

ECONOMIC DEVELOPMENT

ANNUAL REPORT

DECEMBER 30, 2005

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 THE OFFICE OF ECONOMIC DEVELOPMENT FOR

JANUARY 2005-DECEMBER 2005

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 (OED) respectively for the period January 2005 through December 2005.

COMMISSION (EDC)

During 2005, the Commission was chaired by Joel Selden and consisted of four members with one vacancy. Throughout the year, Vice Chairman Michael Pansini and Secretary Fran Pastore sat as members. The fourth seat was held by Commissioner John Choate until mid-year and then by Commissioner Eileen Heaphy who had to resign in December due to her election to the Board of Representatives. There now exists two vacancies. The Commission is staffed by Michael Freimuth, Director of the Office of Economic Development and Lenora Cavaliero of OED.

Over the course of 2005, the EDC met seven times and its Minutes are on file with the Town Clerk as well as the Office of Economic Development. Energy issues were a dominant theme during the meetings of the Commission as it heard from experts representing the utilities, the business community and the United States Conference of Mayors. The Commission focused on the increasing costs of power, the growing unease about its reliability, the long term capacity concerns and the quality of the power supplied to the city. In November, the EDC endorsed resolutions in support of the creation of a demonstration project known as an Energy Improvement District and the initiation of energy conservation and environmental building code upgrades known as LEED standards.

The EDC also worked with the city's Planning Board in order to initiate a review and update of the master plan governing the South End neighborhood. This includes the co-authorship of an op-ed article in the Stamford Advocate by Chairman Selden and Planning Board Chairman Duane Hill.

The Commission also reviewed and raised concerns about large scale development regulations that were under consideration by the city's zoning board and provided input to that Commission as it adopted new rules. The Enterprise Zone report was reviewed and accepted by the EDC and was forwarded to the Board of Finance and the Board of Representatives. The Commission also began review of recent changes in state tax law governing estates and its impact on capital formation in the region.

OFFICE OF ECONOMIC DEVELOPMENT (OED)

OED has two employees, the director and an executive secretary that is shared with the mayor's office. The director also serves as a city representative to the Downtown Special Services District; as a member of the Board of Directors of the Stamford Chamber of Commerce; as a commissioner on the regional workforce board, The WorkPlace; as a member of the UConn-Stamford Community Advisory Committee, and as staff to the EDC and the Community Enterprise Zone Board. The director is also a board member of the statewide Community Economic Development Fund that lends to small businesses in the city.

OED has responsibility to manage the city's enterprise zone program and to serve as an ombudsman to businesses undertaking projects within the city. OED also works closely with the city's planning, zoning, engineering, building and legal departments as well as the Urban Redevelopment Commission (URC) in a coordinating role for larger scale real estate projects. The office is the primary interface with state and federal economic development agencies.

During the past year, the director has participated in several statewide and national economic development issues including downtown retail development, brownfields renewal and testified on behalf of the Connecticut Economic Development Association before the Connecticut General Assembly regarding reform of the state's eminent domain statutes. The director presented the city's Affordable Housing strategy to public boards and organizations in the Town of Fairfield and the City of Norwalk during 2005.

The director also published several articles regarding Stamford's investment in new technology infrastructure, energy issues, the local medical industry, the city's hospitality trade, the results of the enterprise zone study, and an article on the future of the *Stamford Town Center* mall. Presentations to the Connecticut Brownfields Association, the Connecticut Chapter of the International Council of Shopping Centers, the Real Estate Finance Association, the Fairfield County Business Association and the Connecticut Economic Development Association were made by the director in 2005.

During 2005, OED served as the lead agency for the renewal of *Old Town Hall*, including serving a Mayoral Task Force; in completing the acquisition of the *Clairol* property; in managing the city's efforts to secure the *RBS* project; in interfacing with the Stamford Housing Authority for their major Hope VI initiative; as well as completion of the enterprise zone report and the initiation of the south end master plan update.

A summary of general economic development issues, trends and activities of OED follows:

OVERALL ECONOMIC CONDITIONS

The state's economy still lags the nation and in 2005 was reported as last by the FDIC in job generation and was categorized as being in the bottom third of states in growth of new industries by the Connecticut Economic Resource Center (CERC). While Connecticut scores well in productivity, education and technology, it nonetheless continues to lose ground to other states. Interestingly, the state has not recovered the jobs lost from the peak employment recorded in 1995, but Stamford's labor force is up during the same period (62,391 in 1995 to 67,183 in 2005).

Since 1990, nearly 100,000 manufacturing jobs have been lost in Connecticut. This statistic is as much a factor of the state's business climate as international competition. Stamford's industrial sector has shrunk correspondingly.

On a regional basis, there has been a slow growth in professional services related jobs with the fastest growing sector being financial services. Within the City of Stamford, financial services exceed 13% of the economic base reflecting three large trading floors, a concentration of banking facilities including a growing number of international banks, the movement of hedge funds into the city and a pre-Katrina recovery of the insurance companies. With *RBS*, growth in this sector will continue through the remainder of the decade.

A migration eastward continues with some Stamford firms moving to Norwalk and further east while firms continue to come from the west including Greenwich, Westchester County and New York City. Overall there are less headquartering type operations and a consolidation of regional centers.

Population growth in Stamford continues at a faster pace than other Connecticut cities and retail trade remains strong. The city's unemployment rate hovers near 4%, better than the statewide and national averages.

The labor force is increasingly specialized and within the region, it is aging. The Stamford labor pool comes from an ever wider region with workers being drawn from Westchester County and New York City as well as east towards and north of Bridgeport.

For 2006, increasing energy costs, higher short term interest rates, pressures for federal and state tax hikes and the continued 'flattening' of the international economy must be watched. Fairfield County businesses remain concerned about transportation, health care costs and the maintenance of a qualified labor force.

COMMERCIAL OFFICE MARKET

The commercial office market continues to suffer from a vacancy rate near 20% (although this number fluctuates widely among four different reporting services). This vacancy rate is higher than the overall county average. Moody's Investor Service continues to rank the 'Stamford market', which includes the wider Fairfield County region as a 'yellow' caution area for investment.

Yet, improvement trends are evident. The renting of space via subleases has declined; average rents have increased; some buildings ideally situated near transit command top rent and have high occupancies; other buildings have been repositioned and prepared for multi-tenant occupancies that capitalize on the increase in the number of smaller tenants in the 5000-20,000 square foot range; and major relocations from Stamford launched in 2004 have worked their way through the local market (e.g. the *Diageo* move). The city led the Fairfield County market in 2005, leasing nearly 2 million square feet of space, an increase of 123% over 2004.

The marketplace was adversely impacted by space added due to the decline in business operations at *Purdue Pharma* (related to patent disputes and not the local economy) and the relocation decisions made by *International Paper* and *Vertrue*.

Positive commercial activities benefiting the Stamford market include the decisions of *Odyssey Reinsurance*, *Gen Metals*, and *Xerox* to stay in their facilities. *Synapse* (75,000 sf) *GE* (267,000 sf) and *Cummings & Lockwood* (55,600 sf) were major lease renewals, albeit in different buildings, in the City of Stamford during 2005. Significantly, *UBS* continued to expand with a major lease (250,000 sf) at the *Purdue* building signed late in the year. A notable growth in the number of hedge fund companies taking space in Stamford also occurred throughout 2005 and other types of businesses such as printing were attracted to Stamford as evidenced by the December announcement from *Cenveo* (34,000 sf) to locate its headquarters in Stamford.

Within the real estate development area, renovations and upgrades have been initiated at *Landmark One*, *Harbor Plaza*, and *High Ridge Corporate Center* office complexes. The proposed *Trinity Place* office complex, presently in the planning stages is more likely to become a mixed use residential/commercial development rather than a traditional class A office building. *Metro II*, a mixed use office and residential complex is in design and is likely to be considered in early 2006 by the land use boards.

The most significant individual project is the 400,000 s.f. *Royal Bank of Scotland* banking center to be built on Washington Blvd and Richmond Hill across from the Transit Center. The facility will hold up to 3000 employees and will begin construction in 2006 following a variety of local approvals.

MANUFACTURING/INDUSTRIAL MARKET PLACE

Manufacturing employment within Stamford is near 5000 workers, an increasingly smaller component of the city's overall economic base. Decisions by *Clairol* and *ACMI* to retain operations in the city along with the growth of smaller companies essentially in the enterprise zone, the West Side or in older industrial areas along the Darien border were positives during the last year.

Since the labor force is aging within this sector, the area workforce board has flagged the shortage of skilled workers as a major point of concern. This has been confirmed in discussions with mid to larger size industrial employers within the city.

The vacancy rate within the industrial real estate marketplace averaged within the 3% range over the last year. While this is a very tight market, the cost of land and the rental rates within the sector serve to prevent any new construction of this inventory from occurring. At the close of 2005, there were 8.2 million s.f. of industrial space in the city.

Large components of the overall industrial stock have been removed from the inventory over the last year including the demolition of a large portion of the *Cytec Industries* property and the sale and expected demolition of the *Pitney Bowes* south end manufacturing complex. The sale of the former *Yale and Town* facility will lead to a further reduction in this type of real estate once a redevelopment scenario is determined by the new owners. Another property about to be converted to a non-industrial use is 650 Atlantic Street. This redevelopment (*Atlantic Station*) is expected to occur in 2006.

Counter-trending the movement to non-industrial space is the repositioning of the *Hamilton Industrial Park* away from office use to a more traditional mixture of R&D, assembly, industrial and warehouse flexible space.

From a public policy standpoint, the state and local business incentive packages continue to be limited in their ability to sustain manufacturing. The programs designed to encourage jobs and physical plant expansions fail to recognize that manufacturing is attempting to slim down and to increase productivity in order to remain competitive in the international marketplace. A reworking of the state's incentive programs is expected to continue over the next year and OED and EDC will need to focus on this policy debate in an effort to retain some level of manufacturing diversity within the local economy.

RETAIL

Retail developments continued to make headway over the last year when the existing 3 million square feet of inventory was increased by the new 118,000 sf *Grade A/Shop Rite Plaza* on West Main Street. This economic sector remains strong due to residential density, a growth in household formations and a high median disposable income. In fact, the best performing assets within the commercial real estate marketplace are retail properties and the retail industry continues to report that the Fairfield County marketplace is underserved by retail. This is especially true in restrictive zoning and tight real estate areas such as the lower portions of Fairfield County surrounding Stamford as well as in the abutting areas to the north of the city within Westchester County.

Repositioning of the *Town Center Mall* began as well in 2005. The former *Filene's* store is scheduled to be demolished in early 2006 and replaced with a new generation of retail stores along the Tresser Blvd. entrance to the facility. The new construction is designed to open the face of the mall while also re-orienting access to the garage.

Other notable projects include the groundbreaking for the construction of the 40,000 sf retail pavilion to be known as *Landmark 7* at the intersection of Atlantic and Broad; the initiation of leasing to tenants at *33 Broad Street (Target first floor)*; and the favorable court ruling allowing the proposed *Stop and Shop* plaza to proceed on West Main Street.

The Downtown Special Services District is nearing completion of its retail market assessment designed to measure the amount and type of retail operations the city can sustain in order to market available properties and to guide future master plan and zoning decisions. This study is due in early 2006.

Big box retailers continue to seek locations within the city especially along the I-95/Route 1 corridor. Other large retailers continue to be interested in the commercial corridors such as High Ridge Road/Summer Street, Hope Street, East and West Main Streets. The downtown central business district, having achieved a successful 'Phase I' retail renewal strategy that includes restaurants, bars, nightclubs and entertainment, is now being positioned for a 'Phase 2' program focused on specialty retail.

HOSPITALITY INDUSTRY

During 2005, the Stamford hotel inventory reached 2500 rooms with the opening of the *Marriott Courtyard*. While the local room occupancy rate was off 3.3% during the first three quarters of 2005 and slightly below the national rate (57.4% occupied compared to 64.5% nationwide), national trends show an increase in business and leisure travel, an escalation of room rates, increased value of hotel properties and growing interest by the real estate development community to build new product. These trends are beginning to impact the Stamford region as well.

Stamford has seen several changes within its inventory as the *Sheraton* was sold and the former Rodeway Inn was repositioned as the *Amsterdam*. OED has had conversations with three different hotel 'flags' interested in the city's market. The industry's interest is in two product lines presently absent from the city's inventory: (1) extended stay suite formats; and (2) luxury niche, smaller scale operations.

DOWNTOWN CENTRAL BUSINESS DISTRICT

The real estate community has launched a variety of mixed use and/or high end luxury condominium projects within the downtown core over the last year. Of note: *HighGrove* luxury condominium of 88 units; *Citiplace* with 100 units; the conversion of 1515 Summer Street from office into 40 luxury residential units (*Metropolitan*); and the nearby construction of market rate residential products along the Mill River including *Mill River House* with 92 units and *Adams Mill River* with 60 units.

This trend is expected to continue into 2006 with the likely conversion of some apartments into condominiums; additional projects along East Main Street; further evolution of such projects as *Trinity Place* and *Greyrock Place*; and the construction of rental units within the next phase of the Corcoran Jennison project at *Park Square West*.

Retail projects noted earlier (*Landmark 7, 33 Broad, Town Center*) reflect the ongoing movement to launch a second phase of the downtown's retail renewal with more specialty retailing to complement the restaurant and entertainment venues. A *new city parking garage* is scheduled for completion in 2006 serving to meet increased business district parking demand. Late in 2005, plans began to emerge for a larger *UConn* campus in the central business district.

OED assisted the DSSD in a successful application for a national award recognizing the aesthetic improvements in the downtown during 2005.

ENTERPRISE ZONE

OED completed the “Evaluation of the Stamford Enterprise Zone Program (March 2005)” in accordance with a Board of Representative’s resolution that renewed the initiative in December 2003. As noted above, the report was reviewed by the EDC at its January and March meetings and forwarded to the Enterprise Zone Board for its review and acceptance. The EZ Board met with consultants in March and May and then forwarded the report to the Board of Finance and Board of Representatives which reviewed it at its May 27, 2005 meeting of the Land Use Committee.

In summary, the analysis noted that: the EZ provided a net positive fiscal impact to the city; while the economic profile of the EZ has changed since its adoption in 1993, the program has had success in linking residents to jobs; an estimated 1500-3000 jobs have been created in the zone, although job tracking has proved to be difficult; the zone helps in diversifying the city’s economic base; it has disproportionately attracted blue collar jobs from the city norm of white collar employment; and the zone assists Stamford to compete with similar programs offered in nearby Fairfield Co. and Westchester Co. communities.

During 2005, nine new enterprise zone applications were submitted. Of the nine, seven were certified and accepted into the program by the city and State Department of Economic and Community Development, one was declined as ineligible and one remains pending. The seven firms project nearly 300 new jobs and to use 60,713 additional square feet of commercial space (24,513 sf office, 36,200 sf industrial). An eighth firm will relocate from New York to Stamford and employ an additional 72 people and occupy 18,000 sf of space.

In accordance with Ordinance 724 Section 5, it is noted that as of December 2005, there are 40 firms actively participating in the enterprise zone/urban act program employing in excess of 2000 (*exclusive* of UBS which is no longer in the program and International Paper which has announced its relocation). The annual cost of the program for 2005/6 is estimated at \$ 1.8 million, nearly one-third associated with the Purdue Pharma facility that will expire this year. Since a firm can only be in the program for a period of five years, the incentives have expired for approximately another 40 firms that have participated in the program since its inauguration.

The Stamford EZ has been among the top three most active zones (of the 32 targeted areas/municipalities in the State that have such incentive packages) in both 2003 and 2004.

SMALL BUSINESS INITIATIVE

The Mayor's Small Business Initiative, a city sponsored collaborative effort with the Women's Business Development Center, the Stamford Chamber of Commerce and UConn's Small Business Development Center, conducted two seminars this past year for local small business. The May event was entitled "Growing Your Business Through Effective Sales and Marketing" with guest speaker Jane Pollack, an internationally known author and entrepreneur. The September session, "Exploring Business Ownership and Franchising" was moderated by Steve Lehman of the Entrepreneur's Source.

Another outgrowth of the Mayor's Small Business Initiative has been the small business loan program in partnership with the Connecticut Economic Development Fund. At the end of 2005, the fund had fully allocated its resources and nine loans have been made in Stamford totaling in excess of \$600,000. The city and CEDF are working to recapitalize the fund for 2006.

REGIONAL ISSUES/INITIATIVES

The *One Coast One Future* Initiative was officially launched in October by Congressman Shays, the Business Council of Fairfield County, the Norwalk Chamber of Commerce and the Bridgeport Regional Business Council and will focus on six economic development policy issues impacting the region. OED serves as the city's lead agency for this effort and will be involved with the following topics: 1/ a regional economic development strategy; 2/ a cross marketing effort of the entire county; 3/ the linkage of jobs with entry level employees throughout the county; 4/ the establishment of a WiFi/WiMax system along the MetroNorth corridor and especially within the downtown areas of Stamford, Norwalk and Bridgeport; 5/ expanding opportunities within the health care industry; and 6/ connecting the county's housing stock with economic development efforts.

OED will also work with neighboring communities as part of the need to create alternative means to address the energy issue including obtaining support for a Stamford Energy Improvement District concept.

SOUTH END STAMFORD

The *Antares* initiative is poised to dramatically redefine Stamford's South End neighborhood. Partnered with Lubert-Adler of Philadelphia, Antares has assembled 82 acres, nearly one-half of the developable land in the South End including the aforementioned Pitney Bowes and Yale & Town manufacturing complexes as well as the land assembly previously known as Admiral's Wharf. The development program could increase the size of its real estate profile and is envisioned to build a substantial number of new residential units capitalizing on the waterfront and proximity to the transit station.

Other properties positioning for redevelopment in the South End include the former *Manger Electric*, the old mill complex located at 650 Atlantic (77,000 s.f. office/retail to be known as *Atlantic Station*) being developed by Vanguard Properties and the mixed use *Metro II* proposal (300,000 s.f. office with 240 units residential) by W&M Properties. Complementing these efforts are Phase I and II of the Urban Transitway project. Phase I has completed property assembly and will shortly finish relocation and demolition work in anticipation of bidding and the initiation of construction in 2006.

OTHER OED ISSUES

OED has had the lead in assembling the financial package for the reconstruction of *Old Town Hall*. During 2005, the city in partnership with the National Development Council met with the mayoral advisory board for the building and refined development plans, construction budget, tenancy issues, public space and leveraging of investment tax credits. During 2006, a governing structure, financing program and construction schedule will be finalized.

Marketing efforts were expanded via the creation of real estate links on the city webpage. Of particular note is the linkage to the Connecticut Economic Resource Center's "*Sitefinder*" program that assists prospective businesses with real estate options.

At the neighborhood level, work with the South End NRZ in light of plans by the Antares development group; with the West Side area, especially along Stillwater Avenue; and with the East Side Coalition as it focused on the East Main Street corridor was ongoing.

As 2005 came to close, a special job training grant targeted to the South End and Waterside neighborhoods was awarded to the Workplace Inc. by the U.S. Environmental Protection Agency. This grant will train and prepare residents of the city's enterprise zone area in the environmental clean up industry with the goal of linking residents to the jobs resulting from the redevelopment of brownfields within these neighborhoods in the coming years.

During 2006, OED will continue to be active in the reform of the state's eminent domain laws in conjunction with statewide economic development organizations, other municipalities and with the city's URC.

EDC AGENDA FOR 2006

The EDC will continue to focus on energy matters and the redevelopment of the South End during 2006. Other items on the 2006 agenda include UConn's Center for Global Commerce, immigration issues, ongoing business initiatives along East Main Street and the West Side, and the evolution of the Hispanic Business community and its leadership.

The Commission continues to be interested in capital formation issues (estate tax impact, small business lending); continued growth of financial services and the medical industry within Stamford; increased regional cooperation in economic development; and the public policy and legislative issues surrounding manufacturing retention and financial services.