
Economic Development Strategy

The Town of Ledyard, in concert with its Economic Development Commission, contracted with Mullin Associates Incorporated to develop an economic strategies plan to guide the Town's economic development efforts. This Action Plan, completed over a five month period, is based on supporting plans, documents and assessments. The major assessments include:

- An analysis of the socio-economic base of the community and its surrounding area, with a focus on demographics, economic profile and retail market potential;
- An analysis of input received from both the public and the private sectors. Key leaders in the community were interviewed and citizen input was solicited during two community wide workshops, one at the start of the planning process and the other on completion of the draft version of the this plan; and
- An assessment of the development capacity in Ledyard with particular reference to the important industrial and commercial districts and properties. Sites were ranked based on development suitability factors. Buildout and tax assessments were undertaken for sites having significant development potential.

The plan is further supplemented with detailed appendices focusing on the actual outcomes of the public participation elements of the program, a retail market profile of Ledyard residents, a compendium of financial resources and a selection of documents, relative to Ledyard's economic strategy, from other jurisdictions including biotechnology zoning regulations, economic development corporation charters, economic development director job descriptions and negotiated tax agreements.

The following economic strategy is designed to help the Town of Ledyard improve the community's tax base and quality of life through economic development. The economic development plan's "mission" is to enhance and diversify the Town's tax base while maintaining its character and quality of life.

On Organizational Structure

Developing the appropriate organizational structure for economic development is a critical step. In the state of Connecticut there are four predominant organizational structures: planning departments, economic development commissions, development corporations and private partnerships. There are also many variations within each structure, and all are continually evolving. Each structure is best suited for some aspects of development but limited in others. The differences between these organizational structures deal with three major aspects: legal authority, decision making processes and sources for operating expenses. They are also characterized by the degree of public, quasi-public or private participation. In examining these various structures, it is appropriate to ask the following questions:

- What is the nature of the Town of Ledyard's economic problems and goals?
- What is the geographic scope of the problems being addressed, e.g. neighborhood, Town-wide or regional?
- What major tasks will the organization undertake, e.g. planning, land development and sales, infrastructure improvements, loans and grants?
- What is the desired degree of political, community and private sector participation necessary for approval and financial support, e.g. local appropriations, state and federal grants and charitable contributions?

Realistically, the selection of the most suitable organizational structure is based on anticipated funding needs and sources and on the community's familiarity and degree of comfort with one structure over another. Also, the ideal organizational structure will complement existing capacity and institutions, rather than duplicating or supplanting them. It will provide the necessary capacity to achieve the stated goals within the geographic area with the best mix of public/private/community representation and control, based on the political and economic climates within the strategic target areas.

For the purposes of developing a recommendation, the following organizational structures were examined, and representative organization's key personnel were interviewed: the Development Authority (Town of Bristol); the Economic Development Partnership (Housatonic Valley Economic Development Partnership); and the Development Corporation (New London). Appendix A provides a directory of contacts. On the whole, each organization felt that its own structure was most appropriate for its needs, relying on complementing powers and technical skills from other organizations. Each organization had been "around" for some time, becoming more active as crises or opportunities arose. The major distinguishing characteristics expressed by each organization were, first, power to act as a designated development agency for federal and state funds; second, the pace of decision making; third, financial assets and fourth, constraints of open meeting laws and procurement procedures.

These organizational structures were measured against the Town of Ledyard's overall economic development goals: enhancement of the tax base, infrastructure development, redevelopment and marketing of existing parcels, and Town Center improvements, to determine which structure is best suited to implement these goals. This evaluation process led to the conclusion that the existing Commission structure is appropriate for the short term, but that as the pace and scope of development increases, a corporate structure will be more suitable. The Commission should begin to explore the community's support to its being designated as the development agency on a project by project basis, under Chapter 114, Section 7-486 and Section 8-188, Connecticut City and Town Development Act. This will allow it to work directly with state programs and to manage its funds. Such designation goes beyond the powers contained in Ledyard's Ordinance No. 55 relating to the Commission's present powers and duties. The Commission should next strongly consider moving to a corporate structure to replace the Commission or to act as an adjunct to the Commission. Under a corporate structure it can avoid some of the "red tape" and politicizing of development activities, it can more easily enter into land disposition agreements and build up financial assets for both project financing and operating expenses. It also allows other corporations to donate land in exchange for tax benefits. The certification of a not-for-profit 501- C- 3 organization, under which the state's Community Development Corporations function, by the IRS will take approximately two years time.

On an Economic Development Coordinator Position

The old adage “if every one is responsible nobody is” too often dooms a community’s best intentions. While volunteerism is a cornerstone of many towns’ governmental structure, it can only provide limited support on a time-available basis, and may not always contain the requisite expertise. The success and effectiveness of the proposed strategic action plan will depend on the Town’s ability to get professional staff that will initiate and monitor the actions recommended. The EDC, with the help of a professional Economic Development Coordinator, can and should assume a pro-active role in economic development. The proposed action agenda is such that additional professional expertise and responsibility will be necessary to achieve them. Together, the EDC and the ED Coordinator will be able to establish on-going and long-term attention to the various tasks. The coordinator’s position will readily provide expertise and day-to-day contacts and responsibilities in dealing with development issues. Such a position is very highly supported in this proposed economic development strategy. A draft job description for the Economic Development Coordinator is presented in Appendix B.

On Diversifying the Tax Base

Ledyard is overly dependent on its residential tax base. The residential sector pays nearly 86% of the property taxes while commercial and industrial sectors contribute roughly 9%. In comparison, a sustainable community should have approximately 30% of its tax base from non-residential uses. Norwich gets 29% of its tax revenue from commercial and industrial property and Groton gets 40%. In order to reduce the tax burden on the residents, the EDC needs to proactively promote and attract appropriate commercial and industrial development. As the Town has a uniform tax rate for commercial and residential development, non residential property will enhance the tax base at a much faster rate than residential property as there are no direct school costs (approximately \$6,500 per student) associated with commercial or industrial development and the service costs are much lower as well. Ledyard is well suited for light industry, office, research and development and specialized retail activity. A concise summary of projected increases in the tax base (with a \$28.9 mil rate and 70% assessment ratio) and consequent impacts on the tax rate by developing strategic sites for commercial and industrial uses is as follows:

Industrial and Commercial Sites	Estimated Annual Tax Revenue	Estimated Mill Rate Reduction
Sonoco Gravel	\$537,127	\$0.82
Dow property (east side of Route 12)	\$166,533	\$0.26
Lorenz Industrial Park	\$123,909	\$0.19
Ledyard Center Design District	\$254,898	\$0.39
Gales Ferry School and C-2 zone	\$70,805	\$0.11
Total Estimates	\$1,153,272	\$1.77

If all the above sites were developed to their full capacity, it would reduce the mill rate by \$1.77 per \$1,000 of assessed value or approximately 6% on an annual basis. In other words, the Town would be able spend an additional \$853,000 annually on schools, services and capital improvements without affecting the current tax rate. This will be a significant contribution to the tax base.

The lack of economic development has further consequences when even a small growth in expenditures (1% per year) is projected. One percent growth in expenditures equates to approximately one half mill increase in revenue needs. Growth in the tax base, due to development that would be ancillary to the build out of the sites that are examined in this report, can sustain this type of growth, leaving a net lowering of the mill rate. Without economic development, the existing tax base must provide the needed revenues with the obvious increase in local tax rate.

On Future Growth

Many of Ledyard’s planning documents discuss infill and use of existing commercial and industrial zones for growth. Furthermore, this policy is embodied in the current Plan of Development. Given Ledyard’s environment constraints (wetlands, slopes), this is a wise practice that should be a priority. However, since the land area is limited, the potential for growth is likewise limited. In order to stabilize the mill rate, it may be necessary to examine new areas. Examples include the Tree Farm, the proposed overlay zone (a zoning district that would allow uses or densities not necessarily allowed in the original zone if development meets certain desired goals. For example, allowing higher density residential uses or office uses not allowed by right in the underlying residential zone) for office and R & D near the Highlands sewer and water system and other land the Mashantucket Pequot Tribal Nation may be willing to trade.

Ledyard has limited land that is zoned and usable for industrial purposes. As such, other areas not currently zoned for these purposes might come under development pressures in the future. Carefully planned development with proper site design and buffering can protect existing neighborhoods and blend with the existing character of the community. The Town should seek a balance of uses. The impacts on neighborhoods can be minimized while providing some tax relief to residents and businesses.

Examples of Potential Industrial and Commercial Sites	Estimated Annual Tax Revenue	Estimated Mill Rate Reduction
Clark Farm, Route 117	\$509,796	\$0.78
Tree Farm Property, Route 117	\$427,662	\$0.66

On Site Development

Ledyard has some key sites that have excellent development capacity. These include the Soneco Gravel Site and the Dow Property. Further, the Lorenz Industrial Park has excess capacity. In order to best utilize its limited land resources and diversify its tax base, the EDC should market these industrial properties for industrial purposes. The sectors that would be most beneficial for the Town would be those related to the existing regional industrial clusters such as defense technology, engineering and advanced manufacturing; health care and biotechnological; and marine research and education. These sectors would bring some balance and diversification to the economic climate in Ledyard and would be in keeping with the character of the Town.

Commercial areas with significant development capacity include the resort commercial cluster district along Route 2, Ledyard Center and the Route 12 - Gales Ferry area. These commercially zoned areas should be developed for a mix of office and retail uses. There is need for specialized, upscale retail development that will enhance the quality of life for Ledyard residents and capture some tourist dollars as well. Retail activities include an expanded selection of food and wine shops, bookstores, technology related retail, sports shops and specialty stores.

A detailed assessment of the development capacity of key sites can be found in Section Three of the supporting documentation.

On Financing Economic Development

Available federal and state grants for economic development are highlighted in Appendix E. Not all of them can be accessed through the EDC as some are specifically geared for small business. Another note of caution regarding availability of federal grants is that Ledyard's low rates of unemployment and high level of income for its residents, makes it a hard sell on economic distress criteria. Our feeling is that Ledyard will need to rely more on private sector funding than public sector grants and programs. Despite this note of caution, Economic Development Administration funded grants for infrastructure and technical assistance should be pursued.

In terms of gaining support from the business community, the EDC should approach the owners/operators on a project by project basis. In the beginning, it would be best to request help for small projects (such as volunteer time for marketing the community, preparing marketing material) and when credibility is gained, to get increased support for a business improvements fund or a revolving loan program that would be administered by the EDC. The EDC should also explore innovative tax incentives to promote desired commercial and economic development in Town. These incentive tools include negotiated tax agreements and tax increment financing projects (TIFs).

Tax incentives and/ or abatements can be negotiated between the Town and a developer or property owner based on some type of linkage or reciprocal investment in the community. Tax abatement financing is attractive since it is virtually the only finance tool available at the sole discretion of local government. Tax abatements are given to businesses to offset property, sale, or inventory taxes. Abatements can reduce a developer/owner's tax bill, freeze the assessed value of a building and the land it will occupy, or freeze the total amount of taxes the owner must pay on its real property at the pre-development level. In all cases, abatements and credits reduce a business' cash outflow. For example, the Town could offer an investor a 80% credit in the first year. The credit line would then decline by 10 percentage points in each of the next 7 years. In the eighth year, the investor will be paying 100% of the taxes. The abatements over the eight year period would help the investor cover additional costs or risk factors and the Town would benefit in the long run by stimulating needed development.

Tax increment financing is a technique used to disperse the cost of development to those government agencies that will benefit from the increased tax base that a TIF project will generate. First a TIF area needs to be defined (for example, the Ledyard Center Design District) by the TIF authority (the EDC could act as the TIF authority if approved by Council). The assessed property valuation of this area is frozen for a specific period of time (usually ranging from ten to twenty five years). This frozen value is referred to as the “tax increment base value”, and it remains the same for the life of the project. The TIF authority then uses its powers of land assembly, sale, site clearance, infrastructure developments etc. to improve the district and make it more attractive to business and developers.

Once the land has been secured by the TIF authority, it is usually sold to a real estate developer, who is responsible for attracting business to the district. As private investment begins to accumulate, the assessed valuation and corresponding property taxes generated by the district increases. However, this increase is not channeled to the taxing body (the Town). Instead, this revenue is earmarked for the TIF authority and is used to finance any debt that the authority accumulated when making improvements to the district. The difference between the “tax increment base value” and the assessed value after development is known as the “tax increment”.

There are two basic ways for the TIF authority to raise the initial monies needed to finance the infrastructure improvements. First, the authority can pay for improvements as they go, using the tax increment from the previous year. This method can be quite slow as development can occur only gradually. However, the authority does not need to issue bonds, thus reducing the risk of the project. The second financing method, which is more common, is the issuance of bonds (either general obligation bonds or revenue bonds). These bonds give the authority an immediate means of financing a TIF project. The issuance of bonds entails a higher risk. If development fails to occur or does not reach expected levels, it will be difficult to pay off the bond issues. Thus there is a trade off between the higher risk of using bonds and the increased speed of development.

Another local financing strategy is to create a local revolving loan fund or capital bank by forming a strong partnership with commercial banks in Town, private corporations and foundations and using public grants. The passage and subsequent utilization of the Community Reinvestment Act (CRA) requires banks to be players in “community development” within the communities in which they are located. They can contribute funds directly (make loans) or indirectly (make grants or loans to community development corporations or revolving loan programs that focus on community development) within their jurisdiction. Community development is defined as:

Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company Programs or have gross annual revenues of \$1 million or less;

Community services targeted to low or moderate income individuals;

Activities that revitalize or stabilize low or moderate income geographies

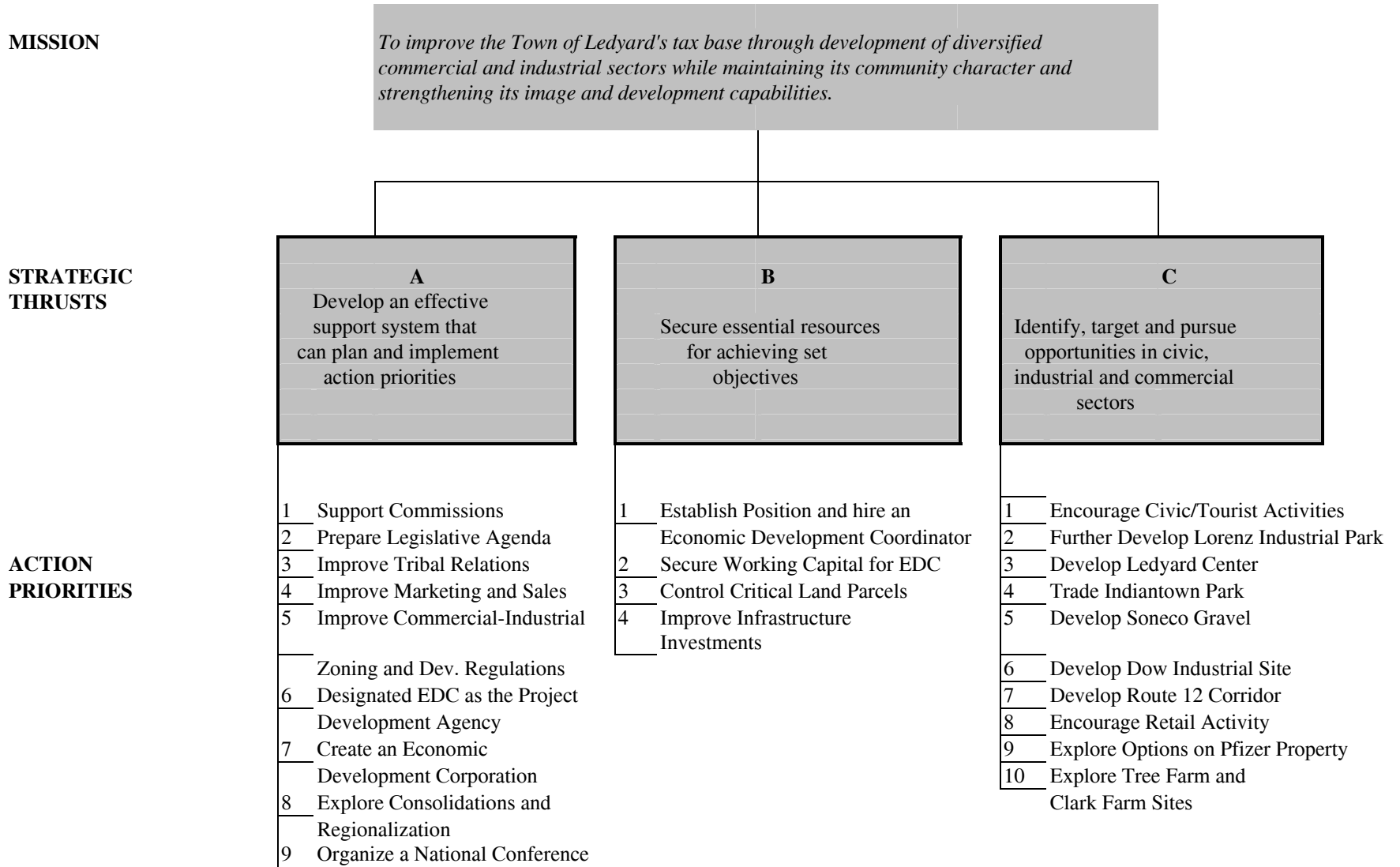
There is no list of eligible activities or formal application criteria for CRA funds. As such this is a negotiation process between the Town, the EDC and the banks. The type and amount of assistance depends on the banks’ current CRA rating, actions the banks are taking at present, their assets, their available funds and, perhaps most importantly, their interest.

On the Action Agenda

After careful thought, the action agenda which follows is strongly recommended. It is composed of three major action areas: Capacity Building and Support Systems, Tools and Resource Development, and Targets of Opportunity. This three-front approach is intended to prescribe an inter-related, systematic, concerted and coordinated strategy of prioritized steps within the first three to five years. It is optimistic in its expectations yet flexible in outcomes. Each action area is described and each action step defined by anticipated goals, responsibilities, available resources and time frame. The following chart outlines the actions within the time periods in which they may be initiated along with complementary action strategies.

#	Actions to be initiated in 1998	Complementary Actions
A-1	To Support Planning Commission and Zoning Commission	B-1
A-2	To Formulate a State Legislative Agenda	B-1
A-3	To Improve Relations with the MPTN	B-1
B-1	To Create an Economic Development Coordinator Position	A-1, A-2, A-3,
#	Actions to be initiated in 1999	Complementary Actions
A-4	To Encourage Marketing and Sales	B-1
A-5	To Improve Commercial/Industrial Zoning and Regulations	A-1
A-6	To Designation the EDC as a Development Agency	A-1, A-2, B-1, B-2
B-2	To Secure Working Capital for the EDC	B-1, A-3, A-6, A-7
C-1	To Coordinate and Improve Civic and Tourist Activities	B-1, A-4, A-1, A-3
C-2	To Further develop the Lorenz Industrial Park	B-1, B-2, A-1, A-4, A-5, A-6
C-3	To Develop Ledyard Center	B-1, B-2, A-1, A-4, A-5, A-6
C-4	To Explore a Trade for Indiantown Park	B-1, B-2, A-1, A-3, A-4, A-6
A-7	To Create an Economic Development Corporation	B-1, A-6, B-2
#	Actions to be initiated in 2000	Complementary Actions
A-8	To Explore Possibilities for Consolidation and Regionalization	B-1, A-1
B-3	To Control Critical Land Parcels	B-1, A-7, A-2, A-3
B-4	To Improve Infrastructure	B-1, A-7, A-1, A-2, A-3
C-5	To Develop the Sonoco Gravel Property	B-1, B-2, A-1, A-4, A-5, A-7
C-6	To Develop the Dow Industrial Property, east side of Route 12	B-1, B-2, A-1, A-4, A-5, A-7
C-7	To Further Develop the Route 12 Corridor	B-1, B-2, A-1, A-4, A-5, A-7
C-8	To Encourage Retail Activities	C-3, C-7, A-4, B-1
#	Actions to be initiated in 2000	Complementary Actions
A-9	To Organize a Conference on Tribal - Community Relations	B-1, A-2, A-3
C-9	To Explore the Development Potential for Pfizer Property	B-1, A-1, A-4, A-5, A-7
C-10	To Explore Options for the Tree Farm and Clark Farm	B-1, A-1, A-2, A-4, A-5, A-7

FIGURE 1. STRATEGIC THRUSTS AND ACTION PRIORITIES FOR LEDYARD



The Action Plan

The Action Plans are proposed to establish the necessary systems, provide resources, and to pursue opportunities that can most effectively and efficiently develop the town economically. The support systems include:

- Improving the effectiveness of Town government regarding its approach to economic development.
 1. Improving the relationship with the Mashantucket Pequot Tribal Nation.
 2. Actively pursuing development through marketing and establishment of a paid Economic Development Coordinator position
 3. Establishing an Economic Development Corporation to facilitate development.

Once the framework is established, resources need to be allocated. These include:

- Hiring an Economic Development Coordinator
 1. Providing capital to the Economic Development Corporation using resources that the Town currently possesses.

With these support systems and resources, the town can the best pursue opportunities. These opportunities include:

- Developing of existing commercial sites.
 1. Leveraging the tourist industry in the area to generate business in town.
 2. Encouraging retail that is directly related to the purchasing demonstrated by Ledyard residents.