



Diane Nichols Tradd
Assistant City Manager/DPD Director

Craig Thomas
Deputy Director

MEMORANDUM

TO: Eileen M. Donoghue, City Manager *EMD*

FROM: Diane N. Tradd, Assistant City Manager/DPD Director

DATE: March 26, 2019

SUBJECT: COUNCIL MOTION OF 12/11/18 BY COUNCILOR LEAHY
REQUEST CITY MANAGER INSTRUCT THE DEPARTMENT OF PLANNING AND
DEVELOPMENT TO STUDY DOWNTOWN THIS WINTER AND COME UP WITH
RECOMMENDATIONS TO ATTRACT BUSINESS AND CONSUMERS

Many efforts have been underway to improve economic activity in the Downtown. To summarize, the Economic Development Office:

- 1.) Spearheaded the submission of a grant proposal to MassDevelopment, which would enable the City to engage a consultant team to broadly examine the Downtown, its market potential and needs, as well as the potential for development around the Gallagher Terminal.
- 2.) Continues to work with several property owners and businesses on strengthening business activity, as well as occupying ground and upper floor space.
- 3.) Will continue to work with DPD staff and other City departments on efforts to improve the Downtown's general appearance, safety, and streetscape.
- 4.) Has begun developing a survey for Downtown businesses and property owners that will solicit feedback on the current state of the Downtown, issues on which the City should focus, and suggested initiatives or activities the City should undertake. The survey will be disseminated this summer.
- 5.) Is working with the Cultural Affairs & Special Events Office and others to activate Kerouac Park. Utilizing approximately \$55,000 in funds raised through Mass Development's "Commonwealth Places" grant program, the park will soon have a new performance space; new games, activities, and seating; and will feature a new incubator space for retail or vendors. The result of this activation should be more foot traffic for the park and a wider catalytic effect for Downtown activity.
- 6.) Continues to seek grant opportunities that will strengthen the Downtown's economy.

The following goes into more detail on efforts related to the Downtown.

Ground Floor:

The Economic Development Office continues to engage and assist existing and prospective businesses, as well as property owners. Last fall it worked closely with new business PowerHouse Juice in recruiting it to locate Downtown at 120 Merrimack Street, assisting the owners with navigation of local permitting, and supporting startup of the business with a \$10,000 relocation assistance loan as well as a grant to procure new signage. Other new businesses in the downtown include:

1. Big Poke (96 Merrimack Street)
2. Lao' De Café (108 Merrimack Street)
3. PUPS (122 Merrimack Street)
4. La Cocina Tropical (343 Market Street)
5. Walgreen's "Community" Pharmacy (25 Merrimack Street)
6. Vinaan Café (355 Market Street)

All of the aforementioned businesses opened in the Downtown within the past eight months. In addition to the assistance provided to PowerHouse Juice, the Economic Development Office worked with both Big Poke and Lao' De Café to access grants for new signage.

Other businesses currently receiving assistance from the Economic Development Office that plan to occupy ground floor space in the Downtown include:

1. Milk and Maple – a café concept that plans to occupy 58 Prescott Street (former Tutto Bene space)
2. Sahel – an African restaurant that will occupy 135 Central Street
3. Bella Divine Beauty – a beauty salon that plans to occupy 101 Central Street
4. A yet-to-be-named wine bar that plans to open a Downtown location
5. Sizzling Kitchen – recently moved into the former Pho VStar location at 602 Merrimack Street
6. The Press Club – a “speakeasy” pub/bar concept planned for the former Back Page space at 15 Kearney Square
7. EyeFul Beauty - an existing Hair Salon that is currently expanding its footprint at 33 Middle Street

The Economic Development Office continues to address vacancies (both recent and long-standing), such as 175 Merrimack Street (former Welles Emporium). It maintains consistent contact with the property owners, refers potential new businesses to certain locations, and provides technical assistance and support to the businesses to incentivize their investment in these locations. There are challenges to some of these spaces, such as lack of food preparation infrastructure (in the case of businesses looking for a restaurant or take-out location), or a perceived lack of parking.

Upper Floors:

Over the summer the Economic Development Office reported to the City Council that there was an approximately 21.45% vacancy rate for upper floor commercial space in the Downtown core. That rate has since ticked down to just over 19%, due most likely to some recent absorption in the Boott Mills and Wannalancit Mills properties. Real estate services firm Colliers International, in its *2018 Q4 Market Viewpoint Report* for class A&B office and lab space in Boston and the surrounding suburbs, reports that the Route 495 North region currently has a 21.1% vacancy rate. So although this is not purely an apples to apples comparison (Lowell does not have an abundant stock of Class A&B lab and office in its Downtown), it does provide some comparable data demonstrating that Lowell's downtown commercial vacancy rate is consistent with that of the region.

As noted in a motion response that was discussed at the City Council's meeting on August 14, 2018 there are some key factors as to why vacancies exist in Downtown Lowell. In discussing the issue with local property owners, we found that availability of parking and traffic in the Downtown are two issues that are frequently cited; whether perception or reality.

Another prominent contributing factor to upper floor vacancies is the fact that there are several older buildings in the Downtown that require significant upgrades for general code compliance and ADA accessibility. One Downtown property owner with whom the Economic Development Office has spoken indicated that build-out to accommodate a new tenant would likely trigger the need to install a sprinkler system in his building. He went on to note that such an expense could not be justified for the amount in rent that he could command for the space. We are also aware that there are buildings in the Downtown that need elevator access to upper floors. Installation of elevators is another significant expense at which many property owners balk.

Aesthetics also acts as a deterrent to commercial occupancy of upper floors in the Downtown. Current standards for offices call for open floor plans with modern amenities. Most existing office stock in the Downtown does not have this and would require investment on the part of the property owners. Additionally, there are more and more companies seeking flexible lease terms, such as what one would find in a co-working environment like the UMass Lowell Innovation Hub. We do not see much of that occurring in the Downtown.

Despite the aforementioned challenges, the Economic Development Office continues to engage with current property owners, as well as with developers seeking to invest in Lowell. Working collaboratively with the LDFC and other DPD staff, it arranges meetings with developers to discuss the opportunities to invest and how the City can support their efforts. This week (March 18-22), the Economic Development Office is meeting with one Downtown property owner about how they can bring their upper floors to active use. They are also in the process of arranging meetings with two separate developers to discuss development opportunities in Lowell.

Some of the more prominent occupants of Downtown office space include, Middlesex Community College (the community college owns the buildings it occupies; therefore we did not include them in the vacancy calculation), law and professional services offices, Enterprise Bank, Align Credit Union, Jeanne D'Arc Credit Union, and CTI. In late 2016/early 2017, IT services and consulting firm New England Network Solutions (NENS) moved up from Woburn and purchased the 11 Kearney Square property. It currently occupies office space in the building and has also made significant upgrades to the building's interior. That property once housed the Lowell Development and Financial Corporation (LDFC), which a few years ago moved into Wannalancit Mills.

Curb Appeal and Downtown Improvements:

The City continues to make improvements to the Downtown. Recent efforts include:

1. Completion of work to the bridge on Merrimack Street, going over the Merrimack Canal, which entailed the installation of new side railings and reconstructed sidewalks (part of the TIGER program) – fall 2018
2. Repaving and restriping of the Downtown core streets – summer 2018
3. Hanging flower baskets on Downtown ornamental street lights – spring/summer 2018
 - a. This will be done again this year
4. Intersection improvements – including improvements for ADA accessibility at Merrimack and Central Street – summer/fall 2017

These projects complement the work of private partners, such as the Greater Lowell Community Foundation, which spearheaded the lighting of the Cox Bridge and Merrimack Canal, and Enterprise Bank, which improved its ground floor office space and the sidewalk area in front of 122 Merrimack Street to house its Mortgage Center.

The City continues to make its best efforts to maintain the cleanliness and pleasant visual appearance of the Downtown, by ensuring that trash barrels are emptied, streets are swept, and necessary repairs are made to areas of roads, sidewalks, and signage that require attention.

Because of the efforts of the State delegation, the City is fortunate to have received \$250,000 in earmarked State funds for use to improve Downtown streets and sidewalks. The City also received a separate \$250,000 earmark to be used for improvements to City parks, which can partially be applied to Downtown areas. Finally, there are efforts underway to make improvements to Kerouac Park. All of these funds will be used over the next year to continue upgrading the appearance of Downtown Lowell.

Business Recruitment:

The Economic Development Office continues to take an active approach to business recruitment. It has met with numerous property owners, as well as both existing and potential new business owners in the Downtown about opportunities to occupy new or expanded space on ground and upper floors. The arrival of PowerHouse Juice, for instance, is the result of direct outreach by the Economic Development Office to the business owner, in order to gauge interest in establishing a Downtown location. The Office worked with EforAll (the business is an EforAll graduate) and provided support in the form of a forgivable \$10,000 loan, and a sign and façade grant. We will continue to utilize Community Development Block Grant (CDBG) funds to support such activities that promote business development.

Thanks to the efforts of Representative Thomas Golden, the City was able to secure \$250,000 in earmarked State funds to support businesses establishing permanent upper floor office space in Downtown. The Economic Development Office recently awarded three businesses (including one coming from out of state) these grants, which will enable them to occupy office space; procure equipment, furniture, and technology; and hire employees.

Next Steps:

The Economic Development Office recently worked with other DPD staff to submit a grant application to MassDevelopment for its "Real Estate Technical Assistance" program. The application requests the services of a consultant to develop a Downtown Lowell Master Plan, which would assess current conditions, provide a commercial/retail market analysis, assess the market for development opportunities around the Gallagher Terminal, and provide findings/recommendations for future actions.

The Economic Development Office is also in the process of finalizing a survey that will be disseminated to businesses in the Downtown, which will inform the City of how businesses currently feel about the Downtown, its most pressing issues, and suggestions for ways the City can implement improvements. We will continue to monitor and promote progress with respect to business development and the Downtown as a whole.

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cc: Andrew Shapiro, Director of Economic Development