

Master Plan Chapter 6 Economic Development

CHAPTER 6. ECONOMIC DEVELOPMENT

Economic development generally refers to future growth in business and commercial establishments within the community. It is important to point out that expansion represents the concept of resilience and efficiency and not necessarily growth for growth's sake. This commercial and business expansion is often viewed as a necessary component to community prosperity and diversifying the tax base. Commercial development in Newmarket has seen many ups and downs throughout the Town's history, going back to the days of the rapid expansion of the mills in the late 1800's and early 1900's. Over the last two decades or so, commercial activity in Newmarket has generally stayed the same with some gains and losses in new businesses. One of the more notable business departures dates back to the early 1980s, when the Timberland Company moved out of the mills in the early 1980's. Later in the late 1980's and early 1990's, a handful of new manufacturing industries were established in the Newmarket Industrial Park. Several of these industries continue to operate at this location including: S&H Precision Mfg, Inc., Russound, and Vyn-all. The Essex Group Company still leases a large part of the downtown mill buildings.

In the last couple of years there has been a swell of new commercial activity along the Route 108 corridor south of downtown. Several corporate retail businesses have occupied this area, including Brooks Pharmacy, McDonald's Restaurant, Irving Gas Station, a new car wash, and Evans Convenience Store. This activity has spawned both positive and negative reactions within the community. Many residents who responded to the Master Plan Survey expressed concern about potential negative aesthetic and traffic impacts related to sprawl development and the decline in the small town atmosphere as commercial development occurs along Route 108. Other residents find this commercial activity to be a welcome trend and would like more development with the hopes that it may reduce property tax rates. Currently, there is no consensus within the community as to which approach to take. There is consensus among residents that commercial development should focus on the needs of residents, such as dry cleaners, supermarket, professional services, etc.

There is no conclusive evidence that such commercial development creates a long-term benefit, and, therefore, the potential tax benefit of these uses has not been presented as part of this Master Plan effort. As these uses fill up limited commercial land and attract other similar uses, the employment opportunities in town shift to hourly wage and diversification of labor choices is minimized.

6-1. REVIEW OF PROPERTY VALUATION & TAX RATE HISTORY

Table 6-1 presents the changes in the local property tax rate over the last decade. The overall tax rate was at its highest in the early 90's, peaking at \$42.98 in 1993, and then remained steady in the mid to upper \$30's for the next few years and then dropped considerably from 1998 to 1999. This latest rate drop is primarily attributable to both additional state education funding associated with the newly adopted State Education Funding Program and a roughly 22 % increase in the total property valuation after a 5 year market value adjustment (See Below). The Town portion of the total tax rate in 1999 was \$9.64 or 25 % lower from its high of \$12.90 in 1992.

Table 6-1

Newmarket Property Tax Rate History

1991-1999

1991

1992

1993

1994

1995

1996

1997

1998

1999

School

State

\$26.84

\$26.31

\$28.54

\$23.30

\$23.88

\$25.52

\$25.57

\$26.36

\$9.03

\$6.92

Town

\$12.64

\$12.90

\$12.69

\$ 9.75

\$ 8.70

\$ 8.56

\$ 8.80

\$ 9.38

\$ 9.64

County

\$ 1.38

\$ 1.64

\$ 1.75

\$ 1.45

\$ 1.42

\$ 1.42

\$ 1.39

\$ 1.27

\$ 1.09

Total

\$40.86

\$40.85

\$42.98

\$34.50

\$34.00

\$35.50

\$35.76

\$37.01

\$26.68

Assessment Inventory

Table 6-2 presents the changes in the Town's assessment inventory or tax base over the last several years. In 1999, the assessment inventory went through a periodic market rate update, which increased the land value by about 25% and the building values by 15%. This update, which was the first since 1994, accounts for much of the increased assessed value between 1998 and 1999. The total assessed value of all property in Newmarket now stands at approximately \$290 million. According to the tax assessor, every \$10 million in additional valuation would lower the tax rate by a \$1.00 per thousand. Conversely, any added municipal or school expenditures of \$250,000 increase the tax rate by about \$1.00.

Single-family residential and manufactured homes make up nearly 60 % of the tax base, while the commercial/industrial sector comprises about 11% of the tax base. The commercial category also includes multi-family homes and buildings. Another 28.5 % of the total assessed value is attributed to the assessed land value that includes developed land areas. From 1998 to 1999, the residential building value increased by nearly \$30 million or roughly 22 %, while the commercial and industrial portion increased by nearly \$4.5 million or 16 percent.

Table 6-2

Newmarket's Assessment Inventory

Category

1996

1997

1998

1999

Land

\$ 63,838,839

\$ 63,741,497

\$ 65,522,382

\$ 81,949,631

Resid. Bldg

126,984,800

131,963,900

135,982,800

166,012,800

Manufactured

4,099,200

4,064,300

4,094,600

4,204,000

Comm/Indust.

25,736,500

27,464,500

27,977,200

32,336,900

Utilities

1,950,100

1,950,100

1,950,100

2,707,400

Total Valuation

\$222,609,439

\$ 225,804,797

\$231,977,082

\$287,210,731

The recent commercial development along Route 108, which includes the Evan's Gas Station, the Irving Gas Station, Brook's Pharmacy, McDonald's, and the Kent-Pelczar Funeral home accounts for about \$2.8 million in total assessed property value, according to the Town's assessment records for 1999. Without subtracting the land and building value of the previous uses at these locations, the net effect of this commercial development has reduced the property tax rate by about \$0.28 per thousand.

The other substantial commercial property in Newmarket consists of the buildings in the Newmarket Industrial Park in Forbes Road off Route 108. The total assessed value of the property in this industrial park amounts to approximately \$4.5 million.

6-2. FUTURE COMMERCIAL DEVELOPMENT POTENTIAL

Currently, there are about 530 acres in Newmarket zoned for business use. Approximately 205 acres are in the B1 zone and another 324 acres are in the B2 zone. The B1 zone includes most of the properties along Route 108, except for some existing residential properties along Route 108 at the base of Great Hill and south to Forbes Road. The downtown area is primarily zoned as a M2 mixed-use zone and the mill buildings are zoned as a mill district zone (M1 zone). The mill district or M1 zone consists of only about 12 acres that encompass the mill buildings, portions of which are used for residential use (Rivermoor Landing) and industrial use (Essex Mills). There are also several vacant mill buildings, the redevelopment of which has been a primary goal of the Town under the direction of the Newmarket Community Development Corporation. The potential fiscal impacts and environmental considerations of the proposed mill redevelopment have recently been studied. The results of this study are discussed below.

Although much of the B1 zone is currently developed with a mixture of long-standing residential and business uses, there are several undeveloped parcels that exist adjacent to the Newmarket Self-Storage facility, across from the bowling alley and adjacent to the Great Bay Athletic Club.

In contrast to the B1 zone, most of the B2 zone is currently undeveloped. The B2 zone primarily consists of land areas located in the southern half of Town off Route 108 and on the east side of the B & M railroad behind the Newmarket Self-Storage Facility and extending south to properties behind the existing industrial park. Except for the existing industrial park, this entire area is undeveloped. One prominent parcel that has been the subject of much recent attention consists of a 162-acre parcel located directly behind the Newmarket Self-Storage Facility. This parcel is referred to as the Beaudet Farm. Because of its large size and proximity to Route 108, this parcel is considered to have the best potential for substantial commercial development in Newmarket aside from the vacant mill buildings. This parcel was recently targeted as a potential new office/industrial park referred to as the Black Bear Business Park. This business park proposal was initially linked with the potential relocation of an international computer-manufacturing firm that was located in Stratham. Although the company initially showed some strong interest in potentially constructing a new manufacturing facility on this site, it ultimately decided to relocate to the Pease International Tradeport. This shows the intense competition that Pease presents for this type of development. Given that Pease has almost reached its limit in terms of available space, interest in this area may once again appear.

In 1998, the Town residents voted through a warrant article to rezone this parcel from residential (R1) use to business and commercial use and included this parcel area as part of Tax Increment Finance (TIF) District. The establishment of a TIF District enables the Town to finance, through low-interest bonds, any major infrastructure improvements that are needed to promote economic development in designated areas. Several major infrastructure improvements are likely to be needed for the Beaudet site including an access road with bridge over the railroad to connect Route 108 with the site and the extension of water and sewer lines. The potential fiscal impacts and environmental considerations associated with the potential business park on this site were also evaluated as part of the previously mentioned RKG Study, which is

discussed below.

6-3 RKG STUDY OF COMMERCIAL DEVELOPMENT OPTIONS

The RKG study was funded by the New Hampshire Coastal Program (NCHP) and was designed to evaluate the potential fiscal and environmental effects of two major commercial development options in Newmarket. The development options consist of the redevelopment of the vacant mill buildings and the potential development of a business park on the Beaudet Farm parcel in the B1 zone behind the Newmarket Self-Storage Facility. As mentioned above, these two sites are considered to have the largest commercial development potential in Newmarket.

The final report and executive summary was presented to the Town Council on May 3, 2000. The following presents the executive summary of this study. The summary contains the relevant information concerning the anticipated tax revenues and the municipal costs associated with each project as well as the expected water and sewer needs and other possible infrastructure improvements needs. Readers are encouraged to review the full final report, dated May 18, 2000, to evaluate the methodology and assumptions included in the calculations:

Mill Redevelopment Scenarios

For purposes of the study, two different redevelopment scenarios were considered for the vacant mill buildings. One scenario consisted of converting as much as 187,200 square feet into office space. The other scenario consisted of developing a mixed-use scenario that included market-rate housing units, senior housing, office space, and some limited retail and restaurant space. These scenarios were purely hypothetical and were not based on any market analysis.

Mixed Use Scenario

The Mixed Use Scenario would utilize approximately 162,750 square feet (SF) of area in the mills including:

Market-rate housing units (79,000 SF);

Seniors housing units (51,000 SF);

Office space (24,000 SF);

Retail space (4,500 SF);

Restaurant space (4,000 SF).

Parking Infrastructure:

Both on-site and off-site parking is necessary to make mill redevelopment a viable option. On-site parking will require selective demolition of a number of the newer, non-granite mill buildings. The demolition would also provide much-needed pedestrian and visual access from Main Street. Additional off-site parking areas will also be needed in the downtown area, which could require the construction of a multi-level facility in the existing municipal parking lot next to the library.

Water and Sewer Needs:

The mixed-use redevelopment is estimated to require additional water and sewer service of approximately 50,000 gallons per day (gpd).

Additional domestic waste water flow will be directed to the Bay Road pumping station, which could require a capacity upgrade.

Environmental Issues:

Additional water quality impacts are not anticipated since the site is already developed with impervious surfaces;

No open space will be lost;

Additional storm water Best Management Practices (BMPs) should be included in any site redevelopment in order to capture sediments and petroleum substances from paved surfaces consistent with NH Department of Environmental Service (NHDES) design guidelines.

Fiscal Impacts:

It is estimated that the mixed use development scenario would result in a net fiscal benefit to the community of approximately \$108,000 annually at full build-out;

Total tax revenues are estimated to be about \$318,000 and municipal and education costs are estimated to be about \$210,500, including approximately \$44,000 in education costs for six school aged children;

In 1996, it was estimated that environmental remediation costs for the site would be approximately \$500,000;

It is estimated that costs for off-site parking facility would be approximately \$1.5 million;

Table 6-3

Mixed Use Scenario Summary

Scenario

Net Fiscal Impact

Other Potential Costs

Limitations

Environmental Analysis

Mixed Use

\$108,000 to

\$45,500*

Off-site parking facility @ \$1.5 million

Environmental remediation costs @ \$500,000

Mill refurbishing costs (windows, roof, etc.)

Maintenance of storm water BMPs over time

Assume private developer would develop site and be responsible for development costs (including parking facility)

Water usage of 50,000 gpd

No additional water quality impacts, area already developed

Potential to improve existing drainage system by utilizing storm water BMPs into mill infrastructure

No loss of open space

*Lower fiscal impact estimate figure based on a sensitivity analysis.

Office Space Scenario

In this scenario a total of 187,200 square feet of mill space would be redeveloped for office space.

Parking Infrastructure:

As indicated under the Mixed Use Scenario, demolition of a selected number of the newer, non-granite mill buildings would provide additional space for parking and pedestrian access from Main Street. The buildings suggested for demolition would be the same as the ones discussed under the Mixed Use Scenario. Greater off-site parking needs are anticipated for employee usage during business hours, which may require a larger new facility within the downtown area and may also require changes in the Newmarket Parking ordinance.

Water Needs:

The office development alternative is estimated to use less water and sewer services, at approximately 28,000 gpd, as compared to the 50,000 gpd estimated for the Mixed Use Scenario.

Environmental Issues:

There are no additional water quality impacts anticipated from impervious surfaces because the site is already developed;

Additional storm water Best Management Practices (BMPs) should be included in any redevelopment in order to capture sediments and petroleum substances from paved surfaces based on NH Department of Environmental Service (NHDES) design guidelines ("Green Book");

No open space will be lost.

Fiscal Impacts:

The development of the mill site as an office complex results is estimated to have a positive net fiscal impact to the community of \$194,000 annually, at full build-out;

New total tax revenues are estimated to be about \$288,000 while additional municipal costs are estimated to be about \$94,000; No added school costs are anticipated with this scenario;

In 1996, environmental remediation costs were estimated to be approximately \$500,000;

Cost for off-site parking is estimated at \$3.75 million;

Property tax revenues being applied against TIF bond repayments could negate positive fiscal impact.

Table 6-4

Office Scenario Summary

Scenario

Net Fiscal Impact

Other Potential Costs

Limitations

Environmental Analysis

Office

\$194,000 to \$134,000*

Off-site parking facility @ \$3.75 million

Environmental remediation costs @ \$500,000

Refurbishing costs

Maintenance of storm water BMPs over time.

Assume private developer would develop site and be responsible for all costs (including parking facility)

Positive fiscal impact could be reduced by payments made to repay TIF bonds

Water usage of 28,000 gpd

No water quality impacts, area already developed

Potential to improve drainage by using storm water BMPs.

No loss of open space

*Lower fiscal impact estimate figure based on a sensitivity analysis.

Beaudet Farm Commercial/Industrial Scenario

In this scenario a commercial/industrial park, similar to the existing industrial park on Forbes Road off Route 108 in Newmarket, would be developed. The park would involve 120 acres, out of a total of 162 acres, currently zoned for business use near the existing Industrial Park on Route 108. Approximately 500,000 square feet of building space, suitable for light industrial uses, would be constructed.

Two bedrock wells exist in the southwest corner of the site. These wells were installed in 1987, but have never been used. Preliminary data indicates that these wells may produce as much as 300 gallons per minute (gpm) or roughly 280,000 gallons per day. Additional pumping tests would be required to verify these yield estimates. These wells represent one of the few significant groundwater sources identified in Newmarket other than the existing Town wells (Bennett and Sewall wells). However, the water source may also require substantial treatment to remove iron, manganese and radon. Again, further testing would be required to confirm treatment needs. The Town should consider initiating the necessary studies required to assess the viability of this groundwater for a public drinking water source. The Town would also need to preserve a 400-foot sanitary radius around the wells in its natural state in order to protect the future use of these wells as a water supply. Refer to the additional discussion below under other environmental considerations.

Access & Infrastructure Needs:

In order to develop the Beaudet Farm, various site improvements are likely to be required including the following:

A new access road from Route 108 and bridge over the Boston and Maine rail line is likely to be required which may involve the acquisition of adjacent properties;

To improve access to the site an additional access roadway from the south via an extension of Forbes Road may be needed as well as the purchase of adjacent properties.

Water and sewer lines will need to be extended and upgraded.

Water Needs:

The development may require 75,000 gallons of water per day. This would be an addition to the 50,000 gpd and 28,000 gpd estimated for the Mixed Use and Office development of the mills.

Environmental Issues:

The Beaudet Farm property contains some of the largest open field habitat in the Town of Newmarket;

Loss of valuable unfragmented, wildlife habitat contiguous to the Great Bay;

Potential reduction of recharge rates for the underlying aquifer and loss of a water source for the community;

Potential contamination of bedrock aquifers by petroleum products or other materials stored on-site;

Development of the site may conflict with impervious area restrictions contained in the Wellhead Protection Area Zoning Ordinance, if the wells are used as a municipal water supply source in the future.

Fiscal Impacts:

Development of a commercial and industrial uses on the Beaudet Farm site could result in an estimated positive net fiscal impact of approximately \$470,000 annually at full build-out;

To construct a new bridge over the railroad, extend water and sewer lines and purchase adjacent properties for an access road could cost approximately \$3 million. The analysis assumed that a developer would be willing to cover these costs and no municipal expenditures would be required;

However, if the Town finances these improvements through the Tax Increment Finance (TIF) district designated for the site, the positive net fiscal impact outlined in this report would be reduced or negated;

Pump test to determine the feasibility of using the aquifers as a water source is estimated at \$100,000.

Table 6-5

Beaudet Farm Commercial/Industrial Scenario Summary

Scenario

Net Fiscal Impact

Other Potential Costs

Limitations

Environmental Analysis

Beaudet Farm Commercial/Industrial

\$470,000 to \$340,000*

Upgrade bridge, extend water/sewer lines and possible purchase of neighboring properties @ \$3 million for access purposes

7 day pump test of wells @ \$85,000 to \$100,000

Assumes private developer would develop site and be responsible for all costs

Positive fiscal impact could be reduced by payments applied to repay TIF bonds

Estimated water usage of 75,000 gpd

Protective measures would be needed to protect bedrock aquifer underlying property.

Substantial grassland, wetlands and wildlife habitat would be lost.

*Lower fiscal impact estimate figure based on a sensitivity analysis.

Summary of RKG Study

Based on the assumptions discussed in the report it was determined that the Beaudet Farm Commercial/Industrial Scenario may have the largest positive fiscal impact at approximately \$470,000 in additional tax revenue per year followed by the Office Scenario at approximately \$194,000 per year. The mixed-use scenario would produce approximately \$108,000 in additional revenue per year. The additional revenue could reduce the overall tax rate by about \$0.43 per \$1000 for the mixed-use scenario, approximately \$0.78 per \$1000 for the office space mill redevelopment and approximately \$1.90 for the Beaudet Farm Business Park. If both the mills and the Beaudet Farm projects were completed, the potential tax rate reduction would range from \$2.33 to \$2.68 per \$1000 of assessed value. Thus, for a home with an assessed value of \$150,000, the potential tax savings would amount to \$402 per year.

However, it is important to point out that the estimated tax revenues assume that the development proposals are at full-build out and are fully occupied. The RKG study suggests that, depending on market conditions, it may take 5 to 10 years to reach full build-out conditions for the mill projects and possibly longer for the Beaudet Farm proposal. Thus, any effect on the tax rate would occur incrementally and would not be fully realized until after the projects are complete. In addition, the fiscal analysis assumed that the developers would pay for the major infrastructure improvements with no added capital cost to the Town. If the Town opted to use TIF bonds to pay for the infrastructure improvements, the additional revenues generated by specific development projects would be reduced or negated by the payments on the bond issues until the bonds were paid off.

The study also did not evaluate the potential for other secondary effects on existing services, businesses or the municipal infrastructure. For instance, it is possible that other roadway modifications or the need for signalized intersections may result due to increased traffic, especially for the office space and Beaudet Farm proposals. Although the potential water and sewer needs were conservatively estimated, the potential impact on the operations of the existing

water and wastewater facilities to meet these needs, if any, were not evaluated.

Furthermore, the potential development of the Beaudet parcel would have to include sufficient site design and protection measures to prevent contamination of the onsite bedrock aquifer from an on-site commercial/industrial source. The existence of this aquifer does not necessarily mean that much of this site cannot be developed. However, the Town should carefully consider the types and the extent of the potential development and require adequate protection measures in the drainage system to treat storm water runoff and allow sufficient groundwater recharge. The proper pumping and water quality testing should also as soon as possible to verify the viability of this water supply and at the same time determine its recharge area. The purchase of environmental insurance may be another consideration in terms of reducing the risk of any financial loss derived from potential groundwater contamination on the Beaudet Farm site.

6-4. ECONOMIC DEVELOPMENT, STABILIZATION, & PERCEPTION

Much of the issue of economic development is related directly to the perception that "growth is good" or "bigger is better". Recently, there has been a push to understand the negative impacts of such a push for development that leads to initial positive tax benefits, but in the medium and short-term, results in increased costs and reductions in the intangible aspects that gives community stability and an increase in its economic value. The unrestrained growth approach results in the characteristic sprawl or other negative impacts that are not consistent with the vision of the Town's future.

Given the factors that impact the economic market as a result of demographics and market forces, it should be Newmarket's focus to stabilize its tax base, and maintain and enhance the characteristics of long-term economic gain. There are intense commercial developments that will attract regional retail and large-scale industrial development such as Pease and the Newington Mall area. This long-term vision may result in short-term sacrifices, but in most cases results in the longer-term economic gain as a community maintains its marketable qualities and sets itself apart from others that have taken the easier route. Characteristics of a well-defined economic development plan include increased employment opportunities for the Town's citizens and a diversified local economy that is resilient and diversified. Placing too much faith in single-shot solutions exposes a community to the whim of one entity or economic fluctuations well beyond the community's control.

There are several other aspects that are marketable for businesses in the Town other than a busy street. These unique characteristics should be realized, identified and protected.

RECOMMENDATIONS

Maintain an understanding of the market potential for the various types of commercial and industrial development that may consider locating in Newmarket.

Insure that a policy of growth and expansion is carefully circumscribed by consideration of key factors that address long-term growth and stabilization.

Analyze the types of commercial and industrial uses wanted in Newmarket with the following questions in mind:

What type of impact will this type of use have on future commercial and industrial development of the Town and the immediate area?

What types of employment opportunities are promoted by existing and proposed uses?

How does the type of use permitted and sited within Town affect the character of a community?

What service does the proposed use provide the citizens of Newmarket?

What financial costs does the proposed use place upon the citizens of Newmarket?

What environmental costs does the proposed use place upon the citizens of Newmarket?

The elected and appointed officials and Town government staff take action to "market" the community:

Communicate with the public and potential corporate and business residents regarding the Town's vision for commercial and industrial growth and development.

Consider adding staff in the area of Community Development to promote sound planning and sustainable development in collaborative partnerships.

Prepare a marketing brochure illustrating what Newmarket has to offer and its commitment to sustained economic success.

Recognize and articulate the benefits of providing services to the existing residents of Newmarket including the transient population. Be able to discuss the merits of such population diversity for a business.

Expand and open lines of communication between the several public and private groups dedicated to business and commercial concerns with the Planning Board and staff.

Consider having public meetings regarding economic development to elicit concerns of the public and to provide educational forums regarding the different philosophies of growth and development.

Aggressively protect the Downtown area and enhance the opportunity for success of the businesses that are present in the community.

Encourage civic participation from the corporate chains in Town and present timely and strategic opportunities for such involvement.

Carefully consider the opportunities for economic development that are enhanced by close proximity to the University of New Hampshire. Work with the University to develop these opportunities, including services for resident students and the provision of University facilities.

Request that the Newmarket Tomorrow Committee and the Newmarket Community Development Corporation contribute to a revision of this section of the Master Plan as soon as possible. Until such time, the Final Report of the Newmarket Tomorrow Committee, dated September 2000, is hereby incorporated by reference. The document is located in the Town Hall and Library.

STRATEGIES FOR IMPLEMENTATION

The Planning Board will carefully review the zoning ordinance for amendments consistent with the policy statements of this section. Revise the sign ordinance to incorporate different definitions in town, and to eliminate over-signage and light pollution.

Use the Newmarket Tomorrow Committee Final Report as basis for development guidelines in downtown area.

Promote Newmarket's unique characteristics, as evidenced in its downtown buildings, public spaces and buildings, residences, and open space along town and state roads, through reasonable control of aesthetics and design. National

and corporate identities, as seen in logos, signage, and building design, tend to overwhelm the existing characteristics of a community. Such regulation will integrate new development into the framework of the community and in turn lead to long-term success for the corporate citizen. Protect viewsheds and natural qualities at the town boundaries along state and town roads.

Examine the use tables in the Zoning Ordinance and create a provision with a more flexible determination of permitted uses. A determination derived from the impacts of a use would support the policies and goals within the Master Plan.

Consider separate regulations for uses, which present unique impacts to other business uses. Balance the needs and opportunities for future business with existing businesses.

Examine the possibility of competing for new types of commerce and development that deal in intellectual property and e-based commerce as part of the e-coast. Recognize and promote the attraction that Newmarket has for these types of businesses due to life-style, community character, and scenic location.

Research the Telecommunications Act of 1996 to insure the Town is utilizing the provisions of this act to provide the information infrastructure it can reasonably require.

Research the availability of fiber optic cable networks in the region and consider a joint partnership with a company to bring this infrastructure to Newmarket for future development.