CITY OF DOVER

CITY COUNCIL - AGENDA

Meeting Type: **Workshop Session**
Meeting Location: **McConnell Center, Room 306**
Meeting Date: **Wednesday, August 5, 2015**
Meeting Time: **7:00 pm**

1. **CALL TO ORDER**
2. **MOMENT OF SILENCE**
3. **PLEDGE OF ALLEGIANCE**
4. **ROLL CALL ATTENDANCE**
5. **CITIZEN'S FORUM**

   Citizens are invited to speak on the subject matter of the Workshop. Statements shall be limited to five minutes.

6. **DISCUSSIONS**

   A. **PROPOSED SILVER STREET (FORMER MCINTOSH COLLEGE PROPERTY) DEVELOPMENT AGREEMENT WITH VMD COMPANIES, LLC**

   B. **PROPOSED WASHINGTON STREET (FORMER ROBBINS AUTO PARTS PROPERTY) DEVELOPMENT AGREEMENT WITH KOSTIS ENTERPRISES**

   C. **DOVER BUSINESS AND INDUSTRIAL DEVELOPMENT AUTHORITY STRATEGIC INTENTIONS AND ACTION REPORT**

   D. **CHAPTER 170 – ZONING – AMENDMENTS OVERVIEW**

7. **ADJOURNMENT**

Development Agreement Terms between City of Dover, New Hampshire ("City") and VMD Companies, LLC (the "Developer")

1. The Developer seeks develop the property known as Map 11, Lot 2, consisting of 19 acres, more or less, and which fronts along Silver Street and the Spaulding Turnpike (the "Project Site"). The first building to be developed on the Project Site is intended to be a 75 unit assisted living facility. A more detailed agreement will be signed by the parties with the terms set forth herein and additional terms as is customary in New Hampshire (the "Development Agreement").

2. The Developer will need to make certain improvements to the roads serving the Project Site, and the City will reimburse the Developer for some of the costs of those improvements, as follows:

    a. The City shall reimburse the Developer up to One Million Dollars ($1,000,000) toward the commercially reasonable costs expended by the Developer on the design, construction and installation of a roundabout at the intersection of Silver Street, the entrance of the Project Site and Spaulding Turnpike. The Developer's costs eligible for reimbursement also include the carrying costs for the letter of credit securing the payment of taxes in the first year following issuance of a certificate of occupancy for the assisted living facility or other comparable commercial building improvements for the Project Site (if the assisted living facility is not the first building constructed on the Project Site).
    b. The Developer shall not receive reimbursement until a Certificate of Occupancy has been issued for the 75-unit assisted living facility to be constructed on the Project Site.
    c. The parties have agreed to obligate themselves to this reimbursement arrangement for a five (5) year period. If the 75-unit assisted living facility on the Project Site is not developed in five (5) years, the parties can terminate their obligations or provide for additional time, depending on the circumstances at that time.
    d. Following issuance of a certificate of occupancy for the 75-unit assisted living facility for the Project Site, the Developer must guarantee a minimum assessed value for the Project, including the Project Site, which shall be established so that such value shall not be less than the amount needed to generate an annual tax payment equal to the following: The sum of the actual expense to the City to retire, over a five (5) year period, the bond issued by the City to provide funding for the Reimbursement, including interest at rates then applicable to the issued bond, plus its reasonable costs, expenses and fees related to the issuance and servicing of the bond (the "Guaranteed Assessed Value"). In the event that following the setting of the Guaranteed Assessed Value, the City discovers any other costs, expenses and fees ("Extra Costs") related to the issued bond which were not included in the calculation of the original Guaranteed Assessed Value figure or if the Guaranteed Assessed Value was set based on estimates of such Extra Costs that do not reflect the actual interest, costs, fees and expenses, the City may modify the Guaranteed Assessed Value, provided that such Extra Costs were not recklessly omitted from the first calculation of Guaranteed

Assessed Value. The Guaranteed Assessed Value adheres to the Project, including the Project Site for a period of seven (7) years. The actual value of the Project, including the Project Site, could be higher depending on the development by Developer. However, it will never fall below the Guaranteed Assessed Value, set forth above, during the 7 year period.

   e. While the Developer may seek an abatement because it believes the assessed value for the Project is too high, the Developer agrees that at during the 7-year period described above, the assessed value will not fall below the Guaranteed Assessed Value needed to retire the bond, as set forth above.

3. The Developer shall hold meetings with the abutters prior to the Planning Board approval, commencement of construction and the issuance of a building permit. These meetings shall be noticed to the City, and use the same abutter list generated for the site plan submission to the Planning Board. The Developer shall invite the City and provide a copy of the attendance list to the City upon completion of the meeting.

4. The City Manager shall obtain approval to execute a Development Agreement consistent with the terms and conditions in this term sheet. Any terms or conditions in the Development Agreement that represent changes or additions to the terms and conditions in this term sheet shall be subject to the consent and approval of the City, acting by and through its City Manager. Changes or additions considered material by the City Manager, in the City Manager's sole discretion, shall require approval by the City Council.

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TERM SHEET

The City of Dover, New Hampshire ("City") and Kostis Enterprises (the "Developer") (collectively the "Parties") intend to enter into a Development Agreement concerning the development of certain properties in Dover, New Hampshire that the Developer intends to purchase. This Term Sheet supplements and expands the agreements in place between the City and the current Owner of the relevant properties, as described herein.

1. The Developer seeks to develop the properties known as Map 2, Lots 4, 5, 6, 6A, 7, 8, 8A and 9, consisting of 1.15 acres, more or less, and which front along Washington Street between Locust Street and Chestnut Street (the "Project Site") in Dover, New Hampshire. The Developer intends to develop the Project Site in such a way that it is more likely than not that upon completion, the assessed value of the Project Site will meet or exceed the Guaranteed Tax Assessment Values described in section 7. A more detailed agreement will be signed by the Parties with the terms set forth herein and additional terms as may be necessary and/or customary (the "Development Agreement").

2. The City and the Developer agree that this Term Sheet supplements and expands agreements between the City and the Owner (RICHARD L. ROBBINS, STANLEY B. ROBBINS AND JUDTH E. WEISNER, Trustees of the SIDNEY ROBBINS FAMILY TRUST, a New Hampshire irrevocable trust and 104 WASHINGTON STREET LLC). The Owner's duties and rights to develop the Project Site will be transferred/assigned to the Developer pursuant to a purchase and sales agreement between the Developer and the Owner. Provisions from those agreements all continue in full force and effect, except as otherwise provided in the forthcoming Development Agreement. Those agreements and this Term Sheet shall be read in concert and interpreted, whenever possible, in accord so as to give full force and effect to their terms.

3. The Developer shall obtain final, unappealable site plan approval for the full build-out of the Project Site, including development of the City Parking Lots by June 30, 2016 If such site plan approval is not timely obtained, or if such approvals lapse for a period in excess of thirty (30) days, either party may terminate their obligations or the parties may provide for additional time, depending on the circumstances at that time.

4. In the event that the development of the Project Site is approved by the Dover Planning Board, all conditions precedent related to such approval have been satisfied, and all applicable appeal periods have expired, the City shall convey, by quitclaim deed, the parcels known as Map 2 lots 2 and 3 (the "City Parking Lots") to the Developer for $1.00.

   Following conveyance, the City shall continue to have the exclusive right to use the City Parking Lots for motor vehicle parking, at no cost to the City, until such time as the Developer commences construction on the City Parking Lots. The City shall plow and maintain the City Parking Lots and indemnify and hold harmless the Developer for any injuries, damages, losses, fees, expenses and costs for so long as it continues its use of the City Parking Lots.

5. The Developer shall bear the costs, as defined in 5 b ii below, incurred for design, construction (including any third party costs incurred by the City for construction management) and installation of the improvements for the intersection of Chestnut Street and Washington Street, as well as angled parking spaces on the Washington Street

side of the Project Site (the "Off Site Improvements"). The design and scope of the Off Site Improvements, and amount and location of property to be conveyed by Developer to the City, shall be mutually agreed upon by both Parties.

i. Prior to the signing of the Development Agreement, the Developer shall have its engineer design the Off Site Improvements to the satisfaction of the City Engineer. The City Engineer and the Developer's engineer shall determine the costs of the Off Site Improvements ("Off Site Improvement Costs") on or before September 30, 2015. If the Off Site Improvement Costs are acceptable to Developer in its sole discretion, then the Developer shall contribute a sum equal to one hundred fifteen percent (115%) of such cost (the "Contribution"), to the City within ninety (90) days of the final determination of such cost. Failure to timely provide the Contribution shall result in termination of the Development Agreement.

   If the Off Site Improvement Costs are unacceptable to the Developer, then Developer may terminate the Development Agreement.

b. Once the Contribution has been delivered to the City by the Developer, the City shall cause the commencement of construction of the Off Site Improvements, using said Contribution, by no later than one (1) year following the receipt of the Contribution, and shall cause the Off Site Improvements to be diligently completed. The City shall supervise the construction of the Off Site Improvements, and may employ third party construction managers, to assist with such supervision. The Developer shall not be responsible for any costs associated with the Off Site Improvements in excess of the Contribution, The City shall bear all costs in excess of the Contribution. If any portion of the Contribution remains following satisfactory completion and acceptance of such Off Site Improvements by the City, such portion shall be remitted to the Developer.

   i. No construction work on the Project Site shall be commenced until the entirety of the existing building on the Project Site is demolished and the City is conveyed all property required to accommodate the Off Site Improvements, including the land required to accommodate the Chestnut Street-Washington Street intersection improvements.

   ii. No Building Permit shall be issued for construction of a new structure on the Project Site, prior to the payment of the Contribution by the Developer.

c. The parking spaces shall be metered and managed as part of the City's parking management program.

6. The Developer shall hold meetings with the abutters prior to the Planning Board approval, commencement of construction and the issuance of a building permit. These meetings shall be noticed to the City, and use the same abutter list generated for the site plan submission to the Planning Board. The Developer shall invite the City and provide a copy of the attendance list to the City upon completion of the meeting.

7. As part of the development of the Project Site, the Developer desires to enter into a five year period where the taxes for the Project Site shall be set, as per New Hampshire RSA 79-E, at the assessed value for the Project Site in place at the time of the signing of this Term Sheet. The Dover City Council has enacted the provisions of RSA 79-E, and the Developer, at its election, may apply for such tax relief. Adoption of RSA 79-E by the City is not a guarantee that the City will grant the Developer such requested relief if the application fails to meet requirements under RSA 79-E. Any tax relief granted shall be consistent with and in compliance with RSA 79-E. If granted, the five year period shall commence upon the issuance of the first certificate of occupancy for any building to be developed on the Project Site; the parties agreeing that such certificate constitutes substantial completion of a replacement structure pursuant to RSA 79-E:5.

    a. Beginning with Tax Year 2022 (assessment as of April 1, 2021 and first payment due December 1, 2021), and through the Tax Year 2026, the minimum Guaranteed Tax Assessment Value for the Project Site shall be five million dollars ($5,000,0000). In Tax Year 2022 and each relevant tax year thereafter if the actual tax assessment is less than the Guaranteed Tax Assessment Value, the Developer shall owe and pay the tax shortfall to the City as if the Project Site was assessed at the Guaranteed Tax Assessment Value.

    b. Beginning with Tax Year 2027 (assessment as of April 1, 2026 and first payment due December 1, 2026), and through the Tax Year 2047, the minimum Guaranteed Tax Assessment Value for the Project Site shall be eight million dollars ($8,000,0000). In Tax Year 2027 and each relevant tax year thereafter if the actual tax assessment is less than the Guaranteed Tax Assessment Value, the Developer shall owe and pay the tax shortfall to the City as if the Project Site was assessed at the Guaranteed Tax Assessment Value.

    c. The parties acknowledge that upon issuance of certificates of occupancy for the improvements developed on the Project Site, the City will establish the actual assessment value of each respective improvement for which a certificate of occupancy is sought. If, during the period that the Guaranteed Tax Assessment Value for the Project Site is in place and the actual assessment value is less than the Guaranteed Tax Assessment Value, the actual assessment value of any of the improvements decreases by greater than twenty five percent (25%) in any five year period, as determined by the City pursuant to its periodic re-assessment of properties in the City, the parties agree to discuss whether and how to continue with the Developer's obligations to pay ad valorem taxes based on the Guaranteed Tax Assessment Value for the Project Site, but the City is not required to grant any such relief.

    The Guaranteed Tax Assessment Value obligations set forth above, shall replace those obligations pertaining to Guaranteed Assessed Value in Section 5.01 of the Development Agreement referenced above in Paragraph 2. This document will be an exhibit in the final agreement reached between the parties.

8. The Developer shall convey to the City a Performance Mortgage or other such surety satisfactory to the City, to secure the Developer's Guaranteed Tax Assessment obligations.

9. The City Manager shall obtain approval to execute a Development Agreement consistent with the terms and conditions in this term sheet. Any terms or conditions in the Development Agreement that represent changes or additions to the terms and conditions in this term sheet shall be subject to the consent and approval of the City, acting by and through its City Manager. Changes or additions considered material by the City Manager, in the City Manager's sole discretion, shall require approval by the City Council.

FY 2016-2019

STRATEGIC INTENTIONS

APPROVED JUNE 17, 2015

Prepared by:

Dover Business and Industrial Development Authority

For:

The City of Dover

And the Director of Business Development

Our Vision

We aspire to provide the city of Dover, NH quality economic development solutions to assure superb quality of living while preserving its unique heritage.

Our Mission guides our aspiration

Our mission is to facilitate and encourage sustainable economic growth within the community of Dover.

We provide the leadership and coordination necessary to foster business development that provides quality of place, life and fiscal health.

In carrying out our Mission we will be known for:

The leading champion and advocate for assuring that Dover's economic development is robust and enduring.

By Being:

- **Responsive and responsible**
- **Innovative and forward–looking**
- **Approachable and transparent**
- **Committed to high standards of performance**

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During the next 24 to 36 months, we commit to focusing our collective efforts and available resources on the following three areas of strategic intentions:

1. Growth and Positioning:

A. We intend to increase the commercial tax rate-able base in Dover:

IN A WAY THAT attracts advanced manufacturing, healthcare and other growth industries *SO THAT* the long-term expansion of the tax rate-able base is realized.

Supporting Tactics; In order to carry-out this strategic intention:

WE NEED TO:

1. Identify and initiate the conversion of some residentially zoned properties to commercial/industrial or mixed-use zones. The ultimate desire of the City Council is to reach 40% commercial and 60% residential tax rate-able base.
   - Time frame to present findings to the City Council: **YEAR ONE**

   HOW:

   a. The Director, with at least two board members, will review tax maps with the City Planner's to identify potential conversion properties.

   b. The Director with input from the board will prioritize the number and size of properties for proposed rezoning.

   c. The Board will present selected properties to the City Council for rezoning consideration presented sequentially, one ward at a time.

2. Work to expand healthcare related businesses to actively facilitate their relocation to Dover.
   - Time frame to present to the board: YEAR TWO-THREE

   HOW:

   a. The Director with at least two board members will monitor and make contact with the healthcare industry. Their objective is to examine and better understand the landscape of the healthcare industry.

   b. The Director, with the two board members, will present the information gathered to the board to develop a plan for implementation.

3. Take an active role in business retention by assisting existing businesses to overcome challenges by education and awareness. Understanding that the business must be receptive to outside assistance.
   - Time frame for implementation is immediate and on-going: YEAR ONE-THREE

   HOW:

   a. The Director, with the **entire** board's participation, will make periodic visits to local businesses. These visits are intended to gather input and feedback as to how the city and DBIDA can be more active partners.

4. Find and purchase a large enough parcel of property or multiple smaller properties, as available to begin Enterprise Park II development.
   - Time frame to present to the board: YEAR THREE

   HOW:

   a. The Director with assistance from staff and board members will continue to identify acceptable parcels of land suitable for development.

   b. The Director with the board will select the most suitable parcels and initiate acquisition.

5. Identify developers who may be interested in other downtown infill properties and get projects started.
   - Time frame: YEAR ONE-TWO

   HOW:

   a. The Director with the entire board will monitor the Third Street RFP project.

   b. The Orchard Street lot will be considered once the police/parking garage is completed.

B. We intend to direct commercial and economic development to position Dover for sustainable, quality job growth:

IN A WAY THAT attracts companies and helps existing companies expand *SO THAT* we maximize local job opportunities.

Supporting Tactics: In order to carry-out this strategic intention:

WE NEED TO:

1. Focus our activities on maintaining a balance among residential, business, recreation and hospitality sectors.

2. Continue to update and invest in outreach and promotional activities by producing updated literature and publications.

3. Work with businesses and the City Council to consider incentives for businesses to move to and stay in Dover.

4. Sustain a vibrant downtown to provide a "work, stay, play" culture for all generations.

5. Work with local schools, colleges and community organizations in the region to insure a workforce for the future.

6. Continue to support public transportation expansion and transit to and from the area.

2. Operational Focus

A. We intend to guide the city council/appointments committee in the selection of future board members to insure a balance of skills in membership:

IN A WAY THAT is clear to the committee that the Board believes in the importance of skilled members *SO THAT* they continue to trust our judgment and seek our input.

Supporting Tactics: In order to carry-out this strategic intention:

WE NEED TO:

1. Actively seek members of the community who have the skill sets, experience, resources and contacts to sustain an appropriate balance on the existing board while ensuring the availability of Board vacancies from time to time to accomplish this.
   - Time frame is on-going: YEAR ONE-THREE

   HOW:

   a. By complying with the DBIDA by-laws at all times.

   b. By actively networking through current board members and community connections.

   c. By requiring active participation and maintaining term limits when necessary.

2. Actively review the strategic intentions at regular intervals so it is clear that the Board is providing guidance and direction to the Director.

- Time frame: YEAR ONE-THREE

HOW:

a. Board members should communicate with the Director as needs, issues or opportunities arise.

b. Engage board members in DIBDA's Mission and Strategic Intentions by educating and refreshing board members periodically.

3. Expand our role to include more outreach to businesses. Provide business cards for each Board member so there is a working/consultative partnership.
   - Time frame is on-going: YEAR ONE-THREE

HOW:

a. By assigning the task of visitations to each board member throughout their tenure. Visitations should be done periodically to include the Director as well as other city officials.

b. By obtaining copies of recently submitted permit applications and completed certificate of occupancy permits from the Inspections Manager so that follow up visits and interviews can be done.

B. We intend to continue to clarify and refine consistent direction and focus of the Directors' role to accomplish DBIDA strategies, tactics and objectives:

IN A WAY THAT doesn't interfere with the Director's ability to accomplish goals *SO THAT* effectiveness is not compromised.

Supporting Tactics: In order to carry-out this strategic intention:

WE NEED TO:

1. Work with the Director closely to identify where time is spent and help decide where resources are best utilized.
   - Time frame is on-going: YEAR ONE-THREE

HOW:

a. By hiring an administrative assistant to assist with clerical work.

b. Consider an Assistant Director position for future transitioning purposes adding immediate value and assistance to the current Director.

C. We intend to continue to communicate, explain, promote and reinforce Dover's reputation as an appealing place to be, live, work and play:

<u>IN A WAY THAT</u> places Dover's success and potential in the public view *<u>SO THAT</u>* our activities gain more recognition and support.

Supporting Tactics: In order to carry-out this strategic intention:

<u>WE NEED TO:</u>

1. Invest in marketing campaigns, literature and signage.
   - Time frame: YEAR ONE-THREE

   <u>HOW:</u>

   a. Consider investing in a marketing firm.

   b. Continue to update all literature and publications that have been printed or established more than 2 years ago.

2. Continue to connect, communicate and interact with other local groups that have similar goals.
   - Time frame on-going: YEAR ONE-THREE

   <u>HOW:</u>

   a. Assign one or two board members to follow local groups with similar goals and to attend functions, reporting back to the board.

3. Work with the media to publish, promote and showcase local company achievements and awards.
   - Time frame on-going: YEAR ONE-THREE

   <u>HOW:</u>

   a. Assign or seek a new board member who has these skills and who could coordinate and work directly with the media on a regular basis.

   b. An administrative assistant who has good writing skills would be instrumental in submitting articles for print to the local newspaper outlets.

4. *Consider* changing the DBIDA name.

3. Financial Imperatives

A. It is imperative that we have the financial flexibility to capture potential development opportunities as they arise:
IN A WAY THAT requisite funding is granted *SO THAT* opportunities are not missed.

Supporting Tactics: In order to carry-out this strategic intention:

WE NEED TO:

1. Continue to manage the current DBIDA expenses within budget as approved by City Council.
   - Time frame on-going: YEAR ONE-THREE

2. Identify the annual commercial tax ratable increase in order to measure progress.
   - Time frame: YEAR ONE-THREE

3. Emphasize the need to increase the DBIDA budget by demonstrating examples of Return on Investment (ROI).
   - Time frame: YEAR ONE-THREE

   HOW:

   a. Assign a board member with the requisite financial skills the task of putting together ROI information. This could then be reported to the city council on a periodic basis to build the case for increased budget allocations.

4. When appropriate, communicate what “Doing more with more” means and “Saving our way to prosperity” is not a viable strategy for long term success!!

Managers Report

Economic Development Section

July, 2015

Summary:

Business conditions are stable or improving overall. Retail contacts report sales increases from moderate to large. Revenue growth is moderate to strong among consulting and advertising contacts except for one economic analysis firm. Manufacturers were mostly strong except where the stronger dollar impinged on export sales. No major upward price pressures are in evidence currently. Labor market tightness is evident for experienced retailers, high tech workers and some professional positions. Both commercial and residential rent growth is being experienced locally. Investment property prices are rising. Single family home sales are increasing locally as inventory becomes available. Condo sales and prices are up. Virtually all sectors expressed confidence in a positive outlook with the one caveat being the uncertainty over the potential for rising interest costs. Locally, four commercial new builds are underway and a dearth of commercial buildings in the 30,000sf range will soon cause more to be built. The current Dover unemployment rate is 3.0 %.

Retail and Tourism:

Retailers contacted for this period report comparable store sales ranging from plus 1`.0% to up by 11.0% year-over-year. The recent fall off in gasoline prices has increased disposable income and is enhancing retail and tourism revenues slightly in the short term, particularly in casual apparel sales. Sales of household items and home improvement goods are selling well. Prices are up slightly (2-3%) despite advertised sales. Inventories appear well controlled and diminishing. Hotel revenues continue at an improved rate according to the latest contacts with the major hospitality groups. Regional restaurant activity is mixed with some doing exceedingly well and a few struggling with outmoded business models and older facilities in the face of new more competitive arrivals. Local museum attendance has improved recently. Local hotels are projecting a 7% revenue increase for 2015 over 2014, largely through increased room rates and some volume increase. Pease Airport and Shipyard increased activities scheduled in this year have enhanced local hotel occupancies for the last several months and are expected to continue over the next years.

Manufacturing and Related Services: Manufacturers are now reporting some modest sustained strength in sales and improved year over year profits. A few local manufacturers are reporting lower sales than the same period a year ago due to a fall off in export sales due to the strong U.S. dollar. Exporters to both Europe and China are concerned with the macro-economics they're seeing in both markets The Chinese economy has slowed somewhat. The recent upheaval in Greece, Iraq and Syria, Ukraine and Russia and the effects it will cause in world-wide markets and economies is a growing uncertainty and concern. Crude oil at the moment has rallied from $50 to $55. The Chinese housing bubble and economic slowdown are often mentioned. It is not clear that management by government intervention is working so far. Automotive car, truck and parts suppliers have been doing well. Pickup truck sales are at an all time high. Firms reporting on inventory levels are split with half citing flat inventory levels and half citing higher levels. Most state the higher levels are due to more new product introductions and are not concerned about current inventory levels. Most contacts in the manufacturing sector indicate that both staffing levels and wage growth remain modest except for select scarce high demand skill sets. Some major capital spending projects are underway and some about to be announced. Two manufacturing buildings in Enterprise Park are available with one of the buildings about to be sold or leased. A number of other commercial projects are currently underway or about to be underway during this building season. Outlook for the balance of the year remains positive.

Price pressures remain moderate except for rare metals sourced in Russia. Most recently energy prices have increased slightly. Suppliers to the military are seeing new orders rise. Regional manufacturers are guardedly optimistic. Most recently energy prices have increased slightly. Suppliers to the military are seeing new orders rise. Regional manufacturers are guardedly optimistic.

Staffing Services:

Business conditions in this industry sector have declined in the last three months with the exception of the healthcare sector and other technical mid-level and high-level skill sets. Year-over-year growth is still expected between 4% and 20% depending on the industry sector being served. Labor demand has been strong in IT and, software until very recently. Aerospace, nursing, electronics, engineering, quality assurance techs and legal skills demand remain strong. Most recently, experienced retail sales people are in tight supply. Most firms in the field have added to headcount with wages and prices remaining flat. To attract highly skilled workers in growing industries these firms are expanding their social media and technological attraction efforts. Increased health insurance costs remain a concern with the onset of the Affordable Care Act and the challenge of being able to increase pricing to cover the increased cost. Overall the sector is optimistic and expecting high single digit growth over the next two quarters and beyond.

Commercial Real Estate:

Commercial real estate sales activity was unchanged over the month regionally with sustained strength in the local, Boston and Portland markets. Demand locally has remained positive with several local multifamily investment projects coming to fruition. Land sales continue to have momentum locally. Investment demand for commercial real estate remains strong. Leasing fundamentals maintained a moderate pace of improvement in recent weeks, consistent with minimal-to-slow employment growth. A small amount of speculative office construction as part of mixed use building is now being done. The lending environment remains highly favorable to borrowers, with historically low, slowly rising interest rates and increasingly looser standards. Abundant investment capital continues to flow into commercial lease properties across the Seacoast, sourced from private equity firms, pension funds, foreign investors, REITS and high net worth individuals. The projected end of “quantitative easing” over time was beginning to trigger a gradual rise in interest rates. The latest expectation of the Fed will extend the current interest rate through year end. Leverage ratios are on the rise among some investors, but remain low in absolute terms. Local multi-family and mixed use construction remains at a very healthy pace with local inventory in this category rising rapidly. The outlook remains cautiously optimistic across the region. Forecasts call for more slow improvement in fundamentals moving forward, pending steady (if slow) employment growth. Fiscal policy and uncertainty around the business and employment effects of the ACA and Medicaid expansion costs are producing uncertainty at both the state and federal levels and this is mentioned by some as a down side risk to employment growth that produces improvement in leasing and construction activity. and China are concerned with the macro-economics they’re seeing in both markets The Chinese economy has slowed somewhat. The recent upheaval in Greece, Iraq and Syria, Ukraine and Russia and the effects it will cause in world-wide markets and economies is a growing uncertainty and concern. Crude oil at the moment has rallied from $50 to $55. The Chinese housing bubble and economic slowdown are often mentioned. It is not clear that management by government intervention is working so far. Automotive car, truck and parts suppliers have been doing well. Pickup truck sales are at an all time high. Firms reporting on inventory levels are split with half citing flat inventory levels and half citing higher levels. Most state the higher levels are due to more new product introductions and are not concerned about current inventory levels. Most contacts in the manufacturing sector indicate that both staffing levels and wage growth remain modest except for select scarce high demand skill sets. Some major capital spending projects are underway and some about to be announced. Three manufacturing buildings in Enterprise Park are available with two of the buildings about to be sold or leased. A number of other commercial projects are currently underway or about to be underway during this building season. Outlook for the balance of the year remains positive.

Residential Real Estate:

Home buyer confidence is up. Completed sales of single family homes increased year-over-year through May and beyond. Low inventory levels locally are still thought to be limiting sales, but appear to be easing somewhat as rising prices are convincing sellers to put homes on the market before interest rates get too high. Median selling prices continue to rise locally. Condo sales though mixed regionally, are up locally as well, as is condo pricing and pending sales. Closed unit sales of both single family homes and condominiums declined slightly year-over-year but price increases evened the dollar sales figures for the period. Sales and prices are increasing in the short term. Scarce inventory is having some effect in the NH decline in this category, as the late emergence from severe weather to start the building season. A recent conversation with a motivated home buyer in Dover indicated that despite offering up to $20,000 above the list price, they lost out to buyers offering more. Condo sales, in moderate decline for several quarters , have begun to improve. Median sale prices in NH and in Dover increased again in the period. Pending sales suggest the market for single family houses and condo's are off to a good start in 2015 while slowing recently in the short term due to lack of inventory. While Dover sales look good going forward, it is clear that winter weather and inventory constraints in Q3 and Q4, 2014 depressed near-term sales. Sale prices and rental rates in Dover that continued to rise over the last year and had begun to flatten somewhat are now on the rise again .

Selected Business Services:

Demand for consulting and advertising is up strongly over last year at this time. Software and IT services providers report flattening demand through Q2 and some local firms in this sector have stopped adding headcount. Year-over-year growth for a few local firms in this sector have sales up 15% in the last quarter. Services to the healthcare sector have recently increased as walk-in convenient care centers are being added. Wages, while up significantly in critical skill areas, remain just above inflation. as do prices. Uncertainty regarding the Affordable Care Act, the slowing Chinese economy/ housing bubble, and the economic effects of Middle Eastern wars and the Ukraine/Russia situation effect on the European economies, as well as the Greek economy failure potential continues to produce a prevailing air of caution in this and several other sectors with real local economic effect. The Russian ruble has lost over 40% against the US dollar and the Russian economy is projecting a recession in 2015. Local walk-in healthcare centers are hiring strongly as these in demand skill sets become available.

Business from new work crews at the Pease Airport for KC46 tanker fleet hangars and support facilities as well as crews from the shipyard for submarine rehab coupled with 42 Bus Tours.

Local Major Development Projects:

- First street Development
- McIntosh properties Development
- Yacht Club Development
- Stonewall Kitchens Development
- Brazonics Development
- Rand-Whitney Development
- Dover Parking Garage
- Dover Police Station
- Well over $100,000,000 in Dover development underway.

DBIDA Strategic intentions Plan:

With the heavy involvement of all members of the DBIDA Board contributing, a three plan of Strategic Intentions was completed and approved. It will govern the efforts and priorities of the organization for the next three years.

- A copy of the document is provided for your review.

*Some non-local items were excerpted from the Federal Reserve Beige Book – Boston.

Daniel J. Barufaldi
Director of Economic Development

cc: Strategic intentions Document