

Quonset Development Corporation

Meeting of the Marketing & Business Development Committee

Public Session Minutes

Monday, March 19, 2007

A meeting of the Marketing & Business Development Committee of the Quonset Development Corporation (the “Corporation” and/or “QDC”) was held at 4:00 p.m. on Monday, March 19, 2007 at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following Committee Members were present and participated throughout the meeting as indicated: Thomas Hazlehurst and David A. Doern. One position on the Marketing & Business Development Committee is currently vacant. The following QDC staff were present: Geoffrey Grout, Steven King and Heidi Green. Gerald Lavallee from CB Richard Ellis was also present.

1. CALL TO ORDER

The meeting was called to order at 4:05 p.m.

2. ECONOMIC OVERVIEW BY CB RICHARD ELLIS

Mr. Lavalle indicated that the negative press about the Gateway has deterred some activity at the Quonset Business Park (QBP). Mr. Lavalle stated that potential tenants are taking a “wait and see” attitude.

Mr. Lavalle informed the Committee that approximately four to five larger office users (approx. 100,000 square feet) are in the market. Three of those office users were provided marketing information for the QBP. Three development opportunities were offered: within the gateway, within Development Initiative 3 and a corporate headquarters site on the waterfront. None of the three office users have requested an on-site tour. They may be monitoring the challenges to the permitting process being experienced by the New Boston Development Partners with the Gateway project.

There currently is not an office market in North Kingstown. QDC is trying to create a market here. The major challenges, however are the demographics, political climate and lack of amenities. Currently, the Brooks headquarters (comprised of 240,000 square feet) in East Greenwich is also on the market.

Mr. Lavalle next provided a status on the industrial market. He indicated that industrial companies are currently interested in existing buildings. There are limited vacancies in northern Rhode Island. Some industrial users are more labor intensive and require

more concentrated demographics than are present in North Kingstown. Mr. Lavallo has sent informational packages to industrial users in the market. However, available sites are limited to 2 to 3 lots in West Davisville. Kiefer Park and Quonset are built out. Mr. Lavallo stated that the QDC Board of Directors may wish to reevaluate its position on leasing property versus selling land because at this point there is limited land available to sell.

Mr. Lavallo pointed to trends and forecasts in the New England region as well as nationally. He mentioned that the sluggish housing market may impact the overall economy. He mentioned that 60,000 Rhode Island residents commute to Massachusetts for employment opportunities. He stated that there needs to be a platform created in Rhode Island to retain these workers. Mr. Lavallo pointed to the lease rates and operating expenses for the Boston, Providence and Quonset markets:

- Boston-lease rates \$65-\$85 per foot with \$22 per foot for operating expenses.
- Providence-lease rates \$40-\$42 per foot with \$11 for operating expenses.
- Quonset-lease rates-lease rates low \$20's with \$6-7 for operating expenses.

Mr. Lavallo indicated that most office users have located in downtown Providence. The newest building in Providence, G Tech is charging

\$40-42 per foot in rent and the offices range from 25,000 to 35,000 square feet. There are several office users requiring 50,000 square feet in the market. However, without the Gateway to offer amenities to employees, it will be difficult to get offices to locate in Quonset.

The Gateway would create 35 jobs per acre which is comprised of 32% retail and 68% office. The retail development in Phase I would be a good start to job creation. The creation of amenities would make Quonset competitive with Connecticut and Massachusetts. The competitive advantage of Quonset would be the lease rates along with the quality of life in Rhode Island. If the Gateway is not developed, the amenities would be transportation (rail, water and truck). Without the Gateway, Quonset is rated a C site and with the Gateway, Quonset is rated a B+ site.

Mr. Hazelhurst inquired about the reaction of the Gateway tenants to Statewide Planning's determination of nonconformance to the State Guide Plan. Mr. Lavalley indicated that they are concerned because of the amount of risk involved in this project. However, New Boston wants to keep them moving forward.

Mr. Lavalley stated that the industrial market has not gained ground compared to the hotel, retail and office sectors. He further indicated that more businesses are reluctant to enter into long term leases rather than to buy fee simple. Mr. Doern pointed out that Quonset is offering favorable lease terms.

There was a discussion concerning updating the Master Plan and Marketing Plan. Also, the SWOT analysis may also need to be reexamined. Mr. Grout indicated that the development at Quonset should move forward not requiring subsidies. Mr. Lavelle added that the market understands because the value per acre at Quonset has increased from \$80,000 per acre to \$180,000 per acre.

Mr. Grout provided an update concerning the businesses currently looking at locating at Quonset. Mr. Grout indicated that the ethanol plant has a proposed program however, they also need to get their financing in place. Island Global Yachting which responded to the Request for Proposal for the marina services sector is still working on a plan for yacht building and repair on 40 acres adjacent to the waterfront.

Mr. Grout has also been speaking with a business regarding a proposal for dry rack storage along 10 acres of Allens Harbor. The Navy is interested in being apprised of the proposed reuse of the site. Additionally, there has been some conversations regarding locating a commuter rail station at West Davisville. That would be an advantage to the QBP. Mr. Lavelle stated that the QBP is a great opportunity for the next generation of Rhode Islanders to work in the state.

Mr. Doern indicated that he would like to see more businesses having

on-site tours at Quonset. He also would like to obtain documentation and/or feed back from businesses indicating why they will not locate at the QBP. He thinks this will support QDC's position concerning the Gateway project.

3. APPROVAL OF MINUTES

Upon motion duly made by Mr. Doern and seconded by Mr. Hazlehurst, the Committee:

VOTED: To approve the minutes from the December 11, 2006 meeting.

Voting in favor were: Mr. Doern and Mr. Hazlehurst.

Voting against were: None.

Unanimously Approved.

There being no further business to come before the committee, upon motion made duly by Mr. Hazelhurst and seconded by Mr. Doern, the meeting was adjourned at 4:55 p.m.

Respectfully submitted by:

Steven J. King, P.E.

Chief Operating Officer