

**MEETING MINUTES OF THE PORTSMOUTH
ECONOMIC DEVELOPMENT COMMISSION**

September 3, 2021 7:30 AM

Members Present: Bob Marchewka, Chairman; Philip Cohen, Vice-Chairman (via teleconference); Tom Watson, City Councilor Cliff Lazenby; Dana Levenson, Alan Gold, Assistant Mayor Jim Splaine, Everett Eaton; Ron Zolla Sarah Lachance (via teleconference)

Absent: Katelyn Kwoka

City Staff: City Manager Karen Conard, Economic Development Program Manager Nancy Carmer,

Chairman Marchewka called the meeting to order at 7:35 AM.

Approval of draft meeting minutes of July 9, 2021

Chairman Marchewka asked for a motion to approve the draft meeting minutes of July 9, 2021. Motion made by Commissioner Gold, seconded by Councilor Cliff Lazenby. Motion passed unanimously.

Colliers Real Estate 2021 Q2 Market Presentation - Executive Vice-President David Choate & Research Manager Kristie Russell presented metrics for the second quarter of 2021 for the greater Portsmouth commercial and industrial submarket. Average modified gross asking rent for office properties over 10,000 square feet was \$24 per square foot. Class A rents registered \$27 per square foot, down from \$28 per square foot for the same period in 2020. Class B rents brought \$20 per square foot, down from \$22 per square foot in 2020. The average occupancy rate for all office classes was 91.5% which is 5% below the rate of 96.5% for the second quarter of 2020 illustrating the upheaval created by the COVID 19 pandemic when most offices switched to remote work where possible. The future of these vacancy rates is difficult to predict as companies grapple with an increase in remote workers and a need to reconfigure office space to provide more square footage per employee given the need for more social distancing of staff. Even though more companies have called employees back to the office, there has been a dramatic increase in the overall office vacancy rate statewide.

The local industrial market continues to be in high demand. Lease rates and sale prices for industrial spaces are at historic highs due to a lack of inventory properties and the cost of new construction. Average industrial property rents for the 2021 second quarter were \$8.49 per square foot, up from \$8.20 per square foot for the same period in 2020. Warehousing/distribution and manufacturing properties are trending slightly higher at \$9.07/sq. ft. and \$8.75/sq. ft. respectively. Both rates are up from 8.28 /sq. ft. and \$8.46/sq. ft. in 2020. Available properties were at almost full occupancy with an occupancy rate of 98.9% for the 13,367,189 sq./ft. inventory.

At Pease International Tradeport the office vacancy rate is 9.4%. The occupancy rate for industrial properties is 100% with no vacancy available. In the downtown, CoStar data for August 2021 shows a total of 233 commercial buildings consisting of 59 office buildings, 162 retail buildings and 12 other commercial properties occupying 2.5 million square feet. The vacancy rate for retail is 3% and slightly more for office properties at 8%. In both categories there is always steady demand for occupancy when a user vacates. Sale prices in the downtown range from \$300 - \$450 per square foot, which is historically high for the market.

Updates

American Rescue Plan Act (ARPA) initiatives – the Commission offered the following suggestions for Economic Development Commission: 9-3-21

Approved: 10-1-21

consideration for ARPA funding:

- Improved public transportation for workforce traveling to Portsmouth.
- Support for local health and wellness organizations such as Families First
- Assistance to long term care and child care facilities or employer child care subsidies for workers.
- Creation of an endowment such as the Portsmouth Economic Development Loan Program (PEDLP) that revolves funding to assist businesses recover from the impacts of the COVID pandemic.
- Financial support to organizations that offer addiction/recovery service.
- Creation of a reserve of funds for future investments that address long term economic harm from COVID
- Workforce housing subsidies.

Status of McIntyre Project - The City Manager reported that the McIntyre Subcommittee has sent draft preliminary concept plans to the National Park Service (NPS) for review and is awaiting comments. When there is a response, the subcommittee will share it with the City Council and the public. Assistant Mayor Splaine feels the subcommittee has limited the involvement of the City's private development partner Redgate/Kane in the revision of concept plans. He suggested that the EDC may be able to play a role in encouraging the subcommittee to engage Redgate/Kane in the NPS review and approval process. For the September 6th City Council meeting, Councilor Lazenby has submitted a request for a project timeline. He has also asked the subcommittee to share the concept plan publicly and said his request was declined. The City Manager said that due to sensitivity around disclosure of the remaining tenants' floor plans, the plans could not be publicly released.

New/Other Business

- Business Expansion/Retention Subcommittee – Chairman Marchewka said that, in an effort to revive the business visitation effort delayed by the pandemic, he is seeking 2-3 EDC members for a subcommittee to accomplish the tasks of streamlining the original survey and creating a future business visitation schedule.
- EDC education initiative on commercial property contribution– Commissioner Cohen would like to resume the work started pre-COVID on compiling historic data on new development contribution and its offset/impact on the tax rate over the past 5 to 10 years. The goal is to respond to the common public perception that new development does not reduce the overall tax rate and that zoning should be modified to slow/prevent new development. The facts are critical to inform and policy or ordinance changes. Commissioners agreed this is an important effort to de-mystify a complex subject. Commissioner Lachance is willing to re-engage the UNH public policy graduate program personnel which had previously offered to assist in the effort. Methods for disseminating the deliverables included Channel 22, inclusion in tax bills, city webpage, a white paper, etc.
- Smart/Sustainable City Subcommittee – Commissioner Watson invited members interested in joining Commissioner Lachance and him to resume in the exploration of smart/sustainable city initiatives.
- EDC membership calendar and re-appointments
The Commission reviewed the members' terms and reappointment status. The four members that are up for re-appointment as of 10/1/21 are Commissioners Levenson, Gold, Lachance, and Zolla. The Chair noted that the City Ordinance allows for one alternate which may be something to request the Mayor to appoint.

- Other business – Ms. Carmer mentioned the regional Build Back Better grant application that a consortium of regional economic development practitioners, regional economic and planning commission staff and university staff are developing. The goal of the two-phase grant application is to receive technical assistance for exploring development of a future blue economy/aqua-economy cluster that would result in sustained high quality regional job creation around aquaculture, off-shore/tidal/renewable energy, coastal resilience/infrastructure and coastal tourism/destination industries.

Confirm Next Regular Meeting - October 1, 2021

Respectfully submitted,
Nancy Carmer
Economic Development Program Manager