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MEMORANDUM

TO: Kevin J. Murphy, City Manager
FROM: Diane N. Tradd, Assistant City Manager/DPD Director
SUBJECT: INFORMATIONAL – SEMI-ANNUAL DOWNTOWN VACANCY REPORT

Twice a year, the Department of Planning and Development (DPD) completes an inventory of all downtown commercial buildings. This information is compiled using the City’s commercial property database, CoStar. DPD staff also conduct their own survey of properties to confirm the total square footage available and to learn how property owners are marketing their spaces.

Since January the ground floor commercial vacancy rate in the central business district dropped from 3.8% to 2.5%. The rate also dropped for upper floors during the same time period from 11.1% to 10.3%. At the request of the City Council the scope of our most recent inventory was expanded to include commercial properties in the Hamilton Canal Innovation District and the JAM Urban Renewal Plan area. These areas have not seen the same level of commercial activity as the central business district. As a result when these properties are included in the inventory the vacancy rates climb to 6.6% (ground floor) and 11.5% (upper floors). The tables included in this report summarize the activity on ground floor and upper story commercial units.

In the past year we welcomed eight new businesses in downtown and expect to celebrate the openings of at least two new ones before the end of this summer. Also this year Trinity Financial leased the remaining 28,000 sf of commercial space in their building at 110 Canal Street; PodiumData, a technology company listed among BostonInno’s list of Top Tech Start-ups to Watch in 2017, expanded into new office space; the Howe Building was purchased and renovated by Woburn-based New England Network Solutions which plans to relocate its offices to downtown; and more than 100 new market rate housing units are under construction.

In considering actions that can improve Lowell’s downtown, DPD follows the goals and objectives outlined in the City’s Master Plan, *Sustainable Lowell 2025* that aim to build Lowell as a vibrant and unique urban hub and grow a healthy and sustainable local economy. Specifically the following activities are underway:

- **Business Recruitment:** DPD staff attend networking events both in Lowell and in the Boston/Greater Boston area to raise awareness of the business opportunities in Lowell. In the past few months DPD staff has met with six businesses interested in opening storefronts in downtown. Each are in various stages of business planning, securing financing, and finding a location. Staff is providing assistance in these areas as needed. DPD is also working with several larger companies considering a relocation or expansion in Lowell by identifying commercial sites and resources to support their moves/expansions.
- **Business Retention Program:** Last year, in collaboration with the Merrimack Valley Small Business Center, we launched a program aimed specifically at supporting existing small businesses. This collaborative approach offers technical assistance to businesses seeking to expand as well as the financial assistance to support their efforts. Five downtown businesses are participating in the program to date.
- **Entrepreneurship Support:** DPD works closely with its community partners to promote Lowell as a place of innovation and entrepreneurship and foster an environment that is supportive of start-ups. We continue to stay engaged with the companies housed at M2D2 and the iHub through networking events as well as our weekly office hours. DPD is a partner in a joint effort with the Lowell Development Financial Corporation and UMass Lowell to support high-tech and other innovative startup companies grow in Lowell. There are several companies at 110 Canal poised for expansion in the next 12-18 months and we are working with them to find them space in Lowell. As part of this effort we are working with some downtown commercial property owners to discuss the fit up needs of these technology and medical device startups so that they may build out space to accommodate them.

- Zoning Amendments: Several zoning amendments currently under review by the City Council Zoning Subcommittee aim to improve economic opportunities, particularly in the downtown and along the upper Merrimack St. corridor. Specifically the proposed changes will clarify micro-businesses and craft businesses (i.e. commercial kitchens, craft breweries, food production, etc.) and allow them by right in some commercial areas including downtown. These uses can create the active, engaging environment that helps attract new businesses and consumers to downtown. Additionally the zoning amendments include a Downtown Overlay District to encourage an active business environment, particularly along the ground floor. Under the proposed change, certain commercial uses that may be more appropriate on an upper level will require a special permit to occupy a ground floor space, while more active uses that meet the goals of the Master Plan will be allowed by right.
- Housing Development Incentive Program (HDIP): The HDIP program is a valuable tool to encourage the development of market rate housing in downtown. To date, four projects have been permitted under this program for a total of 415 new market rate residential units. The HDIP program strengthens the City's ongoing efforts to rehabilitate vacant and underutilized upper stories of downtown buildings with housing that will help grow the City's tax base and introduce additional purchasing power for local shops and restaurants.
- Tax Incentives: DPD continues to employ the state and local incentive programs designed to foster full-time job creation/retention and stimulate business growth. To date 33 projects have been approved under the EDIP/TIF program, representing a total of nearly \$415 million in private investment and the creation of over 1,763 new jobs in Lowell. A Research and Development tax exemption program, approved by the City Council in 2014, helps attract numerous industry sectors including software development, engineering and technology, and medical devices. These tools are especially ideal for attracting commercial development in the Hamilton Canal Innovation District.
- Hamilton Canal Innovation District: DPD is managing several infrastructure projects that will improve the economic opportunities in the HCID and is working with private developers selected to build parcels in the District. At the request of the Mayor, DPD facilitated an open house of the HCID in June, showcasing the development opportunities in the District. Close to 200 people attended the event. DPD is working with several developers interested in building on individual parcels within the District.
- Placemaking Events: Like many Gateway Cities, Lowell has found success in employing placemaking strategies to attract hundreds of visitors. Trends show that young professionals and entrepreneurs want to live and work in authentic vibrant cities that are walkable. Events sponsored and produced by the City of Lowell, Made in Lowell, DIY Lowell, the Lowell Heritage Partnership: Waterways Vitality Initiative, and numerous other arts and cultural organizations foster a high quality of life in downtown Lowell, attract a talented educated workforce, create positive experiences for residents and visitors, and improve Lowell's image regionally.
- Infrastructure Investments: The built environment is equally important in ensuring downtown Lowell is attractive to businesses, residents, and visitors. DPD is managing a number of projects that will improve the vehicular and pedestrian amenities at the gateways to the City and downtown including intersection improvements and new wayfinding signage. The City's investment in Lucy Larcom Park and the Lowell Heritage Partnership's work to light the canalways and historic buildings downtown are ongoing projects that will benefit both businesses and residents.

DPD works closely with property owners and brokers to increase the marketability of existing available retail and office space. DPD also meets regularly with prospective tenants to promote Lowell's downtown as a great place to do business. In the fall, DPD plans to release a survey to downtown residents to update the demographic profile and shopping habits of downtown residents. This information will help DPD and commercial property owners with business outreach and recruitment.

Attached please find a report regarding downtown vacancies and leasing activities.

DNT/ns

Attachment

cc: Allison Lamey, Director of Economic Development
Maria Dickinson, Economic Development Officer

Table 1 and Table 2 compare the current ground-floor and upper-floor commercial vacancy rates to the vacancy rates over the past three years.

Table 1 Total Ground Floor Commercial Vacancy Rate		Table 2 Total Upper Floor Commercial Vacancy Rate	
Date	Available Space %	Date	Available Space %
December 2014	10.3	December 2014	19.6
July 2015	7.3	July 2015	23.6
January 2016	6.0	January 2016	13.4
January 2017	3.8	January 2017	11.1
July 2017	2.5 (6.6)*	July 2017	10.3 (11.5)*

*Note: At the request of the City Council, DPD expanded the scope of the downtown inventory to include the Hamilton Canal Innovation District and the JAM Urban Renewal Plan Area. The figures in parentheses represent the total vacancy rate downtown including space in the HCID and JAM. These areas have not seen the same level of commercial activity as the central business district. As a result the vacancy rates are higher when these two areas are included in the calculations.

Tables 3 and 4 identify buildings that have ground floor and upper floor vacancies where there are active leases and renovations taking place to accommodate new tenants. These spaces are not considered vacant for purposes of calculating the vacancy rate.

Table 3 - Downtown Lowell Vacant Ground Floor Commercial Space Under Agreement/Renovation			
Address	Former Tenant	Available Space (S.F.)	Status/Leasing Activity
110 Canal Street	Freudenberg	10,879	The University will be occupying 1 st and 2 nd floors for R&D
135 Central Street	El Rincon	2,000	Space under renovation and expected to open as an African Restaurant.
201 Central Street	Ray Robinson's	1,100	This space has been leased to a nail salon.
43 Market St	Moe's Trading Post	3,600	Building owner planning to lease to Mexican restaurant.
1 Merrimack Plaza	Lowell Five	18,737	Recently opened as new private student dormitory.
131 Merrimack Street	Chamber of Commerce (moved upstairs)	1,800	Under renovation as a dentist office.
262 Merrimack Street	Century 21 North Shore	600	Opening soon as a barber shop.

Table 4 - Downtown Lowell Vacant Upper Floor Commercial Space Under Agreement/Renovation			
Address	Building Known as	Available Space (S.F.)	Status/Leasing Activity
11 Kearney Square	Howe Building	3,470	New Owner is currently renovating the office space and relocating his company to the upper floors. Building will be fully occupied by end of the year.
15-17 Kearney Square	Sun Building	38,700	The upper floors are being renovated into 22 market-rate housing units.
110 Canal Street	Freudenberg	21,960	The University will be occupying 1 st and 2 nd floors for R&D.
101 Jackson Street	Hamilton Manufacturing Co.	85,054	Property is divided into commercial condominiums. Currently under renovation by Lowell Community Health Center and WinnCompanies.
43 Market Street	Moe's Trading Post	13,545	The upper floors are being renovated into 9 market-rate housing units.

Tables 5 and 6 identify buildings with vacant ground floor and upper floor space as well as their current recruitment status.

Table 5 - Downtown Lowell Vacant Ground Floor Commercial Space

Address	Former Tenant	Available Space (S.F.)	Status/Leasing Activity
92 Central Street	-	600	This small space is available for lease. DPD will continue to offer support and direct leads to property owner.
231 Central Street	Empire Beauty School	3,748	Empire Beauty Schools closed six locations throughout the Northeast including Lowell. The space is currently for sale. First floor is built out as a hair dressing studio. DPD is working with the owner and broker to offer support and direct leads.
295 Central Street	United Restaurant Equipment	3,317	Currently available for lease/sale. DPD continues to offer support and direct leads to the property owner.
336 Central Street	VNA/Circle Health	5,000	The space has recently become available for lease. DPD has reached out to the broker to offer support.
80 Gorham Street	Thao's Restaurant	2,151	Currently available for lease/sale. DPD continues to offer support and direct leads to the property owner.
110 Gorham Street	Ricardo's Restaurant	2,314	Restaurant recently closed. DPD will work with property owner to assist with the sale/lease of building.
15-17 Kearney Square	Lowell Sun Press Room	10,000	Recently purchased and looking to redevelop it as retail space.
29 Market Street	Savanna Place	4,110	The owner is currently in negotiations with potential tenant (restaurant).
26-B Market Street	MicroDots	1,500	DPD continues to offer support and direct leads to the property owner.
201 Market Street	King Star Café	2,000	The property owner has had several inquiries on this space. DPD continues to offer support and direct leads to the property owner.
25 Merrimack Street	Babylon Restaurant	1,600	Property owner is completing major renovations to the space. DPD continues to offer support and direct leads to the property owner.
28 Merrimack Street	Super Fashion	2,000	The ground floor will be renovated to include amenities for upstairs residential tenants as well as newer and smaller retail units.
107 Merrimack Street	HyperText Bookstore	7,000	Available for lease. Property owner is in negotiations with a potential new commercial tenant.
175 Merrimack Street	Welles Emporium	2,200	Building currently available for sale.
1 Middlesex St.	Martin's Jewelers	1,092	Building is currently for sale.
78 Middlesex Street	The Club	8,000	Tenant has been evicted. Building owner is working with a local broker to sell the property. DPD is working with the broker to direct leads and offer support.
259 Middlesex Street	Food Warehouse	4,684	Property needs extensive rehabilitation. Great potential for future retail/ restaurant space.

Table 6 - Downtown Lowell Vacant Upper-Floor Commercial Space

Address	Building Known As	Available Space (S.F.)	Status/Leasing Activity
175 Cabot Street	Wannalancit Mills	23,887	The owner (Farley White companies) is proactive in their recruitment efforts. DPD continues to offer support and direct leads to them.
9 Central Street	Wyman's Exchange Building	15,000	Currently available for lease. DPD continues to offer support and direct leads to the property owner.
97 Central Street	Enterprise Building	2,000	Office space currently available for lease. DPD continues to offer support and direct leads to the property owner.
147 Central Street	Saab Block	4,500	DPD will continue to offer support and direct leads to the property owner.
231 Central Street	Empire Beauty School	11,243	The building is currently for sale and price has been reduced. Top three floors are ideal for office or residential units. DPD is working with the broker to offer support and direct leads.
295 Central Street	United Restaurant Equipment	9,951	Currently available for lease/sale. DPD continues to offer support and direct leads to the property owner.
40 Church Street	NMCOG building	4,374	Office space currently available for lease. DPD continues to offer support and direct leads to the property owner.
10 George Street	Gateway Center II	2,156	Office space currently available for lease. DPD continues to offer support and direct leads to the property owner and broker.
21 George Street	21 George Professional	800	Office space currently available for lease. DPD continues to offer support and direct leads to the property owner and broker.
250 Jackson Street	Mill No. 5	3,300	Incubator retail space available for lease. DPD continues to offer Mill No. 5 support and direct leads.
15-35 John Street 65-83 Merrimack Street	Union National Bank Building	15,000	Buildings are currently for sale. Space needs extensive renovation. DPD continues to offer support and direct leads to the property owner.
116 John Street	Boott Mills South	43,848	Farley White is currently working with many prospective tenants. Looking to develop more R&D and lab space within the complex.
31-55 Merrimack Street	Hildreth Building	1,346	DPD has been working with the property owner. Office space requires rehabilitation in order to attract new tenants.
100 Merrimack Street	Executive Building	5,088	Property owner recently made significant improvements to the building to create new, smaller office-suites ranging from 300-600 square-feet each with shared amenities. The goal is to attract small start-ups and entrepreneurs. DPD continues to offer support and direct leads to the property owner.
104 Merrimack Street	Robbins Block	2,600	Third floor was recently leased. DPD continues to offer support and direct leads to the property owner.
124 Merrimack Street	Hosford Building	3,500	Raw space available on the third floor for commercial tenant. Space will need substantial build out. DPD continues to offer support and direct leads to the property owner.
144 Merrimack Street	Lowell Place	14,000	Lowell School Dept. recently vacated this office space. Currently available for lease and DPD continues to offer support and direct leads to the property owner.
175 Merrimack Street	Welles Emporium Building	1,200	Currently available for lease and DPD continues to offer support and direct leads to the property owner.
55-67 Middle Street	Pollard Exchange Building	8,600	MCC has no plans to renovate at the current time for potential tenants because of the cost of renovation.
92-98 Middle Street	Hayes Building	5,000	Space requires substantial rehabilitation in order to attract new tenants.
78 Middlesex Street	The Club	25,000	Tenant has been evicted. Building's scheduled for auction on August 30.
650 Suffolk Street	Wannalancit Mills	29,155	The owner (Farley White companies) is proactive in their recruitment efforts. DPD continues to offer support and direct leads to them.
660 Suffolk Street	Wannalancit Mills	4,660	The owner (Farley White companies) is proactive in their recruitment efforts. DPD continues to offer support and direct leads to them.

Table 6 - Downtown Lowell Vacant Upper-Floor Commercial Space

Address	Building Known As	Available Space (S.F.)	Status/Leasing Activity
672 Suffolk Street	Wannalancit Mills	4,785	The owner (Farley White companies) is proactive in their recruitment efforts. DPD continues to offer support and direct leads to them.
151 Warren Street	Gateway Center I	1,617	Office space available for sublease. DPD continues to offer support and direct leads to the property owner.