

DRAFT

**Durham Economic Development Committee
Monday August 23, 2010
Durham Town Hall – Council Chambers
MINUTES
7:00 PM**

MEMBERS PRESENT: Susan Fuller; Richard England; Thomas Elliott; James Lawson;

MEMBERS ABSENT: Doug Clark; Ute Luxem

OTHERS PRESENT: None

I. Call to Order

The meeting was called to order at 7:06 PM by Chair Elliott.

Mr. Elliott made a request to elevate Mr. Lawson from alternate to standing member for the meeting because two members were absent. Mr. England made a motion to elevate Mr. Lawson and the motion was SECONDED by Ms. Fuller. The motion was PASSED unanimously 3-0.

Mr. Elliott said that he expected Ms. Luxem to join the meeting shortly.

Mr. Elliott announced that Chris Mueller had resigned from the EDC earlier that month, and that he had served on the EDC going back to its formation. Mr. Elliott noted that Mr. Mueller had served wonderfully with a commitment to the town and committee, but found it necessary to resign with his new job. Mr. Elliott said that the Town Council would be asked to bring Yusi Wang Turell on as a new member.

II. Approval of the Agenda

Ms. Fuller MOVED to approve the Agenda. Mr. England SECONDED the motion.

The agenda PASSED unanimously 4-0.

III Public Comment

Mr. Elliott opened the meeting to public comment and advised that public comments could be made during the meeting.

Malcolm McNeil of Colony Cover Road said he would like to commend the commission for what it was doing and the activism brought to the community for economic development, and for attempting to bring a modicum of change to the community. He also commended the committee for bringing John Hall to the meeting to speak.

Mr. McNeil said that he suspected that based on the agenda the committee would be discussing the downtown again and noted that was excellent. He said that, as is the case in Exeter and Portsmouth, there is more to economic development than downtown. He said he hoped that the market study and other studies would consider other appropriately zoned areas of the community where economic develop should and can occur.

Mr. Elliott noted that Ms. Luxem had joined the meeting as an alternate member.

IV Approval of the minutes

June 28, 2010

Mr. Elliott noted minor corrections to the draft minutes. Mr. Lawson noted that Ms. Turell had previously communicated that her last name needed to be corrected.

Mr. Elliott asked for a motion to approve the minutes as amended. Ms. Fuller MOVED to accept the minutes. Mr. England SECONDED the motion and it PASSED unanimously 4-0.

July 26, 2010

Mr. Elliott and Mr. Lawson noted minor corrections to the draft minutes.

Mr. Elliott asked for a motion to approve the minutes as amended. Mr. England MOVED to accept the minutes. Ms. Fuller SECONDED the motion and it PASSED unanimously 4-0.

Mr. Elliott reminded EDC members that draft minutes should be completed within five days of the meeting.

V Presentation and Discussion with John Hall

Mr. Elliott introduced Mr. Hall as the Executive Vice President for Commercial Lending at Profile Bank, and said he had seen Profile Bank when researching land records of new developments in Durham. He said it was helpful to have Mr. Hall talk and educate the EDC on the process for commercial lending. He noted feedback from landowners saying that they can not redevelop because it is difficult to secure the financing they need, and that financing for mixed use was more difficult than for student housing. Mr. Elliott reminded the audience that they could ask questions of Mr. Hall.

Mr. Hall said profile bank is a Mutual Federal Saving Bank headquartered in Rochester with \$160 million in assets. Profile Bank has branches located in Somersworth, Alton and Sanbornville serving Belknap, Stafford and Southern Carrol Counties. He confirmed that Profile bank has done deals in Durham, and said he had previous experience with lending in Durham.

Mr. Hall said in general their process is to look at a loan request analyzing cash flows, looking at market data, availability in the market and what kind of leases are available. He noted that Durham was unique with student housing. He said lending boils down to whether the project is going to cash flow, the strength of the underlying leases, the strength of the developer and whether the developer has sufficient equity to put into the property to carry it until it is self sustaining. He said that they finance real estate owner occupied properties, investment properties and finance equipment and lines of credits that go with a real estate deal or work with a tenant that plans to occupy an available space to finance their tenant fit-up. Mr. Hall asked to open the discussion to questions about their process.

Mr. Lawson asked if Mr. Hall felt he had adequate market data about Durham, and if there were areas that EDC should focus on in order to provide better data.

Mr. Hall said the data seems to be fragmented and it would be good if there was one place they could go for the data. He said they check websites and local EDCs to determine what type of space is available in order to make a preliminary assessment, and then they do the cash flow and collateral coverage analysis followed by using an appraiser. He noted that the appraiser is going to dig deeper into the market rents and whether the rents for the subject property are realistic for what is out in the market. He said that if they are talking about student housing, the appraiser will get a feeling for what the market will bear based on rental rates, and whether the assumptions made by the developer are reasonable based on that data.

Mr. Lawson said it sounded as if the process was very dependent on the type of data provided by the developer and presented to the bank. Mr. Lawson asked if he was correct in saying that they should focus on providing data to the developers. Mr. Hall said yes, and that cash flow drives any real estate project and that incorrect assumptions can result in the developer spending a lot of time before determining the project is not feasible.

Ms. Luxem asked if Profile lends to businesses leasing for outfit. Mr. Hall said they will, but it is presently a challenge because the collateral is the leasehold improvements which have no value in a liquidation scenario. He said they participate in credit enhancement and SBA lending, and work with local development agencies. He said they can look for creative ways to collateralize and it depends on the scope of the project. He said if it is an existing business it is easier, such as a business moving to a new location. If it is a new business it is more difficult because the bank is relying on projections.

Ms. Fuller asked if their were resources that he sends a client to if a business plan needs work, or does he expect the plan to be complete for the Bank. Mr. Hall said they will

work with Warren Daniels at the Small Business Development Center in Rochester, and that they will try to work with people as much as possible, but that the resources are limited. He said that if someone was in the infancy of developing a business plan then he would refer them to someone that can devote more time to them.

Mr. England asked Mr. Hall if he looks at local property tax rates and if it was relevant to the evaluation of a loan application. Mr. Hall said that they do not necessarily look at the property tax rates, but they look at the property taxes when they look at an investment property. He said at the top of the line is the rental income followed by a thorough screening of the expenses that would include property taxes, insurance, maintenance, reserves and other expenses.

Ms. Fuller asked what type of cash would be needed for a commercial loan of less than \$1 million and what type of rates would be expected. Mr. Hall said a typical down payment is 20% and that depending on the project it could be more. He said if it is an owner occupied scenario that they will often use the SBA 504 program which serves as a credit enhancement for the bank that can reduce the down payment. In this example, he said at least 60% of the space needs to be occupied by the owner. Mr. Hall said that the bank holds their loans in house, and that while they will do a twenty year term they limit their rate locks to five years. Pricing is based on the strength of the deal, and multiple banks may be looking at the opportunity if it has strong cash flow and strong sponsorship. He said he couldn't quote rates because they are changing, but said they could be in the mid sixes.

Jay Gooze of Meadow Road said a lot of projects are multi-use with residential above that is mainly rental for students and office space below. He asked how Mr. Hall looks at the desire in the town for office space when looking at projects. He said he was not sure there was enough demand to fill the office space. Mr. Hall said that typically when analyzing a mixed use they will look at the overall cash flow, and that it depends on how much of the cash flow from the office rental is needed to make the deal work. He said in the immediate cases he has seen recently that the office rental is an integral part of the overall cash flow, and that they may look for a pre-lease or letters of intent. He said in this economy the retail and office space is often more difficult to lease than the student housing.

Mr. Elliott asked how Mr. Hall views Durham. Mr. Hall said Durham is unique when compared to other communities in the seacoast because of the University and the influence it has on a number of things.

Mr. Elliott asked for Mr. Hall's reaction if he was going to redevelop a building downtown for 100% commercial or retail. Mr. Hall answered that he hoped Mr. Elliott had a tenant for the building. He said that any deal that is speculative would be a tough sell in this market. He said he did not think the more experienced developers would put themselves at that level of risk without having a significant amount of space pre-leased before going into a project.

Mr. Elliott asked Mr. Hall how he would evaluate a mixed use project with residential housing that was oriented toward graduate students, families or adults and not focused on student housing. Mr. Hall said student housing is unique, but if the developer had done their homework for non-student housing then they would look at the assumptions and look to have an appraisal that substantiates the need in the community.

Mr. Elliott asked Mr. Hall what his sense about what appraisers were saying about mixed use in Durham. Mr. Hall said the challenge is leasing the office or retail space, and the demand for student housing downtown and on the outskirts of town was strong for student housing. Retail was a challenge everywhere, but that Durham has a unique situation with a lot of foot traffic, a lot of students and a reasonable number of residents as well; and the challenge of balancing the business needs of what the students and residents want.

Mr. Elliott asked Mr. Hall about his sense of the capacity for more student housing in town. Mr. Hall noted the properties that had recently been developed and that they have filled quickly, and that the new construction seems to be taking market share from the older properties. He said he hadn't seen the numbers recently, but he knew the university has added a fair amount of student housing, but that his sense was there was still quite a bit of demand.

Mr. Elliott said there was a sense that there was plenty of demand in the current market and asked if Mr. Lawson could speak to the numbers. Mr. Gooze said that the university has made the commitment to go to 60% of their students being housed on campus. Mr. Lawson said his information was that the university's capacity was approaching 60% and that they are housing about seventy-six hundred students on-campus, and that number should hold for some time. Based on other work and information from the Durham Landlord Association it was estimated that there was between 2,000 and 2,500 beds in professional managed Durham properties. He said there could be 500 students living in the traditional family neighborhood. He said that his conclusion was that more than half of the students moving off campus look for housing products outside of Durham and that number is estimated to be twenty-four hundred.

Mr. Elliott asked Mr. Hall if he was familiar with the Capstone project, and Mr. Hall said he was not.

Mr. Elliott asked Mr. Hall what incentives or programs he sees municipalities offering beyond Durham. Mr. Hall said he has not seen programs provided by municipalities, but that Rochester was contemplating a Tax Incremental Financing project for their Granite Ridge development, which may be a good way to finance infrastructure. He said that the Bank has access through the SBA and regional development firms to get credit enhancements that are geared toward owner occupied real estate.

Malcolm McNeil said he would like to thank Mr. Hall for commercial lending 101, but that there were unique challenges in Durham. He said we are all hoping for this mixed use development in a nine month economy, and that people had come before various

boards in Durham indicating they could use the upper stories for student rentals, but that the lower stories for commercial are not renting out. He said as a lawyer formerly with an office in Durham that he wished to stay in Durham, but he could not find accommodations and ended up in Dover. He said he wonder how this would work out because the bottom line for Mr. Hall and other lenders is cash flow, security and reliability of the borrower. He said there are no real government incentives for commercial lending and it's not like bringing a Toyota plant to Alabama which does not happen in New Hampshire. He said the building ultimately makes it or not, and the issue is how do we effectively develop a lending environment in Durham that works for the mixed use goal. He said from his perspective it is not really happening now. He said that when Mr. Hall speaks of Mr. McNeil's wife's property and other property of the fringe of the community that they are not mixed use, but may be mixed types of housing. He said the challenge for the community is how to make it pay so that Mr. Hall will lend money for it. He asked if Mr. Hall to speak about what is unique about Durham and what makes it more difficult for commercial lenders to lend money here.

Mr. Gooze requested to ask a question before he answered Mr. McNeil's question. Mr. Gooze said he is the owner of a property that is not mixed. He said he has been asked by existing owners that are worried by the newer developments how they can revamp their buildings to make them competitive. He asked Mr. Hall how he felt about lending for a redevelopment of buildings to make them competitive.

Mr. Hall said regarding Mr. McNeil's question that he did not have any easy answer to how to make the mixed use development work in Durham. He said it is a problem everywhere and that the economy has exasperated it. He said he has seen projects in Rochester not happen because it is expected the developers will have a pre-lease arrangement. It is a challenge because the economy has impacted retail, and finding a small business owner that will fund leasehold improvements is not easy.

Mr. McNeil noted that Durham is a nine month retail economy, and that during the summertime there is no activity. He asked how you make that into a leaseholder or retail opportunity that works when the vitality of the community is missing for a significant part of the year. Mr. Hall said that is a challenge and he wished he had a plan. He said as a resident of Lee he wished there were more upscale opportunities for dining in Durham. He noted a possible incubator project in Rochester, and asked if that might work in Durham.

Mr. Hall said regarding Mr. Gooze's question that the cash flow has to work. He said it may depend on when an older building was purchased and whether the debt was paid down to be economically feasible. If it has not then he said there is not a lot you can do. He said that unfortunately a lot of older properties sold at very high prices and are now suddenly competing against new property which is not easy.

Ms. Fuller noted that Mr. McNeil said he could not find a suitable location and noted another business that could not find a Durham location. She said it sounds like we have businesses that go elsewhere because we don't have that infrastructure.

Mr. England noted that a consulting firm left Durham and went to Dover for similar reasons.

VI Committee and Staff Roundtable

Mr. Elliott said that Yusi Turell requested he provide an update on the outreach program and business visitation. There are 22 different interviewers, including seven of which are councilors. 106 of 125 businesses have been claimed and there are nineteen or twenty business that need to be claimed. Ms. Turell is pushing to meet the September 30th deadline to have the bulk of business interviewed in order to plug into the economic study.

Mr. Lawson advised that the Pettee Brook trial is continuing. He said that the traffic safety committee is meeting this week, and that although it is there decision he feels it is likely the trial will remain in place as students return. He said the town remains committed to closely monitoring the traffic, and is working to get speed and traffic counts before the students return. He will work to get that data processed into something that is meaningful. Mr. Lawson asked to reiterate that increased parking was one of the benefits of the trial, but that the focus was creating a more pedestrian friendly environment through traffic calming that is consistent with the B. Dennis report and other resources on downtown redevelopment.

Mr. Lawson said that the C-lot feasibility study for a fire station and parking structure is ongoing and that the consultant would be in Durham primarily to meet with the fire department to better understand their requirements. He said it is his understanding that if the fire department and parking structure is determined to be feasible, then the consult would develop several conceptual designs.

Mr. Lawson said that the town will be engaging a consultant associated with B. Dennis team to help draft a near term parking strategy on managing the current inventory of parking, and that he would be assisting with pulling together the preliminary data for the report in September.

Mr. Elliott added that Chief Kurz' parking report was not on the town website, and that he put the document on the google group. Mr. Elliott said he read it and found interesting information in the report. Mr. Elliott reminded people that parking permits were still available for Madbury Road. He also said that Portsmouth is doing a parking study, and they are contemplating building more parking garages in downtown Portsmouth.

Ms. Fuller said the Planning Board public hearing will continue this Wednesday for including the conservation subdivision to the ORLI and MUDOR subdivision. There is a new application for an eight lot subdivision on Mill Road. The Teece conditional use permit for a mobile kitchen next to the farm stand was approved. There is an application to amend the permit for a fourth floor office at 6 Jenkins Court.

Mr. England said a draft report from the consultant was given to the IZIP committee, and they will be meeting to prepare for a public hearing on the consultant's report. Mr. Elliott asked if it was looking like zoning changes would be needed for affordable housing. Mr. England said he was not prepared to say that. Ms. Fuller said she was also not prepared to say that. Mr. England noted that part of the report describes the existing housing stock situation, rents and house prices; and then makes a ratio comparison to median household income in the region in an attempt to come up with the percentage of housing units that are affordable. Ms. Fuller said she did not believe we had definitively determined there was a need, but that her sense was that Durham is going in that direction, but how we make inclusionary zoning work is still a mystery.

Ms. Luxem asked about the master plan, and Mr. Elliott said that Mr. Campbell wanted him to remind the committee that the Master Plan steering committee is coming together and that Mr. England is our representative to the committee, and there would be a great deal of public process starting in September.

Mr. Elliott said he expects the RFP for the Grange Hall to be released when Mr. Selig returns from vacation. He provided an overview of two new businesses that have opened in Durham that were highlighted in the Friday updates. He said he read an article in the New Hampshire Business Review about a different flexible building code that can be applied to historic downtowns. He sent the article to Tom Johnson, and Mr. Johnson was familiar with it and wanted to talk about it with Mr. Elliott and the EDC. Mr. Johnson asked to come to the September EDC meeting to talk about it.

VII Discussion of Committee Budget and Spending Priorities for 2010

Mr. Elliott said that he was not familiar with what kind of budget the committee receives noting he had not previously been involved in the budget process. He said he was asked in July to put together a budget in August and wanted to have the conversation about requests for expenditures that the committee might want to see in the town budget. He said he was surprised by a gentlemen at the last town council meeting that stood up and said the town had lofty economic development goals and needed a full time economic development staff. Mr. Elliott said this may be the time to raise that budget item to the town council.

Ms. Luxem said a person is needed part time at least 20 hours per week that will allow Jim Campbell to focus more on the planning side. She noted that the Master Plan is a ten year plan that needs to be completed by the end of the year. She said we would all benefit from someone willing and capable of putting time into Economic Development. She said that what is most important is a sustainable master plan and the codes that go with it. She said an economic director would say that the codes hinder development, which she does not believe was the intent of Durham residents over the years. She said that streamlining the rules and regulation into something that is a clear map of what the majority of citizens want to do will allow people to work more efficiently. She said it was worth putting it in the budget to raise awareness even if it was cut.

Mr. England said that even a part time economic development professional would be an expensive budget item considering the wages and benefits, and noted we were in to the budget process for the coming year. Mr. Elliott provided a high level overview of the process, and said now is the time to propose a significant expenditure of \$30,000 to \$50,000.

Ms. Luxem said a part time position would not require benefits, and she estimated the cost would be \$20,000. Mr. Elliott said the cost would depend on the market, and Ms. Luxem said could employ some very good people for that part time cost. She suggested that \$15,000 for the economic development research for this year could be combined with a budget item from next year for the money to pay for the position.

Mr. Lawson said he did not understand the budget process in Durham, but that in addition to the economic development position the committee should discuss what is needed for the committee to function. He said he did not believe there was money in this year's budget for the committee, and the committee needed to make sure that did not happen again. Mr. Elliott said Mr. Lawson must have missed it and there was a budget. Mr. Lawson said that time is the most valuable commodity, and we should have a work study student take over producing the minutes which he estimates takes 120 hours per year. He said that should cost no more than \$1,000 a year and would provide nine or ten hours a month for the work. He said the second item should be a budget to attend meetings and symposiums on Economic Development around the state. He said he did not have an exact number, but \$500 would be reasonable. Ms. Fuller said that typically there is a budget for education that is available to the committees if it benefits the town, but it was a good idea to make the request. Mr. Lawson said he was supportive of the idea of having an economic development resource, but he did not know if it was part of this process.

Mr. Elliott said it was part of the process for what is requested in the 2011 budget, and that it was a 'big ask'. He noted that Parks and Recreation had gone from no staff to half staff to a discussion about a full time staff in eighteen months. Mr. Elliott said he had been approached by three different councilors saying more town staff should be working on economic development. Mr. Elliott said that although we have a revitalized committee and a lot of energy with the hope to sustain it, the reality is it is not sustainable for him and other members of the committee. Regarding the economic development position, Mr. Elliott said that a lot of what Durham needs is relationships.

Mr. Elliott said that unless there were objections he would start to discuss it with Todd Selig. Mr. Lawson noted that many of the communities he and others had been in touch with such as Princeton and Chapel Hill had economic development directors. Mr. England said he was willing to give it a try, but that he would look at the request very carefully if he was a councilor because money is tight and Durham is a small town compared to Chapel Hill and Princeton. He asked if a town this small could afford such a person, and noted that if we could afford a Parks and Recreation professional then one could argue that in terms of bring tax revenue to the town it is even more important to

have an economic development professional. Mr. England said he worries that Jim Campbell has too many responsibilities, and that it would be good to have someone focus on these responsibilities so that Mr. Campbell is not overburdened.

Mrs. Luxem said that the town should look for a grant to help fund an economic development staff, and to hire someone for one year. She noted that the City of Manchester received a grant for an EDC person.

Mr. Elliott said it would be helpful if someone with capacity could do research on similar sized towns that have Economic Development staff. He noted that from his experience in the western part of the state it was not unusual for a town of Durham's size. He asked to get suggestions on the fastest way to get that done.

Mr. England said the municipal association might have that information. Mr. Luxem suggested the Local Government Center, which Mr. Elliott noted was the same organization as Mr. England was referring to after their name change.

VIII Status Update Regarding Proposed Market Study/Economic Analysis

Mr. Elliott provided an update on the Market Study and Analysis. He said he talked about the situation with Mr. Selig, and Mr. Selig's recommendation was that it was time for the town and town administrator to negotiate with the contractor. He said Mr. Selig and DCI spoke last week, and Mr. Selig had negotiated a deal that will hopefully be signed next week where the town will spend somewhere in the \$14,000 range on a pure market analysis with no implementation or recommendations. He said Mr. Selig will hopefully execute that contract in early September. He said the other full option was twice as expensive and would require renegotiating the contract and bringing it before the council for a lengthy discussion. He said it was Mr. Selig's and his opinion that at the heart this project was data analysis and gathering, and we needed to do what was necessary to get it moving forward. Mr. Elliott said he was furious about how long it has taken to get this contract, and it should not have taken five months to get to where we are. The goal was for DCI to produce a report later this fall with the option to proceed with a second contract for service beyond that scope focusing on implementation. He said that seems to fall in line with where the subcommittee was in May.

Ms. Fuller made the suggestion that the cost of the rest of that study be put into the 2011 budget proposal. Mr. Elliott said that he would not do that because there was sufficient disagreement between members of the committee and Todd about whether we need to pay for that or whether that is money would be better spent on economic development staff. Mr. Elliott said he did not have a strong opinion either way. Ms. Fuller said that based on her experience she thought we should put everything we possibly want into the budget request because it will get cut. She noted that even if it's cut then the council would be more familiar with the requests and requirements in the future.

Mr. England said he had some comments that he hoped would reach Mr. Selig before the contract is signed. He said he reviewed the scope of services and had some observations.

One is that the process of producing a report is cumbersome because it calls for creating a fairly large advisory committee. Mr. Elliott said that is being pulled out. Mr. England said he hoped that the town would get a data rich final report that can guide action in the town. He said he was a little concerned that the kind of data being proposed involves gathering federal data from the Bureau of Labor Statistics and Bureau of Economic Analysis, state data from the New Hampshire Employment Security agency and the Office of Energy and Planning. He said he did not believe it was going to be helpful if the report is mainly demographic and population data, labor market trends and economic growth estimates from the federal and state agencies. He said we need data that is specific to the Town of Durham. As an example, he said that if the report says that nationally there will be an 87% increase in health care employment it will not be pertinent to developing the Town of Durham's economy. He said that he hopes they will focus on the Task 2 Existing Conditions Analysis, physical land use and transportation conditions - Mr. England said these were very important. Mr. England asked the question - what are the opportunities for development in Durham given the amount of undeveloped land, existing zoning, and political opposition within the community to what some perceive as sprawl? Mr. England said he has heard from an informed person that there is not much land for development given conservation and university land. He noted Mr. McNeil's comments earlier in the evening about developing outside the downtown business district, and asked whether the town is willing to entertain the possibility of developing outside the central business district or if that is off the table. Mr. England said that if it is off the table then we will continue to see high land prices in the central business district where the highest and best use is student housing, and you will not see other uses developing. He said this is one reason he vocally supported the Capstone project. He said if you have 600 beds on the edge of town and you start to bring down student rents then maybe other uses have a chance in Durham. He said that very restrictive zoning only allows for a small part of the landscape to be developed, and it's going to go to students because they can afford to pay the high rents, which then justifies high land prices. He said he hopes the report take seriously Task 7 that identifies potential development areas in both the central business district and other parts of town. Ms. England said some of the viewers may find that controversial, and that he did not want Durham to be like route 125 in Kingston and Plaistow or Route 1 in Saugus. He said that if we want to promote economic development then we can not take most of the landscape off of the table.

There was a discussion among the committee members about the principals and their local experience. Mr. Lawson said that Mr. Selig's approach is bringing the contract in line with the RFP, and that the focus had been on getting the data, and they recognized that some of the DCI principals already had knowledge about the region and New Hampshire. He said he was not confident that an implementation phase would provide the most value to the committee next year, and a budget request should be decoupled from the DCI implementation. Ms. Fuller said she would not decouple the possibility because Ross Gittell was a good resource to help with the implementation.

Mr. Elliott preferred spending money on an in house staff person who can make use of relationships like Gittell versus the option of spending money on a consultant. Mr. Elliott

said it was an obvious choice for him to spend money on in house staff versus an outside consultant. Ms. Fuller said she still thought we should be asking for both. She said she did not think it was inappropriate to ask for the rest of the study. Mr. Elliott said he said he could have a line item for professional services and not specific to DCI. Ms. Fuller said it should be tied to something concrete.

There was a discussion on how other departments had made past budget requests.

Ms. Luxem said that she was concerned about the focus on downtown redevelopment, and there are other areas that are available for development. Ms. Luxem said she wanted to see those other areas involved in this study. She noted that we have the B. Dennis report focusing on downtown. Mr. Elliott noted that the B. Dennis report focused on downtown and highlighted the need for a market study. He said that his understanding was that it was town wide study. Mr. Lawson confirmed that it was town wide, but much of it would be relevant to downtown.

Mr. England said that he hoped they would proceed to an implementation study as quickly as possible because the B. Dennis report and market opportunity study allowed the town to determine what kind of municipal investment should be made downtown in order to attract private investment. He said the town needed to make decisions about the B. Dennis recommendations and the sources of funding. Mr. England reviewed possible sources of funding. He said he did not think large private investment would come to the downtown until the town commits to a capital improvement project that makes it a good place for business to locate.

IX Continued Discussion of Downtown Commercial Core Strategic Plan Related to Zoning Changes

Mr. Elliott said that since the meeting in July, Mr. Selig is pushing forward a conversation about downtown zoning, and that Mr. Selig is of the firm belief that Durham should consider changing the zoning to allow four story buildings with three stories of residential and one story of commercial on the first floor. Mr. Elliott said it may be the one policy lever that is getting the most attention at this time. He said he thought it would be coming to the planning board soon, and the EDC was a good place to have the conversation. He asked the committee members if they felt this policy initiative should be top of the list for zoning changes to hasten the redevelopment of downtown or if there were others the committee should be focusing on instead.

Ms. Fuller noted the recent change that had passed proving flexibility to what floors are used in the building for residential and commercial. Ms. Luxem noted that 6 Jenkins Court was going to be adding commercial space into the fourth floor as a result of the change. Mr. Elliott noted that he was the perspective tenant for that space, and it was scary that it could become apartments.

Ms. Luxem noted the difficulty with downtown parking versus the parking at the plaza. She said that business had noted that students will require parking when they come back,

and students will park downtown and do not care if they get a ticket unless they are towed. She asked how it would affect the parking downtown if there were three stories of housing.

Mr. Lawson said he did not have an answer about parking, and noted that at a previous meeting Mr. Arthur of Varsity Place said that they had rented only half of their parking spaces. He said that the solution to student parking may not be a solution developed by the Town of Durham, but that the town needs to continue enforcing parking policies that ensure parking is available for business and retail. He said a lot of work needs to be done including how the current parking inventory is managed and the on-going feasibility study.

Mr. Lawson said that Mr. Elliott had more conversations with Mr. Selig, but that he felt that Mr. Selig really wanted people to start having a thoughtful conversation about the zoning change in order to start making decisions, and Mr. Lawson said he wasn't confident that Mr. Selig had really made a decision that this was needed for redevelopment. Mr. Lawson said that the question for the EDC was how to participate in the conversation and he thought it was reasonable for the EDC to start spending time looking at the change in order to come to an EDC consensus about the impact. Mr. Lawson made the observation that Mr. McNeil asked the question of the EDC about what Durham needed to do to create a better lending environment, and Mr. Hall noted that commercial cash flow is integral to their decisions on lending. He said his information showed rental housing generates more revenue than retail and office. Mr. Lawson said his concern was that the current zoning makes the viability so dependent on leasing a high percent of the commercial space that it is difficult for developers to have a business plan that secures financing. He said the question for the EDC was whether it should perform a deeper analysis in order to make a recommendation similar to the recommendation on recent zoning change. He said he thought this change could create the better lending environment talked about by Mr. McNeil resulting in a better cash flow required by the banks.

Mr. Elliott suggested the EDC brainstorm about the list of questions that would need to be answered before a policy recommendation was made. He asked if this was the best idea on the table for accelerating downtown redevelopment.

Ken Barrows noted that there are many buildings downtown that have existing retail. He asked if that would change the bank's assessment since the retail would exist after the redevelopment. Mr. Lawson said that Mr. Barrows' observations were interesting, and noted Mr. Hall had talked about owner occupied property. Mr. Lawson said his guess was that if you looked at what could be redeveloped there would be more efficiency than the way things had been built over time, and that you will end up with more retail space. He said he feared that with more available retail space banks will look for business plans with pre-committed lease arrangements and high occupancy rates that make it challenging.

Ms. Fuller said that was no different than any other community and commercial lending situation. She said that the four stories may go beyond height restrictions that she believed was now fifty feet. She said there was one project that was approved that would have added more student units but that it did not move forward because of the economic environment. She questioned whether the three stories plus one is truly what is needed to spur redevelopment. She said Varsity talked about wanting to redevelop some buildings with modern student housing however, they questioned if it was economically viable with another large development outside of town.

Mr. Lawson said the town currently allows for two floors of residential and two floors of commercial downtown as a conditional use, and that since we allow four stories as a conditional use the zoning change would not change the height of the building.

Mr. England said going back to what Mr. Hall said, it is the cash flow for the building as a whole that matters, and if there is a strong demand for student housing with three floors above of residential then the money from the residential permits you to offer better rents on the first floor for commercial use. He said maybe the two and two model is not sound economically because with only two floors of renters above you need to try to get premium rents for the two floors of commercial. He said if the goal was mixed use downtown, then it might make sense to have three floors of housing above and one floor of commercial because you are more likely to fill those commercial spaces. He said the problem he sees are parking with commercial space during the day and people that need to store their car. He said it may create more severe parking situations downtown.

Mr. Elliott noted there was no on-site parking at the two recent developments on Jenkins Court and Rosemary Lane, and they felt they could rent new beds with no parking. He also noted that both developers have paid into the Town parking fund.

Ms. Fuller said the parking question might push the parking garage into something that was quicker and closer.

Mr. Barrows noted that the university had built more dorms without building new parking lots. He said that a student close to campus may not need a car. Mr. Elliott said the university has been very good at driving the car culture out of the undergraduate mentality. Mr. England said there are students parking in neighborhoods that are not posted, noting the daytime parking in Foss Farm by students because it is not posted.

Mr. Elliott asked if there was a consensus about the impact of the three one configuration and parking. Mr. Lawson said his opinion was that it would be an issue at some point because there is a limited inventory of parking that at some point it is insufficient for servicing the desired retail and commercial demand. He said providing student parking is not high on his list of priorities, but that parking will become a limiting factor for development, and that the current feasibility study on a parking structure is very timely.

Ms. Fuller said that there is a perception that parking is problematic for future development and whether you want more residential without parking.

Mr. England said that if you wanted to create housing units in town that are affordable for working couples and families then parking would be more critical than it is for undergraduates.

Ms. Luxem noted that the residents in the three stories of residential might patronize the restaurants and other retail. She noted she has a friend that pays a premium rent to live downtown in Princeton. She said that you may have people with middle to higher incomes living in the downtown residential.

Mr. Elliott said the market study and EDC should be asking the question if there is a market for adult rentals or owned residential in a vibrant college town. He said he was astonished that there is not, and he has been asking himself why because every other college town he had been in had lots of adults living there to be near the college environment.

Ms. Fuller said she thought there was a market there, and that a development proposal came before the town was approved but it was not wanted by the neighborhood.

Mr. Lawson noted that financing for condos is difficult based on what Mr. Arthur had said at a previous meeting. Mr. Lawson said that the seacoast area has quite a bit of office and retail space available with depressed prices. He said he wondered if Durham is in a unique position because there is a demand for student housing and if that is a unique card that Durham should leverage noting that developers in other areas had more concern about whether they could fill their residential and apartments compared to Durham. Mr. Lawson said he was thinking the three-one configuration is a way to leverage something in the market that is unique to Durham that may correct itself over time as the market for office space and retail improves.

Mr. Elliott said one question is what percentage of students would come to Durham if there was comparable and high quality housing. He said he was concerned by the assumption that students would want to live in Durham all things being equal. He said if that was largely true then there is a market opportunity, but asked if there are things that attract students to Newmarket where they will still remain in Newmarket. He said there was currently an assumption there are no problems renting apartments in Newmarket.

Mr. Lawson noted that there were new developments both inside and outside of the downtown, and he understood that students were committing to the new apartments that had become available.

Ms. Fuller said she thought it was the new aspect at an affordable price. She said she also felt students outside of Durham can find less expensive rents, and some worked in those towns.

The EDC members discussed possible ways to survey students.

Mr. Elliott said he thought it was paradoxical to think that the downtown would be more adult and family friendly by adding more students to the downtown. He has not been convinced that adding more students will push the services and retail away from what adults want.

Ms. Luxem spoke about the need for disabled and handicapped residential. It was clarified that commercial includes both offices and retail.

Mr. Lawson said that student housing density in downtown was relatively low, and the zoning that is available today could transform the downtown to what Mr. Elliott was speaking of if it was economically viable. He said students spend about \$200 a month in Durham, and its economic impact to the lower level commercial is not that significant. What is needed is the market study to understand the retail opportunity of thirteen thousand residents.

Mr. England said that serving those residents is crucially dependent on the rents, and he was inclined to think that three-one zoning is not a bad thing if the building owners are able to offer affordable rents on the first floor for restaurants, offices and retail so that adults have a reason to go downtown. He said the student rentals of the three floors may possibly bring greater diversity to what is offered on the first floor that would bring town residents downtown.

Mr. Elliott said, playing devils advocate, that Durham currently has nearly 100% student housing downtown with almost 100% pizza. He asked how the theory is going to work if the number of students was doubled.

Mr. Lawson noted that the current retail serves both the students downtown and nearly 7,000 students that live on-campus. He said he didn't think there would be linear increase in number of pizza restaurants downtown with the increase in downtown students. He said the business downtown serve a larger student base.

Mr. Elliott said that what he was hearing was that the benefit of increasing the number of beds downtown had limited benefit in a direct spend equation, but that the space it creates could spark entrepreneurship that brings new business because the rents are more affordable. Mr. England said that was what he was arguing.

Ms. Fuller said her definition of mixed use housing would be multiple age housing and commercial housing.

Mr. Elliott asked Mr. Lawson for comment on his statement, and asked if we could assume that the rents on the retail would be so good enough for retail diversity to flourish. Mr. Lawson said there was a possibility development could not move forward without the developer demonstrating they had pre-leased a lot of the commercial space. He said the zoning change would take the burden off the commercial space.

Mr. Elliott asked for a best guess on the market capacity for new beds in the downtown's twelve acres. He asked if 300 new beds was outrageous. Mr. Lawson said he could not answer the question, and we needed to understand if we were pulling students in from other markets or from other housing products that could be repurposed. He said he was surprised to learn about the age of the housing stock in Durham, and that we had not seen the recent type of development for over 10 years. He said he thought you could redevelop twenty percent of the downtown and provide a significant number of new beds, and that it was not an infinite opportunity.

Mr. Elliott asked ideas on the next step. Ms. Fuller said that the committee could make a recommendation to the Planning Board, but that it would need to have a clear rationale and explanation of why this is a good thing to do. Mr. Elliott asked if we should keep working on it at the EDC and then present it to the planning board. Ms. Fuller agreed.

Mr. Lawson said the other thing that needed to be considered was the impact of 79E.

There was a discussion about when it was best to survey students and how best it could be accomplished. Mr. Barrows suggested that October was better than September.

It was proposed that the EDC meet on September 20th due to the rescheduling of the Town Council due to Labor Day. He said that there was a possibility of meeting for part of the time with the Energy Committee. He said the Energy Committee's chairperson had graciously agreed to move their meeting to the old courthouse if necessary.

Mr. England made a motion to adjourn at 9:43PM. Ms. Fuller seconded the motion that passed unanimously.

