

MEETING MINUTES OF THE PORTSMOUTH ECONOMIC DEVELOPMENT COMMISSION

March 3, 2017

City Hall, Conference Room A

7:30 a.m.

Members Present: Everett Eaton, Chairman; Bob Marchewka, Vice-Chairman, Josh Cyr, John Pratt, Ron Zolla, and Dana Levenson (via teleconference), Jen Zorn

Excused: Eric Spear, John Bosen, Philip Cohen

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

Chairman Eaton opened the meeting at 7:35 a.m.

Approval of draft meeting minutes of January 6, 2017

Commissioner Pratt moved, and Commissioner Cyr seconded a motion to approve the draft meeting minutes of January 6, 2017. The motion carried unanimously.

Welcome New EDC member Sarah LaChance

Chairman Eaton welcomed Ms. LaChance as the EDC's newest member. She told the EDC she has lived in Portsmouth for 15 years and worked for 18 years in the technology industry. During that time she has worked at Bricnet, LLC; Newmarket International and now works for IBM as a Senior Operations and Delivery Manager. Ms. LaChance is looking forward to serving the City as a Commissioner.

Presentations:

Local Commercial and Industrial Real Estate Market Update for 4th quarter of 2016

Research Manager, David F. Choate III, Executive Vice-President and Laura Nesmith, Research Manager of Colliers International reported on the Commercial and Industrial real estate market in Seacoast NH for 4th quarter of 2016. The market report area includes Class A, B, and C office and industrial properties over 10,000 square feet (exclusive of medical offices) in Portsmouth and nine surrounding communities. Over the year, there was notable absorption of available office properties and vacancies decreased from 8.52% to 4.76%. Current Portsmouth gross office lease rates are \$32.00 per square foot for Class A offices and \$23.00 per square foot for Class B space. Trends for the commercial office include:

- Increases in base rent will remain low (~2%-3%).
- Office buildings and condos prices will continue to rise as inventory decreases.
- Vacancy rates at Pease will remain low unless supply increases.
- Landlord incentives will continue to diminish as supplies decrease.
- Longer leases (3+ years) with fewer fixed rates.
- Cap rates are stable at 8%-9%.

In the Seacoast industrial market, total square footage vacancies decreased 0.81% over the year despite a slight decrease in overall inventory. Asking lease rates are \$6.50 per square foot triple net. Trends for the industrial market include:

- Lease and purchase demand continues to exceed inventory especially in properties under 5,000 square feet and over 20,000.
- Lease rates will remain stable.
- Lease terms are projected to be shorter (~3%).
- High bay loading docks are in sporadic demand and supply is extremely limited.
- Projects in areas north and west of Portsmouth will outpace the city due to land availability.

Foreign Trade Zones (FTZ) as an Economic Development Tool

Glen and Marilyn Page of Foreign Trade Zone Solutions, David Trumbull of Principal of Agathon Associates and Geno Marconi, NH Port Director gave a presentation on how the foreign trade zone works and how companies can benefit from being located in a FTZ. Both Glenn and David have years of experience working

with the Foreign Trade Zone Board and U.S. Customs and Border Protection. They work collaboratively nationwide to assist companies in FTZ feasibility analysis for participation in the program, management of the activation, implementation and training processes and compliance with FTZ regulations and procedures.

Ms. Page explained that a FTZ is a geographical area, in (or adjacent to) a United States Port of Entry, where commercial merchandise, both domestic and foreign receives the same Customs treatment it would if it were outside the commerce of the United States. Only when the goods are moved to consumers within the country in which the zone is located do they become subject to prevailing customs duties. This tariff and tax relief is designed to lower the costs of U.S.-based businesses engaged in international trade and thereby create and retain the employment and capital investment opportunities that result from those operations. Foreign-Trade Zones operate under the oversight and supervision of US Customs and Border Protection, as part of the United States Homeland Security Council.

Mr. Trumbull said the industries that benefit most from operating within a FTZ are automobile, pharm, chemical and oil industries. Currently the only company taking advantage of the program is Millipore in Jaffrey, NH. By deferring the excise taxes on foreign components used in their production work, the company saves over \$200,000 annually. The application process can cost up to \$2,000 so it is important to do a complete feasibility review of the program to determine the benefits and payback period for application costs. Following a brief question and answer session, Chairman Eaton expressed appreciation for the presentation and City Manager Bohenko told presenters that the City is willing to work with them in assisting Portsmouth businesses.

New/Other Business

Downtown Economic Revitalization Zone

The application has been submitted to the State Economic Development Office and state staff requested a minor change in the map boundaries to exclude properties in the proposed zone that are primarily residential use. The map was revised accordingly and re-submitted.

Citywide Telecommunications Subcommittee Update

The Subcommittee met on February 8, 2017 and elected Mr. Kirsch as the Chair. Members discussed subcommittee procedures and possible subcommittee outcomes and then divided up several research tasks for members to report on at the next meeting in mid-March.

Downtown Retail Promotional Grant to Greater Portsmouth Chamber of Commerce - follow up

The Chamber (GPCC) is moving forward on a series of retail focus groups to be held in mid-March. A group of three retailers consisting both GPCC members and non-members stepped up to plan a spring event for all downtown merchants. Once the overall plan for use of the grant funds is complete, the GPCC will return to an EDC meeting for approval per the City Council vote.

Other Business

Mr. Bohenko informed the Commission that he has recently authorized Conference Room A to be fit out with a camera for taping of meetings of public boards and commissions including the EDC meetings. The taped meetings will be available for viewing on the YouTube similar to other public meetings held in City Council Chambers.

Confirm Next Regular Meeting: Friday, April 7, 2017 at 7:30 AM.

Adjourn – With no further business to conduct the EDC meeting adjourned at 9:05 AM.

Respectfully submitted,
Nancy Carmer, Economic Development Program Manager