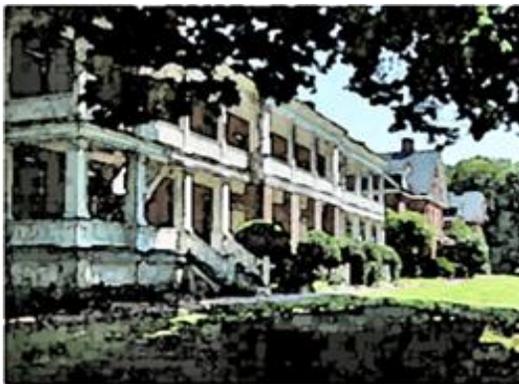


A Public Policy Framework for Defining the Future for The Lakes Region Facility

Laconia, NH

May, 2012



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Executive Summary

For a number of years both the City of Laconia and State of New Hampshire have been seeking an appropriate re-use for the Lakes Region Facility (LRF). Considerable work has been completed to document site issues and constraints but many questions have remained about the ultimate end-use for the property. This report summarizes the potential futures of the site and the results of a community prioritization session that shaped the direction of this report.

Incorporating all of the prior efforts into the team's thinking and particularly the input received at the community prioritization session held in March, we are recommending a multi-faceted solution that preserves the majority of the open space on the LRF site and provides options for the primary concentration of buildings centered on the former state prison buildings:

- ◆ The majority of the site is recommended for use as public recreation and a center for agricultural and sustainability education.
- ◆ The "building campus" which is centered around the former state prison site, has a number of potential uses that will likely require time and patience for economic conditions to mature and make viable re-uses feasible. Our initial recommendation for the building campus is to test the market and see if a continuing care retirement community might be feasible. This use has the potential to take advantage of the historic and architectural qualities of the buildings, the scenic views and access to the recreational resources of the lakes region. It could also create a potentially advantageous synergy with the recommended agriculture/sustainability education and resource center. Most importantly it would provide new jobs and taxes to the area without competing with the downtown and existing industrial parks for new industrial and office users.

Separating the building campus from the majority of the open space gives the City and State more time and flexibility to explore the "best fit" end use for the building campus, potentially through a joint city-region-state commission modeled after the Pease Redevelopment authority.

Transforming a site of this size and significance will take vision, time and energy. Regardless of the direction taken, it is imperative that an entity be created to focus on that transformation. Lacking an individual or group to spearhead appropriate uses that are consistent with the desires of the community, the site could continue to decline, and become a growing liability to the community and region.

Introduction

For the past several years the City of Laconia and the State of New Hampshire have been cooperatively pursuing suitable re-uses for the approximately 235 acre site known as the Lakes Region Facility (LRF). A number of public information and input sessions were held in conjunction with the preparation of a December, 2010 report prepared for the US Environmental Protection Agency “Implementation of The Process for Risk Evaluation, Property Analysis and Reuse Decisions.” That document provided an excellent foundation to advance the public discussion about the most appropriate uses for the property since it documented in considerable detail the physical, historic and environmental conditions on the site.

The central purpose of this report is to document and evaluate the results of an invited panel discussion that was held on March 20, 2012 at the Laconia Middle School. The consulting team has reviewed and analyzed the site re-use preferences that were generated at that session. Evaluation of the re-use preferences included the consulting teams’ expertise, current micro and macro market conditions and a number of practical constraints presented by the City of Laconia. The recommendations presented in this report seek to find the best and most pragmatic alternatives that serve the needs of Laconia, the region and the State.

The Public Input Session: March 20

The consulting team and City Planner presented an overview of the site characteristics and history of the property to twenty-eight invited panelists and approximately twenty-one area residents¹. The panel members were then presented with a list of approximately thirty site re-use options that were culled from the public input sessions conducted as part of the EPA study. After considerable discussion and a listing of the major advantages and disadvantages of many of the re-use ideas, the panel members were invited to vote on their re-use preferences.

Figure 1 shows the results of the voting which was further categorized by the panel members estimates on whether a re-use option was likely to happen in 0-5 years, 6-15 years or more than fifteen years into the future.

Figure 2 includes general comments about the property as well as re-use ideas that were either seen as less feasible or not discussed in any detail due to time constraints of the meeting.

¹ See appendix A for a list of the attendees.

Figure 1

Results of Lakes Region Facility Input Session						
Laconia Middle School						
March 20,2012						
Site Reuse options that were discussed and received votes of support from invited panelists						
Category	Pro	Con	Votes in Support			Percent of All Votes
			0-5 yrs	6-15 yrs	16+ yrs	
Small business incubator	tie in to higher ed		1	18		20.65%
	conference center					
	jobs and families to region					
Educational Center	meshes with private uses	skeptical of feasibility	4	12		17.39%
	allows expansion of services					
	curriculum germane to local issues					
	co-locate with PSU & UNH, magnet school and agriculture					
	dormitories - year round					
	include arts component					
Recreation & playing fields	melds well with other uses	traffic	15			16.30%
Sustainable Agriculture:	growth in demand		14			15.22%
Resource Center	permaculture center					
Community Gardens	parcel B - continue use					
Farmers Market	melds well with other uses					
	protect prime soils					
	could happen quickly					
	existing farms					
	low cost entry					
Offices/Corporate Offices	new families & jobs	companies can go after a time		7	3	10.87%
		office vacancies already in other urban areas				
Wind/Solar Farm	higher Ed tie-in	may not be good site for wind	1	8		9.78%
		visibility questions				
Light Industry	jobs	wages are variable	1	5		6.52%
	still growing in Laconia	existing park isn't full				
National Guard	jobs?	Jobs?	3			3.26%
	ROTC	may not be big net gain				
	new dollars to area	not good for largest use				
	could bring infrastructure funding	not transformative				
	not dominant use	aesthetically unappealing				
		may not be best use of site				
						100.00%
Totals			39	50	3	92

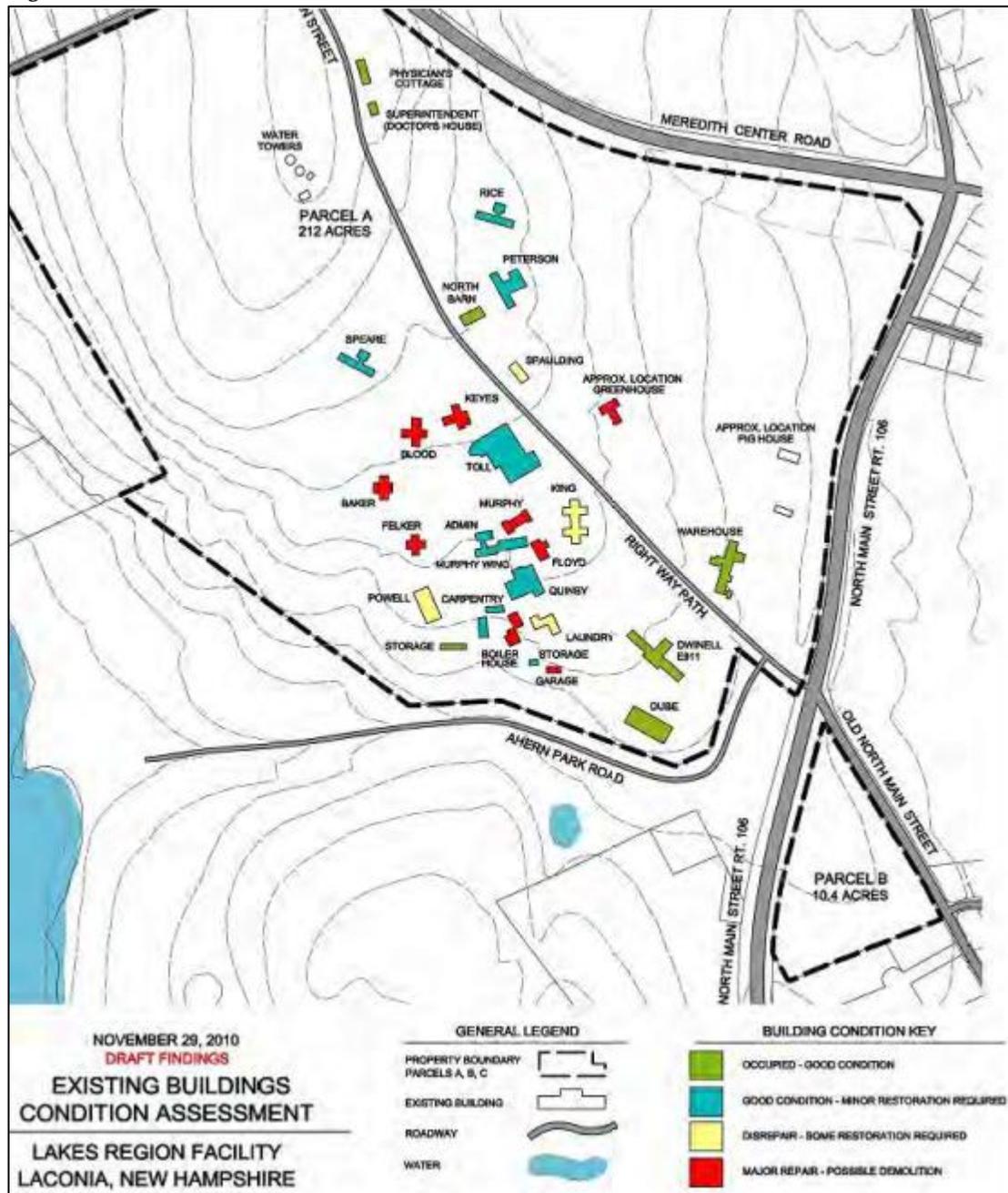
Figure 2

General Comments About the Property		
Awesome piece of land		
Long term leases		
Visibility of improvements		
Community Sustainability		
Purchase and button up (land banking)		
No light pollution!!		
Regional transformative site		
Other Land Use ideas that were seen as less feasible:		
Category	Pro	Con
Arts complex	tie in with higher-education	competition with area arts venues
Brewery		
Campground tied to Ahearn state park		
City vehicle maintenance facility		
Designated Receiving Facility		
State Health & Human Services District Offices		
Dog Park		
Fire Station		
Golf Course		
Mutual Aid/911		
NH Geological Survey		
Police sub-station		
Residential/assisted living		don't need housing now aging demographic
Resort/casino		
Retail	Agriculture related retail	detracts from downtown vitality
Sports training facility	As a piece of some other use	
Woman's Prison/halfway house		
		Not the focus of current zoning
		large parking lots: lights, stormwater, etc.

Constraints

Building Inventory and Conditions: The EPA study and an environmental investigation report by Credere Associated (2010) documented the number, size and estimated physical conditions for each building on the site. (figures 3 & 4). The inventory identified a total of 31 buildings with a total square footage of nearly 352,000 square feet of space. Right around the time of the March 20 public meeting, the State was completing a subdivision of the property that removed the Dwinell and Dube buildings from the remainder of the site along with 17.12 acres of land. As a result these two structures (totaling 40,298

Figure 3



s.f.) and the surrounding acreage have been eliminated from further consideration in this re-use assessment. This reduction leaves 311,554 square feet of buildings and slightly less than 200 acres of land on parcel A. Adjacent parcel B (south of parcel A) has 10.42 acres of land with no buildings on it and parcel C (north of parcel A) contains 7.54 acres, also with no buildings.

Figure 4 also shows the building area by building condition (taken from figure 1 data). That distribution indicated that 10.6% of the buildings are in occupied/good condition; 38.7% in good condition; 13.1% in disrepair; 35.2% in major disrepair; and 2.4% that were not rated.

Figure 4

Lakes Region Facility Building Inventory								
Source: Credere Environmental Report 2010				Source: EPA Report				
				Estimated Condition				
Building #	Name	Year Built	Sq. Ft.	Occupied/Good	Good	Disrepair	Major repair	Not listed
1	Administration	1967	11,654	11,654				
2	Baker	1927	15,000				15,000	
3	Blood	1942	18,970				18,970	
4	Dube	1969	22,684	22,684				
5	Dwinell	1958/2000	17,614	17,614				
6	Felker	1913	14,185				14,185	
7	Floyd	1907	12,907				12,907	
8	Keyes	1917	16,154				16,154	
9	King	1964	11,124			11,124		
10	Murphy	1935	17,327				17,327	
11	Murphy Wing	1963	6,859		6,859			
12	Peterson	1971	10,891		10,891			
13	Physician's Cottage	1952	2,438	2,438				
14	Powell	1962/1990	10,891			10,891		
15	Quimby	1905	32,965		32,965			
16	Rice	1954	7,796		7,796			
17	Spaulding	1915	12,147			12,147		
18	Speare	1954	7,796		7,796			
19	Superintendent's Cottage	1948	2,488	2,488				
20	Toll	1975	51,468		51,468			
21	Warehouse/Sap House/Pump St	1950	11,440	11,440				
22	Boiler House	1905-07	8,130				8,130	
23	Carpenter's Shop	1963	2,808		2,808			
24	Laundry	1909	6,516			6,516		
25	Garage&plumbing storage shed	1952	5,600				5,600	
26	Lumber Storage& Flammables st	?	1,000	1,000				
27	Pig House	?	3,000					3,000
28	Greenhouse	1940 +/-	1,500				1,500	
29	Water Tower control bldg.	?	500					500
30	Poultry Houses (2@2,000+/- ea)	?	4,000					4,000
31	North Barn	?	4,000	4,000				
	Total		351,852	73,318	120,583	40,678	109,773	7,500
	Totals - Minus Dwinell & Dube		311,554	33,020	120,583	40,678	109,773	7,500

Environmental: The consulting team listened carefully to the discussion and comments of the panel members and evaluated the findings included in the EPA report on the site. There are environmental remediation issues that have been identified and others that may be identified after additional investigation and testing is completed. While none of the identified issues appeared to be insurmountable, additional investigation is warranted and any potential buyer of the site will need to complete their own due diligence in assessing the environmental risks on the property and each building.

Community and Economic Constraints: A number of practical and policy issues were raised during the March 20 public input session that has significant bearing on a number of the suggested uses for the LRF.

- ◆ In the broad real estate economic sense, New Hampshire and the nation are still recovering from one of the deepest economic recession in decades. While there are indicators that the effects of this are beginning to lessen, by most accounts the real estate market will still take several years to come back.
- ◆ The real estate market for office uses is particularly weak throughout northern New England.
- ◆ Laconia has expressed concern that any reuse of the LRF should not compete with the downtown for customers or businesses.
- ◆ Laconia and other area communities have existing industrial parks that are still seeking quality tenants and reuse of the LRF should not compete with these economic initiatives.
- ◆ Laconia residents have expressed their desire to maintain the residential and rural character of the area around the LRF and their concern that it not become another commercial center that could threaten the quality of life of nearby residential neighborhoods.

Potential Site Uses

Current Status

The LRF has significant potential to be an economic and community asset. The 200 acres contained on the balance of Parcel A has prime agricultural soils on a major state highway, in an attractive setting with commanding views of two water bodies. Within a few miles of the site are municipal services, healthcare facilities, golf and water amenities, summer and winter resorts, a community college and an affluent resident and seasonal population. Compared to many sites “in transition” from one public use to the next productive use, it has many inherent advantages, and fewer detriments.

The redevelopment will be affected by several factors, including:

- ◆ Current and Future Ownership
- ◆ Costs of Redevelopment
- ◆ The Pace of Redevelopment
- ◆ Types of Redevelopment

- ◆ The Form of Redevelopment Agent(s)

Current and Future Ownership

The site is currently owned by the state of New Hampshire, which has utilized it for various institutional uses for over a century. This has left the site relatively well-maintained and whole. Several of the larger buildings were constructed for correctional use, potentially complicating their reuse. Others that have historic and architectural interest, are in questionable physical condition, and/or would require significant reinvestment to redevelop for any use under current codes.

The state no longer needs the majority of the site. The separation of the Dwinnell and Dube buildings from the remainder of the property and their continued use for on-going public safety and government functions will place some design and re-marketing constraints on the whole site, but is not expected to be insurmountable.

The state has authorized the sale of the remainder of the site to either the City of Laconia, the County of Belknap, or a private owner for a cost of \$10 million. Very recently the City of Laconia has submitted an offer on the property for its appraised value of \$2.16 million.

As a major and significant land parcel, the site is unique for being intact and well located. There is a general consensus in the Laconia community that this site offers a unique opportunity to be a “transformative” re-use, bring needed jobs, tax base, and new economic diversification to a travel-tourist dominated local economy. Equally important to the community is that this opportunity not be wasted, and that the site not be redeveloped in a manner having negative community consequences. The community’s interests include ensuring that another poorly-suited institution (another prison or military facility) is not the result.

The City’s ownership interest is also to ensure the right and best redevelopment occurs and not to provide it with a new location for a City or school facility. It is safe to assume that the community would support a third-party interested in acquiring some or all of the site, provided that guarantees are secured to ensure the Laconia community that it will achieve its goals of:

- ◆ a transformative use, with new jobs,
- ◆ new tax base, and
- ◆ an enhancement of local life-quality.

Only with those assurances will the City be likely to support that sale and redevelopment.

The City can provide itself some assurance through its land-use permitting approval process. However, there are several permitted uses which would be allowable, but not “transformative”, or even particularly welcomed. For these reasons - desiring a best-use, and guarding against a poor reuse - the City leadership is hesitant to see the property go to an unconditional auction or sale to a private redeveloper.

Costs of Redevelopment and Resulting Revenues and Public Benefits

Continued ownership by either the state or the City would require expenditures for site and building operations and maintenance. The NH Department of Administrative Services has indicated that it costs them \$175,000 annually to maintain the buildings and site. It should be noted that this annual maintenance cost includes both the Dwinell and Dube buildings which are being retained by the State.

Redevelopment costs, and capital costs for new or existing structures are dependent upon the building and site re-use(s). Renovation costs for existing buildings currently range from \$150 to \$200 per square foot, or between \$25 million and \$60 million, assuming some buildings are demolished. Second, the site will need new and/or upgraded road, stormwater, sewer and water infrastructure depending upon the reuse. These upgrades could easily add another \$5-10 million to total redevelopment costs. Based on what is currently known about the environmental site characterization, site environmental remediation may not be a significant factor, but a contingency needs to be part of any redevelopment pro-forma. Furthermore, until additional site characterization work is completed, the uncertainty of this issue will dampen redevelopment interest in the property. There are also new property management costs for a new owner, as well as new costs for marketing the site to new users.

Redevelopment has great potential for generating new tax-base and employment opportunities. Using another rough indicator of 1 job per 300-500 sq. feet of available space, the site could generate 500 to 800 new jobs. However other uses – such as parks, farms, or storage – would produce many fewer opportunities for employment.

Redeveloped buildings that eventually are returned to the local tax-base could provide the City with \$500,000 to \$1 million in new tax revenues annually. Hence the public dilemma and a classic “risk vs. reward” question: *How much public investment now for unknown economic and life-quality benefits later?*

The Pace of Redevelopment

This report is being conducted during an economic period of much uncertainty. History has shown that eventually quality redevelopments with the attributes this site offers will attract private investment greater than the public investment required to secure that private investment, resulting in greatly enhanced communities and a successful transition from public institution to next-wave economic usefulness. In New Hampshire, communities including Manchester, Claremont, Concord and Portsmouth-Pease have seen their public investments used to trigger successful private-sector, transformative redevelopment. But how long is “eventually”? Current market forecasts range from bullish to bearish for real estate redevelopment. Additionally, Laconia has both an industrial park and a downtown that need new tenants and investment. If it is City-redeveloped, the new development might compete against other Laconia interests. Private, existing commercial buildings are

currently suffering from weak demand, and existing private amenities such as golf courses would not welcome a new, city-subsidized competitor.

This report seeks to recommend options that might work, but also continue to give the site owners options as the market responds over time. It also seeks reuses that minimize capital costs, and to “back-end” to a later date any fixed capital investments envisioned, until a strong and viable end-user is secured.

This presents another contradiction for leadership to consider: the need to act quickly to ensure a community-minded redevelopment while possibly “mothballing and land-banking” until such time as the commercial end-users are identified and have financially committed. In effect, the Project may be best secured now and developed later. A strategy that secures the site and undertakes planning now with redevelopment coming later may also assist in answering questions about environmental liabilities through possible additional environmental investigation and remediation grants.

Recommended Site Uses

The community input from the March 20 meeting indicates that there is a strong interest in doing something significant and “transformational”. There is also strong consensus that this is an opportunity that should not be wasted, squandered or delayed. Of all the uses discussed in the community session, there was not a single re-use that captured all of the preferred possibilities, and some re-uses would prohibit or preclude others. This consensus to protect the site and community, argues for a State-City arrangement sooner rather than later. The lack of consensus on the specific re-use, and no consensus on how to initiate and pay for the redevelopment perhaps also suggests a “protect now- develop later” strategy.

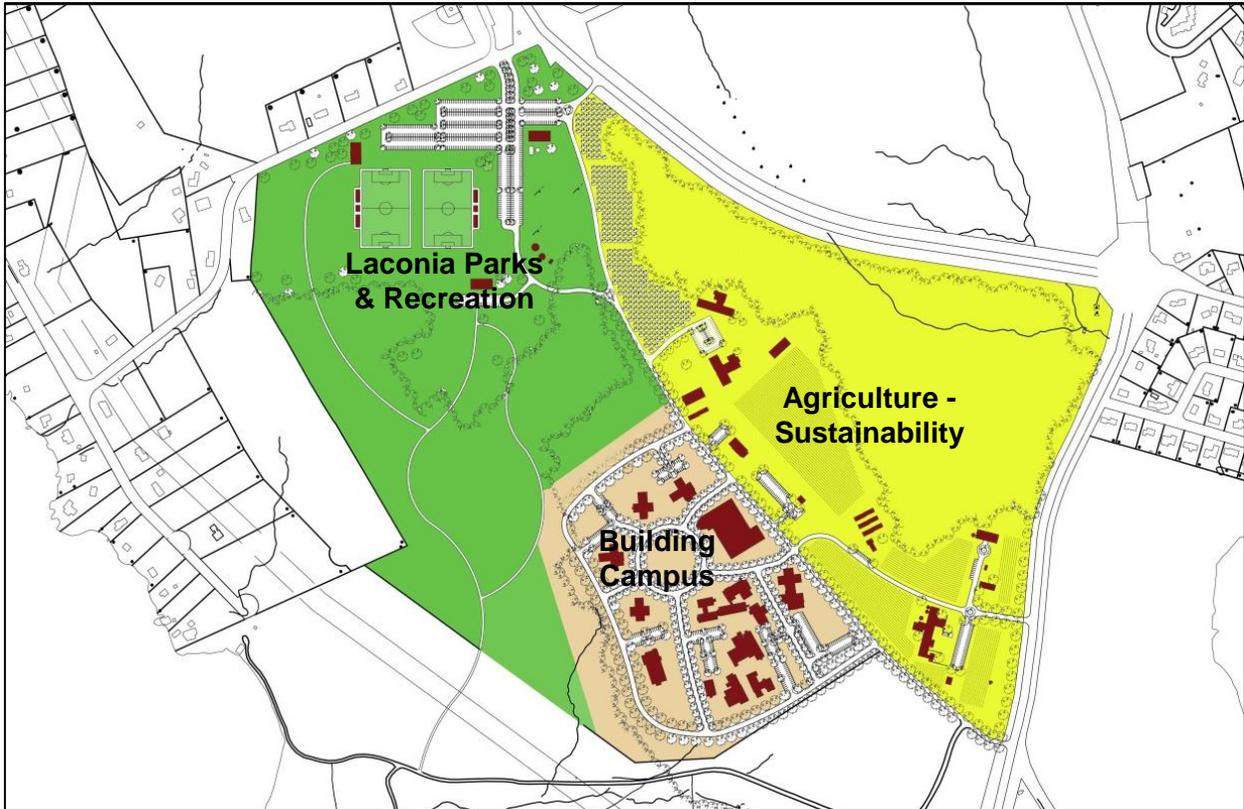
Possible Redevelopment Structures, Owners and Agent(s)

- A. Maintain as state ownership, and
 - a. Utilize for new institutional use
 - b. Wait for market conditions to improve
- B. Private Sale:
 - a. “As Is” for market price
 - b. Private sale with conditions and covenants; it has to be acceptable as transformative
- C. State develops along the lines of the Pease Development Authority Model
- D. City buys via a RSA 162 Laconia Industrial Development Authority (City bond and operational funds)
 - a. Land-banks with recreational use, or
 - b. Offers to private sector with Conditions
 - c. Invests in infrastructure upgrades that guide and shape re-use options
- E. State and City Redevelop jointly as Laconia Regional Development Authority

Redevelopment Recommendations

The consultant team weighed all of the ideas from the public input session with the site, community, and economic constraints. The recommended mix of options preserves the bulk of the site as open land and concentrates most of the building activity around the existing building campus. There are three primary uses suggested for the site (refer to figure 5).

Figure 5: Conceptual Site Plan



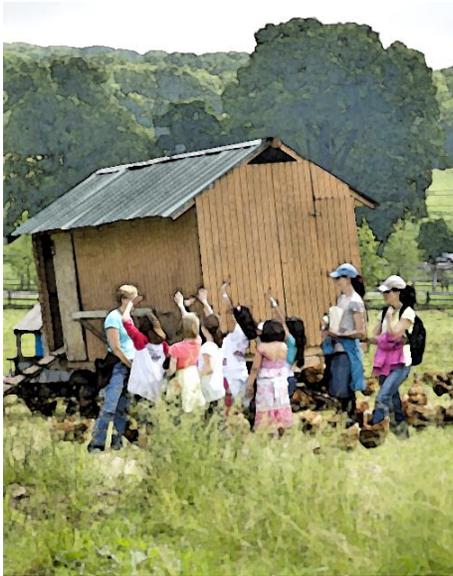
Public Recreation

Located at the top of the hill near the water tank, Eastman Road, and on the western slopes facing Lake Winnisquam. This is a use that the community seemed very supportive of and could encompass the northern and western portions of parcel A and be linked to Ahearn State Park. It would provide



opportunities for additional organized sport fields as well as biking, jogging, hiking and cross country ski trails between Ahearn State Park and Eastman Road. The area dedicated to recreation is approximately 80 acres.

Figure 7



Agriculture-Sustainability

Located to the northeast of Right Way Path on approximately seventy acres is a proposed agriculture and sustainability resource center that could formalize and continue the agricultural tradition that already exists on this portion of the site. Existing buildings (including Rice, Peterson, North Barn Spaulding and the greenhouse) could be used for agricultural and sustainability purposes, offices and training/resource areas. This could become a Central New Hampshire center for sustainability and agricultural innovation with academic links to Plymouth State, UNH

Durham, the Lakes Region Community College and others. Given the open location, renewable energy systems could be demonstrated on the site (wind & solar) and integrated into the program. In addition to active agricultural production, the plan also envisions forestry, and orchard crops. The broader concept could be transformed into a relatively new field



Figure 10

Figure 9



known as permaculture that has already begun to take hold in the lakes region.

Reinforcing the agriculture – sustainability model, the existing warehouse building near Right Way Path and Route 108 could be transformed into a restaurant and retail store that focuses on site-grown products (buy local).

Figure 8



The Building Campus

The biggest challenge of the property is the building campus that contains about forty acres of land and approximately 250,000 square feet of buildings housed in eighteen structures. A considerable range of uses could be located here. Given the real estate and

community constraints identified previously, the use that appears to have the best fit might be a continuing care retirement community (CCRC) that provides senior housing serving independent living, assisted living and full nursing care on a single campus. There are many models of this approach around New Hampshire and with the baby boomer generation approaching retirement, this may be an appropriate time to consider this use. Many of the moderate sized structures (Keyes, Blood, Baker, Felker) appear well suited for renovation into independent living spaces that could surround a central community green. The Toll building could serve as the central community facility and administration building for the campus.

Figure 11



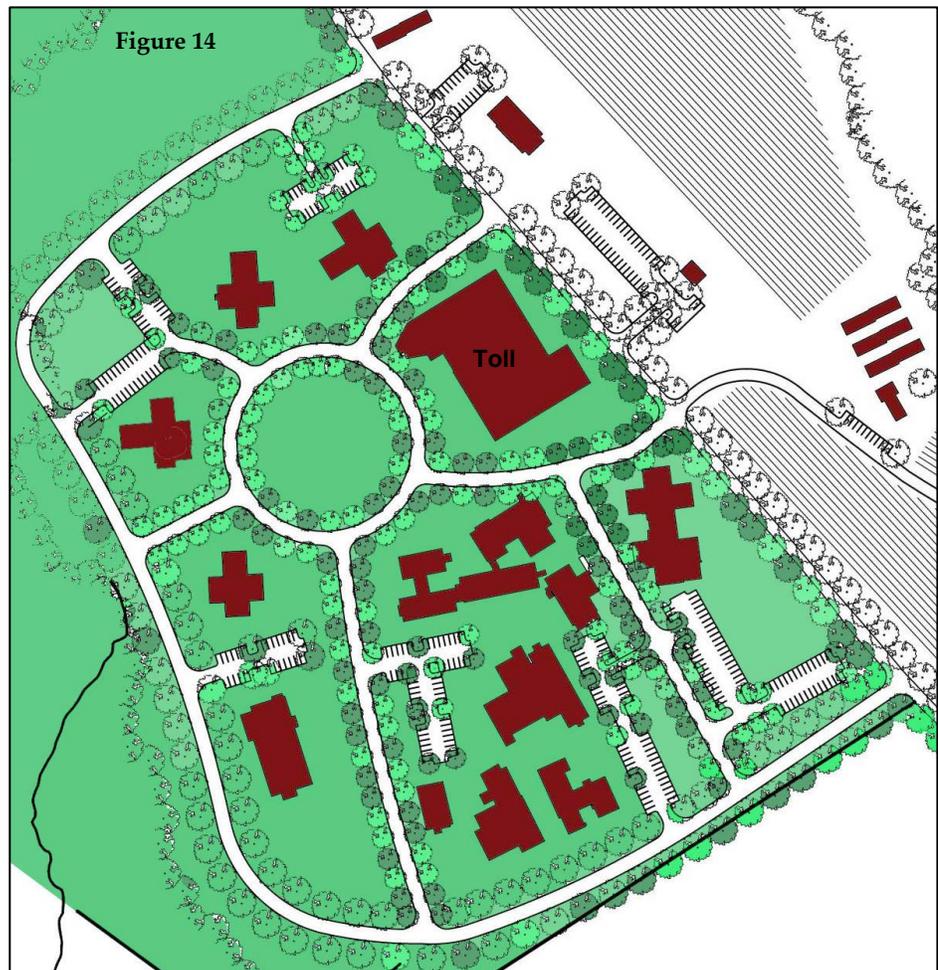
Figure 12



Figure 13



Residents of the CCRC might become engaged in the education and operation of the agriculture/sustainable/permaculture resource center, making it a part of their community life and potentially integrating elements of the programs into the community center operations (Toll building).



Conclusions

This report summarizes several factors that must be considered in transforming the LRF to its next use. First, the public aspirations and concerns expressed in a public meeting and in preceding and follow-up discussion are considered and ranked. The site's ownership and on-going costs were also explored, together with how the state desires to dispose of the property.

The report initially assesses the site's marketability in light of existing market conditions, including the general economy, local markets, and competing businesses and community priorities. The report summarizes the various options along the spectrum of "public-to-private" re-development, and suggests that a "protect now-develop later" scenario may be wise. It is also strongly recommended that a joint development authority be established, comprised of representatives from both the City and State (and possibly regional interests). Both the City and State have financial interests and each bring unique skills in financing and management to the discussion. Regardless of what the site becomes, it will not realize its transformative potential without a strong redevelopment champion. Lastly, we have proposed a land-use possibility that reflects all of these inputs, offers an innovative mixed-use that is transformative, leaves re-development options open and defers significant capital costs until appropriate final end-uses are identified. We hope this advances the discussion about - as well as the implementation of - a great transformative re-use for the community's better future.

We commend the City leadership for its foresight to seek a re-use that is both appropriate and affordable today, and aspires to a higher quality, transformative asset for tomorrow.

Appendix A: Sign-In sheets for March 20 Meeting

SIGN IN

MARCH 20TH

FORMER LAKES REGION FACILITY – VISIONING SESSION

NAME	BUSINESS
1. Michael Connor	State of NH Admin Services
2. Stephen Sorce	State of NH Admin Services
3. Tom Goulettz	L.R.C.C.
4. Scott J. Kalicki	L.R.C.C.
5. PATRICK H. WOOD	PATRICK WOOD LAW OFFICE, PLLC
6. Ed Engler	Laconia Daily Sun
7. JEDD STEINGLASS	CREDENE
8. STEVE WEEKS	WEEKS COMMERCIAL
9. George Hurt	FORBES RISK MGMT FORMERLY HURT + FORBES FINS.
10. DAVE BLUK	President
11. BILL SEED	WORKS COMMERCIAL
12. NATHANIEL JOHNSON	WINNIPESAUKEE ASSOC
13. Bob HAMEL	City Council
14. ANA Doyle	City Council

SIGN IN

MARCH 20TH

FORMER LAKES REGION FACILITY – VISIONING SESSION

NAME	BUSINESS
15. <u>KARL ARMUNDSSON</u>	<u>NOBK</u>
16. <u>JEAN SULLIVAN</u>	<u>BCEDC</u>
17. <u>Carmen Lorente</u>	<u>BCEDC</u>
18. <u>Dorothy Duffy</u>	<u>LAC.</u>
19. <u>Sally Holder</u>	<u>Self/wood Trak</u>
20. <u>Marthahey</u>	<u>City</u>
21. <u>Tom Garfield</u>	<u>Lacordia Savings BANK</u>
22. <u>Kyril Mitchell</u>	<u>Lacaria Planning Board</u>
23. <u>Warren Hurdin</u>	<u>" " "</u>
24. <u>Karen Barker</u>	<u>Back to Fossin</u>
25. <u>Michael Seymour</u>	<u>FSB</u>
26. <u>Henry Lipman</u>	<u>LR6Healthcare</u>
27. <u>Timothy Drew</u>	<u>NH DES</u>

SIGN IN

MARCH 20TH

FORMER LAKES REGION FACILITY – VISIONING SESSION

	NAME	BUSINESS
28.	Scott Myers	City Mgr
29.	David Stamps	Computer Consulting
30.	Janet Simmon	
31.	Mark Edelstein	BCEDC/Chamber
32.	Walter ^{Harris} Harr	resident
33.	Bruce Cheney	State
34.	Alan Robichaud	L.R. United Way
35.	Roger Cover	RESIDENT
36.	Kate Geraci	
37.	Linda Shelley	Resident
38.	Mary Ellen Boudreau	Resident
39.	Brian + Linda Phelps	Resident
40.	Brian Wolf	Resident
41.	Tom Barker	Resident

SIGN IN

MARCH 20TH

FORMER LAKES REGION FACILITY – VISIONING SESSION

NAME

BUSINESS

42. Dick Christopher Laconia resident

43. Michael Kufel WISCONSIN DAILY SUN

44. Carol Pierce Laconia resident

45. Carey Pierce Laconia

46. Jeff Battson Laconia

47. John Kozol Laconia Citizen
