

**MARKET ANALYSIS AND STRATEGIC
ACTION PLAN FOR DOWNTOWN HAVERHILL**

A Report To

The City of Haverhill

From

GRUEN GRUEN + ASSOCIATES

Urban Economists, Market Strategists, and Land Use/Public Policy Analysts

June 2007

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APPLYING KNOWLEDGE
CREATING RESULTS
ADDING VALUE

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CHAPTER I

INTRODUCTION AND PRINCIPAL FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INTRODUCTION AND PURPOSE

This report summarizes the assessment and forecast that Gruen Gruen + Associates (“GG+A”) conducted of the market for retail, residential, and office uses in Downtown Haverhill. In addition to evaluating potential market demands for retail, residential, and office space, GG+A also identified strategic actions that will facilitate the Downtown realizing the market potential.

WORK COMPLETED

To accomplish the study objectives, GG+A analyzed a variety of data sources and conducted primary research, including the following tasks:

1. Inspected the Downtown and conducted interviews with property owners, developers, real estate brokers, office space users, retailers and restaurant operators, representatives of financial institutions, as well as representatives of the Downtown Task Force, Merrimack Valley Economic Development Council, Inc., Greater Haverhill Chamber of Commerce, Haverhill Downtown Association, and the Haverhill City Council;
2. Designed a brief questionnaire (distributed and collected by City staff) to obtain information about the origins, transportation modes, and frequency of visitation to Downtown, and analyzed the results of the survey;
3. Analyzed demographic and income characteristics of market area households, and prepared purchasing power estimates for retail goods and services;
4. Converted estimates of purchasing power or retail demand into estimates of the supportable amount of on-the-ground retail space;
5. Obtained estimates of the supply of retail space and identified the relationship between estimated retail demand and supply;
6. Identified the inventory and performance of active or relatively new residential housing developments;
7. Analyzed demographic and income characteristics of the types of households with potential demand for Downtown housing, and household movement data and drew on the analysis to estimate the potential scale of demand for Downtown housing



from the primary potential sources of demand within the market area;

8. Analyzed office space market data; and
9. Synthesized the results of the primary and secondary research and analysis and field inspections in order to reach conclusions about the potential opportunities and constraints affecting demand for retail, residential, and office space in Downtown Haverhill and to identify strategic action recommendations for subsequent planning, marketing, and Downtown enhancement implementation.

REPORT ORGANIZATION

The analysis on which we base the conclusions and recommendations presented in this Chapter I is described in the following chapters. Chapter II summarizes the factors that encourage demand and the factors that discourage demand in Downtown Haverhill.

Chapter III presents the primary market area definition for retail space. Chapter III presents estimates of present and future retail demand from households in the primary market area, in both available dollars and supportable space. Chapter III also presents an estimate of the supply of existing and future retail space and describes the relationship between estimated retail demand and retail supply. Chapter III presents an estimate of the share of potential retail demand and the types of retail demand Downtown Haverhill can capture.

Chapter IV summarizes the relevant primary geographic market within which new housing developments compete for households, the types of households likely to be attracted to housing uses built in the Downtown, the primary geographic area from which households are likely to be attracted to Downtown housing, the relative advantages and disadvantages and image of the Downtown as a housing location, and characteristics of new or proposed Downtown housing developments. Chapter IV also presents an estimate of the demand for housing and the share of demand obtainable in the Downtown.

Chapter V reviews office space market conditions, the characteristics of successful office space locations, Haverhill's position in the office market, and the type of office space demand obtainable in the Downtown.

PRINCIPAL FINDINGS AND CONCLUSIONS

Primary Advantages

As described in Chapter II, the primary advantages for the Downtown include the following:

- The geographic centrality and density of the Downtown within the community;
- Convenient accessibility provided by linkages to transportation connections;



- The proximity to the Merrimack River and presence of historic buildings provide the Downtown with a unique sense of place and physical character;
- A variety of building types offering space at varying prices permit a diversity of uses and businesses;
- The Pentucket Medical Associates serves as an “anchor” tenant of the eastern part of Downtown attracting visitation from a wide trade area; and
- The Downtown includes a growing number of restaurants and bars located primarily in the western portion that encourage visitation, primarily during evenings and weekends.

Primary Disadvantages

As described in Chapter II, the primary disadvantages for the Downtown include the following:

- The Downtown currently lacks a concentration of either major office space users or an established base of market rate residential units;
- The Downtown also currently lacks a critical mass of synergistic retail, cultural, and other attractions;
- The Downtown is perceived to be disjointed with an east-west division at Washington Street and Merrimack Street at which a major Post Office facility and bus terminal are located. The eastern portion of the Downtown on Merrimack Street was subject to urban renewal, contains buildings that have been vacant or under-utilized for an extensive time, and has experienced the decline of traditional retail and social services attracted to the availability of space at low costs act as disamenities;
- The obsolescence of some space and poor streetscape conditions in some locations; and
- The perception of a parking shortage. The primary underlying factor accounting for much of the perception of a parking shortage is that the Downtown is not well linked together by activated street level activity, including interesting storefronts. Therefore, visitors are less willing to walk more than short distances or to multiple destinations.



Retail Market Area

Most customers for Downtown retailers and restaurants originate from within Haverhill or nearby communities.

Estimated Retail Demand

- Total household income within Haverhill is forecast to total \$1.7 billion in 2010. Assuming 23 percent of household income is expended on retail goods and services produces an estimate of expenditure potential or retail demand of approximately \$399.2 million. 2020 expenditure potential from Haverhill households is forecast to increase by about 16 percent or \$62.5 million to \$461.7 million.
- Demand originating from households in Haverhill is estimated to be capable of supporting over 1.1 million square feet of retail space assuming a sales level of \$375 per square foot. By 2020, the forecast growth in potential retail expenditures from Haverhill households is estimated to translate into increase demand of approximately 178,300 square feet to about 1.3 million square feet of retail space.

Estimated Retail Supply

- The total estimated existing supply of retail uses in Haverhill approximates 650,000 square feet of space. The City contains three large neighborhood shopping centers totaling approximately 506,000 square feet of space.
- The future retail supply in Haverhill includes a BJ's Wholesale Club, which is expected to open in August 2007, and a Target and Lowe's stores which are expected to open in October 2007. The planned or under construction supply of retail space is expected to add a total of nearly 582,000 square feet of space in Haverhill.

Relationship Between Retail Demand and Supply

- The comparison of demand and supply suggests a high intensity of competition for the retail expenditures of households in the Haverhill market area. The pending new supply of approximately 582,000 square feet of space in Haverhill is expected to serve the unmet demand so that a small demand deficit or supply surplus of approximately 91,000 square feet of space is estimated for 2010. Assuming no supply additions, the increase in demand due to improved purchasing power as result of additional households and income growth is estimated to produce a small positive unmet demand or supply shortfall of about 87,000 square feet in 2020.
- Just as potential demand from households outside of Haverhill is not incorporated in the demand-supply model, the estimated balance between supply and demand within



the City of Haverhill does not take into account the proportion of Haverhill expenditures captured by larger retail agglomerations outside of but near the City. As reviewed in Chapter III, three major shopping destinations which encompass more than two million square feet of retail space are located within approximately eight miles of the Downtown.

Gap/Surplus of Retail Expenditures by Retail Category

- As described in Chapter III, an analysis of demand by retail categories within one-, three-, and five-miles of Downtown Haverhill indicates potential unmet demand in foodservice and drinking category as well as in the sporting goods, hobby, book, and music stores category.

Estimate of Retail Demand Potentially Served Downtown

- We used the percentage of sales made within an one-mile radius of Downtown relative to the retail sales within five-miles of the Downtown as an initial “capture rate” to estimate how much additional retail demand is obtainable in the Downtown. In the five-mile radius, estimated unmet demand (or excess of expenditures over sales) in the foodservice and drinking, sporting goods, hobby, book and music stores, and miscellaneous retail stores categories totaled approximately \$52.5 million. If the Downtown captures at least 12 percent of this unmet demand this translates into potential additional demand of \$6.3 million. With a sales productivity threshold of \$375 per square foot, nearly 17,000 square feet of additional retail space is estimated to be supportable in Downtown Haverhill.
- As the rebranding of the Downtown takes root, and the magnetic attraction of the Downtown improves so as attract customers from a wider area and more frequent visitation, the amount of supportable demand will increase.

Residential Market Area and Demand Characteristics

- The kinds of households potentially attracted to Downtown housing include single or dual income households or divorced individuals with few or no children living at home. One type of household with potential demand is characterized as younger age (20’s and early 30’s), smaller-size households with one or more employed members. A second type of household with potential demand for Downtown housing is characterized as an older age (50’s and 60’s), empty-nester household.
- The primary market area from which households will be drawn is likely to include primarily the City of Haverhill as well as the larger Merrimack Valley area.
- While developers of planned and new projects indicated expectations of attracting



younger, smaller households from Boston because of high housing costs in Boston, the interviews about the geographic origins of renters and buyers of new supply suggest that this market is not yet a significant source of customers. We did, however, find an example of three of four tenants of a rehabilitated four-unit apartment building near the Downtown originating from the Boston/Cambridge/Somerville area with one tenant moving to the apartment from within Haverhill. The migration of price sensitive, younger, smaller households from Boston is likely to increase as the Downtown becomes branded as a more exciting location.

Primary Advantages as a Residential Location

The primary advantages of the Downtown as a housing location include:

- Geographic centrality in the Merrimack Valley region and accessibility to Highway 495 and therefore accessibility to employment centers in Boston and southern New Hampshire;
- Proximity to the MBTA Haverhill/Reading Commuter Rail Station;
- Proximity of Merrimack River and when the River is made more visible and accessible from the implementation of the Urban River Visions and Riverwalk initiatives, the Merrimack River will become an especially attractive and unique residential amenity;
- The ambiance of an urban environment with a growing base of restaurants and restored or redevelopment of several mill buildings; and
- The potential for the enhancement of the Downtown to help produce housing value appreciation in which pioneering households will benefit.

Primary Disadvantages as a Residential Location

The primary disadvantages of the Downtown as a housing location relate to the following:

- The Downtown is not a well established, preferred housing location for market rate housing;
- The Downtown currently lacks a critical mass of synergistic retail, cultural, and other attractions that improve the appeal of the Downtown as a place to live;
- The deteriorated condition of some properties, and poor streetscape conditions in some locations; and



- Some residential projects have been constrained by insufficient on-site parking to respond to the preferences of buyers or renters.

Active and Planned Residential Supply

- The Downtown includes a total of 242 units either actively marketed for-sale or for-rent or under construction. Of these 242 units, 146 of the units or 74 percent of the total are rental in one project. The remaining 96 units are for-sale product in two projects.
- Over 400 additional housing units are planned to be added in the Downtown.
- A for-sale development (70 Washington Street) has experienced slow absorption, while two rental projects (The Beacon Companies' The Cordovan at Haverhill Station and Forest City's Haverhill Mills) are affordable housing developments financed with tax credits. The Planning Office of Urban Affairs, an affiliate of the Catholic Archdiocese of Boston plans to also redevelop a 78,000-square-foot industrial building on Granite Street into first floor retail space and 57 residential units for affordable housing.
- Some households who have considered The Cordovan at Haverhill Station but decided against doing so because of too high of rents. The developer is discounting rents at the project by offering two free months for individuals signing leases for 12 months.

The Estimated Size or Scale of Potential Market Demand for Housing Units

- Older households comprise a large and increasing share of the population in Haverhill and Merrimack Valley. Older households, however, are typically more sensitive than younger households to the primary locational disadvantages cited above. Older, higher-income or wealthier households also have more housing choices, including the option to remain in their existing housing locations. As the Downtown becomes branded as a desirable residential location, the amount of demand, especially from the potential empty-nester market will increase. In the meantime, the primary market will be younger-aged, smaller, price sensitive households.
- Of the households in the age groups likely to be sources of demand for housing in Downtown Haverhill, approximately 10,000 households are forecast in Haverhill and in the larger market area of the Merrimack Valley, over 53,000 households by 2010. By 2020, the number of households will increase to over 12,000 households in



Haverhill and 67,000 households in the Merrimack Valley.

- Approximately 15 percent of younger age households and five percent of older age households move in any given year. Estimated potential demand from younger age and older age households in Haverhill and the Merrimack Valley is forecast to approximate 4,400 households. Haverhill is forecast to capture approximately 20 percent of this demand of nearly 900 households in 2010.
- By 2020, potential annual demand is forecast to increase to 5,300 households in the Merrimack Valley and approximately 1,000 households from Haverhill.

Share of Potential Demand Obtainable in Downtown Haverhill and Relationship Between Supply And Demand

- The size or scale of the potential demand sources suggest that even a small capture rate would support the development of more new housing than has been created or built Downtown in recent decades. If, for example, housing built Downtown capture five percent of potential demand within Haverhill from the primary demand groups profiled above, this would equate to 44 to 53 housing units per year. If the Downtown appeal improves to attract demand from the wider area of Merrimack Valley, capturing an estimated two to three percent of potential demand would translate into on average between 88 and 106 units to 130 to 160 units per year on average.
- A comparison of estimated demand of up to 160 units per year to existing new supply (242 units) and identified future new supply of housing (424 units) suggest competition for renters and buyers will be relatively intense in the foreseeable future. The relationship between estimated demand and supply equates to at least an approximately four years supply of housing units.
- The estimated relationship between demand and supply does not explicitly incorporate the potential increase in demand attributable to the attraction of Boston area households electing to move to obtain lower cost housing in locations offering high accessibility to Boston.
- Just as the rebranding of Downtown will improve the appeal of the Downtown to higher-income empty nester households, the rebranding will also increase the migration of Boston area households searching for more affordable housing in interesting locations still providing accessibility to Boston.

The Product Challenge

- The challenge, both from an architectural and financial feasibility perspective, is



whether attractive and functional condominium units can be profitably designed and built at prices below \$200,000 in order to attract younger, smaller, relatively price sensitive households.

- The relatively slow absorption of for-sale product at higher sales prices coupled with the interviews with developers and real estate brokers suggest the need for appealing products to be created at lower prices to attract pioneering households. Downtown housing will need to offer “more bang for the buck” compared to supply alternatives.

Office Market Conditions

- The Route 495 North office submarket of which Haverhill is a part is relatively small with the highest vacancy rate at over 24 percent and lowest average rents per square foot of \$20.04 for Class A space of all Boston area submarkets. Class B office space rents in the Route 495 North submarket average \$17.63 per square foot

Position in the Office Market

- The Route 495 North corridor is not the most preferred office submarket in the region and has not typically benefited from the spillover of demand and rental growth from the recovery of the Boston and close-in suburb and Route 128 submarkets. Andover and Chelmsford are the primary submarkets included in the Route 495 North submarket. These locations include more much office space with ample parking located closer to the Interstate and major arterial roadways, and a base of large corporate office users and support services than does Downtown Haverhill.
- Haverhill does not yet have an image as a corporate office location. Haverhill does not currently contain a critical mass of office space users, office space inventory, and set of support services and amenities that corporate office space users require.
- Much of the existing office space inventory is not responsive to preferences of contemporary major office space users. The Downtown does not provide significant agglomerational advantages for major office space users.

Type of Office Space Demand Likely to be Captured in Downtown

- Potential office space demand is likely to be complementary to retail and residential uses so that by creating a desirable, vital retail and residential environment, the Downtown will attract service and commercial office-oriented firms seeking the ambiance, proximity to services, and restaurants as well as convenience to where they live at prices below conventional suburban office parks.



MARKET NICHE FOR DOWNTOWN HAVERHILL

A synthesis of the market analysis indicates that bolstering the Downtown's nascent residential base and increasing the amount of retail and office space to create a sustainable Downtown requires a concentration and linkage of uses that mutually reinforce beneficial development, redevelopment, and property enhancements. Unlike the traditional model or sequence of development, office space development will not be the initial catalyst for the branding of Downtown. Instead, recommended actions will start a program to create an increasingly magnetic mixed-use agglomeration focused on residential and eating and drinking places, entertainment and cultural activities.

CREATING A CRITICAL MASS OF A MIX OF SYNERGISTIC USES IS THE PRIMARY OBJECTIVE

Attracting unique eating and drinking, entertainment, and specialty stores in a mixed-use environment represents the primary potential market niche for Downtown Haverhill. From a consumer's perspective, a successful Downtown will serve as the anti-mall agglomeration. An old marketing adage is to build upon existing strengths. Based on the supply-demand analyses, the results of the interviews, and identification of the growth in supply, eating and drinking places represent a relative strength that differentiates the Downtown from standard retail formats found outside of the Downtown. The basic building block of eating and drinking places should be augmented with additional eating and drinking places and the attraction of entertainment-oriented uses such as a Jazz brew-pub or comedy club. For example, WXRV (The River 92.5 FM) located at 30 How Street just off Merrimack Street in Downtown, maintains a facility on the top floor of its studio now called the River Music Hall from which it broadcasts live performances and records performances for later broadcast. The programming includes music from Boston area musicians. Investigate collaborating with the radio station to expand performances or related activities more directly and frequently in a venue Downtown. The mixed-use aspect, including housing, (the occupants of which reinforce demand for retail and eating and drinking and entertainment establishments and which represent sources of labor and decision makers for office space businesses) is what helps to create a dynamic environment and multi-purpose visits.

RECOMMENDED PRIORITY STRATEGIES AND ACTIONS

Several kinds of actions will encourage the evolution of Downtown from its historic functions to the newer functions that the Downtown can fulfill to the benefit of the City and its citizens. Focus on cultivating existing or potential strengths to attract and encourage the expansion of those types of firms and activities that derive a real advantage from a Downtown location. This focus will result in a mix of land uses and activities that differ significantly from the historic package of uses that once thrived Downtown. The past is not likely to be recreated with general retailing uses that serve the entire region with basic goods of the kind found in the traditional general merchandise stores once in the Downtown. Instead, program and support the Downtown to adapt to new opportunities that can be



expected to include specialty stores that complement eating and drinking-related and entertainment or cultural attractions as more of the area's population and out-of-town visitors visit Downtown for fun and unique experiences. The recommended actions will encourage the creation of an increasingly magnetic or customer-attracting specialty, mixed-use agglomeration.

Encourage new market responsive, in-fill development for its direct and spillover economic impact and confidence sustaining effect. Cost-effective public capital should be added to facilitate the evolution of the Downtown as a preferred location for housing, recreation and specialty retailing, eating and drinking places and "experience" attractions.

Tenancing and Land Use Recommendations

Restaurant, Entertainment, and Retail Uses

The challenge will be to attract a critical mass of food-related and agglomeration of specialty stores or services that have unique attractions or drawing power and are not readily duplicated in competing locations. Achieving the Downtown's retail potential will require improving the conditions for retailing and other commercial uses, including an adequate amount of conveniently located parking, an enhanced perception of safety, and a more attractive physical environment.

As suggested above, resurgence of areas like Downtown Haverhill frequently relates to eating and drinking places. The opening and expansion of restaurants, including Bistro 45, Pedro Diego's, Keon's, George's, Krueger Flatbread, and Olivia's, is a positive indication of the potential of attracting a wider selection of restaurant and food-service options. A variety of additional eating and drinking places, including coffee or espresso and tea shops, take-out restaurants, which typically have lower parking requirements than full-service restaurants, would serve both the employment and growing household-based markets. A sit-down coffee house that provides WIFI Internet connectivity is an example of a use that relates well to a consumer shift to making the most efficient use of time, even when shopping.

Restaurants and other eating and drinking places will do better if grouped together and will help provide customer traffic to support retail tenants and appeal to residents and office-space using businesses. In addition, additional restaurants and entertainment opportunities, particularly those that occur in the night-time, will enrich the image of the Downtown as more than just a place to work or shop and are likely to be able to share parking with complementary day-time uses. Currently, 48 percent of all households' food dollars are spent away from home at eating and drinking places. The rate of restaurant expenditures is likely to be high for Generation Y and Baby Boomer households. Many younger Generation Y households may more frequently purchase takeout foods from groceries and delis rather than dine at white-tablecloth restaurants.

Retail stores, particularly specialty stores, depend upon foot traffic and visibility as a primary



advantage in attracting customers. It is important for retailers to be near other stores, to be visible, and to offer an inviting street presence. Smaller, but specialized apparel, and accessory tenancies such as a higher-quality sweater or sportswear separates, a walking shoes store, a knitting shop, and unique gift and flower shops are examples of the kinds of tenancies, if grouped together, are more likely to succeed than general merchandise stores that are unlikely to be able to compete with the under construction Target and other general merchandise and apparel or category-killer tenancies located outside of Downtown Haverhill. Merchants such as Margot's Gallery and Classic Couple, a bridal shop, and restaurants such as Krueger Flatbread, already attract a higher percentage of customers from beyond Haverhill such as customers from the communities of Andover and North Andover, and Bradford. If the Downtown is able to create a more significant agglomeration of such specialty tenancies it will be likely to attract a greater number of customers from beyond Haverhill and attract more frequent visitation from within Haverhill because of the availability of uniquely responsive merchandise and customer-oriented service in a fun, pedestrian-oriented pleasant environment. This will necessarily include the creation of more "internal" competition in the Downtown, but this internal competition will be more than offset by improving the Downtown's position in the wider market place.

The demand-supply analysis suggests the success of a major grocery store Downtown will require siphoning off sales from existing grocery stores. While the Downtown alone cannot currently support a full-service grocery store, as the Downtown evolves to include more housing, delis that offer organic produce and takeout would be desirable additions. A full-service "Downtown-centric" grocery store will need to appeal to both households and employees which reside or work in or near Downtown and also penetrate into demand currently served by existing grocery stores. A high margin and important category for grocery stores includes prepared or take-out foods, and such a category should be emphasized to appeal to employees of area businesses and residents.

Housing and Cultural Uses

Given more building space exists than commercial uses can be expected to support, encourage continued property conversions to residential lofts or live-work lofts and development of new residential products not currently available Downtown that can capitalize on access to the Merrimack River and proximity to the Haverhill Commuter Train Station. Such developments signal a changing locational image for the Downtown, while also helping to build a population base to support commercial uses. At this point in the evolution of the Downtown, the importance of creating market rate housing in Downtown relates less to potential market demand than it does to the establishment of a desirable locational image – that it is hip or chic to live in Downtown. To attract such households, however, requires reasonable expectations of the targeted households that the Downtown is evolving into the center of cultural, entertainment, and recreational activities. The Riverwalk and The Cordovan and Haverhill Mills adaptive reuse residential projects are examples of investments signifying confidence in the future of Downtown Haverhill.



The property owners, City and Chamber of Commerce, in conjunction with local banks, should attempt to encourage and attract artists (including musicians) to rent or purchase vacant building space that could be converted into artist live/work space. While we have not studied the market feasibility of such a strategy, the attraction of artists seeking a lower cost, scenic environment within driving distance of the Boston metropolitan area may facilitate the reuse of older buildings not well positioned to compete for firms in the professional, business and technological service industries. An interview indicates that some musicians have already moved to Haverhill from Boston and Cambridge because of the availability of lower housing costs. Most important, the attraction of artists would serve to create a chic image or cache for the Downtown. The nurturing of the Downtown as a location for cultural activities will increase the potential for establishing residential uses in the Downtown and attracting visitation. Another benefit of attracting artists to Downtown Haverhill is that unlike many entertainment options that some local governments pursue to give a boost to their Downtowns, by their very nature, the activities of artists tend to change and retain their freshness.

The City in conjunction with the Haverhill Foundation may wish to investigate the feasibility of converting an existing under-utilized building with River views to a visual and musical arts center. For example, could an initial group of artists capable of passing a jury review of their work be attracted to studio space, which in return for reasonable rents, the artists give studio tours and participate in classes or performances? Would public and/or private schools, including the Northern Essex Community College, and other art organizations agree to sponsor classes and community outreach at the facility? Would WXRV (The River 92.5 FM) be in the position to help market and support the availability of music studios and a performance venue? Is a building available in which modest renovation dollars and significant volunteer labor would be sufficient or would substantial dollars and complex and extensive construction activity be required? An example of both an artist sustaining and visitor-attracting arts center (with kitchen and facilities for events and dancing and music) converted from a former factory in a downtown is the Torpedo Factory Art Center (www.torpedofactory.org) in Alexandria, Virginia.

Augment Service and Employment-Generating Uses

An opportunity may be available to obtain more spillover from the medical and health services uses already established in the Downtown and to benefit from the overall household growth that has occurred. Health-care related products (e.g., medical supplies and equipment, optical, dentists, and chiropractors) and personal services tend to cater to demand specific to the “neighborhood” and benefit from an increase in the household and employment base.

Unlike the traditional model of smaller city development, office space development will not be the initial catalyst for the rebranding of the Downtown. Providing a user-friendly (safe, clean, convenient) workplace environment and adding the attractions of a true mixed-use activity center will help to attract service and finance firms serving local rather than basic



(non local, export) markets.

For former shoe factory buildings not planned for residential conversion, coordinate with the property owners, Northern Essex Community College, Merrimack Valley Economic Development Council, Inc., the Haverhill Chamber of Commerce and local financial institutions to incubate businesses (including art and music-related Internet companies) that benefit from a lower-cost location Downtown. The Burgess-Lang complex (two eight-story buildings each containing about 129,000 square feet of space) at 143-145 Essex Street near the Commuter Rail Station is an example of non-residential buildings with transit accessibility and proximity to new residential uses.

Web sites for the City of Haverhill, Haverhill Chamber of Commerce and Merrimack Valley Economic Development Council, Inc. should include a refined, user-friendly database of the locations and amounts of available space with clearly-identified links to the web sites of property owners or developers. A single point of contact with the City should be designated to assist retail and office space-using entrepreneurs in (i) identifying available space, (ii) obtaining municipal, utility, and high speed T-1 services, (iii) obtaining training or other assistance from Northern Essex Community College for small businesses, and (iv) applying for loans from either available existing sources readily identified and accessed or a revolving loan fund set up through a consortium of local banks (or other institutions) to meet the needs of small creative businesses whose owners or workers also live in Haverhill. The availability of financial assistance should be extended to landlords or developers of the properties needing to make leasehold improvements to accommodate the needs of the new businesses. Investigate whether the Community College would be willing to staff on at least a part-time basis a classroom/conference room as part of an incubator facility with video-conferencing facilities for training and use by the businesses.

If it could be supported by sufficient demand as the result of added households, a health club represents another amenity that would also generate visitation for the Downtown, appeal to residents and complement the services provided by Pentucket Medical Associates.

Improve Parking

Effective parking policies must strike an appropriate balance between convenient parking, and the maintenance of the relatively dense urban fabric that makes Downtown unique, while recognizing the impact parking has on development feasibility. The demand for parking is a “derived demand”. That is, parking is not an end in itself; it allows access to workplaces, shops, housing, civic and cultural uses. One problem that policy must reflect is as the Downtown becomes a more popular destination, the demand for parking increases at the same time the cost of parking supply increases (as the result of land cost increases and conversion of land for parking to more intensive, primary uses). The second problem parking policy must address is the convenience, congestion, and reduced accessibility associated with a parking shortage will divert trips by consumers and visitors to competing locations and discourage the attraction and retention of businesses and housing consumers.



The third problem is until the Downtown becomes sufficiently desirable and provides agglomerational advantages so that people and businesses are willing to pay the higher costs of parking associated with the Downtown, obtainable rents will not be sufficient to amortize parking development costs. Imposing high costs on property owners will tend to discourage expansion and new development, while encouraging existing owners to maintain the status quo.

To encourage establishment of a critical mass of attractions and facilitate beneficial new development and property expansion and remodeling, it would be appropriate for the City to subsidize the provision of parking. The recently announced plan to develop a parking garage on city-owned land off Moulton Way and Granite Street across from the Commuter Train Station can be expected to improve the perceived and actual convenience of shopping and patronizing Downtown businesses and activities. In the short run, it would be appropriate to not charge for parking for visitors that are not in essence commuters parking in order to take the train, but not shopping or dining in the Downtown.

Take care that parking uses do not create or exacerbate spatial discontinuities that disrupt linkages and pedestrian flow between uses. Designs for parking facilities should avoid the creation of “dead space” to adjoining sidewalks and surrounding parking. A library branch or kiosk for book and video/CD pick-up and drop-off, and reading room with magazines and newspapers is an example of how to use the ground floor of the planned garage to activate the space. Such a use would likely appeal as well to the residents of the nearby Beacon, Forest City and other residential adaptive reuse projects.

Adopt a Proactive Asset Management Program

Use available public assets, including parking lots or decks owned or controlled by the City, to enhance the locational attraction of the Downtown while obtaining a good return on these assets. For example, the Merrimack Street Goecke parking deck appears to be under-utilized and not as well maintained and clean as would be ideal. This site should be evaluated and considered for a developer solicitation program for in-fill development. A principal challenge will be to provide the parking needed to support the new uses for the property, while making-up or not losing parking serving existing uses or users such as the Pentucket Medical Associates’ practice that currently makes use of the available parking. Should the former Woolworth’s building be considered for an arts center, parking could also be provided for visitors to the arts center at this site.

Over time, a catalytic effect can be achieved by planning, marketing and encouraging the development of City-owned property so as to facilitate private development that serves to:

- Increase city-wide economic activities;
- Improve Downtown’s image and property values; and
- Increases the flow of taxes to the City’s treasury.



Enhance Way-finding and Signage and Downtown Marketing

The Downtown would benefit from a way-finding system that more fully capitalizes upon and levers the geographic centrality and highway accessibility of the Downtown. An exciting signing/way-finding system, including the identification of the planned Riverwalk and gateways to the Downtown, should be installed in conjunction with a better coordinated marketing of the Downtown. Directional and “tenant directory”-type signage is also needed to better tie together the Commuter Rail Station, parking lots, and businesses and activities, particularly in the Wingate Street, western part of Downtown.

The City, in conjunction with the Chamber of Commerce, and Haverhill Downtown Association, should enhance the promotion of Downtown. This should include stimulating more pedestrian activities in the Downtown by sponsoring and/or encouraging sponsorship of events in the Downtown in addition to those such as the “Kidsfest” and “Italianfest” and the arts and cultural events coordinated by LEAP Haverhill. Consider encouraging area businesses or institutions or others to sponsor the creation of decorated “giant” fiberglass shoes throughout Downtown that would simultaneously pay homage to the City’s past as a center of shoe manufacturing, and help to re-brand the Downtown as a fun and exciting place.

The City recognizes through the Urban River Visions and Riverwalk design initiatives the importance of making the Merrimack River more of a recreational draw, including dock and marina facilities for boating, and open up view corridors through redevelopment. Increased scenic views of and access to the River will add value for residential and office uses. To encourage desirable residential and office projects that include removal of obsolete existing space and open up views of and access to the Merrimack River, the City should offer a streamlined approval process and incentives such as density bonuses to offset the added costs associated with demolition or extraordinary sitework costs.

Caution About Actions to Improve General Appearance

Banners, planters, additional lighting, outdoor seating, streetscape cleaning, and other actions which improve the general appearance to the Downtown should be taken in conjunction with property owners actions to improve their facades and making other physical and tenanting enhancements. Avoid, however, the temptation of installing expensive trash cans, distinctive paving stones and related streetscape improvements and furniture as they are costly to amortize and maintain and distract from store fronts. Focus on keeping sidewalks clean. In addition, it is important at this stage of the Downtown’s evolution to not significantly raise costs as low rents are needed to incubate the Downtown with new entrepreneurs. Once the Downtown attracts additional restaurants, specialty shops, recreational, cultural and entertainment uses and households that support commercial activities, sales and therefore rents will increase. At this latter stage, it would then become appropriate to form a business improvement district (“BID”) or other association by which the extra services required for the Downtown are funded by property owners and space



users obtaining the associated extra benefits.

Monitor Progress

In addition to monitoring rental rates, occupancy rates, sales prices, and the number of jobs and residents located Downtown, building permit activity, and when built, the occupancy rate of the new garage, the City in Conjunction with the Chamber of Commerce and Downtown Task Force should organize an independent committee or board of private and institutional representatives that would meet four times per year. Representatives would include individuals employed by the largest private and institutional employers in the Downtown as well as representatives of smaller firms in the eating and dining, entertainment and specialty retail sectors. The size of the committee or board should not exceed 15 members. The purpose of the committee or board would be provide feedback from the perspective of employers and institutions as well as that from the various types of businesses operating Downtown on issues of recurring concern. Areas of concern to be monitored and reported on should relate to needs for building space, parking, transportation or infrastructure issues, security, policies affecting doing business in the Downtown, as well as external conditions affecting the growth or vitality of the Downtown.

It would also be worthwhile to hold focus panels or conduct a survey from time to time of Downtown residents of adaptive reuse or new residential developments to obtain information on what they like best or like least about living in Downtown, why they opted to move Downtown and from where they moved and where else considered living. The focus panel or survey should also identify what stores, restaurants or other activities not present would be patronized if available, and what if any other enhancements would make living Downtown better. In addition, the research should result in obtaining information on the demographic and employment characteristics of residents.



CHAPTER II

MARKET RECONNAISSANCE

MARKET NICHE AND DEMAND OPPORTUNITIES

To gain insight into the potential demand for retail, residential, and office space in the Downtown, GG+A staff inspected the area, conducted interviews with property owners, developers, real estate brokers, and merchants. We also analyzed relevant available secondary data. We have synthesized the results of the research and analysis, including interviews, into the following sections, the first two of which are presented in Chapter II:

1. Factors That Encourage Demand or Primary Advantages;
2. Factors That Discourage Demand or Primary Disadvantages;
3. Evaluation of Market Potential for Retail, Residential, and Office Uses; and
4. Recommended Priority Strategies and Actions.

FACTORS THAT ENCOURAGE DEMAND OR PRIMARY ADVANTAGES

The site inspections and interviews suggest the factors that encourage demand or constitute primary advantages for the Downtown include the following:

- The geographic centrality and density of the Downtown within the community. The Downtown is situated among a proportionately larger share of Haverhill's population than peripheral locations within the community. The population density is approximately 11,000-persons per-square-mile within ½-mile of the Downtown and decreases to 6,000-, 2,000-, and 1,500-persons per-square-mile within one-, three- and four-miles of the Downtown;
- Convenient accessibility provided by connections to Highway 495 via Route 125, Route 113/River Street, Route 97/Broadway, Route 125/Main St., and Amesbury Road and train access to Boston, New Hampshire, and Maine via the high-speed Amtrak "Downeaster" rail line;
- The proximity to the Merrimack River and presence of historic buildings provide the Downtown with a unique sense of place and physical character. (As reviewed below, however, much of the building inventory is functionally obsolete and the River is not visible or accessible from some locations within Downtown);
- A variety of building types offering space at varying prices permit a diversity of uses and businesses, which makes the Downtown a more interesting environment. Low



rents can be used to induce additional unique and interesting retail or other incubator entrepreneurs to the Downtown (during the course of our interviews we identified examples of gift, jewelry, clothing and accessory and eating and drinking establishments that elected to locate Downtown instead of alternative locations because of the availability of space at low rents or purchase prices);

- The Pentucket Medical Associates practice employs 20 doctors and 200 staff members in the Downtown and attracts significant visitation from a wide trade area. This user serves as an “anchor” tenant of the eastern part of Downtown; and
- The Downtown includes a growing number of restaurants and bars located primarily in the western portion that encourage visitation, primarily during evenings and weekends.

FACTORS THAT DISCOURAGE DEMAND OR PRIMARY DISADVANTAGES

The following factors discourage the attraction of demand or primary disadvantages:

- The Downtown currently lacks a concentration of either major office space users or an established base of market rate residential units, which would serve to establish the image of the Downtown as a vibrant, hip or chic place to work, live, shop and play and augment demand for goods, services and activities in the Downtown;
- The Downtown also currently lacks a critical mass of synergistic retail, cultural, and other attractions needed to induce multi-purpose trips from a wide area or frequent visitation. Downtown is active primarily during late afternoon or evening hours and weekends as the result of attraction of patrons to a growing number of restaurants;
- The Downtown is perceived to be disjointed with an east-west division at Washington Street and Merrimack Street at which a major Post Office facility and bus terminal are located. The eastern portion of the Downtown on Merrimack Street was subject to urban renewal, contains buildings such as the former Woolworth’s that have been vacant or under-utilized for an extensive time, and has experienced the decline of traditional retail services (e.g., Woolworth’s; Barrett’s, a men’s clothier; and Mitchell’s, a notions and sundries store) and departure of some professional service firms. Various social services (e.g., unemployment, treatment of alcoholic or drug addicts, mental health patients) attracted to the availability of space at low costs act as disamenities or negative externalities – factors that make it harder for adjoining uses to succeed- and create a negative image of the Downtown;
- The obsolescence of some space and poor streetscape conditions in some locations. Much of the Downtown space is no longer physically attuned to the needs of users, or their customers. During our inspections and interviews with restaurateurs and



merchants, examples were noted of burnt-out street lights, dirty streets/sidewalks, empty-store fronts and safety or security issues were raised. The disadvantages cited above discourage strolling and browsing and diminish the image or desirability of the Downtown;

- As described below, retail space growth is occurring outside the Downtown along Interstate 495; and
- The perception of a parking shortage. It is an American truism that wherever the commercial agglomeration, the amount or placement of parking is almost always a tenant complaint. The interviews with merchants and others were no exception. Many cited improved parking as an important change that would help Downtown businesses. We would note, however, that the perception of the parking shortage appears to relate to customers or visitors wanting to park immediately in front of or adjoining their primary destinations and not always being able to do so. Based on our inspections and interviews, we believe the primary underlying factor accounting for much of the perception of a parking shortage is that the Downtown is not well linked together by activated street level activity, including interesting storefronts. Therefore, visitors are less willing to walk more than short distances or to multiple destinations.



CHAPTER III

AN ESTIMATE OF RETAIL DEMAND

APPROACH

In addition to the qualitative interviews synthesized in Chapter II, GG+A obtained and analyzed demographic and income data to estimate potential retail demand in terms of expenditure potential and the square footage the estimate demand could support, given assumptions about required average sales per square foot of commercial space. As reviewed below, we also identified the amount of retail space within the primary market area. We then compared the demand and supply estimates to assess the likely intensity of competition for the expenditures of shoppers within the primary market area and to reach judgments on the share of demand that could be attracted by existing and new retail uses in the Downtown.

In addition to conducting interviews and obtaining merchant customer base data, GG+A also designed a short merchant customer survey directed to obtaining information on the geographic origins of shoppers, their modes of transportation, and frequency of visitation. The City took responsibility for distributing and collecting the questionnaires completed by customers of Downtown merchants. One hundred ninety-one surveys were provided to GG+A in time to include in the analysis. The results of the survey are presented below. Appendix A contains a copy of the survey.

PRIMARY MARKET AREA

A primary market area is the geographic area from which most (i.e., 60 percent or more) customers of a shopping center or shopping area are drawn. The market area for any specific agglomeration or set of stores is a function of the size and tenant make-up of the agglomeration, its accessibility and the scale and tenancies of competing agglomerations. Therefore, market areas are dynamic and tend to change as a function of the type and supply of competing shopping locations. The travel time people are willing to expend in order to visit a shopping or business location varies as a function of both the size of the shopping areas and the relative uniqueness of the tenancies and environments available at alternative destinations. The relative accessibility to the shopping area and ease of getting in, about, and out of the shopping area also influence the trade area. Uniqueness, attraction, and accessibility are not measured in the abstract, but are always relative to the specific competition in the market area.

Not all internally generated demand is satisfied in a primary market area. Some of the potential demand within the market area is lost to retailers outside the market area. Conversely, retail sales in a market area will be made to customers such as visitors who live outside the market area.

The interviews, review of supply, review of merchant customer data and results of the



merchant customer survey suggest the primary source of demand for retail space in the Downtown originates from Haverhill households. Some restaurateurs and specialty merchants attract customers beyond Haverhill including Andover, North Andover, and southern New Hampshire. The retail agglomerations surrounding Haverhill in Methuen, Massachusetts and Plaistow, New Hampshire present competing shopping alternatives. The Loop Shopping Center and Stateline Plaza in Plaistow comprise nearly 800,000 square feet of retail space within four to five miles of Downtown Haverhill. As described below, regional-serving retail space is located in New Hampshire, which does not impose a sales tax.

Based on the results of the Downtown merchant customer survey, Table III-1 indicates that the majority (53 percent) of Downtown visitors live in Haverhill.

TABLE III-1		
Locational Origin of Respondents to Downtown Merchant Survey		
<i>Do you live in Haverhill (including Bradford)?</i>	Number <u>#</u>	Percentage <u>%</u>
Yes	91	53.2
No	80	46.8
Total ¹	171	100.0
<i>Where were you before coming here?</i>		
Directly from home	103	53.9
Directly from work	58	30.4
Directly from school	5	2.6
Directly from another shopping location	15	7.9
Another location	10	5.2
Total	191	100.0
¹ Twenty respondents did not answer the question.		
Source: Gruen Gruen + Associates		

A high proportion (53 percent) of visitors reported coming to the merchant from home while another 30 percent come from work. Few respondents (eight percent) reported coming from another shopping location indicating little spill over from other shopping destinations. Of the eighty respondents who do not live in Haverhill, half of those, or 40 respondents, came directly from home.

Over 84 percent, or 161 respondents (of the 190 who responded to the mode of transportation question), indicated they came to the Downtown by car or motorcycle. Another 14 percent of respondents indicated walking as their means of transportation while very few or less than three percent indicated public transit or bicycling as their transportation modes. This indicates the importance of maintaining an adequate supply of parking.

Table III-2 presents the results of the distance traveled by time to the Downtown by respondents to the merchant survey.



TABLE III-2

Time Traveled to Downtown by Respondents of Downtown Merchant Survey

<i>How many minutes did it take you to get here from your last location?</i>	Number #	Percentage %
0-5 Minutes	62	32.5
6-10 Minutes	55	28.8
11-15 Minutes	29	15.2
16-25 Minutes	12	6.3
26-34 Minutes	15	7.8
35+ Minutes	18	9.4
Total	191	100.0
Source: Gruen Gruen + Associates		

The survey indicates that the Downtown serves a relatively circumscribed market area. As time traveled by shoppers' increases, the numbers of shoppers' decreases. Although few respondents walked to their destination, approximately 60 percent, or 117 respondents traveled to their destination in 10 minutes or less. This is consistent with the finding that 120 respondents or 63 percent came directly from a location within Haverhill. Of the 37 percent of shoppers which did not come to their destinations from within Haverhill, the time traveled was 11 minutes or more and the most cited communities from where they came included locations in New Hampshire, and the nearby Massachusetts cities of Andover, Groveland, and Merrimac.

The interviews, survey results, and review of area retail supply suggest that Downtown attracts customers primarily from within Haverhill and nearby locations and loses some sales to retailers outside Haverhill. In order to simplify the analysis, however, we estimate potential demand based on the present and forecast households and average household income of residents in Haverhill. We then multiply the resulting total income or potential purchasing by the proportion of income spent on retail goods and services. We do so to derive an estimate of potential retail demand for the City as a whole.

ESTIMATE OF TOTAL HOUSEHOLD INCOME

Table III-3 presents for the Haverhill market area estimates of the population and households and total available income. The population and household data is drawn from the Merrimack Valley Planning Commission and the average household income estimate is drawn from data obtained from Claritas, a national information vendor.



TABLE III-3

Demographic and Income Estimates for Residents of Haverhill 2010 and 2020

	Forecast 2010	Forecast 2020	Changes from 2010 – 2020 #	Changes from 2010 – 2020 %
Population	61,329	63,413	2,084	3.4
Households ¹	24,427	25,571	1,144	4.7
Average Household Income	\$71,061 ²	\$78,495	\$7,434	10.5
Total Available Household Income	\$1,735,807,000	\$2,007,195,600	\$271,388,600	15.6
¹ Merrimack Valley Planning Commission estimate. ² Two percent annual growth rate was used to project 2012 average income from 2007 average household income of \$68,971 estimated by Claritas.				
Sources: U.S. Census Bureau, Census 2000; Claritas, <i>Demographic Snapshot Report</i> ; Merrimack Valley Planning Commission; Gruen Gruen + Associates.				

We reviewed a forecast of population and households prepared by the Merrimack Valley Planning Commission for 2010 and 2020. This forecast appears more reasonable than a forecast of lower household growth made by Claritas given the historical average number of new residential units permitted from 2001 to 2006. We used the estimate by Claritas of average household income in 2007 and grew this by one percent annually to estimate household income in 2010 and 2020. (The interviews and review of new housing supply indicate that newer residents of Haverhill housing outside of Downtown have relatively high incomes and higher levels of educational attainment). Haverhill is forecast to grow by over 1,100 households or five percent. Not taking into account the effects of inflation, average household income is forecast to grow by one percent annually from approximately \$71,100 in 2010 to \$78,500 in 2020. Total available household income is forecast to increase by 15.6 percent from approximately \$1.7 billion to \$2.0 billion in 2020.

ESTIMATE OF EXPENDITURES FOR RETAIL GOODS

Expenditure Rate

In order to estimate the potential purchasing power, we reviewed the 2004-2005 Bureau of Labor Statistics (“BLS”) Consumer Expenditure Survey for the Boston Metropolitan Statistical Area (“MSA”). We also reviewed relevant past GG+A research on consumer expenditures on retail goods and services. As shown on Table III-4, the 2004-2005 BLS Consumer Expenditure Survey for the Boston MSA indicates that Boston region households expend approximately 23 percent of their before-tax income in retail goods and services.



TABLE III-4

Boston MSA Average Household Annual Expenditure on Retail Goods and Services in 2004-2005

Good/Service	Average Household Annual Expenditures \$	Share of Average Household Income ¹ %
Food	7,223	10.6
Alcoholic Beverages	834	1.2
Housekeeping Supplies	684	1.0
Household Furniture & Equipment	1,670	2.5
Apparel & Services	1,929	2.8
Personal Care Products & Services	591	0.9
Reading	195	0.3
Tobacco Products & Smoking Supplies	287	0.4
Entertainment	2,347	3.5
Total	15,760	23.2
¹ Boston MSA average household income in 2004-2005 was \$67,927.		
Source: Bureau of Labor Statistics Consumer Expenditure Survey 2004-2005		

The largest share of household income is spent on food which includes food away from home. This good accounts for nearly 11 percent of before-tax household income expenditures.

Estimated Expenditure Potential of Haverhill Households

To estimate the purchasing power or expenditure potential within the primary market area of Haverhill, we assume approximately 23 percent of total household income is spent on retail goods and services. Table III-5 presents estimates of potential retail demand within Haverhill.

TABLE III-5

Estimated Retail Demand from Haverhill Households: 2010 and 2020¹

	2010	2020	Increase 2010 – 2020 \$	Increase 2010 – 2020 %
Haverhill Household Income	\$1,735,807,000	\$2,007,195,600	\$271,388,600	15.6
Estimated Expenditure Potential @ 23 Percent of Total household Income	\$399,235,600	\$461,655,000	\$62,419,400	15.6
¹ Figures have been rounded.				
Source: Merrimack Valley Planning Commission; Bureau of Labor Statistics, <i>Consumer Expenditure Survey 2004-2005</i> ; Claritas, <i>Demographic Snapshot Report</i> ; Gruen Gruen + Associates.				

Multiplying the total household income within Haverhill of \$1.7 billion dollars in 2010 by the



23 percent estimated expenditure rate produces an estimate of expenditure potential or retail demand of approximately \$399.2 million. 2020 expenditure potential is forecast to increase by about 16 percent or \$62.5 million to \$461.7 million.

ESTIMATED SUPPORTABLE SPACE DEMAND

In order to convert estimates of expenditure potential or purchasing power into estimates of potential on-the-ground retail space, an assumption must be made about the average sales per square foot tenants or retailers must generate to viably operate and for landlords to obtain high enough rents to amortize development costs and provide an acceptable return on investment. The estimates of retail demand reflect the assumption that a *new* commercial development would need to generate at least \$375 per square foot in sales in order to be financially feasible. This assumption is based on a synthesis of our interviews. The sales per-square-foot assumption is supported by the Urban Land Institute’s annual survey of shopping centers. As indicated in the *2006 Dollars & Cents of Shopping Centers*, community and neighborhood shopping centers in the northeastern United States average sales of \$325 to \$400 per square foot. Table III-6 presents sales productivity of examples of publicly-traded restaurants and specialty retailers found in some vital urban and suburban downtowns.

TABLE III-6		
Average Size and Sales of Retailers and Restaurants Often Found in Downtowns		
	<u>Average Size # Square Feet</u>	<u>Average Sales Per Square Foot \$</u>
Chipotle	2,700	530
Cosi	3,000	490
Panera Bread	4,400	418
California Pizza Kitchen	5,000	579
Starbucks	2,000	310
Talbot’s	4,007	346
Chico’s	2,540	791
Banana Republic	8,442	447
Barnes & Noble	24,800	302
Walgreen’s	14,500	545
Sources: 2005/2006 Annual Reports from individual retailers listed; Gruen Gruen + Associates.		

The sales per square foot productivity used to estimate potential retail demand is likely much higher than the sales productivity of many of the merchants operating in space in Downtown Haverhill. We use the higher sales productivity threshold because anchor grocery stores need to generate high sales per square foot because of low per unit margins. Big-box, category-killer and warehouse club retailers also need to generate high sales per square foot because of low per unit margins. In addition, higher sales support higher rents and therefore warrant the development or redevelopment of new, higher-quality retail or restaurant facilities than has occurred in the Downtown.



Table III-7 shows that demand originating from households in Haverhill is estimated to be capable of supporting over 1.1 million square feet of retail space assuming a sales level of \$375 per square foot.

TABLE III-7		
Estimated Supportable Retail Space in City of Haverhill: 2010 and 2020¹		
	2010	2020
Estimated Potential Retail Expenditures/Demand	\$399,235,600	\$461,655,000
Estimated Total Retail Space in Square Feet @ \$375 Sales Per Square Foot	1,140,700	1,319,000
Forecast Additional Supportable Retail Space in Square Feet	-----	178,300
¹ Figures have been rounded.		
Source: Gruen Gruen + Associates		

By 2020, the forecast growth in potential retail expenditures from Haverhill households is estimated to translate into increase demand of approximately 178,300 square feet to about 1.3 million square feet of retail space.

ESTIMATED SUPPLY OF RETAIL SPACE

Existing Retail Space

Table III-8 and Map 1 show the estimated supply of existing retail space in Haverhill.



TABLE III-8

Primary Existing Supply of Retail Space in the City of Haverhill

Map ID	Center	Location	Year Built	Major Tenants	Amount of Building Space # Square Feet	Occupancy %	Rent \$ Per Square Foot
1	Westgate Center	400 Lowell Ave.	1965	Market Basket, Marshall's, Payless Shoes	198,000	59	14.00
2	Walgreen's Plaza	Main St. & Fourth Ave.	2006	Walgreen's, Blockbuster, FedEx Kinko's,	33,600	79	30.00
3	Haverhill/River's Edge Plaza	227-285 Lincoln Ave.	1962	CVS Pharmacy, Family Dollar, Fashion Bug, Market Basket, Building #19 Inc.	195,000	98	12.00
4	Central Plaza	2 Water St.	1971	Market Basket, Brook's Pharmacy, H&R Block, World Gym	113,000	100	
5	CVS	259 Main St.	2006	Freestanding	11,200	100	
6	CVS	425 Lowell Ave.	2004	Freestanding	13,100	100	
7	Brook's Pharmacy	68 S. Main Street	2002	Freestanding	12,800	100	
8	Walgreen's	800 River St.	2004	Freestanding	14,300	100	
Additional Retail Space Located in the Downtown Estimated @ 10% of Total Space Outside the Downtown					59,000		
TOTAL					650,000		

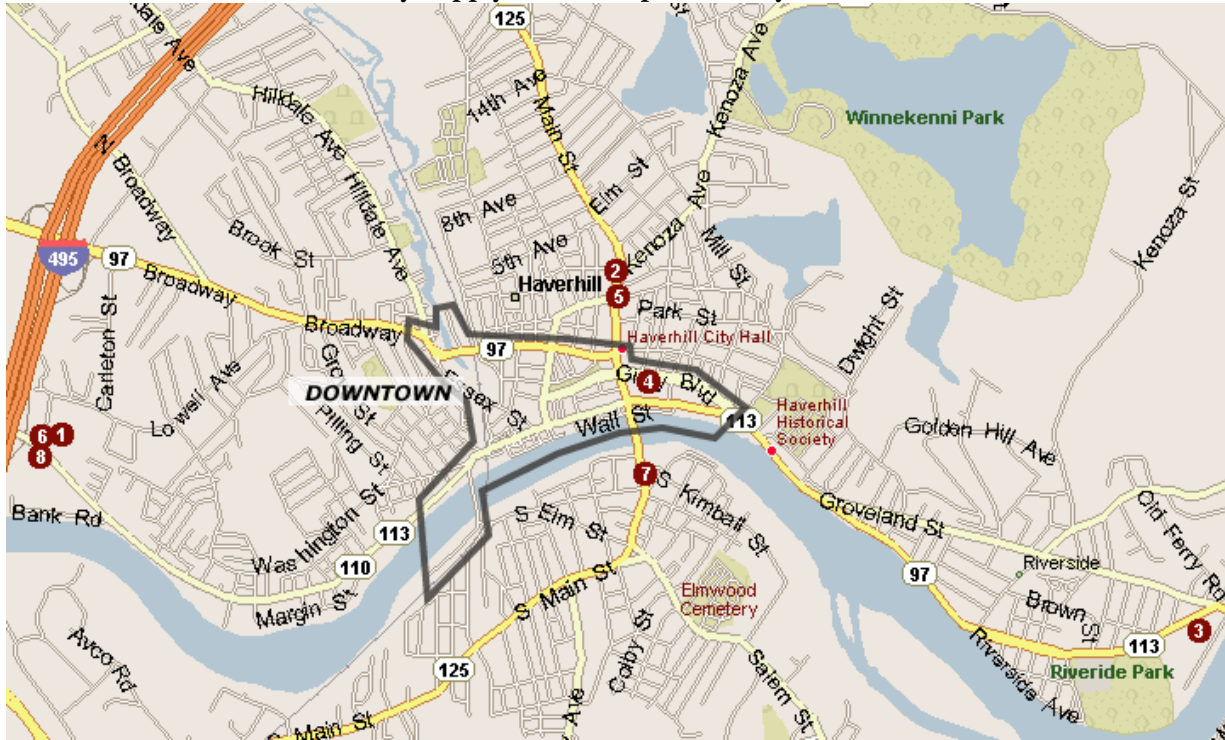
Sources: City of Haverhill; Bierbrier Development; Gruen Gruen + Associates.

The total estimated existing supply of retail uses in Haverhill approximates 650,000 square feet of space. The City contains three large neighborhood shopping centers totaling approximately 506,000 square feet of space. The City does not currently include community centers or power centers.



MAP III-1

Primary Supply of Retail Space in City of Haverhill



Future Supply of Retail Space

Table III-9 shows the future supply of retail space in Haverhill.

TABLE III-9

Future Supply of Retail Space in City of Haverhill

	Location	Size (# square feet)	Status
BJ's Wholesale	Rt. 125 & Shelley Rd.	119,598	Under Construction
Target	Haverhill Commons	126,874	Under Construction
Lowe's	Haverhill Commons	141,323	Under Construction
Lafayette Crossing/CVS	Hilldale Ave. & West Broadway	14,000	Awaiting Site Plan Review; All Other Approvals Granted
Commercial Development	Route 97, Across the Street from Target and Lowe's Stores	128,000	Planned
Total		581,795	

Sources: City of Haverhill; Gruen Gruen + Associates.

The BJ's Wholesale Club is expected to open in August 2007, while the Target and Lowe's



stores are expected to open in October 2007. A CVS store is awaiting site plan review but has obtained other needed approvals. In addition, a commercial development including retail, restaurant, and gasoline station/convenience uses is planned across the street from the Target and Lowe’s stores. The planned or under construction supply of retail space is expected to add a total of nearly 582,000 square feet of space in Haverhill.

RELATIONSHIP BETWEEN ESTIMATED DEMAND AND SUPPLY

Table III-10 presents the relationship between the estimated square feet of retail space the potential demand from within Haverhill can support and the estimated supply of existing and identified future supply of retail space within the Haverhill market area.

TABLE III-10		
Relationship Between Estimated Demand and Supply of Retail Space: 2010-2020		
	2010 # Square Feet	2020 # Square Feet
Estimated Retail Space Demand	1,140,700	1,319,000
Estimated Supply of Retail Space ¹	1,231,795	1,231,795
Excess or Unmet Retail Space Demand	-91,095	87,205
¹ Assumes no supply additions other than supply identified in Table III-7.		
Source: Gruen Gruen + Associates		

The comparison suggests a high intensity of competition for the retail expenditures of households in the Haverhill market area. The pending new supply of approximately 582,000 square feet of space in Haverhill is expected to serve the unmet demand so that a small demand deficit or supply surplus of approximately 91,000 square feet of space is estimated for 2010. Assuming no supply additions, the increase in demand due to improved purchasing power as result of additional households and income growth is estimated to produce a small positive unmet demand or supply shortfall of about 87,000 square feet in 2020.

Supply Near Haverhill Not Included in the Demand-Supply Model

As indicated above, the estimated balance between supply and demand within the City of Haverhill does not take into account the proportion of Haverhill expenditures captured by larger retail agglomerations outside of but near the City. Three major shopping destinations which encompass more than two million square feet of retail space are located within approximately eight miles of the Downtown.

Directly adjacent to the City of Haverhill along Route 125 in Plaistow, New Hampshire are the 310,000-square-foot Pentucket Shopping Center and the Stateline Plaza. The big-box agglomeration includes national retailers such as Wal-Mart, The Home Depot, Staples, Market Basket, Shaw’s, Kohl’s, TJ Maxx, and CVS Pharmacy.

Located approximately five miles from Downtown Haverhill on the former 56-acre site of



the Methuen Mall in Methuen, Massachusetts along Route 113, is the Loop Shopping Center developed in 2000 by The Wilder Company. The Loop is anchored by a 100,000-square-foot Home Depot, a 25,000-square-foot Border's Books, and a 30,000-square-foot Marshall's. In total, the center encompasses approximately 480,000 square feet of retail, dining, and entertainment space including a Loews movie theatre. Other specialty retailers at the Loop Shopping Center include Ann Taylor, Bath & Body Works, Old Navy, The Gap, and Yankee Candle Company. A leasing representative with the Wilder Companies indicated that rents range from \$20-\$25-per-square-foot for the larger anchor stores and anywhere from \$35 to \$50-per-square-foot for smaller retail space. The representative also estimated that the Loop pulls the majority of its customers from a five-to-seven mile trade area that extends into a good portion of Haverhill including the Downtown. The center is currently 100 percent occupied and is operating on a waiting list.

The Mall at Rockingham Park, located in Salem, New Hampshire approximately eight miles from Downtown Haverhill, encompasses 1,020,000 square feet of retail space. Developed in 1991 by Simon Property Group, the super-regional mall is anchored by JC Penney, Macy's and Sears. Other name brand retailers such as Pottery Barn, Talbots, Williams-Sonoma, Caché, Banana Republic, Express, Le Gourmet Chef, Ann Taylor, J.Crew, Victoria's Secret, Abercrombie & Fitch, American Eagle Outfitters, Bath & Body Works, Bombay, Aldo Shoes, Express Men, Charlotte Russe, Helzberg Diamonds, Gap, Coach, and J. Jill are also located at the Rockingham Park Mall.

GAP OR SURPLUS OF RETAIL EXPENDITURES

The findings drawn from the interviews and demand-supply analysis indicate that to effectively compete in a future likely to include greater on-the ground as well as cyberspace supply alternatives, the base of uses and activities in the Downtown will need to be augmented to create a magnetic critical mass of unique restaurants, stores, entertainment uses, and other attractions. To further assess potential demand or tenant differentiation opportunities, we reviewed information furnished by the Haverhill Community Development Department concerning estimates of the amount of consumer expenditures and retail sales by retail category for a 1-, 3-, and 5-mile radius around Main Street and Merrimack Street in Haverhill in 2006. Table III-11 presents the "opportunity gap/surplus" for each category in each of the three radii areas. If the figures reported for a retail category are positive that indicates an "opportunity gap" because consumer expenditures exceed retail sales in the applicable geographic area. That is, potential sales dollars of residents leak outside the area to other shopping locations. Conversely if the figures are negative, this indicates a "surplus" so that more sales occurred in that category than the expenditures of residents alone support in the same radii area. This implies that more sales were made to consumers residing outside the respective radii area than area residents expended in locations outside the area.



TABLE III-11

**Gap/Surplus of Retail Expenditures by Retail Category
within 1- 3- and 5-Mile Radii from Downtown¹**

Category	1-Mile \$	3-Mile \$	5-Mile \$
Total Retail Sales Made in Stores ²	49,309,307	173,383,365	-32,318,829
Furniture	-584,718	10,001,405	11,665,543
Electronics	3,973,009	14,664,692	13,690,486
Building Material, Garden Equipment Stores	-3,258,563	4,893,226	-154,343,832
Food & Beverage	5,106,023	-15,424,120	-97,045,729
Health & Personal Care Services	-18,475,851	-18,167,579	-4,451,311
Gasoline Stations	4,845,204	8,769,264	39,533,012
Clothing & Clothing Accessories Stores	13,754,796	38,901,227	8,540,050
Sporting Goods, Hobby, Book, Music Stores	4,334,289	13,849,077	11,113,250
General Merchandise	35,049,487	86,068,623	88,659,098
Miscellaneous Store Retailers	5,719,077	11,815,810	9,034,531
Foodservice & Drinking Places	-1,153,446	18,011,740	32,383,451
GAFO ³	58,718,291	169,317,217	136,233,056
¹ Center of radius is Merrimack and Main Streets. Positive figure indicates consumer expenditures exceed retail sales; a negative figure indicates retail sales exceed consumer expenditures.			
² Excludes sales made to non-store retailers and motor vehicle category.			
³ General merchandise, Apparel, Furniture and Other represents sales at stores that sell merchandise normally sold in department stores. This category is not included in Total Retail Sales Including Eating and Drinking.			
Source: Claritas Inc.			

In the one-mile radius area, the total retail opportunity gap or unmet demand was over \$49 million. The gap primarily occurred in the general merchandise category which accounted for nearly 71 percent of the unmet retail demand for the smallest trade area. This is not surprising because general merchandise stores are no longer concentrated in Downtown. Other categories for which consumer expenditure potential exceeds sales include electronics, food and beverage, gas stations, clothing, sporting goods, hobby, book and music stores and miscellaneous store retailers. Note consumer expenditures and sales are in balance with a slight surplus of sales in the eating and drinking (i.e., restaurants) category.

In the three-mile radius area, the total unmet demand or retail opportunity gap increases substantially by 251 percent or \$124.1 million to \$173.4 million. Most of the demand opportunity exists in the general merchandise and clothing categories, which comprise about 50 percent of the total unmet demand or sales opportunity. Food and beverage (including grocery stores) which had been underserved within one mile of the Downtown, now have a surplus of retail sales relative to expenditure potential within the three-mile radius. This surplus of sales over expenditure potential is explained by the presence of the three Market



Basket grocery stores within the three-mile radius which also attract customers from beyond the three-mile radius of Downtown.

Within the five-mile radius area, more sales are reported than estimated expenditure potential from residents within the five-mile area. This sales surplus is explained by the existence of two major retail shopping areas in Methuen and Plaistow, which serve a regional trade area. The large unmet demand in the clothing category is largely reduced in the five-mile trade area radius. The unmet demand or opportunity gap in general merchandise and clothing is likely to be filled by the opening Target and BJ's Wholesale Club stores.

Unmet demand in foodservice and drinking category continues to increase in the five-mile radius. Unmet expenditure demand is not significantly reduced in the sporting goods, hobby, book, and music stores category within the five-mile radius.

ESTIMATE OF RETAIL DEMAND POTENTIALLY SERVED DOWNTOWN

To estimate how much additional retail space may be supported in Downtown Haverhill, we compared the amount of sales in the one-mile radius to the total retail sales within the five-mile radius of Downtown. This ratio is estimated 12 percent. In other words, Claritas' estimate of retail sales in a one-mile radius of Downtown is 12 percent of the total sales made in the five-mile radius. We used this percentage as an estimate of how much additional demand could be captured by Downtown in specific retail categories not being served well within the five-mile trade area. Table III-12 shows an estimate of an initial phase of supportable retail space demand in categories that could be potentially served by the Downtown.

TABLE III-12	
Estimate of Initial Phase of Supportable Retail Space in Downtown Haverhill¹	
Unmet Retail Demand for Foodservice & Drinking, Miscellaneous Retail, and Sporting Goods, Hobby, Book & Music Stores ²	\$52,531,200
Share of Demand Captured by Downtown at 12%	\$6,303,700
Supportable Square Feet of Additional Retail Space at Sales of \$375 Per Square Foot	16,800
¹ Figures have been rounded.	
² Unmet demand in these categories within 5-mile radius of Downtown.	
Sources: Claritas Inc.; Gruen Gruen + Associates.	

In the five-mile radius, estimated unmet demand (or excess of expenditures over sales) in the foodservice and drinking, sporting goods, hobby, book and music stores, and miscellaneous retail stores categories totaled approximately \$52.5 million. If the Downtown captures at least 12 percent of this unmet demand this translates into potential additional demand of \$6.3 million. With a sales productivity threshold of \$375 per square foot, nearly 17,000 square feet of additional retail space is estimated to be supportable in Downtown Haverhill. As the rebranding of the Downtown takes root, and the magnetic attraction of the



Market Analysis and Strategic Action Plan for Downtown Haverhill

Downtown improves so as attract customers from a wider area and more frequent visitation, the amount of supportable demand will increase. The results of the Downtown merchant customer survey indicated that nearly half of the respondents only come to their Downtown shopping locations monthly or less than once a month. Only 14 percent of respondents shop at their Downtown shopping locations on a daily basis.



CHAPTER IV

THE MARKET FOR RESIDENTIAL USES IN DOWNTOWN HAVERHILL

INTRODUCTION

GG+A conducted the market reconnaissance summarized in this chapter to estimate the potential demand for residential units in Downtown Haverhill. In order to prepare this estimate, we conducted interviews with local property owners and developers, and real estate brokers and representatives of the City of Haverhill. We directed these interviews toward obtaining data and insights concerning:

- The relevant primary geographic market within which new housing developments compete for households;
- The types of households likely to be attracted to housing uses built in the Downtown;
- The primary geographic area from which households are likely to be attracted to Downtown housing;
- The relative advantages and disadvantages and image of the Downtown as a housing location; and
- Characteristics of new or proposed Downtown housing developments.

We estimated the numbers of households with the relevant demographic characteristics of households potentially attracted to Downtown housing within the primary geographic market area to identify the size or scale of the potential demand for Downtown housing.

CHARACTERISTICS OF HOUSEHOLDS POTENTIALLY ATTRACTED TO DOWNTOWN HOUSING

The interviews and review of residential supply reviewed below suggest empty-nesters (i.e. children have moved out of the household) seeking to trade down from older, single-family homes they no longer wish to maintain or need, and which for lifestyle or social reasons desire to move from their existing single-family neighborhoods.

Note that we have purposefully used the term “empty-nester”, as opposed to “senior” to define this second potential demand niche. We do so because the interviews and our prior research suggest that the move out of children from the household, rather than simply the aging of heads of the household, provide the motivation for a different type of housing product and location. Because people between the ages of 50-years and 75-years are typically a great deal more active than those between 80-years and 90-years of age, the



housing preferences of “empty-nesters” tend to differ from those of “seniors”.

PRIMARY GEOGRAPHIC MARKET AREA FROM WHICH HOUSEHOLDS WILL BE ATTRACTED

The geographic market area for housing uses is more extensive today than in the past. This is because of the increase in the number of two-adult worker households in which the members may be employed in differing communities. In addition, some households seeking new products will search a wider geographic area because of limited supply of new housing products in substantially built-out mature communities, or as a result of residential growth controls, or as a result of high housing costs in communities that may be closer to employment opportunities. As reviewed below our interviews and field research indicate that the primary market area from which households will be drawn is likely to include primarily the City of Haverhill as well as the larger Merrimack Valley area. While developers of planned and new projects indicated expectations of attracting younger, smaller households from Boston because of high housing costs in Boston, the interviews about the geographic origins of renters and buyers of new supply suggest that this market is not yet a significant source of customers. We did, however, find an example of three of four tenants of a rehabilitated four-unit apartment building near the Downtown originating from the Boston/Cambridge/Somerville area with one tenant moving to the apartment from within Haverhill. The migration of price sensitive, younger, smaller households from Boston is likely to increase as the Downtown becomes branded as a more exciting location.

PRIMARY ADVANTAGES AND DISADVANTAGES AND IMAGE FOR DOWNTOWN HOUSING USES

The review of demographic and housing data, interviews, and review of new or proposed residential developments suggest the primary advantages and disadvantages and locational image of the Downtown for housing uses. The primary advantages include:

- Geographic centrality in the Merrimack Valley region and accessibility to Highway 495 and therefore accessibility to employment centers in Boston and southern New Hampshire;
- Proximity to the MBTA Haverhill/Reading Commuter Rail Station;
- Proximity of Merrimack River and when the River is made more visible and accessible from the implementation of the Urban River Visions and Riverwalk initiatives, the Merrimack River will become an especially attractive and unique residential amenity;
- The ambiance of an urban environment with a growing base of restaurants and restored or redevelopment of several mill buildings; and



- The potential for the enhancement of the Downtown to help produce housing value appreciation in which pioneering households will benefit.

The primary disadvantages of the Downtown as a housing location relate to the following:

- The Downtown is not a well established, preferred housing location for market rate housing. A for-sale development (70 Washington Street) has experienced slow absorption, while two rental projects (The Beacon Companies' The Cordovan at Haverhill Station and Forest City's Haverhill Mills) are affordable housing developments financed with tax credits. The Planning Office of Urban Affairs, an affiliate of the Catholic Archdiocese of Boston plans to also redevelop a 78,000-square-foot industrial building on Granite Street into first floor retail space and 57 residential units for affordable housing. Note, however, that these projects also include market rate units; only portions of the units are allocated for households with below median area incomes and tenants employed in the labor force;
- The Downtown currently lacks a critical mass of synergistic retail, cultural, and other attractions that improve the appeal of the Downtown as a place to live;
- The deteriorated condition of some properties, and poor streetscape conditions in some locations; and
- Some residential projects (e.g., 2236 Washington Street) have been constrained by insufficient on-site parking to respond to the preferences of buyers or renters. The developer of the Washington Street project indicated lack of on-site parking has hindered sales efforts.

CHARACTERISTICS OF NEW OR PLANNED RESIDENTIAL DEVELOPMENTS IN DOWNTOWN HAVERHILL

Table IV-1 shows the actively marketed or under construction residential projects for the Downtown.



Market Analysis and Strategic Action Plan for Downtown Haverhill

TABLE IV-1

Current Major Downtown Residential Projects

Project Name/Address	Units	Type	Unit Types & Sizes	Projected Rent per Square Foot or Sale Price \$	Parking	Amenities	Status
Franchi 70 Washington St.	53	Condominium	48 two-bedroom/two-bath, 1200 s.f. units 5 three-bedroom/two-bath, 1500 s.f. units	\$220,000 (2 bdrm, non-river view) \$280,000 (2 bdrm, river view) \$220,000- \$280,000 (3 bdrm)	38 underground spaces 32 surface spaces in front of building		Nine units have been sold; two units are rented
2236 Washington St.	11	Condominium	3 one-bedroom, 900-1,000 s.f. 8 two-bedrooms, 1,500 s.f.	\$189,000 (1 bdrm) \$259,000 (2 bdrm, dropped from \$269,000)	Lease spaces on Wingate St., adds \$60/mo to assessment	Exposed brick, high ceilings, wood floors, granite countertops, skylights, central air, elevator	Five units closed with a sixth unit closing in May

Sources: Beacon Community Development; Franchi Management Company, Inc; McKeon Corcoran; Skofield Builders; Gruen Gruen + Associates.



Market Analysis and Strategic Action Plan for Downtown Haverhill

TABLE IV-1 CONTINUED

Current Major Downtown Residential Projects

Project Name/Address	Units	Type	Unit Types & Sizes	Projected Rent per Square Foot or Sale Price \$	Parking	Amenities	Status
The Cordovan at Haverhill Station 45 Locust St.	146 (61 affordable housing)	Rental apartments and live/work units	90 one-bedroom, 700-750 s.f. 36 two-bedroom, 950 s.f. 20 loft studios, 600 s.f. 20 duplex live/work 1 & 2 Br	Avg. market rent \$1.50 psf \$1,100/mo (1 bdrm) \$1,400/mo (2 bdrm) \$975-\$2,075/mo (loft studio)	Parking is free in lot with sticker	Close to shopping, restaurants, near commuter rail, downtown feels safe, near 495, Boston and Ski Bradford	18 units are moved in, 15 more committed
Haverhill Lofts 25 Locust St.	32	Rental Lofts	Studios of 700 – 1,000 s.f.	Not Available			Under Construct-ion, expected to open July 2007
TOTAL	242						

Sources: Beacon Communities; Franchi Management Company, Inc; McKeon Corcoran; Skofield Builders; Gruen Gruen + Associates.



The Downtown includes a total of 242 units either actively marketed for-sale or for-rent or under construction. Of the 242 units identified on Table IV-1, 146 of the units or 74 percent of the total are rental in one project. The remaining 96 units are for-sale product in two projects. The largest project, The Cordovan at Haverhill Station, is a 146-unit multi-family rental product that recently opened in the converted former Cabot House Furniture Building, originally the Board of Trade Building (for the shoe industry). Due to the developer's use of federal tax credits for the rehabilitation and adaptive reuse of the mill building, approximately 40 percent of the units are designated for households with incomes at or below 60 percent of median household income. Units range in size from 600-square-foot studios to 950-square-foot two-bedroom units. The developer is marketing its first completed wing of the building which consists of 53 units. As of April 2007, 18 units have been rented and occupied and 15 additional units are committed with deposits.

The developer of The Cordovan anticipates an eight to nine month lease up period for the project. The project is expected to attract young professionals and empty nesters and divorced households from the Merrimack Valley area. While most of the renters moved from within Haverhill, two younger-age households from Boston have been attracted. Several retiree households from the local area have also been attracted. The newness of the units and proximity to the Haverhill Commuter Rail Station are two of the reasons two households already living in Haverhill have moved from older rental units. The asking monthly rents average \$1.50 per square foot. According to the leasing agent, some households who have looked and decided not to rent found the rents too high. The rents are being discounted by offering two free months for individuals who sign leases for 12 months.

According to the developer, the project competes with older rental projects in Haverhill. One such older project, Viewpoint at Bixby is a high-rise just on the west side of the Downtown with views of the Merrimack River. Rents at this project are generally at \$1.35 per square foot or less. Rents range from \$1.27 to \$1.41 per square foot for one bedroom units of 692 to 940 square feet and \$1.18 to \$1.27 per square foot for two bedroom units ranging in size from 908 square feet to 1,421 square feet. This 12-story, 120 unit project opened in 1989. In April, it was 95 percent leased. Most of the residents moved from within Merrimack Valley. Residents include younger-aged and retired households without children. Only a few younger renters moved from Boston.

The developer of The Cordovan at Haverhill Station is also renovating another building, the former Community Action Inc. Building, adjacent to this project at 25 Locust Street and anticipates its opening in July 2007 with 32 rental loft apartments. No rental information was yet available but the Haverhill Lofts project will consist of 32 studios ranging in size from 700 to 1,000 square feet. The units will have stainless steel appliances, concrete floors and a hipper, edgier look than The Cordovan. The leasing agent expects younger age households, including artists, will be attracted.

A 53-unit for-sale condominium project in a newly constructed building, The Franchi



project, is located on 70 Washington Street. The project opened in October 2006. The project consists of 48 two-bedroom units with 1,200 square feet of space and five three-bedroom units with 1,500 square feet of space. The project includes 38 underground parking spaces and 32 surface parking spaces in the front of the building for 1.3 parking spaces per unit. Only nine units have been sold. Prices range from \$220,000 (\$183 per square foot) for a non-river view unit to \$350,000 (\$233 per square foot) for a river view unit. According to the developer, asking prices have been reduced on the non-river view side of the building. Initial sales that occurred last fall were made to older age buyers for units with views of the Merrimack River. Since January 2007, sales have been made to younger age buyers in their 20's and 30's on the non-river view side of the building where prices are lower. The sales agent reported that only one sold unit had been made to a household with a child. The Merrimack River and the newness of the units are the project's biggest appeal. The inability to provide two parking spaces for two bedroom units has been a marketing constraint.

Units are for sale in another condominium project located at 2236 Washington Street. This project is located in an older building with eleven units located on floors two through four. The building's ground floor contains three commercial condominium units. The developer has been marketing the project for 2½ years and has sold only five units. The lack of owned parking spaces accompanying the units has hindered sales. The marketing agent for the project reported that the units would have sold if designated on-site parking spaces were available. The developer leases parking elsewhere in the Downtown, the costs of which are included in the condominium association fees. The project includes three one-bedroom units with 900 to 1,000 square feet of space and eight two-bedroom units with 1,250 square feet of space. Prices range from \$189,000 to \$259,000 or \$207 to \$210 per square foot. Buyers of the units sold to date have been smaller-sized households (couples or singles without children living at home) in their 20's to 40's. Members of the households attracted to the units are employed outside of Haverhill but in nearby communities. One employed member of the five households uses the train service to get to and from work. The appeal of old world style units with exposed brick and high ceilings and nearby restaurants have been the main selling points of this project.

Table IV-2 presents the residential projects that are either approved or planned for the Downtown.



TABLE IV-2

Future Major Downtown Residential Projects

Project Name/ Location	Units	Type	Unit Types & Sizes	Projected Rent per Square Foot or Sale Price \$	Parking	Amenities	Status
Forest City's Haverhill Mills Locke & Essex Streets	306	Rental Apartments	Avg. unit size – 930 sq. ft. 194-1 Bedroom Units 112- 2 Bedroom Units	\$1.40-\$1.70 per square foot; 20% of units will rent to households with 50% of median income; 80% of units at market rate rents	329 surface parking spaces on- site		Anticipated opening mid to late Spring 2008
Archdiocese Granite St.	57	Rental Apartments	11 – 1 Bedroom Units of 700 sq. ft. 40- 2 Bedroom Units of 1,000-1,050 Square Feet 6 – 2 Bedroom Duplexes of 1,300 Square Feet	\$850 for 1 Br or \$1.21 per square foot \$1,150 for 2 Br or \$1.12 per square foot		3,700 Square Feet of Ground Floor Commercial	In permit process
Lotus Realty 98-108 Essex St.	61	Condos	Two-bedroom and three-bedroom units 900-1,200 s.f.	No price data, initial comparables suggest in the neighborhood of \$300,000	Needs mayor's garage because there is no additional land for 1.5 car parking requirement		
TOTAL	424						

Sources: Forest City; Lotus Realty L.L.C.; Planning Office For Urban Affairs, Archdiocese of Boston; Gruen Gruen + Associates



Over 400 additional housing units are planned to be added in the Downtown. The largest of these proposed projects is Forest City's Haverhill Mills, a 306-unit tax credit rental apartment development located at Locke and Essex Streets. Forest City has recently gained approval for the conversion of mill buildings, including the former eight-story Stoller Building at Essex and Locke streets, into rental apartments. Ninety-four one-bedroom units and 112 two-bedroom units are planned. Rents for units with an average unit size of 930 square feet are expected to range from \$1.40 to \$1.70 per square foot with an average unit size of 930 square feet. The project will include 329 surface parking spaces. The developer also has submitted a request to lease 71 spaces from the City.

Twenty percent of the units will be allocated for rental to households with 50 percent of median household income while 80 percent of the units will be market rate. According to a representative with Forest City, renters are likely to come from Boston or nearby Boston because of significantly lower housing costs in Haverhill. Forest City anticipates attracting younger age households of between 22 and 36 years of age who will enjoy the benefits of a walkable downtown with restaurants and nightlife. Convenient access to Highway 495 and proximity of the Commuter Rail Station are also expected to be marketing advantages. The developer anticipates a three year lease up period for the project.

The Planning Office for Urban Affairs of the Archdiocese of Boston proposes an adaptive reuse of a mill building on Granite Street into 57 affordable rental units of which 24 will be rented to tenants with below median area incomes. Parking spaces in the planned municipal parking deck at Moulton Way and Granite Street may be purchased to provide parking for tenants. The Archdiocese, a non-profit developer, is also completing affordable or workforce housing projects in Lowell and Salem. The Archdiocese perceives the potential for the Washington street neighborhood to improve and that the City is committed to encouraging the revitalization of the Downtown. The Archdiocese develops housing for households with a mix of incomes, including households with income of less than 60 percent of median household income. The Granite Street project is expected to attract young couples, single heads of household with children living at home, and local municipal employees. The Granite Street project will consist of 11 one-bedroom units with 700 square feet, 40 two-bedroom units with 1,000 square feet, and six two-bedroom duplexes with 1,300 square feet. The ground floor will contain three commercial units totaling 3,700 square feet of space. Monthly rents will range from \$850 for a one-bedroom unit (\$1.21 per square foot) to \$1,150 for a two-bedroom unit (\$1.15 per square foot). Households are expected to move from within the Merrimack Valley area. The developer anticipates a five- to seven-month lease up period.

Lotus Realty proposes to rehabilitate and convert mill buildings at 98-108 Essex Street into 61 condominium units with 10,000 square feet of ground-floor retail space. One building contains 90,000 square feet and one building contains 40,000 square feet on a 10,000-square-foot lot. A high number of structural, load-bearing columns preclude the development of parking within the buildings. This project will also need to make arrangements for the provision of parking.



The developer acquired the buildings approximately three years ago. The factors inducing the developer to purchase the property include the attractive architecture of the mill buildings, the presence of the Merrimack River, the proximity of the Commuter Rail Station, the compact nature of this part of the Downtown, and favorable prices compared to the Boston area or Portsmouth area properties.

As reviewed below, older households comprise a large and increasing share of the population in Haverhill and Merrimack Valley. Older households, however, are typically more sensitive than younger households to the image and other disadvantages cited above. Older, higher-income or wealthier households also have more housing choices, including the option to remain in their existing housing locations. As the Downtown becomes branded as a desirable residential location, the amount of demand, especially from the potential empty-nester market will increase. In the meantime, the review of supply indicates the primary market will be younger-aged, smaller, price sensitive households.

THE ESTIMATED SIZE OR SCALE OF POTENTIAL MARKET AREA DEMAND FOR HOUSING UNITS

To make an estimate of the size or scale of the potential market demand suggested by the interviews and review of residential supply, we first consider a basic demographic determinant of demand related to the characteristics of the primary demand sources. We then estimate the percentage of households likely to move in a given year based on resident turnover data to estimate the size of the primary consumer groups. Table IV-3 presents for Haverhill and the Merrimack Valley estimates of the number and percentage of the population in the age categories likely to be sources of demand for housing in Downtown Haverhill, those between the ages of 25 and 34 years and those between 55 and 74 years of age. This data is drawn from the Metropolitan Area Planning Council (“MAPC”). Although Haverhill is included in the population estimates for the Merrimack Valley, we show Haverhill population by age estimates separately to provide perspective on how the demography of Haverhill compares to the wider region of which it is a part.

TABLE IV-3						
Population Estimates for Haverhill and Merrimack Valley: 2000-2020						
Age Category	Haverhill			Merrimack Valley		
	2000 Actual #	2010 Forecast #	2020 Forecast #	2000 Actual #	2010 Forecast #	2020 Forecast #
25-34 Years	9,234	7,784	8,870	42,176	34,962	38,755
55-74 Years	7,917	10,352	13,477	43,962	60,462	79,935
Total	17,151	18,136	22,347	86,138	95,424	118,690

Sources: Metropolitan Area Planning Council; Gruen Gruen + Associates.

As shown on Table IV-3, the population is forecast to decline in the 25-34 years of age



category overall between 2000 and 2020, although a small amount of growth is forecast between 2010 and 2020. The most significant growth is forecast to occur in the older age category of 55 to 74 years. In the Merrimack Valley, residents between 55 and 74 years are forecast to grow by 81 percent over the 20 year period. In Haverhill, growth in this age group is forecast at approximately 70 percent.

As a proportion of the larger Merrimack Valley, Haverhill is forecast to capture a slightly larger share of the younger age population, increasing its proportion of younger age residents from approximately 21 percent in 2000 to 23 percent in 2020. The proportion of older age residents in Haverhill relative to the Merrimack Valley is forecast to decline slightly, from 18 percent in 2000 to 17 percent in 2020. The annual population growth rate is lower in Haverhill than that forecast for the Merrimack Valley resulting in the proportion of the total population in these two age groups that Haverhill makes up slightly declining from 20 percent of Merrimack Valley population in 2000 to nearly 19 percent in 2020.

Table IV-3 presented above shows population by age estimates. To translate this into a forecast of the number of households by age, we use the Census 2000 estimate of household size in these age groups to project the number of households for 2010 and 2020. Table IV-4 presents the forecast number of households in these two age groups in Haverhill and the Merrimack Valley.

TABLE IV-4				
Forecast Number of Households by Age in Haverhill and Merrimack Valley: 2010 and 2020¹				
Age Category	Haverhill		Merrimack Valley	
	2010 #	2020 #	2010 #	2020 #
25-34 Years	3,853	4,391	17,308	19,186
55-74 Years	6,199	8,070	36,205	47,865
Total	10,052	12,461	53,513	67,052
¹ Estimated household size of 2.02 persons for 25-34 years age group and 1.67 persons per household for 55-74 years age group based on Census 2000.				
Sources: Census 2000, U.S. Census Bureau; Metropolitan Area Planning Council; Gruen Gruen + Associates.				

Of the households in the age groups likely to represent sources of demand for housing in Downtown Haverhill, approximately 10,000 households are forecast in Haverhill and in the larger market area, over 53,000 households by 2010. By 2020, the number of households will increase to over 12,000 households in Haverhill and 67,000 households in the Merrimack Valley. Corresponding with the population by age forecasts, older age households are forecast to make up nearly two-thirds of households in these two age groups for both Haverhill and the Merrimack Valley.



ESTIMATE OF RESIDENT TURNOVER

To estimate how many residents and therefore, households are likely to move in a given year, we reviewed turnover data for Essex County which is the most appropriate geographic area for which data on resident turnover is available. Table IV-5 shows annual turnover estimates of residents by age in Essex County in 2005.

TABLE IV-5						
Estimated Resident Turnover in Essex County: 2005						
	Ages 25-34		Ages 55-74		All Ages	
	#	%	#	%	#	%
Did not move last year	64,543	74.8	117,461	95.1	624,327	87.7
Moved in last year	21,713	25.2	6,055	4.9	87,612	12.3
Moved within County	12,712	14.7	4,702	3.8	59,557	8.4
Moved from different county in State	5,363	6.2	640	0.5	13,350	1.9
Moved from different state	2,739	3.2	503	0.4	10,728	1.5
Moved from abroad	899	1.0	210	0.2	3,977	0.6
TOTAL RESIDENTS	86,256	100.0	123,516	100.0	711,939	100.0

Sources: U.S. Census Bureau, 2005 American Community Survey; Gruen Gruen + Associates.

For all residents in Essex County in 2005, the Census estimates that 12 percent moved within the last year. For younger age residents a higher proportion of 25 percent of residents in the ages 25-34 years were estimated to move. For older age residents, a much smaller proportion or approximately five percent of residents, ages 55-74 years, were estimated to move. Younger age residents were less likely to move within the County. While 25 percent of younger age residents moved within the year, 15 percent moved within the same County. Older age residents were more likely to move within the same County. Of the five percent of older age residents moved within the same County, a much higher proportion of older age residents moved within the same County. In other words, older residents are less likely to move than younger-aged residents, but when older residents move, they are more likely to stay in the area than do younger-aged residents.

ESTIMATE OF HOUSEHOLD TURNOVER AND POTENTIAL DEMAND IN PRIMARY MARKET AREA

Analysis of Census data and interviews suggest that approximately 15 percent of younger age households and five percent of older age households move in any given year. Table IV-6



shows an estimate of potential demand from younger age and older age households in Haverhill and the Merrimack Valley.

TABLE IV-6				
Estimated Potential Demand from Younger-Age and Older-Age Households in the Primary Market Area: 2010 and 2020				
	2010		2020	
	Haverhill #	Merrimack Valley #	Haverhill #	Merrimack Valley #
Number of Younger-Age Households	3,853	17,308	4,391	19,186
Number of Households that May Move Within A Year ¹	578	2,596	659	2,878
Number of Older-Age Households	6,199	36,205	8,070	47,865
Number of Households that May Move Within A Year ²	310	1,810	404	2,393
TOTAL DEMAND	888	4,406	1,063	5,271
¹ Annual turnover rate of 15 percent.				
² Annual turnover rate of five percent.				
Source: Gruen Gruen + Associates				

In 2010, potential annual housing demand from younger-age and older-age households in the Merrimack Valley is forecast to approximate 4,400 households. Haverhill is forecast to capture approximately 20 percent of this demand of nearly 900 households in 2010. By 2020, potential annual demand is forecast to increase to 5,300 households in the Merrimack Valley and approximately 1,000 households from Haverhill. Approximately 55 to 60 percent of annual demand is forecast to come from younger-age households.

The appeal of the new unit or new neighborhood must exceed the actual or perceived costs associated with the move and older households are likely to be more risk sensitive in the cost-benefit analysis on moving. Both older, and younger, smaller, households without children will need to be convinced that the evolution of the Downtown is likely to produce housing value appreciation in order for for-sale product to succeed.



**SHARE OF POTENTIAL DEMAND OBTAINABLE IN DOWNTOWN
HAVERHILL AND RELATIONSHIP BETWEEN SUPPLY AND DEMAND**

The size or scale of the potential demand sources suggest that even a small capture rate would support the development of more new housing than has been than has been created or built Downtown in recent decades. If, for example, housing built Downtown capture five percent of potential demand within Haverhill from the primary demand groups profiled above, this would equate to 44 to 53 housing units per year. If the Downtown appeal improves to attract demand from the wider area of Merrimack Valley, capturing an estimated two to three percent of potential demand would translate into on average between 88 and 106 units to 130 to 160 units per year on average.

A comparison of estimated demand of up to 160 units per year to existing new supply (242 units) and identified future new supply of housing (424 units) suggest competition for renters and buyers will be relatively intense in the foreseeable future. The relationship between estimated demand and supply equates to at least an approximately four years supply of housing units. This estimated relationship between demand and supply does not explicitly incorporate the potential increase in demand attributable to the attraction of Boston area households electing to move to obtain lower cost housing in locations offering high accessibility to Boston. Just as the rebranding of Downtown will improve the appeal of the Downtown to higher-income empty nester households, the rebranding will also increase the migration of Boston area households searching for more affordable housing in interesting locations still providing accessibility to Boston.

The interviews and review of supply suggest that the challenge, both from an architectural and financial feasibility perspective, is whether attractive and functional condominium units can be profitably designed and built at prices below \$200,000 in order to attract younger, smaller, relatively price sensitive households. The relatively slow absorption of for-sale product at higher sales prices coupled with the interviews with developers and real estate brokers suggest the need for appealing products to be created at lower prices to attract pioneering households. Downtown housing will need to offer “more bang for the buck” compared to supply alternatives. At this stage in the Downtown’s evolution, such households are more often likely to be younger than older. In addition some younger-aged households also have other debts such as student loans and/or automobile loans which serve to limit what such households expend on housing.



CHAPTER V

THE DEMAND FOR OFFICE SPACE

OVERVIEW OF MARKET CONDITIONS

As Table V-1 shows, the Route 495 North office submarket of which Haverhill is a part is relatively small with the highest vacancy rate at over 24 percent and lowest average rents per square foot of \$20.04 for Class A space of all Boston area submarkets. Class B office space rents in the Route 495 North submarket average \$17.63 per square foot.

TABLE V-1					
Boston Region Office Space Market Inventory					
Submarket	Total Building Space # Square Feet	Total Vacant Space # Square Feet	Vacancy Rate %	Asking Rents \$ Per Square Foot	
				Class A	Class B
Total Boston	61,434,152	6,409,391	10.4	49.91	30.50
Inner Suburbs	18,130,246	2,196,074	12.1	22.94	20.49
Cambridge	15,621,401	1,726,681	11.1	40.33	26.48
Route 128	52,984,706	7,548,089	14.2	26.56	18.55
Route 495 South	2,194,226	111,016	5.1	20.73	19.08
Route 495 West	11,451,374	2,154,410	18.8	20.13	17.07
Route 495 North	10,958,637	2,653,784	24.2	20.04	17.63
Total	172,774,742	22,799,445	13.2		

Source: Grubb & Ellis Office Market Snapshot Boston First Quarter 2007

CHARACTERISTICS OF SUCCESSFUL OFFICE SPACE DEVELOPMENT LOCATIONS

Successful office developments depend on how well they enable businesses to be more productive and satisfy their customers with innovations that produce better products and services. To succeed office projects must be located and built with or near other activities that will enhance productivity and attract and hold talented labor. They must be located where a culture of innovation exists and can be enhanced by the office space. Successful corporate office space developments typically must meet the following criteria:

- A central or highly accessible location to major transportation nodes and other activity centers in the region. GG+A's past survey research and review of the literature on locational factors and corporate site selection clearly suggests for offices devoted to administrative, corporate control and research and development functions or producer service industries (e.g., advertising, accounting and auditing, management consulting, public relations and legal services) that most intensively sell to customers outside their region of domicile, access to air service and other key transportation links is critical;



- A large commute shed providing access to a significant concentration of a highly skilled and well educated workforce;
- Proximity to a diverse set of housing uses. The proximity to a variety of housing product options relates well to the national trend for people to prefer to work close to their residences. This is especially true for female wage earners, which are often primarily responsible for rearing children and caring for elderly parents, as well as for part-time workers;
- Proximity to retail, lodging, and other support services and amenities, including eating and drinking establishments and day-care and fitness facilities;
- Market responsive product types with appropriate technology capabilities; and as indicated above; and
- Locations within agglomerations or a “critical mass” that help businesses attract and retain labor and operate cost effectively and productively. Agglomeration economies refer to a spatially concentrated development and capital base that from increasing returns to economies of scale, gives cost and revenue advantages to a geographic area’s expanding and new firms. These advantages are “external to the firm” because they benefit all the companies engaged in a given range of activities within a particular place, without firms having to shell out extra resources.

POSITION IN THE OFFICE MARKET

The Route 495 North corridor is not the most preferred office submarket in the region and has not typically benefited from the spillover of demand and rental growth from the recovery of the Boston and close-in suburb and Route 128 submarkets. Andover and Chelmsford are the primary submarkets included in the Route 495 North submarket.

The interviews with local developers and brokers and review of secondary market data indicate that Haverhill does not yet have an image as a corporate office location. Haverhill does not currently contain a critical mass of office space users, office space inventory, and set of support services and amenities that corporate office space users require. Because of the relatively small amount of office space in Downtown, the major brokerage firms do not tend to track the inventory in Downtown Haverhill. The interviews and site inspection indicate that much of the existing office space inventory is not responsive to preferences of contemporary major office space users. Most important, the Downtown does not provide significant agglomerational advantages for major office space users.

Within the Route 495 submarket, Andover, North Andover, and Chelmsford are preferred



locations. These locations include more much office space with ample parking located closer to the Interstate and major arterial roadways, and a base of large corporate office users including Hewlett Packard, Philips, Putnam, and Verizon. In the first quarter, the largest lease involved the relocation of Aspect Software to 120,000 square feet of space at 300 Apollo Drive in Chelmsford. For example, locations on River Road in Andover and Route 114, Highwood Drive, and Tooksbury in North Andover have a critical mass of space, are well located to transportation links within the commute shed for office workers and contain an ample supply of support services.

Due in part to the effects of past urban renewal programs, many smaller law offices and other professional service providers relocated from Merrimack Street to former housing units on Main Street, Summer Street, and in the Bradford neighborhood. Medical users, lawyers, and some smaller high technology firms whose principals or managers live in Haverhill also occupy office space in Downtown.

TYPE OF OFFICE SPACE DEMAND LIKELY TO BE CAPTURED IN DOWNTOWN

Potential office space demand is likely to be complementary to retail and residential uses so that by creating a desirable, vital retail and residential environment, the Downtown will attract service and commercial office-oriented firms seeking the ambiance, proximity to services, and restaurants as well as convenience to where they live at prices below conventional suburban office parks (currently \$10 to \$12 per square foot currently in Haverhill versus \$21 per square foot in Andover). Space users are likely to be relatively small, whose owners or management live nearby, some of whom will outgrow their home-based start-up locations.



APPENDIX A

MERCHANT CUSTOMER QUESTIONNAIRE

DATE: _____

DO YOU LIVE IN HAVERHILL (incl. Bradford)? Y N

1. Where were you before coming here? Did you come here...
 - directly from home
 - directly from work
 - directly from school
 - directly from another shopping location
 - from another location (please specify) _____

2. What transportation did you use to arrive here?
 - Car/motorcycle
 - Public transit (bus, train)
 - Bicycle
 - Walk

3. How many minutes did it take you to get here from your last location?
 - 5 minutes or less
 - 6 to 10 minutes
 - 11 to 15 minutes
 - 16 to 25 minutes
 - 25 to 34 minutes
 - 35 minutes or more

4. Did you come here from a location within Haverhill? ____Yes ____No
If no from which community did you come to this shopping location? _____

5. How frequently do you come to this shopping location?
 - Daily
 - Weekly
 - Monthly
 - Less than once a month



APPENDIX B

PURPOSE OF DESIGN STANDARDS AND DESIGN REVIEW BOARD

In the course of the study, we were asked us to provide our opinion about the purpose of design standards and design review boards. A design review board has the responsibility and opportunity to weave new and existing development within an aesthetic and functional pattern that will serve the future and honor the past. We believe to accomplish this responsibility and opportunity, the purpose of design standards and the role of a design review board is to help create positive externalities or “spillovers” while avoiding negative externalities. By externalities, we refer to economic (spillover) affects on property owners and occupants who do not have input into or whose interests are not taken into account by the decisions or activities of other property owners.

It is important to have clear principles and criteria for establishing the design standards and a process by which property owners, businesses, and others affected by the proposed standards have input to the development of the standards. The impact of design standards on the real estate economics and feasibility of maintenance, remodeling, expansion, and development decisions needs to be identified. Procedures need to be established to ensure a predictably consistent and transparent design review process. The design process needs to be commenced and completed in a reasonable time so as to not discourage beneficial investment, development, and redevelopment. The process needs to be clearly communicated to property owners, developers, or others similarly affected. The process should include an appeal mechanism. A survey of best practices and procedures from area communities and planning and design firms can be performed and the City’s attorney should be consulted to avoid legal problems with the establishment of design standards and the establishment and administration of a design review process, including design board.

Based on our review, it appears that many decisions to have design standards or design review boards reflect aesthetic considerations or promotion of so-called new urbanism principles. As indicated above, we believe that design standards and design review should encourage positive externalities. This means design features that complement (although not necessarily replicate) existing and future structures so that structures mutually reinforce each other and therefore each create positive externality or spillover effects to the other. Appropriate regulation of land use development through design standards and design review can help make the whole equal to more than the sum of its parts.

We emphasize the word appropriate regulation because of the very real danger that in practice, a review board will try to impose a current architectural trend on the new use or development without considering either function or the way space users and their customers will react. A review board may also try to impose a past architectural trend to try to make the new use or development appear just like the existing development even though the existing use or development is already competitively obsolete or well on its way to competitive



obsolescence.

The use of design standards and a design review board should not represent an attempt to freeze an area, such as the Downtown, in time. Rather, design standards and design review should be directed to accommodate beneficial change through the following:

- acknowledge the past that is represented by the existing land uses, development forms, and building products but not venerate it to the degree that the area covered by the design standards and design review process is treated like a historical museum rather than a living, changing place;
- be forward-looking to anticipate and encourage functions the new land uses and developments will serve and the way they should interact with public space, roadways and other transportation linkages, and both similar and other uses;
- an understanding of the real estate economics that apply to development, redevelopment, remodeling, and maintenance decisions so that the design standards and review process not needlessly make desirable uses infeasible to develop, expand, remodel or maintain; and
- accomplishing the goal of aesthetically and functionally encouraging the kind of positive externalities that generate spillover benefits to attract and complement new and existing similar and related land uses.

Finally, the City should consider designing and developing its own public facilities in accordance with the standards for Leadership in Energy and Environmental Design (LEED) and encouraging private “green” development both through leadership by example and incentives such as a streamlined review and approval process for those larger projects that conform to LEED standards. Cities that lead by example with policies and practices that reflect environmental and energy constraints will appeal to businesses whose brands and bottom lines benefit from sensitivity to these issues and which want to locate in places that help them adapt to future conditions. A focus on the payback on added initial investment from lower operating and maintenance costs will be an effective way to encourage LEED-conforming development.



APPENDIX C

QUESTIONS TO CONSIDER ABOUT PROPOSED DEMOLITION DELAY ORDINANCE

This Appendix responds to the request for our thoughts on a recently proposed demolition delay ordinance.

The definition of sustainability as it relates to urban places and the neighborhood and commercial agglomerations within urban places is that the parts and whole of the city must generate enough income to pay for their ongoing maintenance and updating. If the urban place is to be viable over time, the external economies and psychic benefits it provides must support and motivate payments for the maintenance of functional structures and the replacement of obsolete structures. For individual buildings, this means they must be designed to add functional value to adjoining structures. The importance of being able to re-use urban property so as to keep places responsive to the times seems great enough to warrant the use of creative options for remembering the past without stifling the replacement of underutilized or obsolete structures.

Therefore, the primary concern a policy maker could have about the proposed demolition delay ordinance is its potential to chill the very investment and development needed to signal confidence in the future of the Downtown Haverhill and to permit the Downtown to evolve from its past as a center of shoe manufacturing to serve new functions to the benefit of the community and its citizens. Will the proposed ordinance constrain the built environment in the Downtown from changing to meet new economic and demographic circumstances? Will such an ordinance contribute to aesthetic stagnation that sets in when places are treated like historical museums?

Additional questions that warrant consideration include the following:

1. **Is the Waiting Time Period Unreasonable?** How does it compare to other demolition delay ordinances in other communities attempting to reinvent and revitalize their downtowns? While a 30-day delay period would not likely adversely interfere with purchase and sale or financing transactions, a one-year waiting period would likely discourage such transactions. Will such a waiting time requirement produce incentives for less than optimal investment and maintenance, contributing to blighting effects in the Downtown, making it more difficult to achieve the needed rebranding and reinvention?
2. **Why Are Not Positive Incentives Proposed and Analyzed?** While it is true that not every investor is the perfectly rational agent that economists tend to assume in their models, most people do try to make themselves better off and respond accordingly to incentives. What specific positive incentives in terms of streamlined review and permit processing, property tax, financial or other incentives would the



Commission propose to be available to encourage the feasible preservation and reuse of historic properties? What criteria would be used to evaluate the types and amounts of incentives made available to facilitate feasible reuse or other actions to preserve and enhance historic structures? How does the Commission propose to fund such incentives?

3. **Have the Real Estate Economics of Prototypical Situations Been Evaluated?**
Has the Commission evaluated the real estate economics of prototypical adaptive reuse, rehabilitation or “incorporation of the building into the future development” scenarios using a sample of buildings deemed worthy of preservation in order to evaluate the likelihood of feasibility? What are the results of the real estate economic analysis? What are the policy implications of the analysis?
4. Will potentially affected property owners be put on notice and have an opportunity to provide input?
5. Does the Commission propose to compensate any affected property owners for severe diminution of property values from the use restrictions and affirmative duties that burden the property owners for the benefit of all citizens? If so, how will such compensation be funded?



Gruen Gruen + Associates (GG+A) is a firm of economists, sociologists, statisticians and market, financial and fiscal analysts. Developers, public agencies, attorneys and others involved in real estate asset management utilize GG+A research and consulting to make and implement investment, marketing, product, pricing and legal support decisions. The firm's staff has extensive experience and special training in the use of demographic analysis, survey research, econometrics, psychometrics and financial analysis to describe and forecast markets for a wide variety of real estate projects and economic activities.

Since its founding in 1970, GG+A has pioneered the integration of behavioral research and econometric analysis to provide a sound foundation for successful land use policy and economic development actions. GG+A has also pioneered the use of economic, social and fiscal impact analysis. GG+A impact studies accurately and comprehensively portray the effects of public and private real estate developments, land use plans, regulations, annexations and assessments on the affected treasuries, taxpayers, consumers, other residents and property owners.

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