Economic Development and

Tax Base Expansion Plan

for the

City of

Concord, NH

Submitted to:
the City of Concord, NH

by:
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INTRODUCTION AND SUMMARY

PURPOSE

This document presents policy directives and general program recommendations – along with background support -- toward the enhancement of economic development in Concord.

It should be noted that this Economic Development Plan seeks to identify priorities among competing objectives and policies. As such, this Plan necessarily targets some policies *at the expense of others*. Such ranking does not seek to deny the importance of various issues that may encompass agriculture, affordable housing, highway improvements, etc. Rather, such ranking seeks to simplify and pare back the range of policies and tasks.

SUMMARY OF BACKGROUND CONDITIONS

The following summarizes the key findings regarding Concord's prevailing economic and real estate conditions, and its overall competitive economic position.

Fiscal Conditions: Concord's general fund expenses have been increasing more rapidly than its real estate tax revenues. If this trend continues, the City will have to rely on increasingly burdened resident households and businesses and non-tax revenues (intergovernmental transfers, service charges, investment income and license and permit fees). As an alternative, the City may seek new investments that expand its property tax base and therefore increase the community's wealth and the range and volume of its future investment options. *Please see Section I*.

Economic Conditions: The City of Concord and Merrimack County have achieved healthy employment growth over both short- and long-term time frames. This growth has increasingly shifted the local economy from a manufacturing-based economy to an increasingly professional, service-oriented economy. State government, finance/insurance, education and health services, and arts/entertainment/recreational services represent significant areas of employment concentration and potential growth. These sectors – along with retail trade -- continue to represent Concord's strengths, and its primary engines for future growth. *Please see Section II*.

Niches and Recruitment: While Concord does feature concentrations in some industry niches (health care, printing, retail), no specific private industry niche presents an historical, "natural" or emerging target for business recruitment. The City's existing educational resources, however, may be able to develop programs (including jointly administered programs) and other specific or general resources that could enhance the City's business recruitment prospects. *Please see Sections II.C and II.D.*

Specialized Niches such as high technology (electronic) or biotechnology may offer growth potential, but while Concord may attract small companies, the City's labor market and location (disadvantaged relative to Manchester, Portsmouth and Nashua) limits its ability to attract large-scale manufacturing facilities. At the same time, Concord does not offer access to the academic or research institutions that offer the preferred locations for technological research-oriented developments. *Please see Section II.D.*

Real Estate Markets: In the short-term future, retail development offers the strongest area of opportunity for new real estate development or redevelopment. Medical offices and other health care-related developments offer additional opportunities. Aside from medical niches, office markets are currently weak and of limited depth, but should offer opportunities in the future. Industrial markets may offer opportunities as existing companies grow, but this sector offers only limited opportunities for large-scale development over long-term as well as the short-term time frames. *Please see Section III.*

Economic Climate Factors: Concord maintains important assets, including its strategic location, its quality-of-life amenities and its highly skilled labor force. At the same time, it faces challenges involving competition with nearby communities offering larger and more manufacturing-based labor forces. Concord also faces internal issues regarding its commercial/industrial supply as well as its regulatory environment. *Please see Section IV.*

SUMMARY OF PRIORITIES AND RECOMMENDATIONS

Primary Objective: While an ongoing Master Plan process may reveal additional objectives, the following relevant findings should shape the City's economic development objectives:

- The City has consistently maintained a low unemployment rate. Therefore, while some communities focus on new job creation as their primary objectives, this need not be the primary objective in Concord. Moreover, in seeking to recruit large employers, Concord's low labor availability would place it at a comparative disadvantage to other communities. *Please see Section II.B.*

- The City's general fund expenses are increasing more rapidly than its property tax revenues. While the City's use of a variety of fees, grants and intergovernmental transfers has enabled the City to maintain surpluses, build reserves, and depend less on property taxes, the City's enhancement of its property tax base nonetheless remains important. Without such enhancement, attempts to enhance property tax revenues through tax rate increases would (1) compromise Concord's competitiveness as a business location, (2) raise the local cost of living, and (3) potentially discourage investments in residential developments and improvements. Thus, the City should seek to enhance its property tax base, either through new development, redevelopment, or a combination of the two. *Please see Section I.*

In seeking new development, the most fiscally productive development forms focus on: high-end residential development, multi-family residential development, and commercial/industrial development. *Please see Sections I.B, II.B and III.D.*

Highest Priorities: In furthering economic development, Concord should focus on three key inter-related issues (presented in no particular order):

1. *Internal Business Growth*: Instead of large-scale corporate recruitment, the City should maintain it's more efficient and effective allocation of resources, focusing on business retention and the nurturing of local growing businesses. Efforts to recruit large-scale employers face formidable competition from southern New Hampshire locations offering larger (and less professionally skilled) labor pools, as well as greater proximity to Boston-based businesses and the Manchester Airport. Concord may in some cases be able to offer cost advantages, but companies basing their decisions on cost considerations may: (1) face increasing cost pressures – possibly involving overseas labor costs – that may reduce their local employment levels; and (2) not fit the more skilled, professional profile of the Concord labor force -- and thus generate needs for lower-cost labor.

2. *Quality of Life*: The City does not offer clearly defined "target industry" niches that can provide new engines for economic development. Concord's quality of life amenities, however, can play an important role in attracting highly-skilled labor and professional businesses, thus driving high-quality development and redevelopment opportunities and enhancing the City's tax base.

3. *Redevelopment*: While the City must eventually cultivate a reserve area for new land development, the City should direct its primary focus to redevelopment of previously developed areas. Investments in the reuse and upgrading of older, developed properties will focus on the City's core areas without incurring the higher costs for infrastructure extensions.

Please see Section V.A.

Small Business Growth: Business Incubator/Assistance Program

In pursuing internal business growth, the City should designate a local public office or partner (nonprofit) agency to serve as (1) a business incubator and (2) a resource center for local small businesses (or larger businesses embarking on new ventures).[1] This program could follow a range of formats. For many prospective businesses, however, business assistance services rather than real estate facilities often provide the critical component. While such new agency may or

[1] Such agency would assist only local, Concord-based businesses and would supplement – and provide information relevant to – the existing state and federal programs providing various forms of assistance to small businesses.

may not elect to target specific business niches, it should in any event extend its service programs to encompass nonprofit agencies and some real estate developers/investors. *Please see Section V.B.1.*

Recommended Regulatory Changes

In seeking to nurture and retain its small and growing business, the City must be able to accommodate them in their various stages of growth. This requires new development in many cases. In encouraging such development, while the City's land use regulations generally represent appropriate and reasonable exercises of its police powers the City should consider the following measures:

- Proactive Developer Guidance, provided through business assistance programs or through existing agencies, to help developers to understand and prepare for current regulatory processes.
- Incentives for Redevelopment (as opposed to new development) – such incentives might include relief from fees, density bonuses, and other forms of relief.
- Revisit Issue Involving Office Uses in Industrial Districts: in order to encourage reinvestment rather than disinvestment in older industrial buildings with declining prospects for industrial tenants, the City should rescind or revise its required minimum development standards for office uses in industrial zones.

Please see Section V.B.2.

Quality of Life Recommendations

- Trail Linkages: The City should continue its current endeavors to create linked trail systems and thereby create a community amenity that would be accessible for and recognized by for residents, visitors, and businesses.
- Cultural/Arts Plan: The City should pursue a community arts and cultural plan. Improved programming and promotions could enhance Concord's overall quality of life, and the City's ability to incorporate such programs and amenities can help it attract and retain creative individuals, businesses and visitors. While the City and its constituents must determine the specific elements of this plan, suggested plan components would emphasize (1) a more public articulation of the community's embrace of its cultural identify, (2) broader participation among potential – rather than existing – participants in cultural activities by enhancing public access and awareness for arts/cultural activities; and (3) assistance (possibly through a small business assistance program) to local arts/culturally-oriented nonprofit organizations.

Please see Section V.C.

Focus on Redevelopment in the Opportunity Corridor and Downtown

In targeting physical locations for reinvestment in the City's tax base, the City should focus on its inner "core areas." Foremost among these is the Opportunity Corridor. In focusing development investment in such areas, the City should:

- Create incentives for such activities; and
- After exploring prospective sources of capital and other issues necessary for successful implementation of its purposes, create an independent Redevelopment Authority designated to facilitate property assembly and redevelopment activities in the Opportunity Corridor.

Please see Section V.D.

Cultivate Alternative Locations for High-Value Business Park Development

Notwithstanding the primary focus on redevelopment rather than new development, the City must prepare itself to accommodate new high-end office development that may seek locations outside of the Opportunity Corridor's urban setting. In seeking underdeveloped land areas offering visibility and access to infrastructure, the City should target land areas such as those near I-393 and an area near I-93 in the Penacook area. *Please see Section V.D.*

Contingencies: Garvins Falls Urban Reserve and Regional Work Force Housing

Key issues that may arise and claim higher priorities on the City's economic development agenda involve the creation of improved access to the Garvins' Falls Urban Reserve and a potential future urgency involving housing affordable to the regional work force.

Among these issues, Garvins' Falls will require preemptive regulatory actions to maintain the area's future high-end image for such time as funds for new access become available.

Work force housing issues may take on greater urgency in the future. Given the City's status as a regional economic center, the City should assume a leadership role in initiating discussions, forming cooperative arrangements, and ultimately fostering creative solutions to this regional issue. *Please see Section V.E.*

AN ECONOMIC VISION FOR CONCORD

Based on the preceding recommendations, this document envisions the City of Concord's economic future as one that rests upon:

- Concord's strongest assets, which are derived from its strategic location, its highly educated demographic profile, and its open space, cultural, recreational and other quality of life amenities *rather than* factors involving costs of business, financial incentives, or access to large labor pools -- in which other nearby communities maintain competitive advantages.

- A diverse range of educated and creative businesses, workers and residents that share common interests in Concord's increasing array of community recreational and cultural amenities *rather than* narrowly defined industry niches for which Concord offers no clear advantage, and which may not be compatible with the City's existing profile.

- Nurturing, growth and accommodation of businesses that originated in or sought locations in Concord, and which attract individual workers seeking high-quality working and living environments, *rather than* the recruitment of large-scale employers, many of which will seek financial incentives, inexpensive land, inexpensive (production-oriented rather than professional service-oriented) labor, investments in job training and labor development programs, and other such public investments.

- The efficient use and reuse of underutilized urban areas, re-oriented to accommodate current economic opportunities, *rather than* the ongoing development of increasingly finite and remote open land areas.

This vision represents a clear departure from that of other communities. Alternative economic development visions all too often stake community economic prospects on (1) specific, targeted industries which subsequently face the inevitable fortunes and misfortunes of their industry sectors; (2) recruiting efforts that face competition from other communities, which consequently drives competitors to commit greater resources to a wide range of financial and other incentives; and; (3) retention efforts targeting businesses that based their original location decisions on such incentives rather than on their intrinsic attraction to the community.

In lieu of such alternative visions, the material contained herein analyzes the community context, focuses on the City's unique strengths within the economic climate, and seeks to provide a clear and efficient ordering of priorities and policy directives.

ORGANIZATION OF DOCUMENT

Following this initial summary, the main body of this document begins with overviews of the City's fiscal condition (Section I), it's economic base (Section II), and its real estate market conditions (Section III). Section IV then presents an analysis of the City's economic assets, constraints and other factors influencing economic development prospects; Section V presents preferred objectives, highest priorities, and recommended policies and program concepts.

I. FISCAL CONDITIONS AND ISSUES

This initial discussion presents a brief examination of the City's fiscal condition and generally illustrates its reliance on a growing property tax base. The discussion contains a general overview of the City's revenue sources and expenditures, and the balances among the various uses comprising its tax base.

A. TAX REVENUES AND FISCAL CONDITION

Property taxes typically account for 70 to 75 percent of the City's total revenues. Total tax revenues have increased from approximately $21 million in 1993 to $27.9 million in 2003; this represents an annualized growth rate of 2.9 percent annually.

EXHIBIT I-1 -- CITY OF CONCORD GENERAL GOVERNMENTAL FUND REVENUES ($000S)

	Total	Property Tax		Other Revenues	
FY	Revenues	Total	% Revenue	Total	% Revenue
1993	$27,223	$20,974	77.0%	$6,249	23.0%
1994	$28,141	$21,385	76.0%	$6,756	24.0%
1995	$28,115	$20,394	72.5%	$7,721	27.5%
1996 [1]	$18,868	$14,554	77.1%	$4,314	22.9%
1997	$30,071	$22,486	74.8%	$7,585	25.2%
1998	$32,883	$23,200	70.6%	$9,683	29.4%
1999	$31,872	$22,819	71.6%	$9,053	28.4%
2000	$33,862	$23,570	69.6%	$10,292	30.4%
2001	$35,962	$25,138	69.9%	$10,824	30.1%
2002	$37,550	$26,425	70.4%	$11,125	29.6%
2003	$40,767	$27,851	68.3%	$12,916	31.7%

[1] Transition year to July-June fiscal year.

Source: City of Concord Comprehensive Annual Financial Reports, 2002 and 2003, Statistical Section, Table 4.

General government expenditures have grown more rapidly than local tax revenues. During the same period that tax revenues grew by 2.9 percent annually, city expenditures have grown from $24 million to $37.4 million, increasing at an annual rate of 4.5 percent.

It should be noted at this point that the City – by drawing upon other sources of revenue such as fees, charges for services, and intergovernmental transfers -- has consistently maintained total revenues in excess of total expenditures, and restrains its expenditures to fall within the limits of received revenues. Also, while tax revenues have grown at a 2.9 percent annual rate, the estimated actual value of the City's property tax base has increased at a much faster rate of 6.8

percent annually ($1.474 billion to $2.855 billion);[2] the City has lowered its levies so as to relieve existing taxpayers of undue increases in their tax burdens.

EXHIBIT I-2 -- CHANGE IN GENERAL GOVERNMENT TAX REVENUES VS. EXPENDITURES ($000S)

FY	Tax Revenues	Change	Expenditures	Change
1993	$20,974	- -	$24,126	- -
1994	$21,385	2.0%	$25,171	4.3%
1995	$20,394	-4.6%	$26,151	3.9%
1996 [1]	$14,554	n/a	$13,243	n/a
1997	$22,486	n/a	$26,959	n/a
1998	$23,200	3.2%	$27,897	3.5%
1999	$22,819	-1.6%	$28,714	2.9%
2000	$23,570	3.3%	$29,494	2.7%
2001	$25,138	6.7%	$33,122	12.3%
2002	$26,425	5.1%	$34,207	3.3%
2003	$27,851	5.4%	$37,445	9.5%
Annualized Change:		2.9%		4.5%

[1] Transition year to July-June fiscal year.

Source: City of Concord Comprehensive Annual Financial Reports, 2002 and 2003, Statistical Section, Tables 3 and 4.

According to the City of Concord's finance department, recent expense increases are attributable primarily to:

- General fund wages, which typically increase by roughly 5 to 6 percent annually, allowing for merit increases, staff additions (which have focused primarily on public safety positions), and cost-of-living increases;

- Health benefits, which have increased by as much as 25 percent in recent years; and

- Pension contributions, which have increased in recent years as pension portfolios have underperformed their obligations.

While the latter two expense categories may not continue to sustain recent rates of increase, other costs – capital costs and debt service obligations – may present future increases in the City's cost burdens.

Overall, while the City has demonstrated its ability to keep expenditures below its revenues, where cost increases consistently outpace property tax revenues, the City of Concord may have

[2] City of Concord Comprehensive Annual Financial Reports, 2002 and 2003, Statistical Section, Tables 6 and 14.

to rely on either tax rate increases or increased streams of non-tax revenues such as intergovernmental transfers, service charges, investment income and license and permit fees. In order to strengthen its ability to independently fund substantial public projects or meet other future cost increases, the City should take steps to enhance its property tax base. This will most likely require public measures designed to encourage new investments in property improvements; such measures comprise the primary focus of the remainder of this document.

B. PROPERTY TAX BASE

1. Tax Base by Property Type

The City's property tax base (which excludes public, nonprofit and other tax-exempt properties) currently amounts to approximately $3.4 billion in total assessed value. Residential uses account for 60 percent of this tax base; commercial/industrial uses account for 37 percent. This allocation is roughly consistent with other communities: New Hampshire cities such as Derry, Dover, Manchester, Nashua, Rochester and Salem all rely on residential properties for at least this share (60 to 75 percent) of their tax bases.

EXHIBIT I-3 -- CITY OF CONCORD PROPERTY TAX BASE

	Value	% of Gross Valuation
Residential	$2,055,075,900	60.2%
Land	$640,151,200	18.7%
Buildings	$1,414,924,700	41.4%
Commercial/Industrial	$1,252,139,500	36.7%
Land	$388,714,900	11.4%
Buildings	$863,424,600	25.3%
Other (utilities, current use, etc.)	$107,876,300	3.2%
Total Gross Valuation	$3,415,091,700	100.0%

Source: New Hampshire Dept. of Revenue, City of Concord 2004 Form MS-1.

2. Net Revenue Gains: Residential vs. Commercial/Industrial

New single-family residential development typically fails to provide net revenue gains for the City. While residential development generates new tax revenues, these gains are usually offset by increased residential demands for educational, public safety, recreational and other public services.

While a detailed fiscal impact study is beyond the scope of this document, a summary of recent "cost of community service" studies in various New Hampshire communities illustrates that residential property taxes typically support less than 100 percent of their associated costs. In comparison, commercial and industrial uses provide net revenue gains, ranging widely (depending on the nature of development) from 106 percent in Fremont to 833 percent in Groton.

EXHIBIT I-4 -- NEW REVENUE/NEW COST RATIOS FOR RESIDENTIAL VS. COMMERCIAL/INDUSTRIAL LAND USES IN SELECTED NEW HAMPSHIRE COMMUNITIES

Community	Residential	Comm/Indust.
Deerfield	87.0%	454.5%
Dover	87.0%	158.7%
Exeter	93.5%	250.0%
Fremont	96.2%	106.4%
Groton	99.0%	833.3%
Stratham	87.0%	526.3%
Lyme	95.2%	357.1%

Source: American Farmland Trust.

3. Fiscal Gain Thresholds

It should be noted that not all residential developments produce net fiscal losses. For example, some households – those without children living at home and those with children enrolled in private schools – do not require school services. Also, for sufficiently high-value homes, revenues can offset service costs even where residents include school-age children.

To illustrate this concept,[3] Exhibit I-5 shows how net fiscal gains and losses vary in accordance with (1) home values and (2) public school children-per-household. In this exhibit, average education costs-per-pupil are translated to average costs per household, which are then compared with the home values that would be required in order to generate the local school district property taxes sufficient to support average education costs. In developments where households contain an average of 0.5 pupils, home values of approximately $185,000 would generate sufficient school district revenues to offset average per-pupil costs. In contrast, where average households contain 1.0, 1.5 and 2.0 pupils, the home values required to offset public school costs increase to $370,000, $556,000 and $741,000, respectively.

[3] This table presents an illustrative scenario only. It focuses only on public school costs, rather than on overall municipal costs; in addition, it identifies *average* costs rather than marginal costs, which would more accurately describe the service costs associated with new homes.

EXHIBIT I-5 – ILLUSTRATIVE SCENARIOS OF RESIDENTIAL PROPERTY VALUE NEEDED TO SUPPORT SCHOOL COSTS: CONCORD SCHOOL DISTRICT

	Concord	Concord	Concord	Concord
Pupils/Household	0.5	1.0	1.5	2.0
Avg. Cost/Pupil [1]	$8,047	$8,047	$8,047	$8,047
Cost/Household	$4,024	$8,047	$12,071	$16,094
Local Property Tax Share of Expenses [2]	40%	40%	40%	40%
Property Tax Burden/home	$1,609	$3,219	$4,828	$6,438
Local Millage Rate (Concord school distr.) [3]	0.0087	0.0087	0.0087	0.0087
Property Value Needed to Support Cost	$185,201	$370,403	$555,604	$740,806
Median Home Price in Concord [4]	$184,900	$184,900	$184,900	$184,900

[1] NH Dept.of Education figure for 2002-2003 school year.
[2] Approximation based on review of NH Dept. of Education records for 2000-2003.
[3] Includes just the Concord school tax rate for 2004; excludes state education tax.
[4] Preliminary figure for 2003 furnished by New Hampshire Housing Finance Authority.

Source: City of Concord Finance Dept., 2004 Tax Rate Calculation; New Hampshire Housing Finance Authority; NH Dept. of Education; Bonz and Company, Inc.

Thus, notwithstanding the illustrative nature of these figures, they demonstrate that, in order to enhance the City's net revenues – and its ability to fund its ongoing and increasing needs – the City must be able to attract either:

- Higher-priced residential development; and/or
- Multi-family residential development targeting senior households, empty-nester households, or other households with no school-age children; and/or
- Commercial/industrial development: the ability to attract such development rests on the City's ability to attract and retain businesses.

4. Commercial/Industrial Breakdown

Among commercial/industrial uses, tax assessor data show that office properties comprise the largest portion -- 15 percent -- of Concord's overall base.[4] This is followed by retail properties, which generate nearly 8 percent of the tax base. Among individual properties, retail properties represent the City's single largest tax payer as well as three of the ten most valuable properties: the City's Comprehensive Annual Financial Report (2003) shows that the Steeplegate Mall, WalMart, and Fort Eddy Plaza respectively comprise 2.46 percent, 1.13 percent, and .61 percent of the City's assessed value.
Miscellaneous uses account for 4.3 percent of the tax base; industrial properties account for only 4.2 percent.

[4] The office uses listed in the Assessor files may include some state and other tax-exempt properties.

EXHIBIT I-6 -- NON-RESIDENTIAL TAX REVENUES BY PROPERTY TYPE

Use	% of total
Retail	7.8%
Office	15.0%
R&D	0.1%
Recreational	1.2%
Hotel	1.0%
Automotive	1.2%
Mixed-Use	2.8%
Miscellaneous [1]	4.3%
Industrial	4.2%
Transportation/Utility [2]	0.3%
TOTAL	38.3%

[1] Includes funeral homes, nursing homes, homes for the aged, clubs/lodges, country clubs, auditorium.

[2] Includes truck terminals, airport uses telecommunications facilities.

Source: City of Concord Assessor's Office; Bonz and Company, Inc.

II. ECONOMIC BASE

The tax base derives its value from property's current or potential uses, which are in turn driven by the potential for local economic growth. Given its underlying importance, this section examines the local economy as reflected in local employment.

Much of this examination focuses on county-level statistics. While firms and workers move freely within counties, the County typically provides a defined area that shares common geography, labor force and other resources. Thus, this economic base analysis for Concord focuses on Merrimack County.

A. DEMOGRAPHIC GROWTH CONTEXT

In recent years, Concord has achieved moderate demographic growth. Since 1990, the City's population has increased at an average rate of 1.3 percent per year; households have increased by 1.6 percent per year. These rates have increased; over the last three years, population and households have increased at average rates of 1.7 percent and 2.1 percent, respectively.

Over the next five years, average annual population growth is anticipated at rates of 1.5 percent, with household growth continuing at an average rate of 1.9 percent.

In general, past and anticipated growth are similar to those in Merrimack County, and slightly higher than those for the overall state of New Hampshire,

EXHIBIT II-1 -- DEMOGRAPHIC GROWTH TRENDS AND PROJECTIONS: 1990-2003

				Avg. 3-Yr. Change		Avg. 13-Yr. Change			Avg. Projected Change	
	1990	2000	2003	#	Ann. %	#	Ann. %	2008	#	Ann. %
Concord										
Population	36,006	40,687	42,810	708	1.7%	523	1.3%	46,162	670	1.5%
Households	14,181	16,281	17,340	353	2.1%	243	1.6%	19,063	345	1.9%
Merrimack Co.										
Population	120,005	136,225	143,198	2,324	1.7%	1,784	1.4%	154,251	2,211	1.5%
Households	44,471	51,843	55,204	1,120	2.1%	826	1.7%	60,734	1,106	1.9%
New Hampshire										
Population	1,109,252	1,235,786	1,287,879	17,364	1.4%	13,741	1.2%	1,372,507	16,926	1.3%
Households	411,186	474,606	500,527	8,640	1.8%	6,872	1.5%	544,004	8,695	1.7%

Source: Claritas, Inc.

B. EMPLOYMENT AND LABOR FORCE

This section examines indicators relating to Merrimack County's unemployment and labor force.

1. Unemployment

Historically, Merrimack County has maintained unemployment rates below those in neighboring Hillsborough and Rockingham counties as well as the overall state and nation. As shown in Exhibit II-2, over a ten-year span, Merrimack County's unemployment has typically fallen roughly 1.5 to 2.5 points below corresponding rates in nearby counties, New Hampshire, and the nation. This range of disparity narrowed only in the late 1990s, when the booming national and regional economies lowered unemployment throughout the state and nation.

At this time, unemployment remains at a comparatively low rate of 3.1 percent, as compared to 4.9 and 5.3 percent in Hillsborough and Rockingham counties, respectively, and 4.3 percent and 6 percent in New Hampshire and the United States.

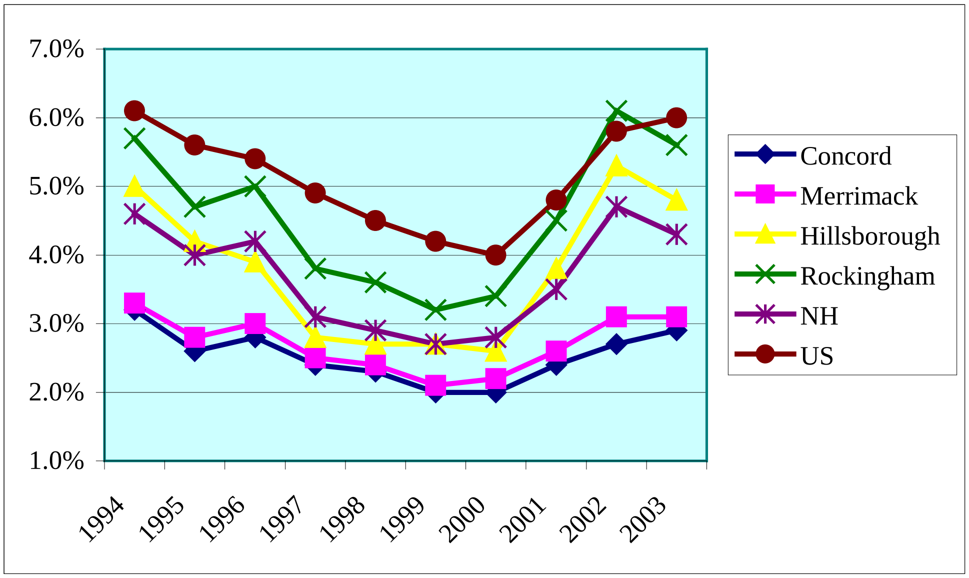
While Merrimack County's comparatively low unemployment reflects a healthy economic situation, its consistently tight condition also reflects an unfavorable labor market for large-scale employers seeking high volumes of low-cost labor.

EXHIBIT II-2 -- UNEMPLOYMENT RATES FOR SELECTED AREAS: 1994-2003

	City of	NH Counties				
	Concord	Merrimack	Hillsborough	Rockingham	NH	US
1994	3.2%	3.3%	5.0%	5.7%	4.6%	6.1%
1995	2.6%	2.8%	4.2%	4.7%	4.0%	5.6%
1996	2.8%	3.0%	3.9%	5.0%	4.2%	5.4%
1997	2.4%	2.5%	2.8%	3.8%	3.1%	4.9%
1998	2.3%	2.4%	2.7%	3.6%	2.9%	4.5%
1999	2.0%	2.1%	2.7%	3.2%	2.7%	4.2%
2000	2.0%	2.2%	2.6%	3.4%	2.8%	4.0%
2001	2.4%	2.6%	3.8%	4.5%	3.5%	4.8%
2002	2.7%	3.1%	5.3%	6.1%	4.7%	5.8%
2003	2.9%	3.1%	4.8%	5.6%	4.3%	6.0%

Source: U.S. Bureau of Labor Statistics; NH Dept. of Employment Security.

EX. II-2 CONTD. – UNEMPLOYMENT RATES FOR SELECTED AREAS: 1994-2003



2. <u>Labor Force Profile</u>

Demographic statistics for the Concord and Merrimack County labor forces reveal professional, primarily white-collar profiles. These are manifested most clearly in (1) relatively high levels of educational attainment, with 30 percent of the work force having earned bachelors' degrees or higher; and (2) high incidences of professional occupation, with roughly 80 percent of the work force engaged in white-collar occupations.

These general characteristics are typical of other southern New Hampshire communities, as shown in Exhibit II-3. In comparing these various communities, the few important distinctions include:

- Relative Size: despite their qualitative similarities, Merrimack County's labor force is approximately one-half the size of Rockingham County's, and just over one-third the size of Hillsborough County's. Given their fairly similar characteristics, southern New Hampshire locations in Hillsborough and Rockingham Counties offer deeper pools of professional labor.

- City of Manchester characteristics: The City of Manchester, with a labor force of 84,000, features significantly lower levels of educational attainment, lower incidences of professional management-level workers, and lower income levels. Thus, among the major southern New Hampshire communities, Manchester offers the greatest resource for blue-collar industrial labor.

EXHIBIT II-3 -- COMPARATIVE LABOR FORCE PROFILES: 2000

	Concord	Merrimack County	New Hampshire	Manchester	Nashua	Hillsborough County	Portsmouth	Rockingham County
Total Population	40,687	136,225	1,235,786	107,006	86,605	380,841	20,784	277,359
Median Age	37.0	37.7	37.1	34.9	40.1	35.9	42.1	37.2
% 25-34	15.2%	12.4%	13.0%	16.9%	15.9%	14.3%	19.3%	13.1%
% 35-44	17.8%	18.2%	17.9%	16.5%	17.6%	18.4%	17.0%	19.7%
% 45-54	14.3%	15.3%	14.9%	12.9%	13.6%	14.4%	14.2%	15.6%
% 55-64	7.7%	8.7%	8.9%	7.6%	8.5%	8.2%	9.0%	8.8%
Population Age 16+	32,362	106,078	960,498	84,151	67,342	290,803	17,592	211,780
In Civilian Labor Force	21,118	74,056	676,371	58,039	47,723	209,503	12,235	155,473
Participation Rate	65.3%	69.8%	70.4%	69.0%	70.9%	72.0%	69.5%	73.4%
Age 25+ w/Bach. Degree or higher	30.7%	29.1%	28.7%	22.3%	31.5%	30.1%	41.9%	31.7%
Occupations								
Management/Professional	39.4%	36.0%	35.8%	29.8%	39.6%	37.8%	43.4%	38.4%
Service	14.0%	12.7%	13.0%	14.5%	11.9%	11.9%	13.9%	11.5%
Sales/Office	28.0%	27.9%	26.6%	28.6%	26.2%	26.9%	27.5%	27.4%
Median Household Income	$42,447	$48,522	$49,467	$40,774	$51,969	$53,384	$45,195	$58,150

Source: U.S. Census

3. Growth Potential

Despite low unemployment, the Concord area labor market offers the potential for growth. In addition to the growth trends shown in Exhibit II-1, county-to-county migration patterns show that Concord has consistently drawn in-migration during various phases of recent economic cycles. As shown in Exhibit II-4, migration trends have consistently generated net inflows in every year since 1997. These inflows have ranged from 258 in 1997-98 to 741 in 2001-02.

The exhibit also shows that in-migration has come from the southerly, more urban counties such as Hillsborough and Rockingham, along with Massachusetts counties, which have also contributed consistent in-migration to Merrimack County.

Out-migration, on the other hand, has moved north, primarily to Belknap County. This may reflect Belknap County's lower cost of living as well as its aesthetic and recreational (e.g., lakes) attractions (both of which help attract retirees).

EXHIBIT II-4 – MERRIMACK COUNTY MIGRATION PATTERNS

Major Origins and Destinations: 1997-2002

	1997-98			1998-99			1999-2000			2000-2001			2001-2002		
	Inflow	Outflow	Net in/(out)	Inflow	Outflow	Net in/(out)	Inflow	Outflow	Net in/(out)	Inflow	Outflow	Net in/(out)	Inflow	Outflow	Net in/(out)
Total US & Foreign	3,980	3,722	258	4,342	3,829	513	4,404	3,924	480	4,523	3,921	602	4,726	3,985	741
Major counties of origin/destination															
Hillsborough NH	1,149	889	260	1,282	964	318	1,223	974	249	1,376	917	459	1,503	971	532
Belknap NH	418	461	(43)	417	454	(37)	479	488	(9)	433	522	(89)	427	541	(114)
Rockingham NH	331	318	13	382	277	105	381	294	87	419	266	153	463	307	156
Grafton NH	167	140	27	196	161	35	158	156	2	192	146	46	152	169	(17)
Sullivan NH	107	90	17	106	93	13	130	98	32	100	94	6	113	97	16
Strafford NH	96	95	1	99	104	(5)	107	123	(16)	98	107	(9)	112	95	17
Subtotal	2,268	1,993	275	2,482	2,053	429	2,478	2,133	345	2,618	2,052	566	2,770	2,180	590
Selected MA Counties [1]	335	297	38	369	261	108	383	304	79	394	314	42	402	259	143

[1] Counties of Middlesex, Essex, Suffolk, Norfolk, Plymouth, Barnstable, Worcester, Bristol and Hampden.

Additional data show that immigrants to Merrimack County in-migrants have consistently possessed higher (adjusted) incomes than its out-migrants. This disparity may reflect a variety of factors, possibly including Merrimack County growth in high-compensation jobs in industries such as health services, an outmigration of younger, lower-paid workers, or the availability of lower-cost housing in other locations. In any event, these statistics demonstrate Concord's ability to attract increasingly high-wage labor.

EXHIBIT II-5 -- MEDIAN GROSS ADJUSTED INCOME OF MIGRANTS TO AND FROM MERRIMACK COUNTY

Year	In-Migrating	Out-Migrating
2001-2002	$28,855	$24,138
2000-2001	$27,161	$24,447
1999-2000	$25,823	$23,061
1998-1999	$24,900	$22,524
1997-1998	$22,980	$21,066

Source: Internal Revenue Service.

C. EMPLOYMENT BY INDUSTRY

This section presents a series of quantitative analyses relating to employment in Merrimack County. The purpose of these analyses is to provide quantitative insight into those industries offering the strongest prospects for future growth in Merrimack County. The analyses include (1) a general analysis of the trends in employment and the various industry sectors; (2) a "location quotient" analysis highlighting the extent to which industries are locally over- or underrepresented; (3) a "shift-share" analysis that identifies the relative importance of various factors -- national economy, industry trends, and local competitive factors -- in driving recent growth; and (4) growth projections in comparison with other nearby areas.

1. Industry Distribution

Exhibit II-6 shows estimated Merrimack County employment[5] by major industry sectors (as defined by the North American Industry Classification System – "NAICS" – which has recently replaced the earlier Standard Industry Classification system) over the last 20 years. The exhibit shows employment for the major industry sectors; additional subsectors are shown to highlight areas of significant concentration or recent growth or decline.

[5] Employment covered by workmen's compensation.

The exhibit offers the following findings:

- Employment has increased at annual rates of roughly 2.5 percent over the last 10 and 20 years; over the last three years -- a period of national economic decline – employment growth has remained positive at 1.27 percent per year.

- Government comprises the largest source of employment in Merrimack County. Overall government (federal, state, local) employment, however, has been stable over long-term periods.

- Education and health care services represents the largest private sector component of the economy. This sector has shown consistently high growth rates – approximately four to five percent – for each of the three-, ten- and twenty-year periods shown.

- Other professional services industries, such as financial activities and professional/business services, comprise substantial sectors of the economy, and these have grown at annual rates of 5 to 6 percent over the last 20 years.

- Manufacturing, which provided the largest source of employment in 1983, has declined consistently over the last twenty years. Manufacturing employment losses accelerated over the last three years, to a rate of -4.6 percent annually.

- Leisure and retail trade represent increasingly important components of the local economy. Leisure services include the lodging, entertainment and food service sectors that are often oriented to visitors; retail trade growth reflects Concord's growing prominence as a regional commercial center (as discussed in Section III below).

EXHIBIT II-6 -- MERRIMACK COUNTY EMPLOYMENT GROWTH (IN 000S) BY INDUSTRY SECTOR: 1983-2003

	1983	1990	2000	2003	Avg. Annual Growth 20-Yr.	10-Yr.	3-Yr.
Natural Resources & Mining	0.03	0.08	0.02	0.02	-2.77%	-14.00%	-6.13%
Construction	0.97	2.13	2.60	3.22	6.16%	4.22%	7.42%
Manufacturing	10.19	8.74	8.38	7.27	-1.68%	-1.82%	-4.62%
Wholesale Trade	2.75	3.71	2.86	3.78	1.60%	0.20%	9.76%
Retail Trade	4.38	6.17	9.21	9.30	3.83%	4.20%	0.34%
Transportation, Warehousing, & Utilities	0.76	0.94	1.68	1.53	3.56%	5.06%	-2.98%
Information	0.34	0.78	1.26	1.24	6.69%	4.75%	-0.65%
Financial Activities	1.94	2.98	5.18	6.59	6.30%	8.26%	8.36%
Finance and Insurance	1.70	1.78	4.14	5.47	6.01%	11.85%	9.73%
Professional & Business Services	1.86	3.63	5.02	5.29	5.36%	3.85%	1.74%
Education & Health Services	5.96	7.79	9.81	11.08	3.15%	3.58%	4.15%
Educational Services	2.39	2.31	2.85	3.05	1.22%	2.79%	2.24%
Health Care and Social Assistance	3.56	5.48	6.96	8.03	4.15%	3.90%	4.91%
Leisure & Hospitality	2.61	3.02	5.13	6.37	4.56%	7.75%	7.48%
Arts, Entertainment, and Recreation	0.27	0.48	1.15	1.48	8.83%	11.95%	8.59%
Accommodation and Food Services	2.34	2.54	3.97	4.89	3.76%	6.76%	7.15%
Other Services (except Public Administration)	2.06	3.20	3.57	3.26	2.33%	0.19%	-2.94%
Government	10.72	13.94	15.48	13.94	1.32%	0.00%	-3.43%
TOTAL	44.59	57.09	70.19	72.89	2.49%	2.47%	1.27%

Source: economy.com; Bureau of Labor Statistics; Bonz and Company, Inc.

2. Benchmarks: Location Quotients

Exhibit II-7 presents a "location quotient" analysis that compares Merrimack County's employment patterns with national benchmarks. This analysis provides an understanding of local concentrations within the context of the overall national economy.

In calculating a location quotient, for each industry sector the analysis divides the ratio of industry employment to total employment by the national ratio for the sector. For example, where industry X accounts for 10 percent of the local employment and 10 percent of national employment, the location quotient for the industry is equal to 10/10, or 1.00. Where the location quotient is equal to 1.00, then the local concentration in a given industry is equal to the national concentration in the industry. Where the quotient exceeds 1.00, the local economy is more heavily concentrated in this sector than the national economy; conversely, where the quotient falls below 1.00, the local economy is underweighted in this sector.

EXHIBIT II-7 -- MERRIMACK COUNTY LOCATION QUOTIENTS FOR MAJOR SECTORS AND SELECTED SUBSECTORS: 2003

Industry Sector	Merrimack Co. # (000s)	Merrimack Co. %	U.S. %	Location Quotient
Natural Resources & Mining	0.02	0.0%	0.4%	0.05
Construction	3.22	4.4%	5.2%	0.84
Manufacturing	7.27	10.0%	11.3%	0.88
Wholesale Trade	3.78	5.2%	4.3%	1.21
Retail Trade	9.30	12.8%	11.5%	1.11
Transportation, Warehousing, & Utilities	1.53	2.1%	3.6%	0.58
Information	1.24	1.7%	2.5%	0.67
Financial Activities	6.59	9.0%	6.1%	1.48
Finance and Insurance	5.47	7.5%	4.5%	1.66
Professional & Business Services	5.29	7.3%	12.3%	0.59
Education & Health Services	11.08	15.2%	12.7%	1.20
Educational Services	3.05	4.2%	2.0%	2.06
Health Care and Social Assistance	8.03	11.0%	10.7%	1.03
Leisure & Hospitality	6.37	8.7%	9.3%	0.94
Other Services (except Public Administration)	3.26	4.5%	4.1%	1.09
Government	13.94	19.1%	16.5%	1.16
TOTAL	72.89	100.0%	100.0%	1.00

Source: economy.com; bureau of labor statistics; Bonz and Company, Inc.

For the most part, Merrimack County's employment distribution resembles that of the national economy: very few location quotients exceed 2.00 or fall below 0.5. Aside from the natural resources and mining sector (which is locally underrepresented but not significant in its overall volume), among private industry sectors the most significant divergences from the national distribution pattern are in:

- Finance and insurance (locally overweighted),
- Educational services (overweighted), and
- Arts/entertainment/recreation (overweighted).

Other less significant divergences from national ratios occur in professional business services (underweighted), retail trade and wholesale trade (overweighted), and transportation, warehousing and utilities (underweighted).

Comparing Merrimack County's employment concentrations with those of nearby counties, Exhibit II-8 shows figures for Rockingham and Hillsborough counties as well as the state of New Hampshire.[6] Key differences are highlighted as follows:

- State Government: Merrimack County's concentration of state government employment far exceeds those in Rockingham and Hillsborough.

- Leisure and hospitality, while somewhat overweighted in comparison with national indices, is underweighted relative to New Hampshire. In the arts, entertainment and recreation subcategory, however, Concord's employment concentration exceeds that of Rockingham, Hillsborough and the overall state.

- Finance and Insurance: Merrimack's concentration in this category is roughly comparable to Hillsborough's, but both of these counties' concentrations exceed those of Rockingham and the state.

- Professional business services, underweighted in the national location quotient analysis, is also underrepresented relative to Hillsborough, Rockingham and the state.

- Manufacturing: Merrimack County's employment in this sector falls well below its concentration in nearby Hillsborough County, and is also underrepresented – but less so -- relative to Rockingham County and the state.

[6] Exhibit II-8 shows figures for 2002, as furnished by the New Hampshire Economic and Labor Market Information Bureau (Exhibits II-6 and II-7 show estimates for 2003 -- along with figures dating back to 1983 -- provided by economy.com), which Bonz and Company finds appropriate for use in comparing New Hampshire counties with one another.

EXHIBIT II-8 -- EMPLOYMENT BY INDUSTRY SECTOR, SELECTED COUNTIES: 2002

	Merrimack		Hillsborough		Rockingham		State of NH 2002	
	#	%	#	%	#	%	#	%
Natural Resources & Mining	551	0.8%	258	0.1%	339	0.3%	2,503	0.4%
Construction	3,241	4.5%	7,880	4.2%	6,896	5.3%	27,924	4.6%
Manufacturing	7,611	10.6%	33,949	18.1%	15,052	11.6%	84,818	14.1%
Wholesale Trade	3,380	4.7%	7,910	4.2%	6,142	4.7%	26,707	4.4%
Retail Trade	9,647	13.4%	27,992	14.9%	25,506	19.6%	95,929	15.9%
Transportation, Warehousing and Utilities	1,431	2.0%	3,966	2.1%	5,782	4.4%	15,539	2.6%
Information	703	1.0%	5,301	2.8%	2,680	2.1%	12,821	2.1%
Finance Activities	5,040	7.0%	13,375	7.1%	7,007	5.4%	34,926	5.8%
Finance and Insurance	4,258	5.9%	10,586	5.6%	5,208	4.0%	27,162	4.5%
Professional and Business Services	4,677	6.5%	18,863	10.0%	14,678	11.3%	54,293	9.0%
Education & Health Services	10,889	15.2%	25,732	13.7%	14,210	10.9%	84,989	14.1%
Educational Services	1,772	2.5%	3,594	1.9%	2,288	1.8%	15,512	2.6%
Health Care and Social Assistance	9,117	12.7%	22,138	11.8%	11,922	9.2%	69,477	11.5%
Leisure & Hospitality	6,120	8.5%	15,844	8.4%	14,177	10.9%	60,914	10.1%
Arts, Entertainment, and Recreation	1,826	2.5%	1,933	1.0%	2,694	2.1%	10,907	1.8%
Accommodation and Food Services	4,294	6.0%	13,911	7.4%	11,483	8.8%	50,007	8.3%
Other Services (Except Public Administration)	2,734	3.8%	6,305	3.4%	4,122	3.2%	19,959	3.3%
Total Government	15,826	22.0%	20,409	10.9%	13,654	10.5%	81,780	13.6%
State Government	8,671	12.1%	1,648	0.9%	1,194	0.9%	20,207	3.4%
TOTAL	71,850	100.0%	187,784	100.0%	130,245	100.0%	603,102	100.0%

Source: N.H. Economic and Labor Market Information Bureau

3. Local Competitive Advantages: Shift-Share Analysis

While the above presents a current snapshot, Exhibits II-9 and II-10 below present shift-share analyses to identify the locational advantages that the Concord area economy may offer. This technique breaks historical employment growth patterns into three components.

- The *national share* factor measures the extent to which new growth (or loss) is attributable to overall national economic growth trends.

- The *industry mix* factor measures the extent to which growth is attributable to overall national growth in specific industry sectors.

- The *regional competitive advantage* factor is essentially a residual factor, calculated by subtracting the national share and industry mix factors from total growth. The difference identifies the extent to which growth is attributable to neither the overall national economy nor particular industry trends, but rather to competitive advantages present in the region.

As shown in Exhibit II-9, since 1990 the national share factor has played the strongest role in generating overall job growth in Merrimack County. Among the various industry sectors, Merrimack County's greatest job growth (in actual #'s) occurred in the construction, retail, financial, education/health, and leisure/hospitality sectors. Among these sectors, regional competitive advantages played the primary role in driving growth in construction, retail trade, financial activities, and leisure and hospitality.

EXHIBIT II-9 -- MERRIMACK COUNTY SHIFT-SHARE ANALYSIS: 1990-2003

	1990-2003			
	Change	National Share	Industry Mix	Regional Competitive
Natural Resources & Mining	-60	17	-37	-40
Construction	1,091	465	155	470
Manufacturing	-1,468	1,909	-3,384	7
Wholesale Trade	74	811	-598	-139
Retail Trade	3,135	1,348	-511	2,298
Transportation, Warehousing, & Utilities	597	205	-93	486
Information	458	170	3	285
Financial Activities	3,610	651	-43	3,002
Finance and Insurance	3,687	390	-77	3,374
Professional & Business Services	1,664	793	948	-77
Education & Health Services	3,286	1,704	2,224	-642
Educational Services	734	506	841	-613
Health Care and Social Assistance	2,552	1,198	1,487	-133
Leisure & Hospitality	3,347	660	244	2,443
Arts, Entertainment, and Recreation	999	104	172	722
Accommodation and Food Services	2,348	555	111	1,682
Other Services (except Public Administration)	62	700	99	-737
Government	4	3,046	-710	-2,332
TOTAL	15,800	12,477	-1,701	5,024

Source: economy.com; Bureau of Labor Statistics; Bonz and Company, Inc.

In more recent years the national share effect has made limited contributions to local employment growth. At the same time, the industry mix effect has made positive contributions only to education/health care sectors.

Despite these limited contributions, local employment has continued to grow – apparently due to regional competitive advantages. The exhibit assigns particularly notable regional competitive effects in health care services, wholesale trade, professional & business services, financial activities, and leisure and hospitality.

EXHIBIT II-10 -- MERRIMACK COUNTY SHIFT SHARE ANALYSIS: 2000-2003

	2000-2003			
	Change	National Share	Industry Mix	Regional Competitive
Natural Resources & Mining	-4	0	-1	-2
Construction	623	4	1	617
Manufacturing	-1,108	12	-1,253	132
Wholesale Trade	922	4	-179	1,096
Retail Trade	95	14	-197	279
Transportation, Warehousing, & Utilities	-146	2	-101	-47
Information	-24	2	-121	95
Financial Activities	1,411	8	178	1,225
Finance and Insurance	1,331	6	150	1,175
Professional & Business Services	268	7	-192	453
Education & Health Services	1,271	15	901	356
Educational Services	196	4	319	-127
Health Care and Social Assistance	1,075	10	613	451
Leisure & Hospitality	1,239	8	83	1,149
Arts, Entertainment, and Recreation	323	2	-10	332
Accommodation and Food Services	916	6	81	829
Other Services (except Public Administration)	-306	5	103	-414
Government	-1,541	23	504	-2,068
TOTAL	2,698	104	-276	2,870

Source: economy.com; Bureau of Labor Statistics; Bonz and Company, Inc.

In summary, the various location quotient and shift-share analyses reveal a broad range of growing industry sectors and competitive advantages for Merrimack County: perhaps the most prominent finding produced by the preceding analyses involves the Concord area's relative weakness in manufacturing employment. This sector has represented a consistently declining share of the local economy, and does not appear to offer potential for future employment growth.

4. Projected Employment

The New Hampshire department of Employment Security projects growth by industry sector for the state and its counties. As shown in Exhibit II-11, Merrimack County is expected to grow at rates roughly equivalent to Hillsborough and Rockingham counties and the overall state. Merrimack County growth, however, is projected to outpace these other communities by significant margins in lodging, amusement and recreation, and health services.

EXHIBIT II-11 – PROJECTED EMPLOYMENT, SELECTED COMMUNITIES

	MERRIMACK				HILLSBOROUGH				ROCKINGHAM				NEW HAMPSHIRE			
			Change				Change				Change				Change	
	2000	2010	#	Ann. %	2000	2010	#	Ann. %	2000	2010	#	Ann. %	2000	2010	#	Ann. %
Total Employment	75,158	92,001	16,843	2.0%	207,547	240,312	32,765	1.5%	138,401	169,958	31,557	2.1%	647,301	761,049	113,748	1.6%
Wage/Salary Employment	70,044	86,311	16,267	2.1%	193,832	225,339	31,507	1.5%	129,033	159,252	30,219	2.1%	603,931	713,357	109,426	1.7%
Construction	3,295	4,040	745	2.1%	7,099	8,606	1,507	1.9%	6,006	7,472	1,466	2.2%	25,163	30,134	4,971	1.8%
Manufacturing	9,179	8,987	(192)	-0.2%	42,296	41,499	(797)	-0.2%	18,766	19,005	239	0.1%	106,327	103,453	(2,874)	-0.3%
Transp/Utilities	2,154	2,464	310	1.4%	9,063	9,580	517	0.6%	6,983	9,243	2,260	2.8%	25,616	29,414	3,798	1.4%
Wholesale Trade	3,749	4,293	544	1.4%	10,525	11,402	877	0.8%	8,044	10,585	2,541	2.8%	33,158	39,098	5,940	1.7%
Retail Trade	12,477	15,132	2,655	1.9%	38,114	43,407	5,293	1.3%	34,509	42,559	8,050	2.1%	131,277	154,949	23,672	1.7%
F.I.R.E.	4,793	5,332	539	1.1%	12,565	13,881	1,316	1.0%	7,026	8,469	1,443	1.9%	31,765	35,900	4,135	1.2%
Services	23,818	34,006	10,188	3.6%	65,347	86,837	21,490	2.9%	41,500	54,771	13,271	2.8%	211,699	275,899	64,200	2.7%
Hotel/Lodging	415	569	154	3.2%	2,083	2,423	340	1.5%	1,146	1,236	90	0.8%	9,352	10,529	1,177	1.2%
Business Services	1,711	2,560	849	4.1%	14,941	22,363	7,422	4.1%	9,589	14,586	4,997	4.3%	36,558	54,939	18,381	4.2%
Amusement & Recreation	1,629	2,390	761	3.9%	1,856	2,250	394	1.9%	2,489	2,935	446	1.7%	10,085	13,359	3,274	2.9%
Health Services	6,735	10,748	4,013	4.8%	16,651	21,807	5,156	2.7%	8,781	10,830	2,049	2.1%	53,087	69,209	16,122	2.7%
Legal Services	798	1,103	305	3.3%	1,721	2,316	595	3.0%	653	882	229	3.1%	4,133	5,473	1,340	2.8%
Educational	5,750	7,767	2,017	3.1%	12,159	15,992	3,833	2.8%	8,770	10,831	2,061	2.1%	50,870	61,986	11,116	2.0%
Social Services	2,789	3,794	1,005	3.1%	5,487	7,252	1,765	2.8%	2,586	3,442	856	2.9%	15,860	20,950	5,090	2.8%
Engineering/Management	1,639	2,466	827	4.2%	3,392	4,045	653	1.8%	3,415	5,138	1,723	4.2%	11,938	16,629	4,691	3.4%
Government	9,904	11,235	1,331	1.3%	7,464	8,439	975	1.2%	5,198	5,940	742	1.3%	34,324	38,974	4,650	1.3%

Source: New Hampshire Employment Security.

Thus, consistent with the preceding analyses of recent growth, while manufacturing continues to decline, Merrimack County and the Concord area offer strong growth prospects in a broad range of professional, services-based industries, and competitive advantages in sectors such as health care and arts/entertainment/recreation. Other sectors in which Merrimack County is expected to outpace employment growth in nearby communities include a broad range of professional service industries, including: engineering/management, legal, educational and social services.

5. Summary of Economic Analyses

The preceding analyses, while not identical in all results, produce generally consistent findings, and provide clear and relevant guidance to economic development planning:

- The manufacturing sector should not be relied upon to generate strong growth or support significant new real estate investment.
- Professional services -- encompassing fields such as financial services, legal services, advertising, engineering, and others -- will provide the stronger source of support for future employment and new real estate investment.
- As compared to nearby counties, the State of New Hampshire, and the national economy, Concord and Merrimack County offer local competitive advantages regarding the retail, health care, arts/recreation and government sectors. Accordingly, these sectors offer promise for future economic development.

D. CLUSTERS AND KEY INDUSTRIES

The following present brief discussions of certain industries that various sources have identified as industries offering the potential to play significant roles in future economic growth in Concord.

1. Health Care Industry Growth

Concord Hospital serves as the primary component of the local health services industry. Without increasing its total hospital bed supply, since 1993 this institution has increased its employment (full-time equivalent staff) from approximately 1,200 to 1,700-1800. From a total of approximately 350,000 square feet in 1984, the campus has grown to 750,000, growing at an average rate of roughly 4 percent annually.

Three factors drive this growth:

- Local demographic growth;
- An aging population facing an increasing range of medical issues;
- Attainment of a regional referral center status, which has enabled the hospital to penetrate a broader region. While the hospital's primary service area encompasses a local market extending to Boscowen, Pembroke, Northwood and Warner, its secondary service area extends to Franklin and throughout southern and central New Hampshire. The hospital has achieved statewide prominence and penetration for specialties such as radiation therapy ear/nose/throat, obstetrical, etc.

The hospital currently finds itself growing more rapidly than its competitors in nearby communities, and finds in addition that it commands a relative advantage in attracting doctors in new or expanding areas of practice. In general, hospital spokesmen state that, in moving to a new location, prospective doctors will typically consider (1) local demographics and feasibility of practice; (2) hospital resources (financial condition, equipment, patient care); (3) the existing practice (other qualified doctors) and (4) quality of life in the local community. Concord Hospital has proven competitive regarding each of these criteria, and this has helped fuel its growth.

Given these findings, along with the quantitative findings discussed in Section II.C, health care offers the potential for further growth in Concord. In supporting this growth, the City's primary responsibilities are to maintain and enhance its quality of life amenities and accommodate additional medical facility development. This latter task will involve mostly off-campus developments, which may require new land development areas zoned for medical uses, as well as improved transportation connections to Concord Hospital.

2. High Technology Potential

a. High Technology in New Hampshire

The state of New Hampshire has established itself as a high technology industry location. According to University of New Hampshire professors Ross Gittell and James R. Carver, New Hampshire ranks third in the nation in high technology employment concentration, with 9 percent of its total employment concentrated in high tech sectors.[7] The following characterize the state's high technology industry:

- Most of the state's high tech employment is located in the southern parts of the state. Over half of all high tech jobs in the state are in Hillsborough County. The second largest high tech employer in the state is Rockingham County, followed by Merrimack.

- Manufacturing sectors account for approximately two-thirds of the state's high technology employment.

- Over the last four years, New Hampshire high tech employment has sustained substantial losses; according to the New Hampshire Economic and Labor Market Information Bureau, high tech employment fell from a peak of roughly 65,800 in 2001 to 51,000 by the second quarter 2003.

[7] As defined by the U.S. Department of Commerce, these sectors encompass goods and services relating to computer hardware and software in various applications ranging from electronic devices to automobiles, telecommunications equipment, industrial machinery, medical devices, film, etc.

EXHIBIT II-12 -- NEW HAMPSHIRE HIGH TECHNOLOGY EMPLOYMENT: 2000-2003 (2ND QTR. FIGURES)

	2000	2001	2002	2003
Manufacturing HT	42,914	44,045	35,464	33,022
Service Providing HT	21,825	21,784	19,171	17,923
Total	64,739	65,829	54,635	50,945

* Manufacturing and "Service Providing" sectors as defined by the US Dept. of Commerce Office of Technology Policy.

Source: Economic and Labor Market Information Bureau; US Dept. of Commerce.

b. Concord Prospects

The following factors shape Concord's potential for high technology industry growth:

- Concord is situated just north of the emerging high technology locations in Rockingham and Hillsborough counties. As such, Concord is comparatively removed from manufacturing-related amenities such as the Manchester Airport, Pease International Airport (Rockingham County), and – most important – the relatively large manufacturing labor force in these areas (see Exhibit II-3 in Section II.B).

- High technology employment still accounts for comparatively small totals in Merrimack County. Employment figures for selected sectors are shown in Exhibit II-13 below. As shown, Hillsborough and Rockingham county high technology employment (20,000 and 5,600 respectively) far exceeds Merrimack's total of 640.

EXHIBIT II-13 -- EMPLOYMENT IN SELECTED HIGH TECHNOLOGY INDUSTRIES (3RD QTR. FIGURES)

	NH		Merrimack		Hillsborough		Rockingham	
	2001	2003	2001	2003	2001	2003	2001	2003
Manufacturing								
Computer and Electronic Product Mfg	24,552	18,562	933	562	16,491	13,067	4,534	2,924
Electrical Equipment and Appliances Mfg	6,183	4,405	163	n/a	2,427	2,351	1,559	599
Transportation Equipment Mfg	3,164	2,439	n/a	n/a	805	na	n/a	n/a
Information								
Internet Publishing and Broadcasting	57	41	n/a	0	na	11	38	n/a
Telecomunications	2,944	2,198	161	10	1,503	1,128	352	207
ISP's, Search Portals, and Data Processing	1,101	1,192	n/a	n/a	402	691	392	303
Other Information Services	96	102	n/a	3	n/a	9	17	n/a
Services								
Computer Systems Design and Related Services	6,139	4,655	257	48	2,743	2,253	213	1,341
Scientific Research and Development Services	1,628	1,286	102	17	666	546	503	247
Total	45,864	34,880	1,616	640	25,037	20,056	7,608	5,621

Source: Economic and Labor Market Information Bureau; Bonz and Company, Inc.

- Given its relative distance from southern New Hampshire's labor markets and its demographic profile, Concord's high technology potential – in the short- and mid-term future -- most likely rests on growth among relatively small businesses. Such businesses might involve computer/electronic manufacturing processes, software/engineering, corporate research and development divisions, internet-related services, etc.

- Concord may also serve as a desirable location for companies and/or workers originating in from more northerly parts of the state. As these companies grow, Concord can provide convenient access (as compared to locations in northern New Hampshire) to business infrastructure (e.g., capital, labor, airports, telecommunications infrastructure) while offering a smaller, less urban alternative to cities such as Manchester or Nashua.

Overall, while Concord may offer potential for high technology growth, economic development tactics should not rely on this potential; nor should they target particular niches. Rather, given Concord's comparatively small labor resources, the City's more important responsibility may lie in accommodating and nurturing growth among its relatively small businesses.

3. Biotechnology Issues

a. Industry Profile

The biomedical branch (e.g., excluding agricultural) of the biotechnology industry serves as a product development pipeline providing new compounds, processes and other agents to the pharmaceutical and medical device industries (although many drug and/or medical device companies maintain their own research and development branches). The industry's businesses engage in scientific research, leading to product development and testing (four stages for new drug development). As prospective new products advance through these processes, businesses typically derive revenues through grants and partnerships (typically with prospective manufacturers or other investor parties with interests in future product sales).

b. Industry Growth

Nationally, the biotechnology industry has more than tripled in size since 1992, with revenues increasing from $8 billion in 1992 to $27.6 billion in 2001 (Biotechnology Industry Organization). For New Hampshire, biotechnology derives potential from its own research organizations as well as the industry's growth within the broader New England region:

- Biotech industries comprise a New England regional growth industry with a national center of activity in the greater Boston area.

- Despite its preeminence in the industry, Massachusetts and Boston-area biomedical companies concentrate on research and development activities, with relatively little manufacturing activity. As companies successfully develop new drugs and technologies, they tend to relocate production functions to other, nearby communities. Over the next five years, regional biotechnology research and development is expected to bring an estimated 85 new compounds to marketing and production phases (Massachusetts Biotechnology Council).

c. Concord Prospects

In seeking to attract biotech business development, local communities and states face intense competition. In Concord, additional challenges involve the relatively small size of the local labor force (as discussed previously), and the location in other communities of the state's major research institutions (Dartmouth College, University of New Hampshire). Not surprisingly, at this time, New Hampshire's biotech and biomedical companies are located primarily in the southern part of the state in Rockingham and Hillsborough counties, along the I-95 and I-93 corridors. Recent biotech business activity has also emerged in the Upper Valley region, driven by research conducted at Dartmouth College. Finally, New Hampshire's Department of Resources and Economic Development has explored the development of biotechnology incubator programs in the state's Seacoast and Upper Valley Regions.

Notwithstanding the relative advantages held by other communities, biotech industries may offer potential opportunities for the Concord area. Key factors contributing to Concord's potential for biotech business growth might include:

- Concord's status as the state capital: access to the state government and court systems may offer an important amenity for businesses and trade associations addressing regulatory issues and other issues relating to emerging technologies and processes.

- Franklin Pierce Law School: With its special emphasis on intellectual property issues -- which are central to much of the biotech industry – the law school may be able to provide resources that can benefit emerging companies seeking protection for their developing products and processes.

- For smaller companies originating in northern New Hampshire (e.g., Upper Valley), Concord may be able to offer a desirable quality of life while still providing relatively convenient access to labor and business infrastructure. In addition to airports and physical infrastructure, such infrastructure might also involve sources of capital, health care centers, and other such organizations.

- An additional important issue in attracting manufacturing facilities lies in local government permitting processes. Upon attaining final approvals for marketing and production, biotech companies must move swiftly and efficiently in order to (1) halt high "cash burn" rates and preclude the need for additional capital financing; (2) reach the market before competitive drugs; and (3) maximize revenues during their seven-year patent protection periods. Overall, the need for maximum speed-to-market requires an efficient approval processes.

Overall, while Concord maintains competitive assets, biotechnology development prospects faces intense competition with competitive communities holding critical advantages.

4. Innovative Culture

Recent literature has coined labels ("The Creative Class" or "the Creative Economy") and spawned discussion regarding the impact of an innovative, or "creative" culture on economic development. While definitions of "innovative" or "creative" people or businesses remain somewhat loose, the discussion holds that cultivation and enhancement of unique or interesting community amenities – whether historic, educational, scientific, culinary, recreational, cultural, arts/entertainment-related – will attract the innovative individuals and businesses that will spawn successful economic development and quality of life in the current and future economy.

A brief examination of employment in "creative industries," (as defined by the New England Foundation for the Arts to include a broad range of sectors involved in arts, museums, design, etc.) indicates that Merrimack County contains relatively high job numbers in sectors such as architectural services, arts/entertainment/recreation services, and publishing.

While such findings (which in Merrimack suffer from confidentiality/disclosure shortcomings) do not lead to concrete conclusions or recommendations. However, when combined with general knowledge of the community's cultural and entertainment offerings, Concord Hospital's success in attracting skilled physicians, and the City's highly-educated profile, there is ample evidence that Concord possess an array of quality-of-life assets that can help it to attract the skilled, innovative individuals and businesses that will drive successful businesses and in turn enhance community economic prospects.

III. REAL ESTATE MARKET OVERVIEWS

Given the importance of real estate as the primary generator of public revenues, this section presents an overview of market conditions among the various commercial and industrial sectors in Concord.

A. RETAIL

1. Concord Position

As shown previously, growth in retail trade employment in Concord has exceeded overall employment growth (as well as demographic growth). At the same time, the retail trade sector occupies a smaller portion of overall employment in Merrimack County than it does in Hillsborough or Rockingham counties or the overall State of New Hampshire.

These apparently inconsistent findings are explained by the distinct nature of Concord's retail niche. Relative to other areas in New Hampshire, Concord does not derive strong advantages from:

- Adjacency to Massachusetts, where retail sales taxes drive shoppers to southern New Hampshire stores;
- Tourism spending, wherein vacationers in the Seacoast, Lakes or White Mountains regions contribute substantial non-local spending; or
- Business visitor spending, where business centers in Manchester attract substantial non-local spending.

In Concord, retail growth has been driven by a combination of:

- *Concord's strategic location* to the north of Manchester at the intersection of interstate highways 89 and 93. While most of the communities to the north of Manchester will not offer demographic concentrations sufficient to attract national large-format retailers, such retailers target Concord as a strategic location from which to capture more remote markets extending from Concord well into Vermont along I-89 and as far as the Canadian border along I-93.
- *Local market growth*: Concord ranks as the third-largest City in New Hampshire, behind Manchester and Nashua, both located to the south in Hillsborough County. While Concord's demographic growth appears moderate at less than 2 percent per year (see Exhibit II-1), this growth rate exceeds state averages.

- *Local Public Investment* in infrastructure, such as improvements around the Steeplegate Mall and the Durgin Block parking garage, has facilitated development and economic growth in Concord.

Over the last ten to fifteen years, these factors have driven large-scale retail development, including:

- The Steeplegate Mall: Opened in 1990, this is Concord's largest single retail center, containing a total of 600,000 gross square feet. Owned and operated by General Growth Properties, Steeplegate Mall is anchored by Sears, JC Penney and The Bon Ton, and most tenants are national franchises. While management has not provided hard data, occupancies have been consistently high, and currently appear to exceed 95 percent.

- Large-format retailers surrounding the Steeplegate Mall: these include WalMart, Sam's Club, Target, Home Depot, Best Buy, Linens'n'Things, Michael's, Toys'R'Us, and a 10-screen cinema. Pad sites are occupied by national chain restaurants including Chili's, Ruby Tuesdays, Applebee's, and others.

- Fort Eddy Road retail centers with tenants that include three grocery stores (Hannaford's, Market Basket, Shaw's), major "category killer" stores such as Eastern Mountain Sports, Borders Books and LL Bean, restaurants such as Uno's and Panera Bread, and a prospective Lowe's home improvement store.

- Additional (primarily stand-alone) development along Loudon Road featuring concentrations of retailers such as restaurants, auto parts dealers, second hand goods, personal services, etc.

As a result of this development (and its ongoing success) Concord has gained a critical mass of retail activity that – combined with the driving factors identified above – provides an additional market advantage for Concord locations.

Aside from the Fort Eddy Road and Steeplegate Mall areas, other, more established retail locations in Concord include downtown Concord (Main Street) and its surroundings extending to the Capital Plaza on Storrs Street, and small commercial nodes at South Main Street, along Fisherville Road, and in Penacook Village.

In general, while Manchester's Mall of New Hampshire and other New England centers contain more prominent anchors (e.g., Macy's) than offered in Concord, the Steeplegate Mall and other Concord retail centers comprise a critical mass of retailing that faces very limited competition to the east, north or west.[8]

[8] The Lakes Region Factory Stores outlet center in Tilton offers competition, particularly in the apparel categories, but these types of centers typically seek separation from the retailers seeking to sell manufacturers' goods at retail mark-up prices.

2. Retail Hub: Inflow/Outflow

Concord serves as a superregional retail hub, drawing substantial retail spending from well beyond its local market.

The following series of tables presents an "inflow/outflow" analysis that seeks to identify market capacities and potential opportunities. This analysis measures local residents' retail spending against the sales captured by local retailers. Where the former (local spending) exceeds the latter (sales at local stores), this indicates that local residents spend more of their money outside the market area than the area's stores draw from non-local households; i.e., there is a net *outflow* of retail spending. Conversely, where local spending falls below local sales, this indicates that the area attracts a net *inflow* of spending from outside the local market.

Exhibit III-1 shows the overall comparison of non-automotive retail sales and spending in Concord and Merrimack County. As shown, Concord retailers collectively capture 288 percent of Concord residents' retail spending. This indicates that Concord serves as a major retail destination serving a region well beyond its borders. In Merrimack County, market capture remains in excess of 100 percent. This excess, however, is attributable primarily to Concord, for spending is roughly equivalent to sales in the portions of Merrimack County outside of Concord.

EXHIBIT III-1 -- RESIDENT NON-AUTO RETAIL SPENDING VS. SALES

	Concord City	Merrimack County	Merrimack Co. Excl. Concord
Local Resident Retail Spending	$258.2	$898.0	$639.8
Local Retail Sales	$744.1	$1,380.6	$636.5
Market Capture	288.2%	153.7%	99.5%

Source: Geovue, Inc.; Bonz and Company, Inc.

Grocery inflow/outflow statistics provide an alternative view of the Concord retail dynamics. Most households purchase nearly 100 percent of their food and grocery items at the locations most convenient to their homes. In Concord, however, Exhibit III-2 shows that the City's grocery stores serve a more broadly defined market. This is not surprising, given the concentration of grocery stores in the areas around Exit 14 (Fort Eddy, Storrs Street) and the Steeplegate Mall areas. Overall, while Merrimack County's market capture indicates that its local stores serve a primarily local market, Concord's grocers penetrate an area extending well beyond the City limits.

EXHIBIT III-2 -- GROCERY SPENDING VS. SALES

	Concord City	Merrimack County
Local Spending at Food/Grocery Stores	$77	$268
Sales at Food/Grocery Stores	$147.6	$310.6
Market Capture	191.5%	116.0%

Source: Claritas, Inc.; Geovue, Inc.; Bonz and Company, Inc.

Exhibit III-3 shows market capture rates for the other major retail industry categories. In general, Concord achieves high capture rates in all other categories except apparel (this may be due to the presence of the Factory Outlet Stores in Tilton as well as Manchester retailers). Thus, while Concord does not attract the tourist spending captured in northern New Hampshire, it nonetheless serves as a regional destination for general merchandise, home furnishings, restaurants and bars (eating and drinking), and "miscellaneous" stores, which encompass a broad range of categories such as sporting goods, jewelry, books, arts supplies, etc.

EXHIBIT III-3 -- MARKET CAPTURE RATES FOR MAJOR RETAIL CATEGORIES

	Concord City	Merrimack County	Merrimack Co. Excl. Concord
General Merchandise	276.5%	105.6%	36.6%
Apparel	95.6%	36.5%	12.6%
Home Improvement	645.9%	352.8%	234.9%
Home Furnishings	483.3%	273.4%	189.2%
Eating & Drinking	252.9%	144.4%	100.8%
Miscellaneous	386.0%	222.8%	156.8%

Source: Claritas, Inc.; Geovue, Inc.; Bonz and Company, Inc.

3. Local Market Conditions

In general, the retail market is characterized by the following:

- Consistently healthy occupancies: With the opening of the Burlington Coat Factory and the prospective commitment of Lowe's Home Improvement to occupy an additional vacant space, virtually all subareas within Concord's retail market maintain high occupancies. While hard data are not available, brokers report that vacancies are easily filled, and property managers report consistent interest from additional tenants, including locally- as well as nationally-based businesses. Most properties have maintained consistently high occupancies through recent fluctuations in economic conditions.

- Lease Rates: Aside from the Steeplegate Mall, lease rates in Concord's retail centers and downtown spaces range from approximately $13 to $20 per square foot on a gross-equivalent basis.

- Ongoing Expansion: at this time, two new retail centers in various development phases include a 240,000 square foot center and an 84,000 square foot center located on Loudon Road near the Steeplegate Mall.

4. Summary

As stated previously, for at least some retailers, Concord occupies a strategic niche as the largest community to the north of Manchester along Interstate highways 89 and 93. Given this strategic position as well as its emerging critical mass, Concord is positioned to attract additional retail development as growth continues and as additional retailers in various categories seek to cultivate additional New England markets.

B. OFFICE AND INDUSTRIAL SECTORS

1. General

a. Office Sector

Concord's office market comprises a total of 4.6 million square feet of gross building space, including medical and publicly-owned office buildings. Most of these buildings contain 20,000 square feet or less; only 17 buildings contain more than 40,000 square feet.[9] Tenants fit a similar pattern: most seek 5,000 to 10,000 square feet of space; a limited number of tenants occupy 20,000 square foot spaces.

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[9] Excluding three State of New Hampshire buildings on Hazen Drive containing a combined total of approximately 500,000 square feet.

EXHIBIT III-4 -- CONCORD OFFICE SPACE INVENTORY

Office Bldg	3,112,194
Professional Bldg	634,911
Office Condominium	248,126
Financial Institution	157,767
Insurance Co. Regional Office	380,027
Branch Bank	43,233
R & D/Lab	37,366
TOTAL	4,613,624

Local realtors estimate that owner-occupied space comprises roughly one-half of the total inventory. Of the leased inventory, realtors estimate that 15 to 20 percent of the inventory is vacant and unleased, with 20 to 25 percent of the inventory available either for direct lease or sublease.

b. Industrial Sector

According to data provided by the Concord Assessor's Office, the industrial market contains a total of 3.2 million square feet of gross building space. Various "light industrial" uses comprise approximately half of this space; various storage (warehousing, office/warehouse, etc.) uses account for the largest portion of the remaining space.

EXHIBIT III-5 – CONCORD INDUSTRIAL SPACE INVENTORY

Bldg. Type	Sq. Ft.
Light Industrial	1,616,822
Packing Plants	6,960
Cold Storage	3,212
Warehousing	630,828
Pre-Eng Mfg	137,033
Pre-Eng Warehs	295,315
Office/Warehouse	372,537
Industrial Condo	139,817
Total Industrial	3,202,524

Concord's industrial tenants do not occupy clearly defined niches shaped by local geographic advantages, industry clusters or other such dynamics. Rather, businesses range widely, involved in fields encompassing software and engineering, printing/publishing, electronics, and "heavy" industries such as building materials and equipment, metal products, etc.

2. Market Position

a. Regional Orientation

CB Richard Ellis reports that as of year-end 2003, the I-93/Rte. 3 portion of the Southern New Hampshire office market maintained a vacancy rate of 17.1 percent. While this market's fluctuations typically correspond to those in the northern Boston metropolitan area, CB Richard Ellis reports that this corridor will benefit from: (1) New Hampshire economic growth, which is forecasted to exceed growth in other New England states; (2) New Hampshire's position as a low-cost, quality-of-life alternative to Massachusetts, and (3) ongoing growth of the Manchester Airport.

The Concord market lies at the northern fringe of this region. Office occupancies in Concord contain relatively high concentrations of law firms, health service-related businesses, government agencies, nonprofit agencies, and financial services businesses. Concord's status as the State Capital and an important federal and state court location helps it attract law firms; the Franklin Pierce Law School may play a supplementary role. In addition, the presence of the legislature and State agencies helps attract nonprofit corporations seeking to promote various issues and agendas.

Aside from these advantages, Concord's location – in closest proximity to the northern half of New Hampshire as well as northern Vermont – can enable it to serve as a preferred location for small, growing firms in these regions that may seek new locations close to additional business resources (labor, capital, physical infrastructure).

b. Tenant Profiles and Location Factors

Despite its apparent advantages, realtor interviews indicate that most of Concord's office and industrial tenants come from within the existing local market, seeking new space as their businesses grow or contract. Most of these direct their property searches to Concord locations. This is especially true for law firms and professional service companies that either maintain local client bases or seek proximity to state offices. Many of these tenants occupy office spaces in downtown Concord.

Other businesses, however, maintain more tenuous attachments to the local market. Growing firms involved in high technology goods and services or serving regional or national market clientele may consider space in other areas; Manchester presents a viable competitive alternative location for such businesses.

c. Competition with Manchester

Manchester presents a formidable challenge in competing for existing as well as prospective businesses. Concord's competitive position is defined as follows:

- Desirable Residential Location: Concord offers a smaller, less urban character than Manchester. In addition, Concord offers easier access to outdoor recreational opportunities as well as to northern New Hampshire recreation/vacation destinations. As a result, as shown earlier in Section II.B, Concord features a professional demographic profile and has proven desirable particularly for professionals and their families.

- Labor: Notwithstanding Concord's convenience to desirable residential locations, Manchester offers greater proximity to the main bulk of the southern New Hampshire labor market, as discussed previously in Section II.B (see Exhibit II-3).

- Manchester Airport: Manchester Airport provides increasingly convenient access to most of the nation's major cities. Of perhaps greater importance is the facility's air cargo operations. Air freight shipments are critical to industries producing (or consuming) high-value, low-bulk, time-sensitive shipments. Examples of such shipments include computer circuitry and components, jewelry, electronics, machine parts, pharmaceuticals, and highly perishable products such as fresh seafood. While Concord locations offer relatively convenient access to this important amenity, the airport's location on the south side of Manchester (farthest from Concord) gives a comparative advantage to locations in Manchester and possibly Nashua.

Concord's relationship to Manchester and other locations to the south is illustrated in recent tenant losses. Over the past years Concord has lost major business tenants such as Allegro Microsystems, Blue Cross Blue Shield and Cigna Health Care for various reasons: these reasons have involved expansion needs and cost issues, but collectively illustrate a history of difficulty in retaining large-scale business tenants when suitable spaces are available in competitive locations such as Hooksett or Manchester.

3. Locations and Submarkets

Downtown Concord and the Horseshoe Pond business park comprise Concord's primary concentrations of office space.

a. Horseshoe Pond

Horseshoe Pond comprises the newest office development in the City. The Park comprises five sites. Of the four completed buildings, two buildings comprising 101,000 square feet are occupied by Delta Dental Associates. Avid Thermalloy occupies its own 33,000 square-foot building. A fourth building containing 54,000 square feet is a multi-tenant building with tenants including government agencies, property management, accounting, and other professional service firms. Direct lease rates at this building generally range from $22 to $26 on a gross-equivalent basis. This includes approximately $6 in operating expense costs and covers on-site surface parking.

The park's fifth and final building has recently been completed for a joint venture involving Concord Hospital and Harvard Pilgrim Health Care, and will accommodate primarily medical-related office uses in 51,000 square feet. Lease rates are anticipated within a range of roughly

$18 to $23 per square foot on a triple net basis, with three spaces (for surgical/endoscopy and imaging uses) expected to achieve $30 per square foot; expenses are estimated at $5 per square foot. At a gross-equivalent rent of $23 to $35 per square-foot, this new space will occupy the highest rent tier in the City.

b. Downtown Concord

Downtown office space consists primarily of the upper floors of buildings along Main Street. Within this market, the 40,000 square-foot Stewart Nelson Plaza is unique in that it provides on-site parking. Lease rates approximate $22 per square foot on a gross basis, inclusive of expenses for parking.

Among other addresses, the Capital Plaza contains the largest inventory, with 87,000 square feet (including its ground-floor retail areas). While public parking is directly adjacent to this building, gross lease rates of $19 per square foot do not provide for tenant parking costs. Other Main Street properties approaching this approximate market tier include the Chase Block, Eagle Hotel and the Sheraton Building. In addition, 6 Loudon Road, a 65,000 square foot midrise office building located just east of Exit 14, maintains an occupancy rate of 95 to 100 percent, with gross lease rates of $18 per square foot.

Typical downtown office tenants are concentrated in the legal and financial service sectors, along with other professional service businesses such as insurance providers and various public or non-profit agencies.

c. Business parks

Major business parks in Concord include the Airport Technology Park, Airport Business Park, Terrill Park, Legend Industrial Park, Sheep Davis Industrial Park, Concord Technology Park, Keewaydin and Whitney Industrial Park. Among these, only Whitney Park and Airport Business Park contain substantial inventories of improved land for future development; total improved developable land in these parks consists of just 25 to 30 lots. It should be noted, however, that while Airport Business Park's remaining inventory comprises only three lots with roughly 8 acres, its infrastructure is being expanded to add lots six more lots with 25 acres. Potential for further infrastructure extensions to Route 106 could add another 25 acres. Over the ten-year period from 1992 to 2002, land absorption at this park amounted to a total of 17 lots on 47 acres.

At this time, local real estate brokers and developers identify little need for new industrial or office development. Despite this, the market is absorbing relatively high end new or remodeled office space in developments at Horseshore Pond, Capital Commons, the former Blue Cross/Blue Shield building and at Exit 16.

C. LODGING

Concord's lodging market comprises the following properties:

EXHIBIT III-6 -- CONCORD LODGING FACILITIES

Best Western Concord Inn & Suites	66
Capitol Inn	40
Centennial Inn	32
Comfort Inn	100
Courtyard	90
Fairfield Inn	105
Holiday Inn	122
Total	555

* Excludes Hampton Inn (Bow) and Red Roof Inn (Loudon).

Source: Smith Travel Research.

Among these, four (Courtyard, Best Western, Centennial Inn and Fairfield Inn) properties accounting for 293 rooms – more than 50 percent of the total inventory -- have opened since 1997.

Despite this substantial addition to the local supply – and despite recent periods of adverse conditions for the travel and lodging industries -- the market has maintained consistently healthy performance. Exhibit III-7 below shows performance indicators for a representative sample of the market[10]. As shown, over the last five years these properties consistently maintained healthy occupancy rates of roughly 67 to 72 percent, while increasing average daily rates (ADR) and revenues-per-available room (REVPAR) by approximately 3 percent annually. Essentially, despite a rapid increase in room supply, room demand has kept pace, growing by 7.6 percent per year.

[10] Sample includes the Best Western, Capitol Inn, Comfort Inn, Courtyard, Fairfield Inn and Holiday Inn, which are the only properties reporting results to Smith Travel Research.

EXHIBIT III-7 -- CONCORD LODGING INDICATORS: 1998-2003

Year	Occupancy	ADR	RevPar	Rm Supply	Rm Demand	Revenue
1998	67.6	73.10	49.44	152,378	103,055	7,533,197
1999	69.2	73.49	50.89	164,250	113,742	8,358,394
2000	69.8	78.18	54.57	191,400	133,605	10,445,338
2001	70.6	75.95	53.63	221,190	156,190	11,863,251
2002	72.0	80.74	58.14	221,190	159,276	12,859,993
2003	67.2	84.87	57.06	221,190	148,712	12,621,317
Avg. Ann. %	-0.1%	3.0%	2.9%	7.7%	7.6%	10.9%

Source: Smith Travel Reports

This performance exceeds that of the broader State of New Hampshire lodging market. In the statewide market, occupancies are substantially lower than in Concord, and the increases in revenues and room demand fall well below those that have occurred in Concord.

EXHIBIT III-8 -- NEW HAMPSHIRE LODGING INDICATORS: 1998-2003

Year	Occupancy	ADR	RevPar	Rm Supply	Rm Demand	Revenues
1998	59.6	71.16	42.39	6,306,829	3,756,573	267,323,137
1999	59.5	75.36	44.84	6,399,214	3,807,810	286,950,922
2000	62.1	81.29	50.46	6,549,210	4,065,386	330,482,349
2001	62.0	83.79	51.95	6,538,769	4,053,893	339,669,079
2002	62.4	83.66	52.24	6,635,888	4,143,891	346,670,478
2003	59.9	85.88	51.46	6,782,404	4,064,107	349,036,117
Avg. Ann. %	0.1%	3.8%	4.0%	1.5%	1.6%	5.5%

Source: Smith Travel Research

For the most part, the Concord lodging market features mid-price properties. One operator identifies a lack of demand for higher-priced properties, citing price resistance when rates approach approximately $100/night. Guests appear to include a mix of business as well as leisure travelers: while Smith Travel Research data shows that the market achieves its highest occupancies on weekend nights (80 percent on Saturday nights), mid-week occupancies also approach 75 percent.

In general, Concord's travel destinations include both business destinations (e.g., State Capitol, government agencies, for-profit and nonprofit business headquarters) as well as leisure destinations (e.g., museums, cultural amenities such as the Capital Center for the Arts, Loudon International Speedway, retail concentrations); collectively, these enable the Concord market to achieve consistently strong performances.

D. HOUSING

Recent growth in Concord's housing supply has lagged behind both population growth and employment growth. From 1990 to 2000 employment increased by 7,740 jobs (Bureau of Economic Analysis, Planning Decisions); during this time period, the City's households increased by 2,100, while the City issued building permits for just 947 new homes.[11]

This imbalance, along with other factors (e.g., interest rates, general economic conditions) has fueled increases in home values and subsequent increases in home construction. As shown in Exhibit III-9 below, home price increases accelerated dramatically after 1999: From 1999 to 2003, existing home prices increased at a compounded average rate of 17.3 percent per year after increasing by just 0.9 percent per year from 1994 to 1999.

EXHIBIT III-9 -- SINGLE-FAMILY BUILDING PERMIT ISSUANCES AND HOME PRICE TRENDS, CITY OF CONCORD, 1994-2003

	# of Permits	Median Purchase Price		
Year	Single-Family	All	Existing	New
2003	138	$184,900	$179,900	$216,700
2002	160	$168,000	$157,000	$225,000
2001	131	$136,900	$129,900	$181,150
2000	101	$116,000	$112,100	n/a
1999	84	$96,900	$95,000	$125,450
1998	66	$98,500	$93,500	n/a
1997	52	$92,000	$90,100	n/a
1996	40	$90,000	$88,000	n/a
1995	50	$93,500	$89,900	n/a
1994	70	$85,000	$91,000	n/a

Source: City of Concord Assessors office; New Hampshire Housing Finance Authority.

This rise in home prices signals that while the development community has responded to rising prices, it has probably not kept pace with the growing demand for housing. This demand growth has been driven by a variety of factors, including employment growth not just in Concord, but in nearby communities as well.

Another factor involves Concord's relatively inexpensive housing relative to other locations. As shown below, despite recent increases, median home prices remain lower in Concord than in more southerly communities such as Bow, Pembroke, Hooksett, Manchester, Nashua and Portsmouth. Also, in most of these communities, over the last eight years prices have risen even

[11] This lag is partly attributable to overbuilding during the 1980s. Census data show that a total of 4,459 units were built in this decade, or 28 percent of the City's 1990 housing inventory. As a result, the census data report the 1990 rental vacancy rate at 12.8 percent.

faster than in Concord. Given that Concord residents commute to many of these locations,[12] Concord may serve as a relatively affordable alternative location for persons employed in these communities.

EXHIBIT III-10 -- 2003 MEDIAN HOME PRICES IN SELECTED COMMUNITIES

Town	All Homes	Existing Homes	New Homes	Condominiums	% change 95-03 primary homes
Concord	$184,900	$179,900	$216,700	$149,900	97.8%
Surrounding Towns					
Boscawen	n/a	n/a	n/a	n/a	n/a
Bow	$275,950	$274,180	n/a	n/a	84.0%
Canterbury	n/a	n/a	n/a	n/a	n/a
Epsom	n/a	n/a	n/a	n/a	n/a
Hooksett	$248,000	$215,000	$284,198	$170,000	136.2%
Hopkinton	$239,000	$215,000	n/a	n/a	n/a
Laconia	$160,000	$159,000	n/a	n/a	74.9%
Loudon	$194,900	$190,000	n/a	n/a	n/a
Pembroke	$201,900	$195,000	n/a	n/a	137.5%
Other Comparisons					
Manchester	$194,000	$190,000	$239,384	$137,533	115.8%
Nashua	$224,000	$217,900	$351,800	$176,933	133.3%
Portsmouth	$265,000	$260,000	n/a	$220,000	109.5%

Source: New Hampshire Housing Finance Authority

b. Market Niches: Condominiums

Within the generally strong housing market, future market demand may be strongest for rental apartment and condominium units. In regard to condominium units, several factors demonstrate the strength of the market:

- *Five-year demographic projections* show that the 55-to-64 empty nester age group will represent the fastest-growing group, growing at an annualized rate of 6.7 percent per year and adding 913 households. When combined with the 45-to-54 cohort – which will enter the empty nester phase in ensuing years – this general niche accounts for more nearly 90 percent of total forecasted household growth. In addition, growth will occur primarily among higher-income households, indicating that the market will increasingly support high-end, market-rate products.

[12] The New Hampshire Economic and Labor Market Information Bureau's County-to-County Worker Flow Files show that, in 2000, 11,363 Merrimack County's 69,676 workers commuted to work in Hillsborough County, versus 8,875 workers commuting from Hillsborough to Merrimack County. This was the leading destination for workers commuting out of Merrimack County. A total of 21,625 commuted out of Merrimack County. The second- and third-leading destinations were Belknap (2,971) and Rockingham (2,496) counties; both of these counties attracted higher numbers of incommuting workers – 4,672 and 3,753, respectively.

EXHIBIT III-11 -- CONCORD HOUSEHOLD GROWTH BY AGE AND INCOME, 2003-2008

Age Group	2003	2008	Avg. Change	Avg. % Change
15 - 24	833	911	78	1.8%
< $35,000	494	468	-26	-1.1%
$35,000 - $74,999	310	377	67	4.0%
$75,000 - $99,999	12	39	27	26.6%
$100,000+	17	27	10	9.7%
25 - 34	2,988	2,875	-113	-0.8%
< $35,000	1,133	948	-185	-3.5%
$35,000 - $74,999	1,332	1,218	-114	-1.8%
$75,000 - $99,999	291	356	65	4.1%
$100,000+	232	353	121	8.8%
35 - 44	3,878	3,876	-2	0.0%
< $35,000	978	944	-34	-0.7%
$35,000 - $74,999	1,805	1,681	-124	-1.4%
$75,000 - $99,999	580	579	-1	0.0%
$100,000+	515	672	157	5.5%
45 - 54	3,835	4,453	618	3.0%
< $35,000	883	940	57	1.3%
$35,000 - $74,999	1,621	1,741	120	1.4%
$75,000 - $99,999	602	707	105	3.3%
$100,000+	729	1,065	336	7.9%
55 - 64	2,384	3,297	913	6.7%
< $35,000	739	840	101	2.6%
$35,000 - $74,999	913	1,265	352	6.7%
$75,000 - $99,999	372	486	114	5.5%
$100,000+	360	706	346	14.4%
65 - 74	1,460	1,723	263	3.4%
< $35,000	772	818	46	1.2%
$35,000 - $74,999	492	611	119	4.4%
$75,000 - $99,999	94	147	53	9.4%
$100,000+	102	147	45	7.6%
75+	1,962	1,928	-34	-0.3%
< $35,000	1,154	1,050	-104	-1.9%
$35,000 - $74,999	555	599	44	1.5%
$75,000 - $99,999	109	112	3	0.5%
$100,000+	144	167	23	3.0%
TOTAL	17,340	19,063	1,723	1.9%

Source: Claritas, Inc.

- *Increasing Sale Prices*: Exhibit III-12 shows that the number of condominium sales has increased steadily over the last ten years. Also, while median home sale prices approximately doubled (see Exhibit III-9) during this time frame, median condominium prices have nearly tripled, increasing by an average of 12.5 percent per year.

EXHIBIT III-12 -- CONCORD CONDOMINIUM SALES, 1994-2004

Year	# Sales	Median Sales Price
2004*	41	$129,000
2003	241	$130,000
2002	199	$100,000
2001	198	$82,400
2000	210	$69,700
1999	198	$60,000
1998	186	$52,500
1997	119	$44,900
1996	116	$52,000
1995	112	$44,000
1994	113	$40,000

* Through March, 2004

Source: Real Data Corp.

c. Market Niches: Rental Apartments

The apartment market in Concord has delivered consistently strong performances in recent years. The following indicate that the market is likely to support new inventory:

- *Low vacancy rates*: Vacancy rates have been reported well below the 5 to 7 percent thresholds generally accepted as indicators of market equilibrium. The 2000 U.S. Census showed a vacancy rate of 2.9 percent among rental units in Concord; New Hampshire Housing Finance Authority (NHHFA) surveys show recent vacancy rates below one percent. In comparison, the 1990 Census recorded a vacancy rate of 12.8 percent; NHHFA estimated a 10.9 percent vacancy rate in 1990. Since 1997, NHHFA has consistently reported vacancy rates at or below 1 percent.

EXHIBIT III-13 – RENTAL HOUSING MARKET TRENDS, CITY OF CONCORD, 1990-2003

									Avg. Ann. Change	
	1990	1993	1995	1997	1999	2000	2001	2003	10-yr.	3-yr.
Median Gross Rent										
1 BR	$602	$458	$481	$579	$521	$656	$668	$723	4.7%	3.3%
2 BR	$748	$723	$653	$710	$790	$830	$873	$919	2.4%	3.5%
All units										
All units (Census)	$485	- -	- -	- -		$647		$869	--	10.3%
Vacancy	10.9%	4.1%	2.3%	1.0%	0.8%	0.3%	0.4%	1.0%		
Vacancy (Census)	12.8%	- -	- -	- -		2.9%		- -		

Source: New Hampshire Housing Finance Authority; US Census Bureau.

- *Moderate Rent Increases*: Despite the tight market for apartments, most managers have raised rents at relatively modest rates. This is due in part to generally weakening regional (including Manchester) employment in recent years. NHHFA figures show that gross median rents have increased by 3.3 to 3.5 percent per year in the last three years, and by 2 to 5 percent per year over the last 10 years.

- *Limited new construction*: Within the last ten years, the entire supply of new apartment developments in Concord consists of fewer than 300 non-age-restricted units.

- *No luxury product*: The Concord area currently offers no luxury apartments within the emerging "lifestyle" or "renter by choice" niche. This product niche seeks to attract relatively high-income householders who – while capable of purchasing high-end homes – prefer the amenities and convenience of luxury rental living alternatives. This niche has emerged in larger urban areas and in the neighboring Manchester market. Standard features in such developments include in-unit washer/dryers, high (9-foot) ceilings, broadband connections, covered parking, walk-in closets and community amenities such as fitness centers, club rooms, business work/meeting facilities, and swimming pools. Rents at such properties typically occupy the top tiers in the market – approaching $2,000 per month -- and apartments in this niche have gained market acceptance in the Manchester suburb of Bedford.

Overall, despite the recent economic recession, the local apartment market has delivered consistently strong performances, and is likely to support additional projects as local and national economic growth resumes.

IV. ECONOMIC POSITION AND CLIMATE

This section summarizes key assets, constraints and other factors (some of which are assets in some respects and constraints in others) that will influence economic development in Concord.

A. ECONOMIC FACTORS

- *Economic Growth*: The City of Concord and Merrimack County have achieved consistent growth, despite the recent national economic downturn. The City and County continue to shift to an increasingly professional, service-oriented economy. While manufacturing continues to decline as an employment vehicle, state government, finance/insurance, education and health services, and arts/entertainment/recreational services represent significant areas of employment concentration. These sectors – along with retail trade -- continue to represent the primary engines of future growth for the City and County.

- *State Capital*: State government comprises the largest employer in Merrimack County. In addition – and of perhaps greater importance – access to state government has helped make Concord a targeted location for law firms, lobbying organizations, and nonprofit agencies associated with various public interests.

B. COMMUNITY ASSETS AND CONSTRAINTS

- *Strategic Location*: Located at the junction of interstate highways 89 and 93 and at the northern edge of New Hampshire's major urban growth region, Concord occupies a strategic high-traffic location to capture retail and health care growth. Also, Concord's location combines proximity to urban and business amenities with proximity to New Hampshire's (and its own) recreational amenities, and gives it a competitive position for businesses relocating from rural northern locations as well as from more urban locations to the south.

- *Community Setting*: Concord features a thriving, historic downtown area with urban amenities (cultural, dining, entertainment) as well as open areas offering recreational as well as rural aesthetic amenities. These define and enhance the community's "quality of life" and collectively comprise a significant asset that can in turn define and enhance the City's economic potential.

- *Educational Institutions*: The City contains a number of educational institutions, including the New Hampshire Technical Institute, Franklin Pierce Law School, St. Paul's School, Kimball Jenkins School of Art, and Concord Music School, all of which enhance the community resources base and attract visitors. Notwithstanding these contributions, the City lacks some of the assets – research funding, cultural/entertainment activities and venues – that provide clear advantages to communities with four-year post-secondary institutions.

- *Land and Infrastructure*: The City offers a dwindling supply of undeveloped commercial/industrial land for new development. Improved developable land for substantial new business park development consists of 25 to 30 lots in the Whitney Industrial Park, Terrill Park, Legend Industrial Park, Airport Technology Park and Airport Business Park.

  Despite this limited capacity of undeveloped land, opportunities for redevelopment are likely to emerge in older developed areas – most prominently in the City's Opportunity Corridor. Other potential sites for new development are located in the eastern part of the City, along Garvins Falls Road (discussed in Section V below) and at various locations along highways I-93 and I-393. With the exception of Garvins Falls Road, most areas for potential commercial and industrial development are situated close to existing infrastructure, and available infrastructure includes state-of-the-art telecommunications infrastructure, which includes T-1 broadband capacities.

C. BUSINESS CLIMATE

- *Labor*: As discussed in Section II, Merrimack County has consistently maintained unemployment rates well below those in New Hampshire and the nation. The labor force generally features a highly educated profile, suited to professional service-oriented employment. While this generally highly skilled profile should be considered an asset, it should also be noted that the labor force offers neither the volume nor the profile suitable for large-scale manufacturing uses.

- *Business Costs*: Business costs do not present significant advantages or disadvantages for Concord. As shown in Exhibit IV-1, effective property tax rates in Concord are comparable with those in its immediately surrounding communities, but higher than in New Hampshire's major cities, such as Nashua, Manchester and Portsmouth. While few businesses have cited this issue as a key issue in business location decisions, the competitive environment limits Concord's ability to raise tax rates.

EXHIBIT IV-1 -- PROPERTY TAX RATE COMPARISONS IN SELECTED COMMUNITIES

Town	Millage (tax/$1,000)	Assessment Ratio	Effective Rate/$1,000
Concord			
Concord School Distr.	$28.07	73%	$20.43
Merrimack Valley School Distr.	$31.53	73%	$22.95
Bow	$22.07	82%	$18.10
Hopkinton	$24.56	89%	$21.86
Hookset	$20.57	92%	$18.92
Nashua	$24.37	69%	$16.79
Manchester	$26.40	65%	$17.19
Portsmouth	$17.74	93%	$16.50

Source: Bonz and Company, Inc.

Electric utility costs in Concord are generally competitive within the state of New Hampshire. While Granite State Electric Company – serving Nashua and southern New Hampshire – offers substantially lower rates, Concord's rates are competitive with rates charged in Manchester, Portsmouth, and most parts of New Hampshire.

EXHIBIT IV-2 -- ELECTRIC UTILITY COST COMPARISONS

Provider/Monthly Use	Large Business Rate 1,000 kw and 200,000 kWh	Small Business Rate 40 kwand 10,000 kWh	Region
Connecticut Valley Electric Company, Inc.	$25,122	$1,273	West
Granite State Electric Company	$19,531	$956	South
New Hampshire Electric Cooperative, Inc.	$25,046	$1,385	Central/ Manchester
Public Services Company of New Hampshire	$22,846	$1,120	All
Unitil Energy Systems, Inc.	$24,641	$1,087	Seacoast/ Concord

Source: Public Services Company of New Hampshire; New Hampshire Public Utilities Commission.

- *Regulatory Issues*: In regulating development, all communities face two countervailing issues. "Developer-friendly" regulations provide certainty for developers investing time and money in development processes. This helps communities attract new investment.

  On the other hand, overly permissive regulations resulting in low-quality development can compromise a community's aesthetic appearance and open space assets, which often comprise key components of a community's ability to attract upscale businesses and residents.

In Concord, applicable development regulations include duly adopted zoning, subdivision and site plan and design review ordinances. In considering possible changes in regulatory codes or administration, interviews and reviews of applicable ordinances identify the following issues:

- A recent (2002) survey conducted by the Chamber of Commerce identifies "subdivision approval" as the permitting process with which developers have been most dissatisfied; subjectivity and consistency – particularly in the administration of design review ordinances -- also generated complaints.

- Interviews with developers elicited anecdotal comments; most focused on issues involving design reviews, traffic study issues, requirements in renovating nonconforming structures, and requirements involved for proposed office uses in areas zoned for industrial uses.

- Notwithstanding developers' dissatisfactions, city processes already include formal requirements as well as optional and informal processes involving preliminary consultation reviews with city staff and sketch plan reviews. City officials also point out that, given the nearly built-out status of the City's land within the urban growth boundary, most sites for development and/or redevelopment involve inherent difficulties – few straightforward "easy" sites remain. Overall, City officials believe that less experienced, lower-profile developers often encounter unexpected delays or difficulties; more experienced developers are generally well prepared and consequently undergo efficient permitting processes.

These comments, it should be noted, do not necessarily reflect on the propriety or impropriety of existing ordinances or administrative practices. Rather, they reflect on differing expectations and inherent conflicts between parties seeking different land use objectives.

Not all of these conflicts can be resolved. However, in seeking to promote investments in developments that are desirable for the community as well as the developer, the foregoing identify potential areas for improvement. These areas, discussed in greater detail in Section V, involve:

- Developer communications;
- Recognition and accommodation of evolving and desirable development patterns, such as the redevelopment of obsolete industrial properties;
- Flexibility measures in processes involving design review and nonconforming uses; and
- Zoning issues relating to office uses in industrially zoned areas.

V. OBJECTIVES, PRIORITIES AND RECOMMENDATIONS

In developing a strategy for economic development and tax base expansion, this section:

1. Identifies the City's *primary* economic development objectives;

2. Sets forth priorities and recommended public agendas pursuant thereto; and

3. Discusses issues and contingencies that might raise additional agendas to higher-ranking priorities.

These objectives, priorities and programs represent the core of the Economic Development and Tax Base Expansion Plan. These give the City:

- A framework for policy decisions and legislative proposals
- A framework for allocating financial and human resources and
- Specific directives to pursue.

A. PRIMARY OBJECTIVE FOR ECONOMIC DEVELOPMENT

Economic development objectives vary according to the needs and desires of individual communities. For Concord, while an ongoing Master Plan process may reveal additional objectives, the following relevant findings should shape the City's economic development objectives:

- The City has consistently maintained a low unemployment rate. Therefore, while some communities focus on new job creation as their primary objectives, this need not be the primary objective in Concord.

- The City's expenses are increasing more rapidly than its revenues. In attempting to increase revenues, tax rate increases would (1) compromise Concord's competitiveness as a business location, and (2) discourage investments in residential developments and improvements. Thus, the City must enhance its net tax revenues, either through new development, redevelopment, or a combination of the two.

In seeking new development, the most fiscally productive development forms focus on: high-end residential development (including "life-style" multi-family residential development), and commercial/industrial development. In targeting these development forms, Concord should focus on three key inter-related issues (presented in no particular order):

1. *Internal Business Growth*: Instead of large-scale corporate recruitment, the City's more efficient and effective allocation of resources should focus on business retention and the nurturing of local small businesses. Efforts to recruit large-scale employers would face formidable competition from southern New Hampshire locations offering larger (and

more manufacturing-oriented) labor pools, as well as greater proximity to Boston-based businesses and the Manchester Airport. While Concord may in some cases be able to provide cost advantages, companies basing their decisions solely on cost considerations may: (1) face increasing cost pressures – possibly involving overseas labor costs – that may reduce their local employment levels; and (2) not fit the relatively skilled, professional profile of the Concord labor force -- and thus generate needs for lower-cost labor.

2. *Quality of Life*: The City does not offer clearly defined "target industry" niches that can provide new engines for economic development. Concord's quality of life amenities, however, can play an important role in attracting highly-skilled labor and professional businesses and in enhancing property values, both of which drive development and redevelopment opportunities and thereby enhance the City's tax revenue potential.

3. *Redevelopment*: While the City should cultivate a reserve area for new land development, the City must direct its primary focus to redevelopment of previously developed areas. Investments in the reuse and upgrading of older, developed properties will focus on the City's core areas without incurring the higher costs for infrastructure extensions.

The following sections set forth recommendations for each of these priorities. The reader should note that while the discussions are organized by priority areas, with specific recommendations set forth in regard to each priority areas, many of the recommendations will in fact apply to (and cross-reference) multiple priority areas.

B. INTERNAL BUSINESS GROWTH

Business growth is driven by individual private businesses themselves. In encouraging business development and retention, however, one fundamental role for the City is to maintain ongoing communications with local businesses. Such communications keep the City alert to emerging issues that may relate to public infrastructure, taxes, regulations, labor, and other business conditions. In addition, the City staff should serve as a communication liaison between the business community and the public bodies such as the planning board, zoning board, City Council and Mayor. Such communications help keep the relevant agencies informed regarding the needs and concerns of its business community.

City staff currently serves this function. As the business community grows, and as the breadth of business issues expands, the City should consider potential staff expansions or additional offices/agencies as necessary to maintain communications and serve this important role.

1. Small Business Assistance and Business Incubator Models

The City should create its own local small business incubator or assistance program. While existing federal, state and regional agencies administer various programs offering various forms of assistance to small businesses,[13] the City's own local officer should provide counseling, technical assistance, and a single, central clearinghouse of information for Concord-based small businesses.

In focusing on small business generation and growth, many communities identify measures involving business incubators. Under the traditional model, these types of facilities provide low-rent space for fledgling companies, shared resources (such as telecommunications infrastructure, copy machines, office amenities, office management) and counseling regarding various business administration issues. Some incubators focus on targeted business niches; others do not.

The "incubator without walls" offers a variation on the traditional incubator model. Rather than providing space, this approach instead emphasizes services in preparing and executing business plans. Incubators without walls vary in their areas of emphasis. In Hastings, Minnesota, for example, the Hastings Enterprise Facilitation program sought to address the high failure rate – commonly cited at 80 percent on a national basis – of new businesses. Hastings' program coordinators selected approximately 30 startup businesses (from among 280 applicants). Of these, 27 remained in business after five years. Such businesses encompassed the full range of retail, service, and manufacturing activities. The Enterprise Facilitation program provided services in preparing and refining business plans, knowledge regarding business procedures (regulations, permit processes, costs), and – most important -- a network of contacts through a 12-member board. This board, comprising members of the local business community, helped build businesses by providing information, general advice, and contacts with service providers, financing sources, marketing venues, and clientele.

A state-funded business development program in Rhode Island provides another example of an incubator without walls. Like the Hastings program, the Urban Ventures nonprofit organization, established in 1999, seeks to nurture or "coach" new businesses by offering ongoing counsel regarding business planning, trouble-shooting and problem-solving. Unlike the Hastings program, after selecting a targeted community, Urban Ventures first selects targeted business sectors. Then, within each targeted sector, Urban Ventures selects approximately ten "client" businesses, which then work with Urban Ventures to identify business strengths, weaknesses and targets. These businesses are assigned individual advisory boards comprising members of the industry and local business community that can provide information, advice, contacts and access to services and sources of capital. Client businesses report periodically to their advisory boards; such ongoing "mentoring," by requiring businesses to be accountable to their boards, helps keep businesses focused on business plans and strategies while adjusting to unforeseen development and changing conditions.

[13] Prominent examples include the U.S. Small Business Administration; the New Hampshire Business Finance Authority, which administers the state's Capital Access Program; the New Hampshire Small Business Development Center, which operates through six regional offices (including one in Concord) and provides information to small businesses; and the New Hampshire Department of Resources and Economic Development, which administers the Business Retention and Expansion program.

Recommendation B-1: Business Incubator/Assistance Program
The City should designate an office or partner (nonprofit) agency to serve as (1) a business incubator; and (2) a resource center for local small businesses (or larger businesses embarking on new ventures). In creating this agency, the following provide general guidelines:

- Ideally, an incubator would offer physical space as well as the services of an incubator without walls. Where the physical building raises difficult cost issues, however, scarce funding resources should be allocated to an incubator without walls. This is consistent with Concord's professional, service-based labor force; for professionally-skilled entrepreneurs, knowledge and ideas -- rather than materials and production processes -- drive business growth. For such prospective businesses, services rather than real estate facilities provide the more valuable "incubator" services.

- Many new businesses in "idea-driven" industries need not rely on incubator space or office telecommunications; emerging telecommunications technologies can enable many entrepreneurs to work effectively from home locations. Concurrent with this small business assistance program, the City must continue to accommodate home-based businesses, (as currently provided in Section 28-5-30 of the City Zoning Ordinance). While relevant statistical documentation is unavailable, home renovations increasingly provide home office spaces for either working at home or for home-based businesses.

- While the new agency may or may not elect to target specific business niches, it should in any event extend its service programs to encompass:

  - Nonprofit agencies, including arts-related organizations, which typically draw upon limited human resources, business expertise and financial wherewithal; and

  - Real estate developers/investors: as noted in the preceding (1998) Economic Development Strategy, a focus on developers rather than businesses provides efficiencies in that a fairly limited pool of developers (and their brokers) solicit tenants from a much larger pool of businesses located outside as well as inside the local community. While real estate developers are often not structured as traditional "companies," many are nonetheless small businesses that require assistance. Therefore, the new small business agency should provide assistance and services (e.g., counseling regarding approval processes, likely costs, business planning, key service providers, sources of capital, etc.) to local developers as well as property owners contemplating new investments in property improvements.

Cross-References: See ***Recommendations B-2 and B-4*** below.

2. <u>Regulatory Issues</u>

The City's land use regulations represent generally appropriate and reasonable exercises of its police powers. In seeking new investment, however, the City should address two issues. First, as discussed earlier in Section IV, the city's administration of its regulatory codes has generated perceived difficulties that may in some cases compromise the City's maximum development potential. Second, the evolving nature of urban development and business growth may drive changes in land use regulations.

The City should consider the following measures:

Recommendation B-2 -- Proactive Developer Guidance:
The City should take a proactive stance in developer outreach and communication. Current practices in planning, development and development regulation change constantly. Despite this, for developers and owners – particularly local property owners seeking to improve their properties – many current approval processes represent substantial departures from past practices. This is particularly true for redevelopment projects, which often involve nonconforming uses, undersized lots, obsolete buildings and other such issues. Recognizing the various changes that have occurred, the City should take proactive measures to prepare the development community for applicable approval procedures and key issues, and thereby ensure smoother processes. The City may promulgate such measures through its business assistance agency (see ***recommendation B-1*** above) or through its existing departments and agencies. The City's existing mechanisms for staff input currently include monthly sessions for developers to receive preliminary, informal input regarding prospective development projects. Supplementing these procedures, the City should consider new measures such as preparation of reader-friendly "development handbooks" that explain the various steps of the approval process. If possible, such handbooks should be made available electronically, in the form of interactive programs that can walk prospective developers through various types of approval processes.

Recommendation B-3 – Incentives for Redevelopment:
The City should amend land use regulations to provide greater incentives for property owners and developers to improve outdated nonconforming uses. Such investments improve the City's older properties, enabling the City to "recycle" rather than consume and then neglect its core areas. Further, they provide these benefits without incurring new obligations for infrastructure extensions, and without using land coveted for alternative uses. At the same time, as noted above, such investments are often more costly than new construction on vacant land; the costs of updating properties to come into compliance with current regulations adds further to the costs of development. Such investments in redevelopment should be encouraged. In encouraging these investments, City policies and ordinances should offer some form of relief. Where qualifying criteria (character, compatibility, value added, affordable housing, etc.) are satisfied, such relief can take the form of zoning exceptions, density bonuses or relief from impact fees and other such costs.

Recommendation B-4 – Revisit Issue Involving Office Uses in Industrial Districts:
The City should revisit its existing policies regarding office uses in industrial zones. Current policies condition such office development on relatively high minimum levels of investment.

This is unnecessary. In order to promote order and protect higher-end images for some office zones, it is appropriate to limit – or prohibit -- industrial uses therein. Reciprocal protections, however, are not needed in industrial districts. On the contrary, the limitations placed on office uses in industrial districts potentially:

- Discourages investments in industrial properties: Renovations that would retrofit aging industrial buildings for office uses would trigger minimum investment thresholds. This narrows the range of permissible building users, creates a barrier against modest improvements, and creates incentives for disinvestment rather than reinvestment by property owners.

- Raises costs for new office occupants who may not (yet) be able to afford higher-rent office space. Absent inexpensive space, such occupants may move to neighboring areas, where they may eventually thrive and upgrade to new space.

- Reduces the potential -- and thereby, the value of – industrial properties. Given the limited future for industrial real estate development, city policies should encourage productive uses of industrial space.

Given these effects, the City should revise those regulatory provisions designed to trigger high-end development thresholds for office uses in industrial zones. Such revisions need not remove all regulatory control over changes in use, but should encourage rather than discourage reinvestment in existing industrial buildings, recognizing that lower-end office tenants in such zones are often small businesses with potential or otherwise productive users of property, and that the City may wish to accommodate a variety of such office tenants.

Cross-Reference: As they grow and thrive, home-based business start-ups may seek locations in inexpensive buildings. Where incubator space is not available, older industrial spaces – with relatively minor retrofitting -- can provide the equivalent of such low-cost space for such businesses. See ***Recommendation B-1***.

Cross-References/Other: Ensure that the various mixed-use types of uses that are targeted for urban areas such as the Opportunity Corridor are legally permissible (as discussed in ***Recommendation D-1*** below).

C. QUALITY OF LIFE ISSUES

In pursuing "quality of life" improvements, the first task is to gain a clear understanding of the community's definition of this term. In the current Master Plan process, community members have identified quality of life issues involving outdoor recreational amenities, open space, and arts and cultural resources.

1. Outdoor Recreation

Public recreational facilities enhance quality of life and values of nearby properties. Studies in communities throughout the nation[14] have documented the values of public trails, for example, as a positive influence on the quality of life for trail neighbors as well as the larger community.

[14] Studies have been conducted in communities such as Omaha, NE, Santa Rosa, CA, Cary, NC and Boulder, CO. The Boulder study provided the most quantified findings, including the finding that housing prices declined an average of $4.20 for each linear foot of distance from a greenbelt (up to 3,200 feet), and that direct adjacency to the

Roughly 20 percent of Concord's 64 square miles are protected as open space by easements, public ownership, and other public or private restrictions. These open space resources include rivers, lakes, forests and agricultural areas. These provide enable the City to provide outdoor recreational amenities such as lakes and ponds, the Merrimack, Contoocook and Soucook rivers, and 19 trails encompassing 40 miles.

Groundwork Concord, a non-profit agency seeking to administer and improve outdoor trail/recreational resources, reports that while Concord residents make use of its trails and recreational water resources, further improvements could increase the public awareness, increase quality of life, and enhance the City's image.

Preceding planning documents have offered recommendations for Concord to create links between its various outdoor recreational amenities. At this time, Groundwork Concord is in the process of developing a 3-mile trail system linking both sides of the Merrimack River, downtown Concord and the New Hampshire Technical College area. This would create the core of a linked "system" connecting different trail areas and recreation amenities. This would increase the public's awareness and use of the system and provide a new, easily identifiable amenity that can contribute substantially to the City image and quality of life.

Recommendation C-1 -- Ongoing Linkages
The City should continue to support additional similar endeavors. Such endeavors should seek to (1) highlight and increase awareness of the City's significant outdoor recreational and open space (views, agricultural areas, etc.) amenities; and (2) benefit the various neighborhoods throughout the City.

2. Arts and Culture

Arts and cultural programs and amenities enhance a community's quality of life in much the same manner as recreational amenities. Such programs and amenities provide opportunities for learning, leisure/entertainment, and social participation venues. In addition, arts and cultural programs and amenities offer other potential benefits, which include the ability to attract non-local audiences, and an increased ability to attract new workers and businesses.

In addition to its educational institutions, Concord contains a broad range of amenities and organizations involved in various arts, artisan trades, and other cultural-related activities. These include without limitation:

- The Capital Centre for the Arts;
- The Concord Community Music School;
- The Concord School for the Arts;
- The Kimball Jenkins School of Art
- The League of New Hampshire Craftsmen;

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greenway bestowed a value premium of 32 percent over comparable properties located 3,200 feet from the greenway.

- New Hampshire Public Radio;
- The Museum of New Hampshire History;
- The Christa MacAuliffe Planetarium;
- The Canterbury Shaker Museum.

In addition to these resources, Concord's potential as a location for increased arts-related programming and development finds support in its:

- Demographic profiles: A recent study sponsored by Wallace-Reader's Digest Funds, "A New Framework for Building Participation in the Arts" finds that the likelihood of participation in arts-related activities corresponds to an individual's educational attainment. As shown earlier (see Section II), Concord's population features relatively high levels of educational attainment, and much of its future growth will occur in industry sectors seeking highly educated professional labor.

- Economic Patterns: As discussed in Section II, arts/entertainment/recreation sectors represent an area of relative concentration in Merrimack County (see Exhibits II-7 and II-8) as well as a substantial growth sector (Exhibit II-6). Such growth has continued even during the recent years of national economic decline, indicating that the region offers strong conditions and support for arts and cultural activities (see Exhibits II-9 and II-10).

- Local Facilities: The Capital Centre has enjoyed strong success, drawing annual audiences of 60,000 from throughout northern New England, and constitutes one of New Hampshire's most prominent venues for live music and theatre. In addition, local nonprofit groups are currently planning facilities including (1) a new independent art cinema facility; and (2) a new museum highlighting Scottish-American culture and themes.

In most cases, efforts to promote arts and cultural programs and amenities differ from those for recreational programs and amenities. While many communities maintain public "parks and recreation" departments or boards, arts and cultural issues and needs are typically left to private and nonprofit organizations. And while recreational programming often presumes interest and participation from throughout the general community, arts programming more frequently targets relatively narrow segments of the community.

Recommendation C-2 – Cultural/Arts Plan
The City should pursue a community arts and cultural plan. Improved programming and promotions could enhance Concord's overall quality of life, and the City's ability to incorporate such programs and amenities can help it attract and retain creative individuals and businesses and visitors. The City and its constituents must determine the specific elements of this plan; nonetheless, suggested plan elements include the following:

- Public Articulation and Community Identity: public endorsement may take the form of project funding, public agency appointments, event sponsorships, and collaborations with nonprofit organizations. To the extent that the plan can identify opportunities for public endorsement and involvement, it can increase the community's awareness and pride in its arts and cultural offerings. This contributes to a virtuous cycle wherein greater awareness increases local participation, which in turn strengthens organizations and their programs, thus further increasing awareness within as well as outside the community.

- Broadening Participation: The plan should focus on local organizations, participants and – perhaps most important -- potential participants. Rather than creating new venues to serve existing and defined artistic/cultural groups, the City should seek real broad-based gains in community participation and (consequent) support. Attempts to broaden the base of participation typically involve issues of access and awareness. City roles might focus on public endorsements and sponsorships, use of public space (public parks, meeting facilities), coordination among various entities sharing cultural interests (e.g., outdoor public radio broadcasts in public spaces), and promotion of new venues for new groups – as where the City has required the new Capital Commons project to include below-ground space for arts-related uses.

- Assistance to Organizations: The plan should seek to provide assistance for existing organizations. Such organizations are typically nonprofit organizations, which often rely on limited financial support, volunteer labor, limited business knowledge and expertise, lack of coordination with potentially beneficial organizations, and other limitations. Such organizations are essentially entrepreneurial endeavors that would benefit from many of the types of services that are often provided for small businesses. Such services might involve business issues such as marketing and promotions, accounting, use of technology (e.g., web page creation and links), shared resources (e.g., for purchasing materials/supplies, information regarding service providers, equipment, joint program sponsorships), and other such issues.

  Cross-Reference: Assistance to nonprofit arts-based organizations could be provided through a small business assistance agency, as discussed in ***Recommendation B-1***.

D. REDEVELOPMENT LOCATIONS

In seeking to work from its areas of strength, physical locations for new real estate development and redevelopment in Concord should focus on those areas offering the strongest market potential. The preceding findings indicate that over time, strategically located office, retail and housing projects offer strong prospects for development. Given this plan's focus on small-scale office space, internal business development, and quality of life, Concord's highest-priority locations for economic development focus not on large tracts of undeveloped land, but rather on locations closer to existing amenities and infrastructure. Such developments can enhance Concord's highly visible core areas while maximizing the potential of its land resources.

Recommendation D-1 – Continued Focus on Core Area Redevelopment: Opportunity Corridor

In targeting physical locations for reinvestment in the City's tax base, the City should focus on its inner "core areas." Foremost among these is the Opportunity Corridor, which occupies the area bounded by the Merrimack River on the east, Main Street (both South Main and North

Main) on the west, Exit 15 on the north, and the segment of I-93 between Exit 12 and Basin Street on the south.

Over the next twenty years, this area offers a promising area for an array of uses. Underutilized for decades, this area offers close proximity to: the central business district, the Merrimack River, highways I-93 and I-293, Horseshoe Pond, and retail concentrations along Fort Eddy Road.

The City is currently pursuing a new redevelopment plan for the Opportunity Corridor. Under this (currently ongoing) process, proposed improvements for this area include:

- Improved highway realignments designed to provide riverfront views and recreational uses;
- Highway interchange improvements that will improve access to underutilized areas in the Corridor's northern segments;
- Elimination of physical barriers that impede access to the riverfront;
- Various realignments designed to create vehicular- and pedestrian-accessible sites;
- Facilitate circulation throughout the northern segment of the Corridor; and
- Riverfront trail systems.

Such investments are likely to prove effective in helping the City attract and support new proposals for development targeting high-quality projects in the following categories:

- Retail: With the exception of an enclosed mall, new retail developments could feature various formats in the northern and central portions of the Corridor. While many developers may prefer conventional suburban shopping center layouts, retailers and retail developers will probably be willing to consider alternative formats. Such formats – which may be comparable in size to a neighborhood or community shopping center – may feature outdoor pedestrian-oriented streets and parking oriented to the rear of buildings. Likely tenants might include national and regional chain retailers and restaurants, and local, independently operated stores from within the general region.

- Office: The local office market currently maintains high vacancy rates, with an ample inventory of vacant space – as well as new planned space -- to be absorbed. Over time, however, ongoing growth in health care and professional business service employment will provide support for new office development in Concord and the north and central segments of the Opportunity Corridor.

  Such development is not likely to feature large-scale building containing 100,000 or more square feet. Historically, the local office market has focused on relatively small tenants (e.g., generally occupying less than 20,000 square feet), including locally-based small businesses, nonprofit agencies, and branch offices of regional businesses. Consequently, the market will not likely offer sufficient depth to support the development of larger-scale buildings. More desirable office projects (for developers) will contain approximately 40,000 to 60,000 square feet. Given this approximate scale, office buildings would typically contain four or fewer stories. Buildings with vertically mixed uses – for example, where office uses are located above ground-floor retail space -- should also prove viable and appropriate.

- Attached Residential: the Opportunity Corridor can provide desirable high-amenity sites that would prove suitable for various attached residential development forms. Townhouses as well as multi-family condominiums or rental apartments may be viable. Given somewhat limited depth in the market's highest tiers, however, most projects would be relatively small, with fewer than 60 or 80 dwelling units in buildings up to four stories high. Also, older properties in the Corridor may offer opportunities for conversions to loft rental or condominium units.

- Lodging: The existing lodging supply focuses primarily on mid-price products. Many of these provide only limited food service, and many occupy sites with difficult access, limited highway visibility, or other such compromises. Thus, opportunities are likely to exist either in new niches – such as full-service properties or suite facilities – or for new facilities on sites that are superior to existing lodging locations.

Downtown Portion of Opportunity Corridor
Concord's downtown area occupies much of the central portion of the Opportunity Corridor (between Centre Street and approximately West Street), as well as the area extending west to State Street. The downtown area offers the potential for greater vitality. In generating increased vitality, key elements involve increased housing and entertainment/leisure-related uses.

Among the two of these, entertainment/leisure uses offer the recommended area of emphasis. A recent report, *"Development Prospects for Downtown Market-Rate Housing"* (2003) indicates that while downtown offers the potential to support 50 to 70 new market-rate residential units over the next five years, this volume of new residential development would not by itself support significant new retail or entertainment-related uses. Rather, experiences gained from comparable cities shows that greater concentrations of downtown employment and leisure/entertainment amenities help to strengthen downtown locations for residential development. At the same time, unique residential renovation projects -- rather than larger (e.g., 20 to 50 units) projects -- can effectively generate interest in additional downtown investments. In light of this finding, the City's preferred use for major downtown land parcels should seek to provide new space for business and leisure uses, thereby enhancing downtown's desirability for new residents and retailers.

The City should continue to cultivate investments such as the proposed redevelopment of the Sears Block site, wherein the City facilitated private retail/office uses while providing new public parking as well as a reserved area for an arts-related uses (an independent film theater). Consistent with these and other recent practices, City policies should target measures such as:

- Encouragement of additional entertainment-, arts-, or other leisure-related uses;
- Assistance for projects seeking to create residential units in renovated historic properties;
- Creation of tax-increment financing districts;
- Construction of additional public parking spaces to support various uses in the downtown area as well as the Opportunity Corridor.

Directives and Cross-Reference:
In seeking to promote redevelopment rather than consuming undeveloped parts of the city, consistent with ***Recommendation B-3***, the City should provide regulatory relief and other incentives for redevelopment in the Opportunity Corridor and elsewhere. Such forms of relief to consider include: streamlined review processes, technical assistance (possibly through a small business assistance program), and a program for density bonuses in defined "target" zones, with additional bonuses available where certain criteria are satisfied.

Recommendation D-2 – Create a Redevelopment Authority to facilitate Opportunity Corridor redevelopment
In 2002, the City of Concord, in conjunction with the Greater Concord Chamber of Commerce, appointed a task force to investigate issues regarding the suitability of a new Redevelopment Authority as an entity to assist in the implementation of Concord's economic development endeavors. At the conclusion of this process in 2003, the task force recommended the creation of such Redevelopment Authority (see Appendix A for the Task Force report).

This new entity, to be overseen by board of 5-7 members, would be authorized (in relevant part) to:

- hire staff,
- exercise the City's right of eminent domain;
- purchase, lease, option and hold property or property rights;
- borrow funds and issue bonds;
- apply for and administer grants; and
- enter into partnerships.

This document supports this recommendation. Forthcoming plans for the Opportunity Corridor envision sweeping changes for large land areas over a long-term time frame. The implementation of such changes will require public assistance in assembling and holding land for key projects. Heretofore, City staff has filled this role effectively in the City's redevelopment endeavors. In the Opportunity Corridor, however, three factors – all relating to the Authority's autonomy from the City Council -- support the creation of the additional entity:

- Expediency: With no need for City Council approval of its actions, the Redevelopment Authority would be able to move quickly to capitalize on emerging opportunities. In contrast, City staff must obtain public approvals to purchase properties that become available; this delay may in some cases cause the City to miss out on the opportunity.

- Time Frame: the long-term time frame for implementation necessitates an entity than can operate independent of short-term political moods.

- Timing and Unique Circumstances in Opportunity Corridor: The Opportunity Corridor Plan is likely to plan for highway reconfigurations that would require state and/or federal purchases of private property. Such purchases would target parcels for highway alignments, but ample excess property would also be involved. The Redevelopment

Authority would be able to hold – or "land bank" such properties (and assemble contiguous parcels), insulated from political pressures, until such time as development conditions ripen.

In creating this Redevelopment Authority, the City should recognize the following issues:

- The Authority's powers should be confined to the Opportunity Corridor. This document issues directives to pursue redevelopment of older, developed properties in lieu of new "Greenfield" development. The Redevelopment Authority should focus accordingly.

- Initial Funding must be sufficient to purchase significant properties. If not, then authority over redevelopment procedures simply reverts to the City Council and City staff, and the City will derive little benefit from its decision to create the Authority.

- To the extent that the Redevelopment Authority shall remain subject to the City's zoning ordinances, the City must be sure that such ordinances are consistent with the plans promulgated in the Opportunity Corridor Plan. If the Authority must undergo rezoning procedures, it has failed to gain true autonomy from shifting political contexts and City Council processes.

- In light of the two preceding considerations, the City need not create the Authority until it can (1) ensure consistency between Opportunity Corridor plans and applicable regulations, and (2) allocate a sufficient level of initial funding.

Recommendation D-3 – Provide Alternative Locations for High-End Business Park Development

Notwithstanding prevailing conditions, over the next five to ten years the City may require additional business park space to accommodate new office and/or industrial development. And despite this economic development plan's emphasis on redevelopment over new development, many high-value office/industrial facilities may prefer outlying locations to urban infill locations.

The City must prepare itself to accommodate unforeseen contingencies wherein new corporations seek to build new facilities in the Concord region. Potential locations must offer:

- Flat land that can accommodate development parcels ranging from approximately 3 to 10 acres;
- Public sewer and water service as well as broadband telecommunications infrastructure; and
- Convenient highway access – preferably to I-93.

New business park development should target high-value construction; the City should promulgate development regulations that require high-level investments in environment and aesthetic features. This will ensure that new tenants will maintain high-end business profiles and secure growth prospects. This policy would preclude many tenants from locating in the new park(s), but this is justified by the following:

- New developments offering low-value improvements do not accomplish this plan's primary objective of enhancing the City's tax base;
- High-end residential developments may offer greater tax base value;
- In seeking lower-value construction projects, such tenants could still seek alternatives either in Concord's older, lower-end properties, or in nearby communities.

Prominent potential locations for such new developments include land areas located immediately to west of the I-93 at Exit 17 (Whitney Park), and north of I-393 (and east of Portsmouth Street, currently without convenient highway access).

Merrimack Valley School District

The Penacook portion of Concord lies in the Merrimack Valley School District. In this part of the City, the commercial/industrial tax base currently focuses on the Route 3 corridor. The City should focus on two alternative opportunities:

- Penacook Village: Consistent with this document's emphasis on urban redevelopment, Penacook Village is likely to offer opportunities for profitable private-sector investments in the rehabilitation of aging industrial properties in Penacook Village and/or nearby properties along the Contoocook and Merrimack Rivers.

  In regard to potential opportunities for retail development or improvement, concentrated areas such as the Village center or larger shopping centers offer an opportunity for critical mass and cohesion, which helps create synergies that can attract and benefit retail tenants. In contrast, sequences of small (e.g., less than 10,000 square feet) centers provide neither single, large-scale "anchor" tenants that can attract significant other tenants, nor substantial concentrations of retailers sufficient to generate the synergies of a commercial district.

- Business Park Development: Consistent with the preceding recommendation to provide alternative locations for high-end business park development, the Merrimack Valley School District includes land areas adjacent to I-93 and Exit 17 that offer the potential for business park development. Such land areas would offer potential opportunities for various office, industrial and retail development, and – given visibility from the highway – could attract higher-profile developers and tenants than the areas along Fisherville Road, Penacook Village, and much of the City of Concord.

E. CONTINGENT PRIORITIES

This section discusses two additional issues. These issues are of great magnitude in their potential economic development impacts, but their prospects are highly contingent on events lying beyond the City's control (or immediate influence). Given their potential import, this section:

- Discusses these issues and their potential importance;

- Identifies the contingent circumstances that would cause them to gain high priorities on the City's economic development agenda;
- Sets forth general directives for the City pending such contingent events and in the event of the occurrence of such contingencies.

1. <u>Garvins Falls Urban Reserve Area</u>

a. Background

For the long-term future, the City will need to provide additional properties to accommodate new business and retain its own growing businesses. Undeveloped sites in Concord's existing business parks offer a limited inventory. Consequently, the City may wish to cultivate new improvements to areas that can potentially support new business parks.

The Garvins Falls Urban Reserve Area offers the primary candidate for new high-end business park development. This area is situated between Manchester Street on the north, the Merrimack River and Town of Bow on the south and west, and the Soucook River and Town of Pembroke on the south and east. Existing uses in this area include a hydroelectric power plant, two high-tension power lines, and some residential areas along Garvins Falls Road. Excluding these uses, the area includes approximately 1,000 acres, of which fewer than 500 are developable.

A 1996 study entitled *Garvins Falls Urban Reserve Area Development Feasibility Study* ("the Garvins Falls Study") sets forth findings and recommendations for this area. This study's findings, in relevant part, include:

- While the area could support nearly 10,000 jobs at buildout, market support for a Class-A office park was at least ten years in the future (2006); projected buildout would most likely require more than 50 years.

- Implementation of this development would most likely require ten and more years of preparation.

- A high-quality park at this location would incur potentially prohibitive costs for infrastructure including: a new bridge across the Merrimack River connecting the area to Hall Street, connectors to the Route 106/Route 3 intersection, and various other road widening improvements and water and sewer lines. An alternative scenario – contingent on the availability of extensive non-local public funding -- envisions access provided via new extensions of highway I-89 to the Route 106/Route intersection.

- The area should be zoned for a mix of office, research & development, and industrial uses.

b. Secondary Priority

This document does not contest the findings of the Garvins Falls Study. Development implementation of the Garvins Fall Urban Reserve Area (as recommended), however, should not occupy an immediate, high priority agenda for the City of Concord. This recommendation rests on the following reasoning:

- The findings behind this Economic Development Plan indicate that Concord should seek to build its economic base internally, through business growth and retention, rather than through recruitment.

- The envisioned business park in the Garvins Falls area would target large-scale office campuses, research and development, and industrial uses. These types of uses all face limited potential:

  - Research and development uses are not likely to support substantial demand in Concord. Such uses are driven by proximity to government or university-based research institutions; Concord offers neither. While the City may seek to attract corporate research facilities, such facilities themselves typically seek access to universities or government research institutions.

  - Industrial employment has shown both short-term and long-term patterns of decline on a local as well as national basis. Concord does not offer the resources required to successfully combat this long-term trend (labor force, location, inexpensive land, major markets). Absent grounds for belief that Concord will maintain superiority and sustainability in specific niches, the City should not enter into substantial long-term commitments targeting industrial park niches.

  - Office uses, despite prevailing market weakness, will in the long-term support additional new development. In Concord, however, new office buildings typically provide less than 60,000 square feet; the market's limited depth would make large-scale campuses difficult to finance and support.

- The prospective costs of new development at Garvins Falls would involve new bridges, road widenings and extensions, and extensive water and sewer improvements. Absent outside funding assistance, such costs would be potentially prohibitive. The City should support State- or federally-sponsored proposals to fund new highway connections, but absent such outside contributions should not allocate major capital outlays for such improvements.

- Other high-quality sites for new office development are potentially available. In addition to the Opportunity Corridor, development sites remain at locations such as the Heights and Horseshoe Pond areas. More important, in the interim period while Garvins Falls development remains financially infeasible, the City should cultivate other more convenient and comparatively inexpensive office development locations (***see Recommendation D-2***).

Recommendation – E-1: Preserve High-End Potential of the Garvins Falls Urban Reserve Area

Notwithstanding the second-tier priority assigned to new business park development in the Garvins Falls Urban Reserve Area, any community would improve its prospects for new development if it can accommodate new large-scale businesses in the event that such opportunities materialize. This will become increasingly true as sites in more southerly portions of New Hampshire become increasingly scarce. Therefore, in preserving the potential of the Garvins Falls Urban Reserve Area, the City should:

- Maintain the area as a reserve for high-quality business park development. Without committing large-scale funding allocations, the City should prohibit alternative developments (e.g., single-family residential neighborhoods) that would compromise the area's volume and potential as a future business park location.

- Promulgate stringent development standards that will ensure that the envisioned entry points to the Garvins Falls Urban Reserve Area are not compromised by unsightly or low-quality development. This report generally supports the findings of the Garvins Falls Study, but disputes the recommendation that manufacturing and warehouse uses be permitted in the Phase I area nearest Manchester Street. These most-visible parts of the Urban Reserve Area present the gateway to the area and set the initial standard for further development. Other recommendations presented in the Garvins Falls Study call for high-quality office park development standards. This is generally appropriate, and given the uniqueness of this opportunity for Concord, the City should consider a unique zoning classification – similar to its special classifications for downtown and the opportunity corridor.

- Seek to acquire key parcels or easements over key strategic property interests near the entry areas (or potential entry areas) to the Urban Reserve Area. This would enhance the City's control over prospective development proposals.

- Encourage and support proposed public or private initiatives that would contribute funds for infrastructure improvements (especially road improvements that would provide access to nearby highways) in the area.

Contingent Recommendation –

In the event that state or federal funds become available – or potentially available – for transportation projects that would provide convenient access to the Garvin's Falls area, this area will then hold as a prominent position as a potential high-end commercial/industrial development area. At such time, the City -- after taking the aforementioned steps to preserve the area as a an area for high-end development – should consider steps (e.g., bond issuances, tax increment financing, etc.) as may be necessary to assist in the development of high-quality office, research & development and/or industrial space.

2. Post-Secondary Educational Institutions

This plan seeks to position Concord as a community that will attract and retain innovative businesses and individuals drawn to communities offering a quality of life characterized by a balanced blend of recreational, rural, cultural and urban amenities. Despite Concord's substantial array of amenities and potential amenities, many of the nation's similarly-situated communities that successfully maintain such positions contain four-year secondary educational institutions.

The students and faculty associated with colleges and universities generate performance events (sporting, arts/entertainment, lectures) and performance facilities, academic research and conference activity, and general vitality in campus-oriented commercial districts. These types of benefits would all further Concord's economic development interests involving small business development, recreational and cultural improvements, and – depending on the location of the institution -- downtown/Opportunity Corridor revitalization.

Despite the benefits of a four-year college, very few (if any) general-curriculum four-year colleges have been founded in the United States over several decades. The City's strongest prospects for the creation of a new college would lie in either (1) substantial expansions and/or creation of programs, enrollment and/or facilities at local institutions such as the New Hampshire Technical Institute or the Franklin Pierce Law School, or (2) an existing institution's decision to relocate to a new location.

While existing institutions maintain plans for various types of expansions, neither of these contingencies appear imminent at this time. Therefore, while the City should maintain communications with such institutions in Concord and the Concord region, absent expressions of interest from prospective institutions, the City cannot identify immediate proactive measures that offer promising results or justify substantial resource commitments.

3. Workforce Housing

a. Background

Housing availability presents an economic development concern for communities seeking to attract and retain the labor supply needed to support new and growing employers. To date, labor shortages have not emerged as a business deterrent in Concord. Nonetheless, Merrimack County's consistently low unemployment rate signals that additional labor resources – supported by a sufficient housing supply – may in the future become an increasingly important issue.

In defining this housing market segment, "work force" housing must be viewed in relation to businesses' ability to attract or retain workers. From this perspective, work force housing issues are not pertinent in relation to senior housing, student housing, or in relation to workers in declining industries, which will not seek significant numbers of new workers.

Rather, work force housing is most pertinent in relation to workers in viable industries. In Concord, these industries employ highly skilled and well-compensated workers such as physicians and attorneys, but growth in these industries also relies on the availability of administrative, sales, support, and maintenance staff. In the Concord area, Exhibit V-6 shows that this market segment typically earns at least $20,000 annually. While some of the selected occupations pay less than $20,000 in entry-level positions, many of these positions are held by workers that have (1) upward mobility as well as (2) a tendency to share housing arrangements – and combine incomes -- with employed roommates.

EXHIBIT V-1 -- WAGE LEVELS IN SELECTED OCCUPATIONS, CONCORD LABOR MARKET AREA, 2001

	Entry Level		Median		Experienced	
Occupation	Hourly	Annualized	Hourly	Annualized	Hourly	Annualized
Educational/Vocational/School	$14.99	$29,980	$18.22	$36,440	$19.93	$39,860
Medical/Public Health Social V	$14.77	$29,540	$18.43	$36,860	$19.92	$39,840
Health Educators	$11.98	$23,960	$17.01	$34,020	$18.48	$36,960
Art/Drama/Music Teacher, pos	- -	$33,007	- -	$43,589	- -	$74,166
Elementary School Teacher	- -	$31,093	- -	$36,933	- -	$40,265
Secondary School Teacher	- -	$27,272	- -	$34,685	- -	$40,179
Home Health Aide	$8.80	$17,600	$10.20	$20,400	$10.99	$21,980
Dental Assistant	$12.37	$24,740	$14.50	$29,000	$16.54	$33,080
Police Patrol Officer	$12.80	$25,600	$17.73	$35,460	$20.27	$40,540
Cook, Restaurant	$8.24	$16,480	$10.87	$21,740	$14.48	$28,960
Janitor/Cleaner	$8.14	$16,280	$10.31	$20,620	$11.66	$23,320
Retail Salesperson	$6.77	$13,540	$8.36	$16,720	$11.30	$22,600
Office/Admin Support	$9.04	$18,080	$12.02	$24,040	$14.77	$29,540
Reception/Information Clerk	$8.92	$17,840	$10.33	$20,660	$11.38	$22,760
Electromechanical Equipment /	$10.14	$20,280	$12.34	$24,680	$13.72	$27,440
Structural Metal Fabricator/Fitt	$10.50	$21,000	$13.90	$27,800	$16.30	$32,600
Printing Machine Operator	$10.51	$21,020	$15.05	$30,100	$17.74	$35,480
School Bus Driver	$10.06	$20,120	$10.96	$21,920	$12.02	$24,040

Source: New Hampshire Employment Security; Economic and Labor Market Information Bureau.

Focusing on households earning more than $20,000, Exhibit V-2 shows that in 2000, nearly 400 were paying housing costs amounting to more than 35 percent of gross household income; another 370 were paying 30 to 35 percent of their incomes. Most of these were in the $20,000 to $34,999 income group.

Despite the needs of these groups, three issues mitigate affordable “work force” housing concerns:

- “Underhoused” renters: The largest “rent burden” category comprises households paying less than 20 percent of their incomes for housing. This includes approximately 2,357 households earning more than $35,000 and 1,661 making more than $50,000. This group includes, for example, households with $40,000 in annual income paying $7,500 (less than 20 percent of income) annually for housing; this same payment would amount to 30 percent of a $25,000 annual income. Many of Concord’s higher-income renter households would move to upscale units in new “lifestyle” apartment projects (that have not yet penetrated the Concord market) or possibly new senior housing developments. If and when such developments become available in Concord, such additional inventory would draw some affluent renters from their current units, thereby creating vacancies at relatively affordable units for work force households with lower incomes.

EXHIBIT V-2 -- RENT BURDENS BY HOUSEHOLD INCOME GROUP: CITY OF CONCORD, 2000

Household Income	Paying <20%	20% to 24.9%	25% to 29.9%	30% to 34.9%	35% or More	Not Computed	Total
Less than $10,000	55	58	78	21	729	82	1,023
$10,000 - $19,999	123	97	117	170	894	41	1,442
$20,000 - $34,999	313	425	508	319	363	33	1,961
$35,000 - $49,999	696	608	135	47	16	18	1,520
$50,000 - $74,999	1,107	107	39	0	16	32	1,301
$75,000 - $99,999	356	0	14	7	0	35	412
$100,000+	198	15	0	0	0	0	213
Total	2,848	1,310	891	564	2,018	241	7,872
	37.3%	17.2%	11.7%	7.4%	26.4%		

Source: U.S. Census.

- Demographic shifts: Within the general envelope of demographic growth, five-year demographic projections indicate that the income groups with incomes of $75,000 or more will account for approximately 1,400 – more than 80 percent -- of projected household growth.

EXHIBIT V-3 -- CONCORD HOUSEHOLD GROWTH BY INCOME GROUP, 2003-2008

	2003	2008	Avg. Change #	Ann. %
Income Group/Total	17,340	19,063	1,723	1.9%
< $35,000	6,153	6,008	-145	-0.5%
$35,000 - $74,999	7,028	7,492	464	1.3%
$75,000 - $99,999	2,060	2,426	366	3.3%
$100,000+	2,099	3,137	1,038	8.4%

Source: Claritas, Inc.

- Regional Issue: While approximately one-third of Concord's renter households bear housing cost burdens of at least 30 percent of gross income, only 15 percent of households with incomes above $20,000 bear such burdens. These ratios are comparable or favorable to corresponding ratios in Merrimack County, Concord's labor market area[15], and other southern New Hampshire regions within commuting distance. Given

[15] As defined by the New Hampshire Employment Security, this comprises the communities of Andover, Panstead, Boscawen, Bow, Bradford, Canterbury, Chichester, Concord, Deering, Derring, Dunbarton, Epsom, Franklin,

Concord's favorable ratios compared to these nearby areas, Concord should not strive to alleviate work force housing needs for these communities.

EXHIBIT V-4 -- HOUSEHOLDERS (RENTERS AND OWNERS) PAYING >35% OF INCOME FOR HOUSING: SELECTED AREAS, 2000

	Households paying >30%		w/Income <$20,000	
	#	% of households	#	% of income group
Concord	2,582	33.8%	768	14.9%
Merrimack Co	5,046	34.4%	1,540	15.9%
Concord LMA	4,887	33.8%	1,462	15.3%
Manchester PMSA	9,541	35.1%	3,767	20.1%
Portsmouth PMSA	9,321	36.0%	3,450	19.3%

Source: U.S. Census; New Hampshire Housing Finance Agency.

b. Assessment

Affordable housing presents an issue in many growing communities. In Concord, however, the City need not give immediate priority to "workforce" housing issues. This assessment finds support in the following:

- Affordable housing issues have not constrained business growth. This holds true even in retail categories, where substantial growth continues despite relatively low wage levels.

- The number of overburdened households is exceeded by the number of households paying less than 20 percent of gross household incomes for housing. New higher-end housing developments would attract many of these "underhoused" households, thus making some additional moderately priced units available.

- The portion of Concord's households with incomes below $35,000 is not projected to grow, and will actually decline slightly. In contrast, higher-income households are expected to increase. Thus, the potential problems relating to affordable housing issue are not anticipated in the near future.

- The percentage of households overburdened by housing costs (as measured by those paying more than 30 or 35 percent of gross household income for housing) is lower in Concord than in Merrimack County and in the overall Labor Market Area, as well as in Manchester and Portsmouth.

- While affordable housing might well take on greater urgency over the next ten years, proactive efforts to address this issue might simply attract larger numbers of lower- and

Henniker, Hill, Hillsborough, Hopkinton, Loudon, Northfield, Nottingham, Pembroke, Pittsfield, Salisbury, Stafford, Tilton, Warner, Washington, Webster and Windsor.

moderate income tenants from throughout southern and central New Hampshire. Such tenants will not necessarily work in Concord; such solutions may address another community's work force housing issues while failing to address Concord's. Planning solutions should address the issue as a regional issue.

Affordable Housing and Regional Leadership

Despite the foregoing discussion, all growing communities must monitor housing conditions. In Concord itself, despite the mitigating factors presented above, housing costs force many households into overcrowded -- and in some cases substandard -- living conditions.

Much of this involves an issue of social policy rather than of economic development policy. Nonetheless, at some point affordable housing may emerge as an economic development constraint. From an economic development perspective, the major barrier to action stems from the general recognition that affordable housing presents a regional rather than a local issue (and individual communities typically resist rather than promote efforts to create affordable housing).

In facing this barrier, the City – as a regional economic center – should assume a role of regional leadership. Without setting forth specific agendas, this role might involve:

- Initiation of regional discussions,
- Appointment of a regional task force,
- Creation of regionally coordinated housing goals, policies and regulatory schemes (e.g., regional transfer of development rights, density bonus mechanisms, etc.) and
- Initiation of intergovernmental discussions regarding the impacts of various policies on land costs and affordable housing.

Housing Cross-References --

Consistent with earlier ***Recommendation D-1***, the City should invest in new amenities to create desirable housing development sites, particularly in its core areas. The Opportunity Corridor – with its proximity to the Merrimack River, downtown Concord, I-93 and retail concentrations -- represents possibly the best location for public investments to create unique and prime development sites.

This policy would encourage the development of higher-end, market-rate housing rather than affordable housing. This policy derives its support from the following:

- Apparent demand in the higher-tier rental apartment market remains unaddressed (limiting the availability of apartments in the middle tiers of the market), and projections anticipate that demographic and employment growth will focus increasingly on higher-income households.

- The construction of new high-end apartments and condominiums would provide fiscal gains (see Section I), and meet market demand through private rather than scarce public sector resources.

- The development of additional high-end apartments and condominiums can help address lower-tier markets through a "trickle-down" effect, whereby affluent households move to new dwelling units offering high-value amenities (and/or services, in the case of senior households), whereupon their older, previous dwellings provide less-expensive units for less-affluent households; this chain of transactions eventually "trickles down" to relieve some pressure on the overburdened sectors of the market.

APPENDIX A: REDEVELOPMENT AUTHORITY TASK FORCE REPORT