

Chapter 5

Economic Development

Newburyport has a rich economic history with origins in fishing, shipping, and other maritime trades which have evolved and continue to the present. Newburyport was settled in the 1630's as a port within the Town of Newbury; however, the economic success and population surrounding the port grew to such that Newburyport separated from Newbury by 1764. Maritime trade continued to be the dominant force in the local economy, and having survived extensive fire damage in 1811, Newburyport was well positioned to diversify with steam-powered mills by the 1850's when Newburyport became a city. In 1884, Anna Jaques Hospital was opened and the hospital continues to thrive as the largest employer in Newburyport with 14 percent of their workforce residing within the City. Over time, the City has experienced decline and prosperity, and today serves as a center for employment, recreation, and arts and cultural experience in the region and beyond.

The City of Newburyport is served by four primary commercial districts: Downtown, the Business Park, the Storey Avenue Area, and the Route 1/Traffic Circle. Each district has its own distinct character and serves a fundamentally different purpose to residents, employers, and workers.

Downtown: Newburyport's historic downtown extends roughly from Market Street to the Tannery Building and includes Market Square, State Street, Pleasant Street, the Merrimac River waterfront, and associated side streets. The area features a number of restaurants and cafes, retail stores and boutiques, professional offices, and cultural institutions and tourist destinations housed within a dense commercial district predominantly composed of historic structures.

Newburyport Business & Industrial Park: The business park is currently home to more than 80 manufacturing businesses as well as a small number of professional service offices, clean energy uses and two microbreweries. The business park is adjacent to the MBTA commuter rail station and is accessed by Malcolm Hoyt Drive, Parker Street, Graf Road, Mulliken Way, and Hale Street, and includes a number of smaller cul-de-sacs to provide access within the interior of the park. Much of the park was developed in the 1950's-1970's and has significant opportunities for redevelopment that must be balanced with environmental constraints.

Storey Avenue Area: Connecting to the I-95/Route 113 interchange, Storey Avenue houses a number of retail uses in a series of suburban-style strip plazas. The area hosts several national retailers and short order restaurants, in addition a number of long standing local institutions such as Hyman Pennyworth's. More recent development in the area demonstrates a shift away from strip style development to a more interactive streetscape befitting of a gateway area, and has also included multi-family residences and the Little River Trail System that travels through the Little River watershed and the historic Common Pasture.

Route 1/Traffic Circle: Located on the outskirts of the business park, the Route 1/Traffic Circle area comprises a handful of commercial uses including an ice cream shop, several auto-related uses, chain short order restaurants, and the Essex County District Court. The area has recently been rezoned and houses the Chapter 40R Smart Growth Overlay District, and will be transitioning as new mixed use development occurs within the area.

Section A: Existing Conditions

Labor Force and Commuting Patterns

Table ED-1: Labor Force and Jobs, Newburyport and Comparable Communities and Region

	Civilian Labor Force	Number of Jobs	Jobs per Worker
Amesbury	10,393	4,816	0.46
Newbury	3,685	1,563	0.42
Newburyport	9,802	11,067	1.13
Salisbury	5,003	3,041	0.61
West Newbury	2,346	724	0.31
Essex County	411,885	313,775	0.76
Massachusetts	3,663,086	3,363,035	0.92

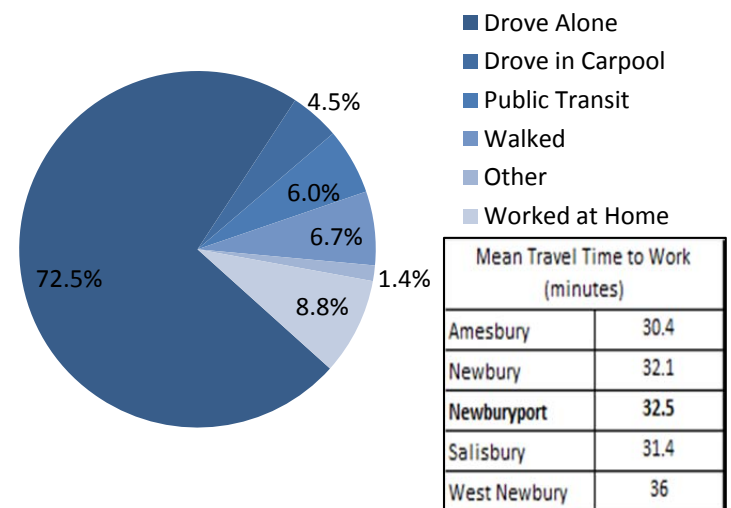
Source: ACS DP-3, EOLWD ES-202 (2014)

As a regional employment and population center, Newburyport hosts the second largest labor force and the highest number of jobs. Although Amesbury has a smaller population than Newburyport (by approximately 1,133 residents), the fact that Amesbury has a larger workforce can in part be explained by the relatively larger proportion of retirees residing within Newburyport (21 percent of households compared to 16 percent), where the median age is 46.1 years compared to 42.2 years in Amesbury.¹ Newburyport stands out as a net employer in the region, having by far the highest ratio of jobs per labor force member in the region, nearly double that of Salisbury which has the second highest ratio, and exceeds the ratios for Essex County and the State as a whole (**Table ED-1**). With more jobs than workers, Newburyport provides

employment opportunities to surrounding cities and towns in addition to their own residents. Nevertheless, many commute outside of Newburyport for work as evidenced by an average commute time of 32.5 minutes.² Newburyport is served by an MBTA commuter rail station with an average daily inbound ridership of 812 boardings, representing roughly 16 percent of the Newburyport line's ridership as well as the C&J bus service that runs between Newburyport and Boston, connecting riders to Logan Airport, Downtown Boston, and other transportation options.³

The majority of residents in Newburyport drive alone to work. The City is served by excellent north/south transportation access with ramps to Interstate 95 located near the Business Park at Scotland Road (Newbury) and Storey Avenue. Additionally, Route 1 traverses through Newburyport near the city center. Nearly 13 percent of Newburyport residents take public transit or walk to work. Much of the City is served by sidewalks in addition to the completed portions of the Clipper City Rail Trail. A relatively high number of residents work from home (9 percent), which tends to be a common characteristic of those employed in creative occupations.

Chart ED-1: Commuting Characteristics



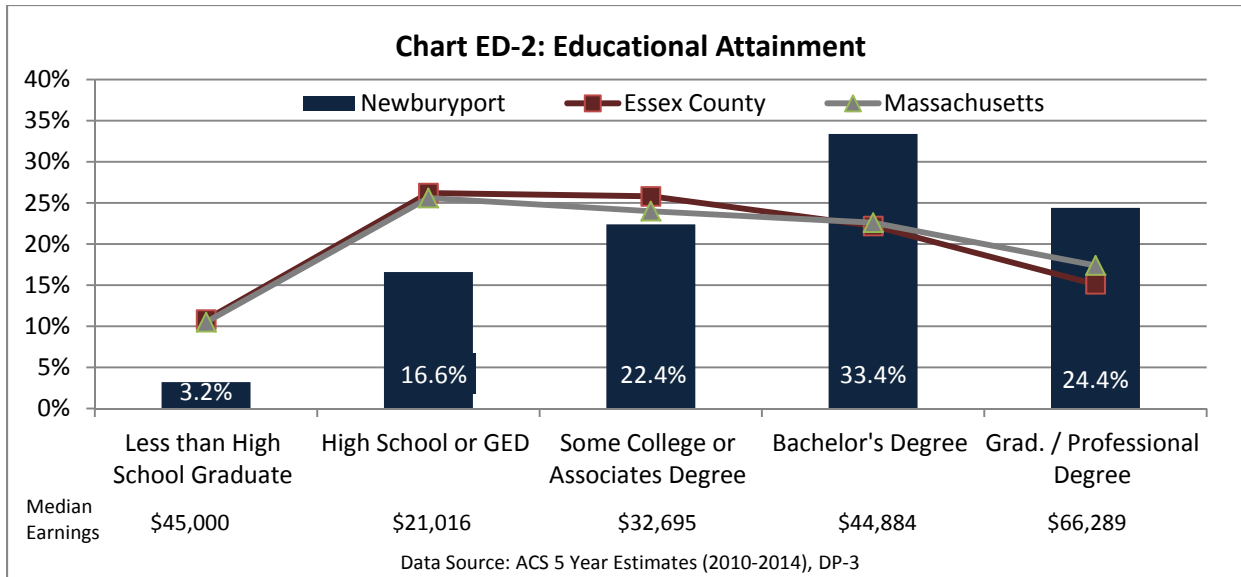
Data Source: ACS 5 Year Estimates (2010-2014), DP-3

¹ American Community Survey, *Five Year Estimates (2010-2014)*, DP02 and B19059

² American Community Survey, *Five Year Estimates (2010-2014)*, DP03

³ Massachusetts Bay Transit Authority, *Ridership and Service Statistics, 14th Edition*, July 2014.

Educational Attainment and Income



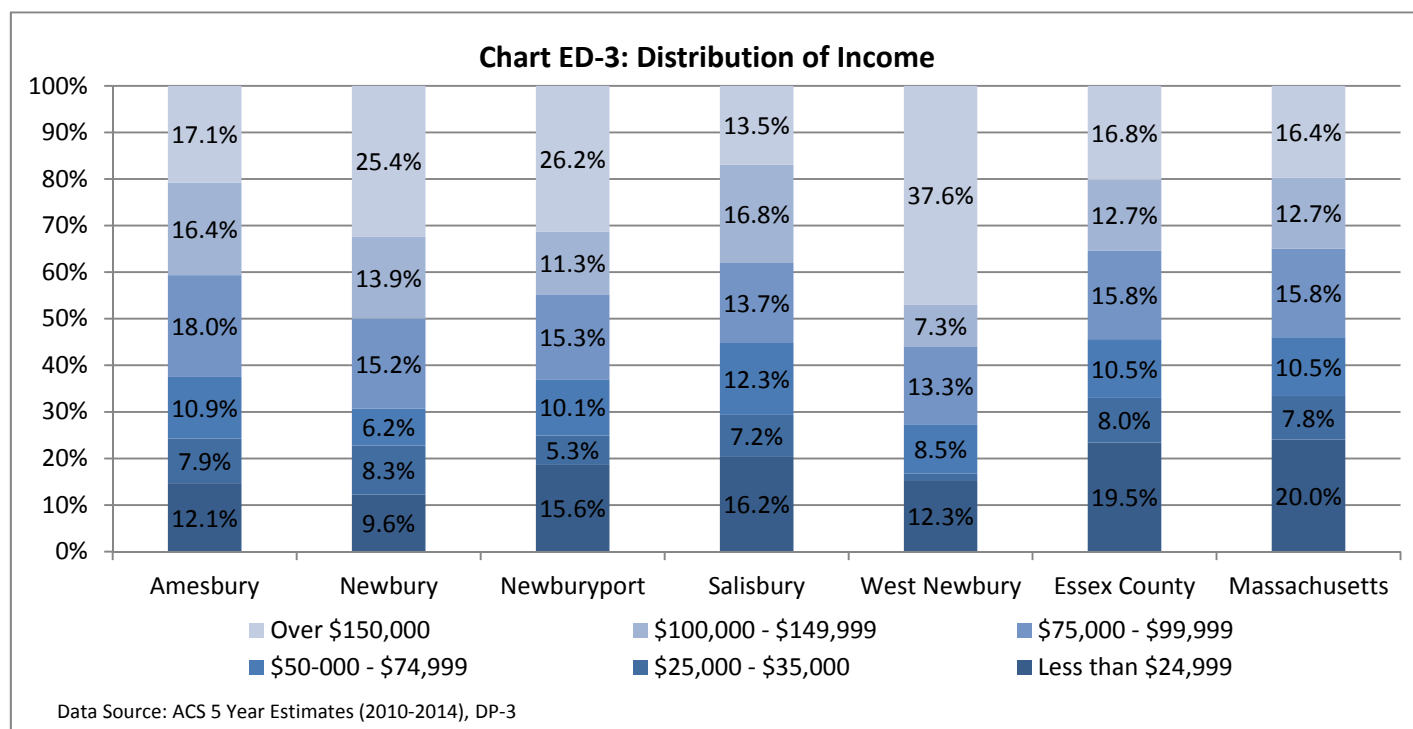
Newburyport has a more highly educated workforce than that of Essex County as a whole and Massachusetts. Higher educational attainments are generally correlated with higher incomes; the relatively high median earnings for the small proportion of the population that did not finish high school may be a result of small sample size yielding a high margin of error.

Table ED-2: Income and Wages

	Median Household Income	Average Wage per Worker
Amesbury	\$76,463	\$41,269
Newbury	\$95,827	\$49,191
Newburyport	\$83,149	\$50,282
Salisbury	\$75,995	\$37,740
West Newbury	\$122,969	\$57,052
Essex County	\$68,776	\$37,557
Massachusetts	\$67,846	\$37,436

Source: ACS 2010-2014, DP03

Table ED-2 and Chart ED-3 show median household incomes, average wage per worker, and the distribution of household incomes in the region. Although the median household income in Newburyport is not the highest in the region, the average wage per worker is markedly higher than in most surrounding communities. The average wage is higher in large part because Newburyport houses the second largest share of residents with household incomes higher than \$150,000 with over one-quarter of households falling within that income cohort. Further, although nearly 21 percent of Newburyport's household incomes are below \$25,000, their share of lower income households is still 6 to 7 percent lower than the overall distribution of household incomes in Essex County and the State.



Occupations and Industries Employing Newburyporters

Although the population has grown by 737 residents since 2000, Newburyport's labor force has shrunk by 4 percent during the same time period (**Table ED-3**). Over half of Newburyport's residents are employed in management, business, arts, and scientific occupations, while nearly one-quarter of residents are in sales and office occupations. Between 2000 and 2015, there was a 53 percent decline in residents employed in natural resources, construction, and maintenance occupations, and a 45 percent decline in transportation, production, and material moving occupations. At the same time, there was a 14 percent increase in service occupations. The former occupations tend to be higher wage positions while the latter tend to be, but are not exclusively, lower wage positions. These changes could be caused by a number of variables including contractions in overall employment for those occupations and business closures (which were not uncommon during the recession), relocation of residents, as well as overall growth in the service industry in Newburyport.

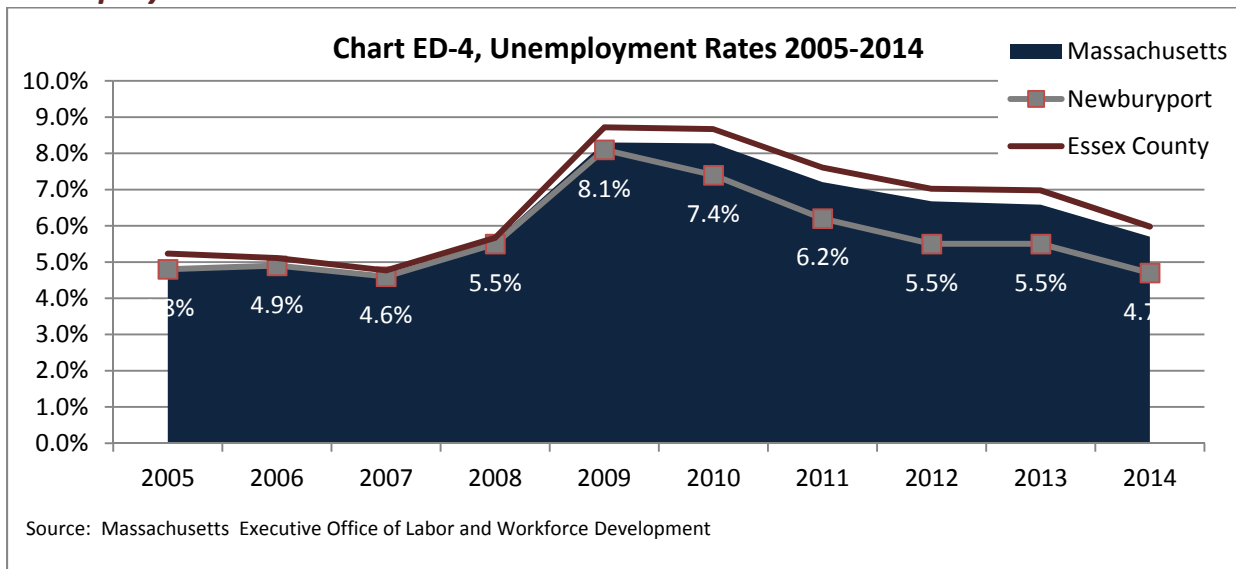
Table ED-3: Occupations of Residents

	Employed Civilian Labor Force	Management, Business, Arts, and Sciences	Service Occupations	Sales and Office	Nat. Resources, Construction, & Maintenance	Trans., Production, and Material Moving
Newburyport 2000	9,339	50.4	11.3	23.2	6.4	8.7
Newburyport 2014	8,951	55.4	12.9	23.9	3.0	4.8
% change	-4%	10%	14%	3%	-53%	-45%
Essex County 2014	377,044	40.9	17.9	24.1	7.0	10.1
Massachusetts 2014	3,354,036	43.9	17.5	22.9	6.9	8.8

Source: ACS 2010-2014, S2406

Over one-quarter of residents in Newburyport are employed in health care and educational service which is the largest industry employing Newburyport residents due to the presence of Anna Jaques Hospital, as well as the Newburyport School System which consists of four schools, as well as a charter and several private schools. Professional, scientific, and management, and administrative and waste management services and manufacturing are the second and third leading industries representing employment for 14 percent and 12 percent of residents respectively.⁴

Unemployment



Unemployment is generally lower in Newburyport than in Essex County or Massachusetts as a whole, particularly following the onset of the recession. By 2014, unemployment had returned to pre-recession rates below 5 percent, following a peak rate of 8 percent in 2009.

Employment Base

The overall number of business, jobs, and wages grew in Newburyport over the past five years. However, growth has not been uniform, and certain industries and industry segments performed better than others. For example, within manufacturing, the durable goods segment of manufacturing grew by 4 percent in employment and 19 percent in number of establishments, but losses in establishments and jobs in the non-durable goods manufacturing segment (which comprises 54 percent of manufacturing jobs) offset the gains. Some industry segments show contraction in the number of establishments but expansions in employment, or on the contrary, decreases in employment but gains in the number of establishments. This is not an unusual situation as some businesses fail or are sold or consolidated, and changes in technology and economic conditions impact employment numbers. What is notable, however, is that few industries lost both jobs and establishments, and wages increased in all but two industries.

⁴ American Community Survey, *Five Year Estimates (2010-2014)*, DP03

Table ED-4: Businesses, Jobs, and Wages in Newburyport

Industry	Establish-ments in 2014	Change 2010-2014	Jobs in 2014	Change 2010-2014	Avg. Wages 2014	Change 2010-2014	Avg. City Wages as % of State
Goods-Producing Domain	123	15.0%	2,401	0.0%	\$1,175	15.9%	78.9%
Construction	56	27.3%	317	29.4%	\$1,183	8.2%	90.2%
Manufacturing	67	6.3%	2,084	-3.3%	\$1,173	16.7%	73.2%
<i>Durable Goods Manufacturing</i>	38	18.8%	962	3.9%	\$1,339	10.6%	75.7%
<i>Non-Durable Goods Manufacturing</i>	29	-6.5%	1,122	-8.7%	\$1,031	21.3%	79.5%
Service-Providing Domain	797	4.0%	8,667	5.6%	\$929	7.6%	77.5%
Trade, Transportation and Utilities	190	-3.1%	1,778	1.5%	\$860	4.2%	94.1%
<i>Wholesale Trade</i>	69	-9.2%	614	-1.6%	\$1,589	1.0%	93.7%
<i>Retail Trade</i>	110	-0.9%	1,088	4.0%	\$426	15.4%	73.7%
<i>Transportation and Warehousing</i>	10	11.1%	73	-11.0%	\$1,131	21.2%	116.4%
Information	25	13.6%	134	-19.3%	\$1,136	-31.8%	59.9%
Financial Activities	62	3.3%	343	14.3%	\$1,284	4.2%	53.6%
<i>Finance and Insurance</i>	41	20.6%	270	20.0%	\$1,379	-1.4%	52.0%
<i>Real Estate and Rental and Leasing</i>	21	-19.2%	73	-1.4%	\$929	24.5%	66.4%
Professional and Business Services	193	2.1%	1,333	15.6%	\$1,469	19.7%	83.4%
<i>Professional and Technical Services</i>	146	5.0%	832	20.2%	\$1,636	12.1%	74.9%
<i>Mgmt. of Companies & Enterprises</i>	5	-16.7%	109	14.7%	\$1,254	14.4%	51.5%
<i>Administrative and Waste Services</i>	42	-4.5%	392	7.1%	\$1,176	43.1%	144.6%
Education and Health Services	152	38.2%	2,958	1.9%	\$951	3.3%	90.7%
<i>Health Care and Social Assistance</i>	139	36.3%	2,428	0.9%	\$961	2.3%	93.9%
Leisure and Hospitality	93	4.5%	1,442	16.1%	\$373	13.4%	82.2%
<i>Arts, Entertainment, & Recreation</i>	25	4.2%	154	4.1%	\$400	5.8%	58.9%
<i>Accommodation and Food Services</i>	68	4.6%	1,288	17.7%	\$369	14.6%	90.4%
Other Services	68	-24.4%	369	1.9%	\$642	36.6%	97.3%
Public Administration	14	40.0%	309	-7.2%	\$1,238	26.5%	92.3%
Total - All Industries	920	5.4%	11,067	4.3%	\$982	9.5%	79.6%

Source: EOLWD, ES-202 (2010, 2014)

Table ED-5: Industry Concentrations in Newburyport

Industry	Share of Newburyport Jobs	City to Essex County LQs	City to State LQs
Total Private	100%	1	1
Goods-Producing Industries	22%	1.25	1.83
Construction	3%	0.7	0.69
Manufacturing	19%	1.45	2.53
Service-Providing Industries	78%	0.99	0.89
Wholesale Trade	6%	1.77	1.50
Retail Trade	10%	0.82	0.94
Transportation and Warehousing	1%	0.33	0.2
Information	1%	0.56	0.44
Finance and Insurance	2%	0.84	0.49
Real Estate and Rental and Leasing	1%	0.62	0.52
Professional and Technical Service	8%	1.44	0.88
Management of Companies	1%	0.61	0.52
Administrative and Waste Services	4%	0.69	0.69
Educational Services	5%	0.5	0.47
Health Care and Social Assistance	22%	1.12	1.23
Arts, Entertainment, and Recreation	1%	0.71	0.78
Accommodation and Food Services	12%	1.3	1.35
Other Services Except Public Admin.	3%	0.9	0.98
Total Government	3%	0.78	0.69
Total, Private plus Government	103%	0.99	0.99

Source: EOLWD 2014, Community Opportunities Group

Location quotients (LQ) are a calculation that compares employment numbers by industry in a specific geographic area to employment numbers in a broader geographic area. A LQ higher than 1 indicates an industry with a higher concentration of jobs in Newburyport than are generally found in Essex County or the State. As would be expected, health care, retail trade, and accommodations and food services have high concentrations in Newburyport and high LQs. Manufacturing also has a high location quotient, likely due to the City having a working waterfront with maritime related manufacturing as well as a business and industrial park which houses a number of light manufacturing businesses.

The largest employers in Newburyport represent a wide array of industries ranging from health care, restaurants, software engineering, social assistance, education, retail, printing, and manufacturing among others. The diversity among employers also lends itself to diversity in employment opportunities by

providing jobs either directly or indirectly for workers with various levels of skills, training, educational attainment, experience, and other characteristics.⁵

However, in addition to the presence of 45 large businesses that each employ more than 50 workers, there are over 850 small businesses in Newburyport employing fewer than 25 people as well as a number of home-based businesses that operate within the city. These businesses provide a wide array of goods and services that contribute to the amenities and quality of life available in Newburyport and help the City maintain a diverse economy, providing economic opportunities to both the local and regional workforce.

⁵ Indirect employment may refer to the presence of one type of business generating needs that are provided by another type of business. For example, a large restaurant will typically require commercial laundry services or an office park will require landscaping, janitorial, and waste management services as a part of their operational needs.

Market Segments

Much (although not all) of Newburyport's economy can be classified into six market segments:

1. Tourism, hospitality, entertainment, and retail
2. Manufacturing and construction
3. Office and professional services
4. Health care, social services, public sector, and education
5. Transportation and warehousing
6. Marine based (including aquaculture) and agriculture

These sectors are grouped together due to like characteristics (locations, number of employees, types of commercial spaces occupied, etc.), and with exception to manufacturing and construction, have similar growth projections. **Table ED-6** shows a summary of the current share of the market each segment represents in terms of employment, projected growth,⁶ primary locations, and a brief summary of concerns regarding each market segment.

Table ED-6: Market Segments

Sector	Employment		Primary Locations	Concerns
	Current # of Jobs	Growth Forecast		
Tourism, Hospitality, Entertainment, & Retail	2,530	Moderate to High	Downtown, Waterfront, Storey Avenue	<ul style="list-style-type: none"> Predominantly low wage jobs Lack of access to appropriate housing for workers Seasonal economy/impacted by weather Regulatory constraints Problematic lease structures
Manufacturing & Construction	2,401	Declining, High	Business Park	<ul style="list-style-type: none"> Inability to find skilled, trained, and/or credentialed workers Succession planning for skilled workers in fields younger generations are not entering Housing affordability for workers
Office & Professional Services	2,045	Moderate to High	All Commercial Districts	<ul style="list-style-type: none"> Lack of co-working and flexible office space for small businesses starting up Limited opportunities for physical expansion in downtown offices Parking difficulties for larger offices (Downtown & Storey Ave.)
Health Care, Social Services, Public Sector & Education	3,267	High to Very High	Hospital Area, Business Park, Downtown	<ul style="list-style-type: none"> Continued health and community support for Anna Jaques Hospital No satellite college campus located within city

⁶ Occupational and industrial growth projections are provided by the Executive Office of Labor and Workforce Development for the Lower Merrimac Valley Region and are not available individually for the City of Newburyport.

Sector	Employment		Primary Locations	Concerns
	Current # of Jobs	Growth Forecast		
Transportation & Warehousing	690	Declining to Low	Business Park	<ul style="list-style-type: none"> Height regulations within the business park may preclude some warehousing operations Transportation opportunities limited by insufficient roadways and railways and larger, deeper ports
Marine Based & Agriculture	27	Low	Waterfront, Business Park, and I-95	<ul style="list-style-type: none"> Limited open land Impacted by weather and blight Land costs frequently preclude active agriculture remaining in Newburyport

Sources: EOWLD ES-202 (2015), EOWLD Industry Projects, Lower Merrimac Valley (2015), & Community Opportunities Group, Inc.

Municipal Finance

Cities and Towns fund their activities through a variety of funding sources that traditionally comprise state aid, grants, local receipts (excise tax, fees, local tax options, etc.), and the local tax levy (residential, commercial, industrial, and personal property taxes). Commercial, industrial, personal property (CIP) taxes are generally viewed as a way to offset residential property taxes and assist in funding municipal obligations. Newburyport, like all surrounding communities, has a flat tax rate, charging the same tax rate for all types of property. Split tax rates with higher rates for CIP property are also common but can be viewed as a disincentive for local business development.

Table ED-7: Regional Municipal Finance Characteristics

Municipality	Tax Rate	Total Assessed Value (\$)	Tax Levy (\$)	Total Revenue (\$)	Municipal Budget (\$)	Residential Tax Burden	Commercial Tax Burden
Amesbury	20.28	1,844,082,827	38,880,514	63,628,082	60,495,015	84.0%	16.0%
Newbury	11.40	1,254,369,345	15,001,979	19,323,291	18,194,959	95.6%	4.4%
Newburyport	13.39	3,608,068,142	50,415,097	77,218,904	72,238,302	86.6%	13.4%
Salisbury	11.67	1,482,424,746	18,183,351	27,423,474	24,407,389	81.3%	18.7%
West Newbury	14.63	773,954,065	12,450,841	16,549,679	15,645,966	97.1%	2.9%

Source: Massachusetts Department of Revenue (2016)

Over the past 10 years, Newburyport has seen a decrease in state aid and an increased reliance on the residential tax levy to meet budgetary needs. Rising costs for health insurance and retirement in addition to rising costs to provide basic services, combined with increasing demand and expectations for services, have challenged municipal budgets across Massachusetts.

The average tax bill for a single family home in Newburyport was \$6,969 in FY16, representing an average increase of \$2,287 over the past ten years. During the same time frame, assessed value for all property types increased in Newburyport while the tax rate also increased (from 10.26 in FY06 to 13.39 in FY16) to meet budgetary needs. At present, state aid still contributes more to Newburyport's tax base than economic activity, but with projected decreases in state aid, economic development will play an increasingly important role in funding municipal services in upcoming years.

Table ED-8: Municipal Finance Trends in Newburyport (FY2006-FY2016)

Fiscal Year	State Aid	CIP Levy	Total Tax Levy	Municipal Budget	Residential as % of Budget	CIP as % of Budget	State Aid as % of Budget
2006	\$7,850,192	\$4,363,178	\$33,681,141	\$56,600,214	51.8%	7.7%	13.9%
2007	\$8,365,599	\$4,481,963	\$35,419,226	\$59,700,592	51.8%	7.5%	14.0%
2008	\$8,530,329	\$5,079,458	\$36,713,180	\$60,360,481	52.4%	8.4%	14.1%
2009	\$8,581,696	\$5,407,422	\$38,008,513	\$61,063,525	53.4%	8.9%	14.1%
2010	\$7,241,901	\$5,840,034	\$39,290,604	\$60,894,967	54.9%	9.6%	11.9%
2011	\$6,796,853	\$5,871,976	\$40,575,298	\$63,968,040	54.2%	9.2%	10.6%
2012	\$6,873,112	\$6,176,417	\$42,107,002	\$66,223,196	54.3%	9.3%	10.4%
2013	\$7,157,191	\$6,272,794	\$43,354,468	\$65,799,938	56.4%	9.5%	10.9%
2014	\$7,491,543	\$6,569,630	\$46,617,802	\$72,238,302	55.4%	9.1%	10.4%
2015	\$7,361,674	\$6,446,700	\$48,131,629	\$67,770,572	61.5%	9.5%	10.9%
2016	\$7,395,005	\$6,590,624	\$50,415,098	\$71,006,871	61.7%	9.3%	10.4%

Source: Massachusetts DOR (2016) and City of Newburyport

Real Estate Market

Approximately 17.2 percent of Newburyport's land area is used for commercial purposes with an assessed value of approximately \$670,100,000.⁷ Much of this land is located within the Business Park, with additional large tracts located on Storey Avenue, and smaller contributions within Downtown Newburyport, along the waterfront and in the Tannery, and near the Route 1 traffic circle. Needs for commercial space vary significantly by location, product type, size of space, and type of business operating within that space. For example, businesses engaged in manufacturing typically require high ceilings, load bearing floors, material storage, office space, access to transit routes (rail, sea, or highway) and one or more loading docks that are suitable for truck navigation. Whereas an office user may require a relatively small space that is equipped with adequate parking, a conference room, a kitchenette, and close proximity to amenities such as restaurants and recreation. A retail user may be more focused on the visibility of the space, the interior quality and size, the ability to install appropriate signage and window displays, and the structure of the lease, as many retailers rent rather than own their spaces.

When Newburyport businesses were surveyed, the following operating characteristics were discovered:

- Average employment per business is 11.2 full-time workers, 3.8 part-time workers, and 9.2 seasonal employees.
- The average size space occupied by a commercial user is 8,131 square feet. However, the median size space is 1,500 square feet. Over 85 percent of businesses in Newburyport occupy spaces under 3,500 square feet. Fifteen percent of those businesses occupy spaces that are smaller than 1,500 square feet while 10 percent of businesses in Newburyport occupy spaces larger than 25,000 square feet.
- Forty-three percent of respondents own their space while 57 percent rent. Among the renters, 10 percent would like to own but have been unable to purchase space.

⁷ Newburyport Assessor's Database, 2015.

- Nearly half of survey respondents had been in business for over 20 years, while nearly 20 percent had been operating for five years or less.

Among real estate agents, there is a general sense that the commercial market has rebounded from the recession years, and that while prices are inching upward they are likely near their peak for this market cycle. **Table ED-9** gives a general view of prices for commercial space in Newburyport. Vacancy rates are fairly low and depending on the product type, there may be little to no availability for certain real estate products. Currently there is significant demand for small office spaces (less than 1,000 s.f.), co-shared office space, and flexible use office space for lease, as well as small (less than 5,000 s.f.) industrial condos with garage doors with a minimum 16' height for rent or lease. There is virtually no supply currently available to meet this demand. Amesbury and Salisbury are presently handling much of the overflow from Newburyport for businesses that are unable to find suitable space within the City limits.

As one would expect, prices are higher for spaces that are higher quality and/or better located. Size is also a factor in pricing; due to high demand, smaller office and retail spaces, can be priced at nearly twice the price per square foot as other spaces of comparable quality. In addition, lease terms vary, which can have a significant impact on the ability a business has to locate in Newburyport. Short term "triple-net" leases in the 2-5 year range prove difficult for many businesses starting up, who can see their rent increase significantly at the end of their first lease term. For a business that has just started up, the prospect of a rent increase after an initial two year lease expires, before the business is truly viable can be a deal-breaker and lead renters to seek space in other municipalities. Other businesses are subject to leases that are structured as a percentage of their sales. While this structure is common in retail spaces located in malls and like real estate products, it can prove to be a difficult structure for small independently-owned businesses to manage.

Table ED-9: Snapshot of the Newburyport Commercial Rental Market (2016)

Product	Rent Scale (Price per S.F.)	Vacancy Rate
Retail	\$20 - \$30, \$40 and higher for smaller spaces	7%
Office	\$15 - \$25, up to \$30 for upper-story downtown	6%
Industrial Park (Office & Manufacturing)	\$9 - \$12 for combination space	-
Warehouse	\$6.50 - \$9	-

Sources: Commercial Realtors: Austin Spinella, Frank Bertolini, and Michael Nash, 2016

Table ED-10 provides a survey of currently available commercial real estate for purchase in Newburyport. It is notable that there are only four units in two different buildings currently available for purchase. In spite of a booming restaurant scene in Newburyport, interest in the restaurant unit is reportedly hindered by a large restaurant with 400 seats that was recently approved. Some are concerned that the ability to compete with such a large restaurant in a seasonal economy may prove to be too much in the current market.

Table ED-10: Survey of Commercial Sites Currently for Sale in Newburyport (2016)

Product Type	Size (S.F.)	Year Built	Price per S.F.	Price
Industrial Condo	3,150	2002	\$100.00	\$315,000
Industrial Condo	6,570	2002	\$88.13	\$579,000
Retail - Restaurant	3,266	1876	\$229.33	\$749,000
Office Condo	1,462	1876	\$177.15	\$259,000

Source: Newburyport Chamber of Commerce, 2016

Section B: Formative Issues

Economic Development Leadership

The City of Newburyport does not currently have in-house resources to address economic development planning issues. Although economic development activities fall within the purview of the Office of Planning and Community Development, the department is severely limited in their ability to proactively plan for economic development due to the lack of dedicated economic development staff. By default, many economic development planning activities are performed by the Greater Newburyport Chamber of Commerce, the Merrimack Valley Economic Development Council, the Merrimack Valley Planning Commission, and the Massachusetts Office of Business Development. The Mayor and City's staff actively participate with these organizations; however, these duties are just one of many performed by these offices.

Diversification of the tax base and increased revenues from economic development activities to offset the residential tax burden is a stated priority for the Mayor and City Council. However, in addition to lack of dedicated staff, there is also no economic development board, commission, or task force in the City to spearhead public discourse and decision making on economic development issues. Further, it is not uncommon for new businesses attempting to locate in Newburyport to encounter difficulties obtaining information due to a lack of "one-stop shop" for information regarding permitting, the regulatory environment, available space, etc. Consequently Newburyport is less adept at recruiting business and establishing a welcoming "pro-business" environment that would increase the perception of the City's friendliness toward new businesses. In addition to issues with recruitment, the City's abilities to retain businesses can also be a challenge, as businesses encountering problems and in need of support are provided limited resources by the City. This can represent lost opportunities for employment and tax revenues.

Branding and Marketing

When surveyed, business owners and employees in Newburyport stated that the issues they most needed assistance with from the City were branding and marketing. Building a local identity through the form of place-based branding and an associated marketing strategy, would assist the city's ability to be readily identified as a destination for visitors, workers, and employers. Newburyport has considerable resources that can be leveraged to attract residents and nonresidents alike to visit, shop, dine, and recreate while supporting local businesses. However the retail, tourism, and service industries only represent a small sector of the economy, and further marketing efforts that reflect the City as a desirable place to obtain personal and professional services such as health care, legal and financial services, as well as manufacture goods, to locate offices, and carry out other such activities would be beneficial to recruiting new businesses and retaining existing businesses.

Infrastructure

Like many cities, Newburyport is struggling to maintain a high standard of quality with respect to infrastructure, and infrastructure is high on the list of concerns within the business community. Although the concerns vary by geography, issues related to road paving, stormwater management and swale maintenance, sidewalks, completion of the rail trail, condition of athletic fields, maintenance, deferred and current, of City parks, trash collection, construction management, public parking, and the condition of the City's sewer and water system as well as its vulnerability to climate change are prominent. The City has recently made great strides in infrastructure upgrades, such as the \$32 million upgrade to the Wastewater Treatment Plant and the

\$19 million upgrade to the Water Plant (which have addressed capacity issues), approval of a new multimodal transit facility downtown and the current construction of a sewer lift station to allow redevelopment within the Business Park, the Smart Growth District and the entire southern portion of the City. However, limited funding presents a challenge for City officials making improvements to roadways, key intersections, sidewalks, stormwater management systems, the Clipper City Rail Trail and other major infrastructure efforts.

Housing

Another key concern within the business community is workforce housing. Eighty-eight percent of respondents expressed concern that the availability of housing nearby that is affordable to their workers is limited and impacts their ability to recruit employees. Further, as the supply of rental housing continues to decline in the City, housing options for service and other lower wage employees that are essential to many of the City's employers are becoming increasingly limited and less affordable as the supply is outpaced by demand. This issue is particularly acute for lower wage employees for whom a lengthy commute from communities with more affordable housing options is not outweighed by their expected incomes. As lengthy commutes have real quality of life impacts and can become exponentially more difficult when one depends on public transit or there is inclement weather, the decision to commute to Newburyport when similar employment options can be found nearer to their place of residence make it more difficult for Newburyport businesses to maintain stable staffing levels.

Regulatory Constraints

Also challenging Newburyport's business community are regulatory constraints resulting from zoning, wetlands regulations, building code, and/or historic preservation requirements, the impacts of which vary significantly by the location of a given business and the type of work it performs. Within the Business Park, many difficulties arise with respect to site design for new or expanded facilities due to a large presence of wetlands and wetland soils, and required setbacks for new buildings. The current zoning code limits or precludes a number of uses that could be appropriate in a business and industrial park, but under current zoning require relief from the zoning code by the Zoning Board of Appeals. This will likely change as the City completes its zoning revision project as there is support for allowing additional uses by-right in the Business Park. Downtown businesses can also encounter difficulties with zoning where parking and dimensional requirements in addition to use regulations are difficult to satisfy on small lots in areas that are densely developed. Further, some business owners find it challenging to operate within historic structures where alterations to meet functional needs or building and health codes can be at odds with historic preservation practices. Storey Avenue properties are encountering challenges as the area transitions away from generic suburban strip development to a gateway district that encourages pedestrian facilities, an interactive streetscape, and concealed parking. Regardless of the district or type of building, regulatory constraints can be particularly acute in Newburyport given that many of the lots and buildings predate regulations, which hinder their ability to fully and easily comply without requiring additional regulatory processes for waivers and relief from codes.

Barriers to Entry

There are significant barriers to entry for many fledgling businesses getting established in Newburyport. Although regulatory barriers can be problematic, the bigger issue is simply being able to find space that is affordable and with lease terms that are supportive of growing small independent businesses. There is a distinct need to provide more small office space (in the range of 400-1,000 square feet), as well as co-shared

office spaces that act as an incubator in the sense that they allow businesses to share resources like conference rooms and standard office equipment which can help reduce initial startup costs. The need for small space is critical in most market segments, as it is also acutely felt in the retail and industrial sectors. Bringing more commercial space online that can be subdivided and offers flexibility in use will be critical in upcoming years in fostering the growth of new and existing businesses.

Workforce Composition

Although Newburyport enjoys a well-educated and highly skilled population, the City is impacted by an influx of retirees and a shrinking workforce. The issue of an aging workforce is particularly acute amongst skilled tradesmen, and has a significant impact on the construction and manufacturing industries which are experiencing difficulties finding young people to replace their retiring workforce. This is also an issue for municipal positions, especially those requiring certifications, such as water, sewer and highway department employees. Business owners rated difficulties with recruitment and retention of qualified employees who are capable of performing their jobs, consistently arrive to work on time, and are focused on their work, as one of their biggest challenges.

Section C: Economic Development Goals

Support for and investment in economic development activities in Newburyport in upcoming years is critical to maintaining the high quality of life enjoyed by residents and the fiscal health of the City. Ensuring the business community can continue to thrive requires significant investment in maintaining the City's physical infrastructure (roads, sidewalks, sewers, waste management, public parking facilities, parks, alternative energy, etc.), workforce development, and the efficient delivery of key city services to maximize economic opportunities for the business community and local workforce.

The economic development component of this Master Plan seeks to define the City's current economic position and build upon the existing strengths of the local economy to ensure continued success in the future.

The City has identified the following goals to promote economic development:

- Increase local economic development capacity, coordination, and leadership.
- Build upon the cultural heritage and assets of Newburyport to brand and market the desirability of the city.
- Invest in the maintenance and resiliency of the physical infrastructure that supports business development.
- Increase housing diversity to support the housing needs of the workforce.
- Become more "friendly" to businesses by eliminating unnecessary or overly restrictive regulatory constraints.
- Ensure that the supply and character of commercial space can adapt to a changing economy.
- Promote the development of a skilled workforce to meet the future employment needs of the business community.

Goal ED-1: Increase local economic development capacity, coordination, and leadership.

Increasing the City's capacity to proactively lead and manage economic development issues, coordinate economic development support with existing agencies, provide support to the business community, seek funding opportunities, and participate at the regional and state level for business attraction and retention will be critical in upcoming years.

Goal ED-2: Build upon the cultural heritage and assets of Newburyport to brand and market the desirability of the city.

When surveyed, 60 percent of business owners stated they needed help with advertising and marketing their businesses. Branding efforts to position and market the City would address an existing concern of the business community while expanding future opportunities to attract new businesses, visitors, and residents.

Goal ED-3: Invest in the maintenance and resiliency of the physical infrastructure that supports business development.

The ability of the City to provide and maintain adequate transportation networks, wastewater and stormwater management, parking facilities, and clean affordable energy while maintaining a balanced budget is becoming increasingly difficult. However, in order to maintain a diverse tax base, these investments in economic development must be made to support business.

Goal ED-4: Increase housing diversity to support the housing needs of the workforce.

Diverse housing choices that are affordable to households at a variety of income levels are necessary to securing a stable workforce for local businesses. As the city becomes less affordable, lower wage workers have to come from farther distances to staff local businesses. Excessive commutes limit the attractiveness of employment within the city and leads to tardiness, higher turnover for local businesses, the inability to find qualified individuals to fill staff positions, and lost productivity.

Goal ED-5: Become more "friendly" to businesses by eliminating unnecessary or overly restrictive regulatory constraints.

Maintaining the balance between the need for regulation and the need for surety in permitting for businesses can be difficult. Identifying ways to streamline permitting processes and establish appropriate regulatory thresholds while protecting the interests of the public is needed to facilitate growth and ensure that it is complementary to the existing community.

Goal ED-6: Ensure that the supply and character of commercial space can adapt to a changing economy.

The need for flexible space for fledgling businesses to occupy and share resources is becoming an increasing concern as rents and lease structures become more cost prohibitive and space becomes increasingly scarce. Further, as certain types of buildings (i.e., manufacturing) experience obsolescence, ensuring that regulatory barriers are removed and incentives are offered to modernize and redevelop commercial space will help maintain a dynamic supply of commercial property.

Goal ED-7: Promote the development of a skilled workforce to meet the future employment needs of the business community.

Matching the educational opportunities and the promotion of diverse careers to students and members of the workforce with the labor needs of existing businesses increases the ability of businesses to find qualified staff, and provides an entry point to the workforce for residents. Coordinating the programming of local secondary schools, undergraduate and technical schools, and vocational training with local business needs can provide significant opportunities for workforce development and job growth.