

ECONOMIC DEVELOPMENT

ANNUAL REPORT

DECEMBER 30, 2004

(Approved by EDC at January 18, 2005 meeting)

**THIS REPORT IS PREPARED IN ACCORDANCE WITH ARTICLE IX,
SECTION 6-47 AND ARTICLE XVIII SECTION 40-57F OF THE STAMFORD
CITY CHARTER SUMMARIZING THE ACTIVITIES OF THE ECONOMIC
DEVELOPMENT COMMISSION AND OFFICE OF ECONOMIC
DEVELOPMENT FOR**

OCTOBER 2003-DECEMBER 2004

Introduction

In accordance with Article IX, Section 6-47 and Article XVIII, Section 40-57F of the Stamford Municipal Code this report summarizes the activities of the Economic Development Commission (EDC) and the Office of Economic Development respectively for the period October 2003 through December 2004.

Commission

The Commission is Chaired by Joel Selden and presently consists of three additional commissioners including Michael Pansini, Vice Chairman; Francine Pastore, Secretary; and John Choate, Commissioner. The board has two Democratic and two Republican appointees serving. There is one vacancy on the commission. The commission is staffed by Michael Freimuth, Director of the Office of Economic Development (OED) and Lenora Cavaliero of OED.

The commission met eight times during the period and its Minutes are on file with the Town Clerk as well as the Office of Economic Development. During the last fifteen months, the Commission reviewed land use patterns and economic market trends, particularly in manufacturing, commercial office space and in retail; advised city officials on significant economic development matters such as the relocation of Diageo Distributors and the retention of Clairol Products; worked with the Downtown Special Services District to promote downtown retail activity including sponsorship through OED of a seminar for local brokers, property owners and retailers; initiated joint action with the City Planning Board to coordinate activity in the South End neighborhood; reviewed and endorsed the master plan changes necessary to redevelop the Pitney Bowes complex; assisted OED to begin the ten year assessment of the Enterprise Zone serving the South End and Waterside neighborhoods; participated in the Mill River Task Force; began a review of the role and impact of arts and entertainment within the local economy; advised on the redevelopment of Old Town Hall; met with SWRPA regarding transportation's impact on the local economy and with the Stamford Housing Authority to coordinate economic development efforts with new housing replacement programs such as Southwood; and the EDC endorsed proposals/applications for Vidal Court and Fairfield Court renewal.

Office of Economic Development (OED)

During the last fifteen months, the OED has consisted of the two employees noted above. The office was without a director for a period of nearly one year prior to October 2003. OED is responsible to oversee the city's enterprise zone and is the primary interface with the local business community and the state and federal economic development agencies.

The Director also serves as a city representative to the Downtown Special Services District, as a member of the Stamford Chamber of Commerce; as a commissioner to the regional workforce board known as The WorkPlace; as a member of the Stamford Partnership; as a member of the UCONN-Stamford Community Advisory Committee; as staff to the Economic Development Commission and to the Community Enterprise Zone Board. The Director is also a board member of the Community Economic Development Fund which has a statewide loan pool for small businesses with a separate account for the Stamford-Norwalk area.

OED participated in several statewide policy initiatives regarding manufacturing programs, brownfields redevelopment, and transportation planning. The office testified before state legislative committees at the Diageo hearings and on several occasions in response to economic development proposals before the General Assembly including on such matters as eminent domain and proposed amendments to the Urban Site development incentive program.

The Director has written articles for the Stamford Advocate, Connecticut Business Magazine, the Chamber of Commerce Business Outlook publication and the Fairfield County Business Journal regarding economic development matters including the Diageo relocation, the development of hotels in Stamford, the establishment of a local business loan fund, the status of manufacturing in the city, the changes in real estate tenure in the commercial marketplace, Old Town Hall, I-95, the retention of Clairol Products, the role of education and economic development, the affordable housing crisis, retail trends, and a prospective look into the next five years.

A summary of economic development issues, trends and activities is as follows:

Manufacturing:

- City's manufacturing sector employs over 5000, but continues to reduce in size relative to other sectors of the local economy
- Most notable changes over the past year have been the retention, albeit smaller in scale, of the *Clairol* facility; the closure of the remaining *Pitney Bowes* production plant and the completion of the conversion of the former American Cyanamid facility into a modern R&D complex for *Cytec* Industries.
- Paradoxically, the city's manufacturing facilities (which total nearly 10 million square feet) consistently hover in the 5% vacancy range, and large configurations of space are not generally available, suggesting both a change in what makes up today's manufacturing definition and a gradual change in the use of the buildings. A considerable number of buildings have been converted to R&D use or high-tech parks.
- Increased international competition as well as an intense pressure to continue productivity increases (read: fewer jobs and smaller space) will work to suppress any real growth in traditional manufacturing.
- Continued escalation of electric rates is projected to further hurt industry in the region.
- State and local business incentive packages are increasingly limited in their ability to sustain manufacturing. Such incentive programs are designed to encourage jobs and physical plant expansion, contrary to productivity pressures and do not address the restructuring of operations necessary to retain such firms within Connecticut. A complete rework of the states manufacturing programs is likely in the common year.
- Locally, zoning rules were modified in 2004 to allow increased flexibility within industrial parks and have expanded the definition of manufacturing to such new industries as biomedical research. Incongruously, a proposed amendment for special exceptions within the City Zoning Code will impact 'as of right' uses and may have a deleterious effect on leasing and sale of manufacturing space. At the time of this report, this matter is pending before land use boards.
- Manufacturing diversifies Stamford's economy and the city (and state) is at a critical crossroad in its efforts to retain these firms.

Commercial Marketplace

- The commercial market place continues to suffer from a vacancy rate of 17-19% (fluctuates by report). The total amount of Class A space is in excess of 14 million square feet. Increasingly, Westchester County and Eastern Fairfield County (Norwalk to Shelton) are competing with Stamford to attract migrating firms from New York City and are courting existing Stamford businesses.
- Moody's Investor Service continues to rank the region as a "yellow" caution area for investment activity.
- Nonetheless, fourth quarter 2004 activity suggests an increase in interest and an absorption of remaining sublease space (that distorts true vacancy rate).
- Financial services and the medical sector show signs of growth and both industries come with high multipliers (generating additional service related jobs). The growth of *UBS* into 73,000 sf of adjoining commercial space was the prominent commercial lease expansion in 2004.
- One market niche presently underdeveloped in Stamford is large concentrations of office space at a single site to accommodate recent corporate demand for consolidation of staff and locations.
- Several new commercial buildings are being discussed and may enter the land use process in 2005 (including Trinity Place and Metro Center II and the possibility of two other tenant driven deals).
- The *Diageo* relocation to Norwalk will impact the city's CBD during 2005.
- *Diageo* was in a consolidation mode as was *Mott's* which relocated from High Ridge Park. Coincidentally, the State Urban Reinvestment Act became an issue in both deals as it was used to assist the move of *Diageo* to Norwalk but was unable to assist in the retention of *Mott's* when it moved to Westchester, prompting OED to call for program changes.
- The value of commercial property continues to grow due in part to historically low interest rates and industry wide cap rate practices. However, because of the present market uncertainty, the high vacancy rate and flat rent levels, the value of commercial real estate is not growing *as fast* as the increased value of residential properties, causing a shift in the relative composition of the city's grand list.

Retail

- The retail market in Stamford is quite healthy, attracted by high per capita incomes and relatively dense population patterns. An estimated 3,000,000 sf of retail space exists in Stamford with an estimated vacancy rate that is below 10%. (no formal tracking of retail space exists as it does for commercial, industrial and housing sectors).
- In 2004, several notable additions were made including *Target*, *Burlington Coat and Bassick Furniture* while a casualty includes the announced closing of *Filene's* (proposals to replace the store are already being considered).
- The redevelopment of urban renewal Parcel 38 for mixed use residential/retail (with a Walmart's and Sam's Club) was proposed during 2004 but it is highly uncertain if this particular proposal will advance for further consideration.
- Considerable market interest exists in all the commercial corridors including High Ridge Road/Summer Street, East Main Street, West Main Street (especially for grocery stores) and along a re-emerging Broad Street. Several mixed use projects have been proposed that consist of both market rate residential units/condominiums and significant retail space oriented to the street. Big box retailers are considering more creative urban designs in order to be within the city's land use policies that shepherd these projects towards the downtown. However, pressure will continue to exist to build such big box stores along the Post Road (East and West Main).
- The city, with DSSD and SACIA sponsored a retail seminar at the Palace Theatre in May 2004 that was attended by several hundred brokers, owners, representatives of stores and developers indicating a strong renewal of interest in the city.
- The DSSD, working with the city is conducting a retail market assessment to determine the depth of the market, specific demands within the community, and the nature of trends within the industry and what they may mean. The report is due in 2005.
- Working with the Stamford Chamber, the city is participating in a retail trades employment development and training program, linking residents to the increasing demand for retail jobs.
- Re-investment in the Mall because of its age, increased competition from Westchester and other areas, loss of a major anchor tenant and changes in retailing were discussed with the owners throughout 2004 and will have increased focus in 2005.

Hotels

- The city enjoyed the re-opening of the Atria Town Center as a 94 room *Hampton Inn and Suites* in 2004.
- The opening of the newly built 115 room *Marriott Courtyard* hotel is scheduled for early 2005.
- With these two openings, the city's total number of hotel rooms reaches 2486.
- Hotel occupancies are recovering from the recent recession as business travel increases.
- The diversion into the state general fund of hotel room taxes continues to worry local tourism and hotel officials as money to promote the region and increased hotel occupancy is reduced and distributed with less certainty than when funds were collected and dedicated by regions.

Arts and Entertainment

- The re-opening of the *Palace* and the refurbishment/re-opening of the *Avon* Theatre were major milestones over the last 15 months
- Hotel occupancy benefited from increased connection to the Bridgeport Arena events including the NCAA Basketball tournament. OED assisted in the planning of this event.
- The collegiate/professional baseball team, the Stamford Robins played its first season at Scalzi Park. OED was active in assisting the team to organize in Stamford.
- The Economic Development Commission is seeking ways to link the arts to youth programs and has begun conversations with the Mayor's Youth Initiative.
- However, the city's Entertainment Zone, designed to attract businesses within this industry saw no applications during 2004.

Enterprise Zone

- The Board of Representatives renewed the Enterprise Zone for an additional five years in December 2003.
- A new Enterprise Zone Board has been appointed/confirmed and has reconvened meeting.
- A major program evaluation has been initiated to look at the program's ten year performance. The report is due in early 2005.
- During 2004, nine new firms were certified to participate in the program totaling 292,428 square feet of space and projecting new employment of 124.
- The enterprise zone, by virtue of its existence in Stamford, triggers the city's eligibility for other state economic development incentives.
- The program, having been created in 1980 based on other incentive programs active in the 1970s, needs to be revamped as its initial incentive programs are increasingly limited in their usefulness to businesses (no job training incentive; corporate taxes have been cut, so the discount is less valuable; personal property taxes on manufacturing equipment is exempt in Connecticut for five years, thereby eliminating the attractiveness of the EZ program tax break on equipment; and low cost state loans are actually more costly and administratively burdensome than present market based lending). The primary incentive, an 80% discount on real property taxes remains appealing and useful however.

Old Town Hall

- OED took the lead in seeking a redevelopment solution to the Old Town Hall and issued an RFP in February 2004. The National Development Council, New York was selected and has been working with the city in conducting the necessary due diligence for a business deal at the building.
- The city is likely to leverage recent state grants with federal historic preservation and New Market tax credits to close the funding gap to renovate and reactivate the building.
- A mayoral task force made up of State Representatives, Board of Representative members, business and community leaders and city officials has met throughout the last year with the National Development Council to plan the building's renewal.
- Presentation of the development deal is planned for early 2005.

Regional Issues/Initiatives

- Working with SACIA and the Bridgeport Regional Business Council, a major new federal grant to link the region's economic development strategy has been awarded. The Coastal Corridor effort will seek to market the region, pull together its diverse economic development assets and nurture the growth of WiFi technology.
- Regional attempts to educate and legislate on the two most critical issues: affordable housing and transportation, were a major effort during the last fifteen months and will continue during 2005 as they greatly impact the city's economy.
- A two zone electrical rate structure proposal will charge southwest Connecticut a higher rate than the rest of the state, electric transmission issues continue to be a major concern to local business and developers.

Small Business

- The Stamford dedicated small business loan fund was activated in late 2003 and to date 7 loans totaling \$400,000 have been made to new Stamford businesses creating 20 full time jobs and 25 part time positions. The cost per job is 1/3 that of federal job creation programs.
- The fund was recently expanded by the addition of another participating bank.
- 6 of the 7 loans were to women/minority owned firms
- The loan fund is the outgrowth of the Mayoral Small Business Initiative (MSBI)
- The MSBI held two business seminars during the year, the first session attracted 75 businesses and dealt with general small business issues. The second session resulted from input from the first and attracted 125 businesses interesting in selling to large corporations in the region.
- The Women's Business Development Center worked with the city in preparing the MSBI sessions and recently increased its outreach by conducting business hours at Government Center as an extension of OED.
- OED increased its working relationship with SCORE, participating in their sessions and linking local businesses to its resources. OED has also assisted the federal SBA to conduct meetings/hearings with local small businesses.

Other OED Issues

- OED worked with several neighborhood initiatives including the East Side Partnership, Mill River Corridor, and West Side Economic Development strategy as part of the Stamford Housing Authority's efforts.
- Other OED participation included work with the Waterside Coalition and with South End organizations.
- OED has participated with the Stamford Chamber of Commerce to sponsor international trade seminars, sister city relationships and trade missions.
- OED has worked with other city agencies in planning of urban transitway and deciding on downtown garage design and selection of its construction team.
- As part of Clairol project, OED has conducted appraisals and negotiated a contract to purchase a portion of the Blachley Road site for a new inter-district magnet school.
- OED monitored the Indian Gaming issue and participated in regional discussions regarding the Federal Bureau of Indian Affairs actions.

EDC Commission Agenda for 2005

- Based on the information outlined in this report, the EDC Commission plans to focus on the following issues during 2005:
 - Electrical Power/Transmission
 - Entertainment Zone Activity
 - Renewal of the Town Center Mall
 - Enterprise Zone Improvements
 - Redevelopment of the South End Neighborhood