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Industrial Conversions, Stuck in Gear



C. M. Glover for The New York Times

SCALED BACK Conversion of the Thread Mill building will create about 45 rental apartments instead of the 56 condos originally planned.

By LISA PREVOST
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STONINGTON

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C. M. Glover for The New York Times

THE Mystic Harbour condominium project was envisioned as an antidote to ugliness, developers say. Its mill-inspired buildings were to have replaced an empty aluminum-sided factory on six acres of Long Island Sound waterfront on Masons Island, an extension of the village of Mystic. The chemical contaminants beneath the factory would also be removed.

Long after the first Mystic Harbour residents were supposed to have moved in, however, the project has failed to move beyond the unlovely excavation phase. One brick facade salvaged from the old factory stands forlorn amid mounds of dirt. In the throes of foreclosure, Mystic Harbour is now a testament to the perils of factory

redevelopment.

“It’s a shame that things didn’t come to fruition,” said James D. Buckley, a longtime resident who lives nearby. “The project was something that I thought was well planned out, and the neighbors were accepting of it. Now, it’s like a war zone.”

Mystic Harbour is one of several factory redevelopment proposals in the area that were made possible by a change in Stonington’s zoning in 2004. Town officials added a new

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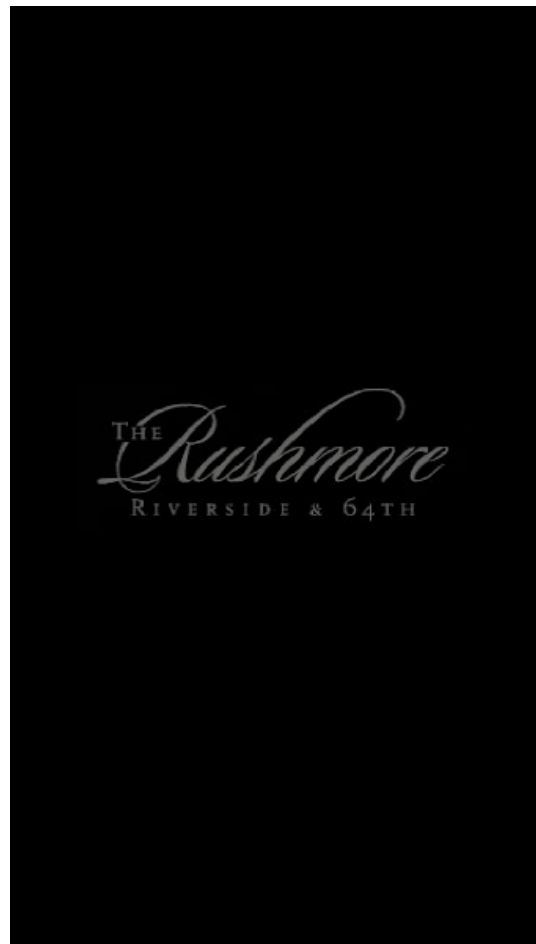
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designation, called an Industrial Heritage Reuse District, that allowed developers greater flexibility in coming up with new uses for abandoned manufacturing sites. Eleven sites in town were identified as eligible for the designation.

If favorable zoning helped developers through the factory door, however, it could not compensate for environmental hazards, unforeseen construction costs, financing difficulties and other hurdles. Such challenges appear to have overwhelmed two of the three projects approved shortly after the zoning change.

In addition to Mystic Harbour, a condo conversion plan for the former [Connecticut](#) Casting mill in the Pawcatuck section of town has stalled.

Construction of the third project, at the former William Clark Thread Mill in Pawcatuck, undertaken by POKO Partners of Port Chester, N.Y., is just beginning. Because of the sluggish market, conversion of the 130,000-square-foot mill will be scaled back to about 45 rental apartments instead of the 56 condominiums originally planned, said Kenneth Olson, POKO's president and chief executive.

"Every project brings a different set of opportunities and challenges to the table," said Mr. Olson, whose company is experienced in the adaptive reuse of such properties. "We were very fortunate that this site wasn't very dirty, the building itself lays out well for conversion to residential, and we didn't have to do significant demolition."

The delay, he said, came in obtaining [National Park Service](#) designation of the site as a federal historic landmark, and then the service's approval of the redevelopment plan. Those steps were necessary in order for the project to qualify for federal historic preservation tax credits.

At Mystic Harbour, Christopher J. Rixon, president of the company developing the project, said he got as far as demolishing the factory, cleaning up the soil and installing water and sewer lines before losing his financing and, consequently, his investors, in the spring of 2006. (He declined to detail the reasons.)

Several attempts to find other investment partners failed; Mr. Rixon ascribed the reluctance to worsening market conditions. "The construction money to do new condominium development just disappeared," he said.

Earlier this year, he obtained town approvals for a revised plan calling for 55 rental units — instead of 46 high-end condominiums — but has yet to secure a partner in the venture.

There are no signs of progress at the Connecticut Casting mill, on a project called Pawcatuck Landing. The plan calls for 15 condo units in an existing mill building along the Pawcatuck River, and two new buildings with a total of 24 additional units.

The primary obstacle appears to be the cost of cleaning up significant industrial contamination, including heavy metals. Last year the developer, Investar Redevelopment L.L.C. of Worcester, Mass., approached the town for help with about \$850,000 in remediation costs. Their proposal was to use anticipated tax revenues from the project to pay off bonds that would have been issued to pay for the work. Stonington turned the developer down, said William R. Haase, the town's planning director.

Investar's president, David Dunham, did not respond to phone messages requesting comment. Recorded messages at the phones of two other managers said they no longer worked for Investar.

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However hard it is to build, this type of housing does have a market in the area, according to Thomas Switz, the owner of Switz Real Estate.

As evidence, he points to Stonington Commons, a mixed-use development on the waterfront in the historic borough of Stonington. The project, completed in 2005, replaced a contaminated five-acre factory site with condominiums and single-family homes, priced from roughly \$400,000 to \$2 million, as well as a yacht club, a marina and public walkways.

The project, which involved factory conversion as well as new construction, was further complicated by industrial contamination and a fire that destroyed a 19th-century factory on the site while work was under way.

Stonington Commons has sold very well, said Seth G. Weinstein, principal of Hannah Real Estate Investors, one of the partners. But undertaking such a job now would be daunting.

“It’s very difficult in today’s environment to finance a project of this type, let alone to sell it,” Mr. Weinstein said. “Timing is everything in our industry. We were ahead of the curve.”

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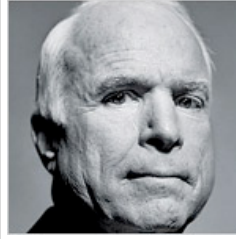


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