

# **Downtown New Bedford Market Assessment**

*Prepared for*

**MassDevelopment**

*In association with the*

New Bedford Economic Development Council

*Prepared by*

**FXM** Associates

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## CONTENTS

SECTION	PAGE
I. INTRODUCTION & SUMMARY FINDINGS	
<b>1. Study Purpose &amp; Objectives</b>	<b>4</b>
<b>2. Summary Findings</b>	<b>5</b>
II. ECONOMIC DEVELOPMENT CONTEXT FOR DOWNTOWN	
<b>1. Creative Placemaking Context</b>	<b>7</b>
<i>Creative Economy Initiatives</i>	8
<b>2. Recent &amp; Current Economic Development Initiatives and Projects</b>	<b>8</b>
<i>Public Sector Investment</i>	9
<i>Public Policy</i>	8
<i>Private Sector Investment</i>	9
<i>Downtown New Bedford Cultural District</i>	10
III. MARKET ANALYSIS	
<b>1. Rental Housing Demand</b>	<b>11</b>
<i>Summary of Projected Market Area Demand</i>	12
<i>Demand by Age of Householder and Price Category</i>	14
<i>Projected Market Segment Growth</i>	17
<i>Implications for Downtown New Bedford</i>	19
<b>2. Office Space Demand</b>	<b>20</b>
<i>Office Space Vacancies, Historical Net Absorption, and Prices</i>	24
<b>3. Retail Gap Analysis</b>	<b>25</b>
<i>Retail Space Vacancies, Historical Net Absorption, and Prices</i>	31
IV. STRATEGIC ACTIONS	
<b>1. Downtown Marketing &amp; Management</b>	<b>32</b>
<i>Business Retention, Expansion &amp; Attraction</i>	32
<i>Parking Management</i>	32
<i>Expanded Educational Sector</i>	33
<b>2. Upper Floor Commercial Building Occupancy</b>	<b>34</b>
<b>3. Downtown Public Realm Improvements</b>	<b>35</b>

**FIGURES**

II A – 20-Minute Drive Time Housing Market Area	11
II B – Average Annual Demand for Rentals New Bedford Market Area 2013-2018	12
II C – Estimated Annual Demand for Rental Units by Price and Age of Householder: New Bedford Market Area 2013-2018	12
II D – Average Annual Demand for Rental Units New Bedford Market Area 2013-2018	14
II E – Average Monthly Rents by Age of Householder	15
II F – Propensity to Own or rent by Age of Householder	15
II G – 2013 Income by Age of Householder New Bedford Market Area	17
II H - 2018 Income by Age of Householder New Bedford Market Area	17
II I – Change in Number of Households by Age and Income Cohorts New Bedford Market Area 2013-2018	18
II J – Projected Commercial Space Demand in Square Feet 2013-2018 New Bedford Downtown	19
II K – Projected Demand for Office Space 2013-2018 New Bedford Downtown, City of New Bedford, Bristol County	22
II L – 5-Minute Drive-Time Market Area	26
II M – 10-Minute Drive-Time Market Area	27
II N – 13-Minute Drive-Time Market Area	28

**TABLES**

II 1 – Illustrative Market Potential for Downtown New Bedford Rental Units	19
II 2 – Projected Office Space Demand 2013-2018 New Bedford and Downtown – <i>Baseline Scenario</i>	23
II 3 – Projected Office Space Demand 2013-2018 New Bedford and Downtown – <i>Aggressive Scenario</i>	23
II 4 – Retail Opportunities in Dollars (\$) for Downtown New Bedford by Selected Restaurant and Store Types	29
II 5 – Selected Retail Opportunities for Downtown Based on Current Retail Gap	30

## I. INTRODUCTION & SUMMARY FINDINGS

This section of the report includes a brief discussion of the purpose and objectives of the study and summarizes the analyses and findings of all work accomplished. Subsequent report sections address the recent and proposed public and private actions comprising an Economic Development Context for Downtown (Section II); research methods, sources, and findings of the Market Analysis (Section III); and recommended public and private Strategic Actions Based on the Market Study Findings (Section IV).

### 1. Study Purpose & Objectives

MassDevelopment, in concert with the New Bedford Economic Development Council (NBEDC), commissioned this assessment of market conditions influencing continued revitalization of Downtown New Bedford. The analysis focused on regional and local market conditions and trends affecting further development of residential and retail uses, which have increased in Downtown over the past several years, but for which growth appears somewhat stalled at the present time, as well as office space for which occupancies have not increased and significant vacancies are apparent.

The following topics of particular concern to the NBEDC were investigated to provide a quantitative basis for evaluating the merits of proposed business investments and real estate projects, as well as allocating state and municipal resources:

- How does the current supply of Downtown commercial space (office, retail, and restaurant) match regional market demand and supply?
- What is the upper level commercial space inventory in Downtown, how much is for lease, vacant/off-market, what office and residential uses could increase upper-level commercial space occupancy, and what are suggested public-private partnerships with property owners?
- What is the ground-level commercial space inventory, how much is for lease, vacant, off-market, and what are retail 'gaps' within relevant drive-time market areas, and what are specific retail recruitment 'gap' opportunities?

The analysis also investigated qualitative market conditions and concerns as expressed during interviews with representatives of Downtown businesses, property owners, educational and cultural institutions, and economic development agencies. FXM contacted more than 30 representatives of businesses, real estate brokerages, cultural and educational institutions, and economic development enterprises to identify critical issues that have and will influence Downtown business sales performance, property values, and future development potential, and residential quality of life. The market assessment aggregates confidential information about private business operations and other non-public input, and incorporates key recommendations articulated by multiple individuals. A list of interview contacts is included in the Appendix. Many observations and suggestions were covered in FXM's previous Downtown economic development strategy reports (2000, 2007, and 2009); others reflect new concerns or opportunities. This input has been synthesized into 'action items' for the City and NBEDC officials to undertake in partnership with property owners and stakeholders engaged in Downtown revitalization.

## 2. Summary Findings

- New Bedford has the most accessible, physically attractive, economically and socially diverse downtown within southeastern Massachusetts, a key factor in the success of recent residential development projects within the downtown area. Attracting young workers and graduate students to live in Downtown is a central component of the City revitalization plans, with a current goal to add 500 new residents over the next five years. The City Council has approved a Gateway City Housing Development Investment Program (HDIP) application to facilitate market-rate rental housing development at potential Downtown sites, and DHCD designation is expected during Fall 2013. City and UMass Dartmouth officials will market new Downtown residential units directly to more than 2000 law school and other graduate students now living off-campus in market-rate housing.<sup>1</sup>
- Downtown New Bedford has the potential to add a significant number of market-rate rental units over the next five years (2013-2018), based on **rental housing demand** forecast by FXM for the market area. Table II-1 (page 19) is reproduced below to show the range of potential annual absorption by rental rate, unit sizes, and supportable development costs per square foot and per unit based on the market analysis. The recommended Downtown rental housing product should be differentiable from other city or suburban residential offerings, appealing to a target market of younger and older workers, graduate students, relocating and transient professionals, empty-nesters, and adult households without school-aged children. (Section III Market Analysis – Rental Housing Demand, Page 11)

### Illustrative Market Potential for Downtown New Bedford Rental Units Average Annual Absorption 2013-2018

Gross Monthly Rents	Potential Annual Absorption: Number of Units	Prototype Unit Size in SF	Potentially Leasable Square Feet	Supportable Development Cost per SF	Supportable Development Cost per Unit
\$ 900	55-75	850	47-64,000	\$ 58	\$ 49,000
\$ 1,200	45-65	950	43-62,000	\$ 95	\$ 90,000
\$ 1,500	40-50	1,200	48-60,000	\$ 110	\$ 132,000
\$ 1,800	30-40	1,500	45-60,000	\$ 115	\$ 173,000
\$ 2,100	20-30	1,800	36-54,000	\$ 120	\$ 214,000

Source: FXM Associates

NOTE: The *Potential Annual Absorption: Number of Units* shown in the second column are *not* cumulative. Householders who can afford \$1,500 per month rent, for example, can also afford \$1,200 and \$900 per month.

- The **retail, restaurant, and accommodations sectors** have performed well in Downtown over the past five years. Vacancy rates for retail/restaurant space have declined from 38% in 2008 to about 9% in the 2<sup>nd</sup> Quarter of 2013, a remarkable accomplishment in light of weak local, state, and national economies as well as recent Great Recession. The retail gap analysis identified an

<sup>1</sup> *Opportunities for the Development of Downtown Graduate Housing, New Bedford Is ... Open for Business* (September 17, 2013)

immediate market opportunity to add 67,000 square feet of retail and nearly 57,000 square feet of restaurant uses in the Downtown. However, available street level space may be unsuitable for conventional retail or restaurant use, and current rents do not support rehabilitation costs for those commercial uses. (Section III Market Analysis – Retail Opportunity/Gap, Page 30)

- Vacancies in downtown upper floor commercial space historically suitable for **office uses** have increased slightly over the past five years. Market rents are insufficient to support significant rehabilitation costs, and limited office space demand is forecast citywide or regionally over the next five years. Aggressive outreach targeting professional, creative economy, and technical services firms could increase Downtown upper floor office space occupancy. These potential users may be attracted by the unique ambience, inexpensive space, and option to customize work environments in historic buildings. These potential users also may be less constrained by sizes, layouts and suitability of existing supply of leasable space for contemporary office-based businesses. (Section III. Market Analysis – Office Space Demand, Page 20)
- The E.J. Pontiff Real Estate Company has compiled a recent comprehensive inventory of **vacant commercial space** in Downtown buildings. This inventory updates the Downtown commercial space supply inventory prepared by Pontiff in 2006 and MassDevelopment in 2009. The updated inventory provides the basis for detailed investigation of vacant Downtown commercial space, and the suitability of this supply to absorb potential residential and commercial market demand documented in this study. City, NBEDC, and MassDevelopment officials should consider creating a downtown building code compliance assistance program, to facilitate reuse and accelerate absorption of vacant upper floor commercial space. (Section IV. Strategic Actions – Upper Floor Space Occupancy, Page 34)
- Several years of growing Downtown business, residential, educational, and special event activities, and increased real estate development have heightened the need for a **Downtown Coordinator**. Recognizing that a ‘business friendly’ downtown is essential to economic development, the Mayor’s recommended FY 2015 budget includes a full-time Downtown Coordinator position. Priority management and marketing responsibilities emerging from this study include Downtown parking policies, development permitting, generating leads, and follow-up on possible investments by both existing and prospective new businesses. (Section IV. Strategic Actions – Downtown Marketing & Management, Page 32)

The City has committed to effectuate more expansive economic connections between the Downtown and waterfront.<sup>2</sup> The success and popularity of waterfront festivals and events has benefited Downtown businesses. As noted above, the retail gap analysis done as part of this market assessment indicates that additional restaurants and retail uses can be supported in the Downtown area.

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<sup>2</sup> While not the subject of this study, in prior Downtown studies as well as work on the Route 18 project and Harbor Management Plans, FXM Associates has repeatedly noted the importance of the waterfront to the success of Downtown businesses, particularly expanded water-dependent uses to service both resident and visitor demand for excursions, charters, large yacht stopovers, and so forth that spills over to spending at Downtown restaurants and retail shops.

## II. ECONOMIC DEVELOPMENT CONTEXT FOR DOWNTOWN

From 2000 to 2006, more than 500,000 square feet of Downtown commercial space-- one-third of the total 1.5 million square feet inventory--was renovated for business, institutional, or residential use, representing a total investment value of \$55 million. In 2007, an additional \$25 million in renovations and new construction was underway or in pre-construction phases, representing a combined investment of more than \$88 million over a seven-year period.<sup>3</sup> By 2010, Downtown had a growing Creative Economy niche market, a long-sought hotel, and 30 retail stores, restaurants, and entertainment venues that had located or expanded in Downtown in the midst of the recent Great Recession. Between 2008 and 2013 the vacancy rate for available retail space in Downtown declined from about 38% to 9%, a remarkable achievement over any period of time but more so because of weak national, state, and local economies. Conversely, vacancies within upper floor commercial space have not declined, and the vacancy rate for office space has remained above 15% since 2006. The actual vacancy rate in upper floor commercial space is higher because some properties are not listed as available for rent. The challenge now facing Downtown New Bedford is to continue the recent success within the retail, restaurant, creative economy, and accommodations sectors, while finding ways to occupy upper floor commercial space with new commercial, institutional, and/or residential uses.

### 1. Creative Placemaking Context

Over the past 18 years, the City of New Bedford has been a leader in demonstrating successful Downtown revitalization strategies, garnering national accolades as one of the top ten US cities for culture, as well as statewide recognition at the recent Gateway Cities Summit highlighting Creative Placemaking in Massachusetts.<sup>4</sup> The approach, components and partnerships underlying accomplishments in New Bedford and elsewhere are collectively described as Creative Placemaking - an economic development strategy that involves deploying artistic endeavors to activate public and private spaces in a downtown or section of an urban neighborhood, and producing regional economic benefits.<sup>5</sup>

The Summit was convened by MassInc and ArtPlace to examine challenges encountered by Gateway Cities aspiring to craft and implement revitalization strategies, as well as cities with established strategies striving to sustain and expand renewed economic activity, such as New Bedford, Lowell, and Worcester.<sup>6</sup> Findings from these deliberations provide an appropriate context for interpreting this fourth market assessment of the Downtown economy, and strategies to achieve near-term City economic development objectives.

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<sup>3</sup> *Live Work Play Learn: Downtown New Bedford Revitalization & Redevelopment Plan*, Utile and FXM Associates for MassDevelopment and City of New Bedford (August 2009)

<sup>4</sup> [www.successfulmeetings.com](http://www.successfulmeetings.com) (publication on March 1, 2013); Other cities included in the ranking were Santa Fe, San Francisco, New York, Los Angeles, Santa Cruz, Danbury, New Haven, Boulder, Yarmouth, and Jersey City.

<sup>5</sup> *Building Vibrancy: Creative Placemaking strategies for Gateway City Growth and Renewal*, Benjamin Forman and Tyler Creighton; MassInc and ArtPlace (July 2012).

<sup>6</sup> The Summit analyzed 11 cities MassInc defined in 2007 that drive regional economies outside of Greater Boston: Brockton, Fall River, Fitchburg, Haverhill, Holyoke, Lawrence, Lowell, New Bedford, Pittsfield, Springfield, and Worcester.

### *Creative Economy Initiatives*

The Summit identified Creative Economy as a key pillar of successful Creative Placemaking in Gateway Cities, and described results of a survey regarding positive outcomes from Creative Economy initiatives undertaken or underway:

- Building markets for cultural products and services is critical to sustaining economic activity. The NBEDC business development program granting micro-loan and technical assistance to cultural entrepreneurs was cited as an example.
- Attracting creative entrepreneurs requires productive work environments with available live-work space. New Bedford's 2010 Master Plan recommendation to reuse more mill buildings for artists' live-work space, and the artist-initiated Ropeworks mill conversion in New Bedford were cited as examples.

Although the economic impact of Creative Placemaking has not been analyzed rigorously in quantitative terms, the Summit presented indicators of success from an examination of efforts and investments in Gateway Cities, and review of secondary research on this topic.

- Local and Regional Economic Growth – Cultural institutions generate economic activity by spending on payrolls and by purchasing commercial services to support their operations; and the 'multiplier effect' is large when cultural activities draw people (and their money) from outside the regional economy (~50 miles). The Summit referenced the 2009 report, *The Economic Impact of the Vibrant Marketplace in Downtown New Bedford: 4 Projects in the Cultural Economy*, by UMass Dartmouth Center for Policy Analysis, an impact analysis of local cultural events. The UMD report found that in 2009 nearly two-thirds of participants in AHA! events patronized a Downtown restaurant, and slightly more than half shopped at a Downtown retail establishment, generating \$734,739 in economic effects and supporting about eight full-time workers.
- Catalyzing Reinvestment - Cultural industries were estimated to have increased property values in Gateway Cities by 14%, representing nearly \$100 Million in property tax collections. The Summit acknowledged that less is known about the impact of reinvestment in Gateway Cities, and noted that change is tangible in communities like New Bedford. The findings summarize highlights of the 2009 report, *Live Work Play Learn: Downtown New Bedford Revitalization & Redevelopment Plan*, by Utile and FXM Associates. From 2000 to 2006, more than 500,000 square feet of commercial space was renovated for commercial, institutional, or residential use, representing a total investment value of \$55 Million; in 2007, an additional \$25 million in building renovation and new construction represented a total reinvestment of more than \$88 million over a seven-year period.

## **2. Recent & Current Economic Development Initiatives and Projects**

Over the past few years, market-driven Downtown business and real estate revitalization has been facilitated by a range of City initiatives and resources managed by the NBEDC, in concert with other municipal entities as well as community stakeholders. These public sector actions have continued to advance planning, marketing, and private investment, and public realm improvements directly impacting a vibrant, sustainable Downtown economy.

The following highlights represent initiatives and projects recently completed, in progress currently, and planned over the next few years.

### *Public Sector Investment*

- The \$12 Million *Route 18/JFK Highway* reconstruction project was completed in September 2013; as intended, Route 18 roadway, streetscape, and signalization improvements provide direct pedestrian and vehicular connections between Downtown and central waterfront attractions/destinations at Fisherman's Wharf from Elm Street, and State Pier/Tonnesson Park from Union Street.
- *Custom House Square Park* construction was completed in September 2013; the City, New Bedford Historical Society, and National Park Service are finalizing enhancements to the 54<sup>th</sup> Massachusetts Volunteer Infantry Memorial Plaza to install bricks inscribed with names of the soldiers from New Bedford.
- *Lower Union Street and Front Street* improvements are being completed in the final phase of the Route 18 project; Lower Union Street roadway and streetscape design plans will install cobblestones and widen sidewalks from Water Street to Front Street, where building façade and streetscape improvements are underway.

### *Public Policy*

- Mayor Mitchell appointed Dagny Ashley, formally with the Massachusetts Office of Travel & Tourism, the Director of the *New Bedford Office of Tourism & Marketing*.
- The National Park Service (NPS) has undertaken preliminary study of Elm Street Garage improvements with VHB; a draft report was recently completed, and the City is exploring state funding options.
- The Mayor has appointed a working group to investigating parking management policies and funding options for maintenance of the Downtown public garages, including enterprise accounts, a parking district plan, and electronic meters; new Downtown parking policies will be implemented during 2014.

### *Private Sector Investment*

- The \$6.5 Million *Standard-Times Building rehabilitation* by Columbus Capital has been completed, and 35,000 sq. ft. of office space and ground floor restaurant space is advertised for lease. The NBEDC is working with Channel 10 for a small studio on the first floor, and alternative uses for the basement. This project was financed through the federal INS EB-5 investment program.
- *Rose Alley* infill construction is fully permitted with construction slated to begin in fall 2013 to build (4) two-story residential units with a garage or owner-occupied artist studio (for the artistic owner) at grade. Project is a partnership between Thompson Fairland engineers and Denis Keohane.
- The *Candleworks* site has advanced to full design/pre-permitting stage, and the owner/developer, Rockett Real Estate Investment, plans to build a 140-room hotel with full amenities, 7,000 sq. ft. banquet space, restaurant and bar, and 10 condominium units on the roof level. An established local restaurateur has leased the currently vacant restaurant, and plans to renovate and reopen the

upscale dining venue by October 2013. The estimated \$10 Million project expects to receive permits in October 2013 with groundbreaking in summer 2014.

- The *Whaling Museum* is planning a \$5M project to build a new education and research library on Water Street that will break ground in 2014; when complete,, the Kendall Building on Purchase Street will become available for other uses, potentially new residential use with a restaurant at street level.
- A new "white-tablecloth, moderately priced" seafood restaurant is planned on Fisherman's Wharf (Pier 3) by the new building owner; the project represents an investment of about \$1.5 Million and will employ about 45 workers. Currently, the project is in permitting and negotiation to lease/license City-owned land; plans target a spring 2014 opening, subject to state Chapter 91 approval.
- *Columbus Capitol*, developers of the Standard-Times building, purchased the building at 222 Union Street and the NBEDC will work with the owners on a redevelopment plan that meets EB-5 project requirements goals of downtown.
- The NBEDC continues to assist small business owners interested in locating or expanding in the downtown, and is working with a prospective new tenant at the Celtic Coffee House, a European style café. In addition to this new tenant, the NBEDC goal is to have another small start-up retailer established in fall 2013.

#### *Downtown New Bedford Cultural District*

In June 2013, City officials announced plans to establish a Downtown 'cultural district' that will provide organizational framework as well as funding entity for the expanding creative arts community. The Massachusetts Cultural Council (MCC) approves applications from municipalities seeking cultural district designation, which affords access to MCC planning resources, and potential grants, tax credits and incentives for district business development. The proposed Downtown Cultural District would encompass the traditional central business district area (Downtown) bordered by Elm Street (north), Front Street/State Pier (east), Walnut Street (south), and Eighth Street or County Street (west).

- The *Cultural District Steering Committee*, comprised of 30 stakeholders, are working with City and NBEDC staff to finalize the process, partnerships, district boundaries, governance structure, application and site visit; target date for state designation of the cultural district is January 2014.
- The City's *2013 Summer Sounds Series* sponsored eight concerts at venues on the central waterfront featuring local mostly artists, with one performance attracting an audience of more than 700 people; a lunchtime *Jazz in the Park* concert series during August and September.

### III. MARKET ANALYSIS

This section of the report presents the FXM analysis of potential demand for Downtown residential units, office and retail space. Part 1 addresses demand for rental housing based on projected changes in number of households seeking rental housing by age and income group each year over the next five years. FXM applied its proprietary *Housing Demand Model* that accounts for turnover within a 20-minute drive-time market area as well as net new growth in households. Part 2 assesses demand for office space based on projected changes in employment regionally and city-wide within those industries using office space. FXM applied its proprietary *Space Demand Model* to create alternative demand scenarios based on recent trends as well as Massachusetts Department of Labor & Workforce Training projections, and to convert employment changes into projected demand for space. Part 3 analyzes potential demand for retail space in downtown based on projected employment growth, and current retail gaps by specific store type. Other sources used in this market assessment include: Co Star *Property Information Systems*, a private database derived from commercial real estate broker listings and actual reported transactions for commercial space regionally and locally by type of space, lease and sales prices; interviews with real estate brokers, local property owners and managers; and FXM prior recent work evaluating market demand for private development projects as well as actual project results.

#### 1. Rental Housing Demand

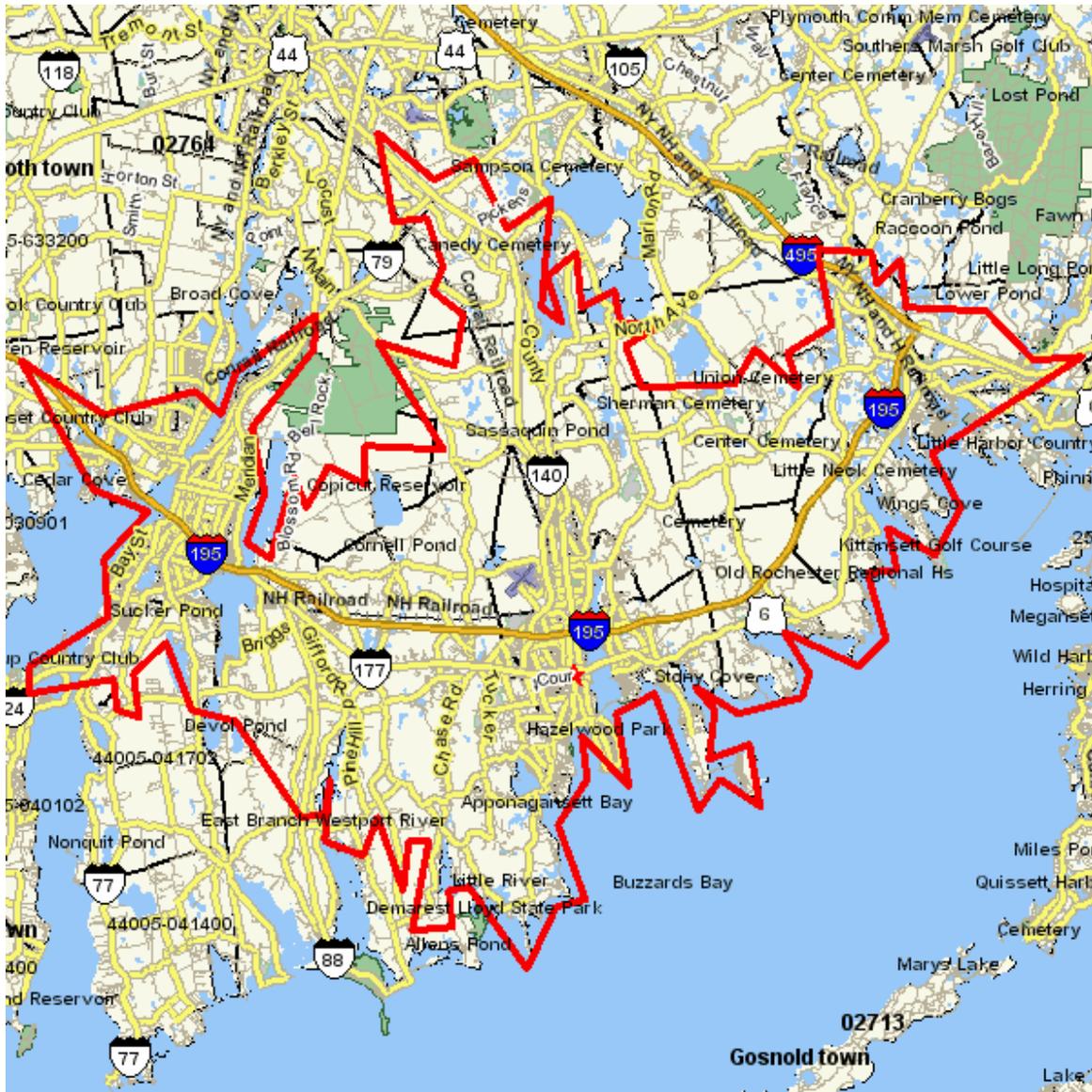
For this analysis of residential demand within Downtown New Bedford the geographic market area is defined as a 20-minute drive-time radius of 133 William Street (City Hall). The defined area is consistent with the generally accepted view of the primary geographic area where communities offer attributes, and constitutes the competitive region for attracting jobs and households. It is also consistent with average drive-time for commuters within the region. This presumes that persons living within Downtown New Bedford can easily commute to jobs within a 20-minute drive-time and, therefore, might consider a location within Downtown among other possible locations within the market area. Job location is not the only criterion used by households new to the region or relocating from elsewhere within the region but it is an important limiting factor. This geographic market area is shown in Figure II.A.

For this geographic area, FXM used Nielsen *SiteReports* subscription data to estimate the number of households by age of householder and income ranges in 2013 and projected to 2018. Nielsen uses US Census and other data to estimate geospatially current year demographic characteristics. Demographic data included number and type of households, age of householder, and income by age cohort – and projects these characteristics for a five-year period. Nielsen is a frequently used source of local demographic and business data by professional real estate and economic development analysts.

Next, FXM applied its proprietary *Housing Demand Model* to incorporate data on mobility rates by age of householder, propensity to own or rent by age of householder, local market data on current and historical rental prices, current and projected number of households by age and income, and the qualifying income standards of leasing agents and commercial lenders (which are based on a 30% of income standard for gross rent).

Figure II.A

**20-minute Drive-time Housing Market Area**



Condominium sales are not considered feasible for rehabilitation of existing space or new construction within Downtown New Bedford at this time. Current market conditions and investor policies are not favorable for the financing of condominiums. Therefore, the target housing product is rental unit, although rental units can be sold subsequently as condominiums when market conditions change.

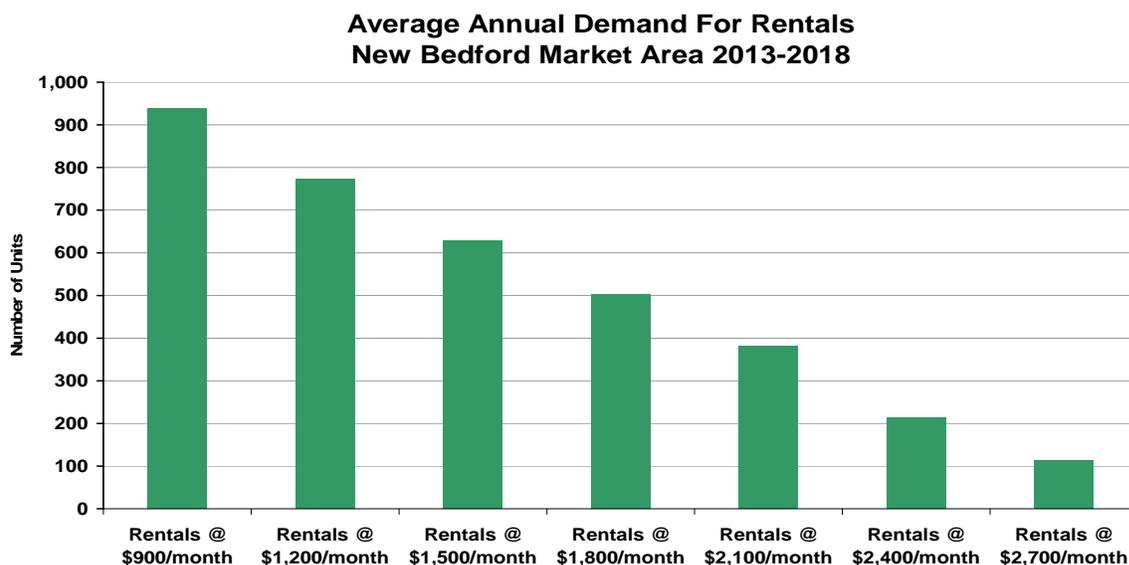
Based on FXM's experience over the past several years in the rehabilitation and new construction of residential products within urban areas and downtowns in particular, the target markets are householders under age 35 and aged 55 to 74. These household types

have been found to be those least likely to have school aged children – for whom a downtown location may not be suitable – and most likely to find the density, cultural/dining/shopping amenities and walk-ability of downtown areas most attractive. This is not to say that householders of other age groups would not move to rental housing in Downtown New Bedford, and have in fact done so within recently completed projects. The types of non-family householders who have recently moved to rental units in and around Downtown New Bedford are primarily working adults, graduate students, and retired individuals and couples. For lack of a better term we have referred to such householders as “urban adventurers” – people who find that downtowns offer something that cannot be found in suburban or other city housing. Within Southeastern Massachusetts, New Bedford has the most accessible, physically attractive, culturally, economically and socially diverse downtown, which explains in part the success of recent residential developments within the downtown area.

*Summary of Projected Market Area Demand*

**Figure II.B** presents estimated average annual demand for rentals by all household types with sufficient incomes to afford the estimated market-rate rental prices shown in the chart. More specific estimates by age of householder and income cohorts for rentals are shown in subsequent charts. Rental demand represents the income-qualified households with propensity to rent, and reflects mobility rates by age of householder applied to market area distribution of households by age. Average annual demand reflects the projected change in number of households by income and age of householder cohorts between 2013 and 2018 and only includes households projected to be moving each year.

Figure II.B



As shown by the data in **Figure II.B**, each year between 2013 and 2018 about 900 households with incomes sufficient to afford a \$900 gross rent rental unit are projected to be moving to other rental housing within the 20-minute drive-time market area. The

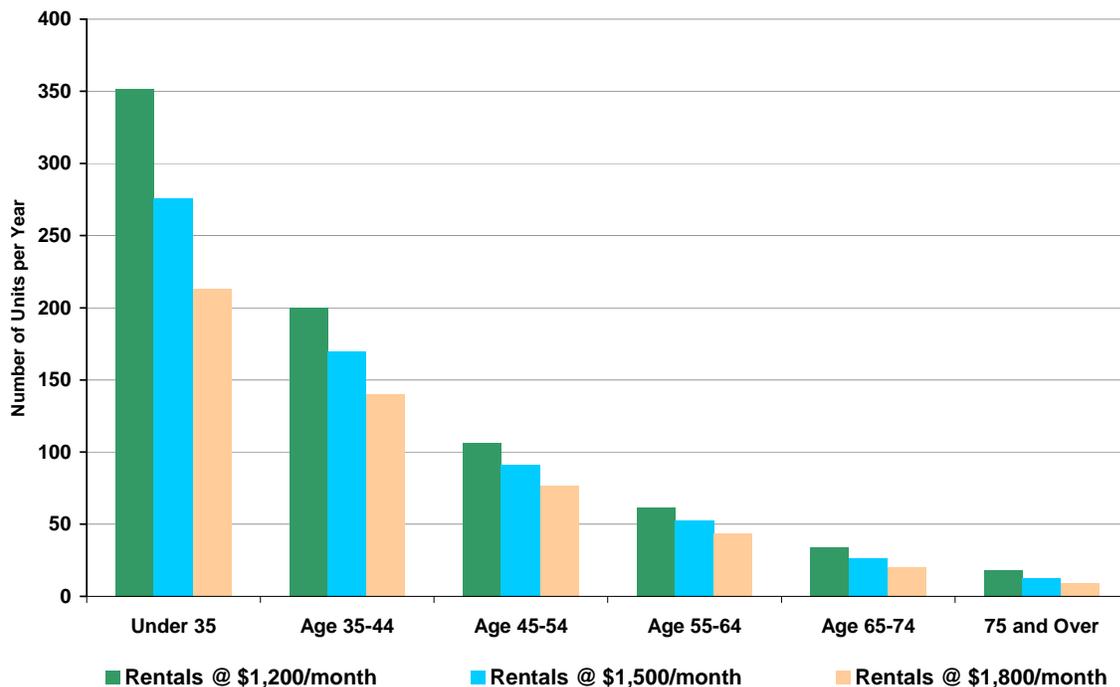
number of households projected to move each year that could afford rental units priced at \$1,800 per month is about 300, and the number of households moving each year who could afford gross rent of \$2,700 per month is about 100.

*Demand by Age of Householder and Price Category*

Figure II.C shows a breakdown of projected annual movers by householder age groups to rental units within the market area between 2013 and 2018, who could afford gross rents of \$1,200, \$1,500, and \$1,800 per month. These rental amounts are consistent with market prices for two and three-bedroom rehabilitated units absorbed within the downtown New Bedford area over the past three-four years, and are considered minimally necessary to support rehabilitation or new construction costs.

Figure II.C

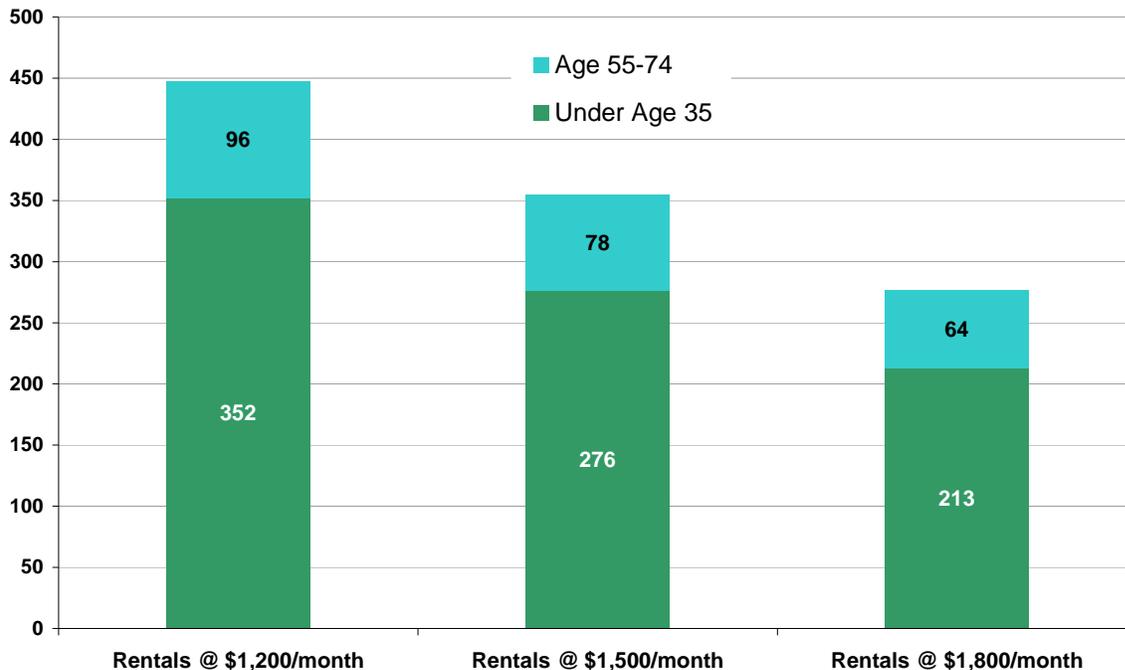
**Estimated Annual Demand for Rental Units by Price and Age of Householder: New Bedford Market Area 2013-2018**



Data in **Figure II-D** show annual market demand within the primary target age groups – under age 35 and aged 55-74 -- for rental housing priced at \$1,200, \$1,500 and \$1,800 per month. Household within the target under 35 and 55-74 age groups account for about 60% of the total demand for rental housing within the \$1,200-\$1,800 per month rent range, and for reasons previously discussed, have been shown to represent the age groups most likely to find downtown rental housing attractive.

Figure II.D

**Average Annual Demand for Rentals  
New Bedford Market Area 2013-2018**  
Householders under Age 35 and Ages 55 to 74



The next two graphs show propensities to own or rent within the 20-minute drive-time residential market area by age of householder (**Figure II.E**) and mobility by age of householder (**Figure II.F**). These graphs illustrate why householders under age 35 comprise, by far, the largest age group likely to rent housing in downtown New Bedford or elsewhere— they move more often and they have a higher propensity to rent rather than own housing compared to other age groups. It should be noted that the most recent data on renting compared to homeownership by age of householder shows an increase from historical rent/own propensities in favor of rentals among all age groups. The data shown in Figures II-E and II-F are based on national and regional samples of households.

Many analysts are predicting that this trend toward a higher proportion of renters is likely to continue, at least over the next ten years, and may further apply to older age groups which have traditionally been more inclined to own rather than rent housing. The “baby boomers” – now aged 51 to 67 – will not have the retirement income from pensions that previous generations enjoyed, and are still reeling from the losses in their 401(K) and home values during the recent recession. Many will not have the income to be able to trade equity in single-family homes for condos should they downsize – they will need cash to afford living expenses and that makes rental more desirable. One caveat -- the market for those single family homes may not yield high enough prices, given the large number of “boomers” compared to upcoming age groups aged 35-54 (potential oversupply) for them to sell at all, and they may chose reverse mortgages. The reverse mortgage phenomenon is still too new to estimate longer-term implications on rental demand.

Figure II.E

**Annual Mobility Rates by Age of Householder**

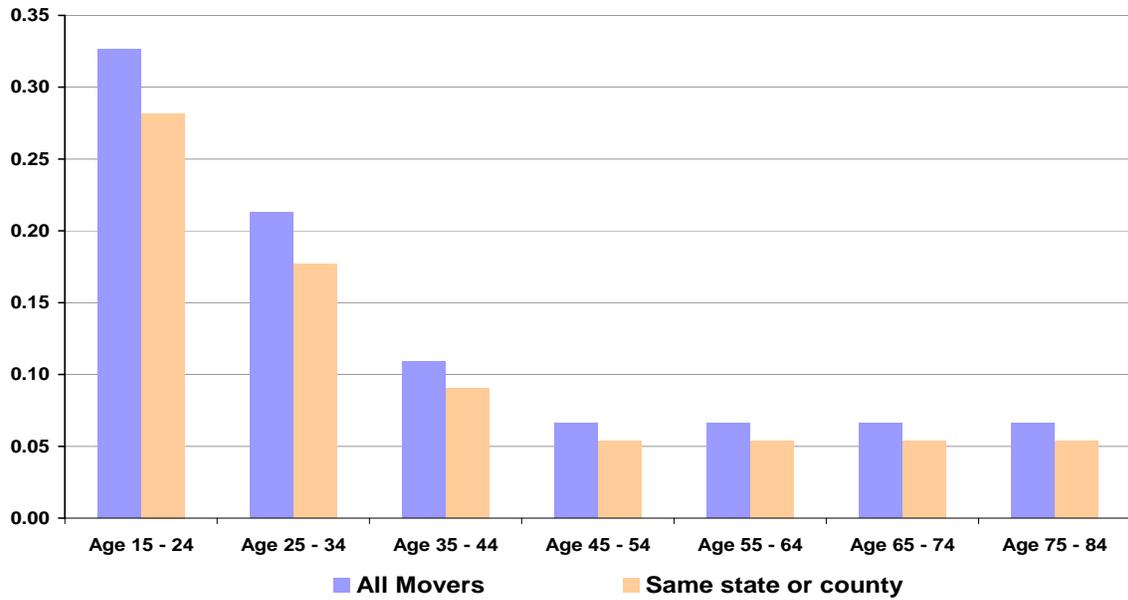
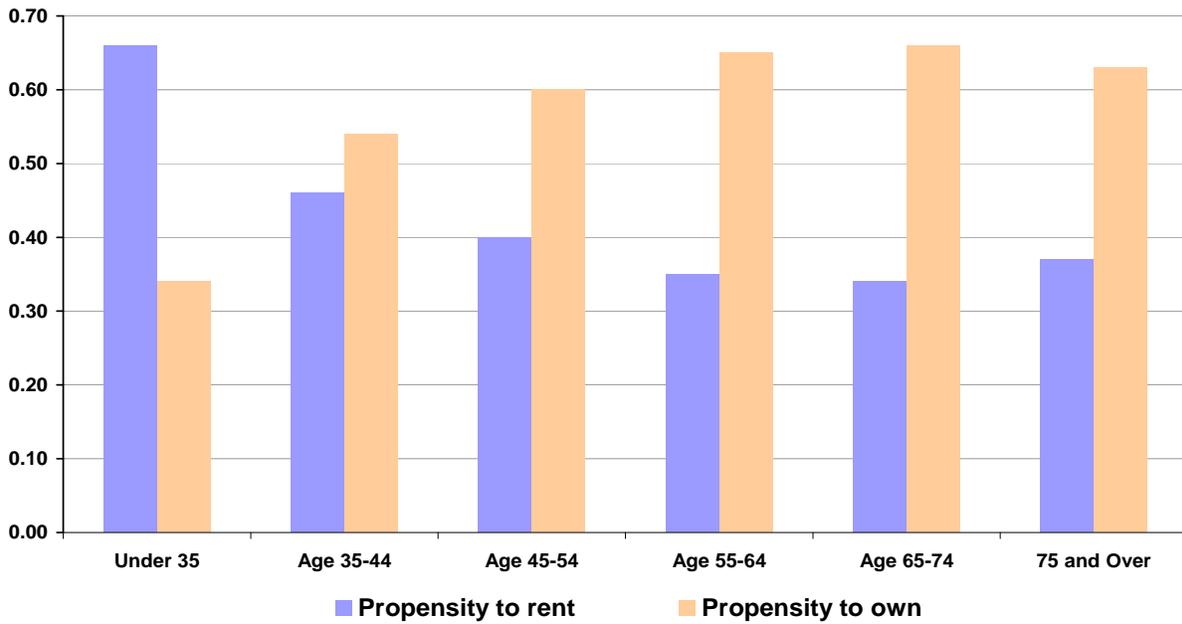


Figure II.F

**Propensity to Own or Rent by Age of Householder**



*Projected Market Segment Growth*

This analysis also determined that an annual household income of \$48,000 is the minimum needed to afford a \$1,200 per month the market-rate rental price shown in previous charts. An annual household income of \$60,000 would be sufficient to afford the \$1,500 per month and \$72,000 for the \$1,800 market rate rental prices presented in this analysis. The number of households within the New Bedford market area with these incomes in 2013 is shown in **Figure II.G**, and projected for 2018 in **Figure II.H**.

**Figure II.I, Change in Number of Households by Age and Income Cohort**, shows an absolute decline in the number of householders aged 35 to 54 between 2013 and 2018, and a substantial increase in the number of householders aged 55 and 74 during the same period. This trend reflects the maturation of the “baby boom” generation and the relatively lower number of younger households maturing into the former “boomer” age groups, which is typical in most regions of the US as well as the New Bedford Market Area. The relatively minor increase projected for the New Bedford Market Area in householders between 25 and 34 years of age in less typical of national norms, but fairly common in older urban communities. That age group includes many of the “echo boom” generation that is actually equal to or larger in number than the “baby boom” generation. Since the projections are based on historical net in-migrations/out-migrations by age cohort as well as birth rates, they reflect historical losses in householders within this age group in the New Bedford Market Area, a sign of limited job opportunities within the market area that are projected to continue relative to other regions.

Figure II.G

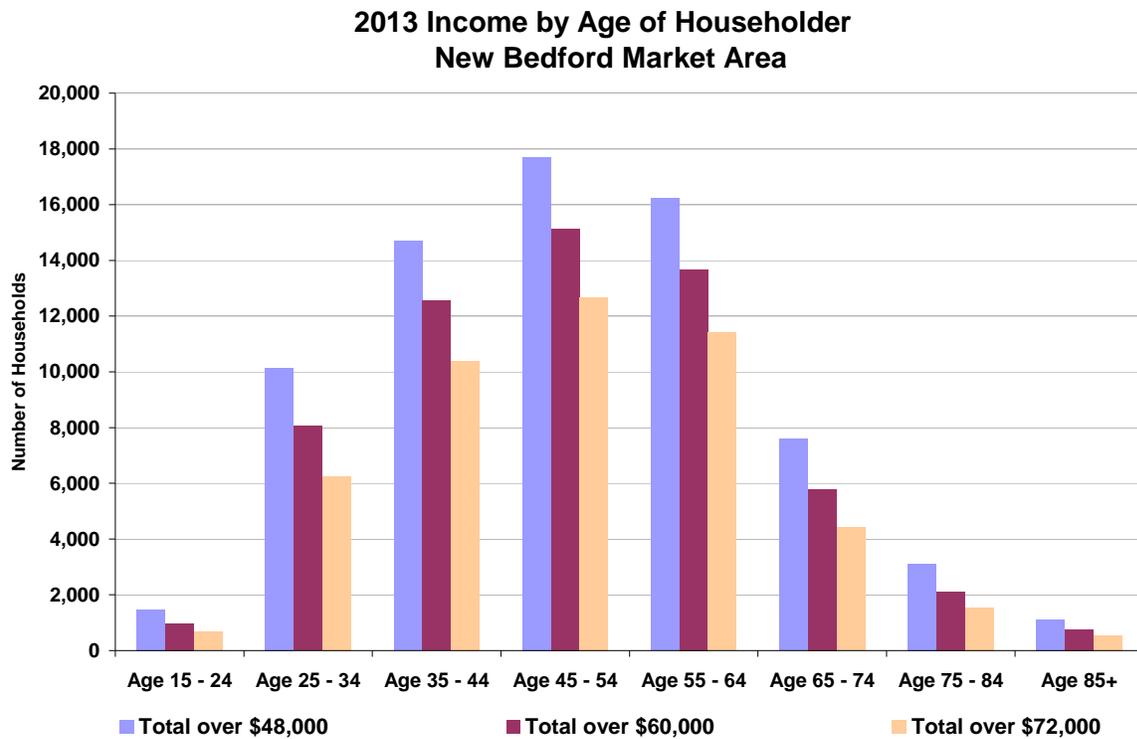


Figure II.H

**2018 Income by Age of Householder  
New Bedford Market Area**

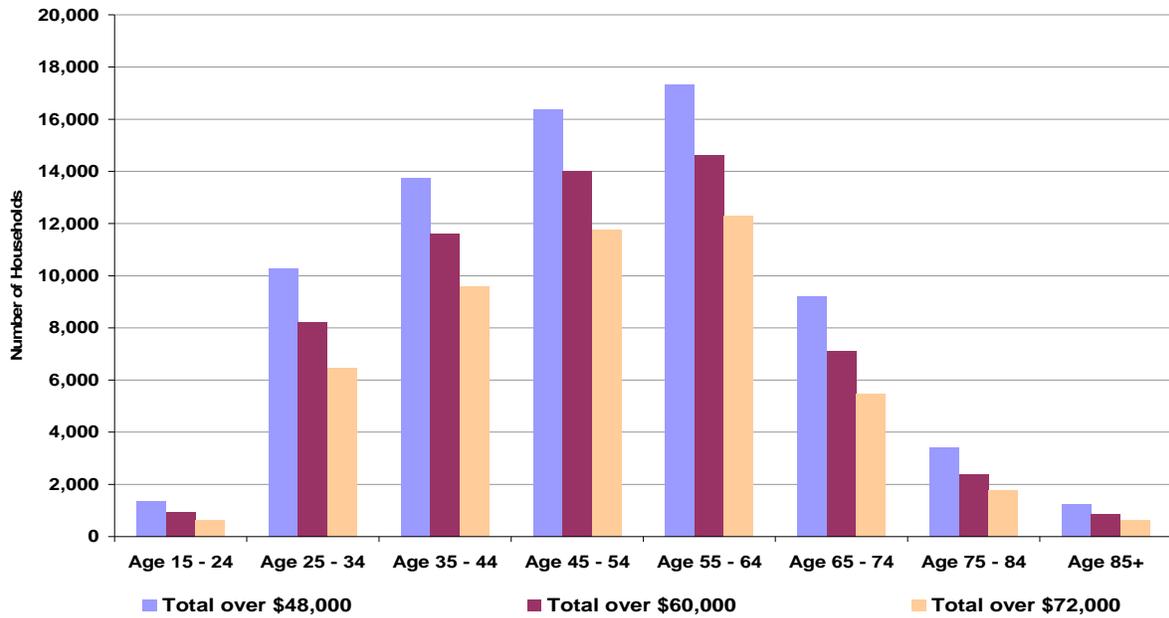
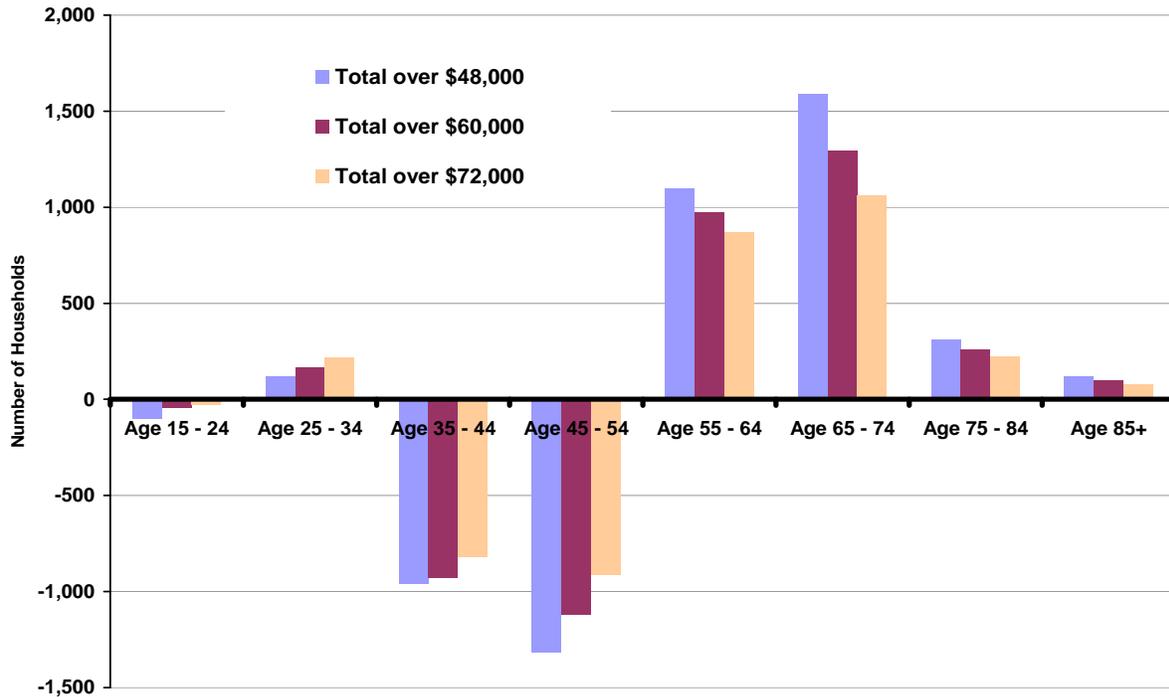


Figure II.I

**Change in Number of Households by Age and Income Cohorts  
New Bedford Market Area 2013-2018**



*Implications for Downtown New Bedford*

Downtown New Bedford can capture a share of demand for rental housing within the defined market area, as it has demonstrated in the recent past. The Downtown capture rate of this current and future market area demand, as well as the success of individual potential projects, will depend on developing units that can be differentiated from existing rental housing elsewhere in the City and suburbs. In prior reports we have suggested that layouts be innovative and finishes reflect the historic and other attributes of rehabilitated buildings, including high ceilings, exposed brick, large windows and so forth (though modern bathrooms and kitchens are essential). Most of the successful rehabilitations that have taken place in Downtown and in mill properties along the Acushnet River have followed this concept and are different than the suburban rental product and other rentals in the City.

Data in **Table II.1** below show the potential numbers of units at various rent levels that could be developed in Downtown New Bedford on an average annual basis over the next five years, assuming a capture rate of overall demand similar to recent trends in the downtown area. Also shown in the table are minimum unit sizes at each rent level, again based on local market experience, with two bedroom units the most desirable and flexible for capturing both the target younger (under age 35) and empty nester (age 55-74) households, although many one bedroom units have also been absorbed. The columns labeled "Supportable Development Cost per SF" and "Supportable Development Cost per Unit" are for illustrative purposes only, reflecting the rent levels and unit sizes shown in the table, basic assumptions on operating and maintenance costs per unit, and conventional financing.

Table II.1  
**Illustrative Market Potential for Downtown New Bedford Rental Units**  
 Average Annual Absorption 2013-2018

<b>Gross Monthly Rents</b>	<b>Potential Annual Absorption: Number of Units</b>	<b>Prototype Unit Size in SF</b>	<b>Potentially Leasable Square Feet</b>	<b>Supportable Development Cost per SF</b>	<b>Supportable Development Cost per Unit</b>
\$ 900	55-75	850	47-64,000	\$ 58	\$ 49,000
\$ 1,200	45-65	950	43-62,000	\$ 95	\$ 90,000
\$ 1,500	40-50	1,200	48-60,000	\$ 110	\$ 132,000
\$ 1,800	30-40	1,500	45-60,000	\$ 115	\$ 173,000
\$ 2,100	20-30	1,800	36-54,000	\$ 120	\$ 214,000

Source: FXM Associate

NOTE: The *Potential Annual Absorption: Number of Units* shown in the second column are *not* cumulative. Householders who can afford \$1,500 per month rent, for example, can also afford \$1,200 and \$900 per month.

Under currently foreseeable market conditions, over the next five years (2013-2018) total absorption of rehabilitated space or new construction of residential units in Downtown New Bedford could range from 180,000 to 300,000 square feet of leaseable space and 150 to 325 units.

## 2. Office Space Demand

To assess market potential for office space in Downtown New Bedford FXM utilized its proprietary *Space Demand Model* to estimate square footage demand between 2013 and 2018. The analysis incorporates data from several reliable sources and compares trend line and other projections of employment as well as empirical data on square feet per employee by industry to derive quantitative estimates of space demanded by type in the larger region, the City of New Bedford, and specifically within the Downtown area. The sources and methods inherent to our model's specific application in this analysis are briefly summarized.

- For historical employment and projections at the regional and city-level FXM used two sources from the Massachusetts Department of Labor & Workforce Development (Mass EOLWD). One is the ES-202 data series that tracks employment and wages from 2001-2012 at the state, county, and municipal level by NAICS industry code. This data series allows FXM to prepare independent trend and modified trend extrapolations of historical employment by NAICS industry. The second Mass EOLWD source used is *Industry Projections, 2010-2020*, March 2013, by NAICS industry for a Greater New Bedford Region that includes most of Bristol County and parts of Plymouth County.
- The Mass EOLWD data include only employment covered by state unemployment insurance and therefore undercount actual jobs that include self-employed persons. For this reason, the Mass EOLWD employment numbers by NAICS are adjusted to total jobs using data from the US Department of Commerce, Bureau of Economic Analysis (BEA) *Regional Economic Information System (REIS)*, which tracks all jobs at the county level (REIS Table CA 25N, 2011). Self-employed persons account for about 30% of all jobs in the region and in some industries the total number of jobs is significantly greater than those covered by state unemployment insurance. These sectors include several of particular importance to projections of demand for office space.<sup>7</sup> Therefore, adjustments are made to the regional and citywide employment data reported by Mass EOLWD on both historical and projected employment.
- The next step in the analysis compares linear trend extrapolations of historical employment data to the employment projections by Mass EOLWD and converts these employment projections to demand for space using data on average square feet per employee. FXM used the higher estimate of employment and space demand to 2018 from the trend extrapolations or Mass EOLWD projections, and are therefore optimistic. The FXM model uses data from empirical research done by Rutgers University and others to estimate office-using employment in each NAICS industry as well as average space per employee.
- The final step in the analysis allocates a share of projected citywide or regional employment and space demand specifically to Downtown New Bedford. FXM used Nielsen *Site Reports 2013* detailed employment estimates for the downtown study area to determine the current share of citywide employment by NAICS

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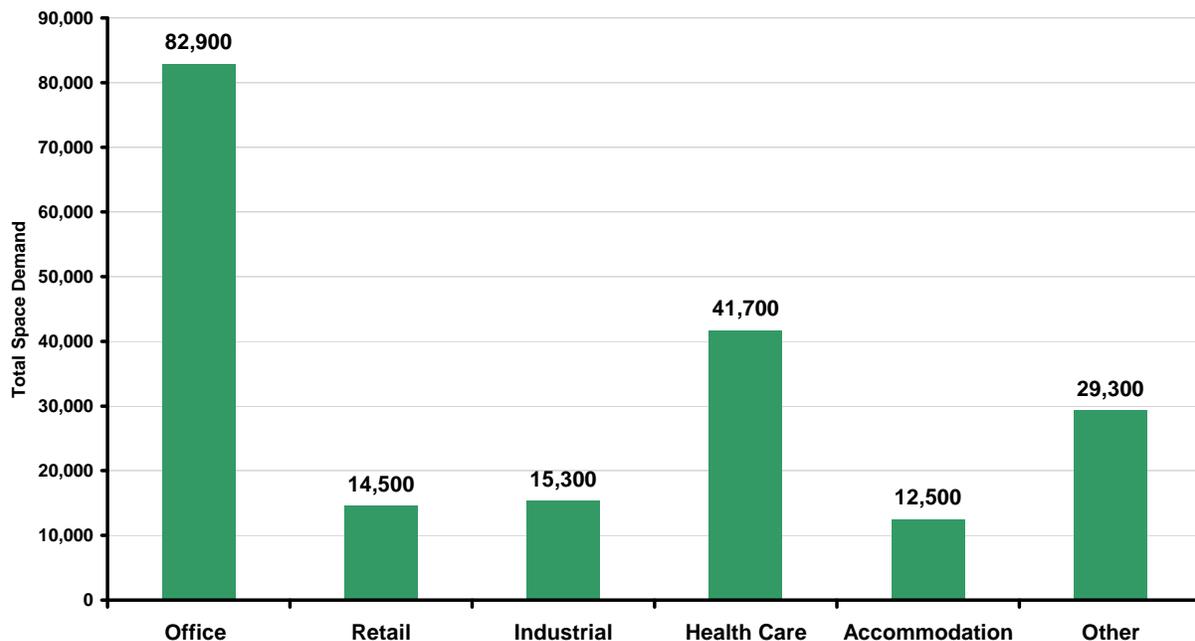
<sup>7</sup> The Professional/Technical Services sector, for example, has more than twice as many total jobs (2.1) as those reported in Mass EOLWD data; the ratio of total jobs to those covered by state unemployment insurance is 2.1 in the Finance and Insurance sector, 1.5 in Administrative Services, 1.4 in Government Services, and 6.1 in Real Estate Services.

industry located in Downtown New Bedford as a basis for allocating projected employment and space demand to 2018.<sup>8</sup>

Data in **Figure II.J** present the results of the FXM analysis of additional demand for all types of commercial space in Downtown New Bedford by industry over the next five years (2013 through 2018).

Figure II.J

**Projected Commercial Space Demand in Square Feet  
2013 - 2018  
New Bedford Downtown**



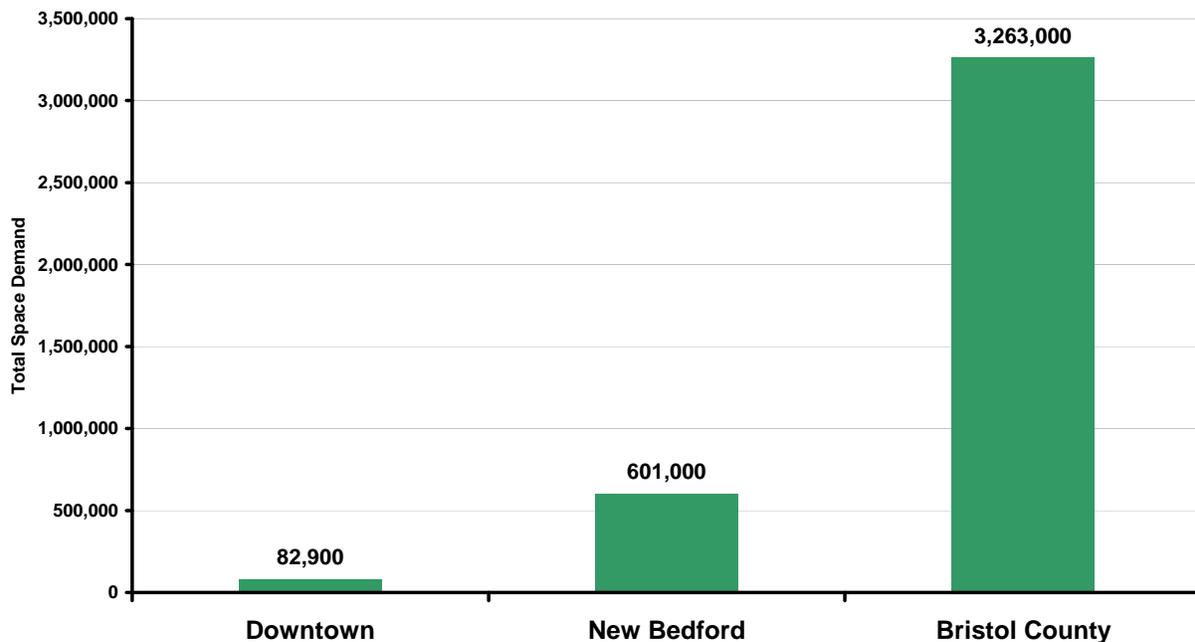
As shown graphically in **Figure II.J**, total potential demand for commercial space in Downtown New Bedford over the next five years is estimated at about 196,000 square feet of which about 83,000 square feet (42%) is office space. Average annual demand over the next five years (2013-2018) is about 39,000 square feet for all commercial space, and about 17,000 square feet for office space. *This estimate is based on projected employment growth by industry in the region and city overall, and an allocation of this growth to Downtown based on its current share of employment in each industry category.*

<sup>8</sup> Nielsen *SiteReports* provides the most recent available data (2013) on detailed demographic, employment and business characteristics for any polygon (small geographic area) specified by the analyst, which in this case is the Downtown Study Area. Nielsen *SiteReports* is a subscription data service that reportedly uses the most recent US Economic Census and "other" government and private data sources, including proprietary algorithms to disaggregate the REIS county-level data for all jobs to the local geographic level. Nielsen does not provide trend data beyond their current or most recent year estimates.

**Figure II.K** compares the office space demand projection for Downtown to the office space demand projected for the City of New Bedford and Bristol County overall. In this baseline scenario, Downtown captures about 14% of total projected office space demand for the City of New Bedford overall and 3% of projected demand in Bristol County overall, based on its current share of employment.

Figure II.K

**Projected Demand for Office Space  
2013 - 2018  
New Bedford Downtown , City of New Bedford, Bristol County**



Data in **Table II.2** provide a breakdown of projected demand for office space in the City of New Bedford overall and Downtown by industry. For the Downtown area, as shown by data in **Table II.2**, Professional/Technical Services industries comprises the largest share of projected demand – about 42,000 square feet, 51% of total projected demand through 2018. This industry sector includes architects, engineers, software designers, lawyers, planning/economic/management consulting firms and all other professional services except physicians and other health care professionals. These types of firms are also among those most likely to find downtowns in general and atypical space in particular more attractive, including space that is less than finished to traditional Class A office standards. Many professional service firms prefer to customize their space to include open floor plans, exposed brick, high ceilings, large windows, exposed mechanical systems, and other historic building features.

Downtown New Bedford currently holds 37% of all Professional/Technical Services employment in the City overall, more than double the Downtown share of all office-using employment as shown in **Table II.3**.

Table II.2

<b>Projected Office Space Demand 2013-2018, New Bedford and Downtown, <i>Baseline Scenario</i></b>				
<b>Category</b>	<b>New Bedford City</b>		<b>Downtown Study Area</b>	
	<b>Annual</b>	<b>Total</b>	<b>Annual</b>	<b>Total</b>
Information	1,400	7,000	800	4,200
Finance and insurance	20,800	104,000	3,500	17,500
Real estate	3,600	18,000	300	1,400
Professional and technical services	22,600	113,000	8,300	41,700
Management of companies	10,800	54,000	100	500
Administrative and waste management	27,600	138,000	900	4,600
Government and government enterprises	0	0	0	0
Other services @ 60%	33,400	167,000	2,600	13,000
<b>Totals</b>	<b>120,200</b>	<b>601,000</b>	<b>16,500</b>	<b>82,900</b>

Source: FXM Associates

Data in **Table II.3** presents an alternative, more aggressive scenario for prospective office space absorption in Downtown. This scenario assumes that Downtown captures twice (2X) its current share of citywide projected office space demand through 2018 in each of the applicable industries using office space. In this scenario, absorption of net new office space in Downtown is projected at approximately 164,000 square feet through 2018, an average absorption of about 33,000 square feet annually over the next five years. Downtown could capture a greater share of projected City or region-wide demand, but in the scenario shown in Table II.3 or other more ambitious scenarios, aggressive outreach efforts would be necessary to draw new and growing firms from throughout the region to Downtown. For reasons noted in the preceding paragraph, similar to reasons for targeting the types of households and space for residential development, Downtown needs to be marketed to firms that will find its unique attributes within the region especially attractive.

Table II.3

<b>Potential Office Space Demand Downtown, 2013-2018, <i>Aggressive Scenario</i></b>				
	<b>Downtown Study Area X 2</b>		<b>Downtown Share of City Growth</b>	
	<b>Annual</b>	<b>Total</b>	<b>Current Share</b>	<b>share X 2</b>
Information	1,400	7,000	0.60	1.00
Finance and insurance	7,000	35,000	0.17	0.34
Real estate	600	2,800	0.08	0.16
Professional and technical services	16,700	83,400	0.37	0.74
Management of companies	200	1,000	0.01	0.02
Administrative and waste management	1,800	9,200	0.03	0.07
Government and government enterprises	0	0	0.00	0.00
Other services @ 60%	5,200	26,000	0.08	0.16
<b>Totals</b>	<b>32,900</b>	<b>164,400</b>	<b>0.14</b>	<b>0.27</b>

Source: FXM Associates

*Office Space Vacancies, Historical Net Absorption, and Prices*

According to Co Star *Property Information Systems*, Downtown New Bedford (2<sup>nd</sup> Quarter, 2013) has approximately 650,000 square feet of rentable building area classified as office space, of which about 105,000 square feet are vacant (16%) and available for rent. The average lease rate is \$13.62 per square foot.

For the City of New Bedford overall, there are about 1,859,000 square feet of rentable building area classified as office space, of which about 197,000 square feet are vacant (11%) and available for rent. The average lease rate is \$13.14 per square foot.

The text table below compares the current inventory, vacancies, and prices for office space citywide with Downtown. As evident by data in the table, Downtown has 53% of citywide vacancies in office space compared to 35% of the city-wide supply of office space.

<b>OFFICE SPACE</b>	<b>City of New Bedford</b>	<b>Downtown</b>	<b>Downtown % of City Total</b>
Leaseable Office Space (SF)	1,850,000	650,000	35%
Vacant Office Space (SF)	197,000	105,000	53%
Vacancy Rate (%)	11%	16%	152%
Average Lease Price per SF	\$ 13.14	\$ 13.62	104%

Source: Co Star *Property Information Systems*, June 20, 2013

Over the past 5 years (2<sup>nd</sup> Quarter of 2008 through 2<sup>nd</sup> Quarter of 2013) net absorption of office space (newly rented space less vacated space) citywide has been slightly negative (-6,500 square feet), according to Co Star. Co Star is forecasting *no* net positive absorption of office space citywide over the next two years.

It should be noted that Co Star includes in its estimates of vacancies only space reported by property owners, managers, and commercial real brokers as *available for leasing*. In an independent inventory of all Downtown commercial space conducted during the course of this study (May 2013), E.J. Pontiff Real Estate counted approximately 150,000 square feet of vacant space traditionally used as office space. That number includes space not marketed as available at the time of his inventory.

The Co Star and Pontiff data point to a serious problem for Downtown – a relatively high vacancy rate for office space and little history of positive absorption over the past several years. While *potential* demand, based on employment forecasts for the region, suggests opportunities for increasing leased office space in the Downtown, positive absorption is not likely unless the space is aggressively marketed and the supply itself reconfigured and upgraded. Current market rents can support only about \$10-15 per square foot rehabilitation costs. For the target tenant types previously discussed (professional and technical services) rents will need to remain competitive although there is a potential that more creatively-oriented firms will spend their own money for custom fit outs. For such tenants the available space may need to be reconfigured from the small individual offices that now prevail according to local brokers. With an average downtown office worker capable of spending \$5,000 or more each year within the downtown (see next section for reference and fuller discussion), success in filling vacant office space has broader implications for economic development in Downtown New Bedford.

### **3. Retail Gap Analysis**

As shown previously in **Figure II.J**, there is little demand anticipated for additional retail space in Downtown New Bedford (14,500 square feet between 2013 and 2018) based on projected employment growth. Population and income growth, which drive employment growth in retail, do not constitute the only source of potential demand for additional retail and restaurant uses in Downtown New Bedford. To assess this additional potential, a Retail Opportunity/Gap Analysis is performed.

A Retail Opportunity/Gap analysis is a tool used by virtually all major retailers and chain restaurants to gauge market demand and competition within a specified geographic area. The analysis represents a snapshot of current consumer expenditures within a geographic area and actual retail store sales matching those expenditures within the same geographic area. The retail gap analysis identifies current opportunities for retailers to locate new or expanded facilities, and is based on empirical evidence that people will purchase goods and services within the shortest available walking or drive-time from where they live or work.

The retail opportunity, or gap, analysis shows potential demand for various types of retail development within a defined market area by comparing estimated household expenditures in a range of retail store categories with actual store sales in those categories. Where expenditures by households in the market area exceed actual store sales, a gap or opportunity exists for stores in the market area to “capture” more of those household expenditures. Conversely, where market area household expenditures are less than actual sales in particular retail categories, stores in the market area already attract consumer dollars from outside the market area, and opportunities for additional retail development are more limited.

Retailers define market areas in terms of drive-time distances, with a 15-minute drive-time considered the maximum market area for all but the largest stores and store types. Market support within a 5-minute drive-time is considered to be the reach of convenience stores, while market support within a 10-minute drive-time is considered essential for most medium sized stores and restaurants – the types found in local commercial districts or strip malls, as well as destination retail shops and restaurants both stand-alone or in downtown centers. If a specific category of retail sales opportunity is shown for a 5-minute drive-time market area and also at the 10 and 15-minute market area, most retailers would consider market conditions favorable, from a demand standpoint, for locating or expanding a store within that market area. The 5 minute drive-time market areas are shown in **Figure II.L**, and the 10 and 15-minute drive-time market areas are shown in **Figures II.M** and **II.N**

Local officials, property owners, and commercial real estate brokers have used results of a retail opportunity analysis to recruit successful small retailers and restaurants from elsewhere in the market region to open another establishment in their community. In some instances, retailers have relocated an established business to another area offering better accessibility to consumers, favorable rents, nearby workers, attractive environment, supportive business/political conditions, or other advantages. Downtown New Bedford offers superior accessibility because of the ease by which consumers from a broad area can reach Downtown via Interstate I-195 and Route 18. Within a 15-minute drive-time of Downtown New Bedford, for example, there are approximately 190,000 people (77,000 households) who annually spend more than \$2.9 billion for retail goods and services.

Figure II.L

5-minute Drive-time Market Area

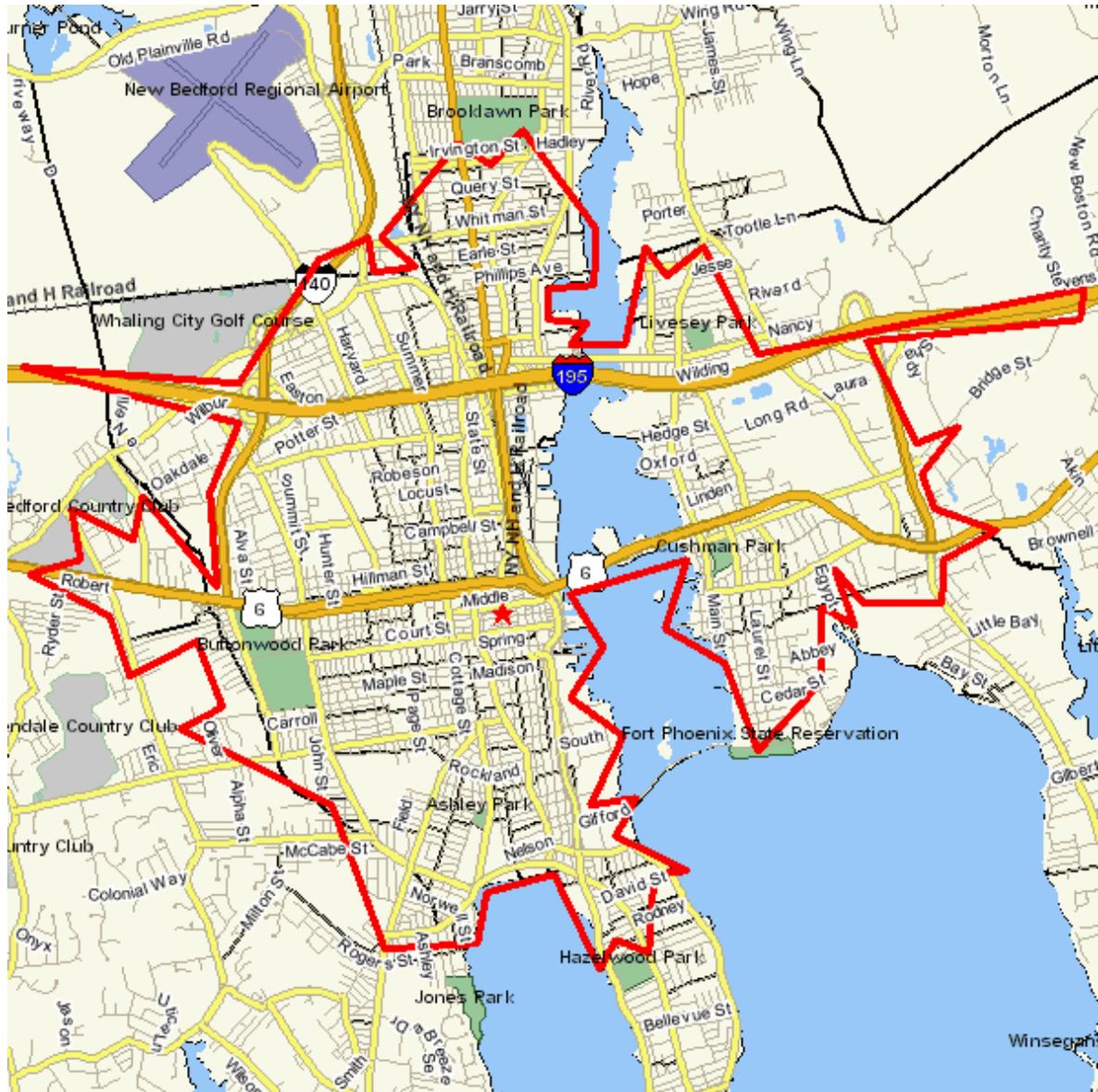


Figure II.M

10-minute Drive-time Market Area

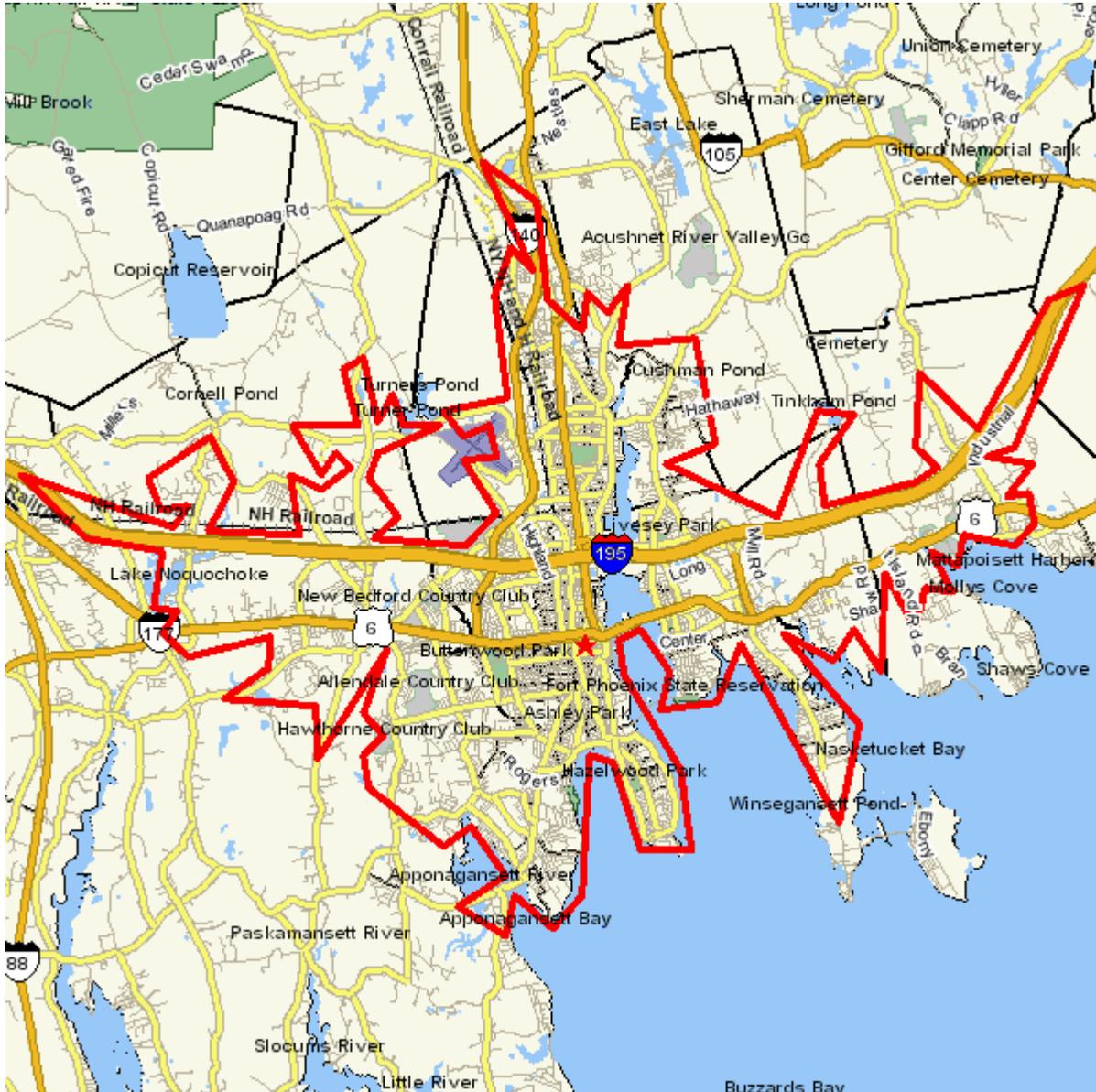
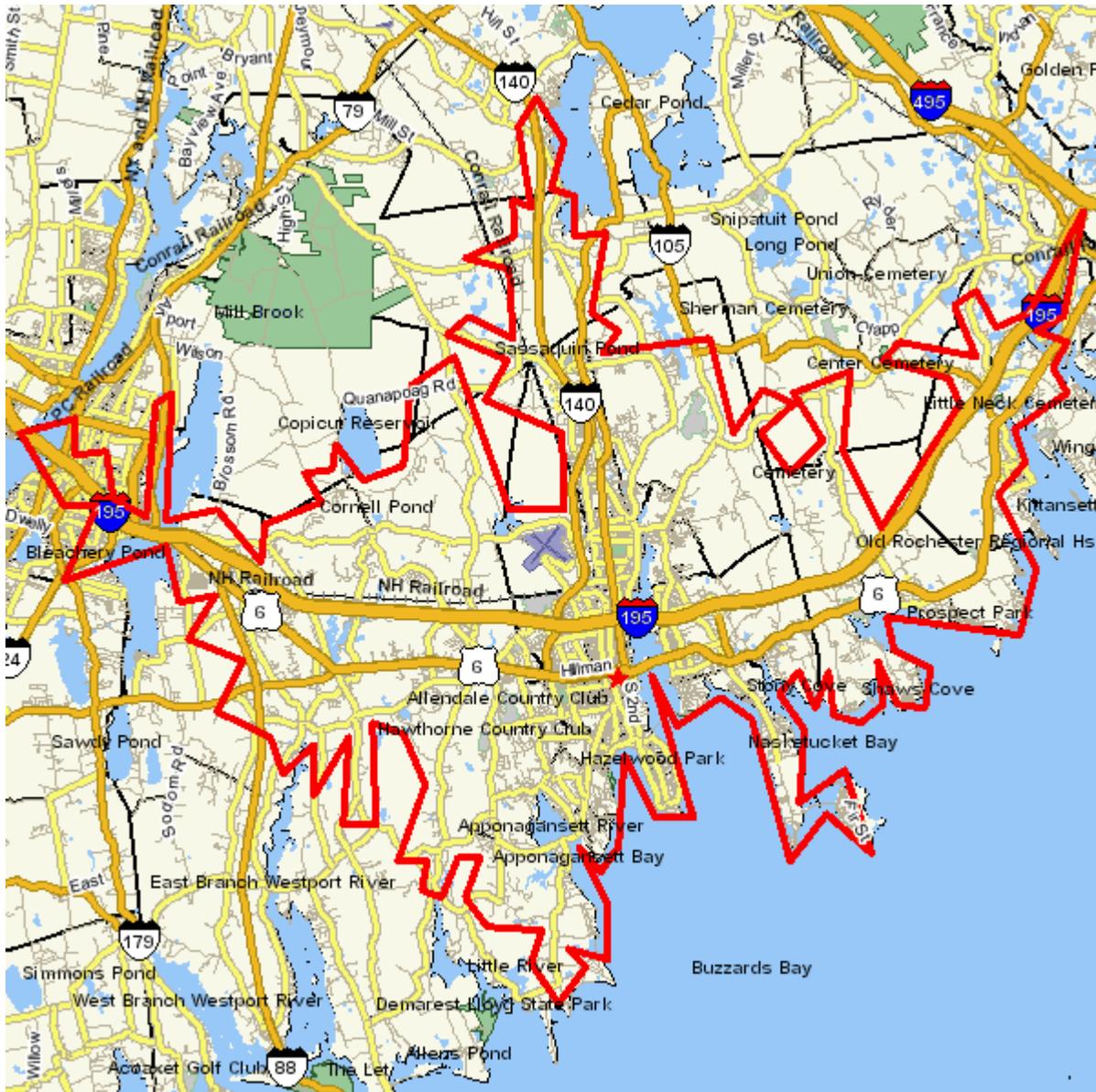


Figure II.N

**15-minute Drive-time Market Area**



Typically, smaller commercial establishments do not have the resources to prepare a retail gap analysis, so the data produced can help them understand their market potential. The retail opportunity/gap analysis also may help prospective investors in a new establishment better understand market opportunities. In the case of Downtown New Bedford, NBEDC reports that prior FXM retail gap analyses have been used to help recruit establishments that have subsequently succeeded in Downtown.

Downtown New Bedford also hosts more than 4,000 workers daily within easy walking access to all stores and restaurants in the Downtown. The spending potential of these

workers in the Downtown at restaurants and retail stores is about \$19 million per year.<sup>9</sup> Assuming roughly half of these workers live outside the 15-minute drive-time area (households within that drive-time area are counted in the retail gap analysis, workers are not), their additional annual spending potential within Downtown – not counted in the retail gap analysis – would be about \$9.5 million annually. FXM estimates that Downtown workers now account for about 20% of restaurant sales and 30% of retail store sales in Downtown.

Data in **Table II.4** show the total retail sales gap/surplus within the respective drive-time market areas and selected retail opportunities where gaps are indicated. As shown in **Table II.4**, there is actually an overall surplus when all retail expenditures and sales are counted within each of the drive-time market areas. This means that households not living within those drive-times are shopping at stores within each of the drive-time market areas. However, there are significant sales gaps (resident expenditures leaking out of the specified geographic areas) in the selected store types shown in **Table II.4**.

Table II.4

**Retail Opportunities in Dollars (\$) for Downtown New Bedford by Selected Restaurant and Store Types**

Retail Store Types	Drive Time Market Areas		
	5 Minute	10 Minute	15 Minute
	Opportunity Gap (\$)	Opportunity Gap (\$)	Opportunity Gap (\$)
Total Retail Sales Incl Eating and Drinking Places	(59,837,201)	(341,834,479)	(77,132,152)
Computer and Software Stores-44312	3,159,257	7,614,498	10,859,609
Camera and Photographic Equipment Stores-44313	589,122	1,100,536	1,634,762
Nursery and Garden Centers-44422	7,298,147	11,475,048	16,852,561
Specialty Food Stores-4452	2,817,732	10,261,273	15,923,698
Cosmetics, Beauty Supplies, Perfume Stores-44612	4,207,241	4,936,263	8,381,934
Other Health and Personal Care Stores-44619	1,841,195	2,135,088	1,643,229
Men's Clothing Stores-44811	1,336,554	2,034,749	3,859,032
Women's Clothing Stores-44812	5,236,593	6,319,432	(1,961,020)
Jewelry Stores-44831	3,771,721	7,616,010	12,130,612
Book Stores-451211	882,227	1,994,250	3,291,824
Other Miscellaneous Store Retailers-4539	10,497,175	19,134,556	23,926,141
Full-Service Restaurants-7221	15,209,760	28,793,022	49,412,860
Limited-Service Eating Places-7222	5,502,804	12,423,979	28,184,074
Special Foodservices-7223	4,726,994	7,484,423	7,000,187
Drinking Places -Alcoholic Beverages-7224	1,211,792	3,296,178	5,972,150

SOURCE: Nielsen, *Site Reports*, June 2013, and FXM Associates

<sup>9</sup> Source: *Office Workers Retail Spending in a Digital Age*, Michael P. Nieiara and John Connolly, Research Department International Council of Shopping Centers (2012), and FXM Associates.

It is unrealistic to expect that Downtown New Bedford could capture all of the current retail gaps within any of the drive-time market areas. Accordingly, FXM has applied additional screening criteria based on our professional judgment to select most likely candidate ‘gap’ opportunities. Data in **Table II.5** show the prime candidate restaurant and store types. The supportable square feet are based on median sales per square foot for each of the specific store types and the number of stores is based on median store size.

Table II.5

<b>Selected Retail Opportunities for Downtown Based on Current Retail Gap</b>		
	<b>Supportable Square Feet</b>	<b>Number of Stores</b>
Computer and Software Stores-44312	12,300	4
Camera and Photographic Equipment Stores-44313	3,800	3
Nursery and Garden Centers-44422	4,200	3
Specialty Food Stores-4452	10,000	4
Cosmetics, Beauty Supplies, Perfume Stores-44612	6,600	4
Other Health and Personal Care Stores-44619	6,100	3
Men's Clothing Stores-44811	10,200	3
Women's Clothing Stores-44812	7,900	2
Jewelry Stores-44831	4,200	3
Book Stores-451211	9,000	2
Other Miscellaneous Store Retailers-4539	13,000	6
Full-Service Restaurants-7221	25,300	5
Limited-Service Eating Places-7222	9,800	7
Special Foodservices-7223	12,400	6
Drinking Places -Alcoholic Beverages-7224	9,400	5
<b>TOTALS</b>	<b>144,200</b>	<b>59</b>

Source: Nielsen *Site Reports*, June 2013, and FXM Associates

*Retail Space Vacancies, Historical Net Absorption, and Price*

Co Star *Property Information Systems* reported Downtown New Bedford has approximately 90,480 square feet of rentable building area classified as retail space (2<sup>nd</sup> Quarter, 2013), of which about 7,740 square feet are vacant (8.6%) and available for rent. The average lease rate is \$11.83 per square foot.

The City of New Bedford overall has about 3,368,000 square feet of rentable building area classified as retail space, of which about 235,000 square feet are vacant (7%) and available (advertised) for rent. The average lease rate is \$12.52 per square foot.

The text table below compares the current inventory, vacancies, and prices for retail space citywide with Downtown. Downtown has 3.3% of citywide vacancies in retail space compared to 2.7% of the citywide supply of retail space.

<b>RETAIL SPACE</b>	<b>City of New Bedford</b>	<b>Downtown</b>	<b>Downtown % of City Total</b>
Leaseable Retail Space (SF)	3,368,000	90,480	2.7%
Vacant Retail Space (SF)	235,000	7,740	3.3%
Vacancy Rate (%)	7%	8.6%	123%
Average Lease Price per SF	\$ 12.52	\$ 11.83	94%

Source: Co Star Property Information Systems, June 20, 2013

Over the past 5 years (2<sup>nd</sup> Quarter of 2008 through 2<sup>nd</sup> Quarter of 2013), citywide net absorption of retail space (newly rented space less vacated space) has been positive at +34,000 square feet, according to Co Star. Co Star is forecasting an additional 13,600 square feet of net positive absorption of retail space citywide over the next two years.

As previously noted, Co Star estimates of vacancies include only space reported by property owners/managers, and commercial real estate brokers as *available for lease*. In an independent inventory of all Downtown commercial space conducted during the course of this study (May 2013), E.J. Pontiff Real Estate counted approximately 26,000 square feet of vacant space traditionally used as retail space. That amount includes space not marketed as available for lease at the time of his inventory, and some retail space reported as vacant is described as marginal, according to local brokers and public officials, and may be unsuitable for conventional retail uses.

Unlike the market conditions for office space, both current occupancy levels and prospects for additional absorption of retail space in Downtown are very favorable.

## IV. STRATEGIC ACTIONS

### 1. Downtown Marketing & Management

While New Bedford has been a leader among Gateway Cities nurturing a downtown renaissance, Creative Placemaking is a much more expansive, progressive and competitive marketplace than it was in 2009. Several years of growing Downtown business, residential, and special event activity coupled with increased real estate development have heightened—not diminished—the need for a full-time Downtown Coordinator. Since 2000, hiring a Downtown Coordinator has been a central recommendation of Downtown New Bedford revitalization strategic plans and market studies. . During the past few years, the NBEDC has dedicated personnel and consultant resources to maintain Downtown business and real estate development progress. Recognizing that a ‘business friendly’ downtown is essential to economic development, the Mayor’s recommended FY 2015 budget includes a full-time Downtown Coordinator position.<sup>10</sup>

Over the next few years, the pace and character of Downtown revitalization will depend on the City’s ability to address issues affecting business expansion, real estate investment, quality of residential life, and visitor experience. Advancing or even sustaining recent progress will require the full-time expertise of a professional manager to collaborate with government officials, merchants, property owners, residents, cultural organizations, and others as the Mayor’s representative for all matters pertaining to Downtown.

#### *Business Retention, Expansion & Attraction*

- *Serve as ombudsman for existing and prospective business owners and investors, monitor/facilitate permitting, public funding, and City approvals required to complete upgrades, expansion, reuse/redevelopment of targeted Downtown sites (vacant and under-utilized property); work with NBEDC business team assisting entrepreneurs and start-up firms to secure Downtown locations, particularly small businesses engaged in Creative Economy industry sectors.*
  1. Revise/modernize City trash collection procedures for public and private collection of rubbish and recycled materials to accommodate Downtown business hours, more pedestrians and events, parking space/ADA ramps, as well as reduce ‘dumpster diver’ litter on Downtown sidewalks
  2. Facilitate publishing comprehensive Downtown Directory, print and on-line, that is regularly updated, advertising stores, restaurants, entertainment venues, cultural attractions, public facilities/spaces/services, etc. with links to affiliated websites; organize system for seasonal distribution of print copies at key locations and special events citywide.
  3. Assist the NBEDC, local real estate brokers, and property owners to create and maintain a Downtown commercial space inventory (lease and sale) with identified priority target investment opportunities, including relevant property data and contact information.

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<sup>10</sup> Although the NBEDC will fund a full-time Downtown Coordinator for six months during FY 2013, the fully funded Downtown Coordinator position might not be an NBEDC position; organizational details are being finalized in concert with examination of reconfiguration options for the City Planning Office and Office of Community Development functions, according to NBEDC officials. (September 27, 2013)

4. Pursue establishing a 'Designers Business Incubator' in Downtown, to increase the amount and vitality of Creative Economy business activity in New Bedford, as recommended in the 2009 report. Similar business incubators serve 4 to 5 firms elsewhere in the state, and have attracted architects, graphic designers, desktop publishers, software/game designers, and other office-based, technology-driven small businesses. The Designers Incubator would offer new, established and expanding firms affordable, short-term space, technical resources, and specialized business consultation. Ideally, firms leaving the Designers Incubator would find other suitable Downtown locations for their operations.

### *Parking Management*

- *Implement multi-faceted parking management improvements* that specifically support retail, restaurant, cultural, entertainment, and hospitality business operations in the Downtown; and afford equitable, transparent, and customer-oriented administration by City Traffic & Parking Commission members and staff. Effective management of an adequate but diminishing parking supply would mitigate continuing adverse impacts to economic activity, as recommended in previous Downtown studies and reiterated during this market analysis. Toward that end, City officials are formulating plans to upgrade Downtown parking meters, and preparing enterprise accounts for the garages and Downtown parking district.
1. Establish and post uniform time restrictions and prices for Downtown on-street parking, explicitly and accurately indicating when rules are in effect; monitor parking regulation enforcement to ensure consistency and equitable treatment that supports Downtown business activities and promotes visitor hospitality.
  2. Relocate the Standard-Times and other reserved parking spaces on lower levels of Elm Street Garage to the upper level of the garage to generate maximum short-term public parking on lower garage levels for Downtown shoppers and visitors;
  3. Provide incentives for public employees and Downtown business employees to park in public garages, such as reduced public garage fees under consideration by City officials, to generate 60+ on-street parking spaces for Downtown shoppers and visitors during weekday business hours. .

### *Expanded Educational Sector*

- *Initiate a recruitment strategy to attract more educational providers and students* to Downtown to strengthen existing educational uses, which are a strong sector of the Downtown economy but lack critical mass.
1. Reinvigorate city and state efforts to build consolidated BCC facility in Downtown New Bedford; refine/update preliminary BCC building program and development costs documented in the 2009 Downtown study (Test Site # 3 at 849 Purchase Street); and devise a two-year action plan to secure funding, site acquisition, obtain permits, execute contracts, and start construction.
  2. Devise a strategy with NBEDC, Chamber of Commerce, Workforce Investment Board, and other advocates to increase public and private educational uses in Downtown. Recruitment efforts could identify entities searching for a new or

satellite location, expanding research institutes/projects, or other educational training and skill development facilities offering specialized services within the regional market area. Near-term possibilities include the New England Center for Arts & Technology (NECAT) in Boston, or the UTEC program model in Lowell.

## **2. Upper Floor Commercial Building Occupancy**

Traditional downtowns and commercial districts throughout Massachusetts and New England have struggled to attract contemporary uses to persistently vacant upper floors of commercial buildings. Several communities have been able to increase storefront/ground floor retail shops, services, and restaurants, convert selective properties into residential or mixed-use occupancy, and generate new business activity from local cultural assets. However, few have devised an effective strategy to address impediments to reuse of commercial building upper floor space. Among the more significant impediments are renovation costs to comply with current code requirements for universal access, residential or live-work, and tech-based office uses.

The City of Norwich, Connecticut has enacted a “Downtown Revitalization Initiative” ordinance to provide code correction assistance, commercial lease rebate, and a revolving loan fund with incentives that would enable property and business owners to have feasible operations in downtown. The Norwich Community Development Corporation (NCDC), a quasi-public economic development entity, administers the three-part program that was funded by a citizen-approved \$3,380,000 bond appropriation. The initiative was taken because downtown Norwich had 250,000 sq. ft. of vacant commercial space, 20% of the existing mixed-use space inventory, and the majority was located on upper-story floors. More than 90% of the 250 downtown properties were built in the 1800s and 1900s and, notwithstanding façade improvements and renovations, had code issues and lacked reasonable access to upper floors. A detailed description of the “Downtown Norwich Revitalization Programs: Project Plan” is available at [www.askncdc.com](http://www.askncdc.com)

- *Code Correction Assistance Program* to increase occupancy provides a grant of up to 50% of costs of improvement to transform vacant upper floors that are not fully habitable due to code violations. This program leverages public investments with a dollar-for-dollar private co-investment to address ADA accessibility and building code issues related to fire, life and safety issues (e.g. elevators, sprinklers, floor loading). This program goal is to increase the amount of small and moderate-sized commercial spaces suitable for entrepreneurs and start-up companies, including spin-offs and ventures spawned by established companies located in area business parks. Property owners are reimbursed upon project completion, and can combine other Downtown Initiative components based upon owner, property and tenant eligibility.
- *Lease Rebate Program* provides market stimulation and support by subsidizing multi-year commercial leases. This program is designed to increase the value of downtown locations by decreasing commercial tenant lease rates by up to \$5.00/sf for desired commercial uses. This program is designed to increase the value of downtown locations by filling the gap between below market lease rates and rates in healthier marketplaces. The rebate benefit declines annually, and is concentrated in a concentrated timeframe to create near-term market results.
- *Revolving Loan Fund* offers incentives for businesses to locate in downtown by providing favorable term financing through a revolving fund. This program is designed to assist entrepreneurs and start-up firms interested in downtown locations that may be too risky

or less 'bankable' than established businesses, and more dependent on affordable space. Through financial mentoring, this program assists selected, qualified businesses become eligible for conventional financing.

MassDevelopment and NBEDC officials should implement an initiative modeled on the *Norwich Code Correction Assistance Program* to increase commercial and residential uses of under-utilized upper-floor building space. Downtown New Bedford has a moderate amount of long-term or habitually vacant upper floor commercial building space, projected continued demand for market-rate residential units and live-work studios, and property owners with proposed building reuse/redevelopment projects. Adopting a public-private investment strategy designed to reduce the amount of out-dated commercial space in Downtown could add residential units in formerly vacant commercial space. Implementing a downtown commercial building code compliance assistance program in New Bedford could demonstrate the feasibility of MassDevelopment supporting this approach to address similar issues in other Massachusetts Gateway Cities.

### **3. Downtown Public Realm Improvements**

The 2010 New Bedford Master Plan includes an innovative framework acknowledging that creating a sustainable community is necessary to ensure long-term health and wellness of its citizenry as well as continued economic development.<sup>11</sup> The resolution encourages increased physical activity, and promotes appropriate land use and development throughout New Bedford, safe and efficient routes and trails for walking and cycling, open space preservation, park construction and maintenance are elements of a 14-point program.

The Downtown area offers City officials a tremendous opportunity to create a cost-effective approach to raising public awareness, fostering health and wellness, and enhancing the public realm experience for residents, workers, and visitors. The 2009 report noted that the New Bedford Community Health center, YMCA, health facilities and providers in Downtown are major contributors to Downtown business and pedestrian activity. The recommendation to engage these institutions more fully in Downtown redevelopment could begin with a Health & Wellness Task Force to implement the 2010 Health Board resolution in Downtown with these projects suggested during both the 2009 and 2013 market study interviews.

- *Bicycle Racks & Paths* – install bicycle racks at key Downtown destinations and transportation facility locations (e.g. Historic District sites, government buildings, garages, parking lots, Fisherman's Wharf/Tonnesson Park); identify safe bicycle routes in Downtown with universal signage, including future connections to dedicated bike paths in New Bedford, Acushnet and Fairhaven
- *Cardio Fitness Circuit* –design a multi-station, multi-level, open-entry fitness circuit at suitable locations throughout the Downtown area, modeled after former cardio course located in southern/western portions of Buttonwood Park with 'sub-station' course designed for youth, and accommodating some mobility-impaired users. This initiative requires minimum capital cost and maintenance, and is especially well-suited to corporate sponsorship and fundraising.

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<sup>11</sup> "Planning for a Healthier Future Through The Built Environment and Community Design," Resolution of the City of New Bedford Board of Health on August 24, 2010; *A City Master Plan: New Bedford 2020* (Appendix G), Vanesse Hagen Brustlin, Inc. (2010)