

Battleship Cove Concept Plan Observations on Market Conditions and Economic Feasibility

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Overview

This memorandum provides observations concerning the economics and market conditions as they may influence land use and real estate development within the Battleship Cove district in Fall River. A primary consideration is the potential influence of the extension of commuter rail service to a station in Battleship Cove that is being planned as part of the South Coast Rail Project. This market overview and associated observations have been prepared in concert with a Concept Plan for the Battleship Cove area that considers the land use and development opportunities for the district around the future rail station.

This memorandum has been prepared by The Cecil Group as consultants to Southeastern Regional Planning & Economic Development District (SRPEDD). SRPEDD is responsible for managing the collaborative planning process engaging the City of Fall River, participating State agencies and the South Coast Rail Project, and stakeholders in the future of the area. A separate document provides both a summary and illustration of the Concept Plan that has emerged through that process.

The economic context for the Concept Plan includes two separate time frames: conditions prior to the institution of rail service, and the conditions that may occur after the station is constructed and new regional rail connections are in operation. For the purposes of this economic overview, the economic and market conditions prior to new rail service are considered as the “short term”. The economic and market conditions that may occur in the future after rail service has been instituted has been considered as the “long term”.

Planning Area

The site currently envisioned for the Battleship Cove commuter rail station is located along the existing rail alignment near the “Gates of the City” park, west of Water Street. The Battleship Cove Station is intended to be primarily oriented towards patrons that will walk to and from the rail stop, with destinations including the activities and attractions along the waterfront, the nearby neighborhoods, and the downtown.

The economic observations concentrate on the market and feasibility implications for a focused area around the rail station that will be most strongly influenced by the presence of a rail station, and was the addressed in the Concept Plan. This area generally included the waterfront from Almond Street on the south to the Heritage State Park on the north, William Street on the south, Milliken Boulevard on the east and Central Street on the north. However, most of the observations provided for the focus area may be useful and applicable within the areas that extend further from the station, as well.

Summary of Findings

The existing real estate market and overall economic conditions in this portion of Fall River are heavily influenced by the current economic cycle, which has diminished demand for most segments of the local economy. In Fall River's case, the current economic cycle is exacerbated by long-term shifts in the local economy, away from traditional manufacturing that has been a persistent component of the economic base. Redevelopment and new tenancies in the short term are likely to be related to the availability of relatively low cost land and building space.

Fall River has been somewhat isolated from the centers of regional economic growth. The advent of commuter rail service will provide significant new opportunities to connect residents to jobs. The planned reorganization of the street, intersection, road network in the vicinity of Battleship Cove will also substantially enhance accessibility from the regional roadway network. In combination with other public initiatives and actions, the area can be repositioned to be more competitive and attract reinvestment over the long term.

Observations included in this memorandum provide these perspectives:

- Market demand for housing under current conditions and trends is low; however, the relatively low cost of housing in moderate density, historic neighborhoods is - and will remain - a competitive advantage within a region that is characterized by high housing costs relative to income levels.
- In general, the commuter rail service has the greatest positive impact on the demand for nearby housing. Transit Oriented Development (TOD) tends to be dominated by housing in locations that provide residents more convenient access to and from jobs in larger urban areas, while offering the benefits of living in lower cost, less centralized locations. In the Battleship Cove area, the effects are likely to influence the existing housing stock and new housing development.
- Commuter rail service will make Fall River's housing stock and affordable neighborhoods more accessible to the broad regional market and become a more viable location choice for individuals and families in eastern Massachusetts and the metropolitan Boston Region.
- Some of the increased housing demand is likely to be absorbed within the existing housing stock, which may be expected to increase in value as demand is enhanced as a result of improved regional rail connectivity. Renovations and improvements to existing housing are likely to occur in response to increase market demand over the long term.
- The availability of property for residential development on land with waterfront views and locations convenient to commuter rail access may be adequate in the long run to support feasible new housing development within the planning area or on other nearby sites within walking distance of the commuter rail station.
- The demand for low cost space within renovated and reused mills is an important current component of the real estate market and land use within the district. Demand for this space may be inversely related to the economic cycles. During past economic downturns in Massachusetts, for example, the reuse of industrial buildings and former mill space has proved to be a cost effective

option for a ranges of uses including start up businesses, business relocating from more expensive locations, housing (including live/work housing), entertainment and other uses.

- Over the long term, enhanced rail access will tend to enhance the desirability of housing and commercial uses within renovated and reused mill and industrial space.
- The extension of commuter rail service to Battleship Cove will provide a transportation alternative for patrons of the institutions and events within the district. The extent of this benefit will be linked to the quality and quantity of destinations. This potential benefit is also dependent upon successful marketing to attract additional patrons that would otherwise pursue other options.
- Over time, the commuter rail station may also serve area businesses and institutions by providing an attractive commuting alternative for employees. In general, the influence of commuter rail stations is less strong for “reverse commute” patrons. However, over the long-term, locations near commuter rail stations will become increasingly attractive for businesses and institutions as the regional economy expands and diversifies, and as vehicle transportation costs and automobile commuting times rise.
- The addition of commuter rail service is not likely to have any significant impact on the economic feasibility of either marine industrial or industrial uses.
- In general, the waterfront provides deep-water berthing, but does not provide the backlands associated with high volume or container operations that dominate seaborne freight today. These sites and facilities are adaptable to small bulk or great bulk operation, or possible smaller “feeder” container operations linked to other ports.
- The waterfront and other industrial sites are subject to an unpredictable market for the demand of either space or facilities. This type of location and land configuration are used for special operations associated with particular enterprises or needs in an era when there is a surplus of similar sites and specialized demand for industrial space and sites. However, this general observation should not be interpreted to preclude the chance that competitive advantages may be found by a particular enterprise or particular operation in the short term, or in the long term.
- The pattern of container cargo shipping and port use is also unpredictable as it may affect feasible future tenancy and development in the Battleship Cove area. There are regional needs for bulk cargo operations, for example, but the specific locations chosen for a facility or operation is dependent upon matching the specific location, cost and operational opportunities with a specific enterprise and its needs. There appears to be more regional capacity for such operations than there is demand. As one of the region’s secondary ports, Fall River may be positioned along with New Bedford, Providence, Davisville and others to serve as “feeder” port locations for certain small-volume container operations, connecting to the large Ports of Boston and New York. Because of increasing sizes of container vessels and limitations in the number of future ports that will be able to accommodate them, there may be opportunities for increased “feeder” operations in the future, although this prospective need is still very speculative. As a result, the feasibility of restoring or expanding cargo shipping industry in Fall River is not predictable in the long term, either.

Short Term Conditions and Trends (Prior to Transit Service)

Observations

The market conditions within Fall River are general dominated under the current circumstances by regional, national, and international recession and the underlying long-term reorganization of the US manufacturing industries that has influenced Fall River's economy for decades. According to the Massachusetts Executive Office of Labor and Workforce Development's Division of Unemployment Assistance, the City of Fall River's unemployment rate was 14.9% in May 2011. Under these circumstances, there are a few apparent predictable opportunities for predictable growth and reinvestment. The relative availability of low cost of land and space represents a potential competitive advantage within a larger region (Eastern Massachusetts) that is faring somewhat better than the national economy during the extended recovery period.

Part of the compounded decline of Fall River and the planning area has been the fact that Fall River was able to maintain an active industrial and water dependent employment well beyond what other communities experienced, even into this decade. So, for example, the industrial properties along the waterfront were actively used Tillotson Corporation including specialized in the shipping and process until relatively recently. Borden – Remington industries also maintained an active facility in the area which has been closed. However, the fundamental reorganization of American and international manufacturing and its distribution systems have made such facilities increasingly rare as tenants and enterprises along urban waterfronts in the northeast.

The less apparent opportunities are to serve short-term mixed uses and patrons or residents who benefit from these relatively low cost circumstances.

Market Segments

Residential

The residential demand for housing is not strong in Fall River today, and does not appear likely to significantly improve in the short term. Recent statistics indicate that average house prices in Fall River continue to decline during this phase of the recession and recovery, and are currently at a level that is less than 50% of the equivalent average for the state. It is important to note that the vacancy rates are relatively low, suggesting that there is a low rate of outmigration or reasonable turnover rates, or both.

The low residential demand has several reasons. The most significant reason for Fall River's current low demand for housing is that the City has a significantly high unemployment rate for the region. According to the Massachusetts Executive Office of Labor and Workforce Development's Division of Unemployment Assistance, in May 2011, the City of Fall River's unemployment rate was 14.9% compared with the State of Massachusetts' unemployment rate of 7.4%. There are other demographic and economic factors contributing to a low demand for housing, including relatively costly new construction or substantially renovated units. According to demographic and population statistics, Fall River's population has not been growing significantly. Compared to the state average, Fall River's population is composed of relatively small household sizes. In the past decades, there has been a trend to smaller household sizes in American and New England communities. When the same population is distributed in more households, more housing units are required; this trend helped explain much of the housing "booms during these periods. However, Fall River's average household size

appears to be relatively small compared to relevant benchmarks, such as the average for the state, for example (2.32 versus 2.51 persons per household). During recessionary periods of low unemployment, there is also a tendency for families and individuals to consolidate in fewer housing units, to save on housing costs. Young family members may not move away from home as early as they would during periods of higher available employment, for example.

These factors all contribute to a low demand for housing. Unless new employment opportunities emerge within Fall River or within convenient commuting distance, it is reasonable to expect that the demand for new residential housing will remain low.

A positive factor for short term housing market demand is the relatively low cost of housing in Fall River compared to the regional average. Portions of the Boston metropolitan region are faring relatively well in terms of employment, with corresponding implications for the housing market. Relative to salaries, the cost of housing in and around Boston remain very high. As a result, lower cost housing in outlying communities such as Fall River are relatively attractive to some renters and buyers, who can obtain higher quality living situations than they could closer to the region's core communities.

Tourism and Entertainment

Battleship Cove has substantial strengths as a tourism destination, possessing unique institutions and venues for special events. This area possesses a range of opportunities associated with the cluster of museums and institutions, which include: the with The Marine Museum, The Narrows Center for the Arts, Battleship Cove, The Old Colony & Fall River Railroad Museum, and the Fall River Heritage Park.

The Battleship Cove has approximately 100,000 visitors annually. This naval ship museum is creating a new multi-media and interactive exhibit commemorating the attack on Pearl Harbor, with the intention of expanding its patronage in the future.

Additional concepts to reinforce the tourism and entertainment opportunities that were discussed during the Concept Plan preparation have included a dinner train service that could originate in Fall River, and expanded use of the nearby piers for excursion boats.

The future economic demand for this market segment appears promising, but depends on future improvements and enhancements made to each one of the venues and institutions, collaborative marketing efforts, promotion of special events, as well as capitalizing on the improving physical environment and connectivity to the regional area.

Marine Industrial

The marine industrial market segment consists of operations that involve shipping, handling and related shore-side operations that can take a wide variety of forms. Because of its deep water channel and berthing facilities, the waterside and dockside area in the district can be adapted to a range of operations, if there is a demand for them. Some marine industrial uses require substantial adjacent or nearby land for storage, operations, mode transfers, manufacturing or assembly/breakdown.

Container cargo is used primarily for shipping of manufactured goods. The large ports dominate this market, because of the need for specialized equipment, substantial

backlands, and integrated, large multi-modal capacities (rail, road and highways). In the Northeast, the Port of New York and New Jersey dominate this trade, and will likely expand in the future. The Port of Boston has an active container component, which is not expected to grow significantly in the future. However, there is a regional pattern of distribution “feeder” operations that for locally manufactured items. Fall River’s docking facilities and land could participate in such a network, particularly if it can build partnerships with other similar ports and facilities such as New Bedford, New London, (Connecticut), Portsmouth (New Hampshire), Davisville and Providence in Rhode Island.

There is a specialized range of bulk shipping through which enterprises employ existing deep water bulkheads, piers and backlands in New England. This market is dependent upon a match between the operation, the port location, costs and other factors. In general, there are more facilities available than is required to absorb all of the existing needs. The types of commodities are also sometimes dependent upon business and construction cycles. For example, some port facilities are used to support major construction projects (as occurred during the Central Artery construction, for example), or construction materials (the import of plywood, lumber and gypsum board from Canada during periods of high construction activity).

Industrial

There has been a substantial reduction in the industrial and manufacturing activity in the area with the departure of a number of the industries. Although efforts are under way to attract new industrial and manufacturing uses to Fall River, the industry has been experiencing dramatic changes over the last several decades at the international, national and regional levels.

Manufacturing employment in Massachusetts declined by approximately 40% between 1990 and 2007. Manufacturing employment is expected to continue to decline over in the future, but at a significantly slower rate than in the past. MassDOT *Freight Plan* projects that manufacturing employment will decline by 5.3% between 2008 and 2018 and by 0.4% between 2018 and 2028. Despite the significant recent decline in manufacturing employment, Massachusetts’ manufacturing Gross State Product (GSP) increased between 1997 and 2007. GSD is analogous to GDP, as a measurement of economic production. These statistics indicate trends toward increased productivity advancements and toward high value-added exports, such as medical devices and electronics, which are smaller in size as well as trends away from exports of large physical size, such as textiles.

The changes that are occurring throughout the international industrial and manufacturing market segment make the future of specific industrial uses highly unpredictable. There exists a general overall reduction of industrial and manufacturing demand and an excess supply of industrial sites, which sites become occupied and which sites remain vacant will depend upon matching the unique and specific criteria of industrial and manufacturing uses with the unique and specific features of industrial and manufacturing sites. Determining whether the available sites in Fall River are best matched to prospective uses is not reasonably predictable.

Commercial

The demand for additional commercial space is not strong in Fall River today, in part due to the extended recession in the local and regional economy.

One exception to this condition that favors is the historical inverse relationship between demand for renovated mill buildings and the economic cycle. In past economic downturns, Massachusetts's former mill buildings were utilized as low-cost space for a variety of uses ranging from start up businesses to live work housing to entertainment venues. The commercial market sector may benefit from the mill buildings in the Battleship Cove area if this unique circumstance continues.

Retail

As the local economy has declined during this recessionary period, individuals and households have not had the discretionary funds available to purchase goods at the same rate as they had in better economic times. This has resulted in low demand for the retail market segment and significant vacancies of retail space in Fall River.

As with the commercial market segment, the retail sector could benefit from the potential redevelopment or reuse of the area's mill buildings, which historically have experienced increase redevelopment during past economic downturns.

Long Term Conditions and Trends (after Implementation of Transit Service)

Observations

The creation of commuter rail service to the Battleship Cove area of Fall River will significantly alter the economic environment for some of the market segments described in this memorandum. In particular, transit service may shift market demand for housing and provide new opportunities for the tourism and related entertainment uses in the Battleship Cove area. Transit service may also benefit existing commercial uses, and attract some relocation to sites and buildings within a convenient walking distance of the new rail station.

Market Segments

Residential

The residential market segment in immediately adjacent areas would be significantly enhanced by the location of a commuter rail station in the Battleship Cove area of Fall River. Although the market demand for housing is currently low, connecting the area's existing relatively low cost, moderate density housing stock in historic neighborhoods with increased economic opportunities through the commuter rail system should result in increased demand for this housing. Increased housing demand could be generated by new residents who could access increased employment opportunities in the regional economy through the new commuter rail service. Increased demand would include individuals and families who could benefit from Fall River's comparatively lower housing costs, while maintaining connections to the region's economic centers.

Residential uses generally experience the greatest real estate impact associated with commuter rail service than any other use. Transit Oriented Development (TOD) tends to be dominated by residential housing allowing residents more convenient access to commuter access and employment in larger urban areas, while providing the benefits of living in lower cost locations. Residential uses that are located with a 5-minute walk (about a one-half mile radius from transit stations) experience increased demand than similar properties located further away from transit stations. This demand is most easily calculated by property values and rental rates. Parsons Brinkerhoff calculated the effects

of transit service in several cities across the country. In Portland OR, rents were 10% higher within TOD areas than non-TOD areas in Portland and in Dallas, TX residential properties located within TOD areas were 39% higher than non-TOD residential property value in Dallas.

In the Battleship Cove area, the effects of commuter rail service will likely influence the existing housing stock initially and may also support new housing development. Some of the sites within the Concept Plan area enjoy views of the waterfront and are close to its amenities, City parks and services. These qualities may spur opportunities for new development that can house individuals who can enjoy the small city qualities of Fall River and waterfront location. A relevant example of such development trends is Poughkeepsie, New York. This is a former industrial community along the Hudson River that has the last commuter rail stop on the MTA North commuter rail line from Manhattan. Waterfront parcels including former industrial lands are being developed within an easy walking distance of the waterfront, and are a source of community revitalization and reinvestment.

Tourism and entertainment

The Battleship Cove area tourism and entertainment market opportunities commuter rail service should be strengthened by increasing accessibilities for visitors and providing new and increased marketing and program opportunities. The area's institutions and venues can leverage this opportunity through shared marketing and creating special programs and events that attract patrons using the regional rail system, avoiding the need to drive and park.

Marine Industrial

The discussion of the marine industrial segment associated with the short term conditions applies to long term opportunities, as well. The advent of commuter rail service is not expected to have any significant impact on market conditions or reinvestment feasibility.

Industrial

The industrial and manufacturing market segment located in the Battleship Cove area is unlikely to be dramatically influenced by commuter rail service to the area. Although commuter rail service will provide an increased employee pool for industrial and manufacturing firms to draw from, this market segment has relatively few employees per square foot of space, so the net impact is expected to be minor.

Commercial

The commercial businesses located in the Battleship Cove area are likely to experience some benefits associated commuter rail service to the area. Commuter rail service provides an increased pool of employees to draw from and makes the 'reverse commute' possible. The "reverse commute" exists when residents use commuter rail service to access jobs elsewhere. Over the long-term locations near commuter rail station will become increasingly attractive for businesses and institutions as the regional economy expands and diversifies and as vehicle transportation costs rise.

Retail

The market for retail uses is influenced indirectly by the introduction of commuter rail service. Retail uses will benefit from additional residents and any increases in disposable income, additional tourism and entertainment activities, and enhancements in the commercial vitality in the district.

Resources and References

The following resources and information have been considered in the preparation of this memorandum.

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