

**Managers Report**  
**Economic Development Section**

**August, 2013**

**Summary:**

Economic activity in the Region continues to expand at a moderate rate, according to business contacts. Retailers, tourism contacts, manufacturers and consulting and advertising contacts all report modest increases in sales. Commercial real estate conditions are improving or holding steady, depending on location. Residential real estate contacts report increases in both house prices and sales, but sales began to decline at month's end as interest rates bumped up about 1% over previous rates. Overall prices are rising at a modest pace, generally in line with cost increases. Most businesses are holding employment steady, with substantial staffing changes only at firms experiencing significant increases or decreases in sales. Contacts generally expect the recent trend of moderate growth to continue. The current unemployment rate in Dover is 4.1%.

**Retail and Tourism:**

Retailers contacted for this round report year-over-year comp-store sales increases ranging between 1 and 5 percent. Trends are improving as back to school sales kick in. Demand is strong for all apparel categories, furniture, sporting goods, and mobile technology. Consumer sentiment continues to pick up, albeit very slowly, and prices at the wholesale and retail levels remain steady. All the contacts expect continued slow growth of the U.S. economy.

Through June, hotel revenues are up by high single digits year-over-year. Restaurant revenues are up 3%, slightly better than expected, but one longtime Dover eatery is experiencing a double digit year-over-year decline and is moving to adapt its business model to reverse the decline. Those restaurants doing better attribute the increase to strong corporate business travel and entertainment. There is some softness in domestic leisure travel as attendance at the NH Childrens Museum and Woodward Institute Museum and other destinations has flattened. Some of this decrease may be due to the record breaking rainfall in Dover in August. It is

expected from early August activity that New England leisure travel will increase during the remainder of the Summer.

### **Manufacturing and Related Services:**

Most of the local manufacturers contacted report modest increases in sales. One is enjoying a strong market acceptance of a new product line with burgeoning sales. Europe remains a source of weakness and China continues to inject volatility for manufacturing exports. Exports to Canada are expanding. The insecurity surrounding government policies affecting interest rates and currency parity issues around a weakening U.S. dollar continue to cloud the export outlook and add insecurity re the real cost of capital goods and equipment. While several manufacturers say they expect modest growth, not many have raised their sales forecasts yet. Local gun parts manufacturers report a spike in sales. No major staff reductions in Dover have occurred or are expected. None of the manufacturers have pulled back on planned investments at this time. Pricing remains stable with the ability to pass costs through without major sales effect.

### **Selected Business Services:**

Local consulting and advertising contacts report a generally positive, but not exuberant second quarter with the same expected for the third quarter. Economic consulting has experienced a very strong demand due to the growth of high stakes litigation. Healthcare and pharmaceuticals consulting contacts gave mixed reports, some with significant declines in the health care fields being experienced. Several contacts report robust demand for services related to process efficiency, effectiveness analytics, and marketing support.. Another contact reports a slowdown in IT adoption. Strategy consultants had mixed results with large firms doing better than small ones, largely due to the greater exposure to the booming private equity industry. Marketing and advertising contacts report a slight uptick on top of a strong second quarter. A local government contractor reports flat revenue.

No cost growth, or cost growth in line with the 2% inflation is reported. Health and some business insurances are the exception. Half of the businesses report no net hiring with others increasing their workforce by 3%, largely through larger classes of entry-level workers this summer. Firms not hiring were split between those waiting for stronger sustained demand and those that hired rapidly in the recent past and are working the new arrivals into the system. Contacts in the services areas expect growth to pick up or at least continue to grow slowly. The services sector seems less concerned about Europe, China, and the macroeconomic issues worrying manufacturers.

## **Commercial Real Estate:**

Commercial real estate leasing and sales activity held roughly steady or improved slightly in recent weeks. There has been virtually no industrial construction and a flat industrial market. Regional reports in this sector contain some good news as Boston area commercial space absorption has taken off. Locally, we are still absorbing a large available leased commercial property inventory and are moving to the point rapidly that new build space will be needed. Three regional firms are negotiating to buy buildings locally. Office space remains available at moderate prices, but investment sales activity is beginning to rise. Small scale commercial real estate loan demand remains well below last year's pace. Construction materials costs are rising putting pressure on profit margins at small firms in particular. It is expected that improvement in fundamentals here will be slow, particularly for office space. The fiscal threat to the defense industry locally remains real as a potential drag on commercial real estate locally. It is hoped that with the nuclear sub build and repair industry being labeled "critical" by the Navy, and the prospect for KC46 tankers being deployed at Pease in 2016, the local defense industry picture appears healthy and stable despite the recent Navy decision not to repair the fire-damaged USS Miami. Multi-family sales demand remains strong with 75 downtown mill apartments filled just as soon as they became available. The spike in June treasury rates spooked some local commercial/residential real estate investors and this uncertainty will continue to dog real estate investors in the foreseeable future.

## **Residential Real Estate:**

Throughout most of the region, the median sales price of single-family homes and condos rose year-over-year in Q2 2013. Demand for homes, once strong due to low interest rates and relatively low prices, appears to be beginning to erode confidence among buyers. Shrinking inventories continue to slow sales and place upward pressure on prices. Contacts anticipate that single-family home and condo prices will continue to rise over the next several months, with inventory levels and interest rates significant factors determining the degree to which sales can grow. Overall there is a feeling of optimism about the trajectory of the housing market and a belief that the market will continue to recover as general economic conditions improve and as rising interest rates spur buyers to "pull the trigger" to keep their monthly mortgage payments doable..

\* NOTE: Non-local content contains excerpts from the Federal Reserve Beige Book-Boston.

## **Economic Development Goals & Objectives Reporting For Month Reporting On March, 2013**

Assist the CM in fulfilling the expectations established annually by the Mayor and City Council by routinely identifying, recommending and/or implementing necessary actions within and across departmental lines of authority:

Business retention support: HEI, LLC: financing, Economic Action of Dover article.

Waterfront Development article. *Economic Action of Dover*

TIF for infill & parking garage

Liaison with Parking Commission & Parking Manager.

Routinely seek to achieve and maintain the highest standards of operational performance in accordance with recognized accreditation programs and established best practices for specific municipal services by implementing policies, processes and other programs: Top 100 places to live in the U.S. CNN & MONEY Magazine Top 100 places for young people to live in the U.S. America's Promise Alliance & ING Corp. Fastest growing city in NH. 2010 Census. One of the Top Ten Small Cities in the U.S., *Mother Earth Magazine*

"Eight Great Places You (May) Have Never Heard of", *Mother Earth Magazine*

Regularly recommend and pursue operational efficiencies resulting in reduced costs and/or improved services by establishing and utilizing performance measures to adjust operating procedures and/or realign organizational resources:

Underutilized paper & supplies budget by electronic filing

Use email vs. USPS

Combine off site trips to lower mileage.

Identification of "Off Grid" Street Lighting and Traffic Light Options with significant cost savings.

Put Parking Manager in touch with Holase LLC to light parking meters efficiently and cost effectively.

Regional advertising with Seacoast Alliance in relocation magazines

Support and implement energy reduction initiatives that reduce operational costs and/or have reasonable payback periods associated with reductions in energy/ fuel consumption:

Identification of "Off Grid" Street Lighting and Traffic Light Options with significant cost savings.

Reduced lighting use, motion sensor office lighting

Cooler office temperature in Winter, warmer in Summer.

Combine necessary off-site trips to reduce fuel consumption.

Consistently seek and advocate for opportunities to consolidate and/or share services with City and School Departments, other government agencies and/or private sector agencies in order to eliminate duplication, improve efficiencies and maintain/ enhance service quality:

Share a part-time administrative assistant with the Planning & Community Development Department (9.5 hours per week).

Working with the Career Technical Center at DHS on the Education & Business Connect Project Seacoast Alliance to promote the Region more cost effectively and with greater reach.

As requested, or as deemed necessary, prepare oral and written reports for the City Manager pertaining to policy matters, legislative actions, operational concerns or project needs that effectively communicate issues involved and provide recommended courses of action with alternatives and expected results:

Monthly CM report

Ad hoc updates to CM by phone and/ or email.

Dover Download Segments

*Economic Action of Dover* Newspaper, 5,000 copies per quarter.

Project and maintain staffing levels within budgeted allocations and as deemed essential to balance core staff needs with overtime expense to include evaluating all positions vacancies as they occur throughout the year for organizational realignment or reassignment of responsibilities:

Use 9.5 hours per week of part time Staff help including meeting minutes.

Always at or under budget.

Periodically review and update safety policies and provide regular recurring training for employees and volunteers to minimize risk and related cost associated with workplace injuries and/ or damage to public or private property:

Maintain a safe workplace. No injuries inside or outside City Hall.

Continuously monitor budget performance and adjust operations as necessary to maintain expenditures below established appropriations and as circumstances may arise, inform City Manager of potential budgetary related concerns along with recommendations for further actions:

Consistently at or under budget

Monthly financial report vs. budget to DBIDA Board

Produce 5,000 *Economic Action of Dover* newspapers every quarter with no net cost to the City.

Maintain accessibility and routinely seek to proactively engage and communicate with the public to learn of concerns, as well as, inform and educate regarding community issues by regularly attending and participating in public meetings, neighborhood forums, community events and addressing community organizations and media:

Recent Dover articles in both Portsmouth and Dover newspapers very favorable to Dover.

Leadership Academy participation.

*Economic Action of Dover* Newspaper.

Presentations to Chamber, Rotary, etc.

Citizens Forums

City Council Economic Development Reports

DBIDA Page on City web site

Monthly presentation to Chamber Government Affairs Committee.

New [www.locateindovernh.com](http://www.locateindovernh.com) DBIDA web site

### **Specific to Economic Development:**

1. Continue to coordinate the potential in-fill of public property located in the downtown by seeking and nurturing public/ private partnerships that add to the tax base, enhance the vibrancy of the downtown and/ or provide additional public parking opportunities:

Actively engaged with the Parking Commission, DBIDA, the Parking Manager, Planning & Community Development Department and the Legal Department on the in-fill projects, TIF Proposal, and parking garage projects.

Assist in advocating support by local businesses for an Adaptive Management Plan approach to the Great Bay water quality concerns avoiding potentially unnecessary and expensive EPA wastewater treatment plant mandates:

Articles in the *Economic Action of Dover* newspaper

Government Affairs Committee of the Chamber with NH Reps and Senators.

Contacts with David Watters', Jean Shaheen's and Kelly Ayotte's offices and local reps for support.

Contacts with the UNH Business School and Environmental Economics Departments.

Continue to perform outreach to existing businesses to encourage retention and assist with access to various resources providing increased access to state and local business markets, credit services, facility expansion, local suppliers and other business counseling services:

CIBOR Seacoast monthly meetings

CIBOR Statewide monthly Marketing meetings

Ambassador letters and research.

Advertising and Directory listings in Site Locator magazines.

Economic Development web site for site locators now open.

Brochures, trade show flyers.

Booth graphics for trade show booth being produced for Fall shows.

DRED relationship cultivation.

Now have 5 ERZ Districts in Dover.

1. Maintain visible and credible presence to facilitate and attract new or expanding businesses to the community that enhance the existing tax base and create new employment opportunities:

See 3. above.

Armory Project (5 interested parties to date) **Purchase Imminent.**

Call Center in the Goss building (100 employees)

5 Guys Burgers in old Blockbuster building

NEMO Equipment.

F.W. Webb new facility **open.**

T.J. Howard Dental office

Dialysis Center

Kennebunk Savings Branch

Optima Bank Branch

First Street Parking Lot Development Project

Fosters Building Downtown Replacement

Lolly's Candy shop

Days Inn Replacement

Fish Shanty Replacement

New Tuttle Farm Project

First St. Lot Development **CC approved**

Two Brew Pubs Projects

Holase project

Electronic Kiosk Business (CA to Dover)

Dan Barufaldi

Director of Economic Development

