%	-21.6%
$100,000 to $149,000	365	19%	342	21%	99	-23	37.2%	-6.3%	$100,000 to $149,000	20,602	24%	18,322	26%	-792	-2,280	-3.7%	-11.1%
$150,000 or More	235	12%	234	14%	137	-1	139.8%	-0.4%	$150,000 or More	14,313	17%	13,360	19%	3,068	-953	27.3%	-6.7%
Subtotal	1,926	100%	1,616	100%	-350	-310	-15.4%	-16.1%	Subtotal	86,644	100%	70,377	100%	-34,059	-16,267	-28.2%	-18.8%
% Total	15%		12%		-6%	-3%	-28.7%	-18.5%	% Total	18%		15%		-8%	-3%	-30.0%	-19.3%
Age 45 - 54 Years									**Age 45 - 54 Years**								
Less than $60,000	1,002	36%	822	32%	17	-180	1.7%	-18.0%	Less than $60,000	29,692	24%	22,951	21%	-5,235	-6,741	-15.0%	-22.7%
$60,000 to $99,999	701	25%	625	24%	164	-76	30.5%	-10.8%	$60,000 to $99,999	32,443	26%	27,737	25%	-745	-4,706	-2.2%	-14.5%
$100,000 to $149,000	607	22%	620	24%	235	13	63.2%	2.1%	$100,000 to $149,000	32,585	27%	31,781	29%	10,282	-804	46.1%	-2.5%
$150,000 or More	487	17%	525	20%	276	38	130.8%	7.8%	$150,000 or More	27,763	23%	28,179	25%	13,286	416	91.8%	1.5%
Subtotal	2,797	100%	2,592	100%	692	-205	32.9%	-7.3%	Subtotal	122,483	100%	110,648	100%	17,588	-11,835	16.8%	-9.7%
% Total	22%		20%		2%	-2%	11.9%	-10.0%	% Total	25%		23%		3%	-3%	13.9%	-10.2%
Age 55 - 64 Years									**Age 55 - 64 Years**								
Less than $60,000	1,038	43%	1,066	38%	156	28	17.7%	2.7%	Less than $60,000	26,332	27%	25,764	24%	-1,962	-568	-6.9%	-2.2%
$60,000 to $99,999	550	23%	614	22%	148	64	36.8%	11.6%	$60,000 to $99,999	24,095	25%	25,833	24%	2,613	1,738	12.2%	7.2%
$100,000 to $149,000	444	18%	576	21%	201	132	82.7%	29.7%	$100,000 to $149,000	24,616	25%	29,976	27%	10,024	5,360	68.7%	21.8%
$150,000 or More	389	16%	524	19%	290	135	292.9%	34.7%	$150,000 or More	22,057	23%	27,841	25%	12,382	5,784	128.0%	26.2%
Subtotal	2,421	100%	2,780	100%	795	359	48.9%	14.8%	Subtotal	97,100	100%	109,414	100%	23,057	12,314	31.1%	12.7%
% Total	19%		21%		4%	2%	25.4%	11.5%	% Total	20%		23%		4%	2%	28.0%	12.0%
Age 65 Plus									**Age 65 Plus**								
Less than $60,000	3,102	75%	3,167	70%	346	65	12.6%	2.1%	Less than $60,000	60,385	53%	60,856	47%	-7,265	471	-10.7%	0.8%
$60,000 to $99,999	519	13%	618	14%	211	99	68.5%	19.1%	$60,000 to $99,999	22,429	20%	25,688	20%	5,049	3,259	29.1%	14.5%
$100,000 to $149,000	284	7%	394	9%	178	110	167.9%	38.7%	$100,000 to $149,000	16,712	15%	21,886	17%	9,438	5,174	129.7%	31.0%
$150,000 or More	247	6%	358	8%	160	111	183.9%	44.9%	$150,000 or More	14,974	13%	20,242	16%	10,327	5,268	222.2%	35.2%
Subtotal	4,152	100%	4,537	100%	895	385	27.5%	9.3%	Subtotal	114,500	100%	128,672	100%	17,549	14,172	18.1%	12.4%
% Total	33%		35%		2%	2%	7.4%	6.1%	% Total	24%		27%		3%	3%	15.2%	11.7%
Total	12,761		13,145						Total	480,934		484,066					

*2000 data not shown - 2010 data estimated

Source: U.S. Census Bureau and DemographicsNow

These groups also saw predominant growth in the upper income brackets although there was more of a balance here with households increasing in the two lower brackets ($60,000-$99,000 and less than $60,000) but at a lesser rate. Conversely, households age 65 and older saw the largest "actual" gains in incomes below $100,000 although percentage-wise, higher income brackets grew more rapidly. This age group accounted for 33% of all households, the largest proportion of any individual age group.

III. CHARACTERISTICS OF THE HOUSING SUPPLY

A. Changes to the Housing Supply

The changes in total housing units over the last two decades for Riverhead and Long Island are presented in Table III-1. The town's rate of housing construction was 2 to 2½ times the growth rate in Suffolk County and far exceeded those of Nassau County during both decades. The town saw increases of approximately 1,680 and 2,950 units, respectively, in each of the ten year time periods, or, an average of 168 and 295 per year. Housing growth in Suffolk County was four times the number of units added in Nassau increasing by approximately 88,000 over 20 years in comparison to only 21,000, respectively.

Table III-1

Total Housing Units 1990-2010
Riverhead, Suffolk and Nassau Counties

				Change		Percent Change	
	1990	2000	2010	90-00	00-10	90-00	00-10
Riverhead	10,801	12,479	15,424	1,678	2,945	16%	24%
Suffolk County	481,232	522,323	569,985	41,091	47,662	9%	9%
Nassau County	446,366	458,151	468,346	11,785	10,195	3%	2%

Source: U.S. Census Bureau

Housing tenure of the town's and county's housing supply is presented in Table III-2. As of 2000, 77% of the town's units for year-round use were owner occupied with 23% renter occupied. These percentages remained relatively unchanged from 1990. The town had a slightly higher percentage of renter occupied units than the county in both time periods.

The high vacancy rate of 14% is primarily a reflection of the seasonal units (1,165 units in 2000 according to the Census Bureau) and other types of transient housing located in the town. For year-round units, the rental vacancy rate was approximately 4% with a 1.3% vacancy in ownership units as of 2000 (data not shown), indicating a very tight market with high demand. There appears to have been an uptick in overall vacancy between 2000 and 2010, according to preliminary census figures. However, whether these represent an increase in year round or seasonal units cannot be determined from available data.

Table III-2

Housing Tenure 1990-2010
Riverhead and Suffolk County

	Town of Riverhead					
	1990	%	2000	%	2010	%
Total Occupied	8,736	81%	10,749	86%	12,990	84%
Owner	6,824	78%	8,288	77%	NA	
Renter	1,912	22%	2,461	23%	NA	
Vacant	2,065	19%	1,730	14%	2,434	16%
	Suffolk County					
Total Occupied	424,636	88%	469,299	90%	499,922	88%
Owner	340,212	80%	374,360	80%	NA	
Renter	84,424	20%	94,939	20%	NA	
Vacant	56,598	12%	53,024	10%	70,063	12%

Source: U.S. Census Bureau

Building permit data presented in Table III-3 indicates that a significant number of multifamily units were constructed in Riverhead over the past decade. However, these are believed to represent primarily attached, single family units (i.e. condominiums) as opposed to rental units. A review of other data sources indicates that only 210 apartments have been built over the last decade in Riverhead, in contrast to approximately 1,000 building permits issued were condominiums and close to 2,000 for single family detached dwellings.[2] This limited rental property construction, combined with the continuing downturn in the for-sale housing market (as discussed in Section B) will place continued pressure on the local rental market in terms of vacancy rates and lease rates

The residential building permit data in Table III-3 and Table III-4 illustrate housing construction trends throughout all Suffolk County towns over the past decade, as well as the impacts of recessionary conditions in the latter half of the decade. Between 2000-2005, Suffolk County towns issued building permits for an average of 4,198 units per year. In contrast, from 2006-2010 the average decreased to only 1,638 units per year, about 40% of the preceding five years.

[2] A review of data gathered by the Suffolk County Planning Department, local assessment and build inspection department records.

Table III-3

Residential Building Permits by Type 2000-2010
Town of Riverhead and Suffolk County

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total	% Total
Town of Riverhead													
Single Family	186	271	381	271	184	190	119	124	40	131	80	1,977	65%
Duplex	0	0	82	0	0	0	0	0	0	0	1	83	3%
Three & Four Units	132	10	72	52	4	0	4	52	28	0	0	354	12%
Five or More Units	164	36	17	210	178	24	0	0	0	0	0	629	21%
Total	482	317	552	533	366	214	123	176	68	131	81	3,043	100%
Suffolk County													
Single Family	3,916	3,583	3,634	2,714	2,911	4,263	2,421	2,018	953	860	934	28,207	85%
Duplex	0	2	82	4	0	2	4	6	0	0	1	101	0.3%
Three & Four Units	150	29	90	66	10	0	10	61	28	0	0	444	1%
Five or More Units	750	891	547	356	222	964	153	57	424	199	61	4,624	14%
Total	4,816	4,505	4,353	3,140	3,143	5,229	2,588	2,142	1,405	1,059	996	33,376	100%

Source: Riverhead Building Department and U.S. Census Bureau (Compiled by the Suffolk County Planning Dept.)

In Riverhead, the annual average decreased from 411 to 116, a 72% decrease which was the second largest rate of decline in the county (Brookhaven's was 74%). Still, the town added an annual average of 277 units over the course of the decade which was the fourth highest in Suffolk County. The largest residential growth center in the county was the Town of Brookhaven which added over 11,900 units in ten years which was three to four times more than the next largest gains.

Table III-4

Residential Housing Units Authorized by Building Permit 2000-2010
Town of Riverhead, Suffolk County and Nassau County

	All Housing Unit Types					Average Annual		
	2000-05	% Total	2006-10	% Total	2000-2010	00-05	06-10	00-10
Babylon	1,547	6.1%	898	11.0%	2,445	258	180	222
Brookhaven	9,837	39.1%	2,107	25.7%	11,944	1,640	421	1,086
East Hampton	1,596	6.3%	674	8.2%	2,270	266	135	206
Huntington	1,324	5.3%	545	6.7%	1,869	221	109	170
Islip	2,820	11.2%	1,032	12.6%	3,852	470	206	350
Riverhead	**2,464**	**9.8%**	**579**	**7.1%**	**3,043**	**411**	**116**	**277**
Shelter Island	246	1.0%	79	1.0%	325	41	16	30
Smithtown	1,197	4.8%	535	6.5%	1,732	200	107	157
Southampton	3,242	12.9%	1,342	16.4%	4,584	540	268	417
Southold	913	3.6%	399	4.9%	1,312	152	80	119
Suffolk County Total	25,186	100.0%	8,190	100.0%	33,376	4,198	1,638	3,034
Nassau County	7,070	--	5,043	--	12,113	1,178	1,009	1,101
Total Long Island	32,256	--	13,233	--	45,962	5,376	2,647	4,178

Source: U.S. Census Bureau, Compiled by the Suffolk County Planning Dept.

Finally, Table III-5 illustrates a trend in housing construction geared towards the aging population dynamics discussed in the demographics section. The construction of age restricted housing (i.e. all residents must be a minimum age, typically 55 or older) is a market niche that is growing in many parts of the country. The town currently has just over 2,000 of these units in its housing stock, approximately 800-900 of which were constructed over the last ten years. As shown in the table, about half (1,097) are manufactured housing units, 690

Table III-5

Age Restricted Housing
Town of Riverhead

Type	Village	Project Name	Units	Year(s) Built
Apartment	Riverhead	John Wesley Village I	115	1981
Apartment	Riverhead	Riverhead Landing	156	1999
Condominium	Calverton	Windcrest East	126	2004
Condominium	Riverhead	Saddle Lakes	196	2001
Condominium	Riverhead	Stoneleigh Woods	176	2008
Condominium	Riverhead	Sunken Pond Estates	192	2003
Manufactured	Calverton	Foxwood Village	244	1986 & 2004
Manufactured	Riverhead	Glenwood	486	Pre 1965 to Present
Manufactured	Riverhead	Glenwood Oaks	42	2010 to Present
Manufactured	Baiting Hollow	Thurms Park	325	Pre 1965 to Present
Total			2,058	

Source: Town of Riverhead, Building Inspector

are condominiums and 270 apartments. There are two additional projects planned (including an expansion of Glenwood Oaks) that would add an estimated 46 units to the inventory. The majority of new construction over the past decade has been condominium development suggesting that there has been an increasing demand for higher valued homes in this niche market, as opposed to the apartment and manufactured housing that was built prior to 2000.

B. Housing Costs

The cost of housing in Riverhead and Suffolk County has cycled through a range of values over the past decade as have most housing markets throughout the country. Figure III-1 illustrates the fluctuating values in median home sales prices for non-condominium housing between 2000-2010, as well as the annual percent change in said values, for the town and the county. As shown, initially lower sale prices in Riverhead at the beginning of the decade (2000-2003) surpassed the county's median values in 2004 spurred by annual growth rates of 30% and more. Sustained double-digit growth rates at the local level pushed the town's peak sale price of $470,000 well above the county's highest value of $425,000. Housing prices remained fairly stable for several years following the peak but lost about 20% of their value between 2008-09 at the height of the recession.

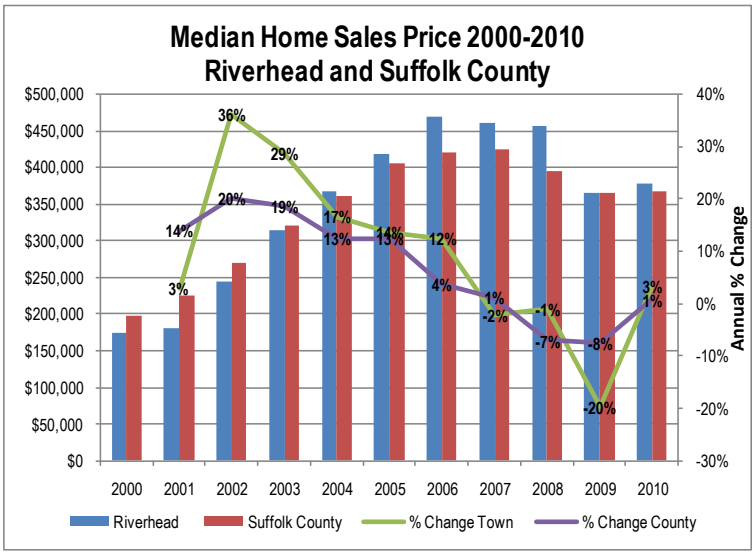


Figure III-1

Despite the recent dip in housing sale prices, sales in 2010 have shown a modest increase of 1%-3% and overall, homes values have held onto much of the gains made since 2000 which speaks to the continued strong demand for housing in the region. The data in Table III-6 and Figure III-2 emphasizes this fact and provides more detail on sales price trends in Riverhead. As illustrated, the average price for a single family home rose from $181,000 in 2000 to $389,000 as of 2010, an overall increase of 114%. The sale of new single family construction over the last several years has typically been 25%-30% higher than sales of existing homes. Between 2008-2010 the median sale price for recently constructed single family homes ranged from $490,000 to $560,000 (data not shown).

Condominium values increased even more substantially with overall growth of 145% for the decade. In fact, average sales prices have increased since 2008 for condominiums which has buoyed overall gains despite continued declines in single family pricing through 2010. However, new construction of condominium units had sale prices that were actually 5%-10% below existing unit prices over the last several years (2008-10). During that time, new units had median sale prices between $360,000 and $385,000 as opposed to prices illustrated in the table (data not shown).

Table III-6

Average Home Sales Prices 2000 - 2010
Town of Riverhead

	Single Family		Condominiums		Duplexes	
Sale Year	# Sales	Price	# Sales	Price	# Sales	Price
2000	588	$181,985	117	$163,044	13	$126,753
2001	540	$192,344	211	$226,566	11	$138,318
2002	602	$247,151	175	$296,886	11	$125,000
2003	510	$330,487	195	$258,134	9	$250,167
2004	474	$372,225	184	$354,429	8	$394,463
2005	467	$439,689	276	$340,645	14	$316,486
2006	412	$496,871	86	$417,791	3	$410,667
2007	286	$468,633	75	$441,582	5	$399,388
2008	212	$478,897	57	$377,817	1	$460,000
2009	189	$400,631	39	$391,182	1	$249,000
2010	201	$389,242	46	$399,709	2	$282,650
Total/Avg. Yr.	4,481/407		1,461/132		78/7	
Change 00-05		$257,704		$177,602		$189,733
% Change		142%		109%		150%
Change 06-10		-$107,629		-$18,082		-$128,017
% Change		-22%		-4%		-31%
Total		$207,257		$236,665		$155,897
% Change		114%		145%		123%

Source: Town Assessment Records

The total number of sales has decreased substantially over the course of the decade with 2010 totals numbering less than half of those occurring at the beginning of the decade. Single family home sales averaged 407 for the decade and condominiums, 132. However, current (2010) sales were 201 and 46 respectively, which represented modest growth over 2009 levels. Sales data for duplex units are also presented in the table but this type of housing accounts for a very small portion of the local sales market.

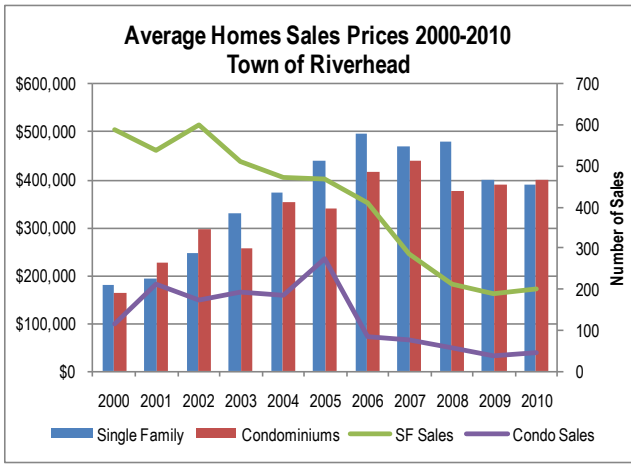


Figure III-2

The higher cost of housing in Riverhead and Suffolk County as a whole highlight an on-going concern within the regional economy as it relates to the difficulty in maintaining an adequate supply of more affordably priced workforce housing. Past efforts by the town, as well as recent state legislation passed for the Island as a whole, have attempted to expand available housing for households in the lower to middle-income brackets. However, the fact that median incomes in Riverhead have increased by an estimated 42% over the decade in comparison to housing sale price increases of 114% suggests that maintaining an adequate supply of affordably-priced dwellings will require sustained efforts at the local and regional levels.

IV. EMPLOYMENT AND BUSINESS TRENDS

A. Industry Employment Trends

The data in Table IV-1 illustrates the change in employment by major industry sector for Suffolk and Nassau counties over the past decade. This data, along with much of the subsequent employment information presented in this report, is derived from the Quarterly Census of Employment and Wages (QCEW) compiled by the NY Department of Labor. The data is categorized based on the North American Industrial Classification System (NAICS).

The table data highlights a number of characteristics about the Long Island labor market's employment base. Between 2000-2010 the Island added about 8,100 jobs, a 0.7% increase over 10 years. The majority of this net growth occurred in Suffolk County where over 24,300 jobs were added (4.2% increase) while Nassau County experienced a net loss of 16,100 jobs (2.7% decrease) during that time period. As of 2010, Suffolk County had approximately 602,000 jobs as compared to 582,000 in Nassau County, 51% and 49%, respectively, of the total employment base. However, Suffolk County is likely to have more potential for future growth given its larger land area.

In Suffolk County about 40% of the job growth was in the government sector (9,700 jobs added) with 60% in the private sector where over 14,600 jobs were added. The four largest employment sectors in the county are Health Care and Social Assistance (13.4%), Retail Trade (12.6%), Manufacturing (8.8%), and Accommodations and Food Services (6.4%). Below these, three other sectors are closely grouped with 5%-6% of total employment including Professional and Technical Services (5.9%), Construction (5.6%), and Administrative/Waste Management Services (5.6%).

Table IV-1

Average Annual Employment 2000-2010
Nassau and Suffolk Counties

		Suffolk County					Nassau County			Total Long Island				
NAICS	Industry Title	2000	2010	% Total	Change	% Change	% Total	Change	% Change	2000	2010	% Total	Change	% Change
	Total, All Industries	**578,299**	**602,660**	**100%**	**24,361**	**4.2%**	**100%**	**-16,175**	**-2.7%**	1,176,829	1,185,015	**100%**	**8,186**	**0.7%**
	Total, All Government	97,038	106,752	17.7%	9,714	10.0%	14.3%	1,492	1.8%	178,789	189,995	16.0%	11,206	6.3%
	Total, All Private	481,261	495,908	82.3%	14,647	3.0%	85.7%	-17,667	-3.4%	998,040	995,020	84.0%	-3,020	-0.3%
11	Agriculture, Forestry, Fishing Hunting	2,410	2,295	0.4%	-115	-4.8%	0.0%	-28	-11.8%	2,647	2,504	0.2%	-143	-5.4%
21	Mining	169	168	0.0%	-1	-0.6%	0.0%	-13	-68.4%	188	174	0.0%	-14	-7.4%
22	Utilities	2,033	1,659	0.3%	-374	-18.4%	0.5%	-195	-6.9%	4,859	4,290	0.4%	-569	-11.7%
23	Construction	32,939	33,476	5.6%	537	1.6%	4.4%	-1,054	-4.0%	59,358	58,841	5.0%	-517	-0.9%
31	Manufacturing	65,523	53,026	8.8%	-12,497	-19.1%	3.3%	-18,189	-48.3%	103,203	72,517	6.1%	-30,686	-29.7%
42	Wholesale Trade	35,199	34,954	5.8%	-245	-0.7%	4.6%	-7,775	-22.5%	69,700	61,680	5.2%	-8,020	-11.5%
44	Retail Trade	73,800	76,130	12.6%	2,330	3.2%	13.0%	-9,417	-11.0%	159,067	151,980	12.8%	-7,087	-4.5%
48	Transportation and Warehousing	17,499	15,718	2.6%	-1,781	-10.2%	2.6%	-511	-3.3%	32,894	30,602	2.6%	-2,292	-7.0%
51	Information	15,940	9,875	1.6%	-6,065	-38.0%	2.4%	-967	-6.4%	31,051	24,019	2.0%	-7,032	-22.6%
52	Finance and Insurance	21,692	22,029	3.7%	337	1.6%	5.2%	-12,917	-30.0%	64,707	52,127	4.4%	-12,580	-19.4%
53	Real Estate and Rental and Leasing	6,963	6,644	1.1%	-319	-4.6%	1.6%	-1,528	-13.9%	17,988	16,141	1.4%	-1,847	-10.3%
54	Professional and Technical Services	33,905	35,666	5.9%	1,761	5.2%	5.9%	-3,223	-8.6%	71,242	69,780	5.9%	-1,462	-2.1%
55	Management of Companies and Enterprs	7,868	9,257	1.5%	1,389	17.7%	1.2%	-1,314	-16.2%	15,961	16,036	1.4%	75	0.5%
56	Administrative and Waste Services	33,450	33,469	5.6%	19	0.1%	4.7%	-4,098	-13.0%	64,928	60,849	5.1%	-4,079	-6.3%
61	Educational Services	8,578	10,087	1.7%	1,509	17.6%	3.4%	3,839	24.3%	24,363	29,711	2.5%	5,348	22.0%
62	Health Care and Social Assistance	63,987	80,782	13.4%	16,795	26.2%	19.1%	31,723	39.8%	143,712	192,230	16.2%	48,518	33.8%
71	Arts, Entertainment, and Recreation	7,723	9,342	1.6%	1,619	21.0%	1.9%	732	6.9%	18,344	20,695	1.7%	2,351	12.8%
72	Accommodation and Food Services	30,328	38,582	6.4%	8,254	27.2%	6.9%	4,926	14.0%	65,555	78,735	6.6%	13,180	20.1%
81	Other Services	20,214	20,998	3.5%	784	3.9%	4.7%	1,391	5.4%	45,963	48,138	4.1%	2,175	4.7%
99	Unclassified	1,043	1,752	0.3%	709	68.0%	0.4%	952	75.0%	2,312	3,973	0.3%	1,661	71.8%

Source: NYDOL QCEW

The sectors experiencing the largest gains over the past decade are denoted by the green-shaded cells in the table. In Suffolk County, the largest absolute gains were recorded in the Health Care (16,800 jobs), Accommodations/Food Services (8,250 jobs), and Retail (2,330 jobs) sectors, with 1,500-2,000 jobs added each to the Professional/Tech Services, Management of Companies, and Educational Services sectors. Nassau County had more declining versus gaining sectors than Suffolk County but of note is the fact that Health Care employment in Nassau increased by almost twice (31,700 jobs) the amount of Suffolk (16,800 jobs) over the decade. Given that the population of both counties are roughly equivalent these statistics suggest that Suffolk may be underserved in this sector with potential for future growth.

The largest declining sector in both counties was Manufacturing although Suffolk County's losses (-12,500 jobs) were more moderate than Nassau's (-18,190 jobs) suggesting greater resiliency in the industrial mix in the eastern half of the Island. Suffolk's Manufacturing sector accounts for 8.8% of total jobs versus 3.3% in Nassau. Other sectors with notable employment losses in Suffolk County were Information (-6,000 jobs) and Transportation and Warehousing (-1,780 jobs), each of which represent less than 3% of the total employment base.

A more detailed perspective of the strongest growth industries in Suffolk County is presented in Table IV-2 which highlights the subsectors at the 3-digit NAICS level (Note: there may have been other growth subsectors that were not provided in the publicly released data due to confidentiality reasons). The right-hand columns of the table also show projected employment growth for these sectors for Long Island as a whole over the coming decade (green highlighted cells reflecting major growth sectors). These projections, which were prepared by the NYDOL for the period 2008-2018, are not available at the county level. Still, they offer an indication of the anticipated strengths in the labor market area although there are likely to be some differences in the proportional distribution of this growth between Nassau and Suffolk Counties that cannot be discerned from the regional projections.

Past growth shown in the table for goods producing sectors of Construction and Manufacturing occurred in five subsectors (236, 238, 312, 313, 325, 335) with moderate to strong growth over the decade. Construction trades growth is likely a reflection of rapid development in the residential and commercial buildings market that occurred in the first half of the decade. Manufacturing gains were modest in most of the subsectors with the exception of chemical manufacturing that added over 2,200 jobs throughout the decade. However, the state's projections for all of these goods producing subsectors anticipates a net decline in employment through 2018.

Retail and Wholesale Trades also had five subsectors will relatively strong growth in Suffolk County over the decade, all of which are projected to have continued expansion going forward. Of particular significance for the subject property is growth in the nondurable goods wholesale subsector (424) which reflects the food distribution cluster on the Island and may represent some suitable business development potential at EPCAL.

The Transportation of Passengers subsector (485) experienced notable growth adding over 1,700 employees during the decade. At the local level, this trend is reflected in the planned new construction of a 50,000 square foot bus terminal/maintenance facility approved for construction in Riverhead near the EPCAL property (on Edwards Ave.). Continued strength is anticipated in this subsector as indicated by projected growth of 1,640 jobs through 2018.

Table IV-2

Largest Employment Growth by 3-Digit NAICS 2000-2010 in Suffolk County and Employment Projections 2008-2018 for Long Island

NAICS	Industry Title	2000	2010	Change	% Change	Projected Growth Long Island LMA 2008-18 Change	% Change
Construction							
236	Construction of Buildings	6,625	7,012	387	5.8%	-1,190	-6.8%
238	Specialty Trade Contractors	23,671	24,273	602	2.5%	-2,500	-4.9%
Manufacturing							
312	Beverage & Tobacco Product Manufacturing	127	389	262	206.3%	90	25.7%
313	Textile Mills	332	505	173	52.1%	-220	-37.9%
325	Chemical Manufacturing	7,490	9,737	2,247	30.0%	-220	-2.1%
335	Electrical Equipment and Appliances	1,967	2,186	219	11.1%	-2,430	-49.1%
Retail/Wholesale							
424	Merchant Wholesalers, Nondurable Goods	10,715	12,427	1,712	16.0%	860	3.4%
425	Electronic Markets and Agents Brokers	2,466	3,444	978	39.7%	150	1.7%
445	Food and Beverage Stores	14,721	18,477	3,756	25.5%	1,170	3.4%
446	Health and Personal Care Stores	5,201	5,887	686	13.2%	1,490	10.8%
448	Clothing and Clothing Accessories Stores	7,910	9,060	1,150	14.5%	400	1.7%
Transportation							
483	Water Transportation	351	725	374	106.6%	-60	-4.2%
485	Transit and Ground Passenger Transport	6,448	8,172	1,724	26.7%	1,640	12.5%
Information							
515	Broadcasting (except Internet)	1,206	1,502	296	24.5%	190	3.0%
Financial/Insurance							
522	Credit Intermediation Related Activity	10,089	11,077	988	9.8%	-4,570	-19.2%
523	Securities and Commodity Contracts	2,005	2,574	569	28.4%	-300	-4.3%
Real Estate							
531	Real Estate	4,466	4,713	247	5.5%	680	4.9%
Professional/Technical							
541	Professional and Technical Services	33,905	35,666	1,761	5.2%	8,410	11.2%
Management							
551	Management of Companies and Enterprises	7,868	9,257	1,389	17.7%	580	3.5%
Administration/Waste Management							
562	Waste Management and Remediation Service	2,441	2,724	283	11.6%	270	6.7%
Education/Health							
611	Educational Services	8,578	10,087	1,509	17.6%	NA	NA
621	Ambulatory Health Care Services	24,897	32,481	7,584	30.5%	17,190	24.0%
622	Hospitals	17,220	19,115	1,895	11.0%	1,570	3.1%
623	Nursing and Residential Care Facilities	13,951	17,840	3,889	27.9%	7,830	24.5%
624	Social Assistance	7,919	11,345	3,426	43.3%	6,970	24.6%
Leisure/Hospitality							
713	Amusement, Gambling, Recreation	6,564	8,018	1,454	22.2%	1,060	6.8%
722	Food Services and Drinking Places	27,474	35,864	8,390	30.5%	5,920	8.2%
Other Services							
812	Personal and Laundry Services	6,678	7,891	1,213	18.2%	2,010	10.9%
813	Membership Organizations Associations	5,862	6,284	422	7.2%	170	2.2%

Source: NYDOL

Other subsector growth trends that may be of significance for the EPCAL site are the historic and projected growth trends in Professional/Technical Services, Education and Health Care, and Leisure and Hospitality. Employment growth in Professional and Technical services on Long Island over the past decade occurred only in Suffolk County, as shown previously in Table IV-1. This suggests that a larger proportion of the projected 8,400 jobs through 2018 may be concentrated in Suffolk potentially creating a need for more office and flex space. However, existing vacancy in the marketplace (which is discussed in a subsequent section) may minimize any significant increase in demand for new building space in the first half of this decade.

Similarly, Health Care has been, and is expected to be in the future, the largest growth sector in the regional economy. In particular, ambulatory services, which includes among other things, doctor's offices, clinics, and other outpatient services, added over 7,500 jobs in Suffolk County alone, with over 17,000 additional jobs projected in the future for the Island. Given that Nassau County's health care employment grew much more rapidly than Suffolk's over the previous decade it may be reasonable to conclude that a greater proportion of the projected growth will be concentrated in Suffolk County to serve its growing population base. Some of this demand is reflected in a proposal to construct 15,000 square feet of laboratory space on the EPCAL site to serve the Island's three east end hospitals.

Along with ambulatory care, skilled nursing facilities and social assistance services also expanded considerably over the decade within the Health Care sector adding 3,889 and 3,426 jobs, respectively, in Suffolk County. Growth throughout Long Island is projected to be more than double these historic increases (7,800 and 6,970) through 2018, based on state projections, reflecting anticipated demand created by an aging population and other societal support needs. Hospital staff also increased by 11% over the decade adding about 1,900 jobs in Suffolk County. During this time, the Peconic Bay Medical Center in Riverhead underwent a major renovation and expansion which was supported by the town's rezoning of adjoining roadways to allow for medical office development. All of these regional and local development indicators point to sustained growth in the Health Care sector.

Finally, the other major growth sectors reflected in Table IV-2 are related to Leisure and Hospitality, components of the region's tourism and travel industry. The largest historic and projected job growth is in the restaurant/drinking subsector which added over 8,300 jobs within the county with 5,900 more projected through 2018. The other major component of this sector, which is not shown in the table, is hotel/lodging facilities which decreased by approximately 5% over the past decade with projected employment expected to remain flat through 2018. This suggests demand for additional hotel facilities will remain weak overall on the Island. However, some additional growth also occurred in the amusements/recreation subsector with 1,400 jobs added in the county and another 1,000 projected for the Island suggesting tourism/recreation activities will continue to expand, albeit modestly.

1. Industry Clusters

Another method for examining the strength of industry sectors within the region is by means of a cluster analysis. An industry cluster represents a group of interconnected businesses and institutions that are concentrated in a geographic location and that are

engaged in the production or provision of goods and services within a specialized sector of the economy. These clusters emerge because firms in the same, or a related, economic sector can gain a collective competitive advantage by locating near to each other. A close association with like firms allows businesses to learn about new developments, create an effectively trained labor pool, and reduce transaction costs. This close interaction can increase the productivity of the entire cluster, which, in turn, can significantly improve the local economy. In short, the drivers of business clusters tend to be competition, the benefits of agglomeration economies, workforce skills, and technology and knowledge transfers.

For the Long Island labor market area 16 industry clusters that have been identified which are presented in Table IV-3. A complete listing of all subsectors within these clusters can be found on the state's website (www.labor.ny.gov). Also presented in this table are the Location Quotients (LQ) for each of the clusters. An LQ is a ratio that measures the strength of a region's employment by sector in comparison to the national economy. An LQ of 1.0 indicates that the region and the nation have the same percentage of employment in that sector. The higher the LQ is above 1.0, the greater the indicated strength of the sector(s) in the regional economy.

The table data shows the change in cluster employment and establishments for a recent two year time period (2007-2009) which highlights current trends and potentially rebounding sectors. The green shaded cells signify either a positive change in employment or establishments, an increasing LQ, and/or, a relatively high LQ overall.

Biomedical Cluster

The Biomedical cluster was one of only two clusters with positive employment growth over this two year time period. Although Biomedical employment increased by only 200 jobs, it has the highest cluster LQ and is regularly cited in discussions with local economic development professionals as a future growth area. It includes the chemical manufacturing sector which has exhibited strong growth on the Island, as noted previously, and includes the regions pharmaceutical, nutraceutical, and cosmeceutical firms. It also includes sectors involved in R&D of physical, engineering and life sciences, as well as medical equipment development and manufacturing (biotechnology). This cluster is considered to have development potential at EPCAL due to the presence of the Stony Brook Incubator on the property and its connection to Stony Brook University and Medical Center given the related research conducted by these institutions. Research is also conducted at the Brookhaven National Laboratory (BNL) that could be used to establish linkages with businesses locating at EPCAL.

Table IV-3

Long Island Industry Clusters
Average Annual Employment and Location Quotient 2007-2009

	Employment				Employment LQ*				Establishments			
Industry Cluster	2007	2009	Change	% Change	2007	2009	Change	% Change	2007	2009	Change	% Change
Back Office & Outsourcing	20,200	16,400	-3,800	-18.8%	0.53	0.55	0.02	3.8%	674	694	20	3.0%
Biomedical	12,600	12,800	200	1.6%	1.71	1.71	-	0.0%	468	468	0	0.0%
Communications, Software & Media Services	33,600	30,400	-3,200	-9.5%	1.07	1.04	(0.03)	-2.8%	1,513	1,492	-21	-1.4%
Distribution	45,000	40,700	-4,300	-9.6%	0.88	0.85	(0.03)	-3.4%	8,191	8,080	-111	-1.4%
Electronics & Imaging	10,200	9,400	-800	-7.8%	1.32	1.37	0.05	3.8%	208	193	-15	-7.2%
Fashion, Apparel & Textiles	6,500	5,700	-800	-12.3%	0.93	1.00	0.07	7.5%	603	594	-9	-1.5%
Financial Services	55,800	48,900	-6,900	-12.4%	1.03	0.95	(0.08)	-7.8%	5,330	5,004	-326	-6.1%
Food Processing	6,400	5,500	-900	-14.1%	0.37	0.31	(0.06)	-16.2%	213	202	-11	-5.2%
Forest Products	5,200	4,200	-1,000	-19.2%	0.41	0.43	0.02	4.9%	353	354	1	0.3%
Front Office & Producer Services	72,200	68,900	-3,300	-4.6%	1.10	1.06	(0.04)	-3.6%	10,228	10,389	161	1.6%
Industrial Machinery & Services	22,200	19,800	-2,400	-10.8%	0.69	0.71	0.02	2.9%	964	921	-43	-4.5%
Information Technology Services	10,100	11,200	1,100	10.9%	0.56	0.61	0.05	8.9%	1,840	1,943	103	5.6%
Materials Processing	7,600	6,700	-900	-11.8%	0.36	0.36	-	0.0%	344	330	-14	-4.1%
Miscellaneous Manufacturing	5,500	4,300	-1,200	-21.8%	1.27	1.20	(0.07)	-5.5%	247	249	2	0.8%
Transportation Equipment	5,000	4,700	-300	-6.0%	0.32	0.37	0.05	15.6%	139	132	-7	-5.0%
Travel & Tourism	38,200	36,400	-1,800	-4.7%	0.64	0.63	(0.01)	-1.6%	10,090	10,080	-10	-0.1%
Total	356,300	326,000	-30,300	-8.5%					41,405	41,125	-280	-0.7%

*Location Quotient Souces: NYDOL

Information Technology

Information Technology added approximately 1,100 jobs over two years suggesting a reversal of the major losses incurred over the prior decade, as discussed previously. This cluster also added 103 establishments with a 9% increase in its LQ. These types of firms, which design software/computer systems and manage internet services, tend to have relatively few employees and are not location dependent. They could readily be integrated into incubator space or a larger business park. At least one firm in this cluster is presently located within EPCAL's industrial core buildings.

Front Office/Producer Services

The Front Office and Producer Services cluster encompasses the Professional/Technical services sectors that have shown strong growth within Suffolk County over the past decade despite the more recent loss of 3,300 jobs presented in the table. Despite this job loss, the cluster still added 161 establishments and maintains a higher than average LQ. These types of establishments are also considered potential users of an EPCAL business park particularly if an expanded relationship can be established with the BNL where on-going research and product development could help to support growth in these sectors. This cluster, which includes science, engineering and technology firms, also has tie-ins with the Island's defense/aviation industry which may be attracted to EPCAL, possibly due to the availability of its runway facility.

Electronics and Imaging

This cluster represents only 3% of the LMA's employment base but has the second highest LQ which increased from 1.32 to 1.37 over two years. The region has long specialized in sophisticated electronics and surveillance equipment through its defense contractor firms which offer an opportunity for economic diversification by applying these labor force skills in the growing markets of information and communication technologies. What makes this cluster a good candidate for EPCAL once again, is its

potential tie-in with the Brookhaven National Laboratory. There is the potential for BNL's research activities to be commercialized on the site through businesses in this cluster which includes the development of high-tech equipment and which also offers integration with the Front Office/Producer Services cluster noted above.

Forest Products

The Forest Products cluster has a relatively strong presence within the existing industrial core at the EPCAL park given the estimated 6 or 7 firms that are engaged in producing these types of products. These businesses produce value-added wood products, and related types of components and products. Although this cluster has lost employment recently, and is a relatively small component of the overall labor market, it offers an opportunity for future growth particularly if the rail line serving the park is upgraded making it more accessible to all tenants. This could potentially allow for greater production and distribution of goods from users at the park making it a more attractive facility. The same conclusion applies to the Industrial Machinery and Transportation Equipment clusters which manufacture heavy equipment and components, both of which would benefit from an enhanced rail distribution link.

Food Processing/Distribution

The Food Processing and Distribution clusters could offer a combined dynamic if such firms could be expanded on the EPCAL site. One such food processing firm, Mivila Foods, is currently located in the industrial core buildings. There is a significant amount of agricultural and marine related production in the region as represented by the wineries, farm crops, horticulture products, greenhouses, and fisheries activities. In support of this cluster an agriculture incubator is planned at the site as an 8,500 square foot expansion of the existing Stony Brook Incubator expected to begin construction this year (September, 2011). This facility will offer shared kitchen/food processing facilities that will allow local growers, or other entrepreneurs, to create value-added products from locally grown produce. Successful businesses could potentially graduate from this facility into larger production space if available on the site which could also warrant expanded distribution services/facilities. Discussions with local agricultural experts suggests that any such evolution of this cluster will be a slow, incremental process, although more rapid success of individual products is always possible. However, given the strong presence of agriculture within the local economy its potential should be strongly considered for future development of the site.

Back Office/Outsourcing

The Back Office and Outsourcing cluster includes, among other sectors, telephone answering centers, telemarketing, and credit bureau types of operations. These types of uses could also be readily integrated into a professional office park at EPCAL. These types of jobs do not generally required a high skill level and thus, could potentially draw from the large number of service sector employees in the area.

Communications, Software and Media Services

The development of this cluster at the EPCAL site would be very speculative and viable for only one of its subsector components, namely, motion picture industries. This

subsector has a presence on Long Island and in fact, one of the operations make use of former Grumman aircraft hangar space in Bethpage. It may not be practical to reuse any of the existing buildings in the industrial core for this purpose but the potential for new facilities is possible given the larger acreage available at the site. Furthermore, Suffolk County is supporting expansion of the film industry in the Island's east end as reflected by state tax credits provided to East Hampton Studios and financial support for the Westhampton Business Park which was required to provide space for the film industry as part of the arrangements to develop at the county-owned Gabreski Airport.

B. Establishments and Wages

The change in the number of businesses in Suffolk County between 2000-2010 is presented in Table IV-4. As shown, total private sector businesses increased by over 6,250 over 10 years, a 14.7% increase which well out-paced employment growth of 3% during this time period. In fact, several sectors which had declining or only modest employment gains during this period saw substantial growth in establishments (e.g. Construction, Finance, Real Estate, and Administration). This is an indication that Suffolk County's business base, similar to that found in many regions, is primarily driven by small business development. This is illustrated by the fact that the average number of employees for private sector establishments was 10, and only three sectors had average firm sizes of more than 20 employees. Furthermore, as noted by area economic development professionals, these small businesses are the primary drivers for supporting employment expansion within the regional market, as opposed to new businesses relocating from outside the region.

Almost all sectors experienced growth in establishments over this time period. Significant growth occurred in the Health Care (847) and Professional/Technical (932) sectors reaffirming the expectation of future employment expansion in these areas. The Professional/Technical sector has an average employment size of only 7 which should be considered when evaluating potential building space needs at EPCAL if this sector is targeted.

Table IV-4

Average Annual Establishments 2000-2010 Suffolk County						Average Employees
NAICS	Industry Title	2000	2010	Change	% Change	2010
	Total, All Industries	43,284	49,627	6,343	14.7%	12
	Total, All Government	670	762	92	13.7%	140
	Total, All Private	42,614	48,865	6,251	14.7%	10
11	Agriculture, Forestry, Fishing Hunting	247	239	-8	-3.2%	10
21	Mining	19	19	0	0.0%	9
22	Utilities	28	29	1	3.6%	57
23	Construction	5,726	6,958	1,232	21.5%	5
31-33	Manufacturing	2,455	2,123	-332	-13.5%	25
42	Wholesale Trade	3,268	3,204	-64	-2.0%	11
44-45	Retail Trade	6,393	6,296	-97	-1.5%	12
48-49	Transportation and Warehousing	980	1,013	33	3.4%	16
51	Information	637	610	-27	-4.2%	16
52	Finance and Insurance	2,074	2,430	356	17.2%	9
53	Real Estate and Rental and Leasing	1,414	1,573	159	11.2%	4
54	Professional and Technical Services	4,485	5,417	932	20.8%	7
55	Management of Companies and Enterprises	108	214	106	98.1%	43
56	Administrative and Waste Services	2,791	3,499	708	25.4%	10
61	Educational Services	430	568	138	32.1%	18
62	Health Care and Social Assistance	3,626	4,473	847	23.4%	18
71	Arts, Entertainment, and Recreation	644	818	174	27.0%	11
72	Accommodation and Food Services	2,700	3,062	362	13.4%	13
81	Other Services	4,061	4,426	365	9.0%	5
99	Unclassified	528	1,898	1,370	259.5%	1

Soource: NYDOL QCEW

The total and average annual wages by industry sector for Suffolk County are presented in Table IV-5. The two right-hand columns of the table also show how competitive wages were in Suffolk County in 2010 as compared to Nassau County and the State of New York. As shown, total wages increased by 42% over ten years and for the private sector, which accounted for 79% of the total, was in excess of $24 billion as of 2010. Average annual wages in Suffolk were fairly competitive overall with Nassau's at 97% but much less so

when compared with the state where they represented only 86% of the average. This suggests that both counties are at somewhate of a competitive disadvantage with the state as a whole from an average wage perspective.

Table IV-5

Wages by Industry, Total and Average Annual 2000-2010
Suffolk County

NAICS	Industry Title	Total Wages				Average Annual Wages			As % of	As % of
		2000	2010	% Total 2010	% Change	2000	2010	% Change	Nassau Cnty	New York State
	Total, All Industries	$21,897,722,737	$31,112,934,943	100.0%	42%	$37,866	$51,626	36%	97%	86%
	Total, All Government	$4,345,082,501	$6,521,762,295	21.0%	50%	$44,777	$61,093	36%	89%	113%
	Total, All Private	$17,552,640,236	$24,591,172,648	79.0%	40%	$36,472	$49,588	36%	98%	81%
11	Agriculture, Forestry, Fishing Hunting	$61,851,724	$77,074,260	0.2%	25%	$25,665	$33,584	31%	103%	115%
21	Mining	$9,468,998	$14,511,300	0.0%	53%	$56,030	$86,377	54%	74%	148%
22	Utilities	$155,667,352	$162,461,208	0.5%	4%	$76,570	$97,927	28%	94%	100%
23	Construction	$1,360,740,940	$1,889,355,839	6.1%	39%	$41,311	$56,439	37%	86%	94%
31-33	Manufacturing	$2,877,085,874	$3,171,167,773	10.2%	10%	$43,910	$59,804	36%	90%	101%
42	Wholesale Trade	$1,785,548,607	$2,366,365,059	7.6%	33%	$50,727	$67,699	33%	89%	94%
44-45	Retail Trade	$1,837,987,617	$2,321,502,761	7.5%	26%	$24,905	$30,494	22%	101%	103%
48-49	Transportation and Warehousing	$537,432,308	$620,353,720	2.0%	15%	$30,712	$39,468	29%	83%	90%
51	Information	$875,646,891	$619,896,185	2.0%	-29%	$54,934	$62,774	14%	67%	69%
52	Finance and Insurance	$1,490,798,146	$2,878,819,653	9.3%	93%	$68,726	$130,683	90%	168%	67%
53	Real Estate and Rental and Leasing	$267,013,201	$292,717,178	0.9%	10%	$38,347	$44,057	15%	74%	81%
54	Professional and Technical Services	$1,461,552,776	$2,253,069,468	7.2%	54%	$43,107	$63,171	47%	93%	69%
55	Management of Companies and Enterprises	$594,711,771	$1,011,333,351	3.3%	70%	$75,586	$109,251	45%	130%	78%
56	Administrative and Waste Services	$878,812,784	$1,233,490,056	4.0%	40%	$26,272	$36,855	40%	89%	87%
61	Educational Services	$202,587,362	$312,150,658	1.0%	54%	$23,617	$30,946	31%	76%	65%
62	Health Care and Social Assistance	$2,080,728,716	$3,724,507,655	12.0%	79%	$32,518	$46,106	42%	89%	103%
71	Arts, Entertainment, and Recreation	$160,470,706	$240,364,248	0.8%	50%	$20,778	$25,729	24%	79%	58%
72	Accommodation and Food Services	$454,477,292	$747,514,686	2.4%	64%	$14,985	$19,375	29%	97%	87%
81	Other Services	$434,376,109	$590,400,952	1.9%	36%	$21,489	$28,117	31%	93%	81%
99	Unclassified	$25,681,062	$64,116,638	0.2%	150%	$24,622	$36,596	49%	92%	79%

Source: NYDOL QCEW

In Suffolk County, Health Care and Manufacturing account for 12% and 10% respectively, of total wages, and despite its declining employment base, total Manufacturing wages still increased by 10% over the decade highlighting this sector's continued importantance in the regional economy. Similarly, the Finance and Insurance sector accounts for 9.3% of total wages and increased by 93% over the decade although employment gains were only marginal. Suffolk's wage rates in this sector far outdistanced those in Nassau representing 168% of wages paid in the adjoining county but were considerably lower than the state's average (67%).

Wages in the Professional/Technical Services sector represented 7.2% of the county's total but were less competitive than Nassau's (93%) and the state's (69%). However, employment gains for Suffolk in this sector over the decade far outdistance those in Nassau suggesting the variance was not an issue and may in fact have allowed Suffolk's businesses to remain more competitive in the face of recessionary conditions.

Overall, annual wages in Suffolk County were notably lower than those in Nassau County and the state. More sustained employment growth in Suffolk County suggests that wages may be more attractive to businesses considering a location there. However, the somewhat lower wage rate in Suffolk County will necessitate maintaining a cost of living, particularly as it relates to housing, that can be supported within this wage scale to insure that businesses will contine to be able to attract the required labor supply.

C. Labor Force

Changes in the local, regional, and state labor force and unemployment rates are presented in Table IV-6 and Figure IV-1. Between 2000 and the first six months of 2011, Suffolk County's labor force increased by 43,100 while Nassau County's grew by only 1,100, a reflection of population trends discussed earlier in this analysis. In fact, growth in the Town of Riverhead's labor force of 3,600 exceeded Nassau's during this time period. As illustrated by the data, the labor supplies of both counties, as well as the town, grew steadily, albeit at different rates, through 2008. Since then, the labor force has declined by 2%-3%, or between 18,500 and 19,500 in both counties while Riverhead's declined by an estimated 1.7% (300).

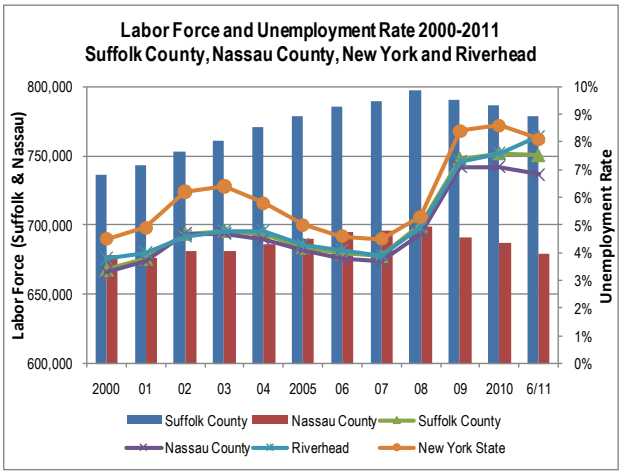


Figure IV-1

Table IV-6

Labor Force and Unemployment Rate 2000-2011*
Suffolk County, Nassau County and Riverhead

	Suffolk County		Nassau County		Town of Riverhead	
Year	Labor Force	Rate	Labor Force	Rate	Labor Force	Rate
2000	735,900	3.4%	678,000	3.3%	13,600	3.8%
01	743,100	3.8%	676,500	3.7%	14,200	4.0%
02	753,500	4.7%	681,200	4.7%	14,800	4.6%
03	760,500	4.8%	681,000	4.7%	15,400	4.8%
04	770,800	4.7%	686,100	4.5%	16,200	4.8%
2005	778,400	4.2%	690,300	4.1%	16,900	4.3%
06	785,300	4.0%	694,900	3.8%	17,100	4.1%
07	789,100	3.9%	696,000	3.7%	17,200	3.9%
08	797,700	5.0%	698,700	4.7%	17,500	4.9%
09	790,000	7.4%	691,200	7.1%	17,300	7.3%
2010	786,700	7.6%	687,500	7.1%	17,300	7.6%
6/11	779,000	7.5%	679,100	6.8%	17,200	8.2%
Change	43,100		1,100		3,600	
% Change	5.9%		0.2%		26.5%	

*Six month average
Source: NYDOL

This decline in the labor force is likely to have contributed to a leveling off of the unemployment rate over the last several years given that fewer people are recorded as active job seekers in the labor supply. Unemployment rates for both counties and the town tracked fairly consistently throughout the decade ranging generally one to two percentage points below the New York State average. As of June, 2011, there were approximately 57,000 unemployed workers reported in Suffolk County and 47,000 in Nassau County. It is likely that these figures are actually somewhat higher due to workers who have been chronically unemployed for a long period and no longer recorded in the system.

V. REAL ESTATE MARKET ANALYSIS

A. Office Market

The office market on Long Island has undergone some significant changes, experiencing several economic cycles of growth and decline, since the previous market analysis was completed for the EPCAL site in 1995. This analysis finds that the current office market is at a somewhat weaker point in the cycle than what was observed in the prior study. At that time the overall vacancy rate was 14.2% for the Island having dropped from about 19% in the preceding year. Presently, office vacancy for the first quarter of 2011 was reported as 19.2% by Cushman & Wakefield (C&W) having increased from about 17.6% the previous

year. This higher vacancy rate is largely attributable to the decline in the financial sectors since 2008 which is one of the key drivers of the office market. It is estimated that there is approximately 6.15 million square feet (MSF) of vacant office space in the Island-wide inventory of 32 MSF of competitive space that is tracked by C&W.[3]

The Suffolk County office market is predominantly located west of the EPCAL property with no significant inventory tracked beyond the Medford/Yaphank area in Brookhaven. Suffolk County's office market has approximately 12 MSF of competitive space with a reported vacancy of 22% in 2011, representing roughly 2.64 MSF of vacant space. Western Suffolk's vacancy was somewhat above the central submarket with rates of 22.7% and 20.9%, respectively, according to C&W.

Table V-1

Long Island Office Market Inventory
First Quarter 2011

Submarket	Inventory	Overall Vacancy Rate	Estimated Vacant	Avgerage Class A Gross Rent
Western Nassau	5,610,002	15.8%	886,380	$32.95
Central Nassau	8,646,709	18.4%	1,590,994	$29.98
Eastern Nassau	5,759,037	17.5%	1,007,831	$30.23
Total Nassau	**20,015,748**	**17.4%**	**3,482,740**	**$30.72**
Western Suffolk	7,718,880	22.7%	1,752,186	$28.29
Central Suffolk	4,306,409	20.9%	900,039	$23.85
Total Suffolk	**12,025,289**	**22.0%**	**2,645,564**	**$26.94**
Total Long Island	**32,041,037**	**19.2%**	**6,151,879**	**$29.15**

Source: Cushman & Wakefield

The overall lease rates (which includes subleasing activity) on the Island for Class A space averaged $29.15 per square foot (PSF) at the beginning of 2011. As shown in Table V-1, lease rates get progessively lower as distance increases from New York City decreasing from an average of almost $33 PSF in western Nassau with the central Suffolk region down around $24 PSF. Rental rates are reportedly up slightly over last year and expected to rise another 0.6% over the coming year. However, rents are still considered to be tenant-favorable and likely to remain so until a significant portion of the vacancy is absorbed.

For a more local perspective on office market lease rates, a sampling of Internet-listed properties available in Riverhead and the adjoining Town of Brookhaven were examined. This sampling is more inclusive than the Class A properties tracked by C&W and thus, are expected to be lower. The Brookhaven properties had a total leasable area of approximately 115,000 square feet, including 28,000 square feet of medical office. Conventional office space was consistently listed between $14-$18/SF. Existing medical space was also listed in this range while new medical space was in the $21-$24/SF range, with one asking $30/SF. Asking rents for properties in Riverhead, from a sampling of approximately 50,000 square feet (33,000 conventional and 17,000 medical), showed conventional office rates slightly higher at $18-$22/SF and $23-$27/SF for medical space. The more limited supply of space available in Riverhead is probably the main reason for slightly higher asking rents. However, as many brokers have noted, almost all rates are negotiable in the current market.

Absorption of office space in the market at the subcounty level is presented in Table V-2. This data, which was compiled by the Suffolk County Planning Department, does not reflect

[3] Note: Other commercial brokerage firms have somewhat different inventory and vacancy estimates for the market area. For example, CB Richard Ellis estimates total inventory of 40 MSF with an overall vacancy of 15.4% while Newmark Knight reports an inventory of 46 MSF and a vacancy rate of only 13.4%. Although there is a considerable discrepancy in vacancy rates amongst these sources the actual amount of estimated vacant building space in all three inventories is comparable, approximately 6.2 MSF for the Island as a whole.

the same total inventory of space that is tracked by C&W. However, it provides a valuable assessment of changes in the market at the town level which is not available from other sources. As shown, Suffolk County absorbed an approximately 5.12 MSF of new office construction over the past decade. This represents an average annual rate of almost 500,000 square feet per year. Interestingly, the amount of space absorbed was fairly consistent for the decade's two five-year increments with 2.7 MSF and 2.3 MSF added, respectively, in each time period despite the recent economic downturn. Almost half of the total space was absorbed in Huntington which is part of the western Suffolk submarket. However, Islip and Smithtown in central Suffolk added a combined total of over 1.6 MSF. Closer to the EPCAL site, the town of Brookhaven's office market absorbed almost 650,000 square feet of space, or about 62,000 square feet per year. Riverhead's total absorption was more modest at 126,000 square feet, most of which occurred in the first half of the decade.

Table V-2

Office Building Absorption 2000-2011 (Square Feet)*
Suffolk County

	Absorption[1]			Average
	2000-2005	2006-2011	Total	Annual
Babylon	169,000	16,000	185,000	18,049
Brookhaven	427,000	217,000	644,000	62,829
East Hampton	19,000	0	19,000	1,854
Huntington	956,000	1,418,000	2,374,000	231,610
Islip	470,000	396,000	866,000	84,488
Riverhead	106,000	20,000	126,000	12,293
Smithtown	586,000	295,000	881,000	85,951
Southampton	26,000	0	26,000	2,537
Southold	0	0	0	0
Total	2,759,000	2,362,000	5,121,000	499,610

[1] 1st Qtr 2011

*Inventory of buildings with 15,000+ sq. ft.

Source: Suffolk County Planning Department

Although office vacancy rates are fairly high, commercial brokers suggest that improvements are anticipated in the market over the next year. That said, there is still a significant inventory of vacant space that will need to be filled before any new large quantities of space are likely to be build and absorbed into the marketplace. There is little speculative development underway, according to brokers, with any new projects operating under a build-to-suit approach once tenants have been identified. One such project is a new business park planned for construction at Gabreski Airport in Westhampton. The Rechler Equity company has received approval to build 440,000 square feet of mixed use space on 50 acres owned by the county. Reportedly, the land will be leased for 40 years for a total of $40 million. Development of the park is planned to accomodate many uses including office, warehouse, manufacturing, the film industry, showroom, lab and medical space. In addition, a 145 room hotel will also be built on the site with occupancy anticipated for spring of 2012, according to the company's website. The county reportedly invested $1.5 million in sewer and infrastructure improvements to support this project. While this development does point to some optimism in the marketplace, the rate of build-out and absorption is likely to take a number of years. The developer plans to have approximately 35,000 square feet of office and 60,000 square feet of industrial space available by the Fall of 2012. Listed lease rates are $30-$32 for office and $15.50-$16.50 for industrial which are substantially higher than current market rates.

B. Industrial Market

Long Island's industrial market represents a substantial inventory of manufacturing, warehousing, distribution, and multipurpose building space. Manufacturing was once a strong component of the regional economy, much of it related to aerospace and aircraft companies that located there after WWII. However, the manufacturing base on the Island,

like many regional economies throughout the country, has dwindled for a variety of reasons related to costs and changing business models. As a result, there has been a considerable shift in the industrial real estate market on the Island where the use of space is now more driven by warehousing, distribution, and materials processing, along with the need for flex space and smaller manufacturing facilities.

Table V-3 presents a summary of the industrial market's inventory as of the first quarter of 2011, compiled by C&W. As shown, the total inventory tracked by C&W is approximately 126 MSF. The current, overall vacancy rate is 12.9% for the Island as a whole, up 20% from a year ago when it was 10.7%. The current vacancy represents approximately 16.2 MSF of vacant or leasable space within the market. For Suffolk County, C&W does track a separate submarket for the eastern portion indicating more prominence than the office market segment. Overall, Suffolk County has 81 MSF of inventory, roughly twice that of Nassau. The vacancy in Suffolk is presently 12.1% which translates to an estimated 9.8 MSF of space available in the market, 2 MSF of which is in relative proximity to the EPCAL site. Over the last year, C&W recorded a negative net absorption of 302,000 square feet as reflected by the increased vacancy rate noted previously. Discussions with brokers indicate that over the past four years there has been 2 to 2½ times as much industrial space coming available versus what is being absorbed through leasing activities.

Table V-3

Long Island Industrial Market Inventory
First Quarter 2011

Submarket	Inventory	Overall Vacancy Rate	Estimated Vacant	Average Net Rental Rate		
				High-Tech	Manuf	WH/Dist
Western Nassau	14,024,882	17.9%	2,510,454	$7.15	$8.37	$7.89
Central Nassau	8,954,622	12.4%	1,110,373	---	$10.22	$5.85
Eastern Nassau	21,866,265	12.5%	2,733,283	$10.16	$6.86	$8.01
Total Nassau	**44,845,769**	**14.2%**	**6,368,099**	**---**	**---**	**---**
Western Suffolk	25,615,042	10.3%	2,638,349	$7.58	$6.19	$6.65
Central Suffolk	39,741,772	13.1%	5,206,172	$6.92	$6.10	$5.44
Eastern Suffolk	15,992,538	12.7%	2,031,052	$5.83	---	$5.41
Total Suffolk	**81,349,352**	**12.1%**	**9,843,272**	**---**	**---**	**---**
Total Long Island	**126,195,121**	**12.9%**	**16,279,171**	**$7.56**	**$6.93**	**$6.38**

Source: Cushman & Wakefield

Industrial lease rates tracked by C&W are divided into several categories including high-tech, manufacturing, and warehouse/distribution space. As shown, in Suffolk County, high-tech space garners the highest rates trending from $7.58-$5.38/SF from western to eastern submarket. Manufacturing space is leasing for about $6.15/SF with no inventory tracked in the east end. Warehousing and distribution space asking rents were highest in western Suffolk at $6.65/SF and about 18% lower in the central and western submarkets at approximately $5.42/SF. A review of other Internet-listed properties, as well as discussions with brokers, find these C&W rates to be somewhat lower than these other sources which generally cite $8-$9/SF as the average asking rent. It may be that C&W's rates represent the actual final rate that is obtained through negotiations as opposed to higher asking price which is less obtainable in the current market. In either case, the lower available lease rates will help to attract new tenants over the coming year but a significant reduction in the overall vacancy rate is still probably several years away.

A review of industrial land sales in the county, which was obtained from the state's database of transations, is presented in Table V-4. Over the last several years the state recorded only 61 arms-length transactions of industrial land totalling 476 acres. As shown, there was considerable variation in the average cost per acre since value is affected by location, condition of the property, and total size. Overall, the average county-wide sale value was $97,700 per acre. In Brookhaven, where 22 transactions were recorded, the average price was almost $180,000 per acre. However, the value in Islip, where 26 sales occurred of 387 acres, the average value was only $50,000 per acre. There was only one transaction recorded in Riverhead for $16,000 per acre. There have been no recent sales of land at the EPCAL site but a 95 acre parcel adjacent to the longer runway and accessible to the rail line is being marketed for $180,000 per acre. Another 30 acres located more centrally in the industrial core was listed at $295,000 per acre. A final comp of 42 acres outside the park, but near the site on Middle Country Road, is listed for $90,000 per acre. Given current market conditions, a reasonable range of land values at the site is probably $100,000-$150,000 per acre for raw land without immediate access to utilities or infrastructure, based on available data and input from area brokers. Land further west in the more industrialized areas of the Suffolk County market is typically achieving about twice this range.

Table V-4

Industrial Land Sales 2008-2011
Suffolk County

	Total Sales Value	Total Acres	Total Sales	Avg/AC
Babylon	$9,838,250	9.7	10	$1,017,399
Brookhaven	$12,494,223	69.5	22	$179,721
East Hampton	$3,600,000	3.3	1	$1,107,692
Islip	$19,541,500	387.5	26	$50,430
Riverhead	$68,300	4.2	1	$16,262
Smithtown	$1,000,000	2.0	1	$505,051
Grand Total	$46,542,273	476.1	61	$97,753

Source: NY ORP

Despite the abundance of vacant space in the industrial market, construction still continues to some degree, as outdated facilities are replaced or existing businesses seek to modernize to remain competitive. Several recent development projects exemplify this and are potentially relevant for the EPCAL site. The first is the business park planned at the Gabreski Airport in Westhampton, which was discussed in the preceding section. This project has 60,000 square feet of industrial space planned for construction over the next year at a geographic location that is not dissimilar to EPCAL. The 50 acres of land is being leased here for an estimated $20,000 per acre, based on reported figures.

The other two projects point to the continuing strength of the warehouse and distribution sectors of the regional economy. First, Sysco Corp., a large national food distributor, is building a 400,000 square foot refrigerated warehouse in Central Islip to reportedly serve as a distribution center for Long Island and the metropolitan area. Discussions with area professionals regularly point to the shortage of refrigerated storage facilities to serve food related businesses on the Island requiring them to use facilities at more distant locations in the metropolitan area. The projected is receiving $7.3 million in financial assistance and tax abatements and is expected to eventually employ 300 workers.

The second project involves the creation of a privately-developed rail facility in Yaphank/Brookhaven near Sills Road and the Long Island Expressway. The project involves construction of a $26 million rail/truck freight handling facility on 28 acres with the original intention of reducing the cost of shipping construction aggregate materials onto the Island

which is normally transported by truck and boat. Shipping this material by rail will substantially reduce costs and eliminate considerable truck traffic from the roads. Reportedly, other businesses involved in the lumber, paper, and construction industries have expressed interest in the property. In light of this, the developers have secured interest in 120 acres of land to support development of other ancillary users, according to area brokers. Use of rail in this manner could also help to support further investment and development at the EPCAL site. Although it may not become a centralized distribution center like the one in Yaphank, it could certainly serve to attract more businesses to the property that would benefit from lower cost transportation of raw materials and finished products.

Another development plan located near the EPCAL site illustrates the tenative nature of the industrial market. In 2008, a developer received approval from the Town of Riverhead to build seven, 30,000 square foot industrial buildings on land located off Edwards Avenue. Currently, one of these approved buildings has been listed as a build-to-suit arrangement with an asking rate of $12/SF. This approach, where development approvals are obtained and held until actual tenants are secured, is likely to continue until more certainty returns to the market that allows for speculative construction to begin again.

C. EPCAL Business Park

The EPCAL business park is comprised, at this point, primarily of the original industrial core buildings and runways that were operated by the Grumman Corporation as part of their defense industry facilities. Although the entire park encompasses considerably more acreage than this core, these buildings represent the only real estate activity that can be tracked within the marketplace since it was vacated by Grumman 15 years ago.

Town records indicate that there was approximately one million square feet of buildings in this core area. However, once infrastructure facilities and smaller ancillary buildings are excluded, the actual amount of usable space from a commercial or industrial market perspective may be more in the vicinity of 850,000 square feet, although no actual on-site verification has been conducted. For the most part, these buildings are assumed to be 40 years old or more consisting of large aircraft hangar spaces, specialized manufacturing buildings, flexible combination space, as well as some office square footage.

Precise figures regarding current occupancy at the park are not readily available since there are numerous building owners and brokerage firms involved in their management and oversight. However, a search of properties listed for lease turned up 150,000 square feet of vacant and/or available space. However, one broker who is particularly active at the park estimates the amount of available space to be double that figure. Since all of the potentially usable space is probably not listed, the actual figure may lie between these two figures. These estimates would result in a vacancy/availability rate of between 17%-35%, based on the 850,000 square foot inventory total.

Asking rents for the listed properties at the park are generally in the $7-$8.50/SF range for warehouse/distribution space with availabilities of 21,000 to 68,000 square feet. Small office/R&D space of 9,000 square feet was offered at $10/SF and 21,000 square feet of flex space was listed at $5/SF. A land lease for 15 acres was also listed at $23,900/AC per year.

Some new construction has occurred at the park over the past 5-6 years. For example, Island International constructed 60,000 square feet for the manufacturing of pre-fabricated steel building components. Riverhead Building Supply replaced its existing facility in town with 125,000 square feet of manufacturing and distribution space on 35 acres. Vertical Lines Apparel constructed 60,000 square feet for a silkscreeing/warehousing operation. Metro Terminals, a bio-fuel distributor, also constructed a new facility and owns a second parcel of land that is reportedly planned for future off-loading of product from the rail line. Finally, EBS Building Systems, a manufacturer of wood building trusses, has received approval to construct 60,000 square feet of manufacturing/warehouse space at the park, the commencement date for this development is not known.

An estimate obtained from a commercial data firm regarding the number of businesses located at the park places the total in a range of 25-30. Although there is considerable diversity in the nature of these businesses, a signficant percentage are involved in the manufacture and use of wood products and other construction materials (e.g. aggregate, steel, stone), reflecting one of the regional economy's industrial clusters, as discussed previously in this analysis. Other businesses are involved in electronics and transportation equipment production, computer software/data processing, petroleum processing/distribution as well as recreational activities (sports complex and sky diving). As noted previously, the firms involved in wood/construction materials and fuels businesses could potentially benefit from improved rail access, allowing them to expand their operations, while also serving to attract additional businesses in this cluster.

To the extent possible, interviews were conducted with occupants of the park, as well as listing brokers, to ascertain why they chose to locate at the park, future growth plans, and assessment of current operations of the facility. It was difficult to get many companies to respond to inquiries but those who did expressed a very high level of dissatisfaction with overall conditions at the park. Much of this stemmed from the lack of completed infrastructure and site improvements, poor access roads and signage, lack of facilities maintenance, security concerns, and difficulty in maneuvering through the local development approval processes.

VI. SPECIALTY USES

This section provides an overview of several specialized market segments which have been suggested as potential target markets for the EPCAL property. Among the uses profiled in the section are aviation uses, Native American casino gaming, solar energy production, professional auto racing, a sports tournament complex, uses associated with Brookhaven National Laboratory and a polo complex, consistent with a proposal recently presented to the Town of Riverhead. The sections below provide overview information on each of these specialized market uses, and identify key concerns and considerations for each.

A. Aviation Uses

The EPCAL property includes two runways, formerly used by the prior defense-related missions that were conducted on the site. The west runway (05/23) is 7,000 feet long and 200 feet wide, and includes a parallel taxiway. The east runway (14/32) is reported to be 10,000 feet long and 200 feet wide, and also includes a parallel taxiway. The facility also included a variety of hangars, shops and other aviation support facilities, which were used to support the prior defense mission. However, these facilities were sold off by the Town to a private entity, and the facilities have been converted to non-aviation uses.

At the present time, the west runway is no longer being used for aviation purposes. There is evidence of significant spalling and cracking of the pavements for both the runway and taxiways, indicative of little or no regular maintenance . In addition, there is significant vegetative growth in some areas of the runway, and some potholes have begun to form.

The east runway is currently used by a private company for a skydiving operation. The school offers training for beginning skydivers as well as experienced skydivers. The company uses only a small portion of this runway, estimated to be less than 3,000 feet.

At the present time, there is no indication that the airfield at EPCAL is sanctioned or regulated by the Federal Aviation Administration (FAA). It does not appear that the airport has received any funding from either FAA or from the State. The Aviation Bureau of the New York State Department of Transportation identifies the facility as a private use airport, known as the Calverton Executive Airpark, and references the Town of Riverhead as airport manager.

Competitive Position - The size of the runways, at 7,000 and 10,000 feet respectively, makes the runways a potential asset in terms of marketing the EPCAL facility for aviation uses. However, given the limited amount of maintenance over the past fifteen years, coupled with the fact that most support facilities have been sold off, re-establishing the airfield as a viable functioning airport would require a significant level of investment.

There are two airfields in proximity to the EPCAL property which have runways in excess of 5,000 feet. These include the Long Island MacArthur Airport in Islip (ISP) and the Francis Gabreski Airport in Westhampton (FOK).

Long Island MacArthur Airport (ISP) - ISP is located approximately 20 miles from the EPCAL site. ISP has a total of four runways. Two of the runways are 150 feet wide, and 7,006 and 5,034 feet long respectively. The remaining two runways are 75 feet wide, and 5,186 and 3,175 feet long respectively. The airfield reportedly has 233 based aircraft, according to AirNav.com, a comprehensive aviation website. The majority of based aircraft are single engine planes, but ISP is also home to 16 multi-engine airplanes, 51 jets, 23 helicopters and 8 military aircraft.

The airfield supports almost 160,000 aircraft operations annually. AirNav estimates that in 2009, 12% of ISP's aircraft operations were commercial service (USAir and Southwest

Airlines), and an additional 3% were air taxi operations. Approximately 85% of all operations were general aviation, including 49% local and 36% transient activity.

Passenger activity at ISP has been declining steadily since 2005. According to FAA data, in 2005, ISP boarded 1.2 million passengers. By 2008, the number of boardings had fallen to less than 1.05 million. In 2010, the number of boardings fell to just under 860,000, a decline of 30% since 2005.

Francis Gabreski Airport (FOK) - FOK is located less than 10 miles from the EPCAL site. FOK has a total of three runways, all of which are 150 feet wide. Two of the runways are 5,000 feet long, while the third is 9,000 feet long. The airfield has 115 based aircraft, according to AirNav.com. Almost 80% of based aircraft are single engine planes, but FOK is also home to 12 multi-engine airplanes, 3 jets, 3 helicopters and 11 military aircraft.

The airfield supports almost 260,000 aircraft operations annually. Due to the proximity of FOK to the Hamptons, much of the aircraft operations (79%) are associated with transient aircraft. Also, due to the seasonal travel to the Hamptons, much of the aircraft activity takes place during the summer months. AirNav estimates that in 2009, 15% of FOK's aircraft operations were local general aviation aircraft, while 5% was military activity.

It is significant to note that development is underway at FOK to construct a large block commercial and industrial space. The developer, Rechler Equity Partners, had reportedly expressed interest in the EPCAL site, but apparently chose to re-target their investment to Gabreski Airport. According to the company's website,

> *"The Hampton Business District at Gabreski is the East End's first and only Class A Business Park. This business and technology center sits on 50 acres and consists of 440,000 square feet, made up of seven different buildings to accommodate the needs of small and large businesses. Located in the front of Gabreski Airport in Westhampton, this 50 acre mixed-use park will be on the cutting edge of business parks in all of the United States. The park will be able to accommodate many uses including office, warehouse, manufacturing, film, showroom, lab and medical. A 145 room hotel will also be built on the site. Occupancy is anticipated for spring of 2012."*

Two other nearby airports, East Hampton (HTO) located in East Hampton, and Brookhaven Airport (HWV) located in Shirley, have runways of 4,000+ feet.

East Hampton Aiport (HTO) - This public use general aviation airfield is located approximately 23 miles east of the EPCAL site and has two runways, 4,255 feet by 100 feet and 2,060 feet by 75 feet. The airport is listed as having 89 based aircraft including 75 single engine, 5 multi-engine, 5 jets and 4 helicopters. The airfield has supported occasional commercial service including seasonal scheduled helicopter service from New York City. The airport serves the Hamptons on a strongly seasonal basis, with approximately 32,000 operations per year (2007).

Brookhaven Airport (HWV) - This publically owned airport, located 7 miles west in Shirley, has two 4,200 foot by 150/100 foot runways. AirNav reports 231 based aircraft, with 208 single engine, 12 multi-engine, 1 jet, 3 helicopters and 7 gliders. The airport experienced about 60,000 operations in 2007, with 82% local general aviation and 18%

transient traffic. The Town of Brookhaven is currently exploring options for enhancing activity at the airport in order to reduce the large subsidy required of the town to operate the airport.

There are other smaller general aviation airports on eastern Long Island including a 2,200 foot strip in Mattituck, 13 miles east of EPCAL and two airfields (2,300 foot and 2,400 strips) located 13 miles west of EPCAL in East Moriches.

Necessary Investment - Redevelopment of the Calverton airport to support general and business aviation needs will require substantial investment. In terms of facilities, the airport would require - at a minimum - an upgrade to at least one of the runways, establishment of fueling facilities, installation of navigation aids, development of one or more hangars, upgrades to perimeter fencing, and vehicle parking facilities. In total, these capital investments would cost millions of dollars to complete. Although some funding could be available from the FAA for projects of this type, the Town would have to apply to the FAA to have the airport included in the National Plan for Integrated Airport Systems (NPIAS) before funding could be sought. This process would likely take a substantial period of time to complete. In addition, it is likely that approval from the State of New York's Aviation Bureau and inclusion in the State Airport System Plan (SASP) would also be required. FAA grant funding for capital improvements typically covers 95% of the costs, and is allocated on a national and regionally competitive basis. Local and/or state funding is required for the balance, with the local sponsor share accounting for 2.5% and the state covering the remaining 2.5%

Re-establishing the airport would also necessitate the development of an Airport Master Plan (AMP) by the Town (to plan the future development of the facility), which includes a Capital Improvement Plan (CIP) – a five to ten-year schedule of necessary airport capital investments. These capital improvements would include annual pavement (runway, taxiway and apron) maintenance (crack filling, striping, signage, etc.) and eventual replacement. Annual capital maintenance costs could be expected to be $100,000 (or more) even when including a reimbursement of 97.5% from federal and state sources. The development on non-reimbursable capital investments (such as hangars) could drive this annual cost upward. Once state and federal monies are accepted, the Town must commit to maintaining and operating the airport in perpetuity.

Re-establishing an airport at EPCAL would also require a substantial annual operating budget. Though the creation of a detailed airport operations budget is beyond the scope of this analysis, the consultants have reviewed operating budget information for airports of a similar size. Budgets in the range of $250,000 to more than $1 million per year are typical. Operating costs would typically include airport management personnel salaries and benefits, insurance, utilities, fuel, equipment, etc. While revenues from aircraft activity can help to offset these costs, it is anticipated that an airport at the EPCAL property could require ten years or more at a minimum to become self-sufficient financially (and may never achieve this goal). A recent (2009) financial analysis by RKG Associates for the civilian conversion of the former Brunswick Naval Air Station in Maine (a comparable airport with two 8,000 foot runways) estimated annual aviation-related operating costs at $414,000 and capital costs of

$2.5 million, with a local share of approximately $150,000. The airport was forecast to "breakeven" within five years of start-up; however, over 90% of airport revenues were derived from the leasing of existing buildings (several large hangars) and land (to airport users).

Most general aviation airports that serve recreational and business users operate at a deficit. As shown in Table VI-1 which shows net cash flow for the State of Connecticut's five GA airports between 1998 and 2005, with the exception of Hartford-Brainard Airport in 2004 and 2005, each airport operated at a deficit ranging between $27,000 and $689,000. As another example, Brookhaven Airport's (HWV) operational loss totaled over $400,000 in 2010. It should be noted that funding for airport operational costs is not grant eligible so any deficits must be supported by local sources or state aid.

Table VI-1

Net Cash Flow for State-Owned General Aviation Airports in Connecticut

Airport	Actual FY98	Actual FY99	Actual FY00	Actual FY01	Actual FY02	Actual FY03	Actual FY04	Actual FY05
Groton	(536,206.32)	(582,971.22)	(566,457.91)	(595,743.28)	(670,679.46)	(689,789.17)	(416,172.00)	(239,287.00)
Brainard	(96,026.94)	(110,010.85)	(162,639.76)	(92,699.34)	(82,445.53)	(68,638.30)	18,358.00	20,916.00
Danielson	(42,467.00)	(61,539.00)	(71,152.00)	(61,973.00)	(69,099.19)	(67,802.13)	(27,602.00)	(50,025.00)
Oxford	(76,167.20)	(27,245.18)	(75,575.14)	(175,199.66)	(253,899.57)	(248,335.58)	(192,940.00)	(194,354.00)
Windham	(115,435.00)	(118,265.00)	(108,755.00)	(116,552.00)	(129,937.80)	(134,014.93)	(60,777.00)	(124,159.00)
Total	(866,302.46)	(900,031.25)	(984,579.81)	(1,042,167.28)	(1,206,061.55)	(1,208,580.11)	(679,133.00)	(586,909.00)

Source: Connecticut Department of Transportation

Benefits - General aviation airports typically serve two primary users – recreational fliers who own and operate personal aircraft (and who may occasionally use them for business-related purposes) and business aircraft used by companies to move personnel (and occasional products) to areas not served by commercial airlines. Recreational aircraft are typically single-engine piston or turboprop airplanes, while business aircraft tend to be multi-engine turboprop or jet aircraft. National statistics indicate that the number of private aircraft has been stable over the past several years, with some growth in the number of corporate aircraft (at least prior to the last recession). The economic benefits of general aviation airports vary widely, and little comprehensive data exists on the connections between airport operations and local employment/investment levels.

The existence of a nearby and convenient general aviation airport is considered to be an amenity for some businesses that utilize aircraft. Location near corporate facilities such as production operations allow companies to reduce costs associated with personnel travel. Many companies also allow some personnel to utilize corporate aircraft for personal uses, such as accessing vacation homes, as indicated by the operational levels at nearby Gabreski Airport with its proximity to the Hamptons. A few companies, primarily those directly associated with aviation or aeronautics, give preference to locating facilities at airports. However, the number of aviation-dependent businesses is small while the number of existing airports with capacity to accommodate these types of uses is large. In addition, the lack of

suitable airside facilities to serve these businesses (in particular large-bay hangar space) further limits the potential.

Because of the costs of owning and operating corporate aircraft (a typical corporate jet may cost from $5 to $25 million to buy and $2,000 to $6,000 per flight hour to operate), companies that own planes, including the growing number that operate fleets on a time-share basis (such as NetJets) require that the airports that they utilize have the highest safety standards available, which often includes sophisticated navigation aids and/or manned air traffic control towers. These improvements are very costly to build and operate and may preclude smaller general aviation airports from consideration by larger corporate aircraft users.

Commercial Service/Air Cargo - Passenger airline service in the United States has evolved into a "hub & spoke" system where large international airports are fed from smaller airports located in areas with relatively high population densities. Less populated rural areas may be served by airlines that are subsidized either at the federal level (Essential Air Service – EAS) or by the local airport sponsor. Long Island is served by three commercial airports (Islip, JFK and LaGuardia). The ability to economically support additional commercial service for eastern Long Island in the foreseeable future is unlikely, particularly given the recent reduction of services at Islip.

The 1996 SH&E evaluation of aviation potential for EPCAL identified three significant barriers to the development of cargo activity at EPCAL. These included:

- The need for a combination carrier or all-cargo airline to receive support from freight forwarders;
- The runway length was not sufficient to support 747-100/200 aircraft without a reduced payload; and
- Regulatory and governmental hurdles, including the need to be designated as a New York City airport and the need for a U.S. Customs and Immigration facility.

The competitive position of the runway at EPCAL has not improved over the intervening fifteen year period. The airfield is not an approved FAA public use airport, and thus cannot be designated as a New York City airport for cargo; freight forwarders have consolidated operations to enhance cost effectiveness; the condition of the runway has deteriorated substantially due to the lack of an active maintenance and repair program; the facility lacks the facilities and infrastructure (including fueling facilities) necessary to support cargo traffic; and the airport does not have the necessary navigational aids to support cargo operations. As discussed elsewhere in this analysis, the runway at EPCAL would require millions of dollars in upgrades, as well as FAA approval and likely NYSDEC and NYDOT approval, before any significant aviation activity can be attempted.

Most air cargo that is shipped in the United States utilizes existing scheduled services (passenger planes) or dedicated air cargo carriers that fly between major hub airports. Independent air cargo airports have typically not been successful, with operators eventually moving to existing large commercial airports. The relative lack of an air cargo customer

base, combined with the proximity of three major commercial airports (and a large general/corporate aviation airport with sufficient runway length and services) suggests that such use Calverton, assuming it was redeveloped to support such uses, is not likely within the foreseeable future. This finding concurs with the previous 1995 aviation market analysis which concluded that attraction of large scale cargo users is unlikely at Calverton.

B. Native American Casino Gaming

The Shinnecock Nation was formally recognized by the Federal government in June of 2010. That decision would allow the Shinnecock to construct a casino on their 800-acre reservation in Southampton. However, due to traffic concerns, as well as the somewhat low population density in proximity to the reservation, the Shinnecock have been looking for locations which are close to the Long Island Expressway and which enjoy higher population density. Locations further west are considered more attractive due to public transportation access, proximity to New York City and a higher concentration of high income individuals. The State of New York has indicated support for the tribe developing a casino closer to New York City, in part due to the traffic concerns, but also because the State will share in casino revenues if a casino operation is built off the tribe's reservation.

The creation of an off-reservation casino is considered complex. First and foremost, the tribe would have to purchase land. Subsequently, the land would have to be put into trust by the U.S. government. In addition, the tribe will have to negotiate a gaming compact with the State of New York. This agreement is likely to be opposed by existing operators of "racinos" at some of the state's race tracks, and possibly from gaming interests in Connecticut and New Jersey. A compact for a casino in the Catskills was reportedly turned down earlier in 2011, in part due to opposition from gaming interests and racino operators.

To date, there have been a number of reports regarding potential locations for the Shinnecock's casino. In the Spring of 2011, a number of reports indicated that the tribe was negotiating with Nassau County to acquire a portion of the Nassau County Coliseum site. Within the last thirty days, new reports have identified a proposal targeted for the Belmont Racetrack to build a 400 to 600 room hotel in association with the casino, as well as a renovated grandstand for the racetrack and a structured parking facility. Reports have indicated that the tribe needs between 35 and 50 acres for its development.

The EPCAL site could readily support the development of a casino of 35 to 50 acres, or a more comprehensive casino resort development ranging up to 500 acres or more. However, discussions with realtors have indicated that the tribe prefers to be closer to New York City than the EPCAL site. Though the EPCAL site has good access to the Long Island Expressway, it is considered too far east on Long Island to be convenient for New York City residents. Population density in proximity to the site is dramatically lower than Nassau County locations.

C. Solar Energy Production

There has been substantial growth in the solar energy production sector over the past five years. The cost of materials, particularly solar panels, has fallen substantially. In addition, tax credit programs at the Federal level have been expanded, and some states have also

developed solar renewable energy credits (SRECs). In particular, SRECs are credited with the significant growth in solar energy generation in New Jersey, widely recognized as a leader in solar production. The New York State Assembly considered a bill which would create a New York SREC program (the New York Solar Industry and Jobs Act), but legislation was not passed prior to the end of the legislative session in June.

Solar energy generation using photovoltaics is reported to be one of the fastest growing renewable energy sectors. This rapid growth is attributed to factors such as increasing costs associated with conventional energy sources, increased public awareness of environmental issues, and the lower environmental impacts of solar as compared to traditional energy generation. In addition, the modular nature of solar systems means they can be configured to meet the needs of users as small as a single home, or as large as a major industrial facility. As discussed elsewhere in this report, a 37 megawatt project is under development by BP Solar on land at the Brookhaven National Laboratory. The project is expected to be on-line in November 2011.

Published reports project continued growth of solar installations. Projected growth rates through 2015 are reported to be in the range of 17% to 32% annually. However, the level of government support has been a significant factor in the growth of the solar industry, and will likely continue to play a major role in the future. At the present time, the costs for solar generation are higher than the costs to generate electricity through traditional methods using coal, natural gas and/or oil. Government incentives targeted toward enhancing environmental quality and reducing the reliance on imported fuels have been a major driver of the increased use of solar systems in the U.S.

One of the key elements to a successful solar installation is a power purchase agreement. In essence, this is an agreement between the solar producer and an end-user who has an established need for the available power. Tax credit programs can help to defray the cost of developing a solar generation system, but the cost of generation can still be somewhat high. A more detailed study of the economics of a large-scale solar system is recommended. Discussions should be initiated to try to determine the level of demand from existing tenants on the site, and possibly from the Calverton National Cemetery, which is in close proximity to the site.

Using the BP Solar project at Brookhaven National Laboratory as a model, a 200-acre solar farm could support 37 to 40 megawatts of generation capability. This type of utility use could be considered as an "interim use" for portions of the site, whereby the solar project could be installed for a period of twenty years, and then removed to allow development in the future.

Governor Cuomo signed the Power NY Act, which encourages additional use of solar power. In addition to providing incentives for low- and moderate-income New Yorkers to retrofit their homes, the legislation also reportedly directs the New York State Energy Research and Development Authority (NYSERDA) to evaluate additional solar generation opportunities within the state.

D. Brookhaven National Laboratory

As part of the market review for the EPCAL property, Brookhaven National Laboratory (BNL) was contacted to discuss their knowledge of the property, and to determine whether there are existing or planned programs at BNL which might benefit from use of the EPCAL site. Specifically, the Managing Director of Technology Commercialization and Partnerships for BNL was interviewed to gain an understanding of the number and types of projects that BNL is developing, and to understand how BNL pursues commercialization of innovations developed at the Lab.

Commercialization of technologies developed at BNL is managed by Brookhaven Science Associates LLC (BSA). BSA holds title to inventions developed at BNL. BSA is jointly owned by SUNY Research Foundation, Battelle Memorial Institute and Stony Brook University. BSA performs commercial licensing of technologies to commercial businesses. In addition, BSA has the ability to create spin-off entities which can collaborate with BNL relative to applications of technologies. In some cases, BSA or BNL will enter into a licensing or commercialization agreement which takes the form of a mentor-protégé agreement. This allows BNL staff to work cooperatively to enhance technology transfer to the private sector.

BNL is developing a build-out plan/site plan for the BNL campus. The campus includes more than 5,500 acres, and has more than 400 buildings on-site. Due to the secure nature of activities at BNL, it is sometimes difficult for members of the public to gain access to the facility. As a remedy, BNL is considering the development of a publicly accessible facility located "outside the fence", which would provide more convenient access for non-BNL personnel to meet with representatives of BNL. This facility could be likened to a large "visitors center", with multiple conference rooms, offices and possibly some lab space. It is also interesting to note that BNL has moved some departments off-site for a period of two years or more, as there is not sufficient "swing space" for these employees while offices are being renovated.

Much of the research that occurs at BNL is energy-related. As discussed above, BNL is leasing land to BP Solar to develop one of the largest solar farms in New York State. The project includes more than 164,000 BP solar panels, arranged in two large-scale solar arrays. There will also be an array dedicated solely to producing power for BNL. In addition, BNL will be operating a solar research lab as well, which will study data on intermittency, generation ability, and reliability. The Long Island Power Authority (LIPA) has executed a twenty year power purchase agreement for electricity generated through the project. LIPA invested more than $1 million to upgrade the inter-connection at the BNL property.

In addition to the ongoing solar project, BNL is also evaluating the potential use of the former Shoreham Nuclear Plant for electric-industry research and risk management. The facility is being evaluated as part of the Advanced Energy Grid Integration System (AEGIS). BNL is considering using the former plant as a major research center for smart grid applications, and as an emergency operations center for the management of power production, transmission and distribution for the Northeast. The facility reportedly has

existing capabilities, including the ability to look across parts of the electric grid on a proprietary basis, allowing for more active management approaches and research.

It is also important to note that BNL has indicated that the EPCAL site is "on the radar" of BNL's management. Representatives of BNL's facility management and operations group reportedly visited the site within the last twelve months. Although no immediate need was identified, BNL is undergoing an internal strategic review, which includes evaluating facilities needs and long term planning.

E. Professional Auto Racing

Despite repeated efforts to discuss the suitability of the EPCAL site for use as a NASCAR facility, the consultants were not able to get specific reaction to the property. However, some information is known regarding how NASCAR and other professional motorsports organizations evaluate locations.

For major motorsports events, access and egress to the event location is a paramount concern. In the case of the EPCAL property, although the property is located between two local roadways, the capacities of these roadways is considered insufficient to provide adequate ingress and egress for an event attracting 50,000 to 100,000 spectators. In addition, the Long Island Expressway, which is the primary regional access to the EPCAL property, reportedly has significant capacity constraints, particularly during summer weekends. Any major motorsports event would be held on a weekend, adding substantially to traffic issues on the Expressway.

This issue was highlighted during NASCAR's recent inaugural event at the Kentucky Motor Speedway. The primary access to the track area is Interstate 71. Published reports described the scene as "gridlocked". Inadequate parking exacerbated the problem, as some who managed to get to the track were turned away, as there were no parking spaces left. There were multiple reports of race fans being stuck in traffic for so long that they missed the race. Ultimately, the owner of the track, Speedway Motorsports Inc. (SMI) agreed to provide free tickets to any other race at an SMI track during 2011 for any fan who missed the race due to traffic issues. SMI is one of the largest owners of race tracks, including NASCAR tracks in Loudon, New Hampshire; Bristol, Tennessee; Charlotte, North Carolina; and Las Vegas, Nevada, among others.

The consulting team previously contacted representatives of SMI to discuss the possibility of a track in suburban Philadelphia as a means of bringing NASCAR to a region with a high population density. Though this would compete with the existing races in Pocono, the Philadelphia site would offer both higher population density and superior transportation access. SMI's response indicated that they are not presently looking for new track locations. SMI's recent history has focused on acquisition of existing tracks and enhancing the facilities.

There have been other published reports expressing a desire to bring NASCAR to New York, specifically closer to New York City. Andrew Murstein, who is President of Medallion Financial Corporation and also a part owner of a NASCAR team, has been quoted as being in

the early stages of trying to bring a NASCAR track to the New York City area. An article on NASCAR.com indicated:

> *Asked how important Sunday's race that Pocono hosts is to the New York market, Murstein replied: "It's pretty important. Obviously it's the track that's closest to New York City. One of the things I'm talking to people back in New York City about -- in the really early stages -- is putting a track one day in New York City. Therefore, the people follow this to find out how well it does and how the fans turn out. I hope one day there is a track in New York City, because between that and Pocono, it would be great for the sport."*[4]

The article indicates that the Pocono Raceway is the closest track to New York City, reported to be a two hour drive. Though the EPCAL property is only about 75 miles from New York City, the reported travel time is one hour and forty minutes. This is only a slight improvement over the travel time to Pocono Raceway.

It should also be noted that in recent years, the ability of a new racetrack to host a major NASCAR event has been limited. The NASCAR schedule has little to no ability to add dates. NASCAR holds thirty six "regular" races each year, as well as additional non-points events. With three to five scheduled weekends off during the season, as many as 42 to 44 weeks of the year are committed. This leaves race teams eight to ten weeks for teams to prepare to implement any rule changes for the new season. Over the past decade, many of the "new" race venues on the NASCAR circuit have been the result of relocating existing races. For example, in the mid 1990s, the North Wilkesboro (NC) Speedway, which had two race dates, was purchased by two owners of other tracks. One of the races was relocated to the New Hampshire track, and the second was moved to a newly constructed track in Texas.

Further, the close proximity of the EPCAL property to the existing Riverhead Raceway makes the EPCAL property less viable for a smaller scale race facility. Riverhead Raceway has been in the community for more than sixty years. According to the raceway's website,

> *"Riverhead Raceway is one of the oldest stock car race tracks in the country, having been built in 1949. It is a one-quarter mile asphalt, high-banked oval which includes a Figure 8 course. Riverhead Raceway is part of the NASCAR Whelen All-American Series circuit and has been part of NASCAR for most of its existence. It is the only NASCAR stock car track in the New York metropolitan area. It has five to six racing divisions every Saturday night with an average car count of 150 cars in the pits. Competition is fast and furious. Riverhead also features many special shows such as the Demolition Derby, Enduros and the NASCAR Whelen Modified Tour."*

Simply put, the regional racing market is not sufficient to support two tracks in such close proximity to each other. The development of a new track at the EPCAL property would, in all likelihood, force the closure of the existing Riverhead Raceway.

In addition, the presence of the existing Riverhead Raceway would likely inhibit the ability of a new racetrack development to attract financing. Unless the existing track is considered unable to meet the needs of racers in the regional marketplace, it would be a high-risk development, which would make financing more difficult to secure.

[4] NASCAR.com, "RPM Co-Owner Reviving Talk of New York City Track", June 11, 2011

Ostensibly, portions of the existing runway(s) at Calverton could be utilized for in-line vehicle races (drag racing). However, the condition of the pavements may not be suitable for this type of use. In addition, the attractiveness of such a use is questionable from a perspective of both noise as well as the potential economic impacts on the community compared to other uses for the property. There is a competing facility in Westhampton that would likely be impacted by a similar development here, due to the limited market for these types of facilities.

F. Private Motor Sports Venue

In recent years, a number of private motor sports venues have been developed across the United States. Conceptually, these facilities are designed to allow owners of high performance vehicles to operate the cars in a safe, controlled environment. Facilities of this type are frequently operated in a manner similar to a country club, where members pay an initiation fee as well as a monthly or yearly fee. These venues typically offer large road-racing-style race tracks, which can be "subdivided" into several smaller courses. Amenities can include a club house, fitness center, pool, tennis, restaurants and private garages. Many of the venues are affiliated with racings schools and/or driving schools.

- At the present time, the Atlanta Motorsports Park is under development outside Atlanta, Georgia. The facility is sited on 165 acres, with the possibility of expanding onto an additional 300 acres. The main track is expected to be more than 2.6 miles long, with a separate smaller track for karting activities. The facility also has a relationship with the Skip Barber Racing School. According to published reports, the developers raised almost $3 million prior to construction, through the sale of memberships and corporate sponsorships. The complex will include pool and tennis, as well as horseback riding trails, a fitness center, members-only lounge, rental garages and exotic car rentals. The track is expected to be completed in Fall 2011, with racing commencing in November.

- A similar complex was constructed in New Jersey in 2007. The New Jersey Motorsports Park includes a 2.25 mile road course with 14 turns. The facility includes concession buildings, event garages, twenty VIP suites, banquet rooms and a three story timing tower with media center. The second track is 1.9 miles, and there is also a karting course located within the 1.9 mile road course. The project is planned for over 700 acres, adjacent to the Millville Airport. In addition the existing course, there are plans for a mixed use development including townhomes, retail and hotels. This project reportedly filed for bankruptcy in 2010, but has a full slate of events planned in 2011.

- The Spring Mountain Motor Resort and Country Club is located approximately 45 minutes outside Las Vegas. The property includes a four mile track that can be configured into 20 different layouts, as well as trackside garages and condos. The property's amenities include a clubhouse with pool, lockers, showers, and a fitness center. In addition, the facility includes a racquetball court, shooting range and climbing wall. Spring Mountain is home to the Ron Fellows Performance

Driving School, a Sports Car Club of America Licensing School and the Radical Racing School.

All of these facilities have been developed on large land areas, in proximity to large population bases, and with significant transportation access. It appears that all have been developed with private funding, including sales of memberships and corporate sponsorships. Funding is also generated through track rentals and in some cases sales or leases of garage and/or condominiums/townhomes.

In addition to the possibility of a private motorsports track, there is also a growing market for private indoor karting facilities. These facilities generally support recreational and competitive driving, and also offer special events, racing leagues and corporate team-building events. Facilities vary dramatically in terms of their "target demographics", from small-scale facilities which might be found at an amusement park or boardwalk entertainment district to higher end complexes which offer sit-down dining options, conference rooms and meeting facilities.

In general, the higher-end facilities offer two or more tracks which can be combined into a single large circuit of a half mile or more. Building area is commonly in the area of 100,000 to 150,000 square feet, indicating a demand for 20 to 30 acres at most, assuming an average of 5,000 square feet of building area per acre of land. Most of these facilities offer corporate team-building programs, designed to help foster a cooperative work environment through the use of a high performance racing environment. Whether it's through a pit crew simulation, requiring a corporate team to change four tires and refuel a race car in the shortest amount of time, or an endurance race requiring mandatory driver changes and fuel stops, these facilities attempt to help employees understand the importance of being able to rely on each other.

There are examples of these facilities in the northeastern United States. Among the better-known facilities are F-1 Boston (Braintree, MA), Pole Position Raceway (Jersey City, NJ) and Grand Prix New York (Mount Kisco, NY). These facilities are somewhat similar in terms of their size, facilities and offerings.

- **F-1 Boston -** This complex includes two multi-level race tracks, which can be combined into a single track for larger events. F-1 also has a 5,200 square foot exhibit hall/function facility, a 1,500 square foot meeting room, two state-of-the art conference rooms and a VIP room. Food service facilities include a private dining room which can accommodate more than 100 guests, a full service restaurant/bar, and a seasonally-available outdoor café. F-1 also has a billiards parlor on-site, as well as a retail store. The F-1 facilities can be rented for corporate training, special events, seminars, cocktail parties or other private functions. Tracks can be rented separately for $900 per half hour, and there are a variety of scheduled racing events which allow participants to "arrive and drive".

- **Pole Position Raceway -** This facility is part of a larger chain of indoor karting tracks. The company has seven existing locations (including Jersey City), and plans to add up to 60 additional facilities in the next ten years. The facility has two separate

tracks, and can accommodate as many as 120 racers per hour. In addition, Pole Position includes four meeting/function rooms which range from 750 to 2,400 square feet, as well as catering for these facilities. Track rental rates are $2,000 to $2,400 per hour per track.

- **Grand Prix New York -** This complex includes three separate tracksthat can be reconfigured into six different designs. Tracks are reported to be ½ mile in length, with a six foot elevation change. GPNY offers a variety of spaces which can support meetings, seminars, team building exercises and other functions. In addition, the facility has a full service restaurant and catering service, as well as a game room. GPNY also offers pit crew team building exercises on an actual NASCAR stock car, allowing participants to work against each other and against the clock, attempting to change four tires and refuel the car in fifteen seconds or less. This facility is reported to be more than 120,000 square feet in size.

G. Polo/Equestrian Complex

The Town of Riverhead has reportedly received an offer to purchase approximately 783 acres of the EPCAL site for the development of a major polo grounds. The proposal reportedly includes a $32.5 million cash offer for the western half of the available property. The proposed master plan for the site envisions approximately 400 lots, complimented by the development seven full size polo fields, including one field with seating for up to 10,000 spectators. The project would also include an "equestrian village", a small mixed-use development to support tourists and residents.

Conceptually, each lot would be one acre in size. Development plans anticipate that each lot could support a single home as well as a stable. Architectural expectations for the project are consistent with "Old English polo clubs". The village area is expected to include restaurants, shops, a grand ballroom, health and fitness center, pools, spa and related amenities.

The proposal was reportedly made by the International Polo Organization ("IPO", ipopolo.com). IPO appears to be a joint venture of Ellerstina Polo Team, La Dolfina Polo Team and Neuss Group. Neuss is the real estate partner, with prior project experience in Buenos Aires. In addition, Neuss also reportedly owns two Manhattan buildings.

The project is envisioned as a "world center for polo", and is intended to help expand the outreach, market penetration and appeal of polo in the U.S. The selection of Riverhead is based, in part, on the proximity to the Hamptons, as well as the substantial equestrian heritage of the Long Island region and New York State.

The expectation of the developers is that the homes at the EPCAL property would not be year-round residences. In fact, the developers believe the homes will be weekend homes used infrequently for polo-related activities. Conceptually, the developers indicate that the expectation is that these properties would be third or fourth homes which would be used primarily for entertaining during polo-related events. Once the event is completed, these individuals would be expected to return to homes in Manhattan or the Hamptons.

The proposed polo complex at EPCAL seeks to build on New York State's long history as an equestrian center. According to the 2005 study *"The Economic Impact of the New York Horse Industry"*, prepared by Deloitte for the American Horse Council Foundation, the State has more than 200,000 horses, generating more than $2.3 billion in total economic impact. The study highlights the impacts associated with major equestrian sectors, including racing, showing, recreation and other horse-related activities. The equestrian industry reportedly supports more than 12,700 direct jobs, and an additional 22,500 indirect and induced jobs.

The racing industry is the largest equestrian economic sector, supporting more than half of all direct jobs, as well as more than half of the direct impact on gross domestic product (GDP). However, racing actually has the fewest number of horses of any of the sectors analyzed, accounting for approximately 11.5% of the horse population. Showing and recreation account for almost 75% of the horse population.

Total economic impacts associated with showing and recreation are estimated to be in excess of $800 million annualy, split approximately equally between the two categories. Direct economic impacts are reported to be in excess of $480 million. These sectors provide a reported 5,200 direct jobs, and more than 15,000 total jobs throughout the State. Moreover, horses generate economic activity for their care, maintenance and feediing. The Deloitte study indicates that an average show horse cost more than $3,700 per year in 2005, while the average recreational horse cost aprpoximately $2,600.

The HITS-on-the-Hudson program is an example of the type of impact a successful equestriian events or series can have on a local economy. HITS Shows is a company which organizes and manages horse shows in select locations across the United States. For 2012, the HITS calendar includes dates in Thermal (CA), Culpepper (VA), Ocala (FL) and Saugerties (NY). In addition, HITS has a winter series that visits multiple locations in Arizona.

HITS reported built its Saugerties facility in 2003, at a cost of $15 million. The Saugerties facility is reported to include 240 acres, with a dozen large barns with the capacity to house 1,200 horses at one time. The HITS-on-the-Hudson series includes a total of nine weekends, including three Spring shows and six Summer shows. According to the New York Times, this series attracts more than 3,000 horses and more than 2,200 competitive equestrians to the Saugerties region. In addition, the facility is frequently used by other equestrian-related entities, such as the New England Dressage Association and the Northeastern Welsh Pony Association, for a variety of events.

The result for Saugerties has been an economic boom, given the high average incomes associated with HITS' competitors, support teams and spectators. The additional spending has reportedly helped to reduce the Town's retail vacancy, and spawned new development. According to the Times article, a new $12 million boutique hotel is in development, primarily as a result of the success of the HITS series.

A similar project is underway in Wellington, Florida, approximately 15 miles west of Palm Beach. A group of investors acquired the former Palm Beach Polo Club for reconstruction and upgrading. The original polo stadium is being converted to support competition for high performance dressage, jumping and show hunters. In addition, the showgrounds property is being redeveloped with multiple arenas to accommodate a wide range of jumping, children's, juniors and young rider programs, as well as professional and amateur show hunter events. The renovation reportedly cost more than $20 million. This facility is reportedly being developed with the goal of hosting the FEI World Equestrian Games in 2018. As an indication of the popularity of this event, the 2010 games in Lexington Kentucky attracted more than half a million attendees over a sixteen day period, an avergae of more than 30,000 attendees per day.

H. Specialized Recreational Uses

Community representatives raised two specific recreational uses which could be part of the overall redevelopment strategy for the EPCAL property. These include the development of a major soccer/lacrosse tournament facility, and the development of a model airplane flying center.

1. Tournament Complex

In evaluating the viability of a major tournament center, a number of competing centers across the United States were identified. Among the complexes evaluated include:

- **Mike Rose Soccer Complex, Memphis, Tennessee** – This complex was developed on land owned by Shelby County. The complex includes 16 fields, on

a total of 136 acres. The facility is publicly owned, but managed under a contract by a private operator. The facility is generally shut down during much of the winter and summer months, due to weather issues. Of the 16 fields, four are normally in maintenance, while the remaining twelve are available for play. The facility hosts 19 to 22 tournaments annually, with between 45 and 250 teams participating in each tournament.

- **Star Soccer Complex, San Antonio, Texas** – The Star Soccer Complex was developed by a local non-profit organization. The facility includes 13 lighted fields, and substantial parking to support event participants and spectators. The soccer complex is located adjacent to another facility developed by the same non-profit entity, which is an "ultra accessible" amusement park for individuals with special needs.

- **Lancaster National Soccer Complex, Lancaster, California** – The Lancaster complex includes 35 fields, developed on an estimated 125 acre site. The complex includes 2,800 parking spaces, and also has an RV camping area. The complex is located 70 miles north of Los Angeles. The facility hosts approximately 20 tournaments each year.

- **Overland Park Soccer Complex, Overland Park, Kansas** – The Overland Park complex includes twelve lighted fields, all of which are synthetic turf. The complex was constructed on just under 100 acres outside Kansas City, and opened in 2008. The synthetic turf fields require a lower level of maintenance than natural turf fields. However, the development cost for the complex was much higher, reported to be $36 million in total. This equates to an average investment of $3 million per field. Operating costs are reported to be approximately $850,000 annually, of which almost $200,000 per year is utility costs for field lighting.

- **Libertyville Township Soccer Complex, Libertyville, Illinois** – The Libertyville complex is located 40 miles north of Chicago. The complex includes 20 fields, developed on 110 acres. The group indicates that the complex is supported entirely by user fees and donations, and that no government money is used in operations or maintenance.

Overall, development costs for natural turf fields can range from $75,000 to $150,000 per field. Lighting costs can double the costs of field development. As indicated in the Overland Park example, development of a large-scale, fully lighted complex of synthetic turf fields can cost as much as $3 million per field. Annual operating costs can range from $50,000 per field to $100,000 or more.

2. Model Airplane Center

The Town of Riverhead reportedly had an agreement with a local organization to lease up to five acres of land for the development of a model airplane flying club. The group had requested land at the western end of the west runway as its preferred location, reportedly after consultation with the operator of the skydiving operator, which has operations on

the east runway. The group reportedly has some limited flexibility from a location perspective on the site, though a location with minimal trees is preferred.

The group's offer to the Town of Riverhead was reportedly for the lease of a five acre ground parcel, at an annual rate $20,000 total. In addition to the ground area, the group also sought control of 60 acres of airspace, to allow participants a defined "overfly" area.

There is reportedly a publicly-owned facility supporting model airplane usage in Brookhaven. The program has a limit on membership, and has specific minimum participation for residents of the community.

This use could be considered on an interim basis, assuming that it does not interfere with other uses at the EPCAL property. However, over the longer term, it is likely that this use would have to be relocated to a different area of the property, given the expectation that development will gravitate towards those portions of the EPCAL property which are most accessible, developable and proximate to infrastructure.

VII. SUMMARY OF FINDINGS

Since the previous market study and development plan were completed for the EPCAL site in the mid-1990s the Long Island economy has experienced several expansion/contraction cycles of the business, labor and real estate markets. This market study has analyzed and reported those trends as they relate to potential reuse of the EPCAL property. A summary of the most relevant findings and conclusions identified in this anlysis are presented in this section.

Demographics

Population growth on Long Island has remained strong over the past two decades and has continued to migrate towards the eastern end of the Island as available land supplies in Nassau County have dwindled and become more expensive. For example, between 2000-2010, Suffolk County added 73,000 residents while Nassua added only 5,000. Within Suffolk County the Town of Brookhaven was the fastest growing adding over 37,000 residents during this time which was more than half of the county's total growth. Brookhaven is the largest town in Suffolk County with almost 490,000 residents which means that there is now a very large potential workforce in closer proximity to the EPCAL site from which potential businesses can draw.

Although the population has been steadily increasing in Suffolk County it has also been increasing in age. This trend was observed in the prior market report but has now progressed to the point fifteen years later where the first wave of baby boomers has reached retirement age. A substantial portion of the county's population growth over the past decade was in the retirement or near retirement age groups, a trend expected to continue over the coming decade. Moderate growth is projected to occur in younger household age groups but the rate of increase may not be sufficient to support demand for entry level employment positions. Population trends in the Town of Riverhead have essentially mirrored those of the county but the town's percentage of the population in the older age groups is higher than the county's. These trends have, and will continue to impact demands for housing, medical facilities, and other municipal services needed to support the changing demographics.

Housing

Housing construction in the region has been rapid in response to population growth over the past decade although the rate of building began to slow considerably in 2007/08 as a result of the downturn in the national and regional economies. Still, the Town of Riverhead added over 3,000 housing units and the county over 33,300 units. The vast majority of housing construction was for owner occupied housing with a relatively small percentage of rental units constructed. The downturn in the for-sale housing market combined with the lack of rental property construction has created pressure on the apartment market resulting in tighter vacancies. These conditions are likely to persist until housing market sales rebound at some point in the future.

Median housing sales prices in Riverhead have increased by 114% over the decade while incomes increased by only 42%. Although sales prices have dipped about 22% from their peak in 2006 the median sale price in Riverhead is still about $390,000. This price is

relatively comparable with the median value for Suffolk County which highlights the on-going concern for prividing affordably priced workforce housing in the region.

A significant amount of age-resticted housing exists in Riverhead with a total of about 2,060 units estimated as of 2010, 800-900 of which were built over the last decade in response to the aging demographics. Demand for this type of housing is likely to continue, as is the need for assisted living facilities and skilled nursing facilities, which presently are not available in the town.

Based on population and household projections, demand for housing in Riverhead over the next decade could range between 1,000-1,500 units depending on prevailing vacancy rates. Some of this housing could be readily supported at the EPCAL site as part of a mixed use, planned unit development that would include a mix of business and/or service uses along with the residential.

Employment Trends

Long Island's job base of full-time employment experienced a net increase of only 8,190 over the past decade, a gain of less than one percent. However, Suffolk County outperformed Nassau County by adding over 14,000 private sector jobs while Nassau experienced a net decrease of some 17,600 jobs. Both counties saw considerable decreases in manufacturing employment but Nassau also lost many jobs in the financial sectors. As a result, there is considerable vacancy in the office and industrial real estate markets within the Island's inventory of building space.

The primary growth sectors have been health care, education, professional/technical services, and leisure and hospitality services. These four sectors are projected to be the primary drivers of employment growth over the coming decade as well. Health care and professional services will create demand for office, laboratory and other types of special use buildings. However, the considerable vacancies that exist in the office real estate market will take a number of years to absorb before demand for any significant new space is created.

Despite the relative uncertainty for business growth and expansion created by current economic conditions there are a number of strong industry clusters located on Long Island that are potentially relevant for the EPCAL site. These include:

- Biomedical
- Information Technology
- Front Office/Producer Services (e.g. professional/technical)
- Electronics and Imaging
- Forest Products
- Food Processing/Distribution
- Back Office/Outsourcing

With the exception of forest products and food processing there is no significant presence of these clusters in the EPCAL/Riverhead market. Therefore, it would take a concerted effort to attract such businesses to the site and any such development is likely to be incremental with a

relatively long absorption period. Still, these businesses represent a large supply of businesses and workers in the regional labor market that could be attracted to the EPCAL site in the future under the right circumstances.

Office/Industrial Real Estate

The commercial office market on Long Island contains approximately 32 million square feet (MSF) of Class A space, 12 MSF of which is located in Suffolk County. An estimated 5.1 MSF was added in Suffolk County over the past decade but the current vacancy rate of 22% means that approximately 2.6 MSF is vacant/available within the market. Riverhead is not a major component of the Suffolk County office market although it did add approximately 126,000 square feet over the past decade. Immediately west of the EPCAL site, the Town of Brookhaven added 644,000 square feet of office over ten years absorbing an average of about 62,000 square feet per year. A new business park development at Gabreski Airport in Westhampton hopes to fill 35,000 square feet of office over the coming year and a half. This range, 30,000 to 60,000 square feet, probably represents a reasonable rate of annual absorption that could occur at EPCAL if the site were suitably prepared and marketed. However, the market is very competitive at this time such that significant incentives in the form of lower land costs, infrastructure financing, tax breaks, and flexible development regulations will need to be provided to attract potential developers.

The Island's industrial market contains approximately 126 MSF of inventory, 81 MSF of which is in Suffolk County. The industrial market is healthier than the office market but still has a vacancy rate of 12% in Suffolk representing approximately 9.8 MSF of vacant or available space. Approximately 2 MSF of the vacant space is located in Brookhaven and the eastern Suffolk submarket. Since the previous market report was prepared for the EPCAL site, the Yaphank/Brookhaven area has become the frontier edge of commercial/industrial market as it continues to move west from the city. This trend bodes well for the EPCAL site since it is now in closer proximity to a growing concentration of businesses and employees.

Employment projections do not indicate a particularly strong demand for industrial space over the coming decade. Still, new construction has, and will continue to occur to replace aging facilities and support growth and expansion of existing businesses. Little speculative development is expected for the immediate future with primary demand coming from end user construction or build-to-suit facilities with a secured tenant.

From an industrial development perspective the EPCAL site could readily accommodate a mixture of small to medium-sized manufacturers involved in the industry clusters noted previously, a number of which are already located in the site's original core buildings. Similar to the office market, lease/sale rates will need to remain lower to compete with more accessible sites located to the west. Accessibility to the rail line certainly makes the site more appealing in the market but only if it offers convenience of use. The creation of a trans-loading facility on the site would enhance the rail line's appeal even more since it would allow for distribution of products manufactured on the site.

EPCAL's Position in the Marketplace

Due to its large acreage, the EPCAL site is relatively unique within Long Island's densely developed, high-priced, real estate market. Because of its size it offers potential for development of unique, large-scale uses that would have difficulty finding alternative sites that do not require significant demolition of existing structures. However, the EPCAL site has an image problem within the marketplace that centers around the following issues.

1. Although the commercial/industrial development frontier has pushed well into the neighboring town of Brookhaven there is still a perception that EPCAL is located too far past this demarcation line. Part of this perception is related to the access road network that must be used to reach the site after exiting from the expressway. Furthermore, increasing energy costs will continue to influence potential users perceptions on this issue and must be mitigated to the extent possible.

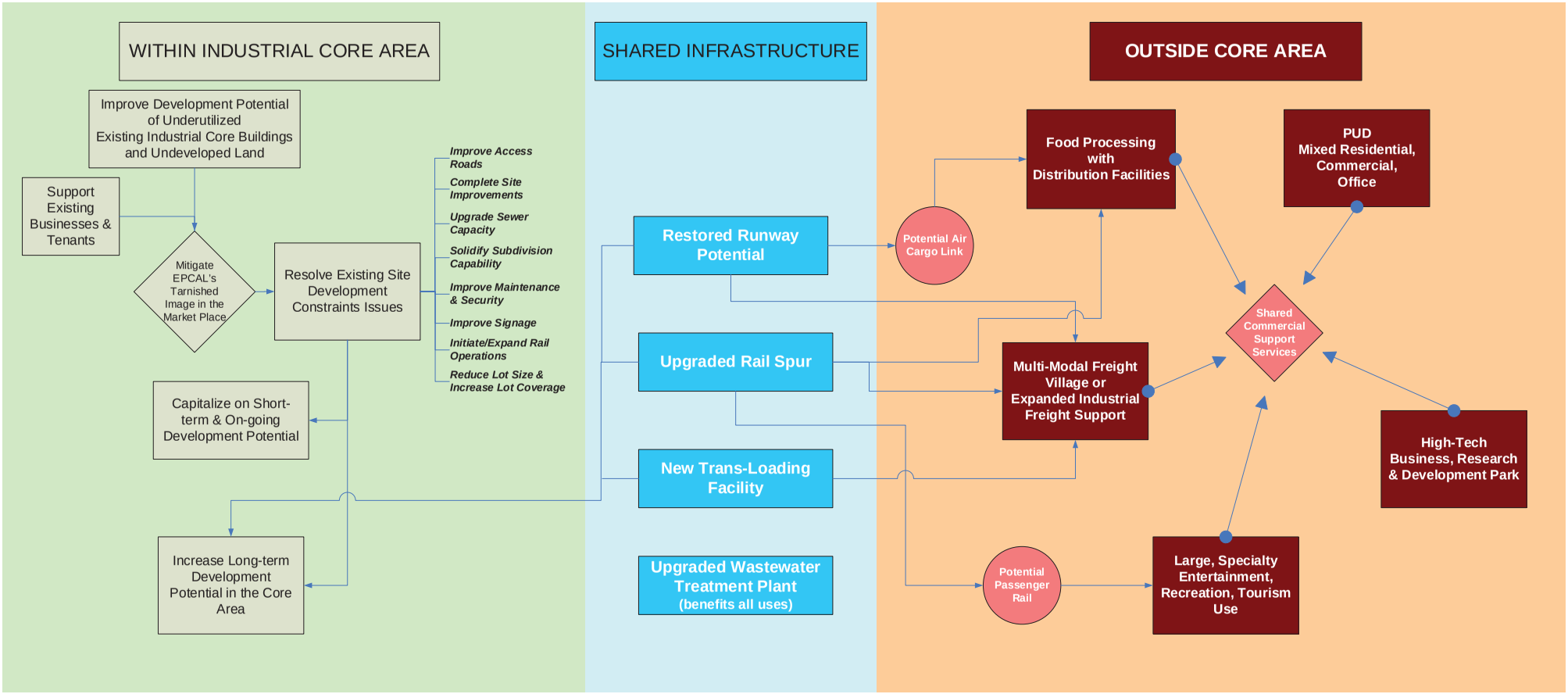
2. There are a number of site constraints related to natural resources that limit the extent to which development can occur on the EPCAL tract. The uncertainty that these create for potential developers/businesses makes them hesitant to invest and/or become involved in a long-term commitment to the property. It is critical that these limitations be delineated and mitigated to the greatest extent possible so that any interested parties can have a comfort level that full disclosure has been made.

3. The existing industrial core of the site has been privately developed over the past decade and is not necessarily part of the town's long-term planning efforts on the site's remaining undeveloped acreage. However, the reuse of these buildings, along with some limited new construction, represents the "face" of development at EPCAL to business and real estate professionals who are, or may become, involved with using the site. Therefore, it is very important that operations at the industrial park be perceived as well run and a good place to do business. Interviews with existing businesses and tenants, real estate brokers, and economic development professionals indicate that the park has a poor reputation related to infrastructure conditions, safety concerns, poor access, lack of maintenance/upgrades by landlords, and difficulty in navigating the town's development/building approval process. It will be important for the town to continue its efforts to resolve these issues not only to improve the overalls site's perception in the marketplace, but also to help retain the existing businesses which may seek alternative locations if conditions become untenible.

VIII. ALTERNATIVE DEVELOPMENT CONCEPTS

This final section of the report presents all of the potential development concepts that were considered for the EPCAL property. Figure VIII-1 illustrates these concepts in graphic form and also summarizes issues and recommendations associated with the existing industrial core of the site.

Figure VIII-1
ALTERNATIVE SITE DEVELOPMENT CONCEPTS AND CONSIDERATIONS AT EPCAL



Solar Energy Production

On-Site, Lower Cost Power Generation – Technology Transfer/R&D Potential – Source of Operating Revenues

A. Multi-modal Freight Village

The EPCAL site could benefit significantly from expanded freight rail access. The recent upgrading of the line to serve the industrial core of the site has the potential to provide considerable advantage to the manufacturing firms located there, particularly those in the construction materials sector. Existing businesses at EPCAL that will benefit from upgraded rail facilities include Eastern Fence, Metro Biofuels, Mivila Foods, and Riverhead Building Supply. These businesses have either located at the park because of the planned rail upgrade or have expressed interest in using the improved service. Extension of the line out to other locations on the site could serve to attract related businesses in this sector and possibly broaden the site's appeal to other types of industries, such as industrial machinery manufactures, that would also use this resource. An analysis prepared by the New York Metropolitan Planning Council (NYMTC) examined the EPCAL site for establishing a so-called "freight village" facility and concluded that it had reasonable potential. A freight village is a fusion of land use and transportation planning which clusters freight-dependent companies around a concentration of shared transportation infrastructure. It also includes commercial and business service establishments that support the industrial uses. To the extent that freight village development patterns allow rail, air or waterborne transportation to serve major industries more effectively it facilitates reduced truck traffic and a corresponding reduction in the cost of goods and services. One of the key facilities required for operation of the freight village is the creation of a trans-loading facility that would enable the transfer of raw materials/finished goods between the business and the mode of shipment.

This analysis has concluded that use of the runway facilities for air cargo support is not considered viable due to the high cost of operating an airport, limited demand for such services, and the availability of competing facilities in close proximity. These were the general findings of the original market study completed for the site. However, the freight village concept could still function at EPCAL through expanded rail/truck linkages alone.

In light of the identified freight village potential, the Town of Riverhead has submitted a grant proposal as a NYS Transformative Project Proposal under the Long Island Regional Economic Development Council, to secure partial public funding for a second phase of rail infrastructure improvements (the first phase involved rehabilitation of the existing spur line which has been completed) which would provide rail access to additional areas and buildings on the EPCAL site. The town anticipates developing an additional 100 acres under this proposal which would include direct rail access to newly subdivided lots (5-10 acres in size) and include, in addition to the track improvements, upgrading of the sewage treatment plant, road improvements, and other site development considerations.

Based on the findings of this market analysis, reuse of the EPCAL site through the expansion of freight rail access offers one of the best opportunities for successful redevelopment. As noted throughout this report, current market conditions for new speculative development are expected to remain soft over the next few years. However, the movement of bulk commodities and the need for warehouse and distribution facilities continues to hold promise in the Long Island economy. The importance of rail access for these sectors is significant as illustrated by the planned private development of the rail facility in Yaphank to support businesses importing aggregate materials into the region, as noted in Section V.B. of this

report. Rail access is considered particularly important for the EPCAL site since there is still a perception in the marketplace that the site is "too far" from the Island's economic core resulting in higher transportation costs. Improved rail access would help to mitigate both of these issues. Furthermore, upgraded rail would also provide positive results by supporting existing businesses within EPCAL's industrial core in the forest products and food distribution clusters which also have continuing growth potential within the regional economy over the short-term.

Ultimately, successful implementation of the freight village vision for the EPCAL site is likely to require attracting the interest of a developer/investor who would both support the plan from a financial perspective and market the facility to potential businesses over the extended period of time anticipated for full build-out. Current market conditions and historic development trends at EPCAL suggest that average annual absorption of 30,000-60,000 is a reasonable range of expectation. However, establishment of a freight village, or otherwise expanding rail support could readily lead to an increased rate of absorption where a doubling of this range would not be considered unreasonable.

B. Agri-Business/Food Processing

Agricultural production and food processing are a big component of the regional economy. The numerous wineries, crop and fruit growers, greenhouse/horticulture operations, sod growers, livestock operations, and fishermen infuse millions of dollars into the local economy, support the tourism industry, and provide thousands of jobs throughout the Island. As noted in the town's comprehensive plan, Riverhead in particular is known for its abundant farmland, lucrative farming activity, and attractive rural landscapes. A wide variety of agricultural products are grown and raised in Riverhead. Duck, fruit, and vegetable production provide foodstuffs for residents living throughout the region. Vineyards and wineries contribute to the reputable Long Island wine industry. Farm stands, pumpkin-picking, wine-tasting, and other activities provide agri-tourism opportunities for visitors. The town has made a considerable effort over the years to preserve its agricultural resources and in doing so, helped maintain the quality of life in the community. Given these facts, it would be appropriate to consider alternatives for supporting agri-business and agri-tourism as part of the reuse alternatives for the EPCAL property. The most likely methods of accomplishing this objective would be through value-added processing of locally grown products, increasing storage and distribution facilities to serve local agricultural businesses, and/or enhancing agri-tourism through the creation of compatible facilities (e.g. polo, equestrian, recreation, hospitality) on the EPCAL site.

Although the region's agricultural production provides a significant contribution to the regional domestic product (total dollars in the economy) the amount of potential production essentially represents a finite resource that is confined by available land area and other dynamics of the local economy. For example, most of the farms and wineries are small-scale, family run establishments that minimize costs by operating in a self-contained manner. They typically sell their goods on-site which reduces overhead and also helps to market their business. Those that produce enough to sell off-site are served by existing wholesalers or production facilities (e.g. specialty wine crushers) in the region.

Based on these market dynamics, the demand for agricultural support facilities at EPCAL would be of a moderate nature with relatively small amounts of new building space expected to be absorbed annually. Nevertheless, discussions with area producers and specialists indicated that establishment of a food processing and/or storage/distribution facility to serve agricultural and marine related operations in the region could be supported. The EPCAL site is centrally located to many producers who could potentially benefit from these types of facilities but production is likely to be relatively small scale with long-term incremental growth. The establishment of Stony Brook University's (SBU) agricultural incubator on the site could serve as a starting point for this process which will offer the potential for creating value-added products from locally grown items. The construction and successful operation of expanded (beyond the incubator phase) food processing/storage/distribution operations would most likely require securing long-term commitments from local producers in order to lure private-sector financing for construction of such facilities. The town may be able to provide incentives for construction of such a facility by providing low or no cost land transaction in exchange for the construction of building(s) that would serve this sector.

Additional possibilities for supporting agricultural activities at EPCAL could include the following.

1. If a recreational tourism facility, such as a polo, equestrian, or auto racing facility are established at EPCAL, consideration should be given to incorporating uses and activities that would support the region's agri-tourism businesses such as the wineries and specialty food producers. The town could stipulate that any retail, recreation or hospitality uses integrate local products or create uses (e.g. a visitor's center that showcases local goods or allows for promotional events) as part of its ongoing operations.
2. Consider providing some short-term land leases for agricultural production on the EPCAL site to support local growers and possibly expand production of on-site processing facilities. These leases could be offered in 50 acre tracts for a minimum of 3-5 five years. The reported lease rate for agricultural land is $250-$500 per acre.

C. High-Tech Business/Green Technology/Research Park

Long Island has a relatively strong high-tech sector which has its roots in the defense industry businesses that have long operated in the region. Many of these jobs are part of the "knowledge-based economy" but others include the manufacture or assemblage of precision equipment. As noted in this market report, the Island has other strong high-tech industry clusters that include biomedical research and manufacturing, electronics and imaging, and information technology. The strength of these regional sectors, combined with a substantially increased local workforce, suggests there may be opportunity to capture some of this high-tech growth at EPCAL. Therefore, consideration should be given to promoting establishment a high-tech business/research park on a portion of the site through broadened relations with Stony Brook University (SBU) and the Brookhaven National Laboratory (BNL). These entities are considered to offer the best opportunities for the town to create a high-tech cluster that will potentially attract some of the region's high-tech and/or green technology businesses to the EPCAL facility. Some considerations related to this potential are as follows.

1. Take advantage of the existing on-site incubator operated by Stony Brook University to expand business development at EPCAL. The incubator offers employment growth potential through the expansion of start-up businesses. However, there is no space for "graduating" businesses to progress to the next level of growth.
2. A local link with SBU presently exists in that the university's medical center is now affiliated with the three east end hospitals including Peconic Bay Medical Center in Riverhead. In fact, there is a proposal to create shared laboratory space for the three hospitals at the incubator site although actual development of the facility is somewhat uncertain at this time. Efforts should be made to complete this project at the EPCAL site, even if it's on land owned by SBU, with continuing efforts expand the university's presence through the creation of additional research/laboratory facilities. Medical-related users operating in an affiliation with the incubator allows these users to be covered by the university's permits to use/generate hazardous materials, which can be difficult to obtain, that are typically involved in medical processes and other research/manufacturing activities.
3. Similarly, research conducted at the BNL creates the potential for commercialization of products in the private sector. BNL is one of the largest employers in the region, and has a highly educated staff with a concentration of engineers and scientists and the facility continues to explore new opportunities, particularly in the energy research arena. Therefore, inclusion of research, development, laboratory and testing uses should strongly be considered for the EPCAL property.

The key to successfully growing either of these relationships is the creation of office/lab/flex space that is ready for occupancy. However, given that little speculative development is occurring it may be necessary to secure tenancy agreements with either of these institutions in order to attract a developer to the site. Furthermore, it is recommended that the town initiate a regular meeting with BNL management on at least a quarterly basis. This will help to reinforce the fact that the town is interested in working with BNL on opportunities that may arise. In addition, regular contact will help encourage consideration of the EPCAL site when BNL is planning future projects and research.

It should be noted that discussions with SBU representatives indicated that the university is undergoing significant budget cuts which have necessitated re-evaluation of existing operations and long-term objectives. The potential to attract further interest and/or investment from the university at the EPCAL site will require a very convincing proposal with support from many participants in the public and private sectors.

Another possibility for tapping into additional high-tech jobs would be through the emerging "green technologies" sector. Although this term is broadly applied to many activities, the two primary categories include *renewable energy* and *energy efficiency*. A recent survey of green businesses on Long Island found it to be a relatively small component of the regional economy with approximately 2,400 businesses and 23,000 employees (about 2% of total employment) that reported being engaged in related activities. The majority of these were in the construction trades meaning they were engaged in the construction of new or retrofitted structures that involved renewable energy components (e.g. solar panels) or the installation of energy efficient components (e.g. insulated windows).

Although still a relatively small component of the economy, green technologies are becoming a greater focus of governmental and institutional organizations that seek to expand their presence through various initiatives such as grants, tax incentives, and the like. Therefore, the town may be able to capitalize on these to attract such industries to EPCAL. Two opportunities in particular, may lend themselves to such an effort. First would be through the development of a partnership with the BNL as discussed above. Energy technology is one of the core components of this institution which is also in the process of installing a large solar array at its facility. Working with the BNL to commercialize its research on green technology would fit well with a high-tech business park at EPCAL.

Similarly, the rapid growth of solar power generation makes the market potentially viable for establishing a similar array on the EPCAL property which has large open areas. It may be possible to develop a solar farm on the area where the west runway and taxiways were located with minimal changes to the property. It is estimated that the cleared areas surrounding the west runway could be between 320 and 500 acres, which could potentially support a 60 to 100 megawatt solar installation.

Critical concerns for this opportunity would be the availability of a sufficient inter-connection to the Long Island Power Authority's grid, the need for environmental permits, the availability of a user with sufficient electric requirements to sign a power purchase agreement, and the relatively low number of jobs associated with such a large land use. Nevertheless, it is recommended that solar power generation, or more generally, alternative energy development, be an allowable use. This will help Riverhead compete for available development opportunities while not restricting other forms of development. It may also help to attract businesses that are involved in the research and development of related technologies.

Finally, another option for promoting green industry at EPCAL would be to capitalize on the existing construction trades cluster that is presently located there and which could be expanded through improved rail access. If marketed as such, and if appropriate incentives are provided, the town may be able to attract/recruit green construction trades to the site whose activities could dovetail with existing businesses, or benefit from economies of scale that result from a growing industry cluster. It is unlikely that large-scale manufacturing of green technology components will occur at EPCAL due to the cost of transporting raw materials and proximities to end-user markets. Small-scale manufacturing and value-added assemblage of components is a possibility for the site but R&D activities, as well as businesses involved in the sales/installation of these components are considered the two most likely scenarios that could succeed at the site.

D. Mixed Use Planned Unit Development

The potentially developable acreage available at EPCAL is probably more than can be absorbed in a 20-30 year time period, barring its use for a regional facility of some sort. Therefore, some consideration should be given to allowing mixed use planned unit developments (PUD) at the site. Allowing a mix of uses would provide incentives for development on a speculative basis given the relatively low demand anticipated for office

and industrial space over the next 3-5 years. In addition, allowing development of commercial services or retail uses would provide a compatible business support structure for the freight village concept which typically includes such uses within the industrial complex. These commercial services would also be beneficial for supporting existing businesses in the industrial core of the park. Since the EPCAL property was transferred to the town for the primary intent of promoting economic development, it is recommended that residential uses comprise no more than one third of any planned unit development project. Regulations for mixed use could be crafted to support construction of workforce housing and commercial uses while insuring that a specified percentage of the development was devoted to jobs production. Regulations crafted for this alternative should also include opportunity for developing assisted living and/or skilled nursing facilities to support the increasing percentage of seniors in the area's population. Such uses would be compatible with the potential establishment of medical-related facilities in the commercial component of a mixed used development. Furthermore, regulations for any mixed use development should address the need for minimizing land use conflicts between potentially conflicting uses such as residential in proximity to industrial uses. This can generally be accomplished with appropriate buffers zones, screening, and regulatory language that specifies the town's objectives to prevent such conflicts as a requirement for mixed use approval on this site.

E. Specialty Use Site Development Alternatives

1. Airport/Air Cargo

Re-establishing the airport at the EPCAL property is not recommended. This recommendation is based on a number of factors, including:

- Existing competing airports with established customer base in close proximity to the EPCAL property;
- The property is at a locational disadvantage to Gabreski Airport, which serves a significant portion of the Hamptons' market;
- Need for regulatory approval from FAA and NYDOT to re-establish the airport;
- Substantial local investment required in airport infrastructure;
- Permitting issues relative to creating an aircraft fueling operation; and
- The need to subsidize annual operating costs.

The viability of the EPCAL airfield being used for air cargo is also considered very low due to a number of factors. First and foremost, the quality, condition and capacity of the facilities at Gabreski Airport are substantially better than those available at the EPCAL property. The majority of facilities which were previously used for aviation-related purposes at EPCAL have been sold off to non-aviation users, and subsequently converted to other uses. In addition, the facilities at MacArthur Airport in Islip are also considerably better than those at EPCAL and MacArthur also enjoys a superior location with better access to population and employment centers.

2. Polo/Equestrian Complex

The proposed polo project is consistent with the region's agricultural tourism base, and could offer some synergistic possibilities with regional farms and vineyards. Further, the

project could help to expand tourism traffic from the Hamptons and other areas of Long Island, based on the opportunity to attend a polo match in Riverhead.

A compatible, or similar but alternate use to polo that is considered viable for the EPCAL site would be an equestrian center such as those developed by HITS in the Saugerties and by an investors group in Wellington, Florida. As noted in this report, the Saugerties facility has been an economic boom attracting competitors, teams and spectators with higher incomes that has generated considerable local retail spending, reducing the town's business vacancy and spawning new development. The Florida project reportedly generated an investment of more than $20 million to renovate an existing facility that is planned to host world-class events in the coming decade. If the polo proposal presently before the town does not come to fruition consideration should be given to marketing the property to developers of equestrian facilities if such a use is determined to be a preferred reuse concept for the site.

Both the polo and equestrian uses would generate a different type of economic benefit for the town than the more conventional industrial or office park alternatives. The polo/equestrian uses are likely to generate fewer on-site jobs and could create lesser value in the way of taxable real estate (buildings and other improvements) than the industrial uses, depending on the final development plan. However, as noted previously, the polo/equestrian uses would fit well into the region's agrarian and tourism base, would help to support existing and new retail and hospitality establishments, and may help to foster an image for Riverhead that is more typically associated with the region's high-end resort communities located on the Island's east end.

In reviewing the concept plan for the polo complex with a representative of the proponent, several issues arose which need to be clarified prior to further consideration by the town. First, the town should ensure that the proposed polo fields are restricted from any future development through a protective covenant or restriction of development rights. In addition, the Town should secure payment-in-lieu-of-taxes agreement, to ensure that the polo fields are not considered as agricultural or recreational properties from a taxing perspective. Further, the plan needs to more closely evaluate both traffic and parking issues associated with the proposed 10,000 seat stadium.

The proposal also needs to provide a more detailed analysis of project costs. The proposal includes minimal detail on the costs of infrastructure development, including water, sewer and electrical services. This is particularly significant, given the potential need to upgrade the wastewater treatment plant.

Included in the Business Plan submitted with the project proposal was a summary of the financial expectations for the project. It includes projected lot prices of between $300,000 and $400,000, with total revenues of $137 million. There was very limited detail regarding project development costs. Of the $75 million in development costs for the project, $67 million was included as land acquisition ($35 million) and "other investments" ($32 million). Seven million of the remaining costs are attributed to the development of the polo fields, stadium and tracks.

The proposal also needs a more realistic and comprehensive evaluation of economic impacts. The job creation estimates included in the proposal do not include any methodology for the development of the estimates, and do not fairly represent the anticipated economic impacts of the project. In addition, the proposal should include a comprehensive evaluation of the fiscal impacts of the project, which evaluates the incremental revenues to the town as well as the costs for providing municipal services.

The Town should consider negotiating with the developer to determine the viability and financial capacity of the developer. Specifically, the Town should negotiate an impact fee for upgrades to water and sewer systems, evaluate whether the proposed purchase price is realistic, and negotiate a payment-in-lieu of taxes agreement for the polo fields.

Finally, the sale of the property by the town for a reported $32.5 million (or more) could offer an opportunity to fund some upgrades and enhancements to the remaining EPCAL property. Development of an appealing access point, as well as resolving needed water and sewer upgrades, would help to enhance the marketability of the site. Further, a portion of the funds could be dedicated to the creation of a comprehensive economic development and marketing strategy for the site, which could help to achieve the town's economic development goals for the site, in addition to the service, retail and tourism-related employment associated with the proposed polo development.

3. Professional Auto Racing

The EPCAL site may be sufficiently large to support the development of a major racing venue, however, highway access to the property and local supporting roads are considered insufficient to support the traffic associated with a major race event. The access roads to most major NASCAR tracks are two to five lanes in each direction, allowing traffic management strategies which enhance access and egress during race events.

In addition, development of a new "regional" race facility would compete with the existing Riverhead Raceway. The raceway has a sixty year record of serving the regional racing market with an established schedule of races from May through September. It is unlikely that a new facility would co-exist with the existing raceway and would likely result in the closure of the existing facility.

Based on this information, it is not recommended that development of a major racing venue not be pursued for the EPCAL property. Transportation access to the facility is considered inadequate, both in terms of the regional access and the local roadways which serve the property. In addition, population density is lower than optimal for a major racing facility and the ability to secure a NASCAR race is speculative at best.

4. Private Motor Sports Venue

Overall development costs for a private motorsports park will be heavily influenced by the size and complexity of the track design, as well as the quality and number of amenities. Investment could range from $3 to $15 million or more. Land areas range

from as low as 160 acres to as much as 700 acres. It is assumed that an operation of this type would require significant private equity in order to become financially viable.

The proximity of the EPCAL property to the Hamptons could offer an opportunity for an entrepreneur to generate funding for development of a private motorsports complex. The higher-income individuals who reside in the Hamptons, many of whom also own high-performance vehicles, could be a lucrative source of funding and users for the facility. However, as indicated by the experience of the New Jersey Motorsports Park, projects of this type can be financially risky.

It should be noted that the weather on Long Island may limit the ability of users to utilize a motorsports complex. Riverhead receives an average of between 3.4 and 4.4 inches of precipitation per month. In addition, maintenance costs are likely to be higher at a facility in Riverhead as compared to locations such as Atlanta and Las Vegas, due to the nature of temperature swings in Riverhead.

Inclusion of motorsports facilities and related amenities as an allowable use under the commercial and/or industrial zoning for the EPCAL property could allow an entrepreneur the opportunity to more closely study the feasibility of such a project. Tax benefits are likely to be limited to the taxes generated by the value of improvements on the site. Tourism associated with a private motorsports complex may provide additional benefits to the regional economy.

5. Specialized Recreational Uses (Recreation Fields and Model Airplanes)

Overall development costs for a soccer/lacrosse tournament complex of sixteen fields could range from as low as $5 million for natural turf lighted fields to as much as $50 million for synthetic turf lighted fields. Annual operation and maintenance costs could be in the range of $800,000 to $1.5 million. Portions of the operating costs could be offset through user fees and sponsorships, though during the startup phase, annual operating deficits would be likely. Development of such a complex could ultimately achieve breakeven on an operating basis, but would be unlikely to support debt service payments on initial development costs.

A large-scale tournament could provide some economic development benefits in terms of the tourism impacts associated with participants and their families visiting the region. A three-day tournament with 100 teams participating, for example, could bring as many as 1,500 participants and their families to the Riverhead area.

Operating and development costs are considered high and are believed to be beyond the capability or willingness of the community to fund. If a local or regional soccer/lacrosse organization can generate funding for development and operation of a tournament complex the use could offer some limited economic benefits during parts of the spring, summer and fall. As such, land could be identified to support this type of a use and held as open space or for other recreational opportunities in the interim.

The model airplane use could be considered as either a temporary or permanent use. The specific location requested under the prior agreement could negatively affect future development in the area of the west runway. The use could be supported on an interim basis, but over the long term, another location, possibly more secluded/remote, may be more compatible with the redevelopment of the EPCAL property.

6. Native American Casino Gaming

The EPCAL site is likely too remote from the population base that the Shinnecock Nation is seeking as its customer base – New York gamblers who now travel to Atlantic City and/or Connecticut for much of their gaming. The community could consider a small portion of the property (+/- 100 acres) for "hospitality, recreation and entertainment" uses, which could allow casino gaming. Over the long term, if the facility is redeveloped with several million square feet of employment-generating uses it is likely that an on-site hotel facility and associated hospitality uses could be supported. This strategy will allow the Town of Riverhead to have some level of flexibility to meet changing market conditions over time while targeting the broader sector encompassing hospitality, entertainment and recreational uses.

IX. IMPLEMENTATION

A. Establish a New Local Redevelopment Authority for EPCAL

The EPCAL property needs to be better positioned in the marketplace to compete with the vacant land supply that is more centrally located, already subdivided, with utilities and infrastructure already in place. Site development issues and constraints need to be clearly identified and mitigated to the extent possible before the property will be able to compete more successfully with other sites in the region. Similarly, efforts should be made to insure that zoning is flexible enough to support a variety of uses with support from a streamlined development review/approval process.

Consideration should be given to establishing a new redevelopment authority that would be responsible for the long-term management of EPCAL through implementation of the reuse plan once it is approved by the local legislative body. This approach has a number of advantages including:

1. The property will have dedicated oversight/staffing with the sole priority of marketing and developing the site
2. The authority will provide a one-stop contact point representing the town to all interested developers, as well as government and institutional liaisons
3. Removing the management/development of the site from influences of the short-term election cycle will allow for continuity of an agreed upon plan over the required long-term period needed to see it to fruition.

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MEMORANDUM

TO: Sean Walters
Town Supervisor
Town of Riverhead

DATE: April 25, 2012

SUBJECT: Absorption Analysis for NWIRP/EPCAL

In response to the Town's request, RKG has completed an analysis of the potential land absorption, in terms of acreage and by use, for the development of the EPCAL site over the next fifteen years. This analysis draws upon the previously issued market analysis prepared by RKG[1] as well as the on-going master planning work by VHB, Inc. The purpose of this analysis is to forecast potential development patterns in order to estimate the amount of land that would be developed at the site over the next 15+/- years, in order to guide the master planning and permitting process. The analysis is based on forecasts of existing population and employment growth in Suffolk County and Riverhead's ability to capture a share of that growth.

SUMMARY of PRIOR FINDINGS

The following summarizes selected key findings from the RKG market analysis:

- Between 2000 and 2010 Suffolk County employment grew 4.2%, or by approximately 24,300 jobs.
- Nearly 40% of this employment growth occurred in the government sector.
- Historically the Riverhead labor force has represented 2%± of the County.
- Over the last decade the office absorption in Suffolk County was approximately 500,000 square feet (SF) annually, while average absorption in the Town of Riverhead was 12,300 SF annually.
- At the time of the RKG market analysis, the office vacancy rate in Suffolk County was 22%, representing 2.6 million SF of available space.
- The industrial vacancy rate in Suffolk County was 12%, or 9.8 million SF available.
- Housing in the Town of Riverhead is predominantly owner-occupied and over the last decade housing starts (single family) averaged nearly 200 units annually. However, this was heavily influenced by the earlier part of the decade (2000 to 2005) as annual construction waned in the latter part (2006 to 2010).

[1] *Real Estate Market Analysis Calverton Enterprise Park (EPCAL) Riverhead, New York, December 8, 2011*

- Projected housing needs for the Town were estimated to be between 100 and 150 units per year, or 1,000 and 1,500 units in total from 2010 to 2020[2].

- Based on the most recent site plans that VHB has developed for the EPCAL property, there are up to 770 acres of property that is potentially available for mixed use development.

ASSUMPTIONS

RKG has reviewed these findings and has developed an absorption analysis for EPCAL, utilizing the following assumptions:

- Employment projections from the New York State Department of Labor are available for Long Island (Nassau and Suffolk counties, combined), but no distinction is made for Suffolk County, nor were there projections to 2025 available. As a result, RKG has utilized employment projections prepared by Moody's Analytic for this analysis, which does provide Suffolk County specific employment projections to 2025.

- RKG assumes a capture rate of the Suffolk County employment growth to be 4% to 6% for the Town of Riverhead. While this is somewhat aggressive compared with the last decade, RKG believes this to be warranted anticipating the availability of land at EPCAL, given the varying acreage that is able to accommodate a wide variety of uses; coupled with competitive pricing and aggressive marketing.

- Growth industries (by NAICS codes) were divided into type of space required, such as flex space versus office space or retail space, as examples.

- Industry average space utilization per employee (expressed in square feet, or SF) was applied to each industry sector, such as one (1) retail employee equates to a space need of 450 SF.

- Absorption at EPCAL was considered to be steady over the projection period, although once constructed and occupied, absorption is likely to accelerate as the site gains recognition in the market.

- The floor area ratio (FAR) for non-residential uses such as light industrial and office typically varies between 0.15 (suburban office park) and 0.50 (urban industrial sites). In this analysis RKG has opted to use the midpoint of approximately 0.30 FAR for the build-out analysis. Essentially this indicates that for every one (1) SF of built improvement, an additional two (2) SF of land area is also required[3].

[2] This corresponds to an approximate 5,100 population increase (33,500 persons in 2010 to 38,600 persons in 2020).

[3] This FAR is considered to be somewhat high compared to typical suburban business parks, which typically have larger setback and open space requirements. A lower FAR would result in a somewhat faster absorption rate.

- The average size of residential units to be built at EPCAL is estimated to be 1,250 SF[4], reflecting current building trends and more in line with a "downsizing" homeowner rather than a first-time buyer.

ABSORPTION

Table 1 presents RKG's analysis of non-residential absorption for EPCAL over the next fifteen years (through 2025), indicating:

- The Suffolk County private sector employment, in the identified industry sectors, is projected to increase by nearly 84,700 positions over the 2010 to 2025 time period. The Town of Riverhead is anticipated to capture between 3,400 and 5,000 of these employees, or approximately 4% to 6%.

- Considering the locational advantages of EPCAL, the availability of lots for both large and small scale development and assuming aggressive marketing coupled with competitive pricing, RKG estimates that 75% of this growth could locate to EPCAL. As a result, the estimated employment growth at EPCAL is 2,500 to 3,800 positions.

- This increase in employment in turn equates to a demand for 1.34 million to 1.98 million SF of built space or approximately 89,000 to 132,000 SF annually over a fifteen-year period[5].

- Based on population and household trend data, this analysis forecasts the addition of 1,500 housing units in Riverhead over the next ten years, or about 150 units annually, somewhat less than the annual average (of single family units) over the prior decade. RKG estimates that EPCAL might capture 20% to 30% of this demand, or 30 to 50 units per year. It is assumed this level of absorption would continue beyond the next 10 years, resulting in an estimated 450 to 750 units that could potentially locate at EPCAL between now and 2025.

- Straight line absorption of the residential unit demand, at 30 to 50 units annually over the 2010 to 2025 period, results in an annual land absorption of 5 to 8 acres per year, assuming an average residential density of six units per acre (such as townhouses and cluster development) to as much as 15 to 25 acres per year at an average density of two units per acre (similar to Riverhead's town-wide average of 1.6 units per acre for single family units).

- Absorption beyond 2025 can be forecast on a continued straight-line basis; however, the confidence level diminishes the further out in time the forecast looks.

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[4] According to the Town assessment records the average single-family home is approximately 1,755 SF.

[5] This is slightly more aggressive than the RKG's preliminary and initial estimate of 60,000 SF annually as reported in the *Real Estate Market Analysis Calverton Enterprise Park (EPCAL) Riverhead, New York, December 8, 2011*

CONCLUSIONS

The following summarizes RKG's estimates of land absorption at EPCAL.

- **Non-Residential** - In terms of acreage, assuming that Riverhead captures 4% to 6% of the growth in Suffolk County employment, EPCAL is estimated to realize absorption of 7-acres to 10-acres annually for non-residential development over a fifteen-year period (2010 to 2025).
    - EPCAL's locational advantage includes proximity to the Long Island Expressway, Brookhaven Labs and the resort areas of the Hamptons, as well as the availability of freight rail access at the site.

- **Residential** – Annually, the residential development potential represents 30 to 50 units per year and approximately 5 to 25 acres per year depending on allowed density.
    - Anecdotal information indicates a need for workforce housing in the region, which could enhance residential absorption at EPCAL if permitted.

CAVEATS

The following caveats, or cautionary notes, apply to this analysis.

- These estimates for absorption do not consider the existing availability of office and industrial space throughout the Suffolk County market, and as such may be considered somewhat aggressive given existing vacancies, which will absorb some of the potential demand.

- Much of the non-residential employment growth and subsequent demand for building space in the County is represented by the health sector. Considering past renovations and expansions of the Peconic Bay Medical Center, the future SF needs for this sector may also be aggressive, at this time.

- Presently, there are existing industrial projects and developments planned, underway or stalled in and around Riverhead.

- This analysis does not consider the potential for a single, specific end-user at EPCAL, whose presence could require a larger site and act as a "marketing magnet" for other non-residential development, thereby potentially hastening the demand for developable acreage.

- The analysis also does not take into account the potential for concurrent renewable energy production at the site (solar farm) that could serve to provide lower cost electric power and attract other "green" industry firms, thus accelerating the absorption.

- Finally, there is no assurance that actual events will correspond with the assumptions from which these estimates are derived. Consequently, no guarantee can be made that the estimated annual absorption will correspond with the results actually achieved in the future at EPCAL.

Table 1 – EPCAL Absorption for Non-Residential

Calverton Enterprise Park (EPCAL) Absorption Analysis 2010 - 2025	Avg SF / Emp [1]	Suffolk Co. Employment [2] 2010	2025	# Change in Employment	Riverhead Capture 4.0%	6.0%	EPCAL Capture (75%) 4.0%	6.0%	Total Bldg SF - EPCAL 2025 4.0%	6.0%	Annual Bldg SF - EPCAL (15 4.0%	6.0%	FAR	Annual SF of Land 4.0%	6.0%	Annual Acres Absorbed 4.0%	6.0%
Industrial/Flex Space																	
Construction - Trade Contractors	700	24,878	32,522	7,644	306	459	229	344	160,532	240,797	10,702	16,053	0.3	35,674	53,511	0.82	1.23
Manufacturing	700	53,334	46,680	NA													
Wholesale Trade	700	38,354	40,678	2,324	93	93	70	70	48,808	48,808	3,254	3,254	0.3	10,846	10,846	0.25	0.25
Transportation/Warehousing	1,500	17,048	14,544	NA													
Subtotal	**NA**	**133,613**	**134,425**	**9,969**	**399**	**552**	**299**	**414**	**209,340**	**289,606**	**13,956**	**19,307**		**46,520**	**64,357**	**1.07**	**1.48**
Office/Flex or Institutional Space																	
Information	250	10,410	11,457	1,047	42	63	31	47	7,853	11,780	524	785	0.3	1,745	2,618	0.04	0.06
Finance and Insurance	250	22,493	24,705	2,212	88	133	66	100	16,592	24,889	1,106	1,659	0.3	3,687	5,531	0.08	0.13
Real Estate	250	6,711	6,642	NA													
Professional/Technical	250	46,058	51,441	5,383	215	323	161	242	40,372	60,558	2,691	4,037	0.3	8,972	13,457	0.21	0.31
Administration and Waste Services	250	35,305	51,745	16,439	658	986	493	740	123,296	184,943	8,220	12,330	0.3	27,399	41,099	0.63	0.94
Educational Services	700	11,454	12,549	1,095	44	66	33	49	22,988	34,482	1,533	2,299	0.3	5,108	7,663	0.12	0.18
Health Care and Social Services	700	80,508	112,687	32,179	1,287	1,931	965	1,448	675,768	1,013,652	45,051	67,577	0.3	150,171	225,256	3.45	5.17
Subtotal	**NA**	**212,940**	**271,227**	**58,356**	**2,334**	**3,501**	**1,751**	**2,626**	**886,870**	**1,330,305**	**59,125**	**88,687**		**197,082**	**295,623**	**4.52**	**6.79**
Commercial Space																	
Retail Trade	450	76,473	80,615	4,142	166	249	124	186	55,918	83,877	3,728	5,592	0.3	12,426	18,639	0.29	0.43
Arts and Entertainment	500	9,413	9,544	131	5	8	4	6	1,972	2,958	131	197	0.3	438	657	0.01	0.02
Accommodations and Food Services	500	39,098	47,389	8,292	332	498	249	373	124,377	186,566	8,292	12,438	0.3	27,639	41,459	0.63	0.95
Other (excluding Public Administration)	500	23,018	26,813	3,795	152	228	114	171	56,922	85,384	3,795	5,692	0.3	12,649	18,974	0.29	0.44
Subtotal	**NA**	**148,001**	**164,361**	**16,360**	**654**	**982**	**491**	**736**	**239,190**	**358,785**	**15,946**	**23,919**		**53,153**	**79,730**	**1.22**	**1.83**
TOTAL for Non-Residential Uses				**84,685**	**3,387**	**5,035**	**2,541**	**3,776**	**1,335,400**	**1,978,695**	**89,027**	**131,913**		**296,755**	**439,710**	**6.81**	**10.09**

Source : RKG Associates, Inc.

[1] Industry standards developed in part by the Urban Land Institute (ULI).

[2] Employment data from Moody's Analytic.