



Yorklyn Village Market Study and Economic Analysis: Executive Summary

Yorklyn Village, Delaware

Prepared For: Delaware Department of Natural Resources and
Environmental Control (DNREC) and Auburn Village LLC

July 30, 2013

ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™

EXECUTIVE SUMMARY

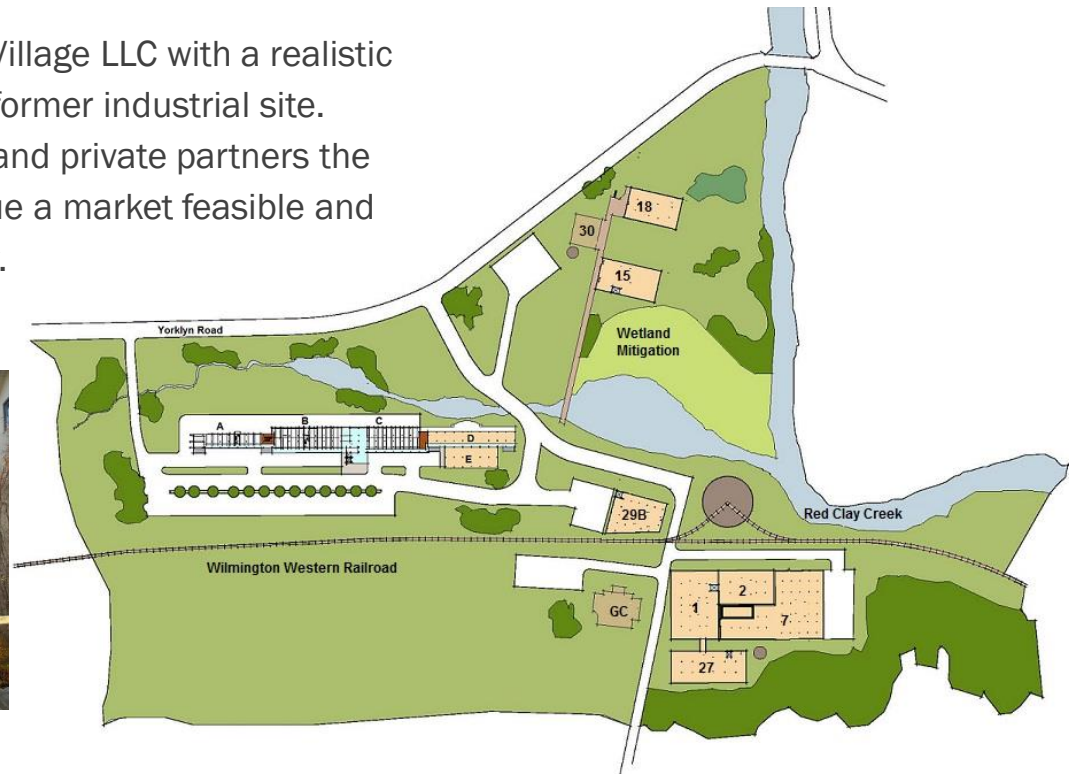
ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™



Executive Summary: Introduction

4ward Planning was retained by the Delaware Department of Natural Resources and Environmental Control (DNREC) to perform a market study and economic analysis of the proposed reuse of the National Vulcan Fibre (NVF) mills site in Yorklyn, Delaware (hereinafter, “Yorklyn Village”). The overarching goal of this Market Study is to define market driven and economically sustainable development and private sector business opportunities for Yorklyn Village.

This analysis provides DNREC and Auburn Village LLC with a realistic picture of the potential future reuse of the former industrial site. Additionally, the report provides the public and private partners the confidence and assurance needed to pursue a market feasible and fiscally responsible redevelopment strategy.



Executive Summary: Goals & Objectives

The goals and objectives of this analysis, as identified jointly by DNREC's project manager, Auburn Village LLC, and 4ward Planning, include:

- Determine the ideal mix of market supportable uses for the project site, based on an understanding of area demographics, special features of the site (e.g. rural character, the presence of Marshall Steam Museum, etc.), and consumer expenditure patterns related to cultural, heritage and recreation tourism.
- Identify revenue potential generated from special events, programming, and other proposed activities and uses at the site.
- Forecast the number of new jobs created with the market supportable redevelopment program.
- Quantify the direct, indirect and induced economic impact of the market supportable redevelopment program.

Executive Summary: “Place Making”

When it comes to fruition, Yorklyn Village will be a new and unique destination for cultural, heritage and recreational tourism. The proposed redevelopment concept will both leverage off of tourism to area attractions (e.g., Marshall Steam Museum, Longwood Gardens, Winterthur, the Wilmington & Western Railroad, among many others) as well as compliment these attractions with it’s own cultural events and programs. The site location itself, a historic paper mill complex adjacent to hundreds of acres of state-owned preserved land, is a tremendous asset.

Cultural, heritage and recreational tourism opportunities at the site are robust. Interviews with local Visitors Bureaus and event planners expressed strong interest in Yorklyn Village. Specifically, they noted the “all-under-one-roof” arrangement of lodging, dining, and meeting space; the unique character of the natural setting; and the variety of proposed cultural and recreational activities.

Proposed development program:

- 30-50 high-end residential townhouse-style units
- Boutique hotel and spa
- Restaurants
- Retreat/conference center and event rental space
- Steam car storage facility and museum
- Office space
- Arts / local non-profit space

Cultural, heritage and recreational tourism:

- Multi-use trail
- Concessions for bicycling, hiking, kayaking and fishing
- Stop for the Wilmington & Western railroad and associated tours/events
- Outdoor space for festivals and special events
- Adventure course
- Adult educational “camps”

Executive Summary: Key Findings – Demographics

A detailed analysis of socio-economic trends and projections for Yorklyn Village's primary and secondary markets (PMA and MSA) reflects a number of favorable trends for the proposed project.

While population and household projections are flat in the PSA and MSA, the sheer size of the market indicates Yorklyn Village will have no shortage of potential patrons going forward. The population age 55 and over is growing fastest (a projected 30 percent increase through 2017); this age group is most likely to be empty nesters, have more time to pursue hobbies and travel, and have relatively high disposable incomes. They represent a strong patron base for Yorklyn Village both as future residents and visitors.

Wealth is also expanding, with PMA households earning over \$75,000 annually expected to increase by 20 percent through 2017. Average market area household spending on dining out, entertainment, and travel exceeds the national average. This is particularly favorable for Yorklyn Village's objective to be a center for cultural and heritage tourism, entertainment and recreation.



Executive Summary: Key Findings – Historic Vehicle Owners

Given the site's proximity to the Marshall Steam Museum and the proposed multi-use paved trail, the State expressed interest in a possible niche market for historic vehicle owners. A sub-analysis of the historic vehicle enthusiast indicates significant crossover with the market area demographics and proposed uses. These enthusiasts also tend to be older and relatively affluent (earning \$75,000 or more annually), and having high spending activity (more than \$10,000 annually on historic vehicles). Furthermore, they display greater interest in cultural preservation and would presumably be drawn to the cultural and heritage programming proposed. Yorklyn Village can certainly capture some of this spending through the multi-use track, storage, lodging, and auto-related events.



Photo Courtesy of Marshall Steam Museum / Friends of Auburn Heights (www.auburnheights.org)

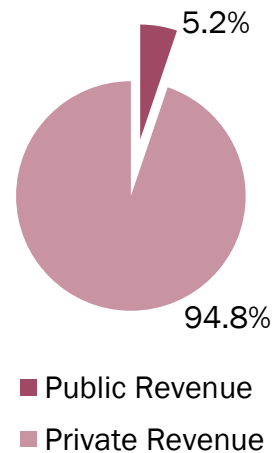
Executive Summary: Key Findings – Revenue Generation

Together with Delaware State Parks and Auburn Village LLC, and based on local and national comparison research, 4ward Planning developed a list of feasible revenue-generating activities for Yorklyn Village, including events and programming, concessions, space rental, and other unique experiences specifically related to the recreational and cultural offerings of the area.

In a likely case scenario, we estimated that activities at Yorklyn Village could generate in excess of \$4.5 million in revenue annually. Nearly 95 percent of this revenue will accrue to the private partner from sales at the hotel and spa, dining establishments, and venue rental fees. Revenue accruing to Delaware State Park from special events, festivals, and concessions is expected to be much less, approximately \$237,000; however, these activities will drive significant traffic to the area and boost revenues both on-site and in the surrounding area.

Yorklyn Village's success as a cultural and recreational destination will require:

- A strong marketing campaign to draw patrons.
- Continued collaboration between the State of Delaware, Auburn Village LLC, and other area amenities (Friends of Auburn Heights, Marshall Steam Museum, Center for Creative Arts, Wilmington & Western Railroad, etc.).
- Hiring a joint operations manager to oversee site activities and market the site.
- Maintaining a joint partnership between the public and private interests.



Executive Summary: Key Findings – Economic Impact

The project, as envisioned, will lead to a number of skilled and semi-skilled permanent full- and part-time employment positions within these industries:

- hospitality and lodging
- food and drinking establishments
- arts and entertainment
- professional services

In the first year, the project construction is estimated to result in 260 direct construction jobs and more than 400 total direct, indirect and induced jobs. Normal operations and special events and programming are estimated to result in more than 300 total new full- and part-time jobs in the area.

Over the ten-year period of 2014 to 2023, operations and new events at Yorklyn Village are estimated to produce nearly \$300 million in total economic output, a 900 percent increase over the original direct investment of \$30.7 million. Total state and local tax impacts from operations and events over the ten-year period are estimated to be over \$15 million.



300 jobs



\$300MM total economic output

Executive Summary: Key Findings – Financial Feasibility

Collectively, the adaptive reuse projects will likely generate a greater value for each project than would be the case if the projects were developed in isolation. Consequently, a single development entity for the proposed projects, such as Auburn Village LLC, represents the best ownership structure for achieving financial viability, up until all projects are built and operational. Thereafter, and assuming operational stabilization (meaning each of the building uses is generating consistent cash flow), properties could be sold to separate entities.

A financial feasibility analysis of the proposed adaptive reuse of six buildings or complexes demonstrates that the Long Building (Building 1) and the Administrative Office, programmed for residential and office reuse, respectively, provide the greatest opportunity for return on investment. A relatively significant amount of subsidy will, likely, be required to entice private investment for adaptively reusing the remaining former industrial buildings within Yorklyn Village. Cultural uses will, generally, require the greatest financial subsidy in order to achieve financial feasibility; conversely, commercial or residential uses will require the least amount of financial subsidy. Given the proposed reuse plan, none of the projects analyzed are likely to produce outsized financial returns.

DNREC or another Delaware state agency, would likely need to financially assist the early stages of project development, via soft-term loans, grants, and/or infrastructure investments (e.g., surface parking development).



General & Limiting Conditions

4ward Planning LLC has endeavored to ensure that the reported data and information contained in this report are complete, accurate and relevant. All estimates, assumptions and extrapolations are based on methodological techniques employed by 4ward Planning LLC and believed to be reliable. 4ward Planning LLC assumes no responsibility for inaccuracies in reporting by the client, its agents, representatives or any other third party data source used in the preparation of this report.

Further, 4ward Planning LLC makes no warranty or representation concerning the manifestation of the estimated or projected values or results contained in this study. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from 4ward Planning LLC. This study is qualified in its entirety by, and should be considered in light of, the above limitations, conditions and considerations.



For more information, please contact:

Todd Poole

646.383.3611

tpoole@landuseimpacts.com

Darlene Wynne, AICP

267.480.7133

dwynne@landuseimpacts.com