

**MINUTES OF THE
ECONOMIC DEVELOPMENT COMMISSION**

January 9, 2015

City Hall Conference Room A

7:30 a.m.

Members Present: Everett Eaton, Chairman; Bob Marchewka, Vice-Chairman; Dana Levenson, Stefany Shaheen, John Bosen, Philip Cohen, Ron Zolla, Josh Cyr, John Pratt, Eric Spear, Jen Zorn

City Staff: City Manager John P. Bohenko, Economic Development Program Manager Nancy Carmer

Welcome New EDC member Jennifer Zorn

Chairman Eaton introduced new EDC member Jen Zorn who provided information about her professional background and expressed enthusiasm for working with the EDC.

Approval of draft meeting minutes of December 5, 2014

Commissioner Bosen moved, and Commissioner Cyr seconded, a motion to approve the draft meeting minutes of December 5, 2014. The motion carried unanimously.

Local Commercial and Industrial Real Estate Market Update

David F. Choate, III Executive Vice President, Colliers International and Laura Farago, Associate, provided an update on the recent real estate market. For non-medical office space over 10,000 square feet, the vacancy rate has dropped significantly between the fourth quarter of 2013 (13%) and the fourth quarter of 2014 (9.6%) due to absorption. Year-end 2014 Class A office lease rates were lower than in year-end 2013 at \$16.35 per square foot versus \$19.94 per square foot gross rent. Similarly, Class B office lease rates were lower than in year-end 2013 at \$15.39 per square foot versus \$17.62 per square foot. For Pease alone, the office vacancy rate increased from 15.6% to 16.7% for the period analyzed.

In the office market, Mr. Choate said the trend will be for increasing purchases while interest rates are favorable, as well as longer lease frequency. Increases in base rent will remain at the lower of 3% or consumer price index. He expects landlord incentives to diminish as supply decreases, but price per square foot will increase.

In the industrial market, inventory of properties over 10,000 square feet increased over the year from 11.8 million square feet to 12.3 million square feet. This resulted in a slight increase in the vacancy rate from 4.2% to 4.3%. The average asking lease rate increased from \$7.10 per square foot in Q4 2013 to \$7.80 per square foot triple net in Q4 2014. This was due partly to the relocation of Lindt out of the Tradeport which drove up available inventory. For Pease alone, the vacancy rate increased from 2.6% to 2.9% for the period studied. For Pease Tradeport office and industrial property combined, the overall vacancy rate increased slightly from 7.4% in 2013 to 8.0% in 2014.

Trends for the industrial market include an increase in lease and purchase demand particularly for properties with a loading dock. Rates will remain stable and lease terms will become shorter (in the 1-2 year range). New industrial construction in the Tri-City area north of the General Sullivan Bridge will outpace that in Portsmouth due to the availability of land and infrastructure.

New Business

2014 EDC Year in Review – Ms. Carmer distributed copies of the 2014 Year in Review Report, summarized the Commission's activity and thanked members for their work.

Election of Commission Officers

Chairman Eaton turned the nomination for EDC Chair over to the Vice Chairman. Commissioner Bosen nominated and Commissioner Pratt seconded the nomination of Everett Eaton as EDC Chair for the upcoming year. The EDC voted unanimously to support the nomination.

Newly elected Chairman Eaton requested nominations for EDC Vice-Chair. Commissioner Cohen nominated Bob Marchewka for Vice-Chair for the upcoming year. Commissioner Zolla seconded the motion which was supported unanimously.

2015 EDC Action Plan Priorities

The EDC reviewed and discussed the draft 2015 EDC Action Plan Priorities. It was the consensus of the Commission to add priorities for workforce housing promotion, for the EDC to actively encourage the City Council to adopt policies that promote business vitality and diversity in the downtown, and to engage with educational institutions and businesses where possible in workforce education for projected growth industries.

As an aside, Councilor Shaheen asked if it would be possible to welcome new businesses and list them quarterly or at regular intervals to inform residents and potential customers of the companies and to acknowledge that the City is grateful for the decision to locate in Portsmouth.

Updates

Downtown Parking Garage Subcommittee Update

City Manager Bohenko informed the Commission that he and staff are working on a non-binding resolution between the City and Deer Street Associates for the property at 165 Deer Street for a second downtown parking structure. A City Council work session is planned for early February to start the public discussion and roll out the details. He expects that the EDC subcommittee should be involved in that effort.

Other

In response to a question on the economic impacts of the sewer treatment upgrades, the City Manager responded that as currently envisioned, the upgrades required by the U.S. Environmental Protection Agency consent decree will increase sewer rates. However, the City is exploring an alternate regional facility at Pease since that system also requires upgrades and Stratham and Greenland need additional sewer capacity. Councilor Shaheen explained that the request to explore Pease as an alternative, came from the City Council in view of uncertain regulations that might be imposed in the future.

The Manager added that in addition to the economic impact of the required sewer upgrade, there are also new federal storm water regulations that could negatively impact the region. He estimates it could add \$1 million to the City's budget. He will invite the City Engineer to a future EDC to provide details on this new mandate.

Public Comment

David Choate commented on the following:

- In reference to a discussion on the permits needed for the Market St. gateway project, he thought there was a state shoreland permit exemption for the entire downtown area. The Manager said that although the City has requested exemptions in some areas in the past, the entire downtown is not exempt.
- In response to the projected 14% employment growth in Rockingham County, he noted the lack of population growth in the City to meet that need.

Confirm Next Regular Meeting: Friday, February 6, 2015.

Chairman Eaton asked for a motion to adjourn. Commissioner moved and Council Shaheen seconded the motion to adjourn. The motion carried unanimously and the meeting adjourned at 8:54 am.

Respectfully submitted,
Nancy Carner
Economic Development Program Manager