

# Economic Development



## Introduction

This chapter presents an overview of the economic characteristics of the City of Berlin and the related issues and opportunities presently confronting the community. The first portion of the analysis focuses on historic employment trends for the city, as well as the county and state, based on changes in employment, wages and establishments at the industry sector level. This is followed by a review of changes in the labor force and unemployment rates, occupational characteristics of the workforce, and concludes with a summary of the city's tax base and bonding capacity. The second portion of the chapter outlines the key opportunities and initiatives that the City must address as part of a long-term strategy for sustained economic development.

## Summary of Major Findings

### 1. Employment growth in Berlin and Coos County lags behind the rest of New Hampshire

- Between 1996 and 2006, the state experienced a net increase of approximately 85,500 jobs representing a growth rate of 15.8%. In comparison, the county's employment base grew by only 2.9% (394 jobs) while the city had a net loss of 786 jobs, a decrease of almost 17%.
- The vast majority of job growth occurred in the first half of the decade, with the second half dropping off substantially due to a decrease in the goods producing sectors where over 17,000 jobs were lost in the state between 2001 and 2006. However, the service producing sectors also fell off during this time contributing to the slower growth.
- Recent employment projections prepared by the State indicate that construction of the federal correctional facility in Berlin will not completely offset the job losses resulting from the mill closures if no other economic initiatives are undertaken.

### 2. Berlin's economic base is not as diversified as the rest of New Hampshire

- The City of Berlin's employment base has been considerably impacted by the region's transitioning economy. Given the city's long relationship with the wood and paper processing industry, the closure of the Fraser Pulp Mill in Berlin and the subsequent ripple through other sectors largely contributed to a loss of 1,120 private sector jobs, including 970 goods producing and 150 service-related jobs, over ten years. As

elsewhere in the county, government sector growth helped to offset these losses with the addition of 334 jobs, approximately two-thirds of which were state positions.

- The county's losses in goods producing sectors were deeper than the state's with a decrease of 30% representing 1,000 jobs. This steeper rate of decline is primarily a factor of the region's reliance on a single industry cluster related to wood and paper manufacturing that incurred major closures and layoffs during this time period. Some of these losses were offset by service sector gains of 823 jobs (10.5%), as well as gains in the government sector, which had a net increase of 571 jobs, a growth rate of 24%.

### **3. Berlin's role as a regional employment center is declining**

- The City of Berlin's economy continues to represent the largest employment center in Coos County despite these major losses. Overall, the city's job base totaled 3,868, representing approximately 28% of Coos County's total covered employment as of 2006. This percentage dropped from roughly 35% of countywide employment ten years prior in 1996.
- Coos County's three largest growth areas were Health Care; Arts, Entertainment and Recreation; and Accommodations and Food Services. Health Care added the largest number of total jobs with 406 (22.5%), as well as the most new establishments (22) and grew at a steady pace throughout the decade. This sector, along with Retail Trade, represents the largest portions of the regional employment base accounting for approximately 15% each.
- Growth in the Arts/Entertainment/Recreation and Accommodations/Food Services sectors are a reflection of the region's tourism economy. Combined, these two sectors account for approximately 16% of the county's total employment base, although the latter employs almost three times as many workers.
- The City of Berlin's labor force experienced a short growth spurt in 1998, but this was followed by a fairly steady decline through 2005. Overall, the city's labor force declined by 9%, or 464 workers, over this ten-year time period. This decline in the labor force was accompanied by a spike in the unemployment rate to over 10%. As workers were removed from the labor force, either through out-migration, retirement, or for other reasons, the unemployment rate eventually returned to 1997 levels. However, the city's rate still remains higher than the county and the state rates.

### **4. Wage levels in Berlin grew at a slower rate than Coos County and the state**

- Average weekly wages in the city across all sectors increased by approximately 25% over the past decade. At the county and state levels, average wages increased by 37% and 53%, respectively, over the course of the decade.
- Although average wages in the city rose more slowly than within Coos County, wages for workers in Berlin were generally higher in most industry sectors. Sectors where the city's average wages are higher than the county's include Manufacturing, Wholesale Trade, Transportation/Warehousing, and Accommodations and Food Services. Conversely, the city's average wage levels are lower than the state's in almost all industry sectors with the exception of Agriculture/Forestry, and Arts and Entertainment.

## **5. Outstanding debt levels in Berlin are not excessive and the potential to bond remains strong**

- From 2000 through 2004, local property valuation in the city experienced a few years of decline followed by a period in which values remained relatively flat. Equalized values also declined initially but began to show some positive growth in 2003 and 2004. During this four-year time period the equalization ratio dropped at least 10% annually indicating that local valuation was rapidly diverging from actual market conditions.
- A citywide revaluation of property brought local values into parity with market values in 2005 resulting in a 68% increase over 2004 values and a corresponding reduction in the tax rate of 38%. Since 2005, local valuation has shown moderate but steady increases of 0.8% and 1.9% respectively, for 2006 and 2007. Equalized values also initially showed positive growth of 3.5% in 2006 followed by a decline of 2.4% in 2007. This loss of value, combined with preliminary sales data for 2008, suggest that the effects of the downturn in the national housing market have stalled the recovery of property values in the city.
- The city's base valuation for debt purposes, as of 2007, was approximately \$459.4 million, which allows for a debt limit of \$13.8 million. The city's outstanding debt service that is comparable to this debt ceiling is approximately \$1.9 million, which leaves \$11.8 million available for additional financing of municipal bonds.

## **6. Berlin Has New Opportunities but May Not Be Ready to Fully Realize This Potential**

The new, soon to be constructed Federal Prison, along with the development of the ATV Park, both present tangible opportunities for the City in the next few years. Likewise there are numerous initiatives within Coos County which are described elsewhere in this report that represent opportunities for Berlin as well as the County. However, Berlin has a downtown and deteriorated multi-family housing stock which must be addressed so as to attract new residents and tourists to the City. Likewise development of the ATV Park is behind schedule and the City needs to acquire land for future industrial development. Finally the recent closure and demolition of the Fraser Pulp Mill have created a series of possible new opportunities for the City. These challenges and opportunities require an organizational capacity and City wide commitment of experienced staff and adequate resources in order to be fully evaluated and implemented.

## **Summary of Major Recommendations**

The economic base of both Berlin and the rest of Coos County have changed considerably over the past 30 or more years, as the region has been transformed from an almost total reliance on the pulp and paper industry to that of a more diversified economic base. However, the City and the region have not been able to attract the full spectrum of higher paying industries found in the southern part of New Hampshire or in eastern Massachusetts, so the wage rates and income levels lag the rest of the state. Furthermore, with the recent closing of the Fraser Mill, Berlin's share of total employment within Coos County has declined from approximately 35% to 28%. Also, the population base of the City has declined considerably as discussed in the demographic chapter of this Master Plan.

Clearly, the City of Berlin and the County have a need to transform their economic base, and there are, in fact, a number of initiatives at the County level which seek to create a plan to help achieve this goal. In addition, the new Federal Prison, both during its construction and when it is completed in the next few years, will create new opportunities for the City. However, Berlin needs an economic development strategy to fully benefit from these actions and to position itself for future opportunities. The underlying premise behind each of the following recommendations is that Berlin becomes more pro-active with its economic development initiatives. There is always a risk that new initiatives may not make money or may take longer to implement than initially thought, but there is also a risk to the “do nothing” approach. The result of inaction can now be seen in the form of disinvestment by the private sector, increased vacancies, a stagnating tax base and difficulty in attracting new businesses, particularly in the downtown.

The major recommended action items for the City of Berlin over the next 12 to 18 months regarding its’ Economic Development Plan, in order of priority, are as follows:

### **1. Make Downtown Redevelopment a Priority**

A downtown in any city represents the “soul” of the city, particularly to people new to the area (i.e. tourists, federal prison workers, and prospective new employers). The deteriorated/vacant status of three major properties in downtown Berlin not only is a poor reflection of how people actually “feel” about their own community, but it also detracts from the overall business climate and tax base of the City and the success of the remaining downtown businesses. The three major blighted and vacant properties in downtown include the Rite Aid Block, the Cote Block and the foundations left after a fire on Pleasant Street. The Cote Block and the Pleasant Street properties are both for sale and the Rite Aid site is reportedly being retained for a new Rite Aid store. In addition, there are a number of other downtown buildings in need of new investment, including the former Coos County Courthouse. The following recommendations are offered relative to the downtown area.

- The City should develop a master plan for the downtown. The City should assure that this happens, perhaps undertaking it in partnership with an organization that agrees to be assigned the responsibility for implementing the recommendations of this planning process.
  
- The City should encourage, support, and develop a memorandum of understanding with an organizational entity to take charge of the revitalization of downtown. The entity chosen should have the personnel and the sophistication to pursue a wide variety of grants and to utilize creative financing in the redevelopment of these properties. The economics of downtown redevelopment at the present time are marginal and, as the Tri-County Cap Agency discovered, it took a considerable focus on the part of one individual and the creative usage of four to five different sources of funding to fully redevelop the Cornerstone Block. This project is a significant improvement to the downtown and others like it will be needed.

- The City should work in partnership with both for-profit and not-for-profit development entities to redevelop underperforming properties throughout the Downtown, including lower and upper Main Street and Pleasant Street. Key parcels should include the Cote Block and related Pleasant Street properties, the Rite Aid properties north of Mason Street, and the former Coos County Courthouse. The prioritization of projects should await the completion of the downtown master plan. The City's efforts could include, but not necessarily be limited to, seeking State and Federal funds for these projects, working with developers and other interested parties, and providing adequate public parking, streetscape improvements, and other public utilities and amenities.
  
- The City's downtown master planning process should consider which buildings to retain, where additional parking may be required, overall design considerations, and how to phase and implement the agreed upon action items. The City should be prepared to participate in the funding of some portion of the necessary improvements, particularly in the area of infrastructure upgrades, parking, landscaping, etc.
  
- Upon completion of the downtown plan, the City should assure itself that the current zoning not only permits the type of development the plan suggests, but actively promotes and attracts it. The City may wish to consider some elements of Form Based Zoning, which would require any new buildings to be developed in a manner consistent with existing buildings with respect to placement and design (i.e. placed at the back edge of the sidewalk with parking to the rear, buildings to be multi-story, durable materials, etc.).

## **2. Continue to Upgrade the Housing Stock**

Over the past eight years, the Berlin Housing Authority and the City have become more aggressive in acquiring and demolishing multi-family buildings which are often not in compliance with either building codes or life safety codes. The need for a more aggressive policy in this regard grew out of a study by Applied Economic Research in 1999, which highlighted the need to reduce the blighted multi-family housing stock that was no longer necessary for a declining population base. The initial work of the Androscoggin Valley Economic Recovery Corporation (AVER) in 2001 further highlighted this need, and a series of sometimes fatal fires during this decade have also underscored the urgency of this need. This effort needs to be continued at a more aggressive pace, with specific targets established for the more blighted neighborhoods in the City, including but not limited to the Lower East Side, the Granite Street area, and parcels in the general vicinity of the former Notre Dame High School. The recommended action items in this regard are as follows.

- The City should develop a financing and organizational plan to implement the above goal in five years. This financing plan may include a combination of City bonding, Housing Authority funds, HUD funds, etc. If necessary, work should be undertaken with the City's Congressional Delegation in this regard to secure an earmark.

- The general outcome of this effort will be the lessening of density in existing neighborhoods, the provision of on-site green and recreational space for remaining homes, and the creation of off street parking.
- Where practical, some of these cleared lots may be redeveloped as new, owner-occupied in-fill housing. The City of Lewiston, Maine, has had success in this regard by working in conjunction with a non-profit residential developer, and a site visit to Lewiston (and other re-developing industrial communities) in this regard is warranted.

### **3. Coordinate Economic Development Organizations**

Berlin and Coos County need a strong economic development organizational framework with the resources and the experience to successfully implement, or oversee the implementation of, the recommendations in this chapter of the Master Plan. In an ideal world this would be one single organization. However, the pending collaboration of AVER, NCIC, Main Street, and the Chamber of Commerce, whereby AVER is the initial point of contact for business inquiries in the Androscoggin Valley, NCIC is the technical resource to support new business development/expansion, the Chamber develops and promotes events, and Main Street supports downtown retail partners, is a start. These relationships should be memorialized in a memorandum of agreement, defining specific areas of responsibility, lines of communication, frequency of agencies convening as a group, etc. To be successful, this will have to look as seamless as possible to anyone outside of the system.

Additionally, the following action items are recommended in this area.

- The City should assure that this collaborative framework exists, and that it continues to work smoothly. The major focus should be recruiting someone who has experience with the issues and opportunities the City and Coos County are facing. The existing salary structure for the City may be limiting when seeking to recruit someone with significant experience.

Once this collaborative framework is in place, the City of Berlin should contribute operating funds on a regular basis to it, to the extent that it is able. In return, the City should establish written goals for action. The City could also commit to seeking funds for certain projects as necessary and appropriate. The organizations in return would designate lead parties so as to staff the agreed upon framework appropriately.

### **4. Continue to Focus on Tourism Development**

One of the key components of the Coos County Action Plan is to focus more on tourism development. Berlin has many important ingredients to help it develop its tourism industry, such as the Northern Forest Heritage Park, the Androscoggin River and the ATV Park. However, it has not developed a core base of specialty stores, restaurants and lodging facilities to fully capture its share of this opportunity. Key items for the City in this regard are as follows.

- Focus on upgrading the downtown area and the key entrances to the City as described above.
- Embrace the recommendations of the Coos Economic Action Plan, including
  - Developing and Funding more Promotion;
  - Protecting the Region’s Natural and Cultural Resources;
  - Working with the State of New Hampshire and others to continue promoting snow machining and 4-wheeling opportunities in the Androscoggin Valley;
  - Promoting Berlin as the gateway to the Upper Androscoggin and Umbagog Lake areas.
- Coordinate/cooperate with Coos County initiatives regarding branding, promotion, and marketing.

**5. Develop Alternate Plans for the Former Fraser Mill Site**

This now mostly vacant site abuts both the downtown and the Androscoggin River and is very strategic from a location perspective. Considerable controversy exists within the City regarding the highest and best use of the site, with one group focusing on the wood fired power plant being proposed by Laidlaw and the other group focused more on some form of mixed use development which takes advantage of the river. It now appears that Laidlaw has secured the boiler site and is preparing to seek permits to move forward with its development as a major bio-fuel boiler. The major action items for the City in this regard are as follows:

- To monitor this proposal closely and to make sure that, if it does go forward, it does so in a manner that best serves the needs of the community, including:
  - Providing as minimal an intrusion on the community as possible, including the impacts of truck traffic, noise, visual impacts, releases into the atmosphere, etc.;
  - Seeing that it goes forward in a manner that is sustainable with respect to the wood resource;
  - Seeing that it goes forward in a manner that offsets its community impact by working cooperatively to make its steam and hot water by-products reasonably available to neighboring properties, including the downtown and new businesses that might be attracted to the immediate area;
  - Undertaking efforts to make the site a community resource, including tours of the facility for educational and tourism purposes, access to the Androscoggin River, interpretation of both the current and previous uses of the site, and the restoration of any remaining historic buildings.

With respect to the northern half of the site, the City should;

- Review the current zoning to make sure that it permits the types of new uses that the City would like to see occurring there, and no others.
- Review and include the recommendations of the Chlor-Alkali study of the 4+ acre superfund site in any future development plans for this area.

## **6. Acquire Additional Land for Future Economic Development**

The City of Berlin needs to acquire an additional 100 to 200 acres for future industrial development. The City is aware of this need and has identified a number of possible locations. The major action item is as follows:

- Decide whether the City, or its' designated economic development entity, will acquire and develop this land.
- In combination with BIDPA and/or other partners, secure financing necessary to do this, seeking grants if possible, but utilizing municipal bonding if necessary.

## **7. Creative/Entrepreneurial Economy**

The Coos Economic Action Plan identifies the Creative Economy as a key component of the future of the region. To serve that end, it is recommended that Berlin take an active role in setting the direction and pace of building out the infrastructure and establishing broadband access as a priority, not only in economic development initiatives, but also to embrace the technology as a building block to improve the efficiency and quality of government service delivery, educational opportunities, and the quality of life for Berlin residents in general. Specific action items include the following:

- Advocate that the agencies responsible for economic development have sufficient expertise to be able to articulate the availability and expected cost of broadband in Berlin to potential investors in Berlin.
- Negotiate with, and/or provide incentives to, current service providers to secure their commitment to invest in and build out the additional infrastructure required to foster universal access.
- Hire an individual to act as the City's computer technology manager. This individual would plan, develop, and oversee the City's own use of computer technology and broadband services from an operational and strategic perspective.

Options to share the expertise (and cost) of this individual with other local government agencies, educational institutions, and/or community-based non-profit organizations in the region should

be explored and exploited to the extent possible. An explicit working relationship between this individual and the agency responsible for economic development should be established.

- Review and/or modify current zoning and other policies to reduce or eliminate any permitting bottlenecks with regard to telecommunication infrastructure development.
- Explore opportunities for involving telecommunications providers in planning and construction activities for municipal capital projects, particularly water and sewer projects.
- Establish a Wi-Fi district providing free Internet service in the downtown.
- Look for opportunities to develop incubator space for new or second step businesses, ideally in the downtown and in other locations where users would be supporting existing businesses.

## **8. Set Annual Goals Relative to the Above Initiatives**

Cities and regions which are successful with Economic Development establish annual goals for themselves and then monitor progress against these goals. The City of Lewiston, Maine, has been very successful using this approach and it is recommended that an outreach to this City be made to see how this was done in Lewiston and to adopt this process in Berlin.

## **Historic Employment Trends**

This section presents an overview of historic employment trends within Coos County and the City of Berlin over the last decade. Changes in employment at the local and regional levels are also framed within the context of broader industry trends occurring statewide in New Hampshire. The primary data examined for this analysis is *covered employment* that is compiled as part of the Quarterly Census of Employment and Wages (QCEW) by the U.S. Bureau of Labor Statistics (BLS) and the N.H. Economic and Labor Market Bureau (ELMB). The data is summarized based on the North American Industry Classification System (NAICS). The QCEW covered employment data includes all workers who are covered under the State unemployment insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program. The QCEW data does not include members of the armed forces, the self-employed and proprietors; however, supplemental data compiled by the U.S. Bureau of Economic Analysis (BEA) has been included, where available, to illustrate estimated employment in these categories.

### **1. Overview of Total Employment**

Table 1 illustrates the change in total employment between 1996 and 2006 for New Hampshire, Coos County, and the City of Berlin. Throughout the course of this decade, the state experienced a net increase of approximately 85,500 jobs representing a growth rate of

15.8%. In comparison, the county's employment base grew by only 2.9% (394 jobs) while the city had a net loss of 786 jobs, a decrease of almost 17%.

Although the state's overall growth was strong during this time period, the rate of growth varied dramatically. Table 1 and Figure 1 present the change in growth for the two five-year increments of 1996 to 2001 and 2001 to 2006. As shown, the vast majority of job growth occurred in the first half of the decade with respective growth rates of 12.7% and 2.7%. The primary reason for this disparity was a substantial decrease in the goods producing sectors where over 17,000 jobs were lost between 2001 and 2006. However, the service producing sectors also fell off during this time with respective growth rates of 15.7% and 6.7% during the two five year periods indicating the state as a whole had a sluggish economy in the latter part of the decade. Government sector jobs also experienced slower growth towards the end of the decade but the decrease was less pronounced than in the private sector with an overall increase of 20.4% and incremental growth rates of 11.1% and 8.3%, respectively. Overall, the distribution of government and private sector jobs remained relatively unchanged within the state's economy at roughly 13% and 87%, respectively, throughout the decade.

**Table 1**  
Total Covered Employment 1996-2006 (Annual Averages)  
New Hampshire, Coos County and the City of Berlin

| NAIC Code                     | Industry           | Total Employment |         |         | Change |         |         | % Change |        |        | Percent of Total |        |        |
|-------------------------------|--------------------|------------------|---------|---------|--------|---------|---------|----------|--------|--------|------------------|--------|--------|
|                               |                    | 1996             | 2001    | 2006    | 96-01  | 01-06   | 96-06   | 96-01    | 01-06  | 96-06  | 1996             | 2001   | 2006   |
| <b>State of New Hampshire</b> |                    |                  |         |         |        |         |         |          |        |        |                  |        |        |
|                               | Total Employment   | 541,637          | 610,446 | 627,101 | 68,809 | 16,655  | 85,464  | 12.7%    | 2.7%   | 15.8%  | 100.0%           | 100.0% | 100.0% |
|                               | Total Government   | 71,310           | 79,220  | 85,832  | 7,910  | 6,612   | 14,522  | 11.1%    | 8.3%   | 20.4%  | 13.2%            | 13.0%  | 13.7%  |
|                               | Federal Government | 8,107            | 8,128   | 7,893   | 21     | -235    | -214    | 0.3%     | -2.9%  | -2.6%  | 1.5%             | 1.3%   | 1.3%   |
|                               | State Government   | 18,222           | 19,538  | 20,895  | 1,316  | 1,357   | 2,673   | 7.2%     | 6.9%   | 14.7%  | 3.4%             | 3.2%   | 3.3%   |
|                               | Local Government   | 44,980           | 51,555  | 57,044  | 6,575  | 5,489   | 12,064  | 14.6%    | 10.6%  | 26.8%  | 8.3%             | 8.4%   | 9.1%   |
|                               | Total Private      | 470,328          | 531,225 | 541,270 | 60,897 | 10,045  | 70,942  | 12.9%    | 1.9%   | 15.1%  | 86.8%            | 87.0%  | 86.3%  |
|                               | Goods Producing    | 121,143          | 127,190 | 110,133 | 6,047  | -17,058 | -11,011 | 5.0%     | -13.4% | -9.1%  | 22.4%            | 20.8%  | 17.6%  |
|                               | Service Providing  | 349,185          | 404,035 | 431,137 | 54,850 | 27,102  | 81,952  | 15.7%    | 6.7%   | 23.5%  | 64.5%            | 66.2%  | 68.8%  |
| <b>Coos County</b>            |                    |                  |         |         |        |         |         |          |        |        |                  |        |        |
|                               | Total Employment   | 13,504           | 13,872  | 13,898  | 368    | 26      | 394     | 2.7%     | 0.2%   | 2.9%   | 100.0%           | 100.0% | 100.0% |
|                               | Total Government   | 2,336            | 2,638   | 2,907   | 302    | 269     | 571     | 12.9%    | 10.2%  | 24.4%  | 17.3%            | 19.0%  | 20.9%  |
|                               | Federal Government | 153              | 156     | 155     | 3      | -1      | 2       | 2.0%     | -0.6%  | 1.3%   | 1.1%             | 1.1%   | 1.1%   |
|                               | State Government   | 395              | 603     | 667     | 208    | 64      | 272     | 52.7%    | 10.6%  | 68.9%  | 2.9%             | 4.3%   | 4.8%   |
|                               | Local Government   | 1,788            | 1,879   | 2,086   | 91     | 207     | 298     | 5.1%     | 11.0%  | 16.7%  | 13.2%            | 13.5%  | 15.0%  |
|                               | Total Private      | 11,168           | 11,234  | 10,991  | 66     | -243    | -177    | 0.6%     | -2.2%  | -1.6%  | 82.7%            | 81.0%  | 79.1%  |
|                               | Goods Producing    | 3,334            | n       | 2,334   | n      | n       | -1,000  | n        | n      | -30.0% | 24.7%            | n      | 16.8%  |
|                               | Service Providing  | 7,834            | n       | 8,657   | n      | n       | 823     | n        | n      | 10.5%  | 58.0%            | n      | 62.3%  |
| <b>City of Berlin</b>         |                    |                  |         |         |        |         |         |          |        |        |                  |        |        |
|                               | Total Employment   | 4,654            | 4,415   | 3,868   | -239   | -547    | -786    | -5.1%    | -12.4% | -16.9% | 100.0%           | 100.0% | 100.0% |
|                               | Total Government   | 1,052            | 1,229   | 1,386   | 177    | 157     | 334     | 16.8%    | 12.8%  | 31.7%  | 22.6%            | 27.8%  | 35.8%  |
|                               | Federal Government | 65               | 60      | 58      | -5     | -2      | -7      | -7.7%    | -3.3%  | -10.8% | 1.4%             | 1.4%   | 1.5%   |
|                               | State Government   | 223              | 395     | 431     | 172    | 36      | 208     | 77.1%    | 9.1%   | 93.3%  | 4.8%             | 8.9%   | 11.1%  |
|                               | Local Government   | 764              | 774     | 897     | 10     | 123     | 133     | 1.3%     | 15.9%  | 17.4%  | 16.4%            | 17.5%  | 23.2%  |
|                               | Total Private      | 3,602            | 3,186   | 2,482   | -416   | -704    | -1,120  | -11.5%   | -22.1% | -31.1% | 77.4%            | 72.2%  | 64.2%  |
|                               | Goods Producing    | 1,478            | 1,043   | 509     | -435   | -534    | -969    | -29.4%   | -51.2% | -65.6% | 31.8%            | 23.6%  | 13.2%  |
|                               | Service Providing  | 2,124            | 2,143   | 1,973   | 19     | -170    | -151    | 0.9%     | -7.9%  | -7.1%  | 45.6%            | 48.5%  | 51.0%  |

n= data suppressed due to confidentiality requirements  
Source: Quarterly Census of Employment and Wages (QCEW) from NH Economic and Labor Market Bureau

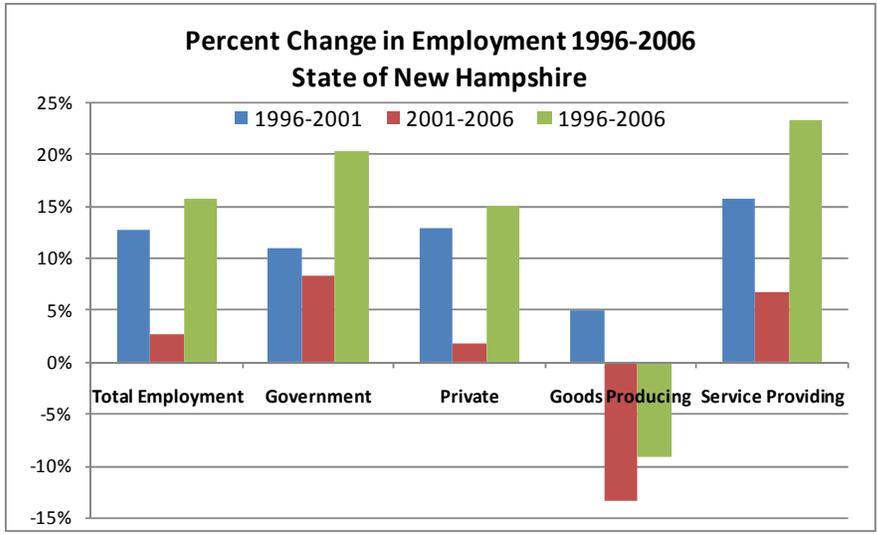


Figure 1

At the regional level, Coos County’s employment base experienced a comparable decline in the rate of growth over the course of the decade with respective increases of 2.7% and 0.2% for the two five-year time periods. Total jobs in the county as a percentage of statewide jobs declined slightly from 2.5% to 2.2% between 1996 and 2006. The county’s losses in goods producing sectors were deeper than the state’s with a decrease of 30% representing 1,000 jobs. This steeper rate of decline is primarily a factor of the region’s reliance on a single industry cluster related to wood and paper manufacturing that incurred major closures and layoffs during this time period. Some of these losses were offset by service sector gains of 823 jobs (10.5%), as well as gains in the government sector, which had a net increase of 571 jobs, a growth rate of 24%. Almost half of this public sector growth was attributable to an increase of 272 state-level jobs that reflects the opening of a new state prison in Berlin in 2000 which employs approximately 200. However, local government also grew by an equivalent amount, indicating a greater demand for public services despite a relatively flat or declining rate of growth in population during that time, as noted in the Demographics chapter of this plan.

As noted in the introduction of this section, the QCEW data discussed up to this point does not include proprietor employment. Proprietor establishments are typically one-person or family-operated firms that are not required to participate in the unemployment insurance program. Estimates compiled by the BEA for Coos County suggest that there is an additional workforce of 5,190 employed in this category. This represents approximately one-quarter (25.9%) of total countywide employment in 2006, as measured by the BEA, indicating that the region has a relatively strong reliance on small, entrepreneurial firms. The state’s employment in this category is also relatively high but slightly lower than the county’s at 22.9%. The county added an estimated 1,075 in proprietary employment between 1996 and 2006, a growth rate of 26.1%. The state’s growth rate was more than double at 55.1%, suggesting that the regional economic decline during this time period effected employment in this category as well as covered employment.

The City of Berlin's employment base has been considerably impacted by the region's transitioning economy. Given the city's long relationship with the wood and paper processing industry, the closure of the Fraser Pulp mill in Berlin and the subsequent ripple through other sectors, largely contributed to a loss of 1,120 private sector jobs, including 970 goods producing and 150 service-related jobs, over ten years. As elsewhere in the county, government sector growth helped to offset these losses with the addition of 334 jobs, approximately two-thirds of which were state positions. The majority of these state jobs are affiliated with the newly constructed medium security prison that came on line in 2000 and reportedly employs approximately 200 workers.

Changes in the employment base of Coos County's larger communities were generally positive over the last decade, with the exception of Northumberland, as shown in Table 2. Northumberland was the location of two additional paper mill closures with the town experiencing a net loss of 277 jobs. Conversely, Gorham had a net increase of 628 jobs. It is unclear which goods producing sectors added these jobs, since detailed QCEW data for the town is suppressed. The only other town to experience significant employment growth was Lancaster, which added 333 jobs over ten years. The majority of these was service-related (230 jobs) and largely concentrated in the Health Care sector (115 jobs). The remaining communities highlighted in the table had only moderate growth that contributed to a stabilization of their respective local employment bases.

|                | Employment | Change | % Change |
|----------------|------------|--------|----------|
|                | 2006       | 96-06  | 96-06    |
| Berlin         | 3,868      | -786   | -16.9%   |
| Gorham         | 2,505      | 628    | 33.0%    |
| Lancaster      | 1,853      | 333    | 22.0%    |
| Colebrook      | 1,237      | 50     | 4.2%     |
| Northumberland | 799        | -277   | -25.0%   |
| Whitefield     | 777        | 81     | 11.0%    |
| Dixville       | 568        | n      | n        |
| Jefferson      | 358        | 89     | 33.0%    |
| Pittsfield     | 267        | 66     | 33.0%    |
| Milan          | 196        | -2     | -1.0%    |

n= data suppressed due to confidentiality requirements  
Source: QCEW, NHELMB

## 2. Detailed Industry Trends and Projections

This section provides a more detailed perspective on changes in the local and regional employment base within major industry sectors, at the two-digit NAICS level, between 1996 and 2006. (Note: Three and four-digit level NAICS data for the county and state is contained in the appendix. This data is not available at the city level.) It also includes state forecasts for the county that project the change in employment by industry sector for the ten-year period ending in 2015.

### A. Coos County – Historical Changes

As noted previously, the county had a net increase in employment of 394 jobs between 1996 and 2006 accompanied by a net increase of 44 new establishments, comprised of 21 government and 23 private sectors. As of 2006, the county's average annual employment totaled 13,898. Preliminary quarterly data for 2007 indicates relatively little change with total average employment of 13,901. As illustrated in Table 3 and Figure 2, Coos County's largest declining sector, from a goods producing perspective, was Manufacturing, which lost 1,157 jobs, or 42% of its total and decreased from approximately 20% to 11% of total employment. Growth of the Construction sector has been relatively strong over the last decade with a 50% rate of growth and the addition of

156 jobs. Natural resource based employment in Agriculture and Forestry sector had no net change over the last decade.

Table 3

Total Covered Employment 1996-2006  
Coos County

| NAIC Code | Industry                                   | Total Employment |        |        | Change |       |        | % Change |        |        | Percent of Total |        |        |
|-----------|--|------------------|--------|--------|--------|-------|--------|----------|--------|--------|------------------|--------|--------|
|           |  | 1996             | 2001   | 2006   | 96-01  | 01-06 | 96-06  | 96-01    | 01-06  | 96-06  | 1996             | 2001   | 2006   |
|           | Total Employment                           | 13,504           | 13,872 | 13,898 | 368    | 26    | 394    | 2.7%     | 0.2%   | 2.9%   | 100.0%           | 100.0% | 100.0% |
|           | Total Government                           | 2,336            | 2,638  | 2,907  | 302    | 269   | 571    | 12.9%    | 10.2%  | 24.4%  | 17.3%            | 19.0%  | 20.9%  |
|           | Total Private                              | 11,168           | 11,234 | 10,991 | 66     | -243  | -177   | 0.6%     | -2.2%  | -1.6%  | 82.7%            | 81.0%  | 79.1%  |
| 101       | Goods Producing                            | 3,334            | n      | 2,334  | n      | n     | -1,000 | n        | n      | -30.0% | 24.7%            | n      | 16.8%  |
| 102       | Service Providing                          | 7,834            | n      | 8,657  | n      | n     | 823    | n        | n      | 10.5%  | 58.0%            | n      | 62.3%  |
| 11        | Agriculture, Forestry, Fishing and Hunting | 229              | 266    | 229    | 37     | -37   | 0      | 16.2%    | -13.9% | 0.0%   | 1.7%             | 1.9%   | 1.6%   |
| 21        | Mining                                     | 26               | n      | 27     | n      | n     | 1      | n        | n      | 3.8%   | 0.2%             | n      | 0.2%   |
| 22        | Utilities                                  | 118              | 90     | 93     | -28    | 3     | -25    | -23.7%   | 3.3%   | -21.2% | 0.9%             | 0.6%   | 0.7%   |
| 23        | Construction                               | 316              | 366    | 472    | 50     | 106   | 156    | 15.8%    | 29.0%  | 49.4%  | 2.3%             | 2.6%   | 3.4%   |
| 31-33     | Manufacturing                              | 2,763            | 2,024  | 1,606  | -739   | -418  | -1,157 | -26.7%   | -20.7% | -41.9% | 20.5%            | 14.6%  | 11.6%  |
| 42        | Wholesale Trade                            | 133              | 223    | 219    | 90     | -4    | 86     | 67.7%    | -1.8%  | 64.7%  | 1.0%             | 1.6%   | 1.6%   |
| 44-45     | Retail Trade                               | 2,087            | 2,174  | 2,125  | 87     | -49   | 38     | 4.2%     | -2.3%  | 1.8%   | 15.5%            | 15.7%  | 15.3%  |
| 48-49     | Transportation and Warehousing             | 489              | 425    | 427    | -64    | 2     | -62    | -13.1%   | 0.5%   | -12.7% | 3.6%             | 3.1%   | 3.1%   |
| 51        | Information                                | 110              | 95     | 84     | -15    | -11   | -26    | -13.6%   | -11.6% | -23.6% | 0.8%             | 0.7%   | 0.6%   |
| 52        | Finance and Insurance                      | 316              | 297    | 344    | -19    | 47    | 28     | -6.0%    | 15.8%  | 8.9%   | 2.3%             | 2.1%   | 2.5%   |
| 53        | Real Estate and Rental and Leasing         | 90               | 100    | 137    | 10     | 37    | 47     | 11.1%    | 37.0%  | 52.2%  | 0.7%             | 0.7%   | 1.0%   |
| 54        | Professional and Technical Services        | 149              | 160    | 134    | 11     | -26   | -15    | 7.4%     | -16.3% | -10.1% | 1.1%             | 1.2%   | 1.0%   |
| 55        | Management of Companies and Enterprises    | n                | n      | 16     | n      | n     | n      | n        | n      | n      | n                | n      | 0.1%   |
| 56        | Administrative and Waste Services          | 118              | 113    | 193    | -5     | 80    | 75     | -4.2%    | 70.8%  | 63.6%  | 0.9%             | 0.8%   | 1.4%   |
| 61        | Educational Services                       | n                | 34     | 39     | n      | 5     | n      | n        | 14.7%  | n      | n                | 0.2%   | 0.3%   |
| 62        | Health Care and Social Assistance          | 1,806            | 2,013  | 2,212  | 207    | 199   | 406    | 11.5%    | 9.9%   | 22.5%  | 13.4%            | 14.5%  | 15.9%  |
| 71        | Arts, Entertainment, and Recreation        | 429              | 588    | 634    | 159    | 46    | 205    | 37.1%    | 7.8%   | 47.8%  | 3.2%             | 4.2%   | 4.6%   |
| 72        | Accommodation and Food Services            | 1,602            | 1,808  | 1,772  | 206    | -36   | 170    | 12.9%    | -2.0%  | 10.6%  | 11.9%            | 13.0%  | 12.8%  |
| 81        | Other Services Except Public Admin         | 328              | 345    | 228    | 17     | -117  | -100   | 5.2%     | -33.9% | -30.5% | 2.4%             | 2.5%   | 1.6%   |

n= data suppressed due to confidentiality requirements

Source: Quarterly Census of Employment and Wages (QCEW) from NH Economic and Labor Market Bureau

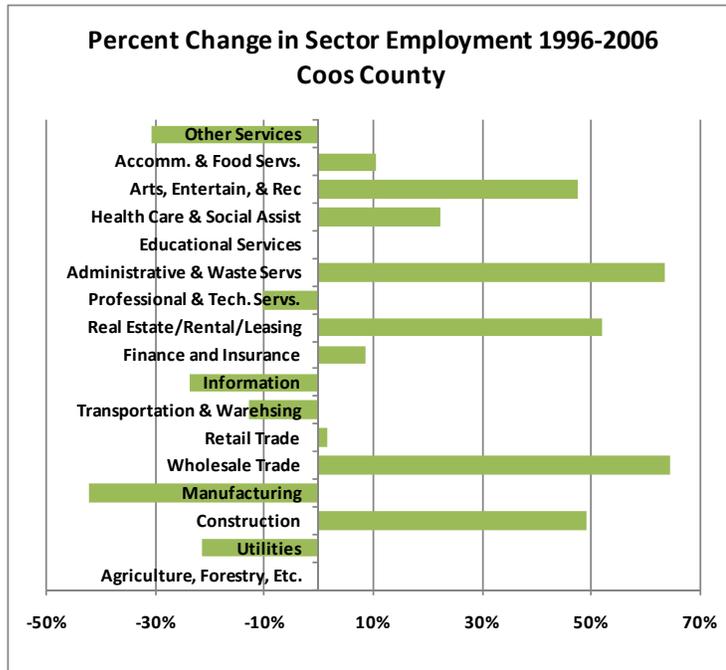


Figure 2

In the service sectors, Coos County's three largest growth areas were Health Care, Arts, Entertainment and Recreation, and Accommodations and Food Services. Health Care added the largest number of total jobs with 406 (22.5%), as well as the most new establishments (22) and grew at a steady pace throughout the decade as illustrated by the five-year incremental growth rates presented in the table. This sector, along with Retail Trade, represents the largest portions of the regional employment base accounting for approximately 15% each. Growth in the Health Care sector has been relatively evenly distributed between ambulatory care, such as doctor's offices and other outpatient facilities, and social service agencies. Smaller increases were recorded for hospital and nursing care facilities (refer to appendix tables).

Growth in the Arts/Entertainment/Recreation and Accommodations/Food Services sectors are a reflection of the region's tourism economy. Combined, these two sectors account for approximately 16% of the county's total employment base, although the latter employs almost three times as many workers. Over the ten-year period, these sectors had a net increase of 375 workers. Both sectors had strong growth in the first half of the decade, however, by the latter half, gains in the Arts/Entertainment sector had dropped off substantially accompanied by a decline of 36 jobs in the Accommodations/Food Services sector.

Retail Trade, which despite being a large component of the regional economy, had only a small net increase of 38 jobs, a 1.8% growth rate, over the last decade. This sector reportedly performed better outside Coos County with the state's retail employment as a whole growing by approximately 16% over the decade (refer to appendix tables).

Other relatively strong percentage growth occurred in Administrative Services (63% and 75 jobs) which reflects an increased demand for office workers as well as buildings and grounds maintenance. Wholesale Trade had a comparable level of growth (64% and 86 jobs) although all of this sector's increase occurred in the first half of the decade followed by a slight decline in the second half.

The Finance and Insurance and Real Estate sectors accounted for 3.5% of total employment in the county as of 2006. Together they added approximately 75 jobs and 20 new establishments over 10 years.

The Information sector, which includes areas such as publishing, printing, and telecommunications, experienced a significant downturn, particularly over the last five years, both within the county and the state as a whole. The county lost 26 jobs over ten years, a decrease of 26%, and while the state had a net increase of 1,590 jobs (a 14.5% growth rate), overall, it lost almost 1,000 jobs in the last five years (2001 to 2006). The Professional Services sector also lost employment within the county over the last decade with a net decrease of 15 jobs, a decline of 10%. In contrast, this was a relatively strong growth sector for the state, which added over 1,170 jobs representing a 31% growth rate.

The county's remaining declining sector, Transportation and Warehousing, lost about 12% of its total employment (62 jobs) over ten years. Growth in this sector at the state level was positive with almost 2,700 jobs added, but almost all were established in the first half of the decade (2001 to 2006).

Finally, growth in the county's government sector, which has been strong over the last decade, is expected to expand in the future. Although the state's projections indicate the addition of only 51 jobs in ten years, this forecast does not include employment at the medium security federal prison presently being constructed in Berlin. The estimated number of new jobs anticipated at this facility is 325<sup>1</sup> and are expected to be in place as of 2010.

## **B. Coos County – Employment Projections**

Employment projections prepared by the state in 2004 for Coos County were relatively optimistic forecasting a ten-year growth rate of 6.6% (a net increase of approximately 950 jobs) in comparison to the 2.9% rate of growth that was recorded over the previous decade<sup>2</sup>. However, due to the recent closing of several North Country paper mills, as well as the construction of a new medium security federal prison in Berlin, the state has revised these earlier projections as part of several impact analyses conducted during 2006 and 2007. The most recent growth forecast prepared by NHELMB used the state's ten county, 70-industry sector econometric model developed by REMI (Regional Economic Model, Inc.) to simulate the potential impact on Coos County<sup>3</sup>. This model, like all others, relied on a set of assumptions that were considered the most reliable and accurate estimates available of forthcoming changes. For example, the model removed approximately 660 manufacturing jobs from the regional economy that were estimated to be directly impacted by the three mill closures (two in Northumberland and one in Berlin), as illustrated in Figure 1. Conversely, 325 federal civilian jobs will be added to the regional economy beginning in 2010 based on projected employment at the correctional facility. These jobs are expected to have relatively high wages that should help to lessen the decrease in gross regional product due to lost wages in the paper industry. In addition, short-term construction jobs resulting from the prison facility range between 150 and 300 during the three-year construction period.

Overall, the output from this modeling effort indicates that construction of the new federal prison will not completely offset the job losses resulting from the mill closures and their related secondary impacts within the county's other major industry sectors, such as retail and services. The net loss of jobs through the projection period of 2006 to 2017 is 685, despite the fact that 502 jobs are expected to be recovered during that time due to prison construction and its secondary job growth impacts. Without construction of this facility total potential job losses of 1,187 could otherwise occur, based on the state's model.

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<sup>1</sup> *Coos County Perspectives, The Groveton Mill Closures*, N.H. Economic and Labor Market Bureau, December 2007.

<sup>2</sup> In Brief, *Employment Projections by Industry and Occupation*, base year 2004 to projection year 2014, Coos County, N.H. Economic and Labor Market Bureau.

<sup>3</sup> *Coos County Perspectives, The Groveton Mill Closures*, December 2007

The model grouped a number of industry sectors together, as illustrated in Figure 3, to insure that data disclosure requirements were met. Therefore, detailed projections for each sector are not available. The Construction group, which also includes Natural Resources and Utilities, is projected to add more than 240 jobs in the short-term (mainly in construction), during the several years of prison construction. However, once this construction is completed in 2010 the model forecasts a net loss of 100 jobs in this sector throughout the remaining projection period.

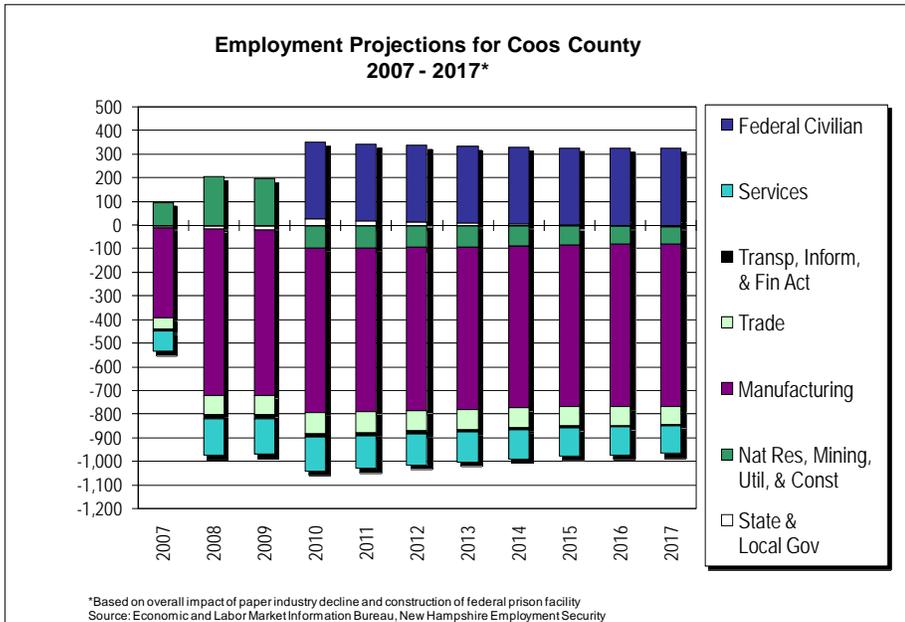


Figure 3

On a countywide basis, the Trade sectors, Retail and Wholesale, are expected to have a net loss of approximately 90 jobs through this period. In the Berlin area, some of the losses in the Retail sector will be mitigated by expansion of the Wal-Mart store in Gorham into a supercenter facility. The state's model estimated a net increase of 150 retail jobs related to this facility beginning in 2007. Wal-Mart provides competition for other retail establishments in the area, which is why the net increase is reduced somewhat. However, this store may also attract new retail establishments to its proximity that could further bolster this sector of the local economy.

Service sector businesses are projected to experience a slightly greater impact with a net decline of 115 jobs through 2014. The model does not examine Health Care as a separate sector from the Services sector, but it may also slow growth in this otherwise rapidly growing portion of the economy. According to state's earlier forecast completed in 2004, Health Care was projected to grow at an increasing rate of 19% through 2014. However, the high demand for health care workers throughout the country could limit the county's ability to attract the professional and technical personnel necessary to support anticipated demand.

The model's sector group that combined Transportation, Information, and Finance indicates only minor net job losses (less than 10) overall are anticipated through the projection period. In comparison, the prior projection scenario prepared by the state in 2004 suggested that Transportation and Finance were expected to add approximately 70 jobs during this time period. However, those same projections indicated that the Information sector was not expected to recover from its prior downturn and would remain relatively flat with a net loss of five additional jobs by 2014.

The state's economic forecast model does not consider tourism related sectors as part of its impact analysis of the mill closures and prison construction. Although these occurrences may have some peripheral impact on tourism-dependent establishments, the overall effects are not expected to be significant. The state's 2004 employment projections for the Arts, Entertainment, Recreation and the Accommodations and Food Services sectors suggest that, despite a recent slump, both will experience a rebound with relatively strong and steady growth through 2014. Projected growth rates for these sectors were 20.9% and 10.9%, respectively, with approximately 340 jobs added throughout the county. However, it should be noted that the state's forecast was completed before the spike in gasoline prices occurred, which may necessitate a reassessment of these growth projections over the near term.

### **C. City of Berlin**

The City of Berlin's economy continues to represent the largest employment center in Coos County despite historical losses incurred from decline in the wood and paper product manufacturing sectors. Overall, the city's job base totaled 3,868 representing approximately 28% of Coos County's total covered employment as of 2006. This percentage dropped from roughly 35% of countywide employment ten years prior in 1996. As illustrated in Table 4, these percentages represent a net loss of 786 jobs, a decline of almost 17% over the course of the decade (1996 to 2006). During this time period, the number of establishments in the city also decreased by 28, resulting in a 2006 total of 224 establishments. The 2007 quarterly data released by the ELMB indicates a slight upturn with total employment for this more recent year to 3,963, a net increase of approximately 70 jobs. In fact, the number of private sector jobs has reportedly increased by 117 (108 service sector and 9 goods producing) while the number of government jobs decreased by 49 during the year. No detailed sector data is presently available for the city in 2007.

The city's Health Care sector is the largest component of the local economy, as well as its biggest growth area. This sector accounted for 24% of total jobs with 935 and a net increase of 63 (7.2%) over ten years. However, this sector did have a net loss of 28 jobs during the second half of the decade (2001 to 2006), an uncharacteristic occurrence in this high growth industry that had sustained growth throughout the decade at the county and state levels. This fact, as well as the net loss of 151 service producing jobs, illustrates how deeply the impacts of lost manufacturing jobs have affected service sector portions of the economy.

Table 4 illustrates the impact on the Manufacturing sector of the paper industry decline noted previously in this chapter. As of 2006, the city had lost approximately 1,050 jobs in this sector representing a 77% decrease over ten years. However, the 300 remaining jobs still accounted for 8% of total employment maintaining it as the city's second largest sector. The city's other goods producing sectors of Construction and Agriculture/Forestry experienced modest gains during this time period. Construction jobs expanded by 58 (or 52%) and presumably have increased further since construction of the prison began in 2007, although no data is presently available at the local level. The Agriculture/Forestry sector increased by 22 jobs despite the paper mill closures. This may be an indication that businesses in this sector, such as foresters and loggers, have some resiliency or have been able to find other markets for their services.

Changes in the Retail and Wholesale Trade sectors were mixed over the last decade. The Retail sector represents 7.4% of the city's total job base, which is only half the 15%, found in Coos County as a whole. Furthermore, the city's jobs in this sector decreased by approximately 23% (87 jobs) over ten years while the county added 38 jobs for a minor increase of 1.8%. Conversely, the Wholesale sector grew by 55 jobs, a 114% growth rate that more than doubled the city's total employment in this sector. This growth occurred despite a loss of four establishments during that time, indicating the increase was related to expansion of existing firms. In comparison, the county grew by only 64% in this sector. As noted previously, countywide projections for both the Retail and Wholesale Trade sectors forecasts a decline over the next decade if no additional economic expansion occurs.

The remaining industry sectors in the city have remained largely unchanged over the last decade in terms of total jobs. As shown in Table 4, data is suppressed for a number of industry sectors, which limits analysis in these areas. Finance and Insurance, which represents roughly 4% of the city's job base, grew by 8%, a net increase of 12 jobs.

Table 4

Total Covered Employment 1996-2006

City of Berlin

| NAIC Code | Industry                            | Total Employment |       |       | Change |       |        | % Change |        |        | Percent of Total |        |        |
|-----------|-------------------------------------|------------------|-------|-------|--------|-------|--------|----------|--------|--------|------------------|--------|--------|
|           |                                     | 1996             | 2001  | 2006  | 96-01  | 01-06 | 96-06  | 96-01    | 01-06  | 96-06  | 1996             | 2001   | 2006   |
|           | Total Employment                    | 4,654            | 4,415 | 3,868 | -239   | -547  | -786   | -5.1%    | -12.4% | -16.9% | 100.0%           | 100.0% | 100.0% |
|           | Total Government                    | 1,052            | 1,229 | 1,386 | 177    | 157   | 334    | 16.8%    | 12.8%  | 31.7%  | 22.6%            | 27.8%  | 35.8%  |
|           | Federal Government                  | 65               | 60    | 58    | -5     | -2    | -7     | -7.7%    | -3.3%  | -10.8% | 1.4%             | 1.4%   | 1.5%   |
|           | State Government                    | 223              | 395   | 431   | 172    | 36    | 208    | 77.1%    | 9.1%   | 93.3%  | 4.8%             | 8.9%   | 11.1%  |
|           | Local Government                    | 764              | 774   | 897   | 10     | 123   | 133    | 1.3%     | 15.9%  | 17.4%  | 16.4%            | 17.5%  | 23.2%  |
|           | Total Private                       | 3,602            | 3,186 | 2,482 | -416   | -704  | -1,120 | -11.5%   | -22.1% | -31.1% | 77.4%            | 72.2%  | 64.2%  |
| 101       | Goods Producing                     | 1,478            | 1,043 | 509   | -435   | -534  | -969   | -29.4%   | -51.2% | -65.6% | 31.8%            | 23.6%  | 13.2%  |
| 102       | Service Providing                   | 2,124            | 2,143 | 1,973 | 19     | -170  | -151   | 0.9%     | -7.9%  | -7.1%  | 45.6%            | 48.5%  | 51.0%  |
| 11        | Agriculture/Forestry/Fishing        | 10               | n     | 32    | n      | n     | 22     | n        | n      | 220.0% | 0.2%             | n      | 0.8%   |
| 21        | Mining                              | 0                | 0     | 0     | 0      | 0     | 0      | 0.0%     | 0.0%   | 0.0%   | 0.0%             | 0.0%   | 0.0%   |
| 22        | Utilities                           | n                | n     | n     | n      | n     | n      | n        | n      | n      | n                | n      | n      |
| 23        | Construction                        | 111              | n     | 169   | n      | n     | 58     | n        | n      | 52.3%  | 2.4%             | n      | 4.4%   |
| 31        | Manufacturing                       | 1,356            | 945   | 308   | -411   | -637  | -1,048 | -30.3%   | -67.4% | -77.3% | 29.1%            | 21.4%  | 8.0%   |
| 42        | Wholesale Trade                     | 48               | 78    | 103   | 30     | 25    | 55     | 62.5%    | 32.1%  | 114.6% | 1.0%             | 1.8%   | 2.7%   |
| 44        | Retail Trade                        | 373              | 321   | 286   | -52    | -35   | -87    | -13.9%   | -10.9% | -23.3% | 8.0%             | 7.3%   | 7.4%   |
| 48        | Transportation and Warehousing      | 15               | 13    | n     | -2     | n     | n      | -13.3%   | n      | n      | 0.3%             | 0.3%   | n      |
| 51        | Information                         | 39               | 55    | 38    | 16     | -17   | -1     | 41.0%    | -30.9% | -2.6%  | 0.8%             | 1.2%   | 1.0%   |
| 52        | Finance and Insurance               | 150              | 111   | 162   | -39    | 51    | 12     | -26.0%   | 45.9%  | 8.0%   | 3.2%             | 2.5%   | 4.2%   |
| 53        | Real Estate and Rental and Leasing  | 43               | 50    | 39    | 7      | -11   | -4     | 16.3%    | -22.0% | -9.3%  | 0.9%             | 1.1%   | 1.0%   |
| 54        | Professional and Technical Service  | 64               | 64    | 63    | 0      | -1    | -1     | 0.0%     | -1.6%  | -1.6%  | 1.4%             | 1.4%   | 1.6%   |
| 55        | Management of Companies/Enterprises | n                | n     | n     | n      | n     | n      | n        | n      | n      | n                | n      | n      |
| 56        | Administrative and Waste Services   | 61               | 45    | 62    | -16    | 17    | 1      | -26.2%   | 37.8%  | 1.6%   | 1.3%             | 1.0%   | 1.6%   |
| 61        | Educational Services                | 0                | n     | 0     | n      | n     | 0      | n        | n      | 0.0%   | 0                | n      | 0.0%   |
| 62        | Health Care and Social Assistance   | 872              | 963   | 935   | 91     | -28   | 63     | 10.4%    | -2.9%  | 7.2%   | 18.7%            | 21.8%  | 24.2%  |
| 71        | Arts, Entertainment, and Recreation | n                | 22    | n     | n      | n     | n      | n        | n      | n      | n                | 0.5%   | n      |
| 72        | Accommodation and Food Services     | 179              | 169   | n     | -10    | n     | n      | -5.6%    | n      | n      | 3.8%             | 3.8%   | n      |
| 81        | Other Services Except Public Admin  | 169              | 127   | 80    | -42    | -47   | -89    | -24.9%   | -37.0% | -52.7% | 3.6%             | 2.9%   | 2.1%   |

n= data suppressed due to confidentiality requirements

Source: Quarterly Census of Employment and Wages (QCEW) from NH Economic and Labor Market Bureau

The city's tourism related sectors (Arts, Entertainment & Recreation and Accommodations & Food Services) also represent about 4% combined of the local economy as compared to approximately 17% of the regional economy indicating that Berlin does not presently capture a significant portion of this industry's jobs. (Note: Retail is also a sector of the regional economy supported by tourism but the direct linkage varies based on location within the county and types of goods sold.) Although the city data for this sector is partially suppressed, it is clear that most of the employment lies in the Accommodations and Food Services (169 jobs in 2001) with the majority assumed to be in Food Services since there are few lodging establishments in the city. Several on-going initiatives will help to support expansion of the city's tourism sector. These include the creation of the Jericho Mountain State Park for ATV's (All Terrain Vehicles), rezoning of the park's entrance road on Route 110 for rural recreation uses (the Jericho Gateway Zoning District), and expansion of the Northern Forest Heritage Park's visitor center and museum.

### 3. Wages

Table 5 presents a summary of the change in average weekly wages between 1996 and 2006 for industries in the City of Berlin. Overall, the average wage in the city across all sectors increased by approximately 25%. At the county and state levels, average wages increased by

37% and 53%, respectively, over the course of the decade (refer to appendix tables). During that time, inflation rose by 28%, as calculated by changes in the Consumer Price Index (CPI), indicating that, on average, wages in the city are just about keeping pace with increases in the cost of goods and services. However, as illustrated in the table, wage growth in most individual industry sectors exceeded inflationary increases by a considerable amount.

Table 5  
Average Weekly Covered Wages 1996-2006  
City of Berlin

| NAIC Code          | Industry                            | Avg. Weekly Wages |       |       | Change |        |       | % Change |        |        | % of Total 2006* |        | Total Avg. Annual City* |         |
|--------------------|-------------------------------------|-------------------|-------|-------|--------|--------|-------|----------|--------|--------|------------------|--------|-------------------------|---------|
|                    |                                     | 1996              | 2001  | 2006  | 96-01  | 01-06  | 96-06 | 96-01    | 01-06  | 96-06  | County           | State  | Wages 2006              | % Total |
| Total              |                                     | \$488             | \$568 | \$611 | \$79   | \$44   | \$123 | 16.2%    | 7.7%   | 25.1%  | 106.7%           | 74.9%  | \$122,918,232           | 100.0%  |
| Total Government   |                                     | \$442             | \$540 | \$619 | \$98   | \$79   | \$177 | 22.1%    | 14.7%  | 40.1%  | 107.1%           | 83.3%  | \$44,627,703            | 36.3%   |
| Federal Government |                                     | \$639             | \$661 | \$724 | \$22   | \$63   | \$85  | 3.4%     | 9.5%   | 13.3%  | 86.9%            | 61.7%  | \$2,184,157             | 1.8%    |
| State Government   |                                     | \$439             | \$587 | \$719 | \$148  | \$132  | \$280 | 33.7%    | 22.5%  | 63.7%  | 101.5%           | 96.4%  | \$16,113,780            | 13.1%   |
| Local Government   |                                     | \$426             | \$506 | \$564 | \$80   | \$58   | \$138 | 18.8%    | 11.5%  | 32.4%  | 109.0%           | 82.7%  | \$26,326,806            | 21.4%   |
| Total Private      |                                     | \$502             | \$578 | \$607 | \$76   | \$28   | \$105 | 15.2%    | 4.9%   | 20.8%  | 106.2%           | 73.3%  | \$78,290,222            | 63.7%   |
| 101                | Goods Producing                     | \$692             | \$805 | \$685 | \$113  | -\$120 | -\$7  | 16.3%    | -14.9% | -1.1%  | 89.3%            | 67.5%  | \$18,118,934            | 14.7%   |
| 102                | Service Providing                   | \$370             | \$468 | \$587 | \$98   | \$118  | \$217 | 26.5%    | 25.3%  | 58.5%  | 113.1%           | 75.2%  | \$60,173,580            | 49.0%   |
| 11                 | Agriculture/Forestry/Fishing        | \$334             | n     | \$655 | n      | n      | \$322 | n        | n      | 96.4%  | 109.3%           | 121.6% | \$1,090,586             | 0.9%    |
| 23                 | Construction                        | \$465             | n     | \$729 | n      | n      | \$264 | n        | n      | 56.8%  | 111.7%           | 80.8%  | \$6,404,782             | 5.2%    |
| 31                 | Manufacturing                       | \$713             | \$818 | \$663 | \$105  | -\$155 | -\$50 | 14.7%    | -18.9% | -7.0%  | 80.2%            | 62.2%  | \$10,624,694            | 8.6%    |
| 42                 | Wholesale Trade                     | \$542             | \$745 | \$643 | \$203  | -\$102 | \$100 | 37.4%    | -13.7% | 18.5%  | 81.8%            | 48.7%  | \$3,442,944             | 2.8%    |
| 44                 | Retail Trade                        | \$280             | \$342 | \$438 | \$62   | \$96   | \$158 | 22.2%    | 28.1%  | 56.5%  | 98.5%            | 86.9%  | \$6,519,587             | 5.3%    |
| 48                 | Transportation and Warehousing      | \$248             | \$192 | n     | -\$55  | n      | n     | -22.3%   | n      | n      | 34.0%            | 33.1%  | \$130,116               | 0.1%    |
| 51                 | Information                         | \$320             | \$466 | \$602 | \$146  | \$136  | \$283 | 45.7%    | 29.2%  | 88.4%  | 113.5%           | 48.7%  | \$1,190,323             | 1.0%    |
| 52                 | Finance and Insurance               | \$495             | \$529 | \$720 | \$34   | \$191  | \$225 | 6.9%     | 36.0%  | 45.4%  | 101.3%           | 53.5%  | \$6,063,342             | 4.9%    |
| 53                 | Real Estate and Rental and Leasing  | \$341             | \$390 | \$494 | \$48   | \$105  | \$153 | 14.1%    | 26.9%  | 44.8%  | 115.3%           | 64.9%  | \$1,002,522             | 0.8%    |
| 54                 | Professional and Technical Service  | \$303             | \$795 | \$854 | \$492  | \$59   | \$551 | 162.4%   | 7.5%   | 182.0% | 115.0%           | 65.9%  | \$2,798,720             | 2.3%    |
| 56                 | Administrative and Waste Services   | \$314             | \$269 | \$627 | -\$46  | \$359  | \$313 | -14.5%   | 133.5% | 99.6%  | 56.6%            | 94.0%  | \$2,021,996             | 1.6%    |
| 62                 | Health Care and Social Assistance   | \$421             | \$531 | \$658 | \$110  | \$127  | \$237 | 26.2%    | 23.9%  | 56.4%  | 100.8%           | 83.8%  | \$31,977,374            | 26.0%   |
| 71                 | Arts, Entertainment, and Recreation | n                 | \$328 | n     | n      | n      | n     | n        | n      | n      | 121.6%           | 102.7% | \$375,438               | 0.3%    |
| 72                 | Accommodation and Food Services     | \$123             | \$154 | n     | \$31   | n      | n     | 25.2%    | n      | n      | 55.0%            | 57.0%  | \$1,354,670             | 1.1%    |
| 81                 | Other Services Except Public Admin  | \$262             | \$254 | \$310 | -\$8   | \$55   | \$48  | -2.9%    | 21.7%  | 18.1%  | 64.1%            | 55.1%  | \$1,288,435             | 1.0%    |

n= data suppressed due to confidentiality requirements

\* Note: where 2006 data is suppressed, a previous year is used for calculating this percentage

Source: Quarterly Census of Employment and Wages (QCEW) from NH Economic and Labor Market Bureau

Although average wages in the city rose more slowly than within Coos County, wages for workers in Berlin were generally higher in most industry sectors, as illustrated by the “% of Total 2006” column in the table. For example, the city’s total average wage of \$611 was 106% of the county’s; indicating wages were 6% higher in the city on average. Sectors where the city’s average wages are higher than the county’s include Manufacturing, Wholesale Trade, Transportation/Warehousing, and Accommodations and Food Services. Conversely, this same data shows that the city’s average wage levels are lower than the state’s in almost all industry sectors with the exception of Agriculture/Forestry, and Arts and Entertainment.

Overall, total average annual covered wages in the city were approximately \$122 million in 2006. The largest contributing sector was Health Care, which accounted for 26% of this total, far exceeding Manufacturing, which was the second largest wage generator at 8.6% despite the employment decline experienced throughout the decade. Health Care wages increased by 56% over the decade keeping them on par with countywide wages rates, but 16% below the statewide average.

The Construction and Retail sectors each account for approximately 5% of the city’s total annual wages. Both sectors also experienced comparable wage growth of 56% over the ten-

year period. The city's Construction wage growth was generally equivalent to the county's (57.2%) and the state's (55.8%) during that time (refer to appendix tables). However, growth in the city's retail wage rates exceeded the county's (34.9%) and the state's (43.7%), which brought local wages closer to, but still below, the regional and statewide averages.

Wage increases were highest for the Professional and Technical Services sector at 182%. However, wages in this sector account for only 2.3% of the city's total wages due to the low number of jobs in this sector.

## **Labor Force and Unemployment Rates**

Table 6 and Figure 4 depict the changes in labor force and unemployment rates for the City of Berlin, Coos County, and the State of New Hampshire between 1997 and 2007. During this time period the state's labor force, which is defined as the civilian population over age 16, expanded by over 12% with a majority of the growth occurring in the first half of the decade. In comparison, the county's labor force, which also increased during that five-year period, has since declined to 1997 levels. The county's unemployment rate generally parallels the state's albeit one to two percent higher. The county's rate increase in 2002 presumably reflects layoffs at the Fraser Mill in Berlin. Subsequent closures in Northumberland are somewhat evident in the increase beginning in 2006, as shown in Figure 4. However, unadjusted data for the first six months of 2008 reveals an increase in the county's average unemployment rate to 5.6%.

The City of Berlin's labor force experienced a short growth spurt in 1998 but this was followed by a fairly steady decline through 2005. Overall, the city's labor force declined by 9%, or 464 workers, over this ten-year time period. Figure 4 depicts the beginning of impact on the local labor force leading up to the final mill closure in 2006. This decline in the labor force was accompanied by a spike in the unemployment rate to over 10%. As workers were removed from the labor force, either through outmigration, retirement, or for other reasons, the unemployment rate eventually returned to 1997 levels. However, the city's rate remains higher than the county and the state rates.

The rate of decline in the city's labor force slowed during the second half of the decade and a slight increase over the last two years (2006 to 2007) suggests that the outmigration of labor may have ended. However, unadjusted data for the first six months of 2008 shows an average labor force of 4,672 and average unemployment rate of 5.7% suggesting that a growth cycle for the city has yet to begin.

|                       | 1997    | 2002    | 2007    | Change 97-07 |         | Avg. Annual Rate |        |       |
|-----------------------|---------|---------|---------|--------------|---------|------------------|--------|-------|
|                       |         |         |         | Number       | Percent | 97-02            | 02-07  | 97-07 |
| <b>City of Berlin</b> |         |         |         |              |         |                  |        |       |
| Civilian Labor Force  | 5,165   | 4,855   | 4,701   | -464         | -9.0%   | -1.2%            | -0.6%  | -0.9% |
| Employed              | 4,903   | 4,359   | 4,456   | -447         | -9.1%   | -2.3%            | 0.4%   | -1.0% |
| Unemployed            | 262     | 496     | 245     | -17          | -6.5%   | 13.6%            | -13.2% | -0.7% |
| Unemployment Rate (%) | 5.1     | 10.2    | 5.2     | 0.1          | 2.0%    | 14.9%            | -12.6% | 0.2%  |
| <b>Coos County</b>    |         |         |         |              |         |                  |        |       |
| Civilian Labor Force  | 16,758  | 17,032  | 16,780  | 22           | 0.1%    | 0.3%             | -0.3%  | 0.0%  |
| Employed              | 15,916  | 15,882  | 16,000  | 84           | 0.5%    | 0.0%             | 0.1%   | 0.1%  |
| Unemployed            | 842     | 1,150   | 780     | -62          | -7.4%   | 6.4%             | -7.5%  | -0.8% |
| Unemployment Rate (%) | 5       | 6.8     | 4.6     | -0.4         | -8.0%   | 6.3%             | -7.5%  | -0.8% |
| <b>New Hampshire</b>  |         |         |         |              |         |                  |        |       |
| Civilian Labor Force  | 656,094 | 712,180 | 738,314 | 82,220       | 12.5%   | 1.7%             | 0.7%   | 1.2%  |
| Employed              | 635,469 | 679,818 | 712,048 | 76,579       | 12.1%   | 1.4%             | 0.9%   | 1.1%  |
| Unemployed            | 20,625  | 32,362  | 26,266  | 5,641        | 27.4%   | 9.4%             | -4.1%  | 2.4%  |
| Unemployment Rate (%) | 3.1     | 4.5     | 3.6     | 0.5          | 16.1%   | 7.7%             | -4.4%  | 1.5%  |

Source: NH Economic and Labor Market Information Bureau

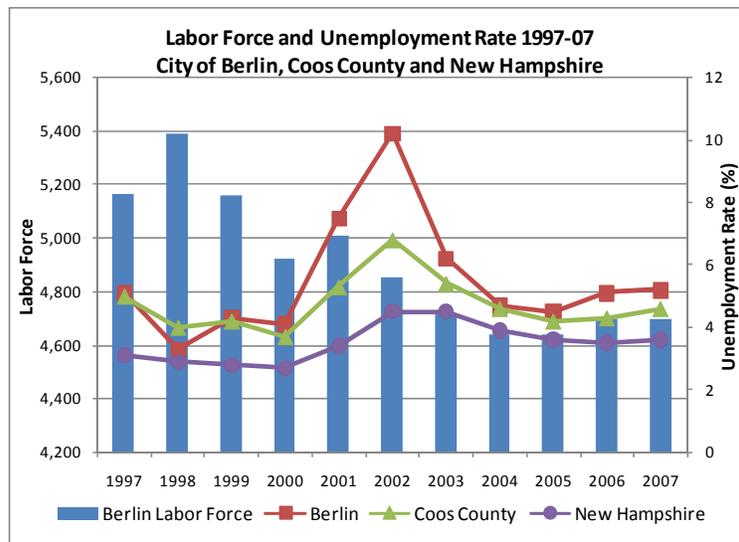


Figure 4

## Occupational Characteristics

Table 7 presents a summary of occupational characteristics for residents of Coos County between 2000 and 2007. Occupational data for the City of Berlin is only available for 2000; however, trends at the county level are considered to be generally reflective of changes occurring at the local level in Berlin. The data are estimates based on samples gathered by the U.S. Census Bureau and the NHELMB and therefore, do not represent a 100% survey of the entire workforce.

The largest portion of both the city and county workforce as of 2000 was found in sales and office administrative positions, which accounted for approximately 23% of all occupations. While the percentage employed in these occupations increased to 25% (as of 2007) for the county, the actual number employed has apparently decreased. Workers in these occupations are generally not expected to have extensive post-secondary degrees, but are more reliant on previous experience or on-the-job training. As a result, wages tend to be lower with medians ranging from \$9.83/hr to \$11.36/hr throughout the county. However, the skill sets of these occupations are also more readily transferable between industry sectors.

As discussed in previous sections, service sector occupations have experienced the largest increases, although they too have been impacted by losses in goods producing sectors. Although total workers in this category increased from 17% to 24% over seven years, the gains were apparently confined to protective services and food preparation/serving occupations. Growth in the food preparation and related occupations was substantial, essentially doubling the percentage employed in this category (5.9% to 12.8%). Although wages for these occupations are some of the lowest, with a median of only \$7.71, growth in this area is an indication that the region's tourism and leisure sectors have been less impacted by the overall economic downturn. Growth in the protective services occupations, which pays a relatively high median wage of \$17.70, is most likely reflective of employment at the State correctional institution in Berlin.

**Table 7**  
**Occupational Characteristics of Workforce - 2000 and 2007**  
**Coos County and the City of Berlin**

|   | Coos County   |               |               |               |                | City of Berlin |               |
|---|---------------|---------------|---------------|---------------|----------------|----------------|---------------|
|   | Total         |               | % Total       |               | Med. Wage      | Total          | % Total       |
|   | 2000          | 2007          | 2000          | 2007          |                | 2000           | 2000          |
| <b>Management, business, and financial operations occupations:</b>  | <b>1,297</b>  | <b>840</b>    | <b>8.3%</b>   | <b>6.5%</b>   |                | <b>325</b>     | <b>7.2%</b>   |
| Management occupations, except farmers and farm managers            | 883           | 470           | 5.6%          | 3.7%          | \$30.66        | 213            | 4.7%          |
| Farmers and farm managers   | 60            | n             | 0.4%          | n             | n              | 0              | 0.0%          |
| Business and financial operations occupations:                      | 354           | 370           | 2.3%          | 2.9%          | \$19.54        | 112            | 2.5%          |
| <b>Professional and related occupations:</b>                        | <b>2,518</b>  | <b>2,140</b>  | <b>16.1%</b>  | <b>16.6%</b>  | <b>n</b>       | <b>711</b>     | <b>15.8%</b>  |
| Computer and mathematical occupations                               | 98            | 30            | 0.6%          | 0.2%          | \$21.41        | 5              | 0.1%          |
| Architecture and engineering occupations:                           | 204           | 70            | 1.3%          | 0.5%          | \$21.30        | 67             | 1.5%          |
| Life, physical, and social science occupations                      | 74            | 60            | 0.5%          | 0.5%          | \$20.05        | 18             | 0.4%          |
| Community and social services occupations                           | 298           | 300           | 1.9%          | 2.3%          | \$18.62        | 101            | 2.2%          |
| Legal occupations   | 44            | n             | 0.3%          | n             | n              | 18             | 0.4%          |
| Education, training, and library occupations                        | 837           | 980           | 5.3%          | 7.6%          | \$18.73        | 234            | 5.2%          |
| Arts, design, entertainment, sports, and media occupations          | 215           | 90            | 1.4%          | 0.7%          | \$11.26        | 37             | 0.8%          |
| Healthcare practitioners and technical occupations:                 | 748           | 610           | 4.8%          | 4.7%          | \$22.30        | 231            | 5.1%          |
| <b>Service occupations:</b>   | <b>2,664</b>  | <b>3,160</b>  | <b>17.0%</b>  | <b>24.6%</b>  | <b>n</b>       | <b>874</b>     | <b>19.5%</b>  |
| Healthcare support occupations                                      | 394           | 180           | 2.5%          | 1.4%          | \$11.33        | 142            | 3.2%          |
| Protective service occupations:                                     | 280           | 350           | 1.8%          | 2.7%          | \$17.70        | 97             | 2.2%          |
| Food preparation and serving related occupations                    | 926           | 1,650         | 5.9%          | 12.8%         | \$7.71         | 306            | 6.8%          |
| Building and grounds cleaning and maintenance occup.                | 561           | 540           | 3.6%          | 4.2%          | \$10.07        | 194            | 4.3%          |
| Personal care and service occupations                               | 503           | 440           | 3.2%          | 3.4%          | \$9.16         | 135            | 3.0%          |
| <b>Sales and office occupations:</b>                                | <b>3,645</b>  | <b>3,210</b>  | <b>23.2%</b>  | <b>25.0%</b>  | <b>n</b>       | <b>1,055</b>   | <b>23.5%</b>  |
| Sales and related occupations                                       | 1,540         | 1,270         | 9.8%          | 9.9%          | \$9.83         | 422            | 9.4%          |
| Office and administrative support occupations                       | 2,105         | 1,940         | 13.4%         | 15.1%         | \$11.36        | 633            | 14.1%         |
| <b>Farming, fishing, and forestry occupations</b>                   | <b>291</b>    | <b>60</b>     | <b>1.9%</b>   | <b>0.5%</b>   | <b>\$17.10</b> | <b>34</b>      | <b>0.8%</b>   |
| <b>Construction, extraction, and maintenance occupations:</b>       | <b>1,816</b>  | <b>1,330</b>  | <b>11.6%</b>  | <b>10.3%</b>  | <b>n</b>       | <b>515</b>     | <b>11.5%</b>  |
| Construction and extraction occupations:                            | 959           | 640           | 6.1%          | 5.0%          | \$15.97        | 271            | 6.0%          |
| Installation, maintenance, and repair occupations                   | 857           | 690           | 5.5%          | 5.4%          | \$17.32        | 244            | 5.4%          |
| <b>Production, transportation, and material moving occupations:</b> | <b>3,455</b>  | <b>2,100</b>  | <b>22.0%</b>  | <b>16.3%</b>  | <b>n</b>       | <b>978</b>     | <b>21.8%</b>  |
| Production occupations  | 2,127         | 1,030         | 13.6%         | 8.0%          | \$16.38        | 587            | 13.1%         |
| Transportation and material moving occupations:                     | 1,328         | 1,070         | 8.5%          | 8.3%          | \$11.42        | 391            | 8.7%          |
| <b>Total:</b>   | <b>15,686</b> | <b>12,860</b> | <b>100.0%</b> | <b>100.0%</b> | <b>\$12.86</b> | <b>4,492</b>   | <b>100.0%</b> |

n - data not supplied

Source: US Census 2000 and NHLEMB 2007 estimates

The number employed in professional and related occupations appears to have declined somewhat within the county, although the percentage of total workforce has remained relatively stable at approximately 16%. These occupations are generally the highest paying and represent the county's "knowledge based" industry sectors. Most appear to have lost workers, including health care, with the only growth in education-related occupations that is most likely related to local government employment.

The number of management positions in the region has dropped sharply in recent years due to closures and layoffs, although business and financial related occupations have had some modest growth, which corresponds to the industry sector data discussed in a previous section. The loss

of these workers is an indication of the lack of new establishments or expansion of existing firms at a level that can support these high wage positions. Similarly, the number of workers in production and related occupations has experienced a correspondingly large decrease due to the paper mill closings. These occupations tend to be highly specialized and technical, but can often be transferred to other industries with targeted training. However, the replacement of lost mill jobs with comparable replacement jobs has been slow to materialize, which will make it difficult to retain this section of the workforce.

## Tax Base Characteristics

Changes in the city's tax base over the recent past reflect how the transitioning economic conditions in the region have affected property values in the community. Table 8 presents the change in total property valuation and tax rates for Berlin, both the local and equalized values, between 2000 and 2007 based on data obtained from the N.H. Department of Revenue Administration (DRA). The local assessed values are used to establish the tax rate for budget purposes, while the equalized or full value figures represent the value if all property in the city were assessed at 100% of market value.

Table 8  
Change in Local and Equalized Assessed Property Valuation 2000 - 2007  
City of Berlin

| Year | Local Assessed Valuation* | % Change from Prior Year | Equalized Assessed Valuation** | % Change from Prior Year | Local Tax Rate | % Change from Prior Year | Full Value Tax Rate | % Change from Prior Year | Equalization Ratio |
|------|---------------------------|--------------------------|--------------------------------|--------------------------|----------------|--------------------------|---------------------|--------------------------|--------------------|
| 2007 | 465,098,486               | 1.9%                     | 423,536,992                    | -2.4%                    | \$30.07        | 2.8%                     | \$31.93             | 7.0%                     | 96.7               |
| 2006 | 456,519,097               | 0.8%                     | 434,137,918                    | 3.5%                     | \$29.24        | 0.4%                     | \$29.84             | -2.7%                    | 96.8               |
| 2005 | 452,743,437               | 68.4%                    | 419,492,557                    | 11.2%                    | \$29.13        | -38.1%                   | \$30.66             | -4.8%                    | 100.0              |
| 2004 | 268,892,709               | 0.0%                     | 377,119,744                    | 21.9%                    | \$47.09        | 6.0%                     | \$32.19             | -11.6%                   | 58.0               |
| 2003 | 268,941,742               | 0.0%                     | 309,271,327                    | 5.2%                     | \$44.42        | 0.0%                     | \$36.43             | -3.8%                    | 70.9               |
| 2002 | 268,950,799               | -8.6%                    | 293,878,715                    | -2.2%                    | \$44.42        | 0.0%                     | \$37.88             | -7.1%                    | 80.4               |
| 2001 | 294,345,623               | -1.6%                    | 300,631,308                    | -1.0%                    | \$44.42        | 6.9%                     | \$40.76             | 14.3%                    | 0.89               |
| 2000 | 298,980,251               | -                        | 303,552,406                    | -                        | \$41.57        | -                        | \$35.65             | -                        | 0.90               |

\* Represents the modified valuation which excludes school and special exemptions

\*\* Does not include utility and railroad valuation or payment-in-lieu-of taxes

Source: NH Dept. of Revenue Administration

From 2000 through 2004, local property valuation in the city experienced a few years of decline followed by a period in which values remained relatively flat. Equalized values also declined during the first two years, but began to show some positive growth in 2003 and 2004. During this four-year time period the equalization ratio dropped at least 10% annually, indicating that local valuation was rapidly diverging from actual market conditions. In fact, equalized values began to rise in 2003 and 2004 when local valuation remained unchanged.

A citywide revaluation of property brought local values into parity with market values in 2005 resulting in a 68% increase over 2004 values and a corresponding reduction in the tax rate of 38%. Since 2005, local valuation has shown moderate but steady increases of 0.8% and 1.9% respectively, for 2006 and 2007. Equalized values also initially showed positive growth of 3.5% in 2006 followed by a decline of 2.4% in 2007. This loss of value, combined with preliminary sales data for 2008, suggest that the effects of the downturn in the national housing market have stalled the recovery of property values in the city.

Table 9 provides a more detailed perspective on changes in value by type of property between 2000 and 2007. Overall, the city's gross valuation increased by approximately 40% during this

time, much of which is attributable to the revaluation in 2005. The data suggests that residential land was considerably undervalued as illustrated by the 159% increase. Manufactured housing was similarly undervalued resulting in an increase of 181%. Other residential housing also doubled in value with a 99% increase and contributed the largest actual increase of approximately \$131 million in assessed value.

Table 9  
Change in Local Assessed Valuation 2000 - 2007  
City of Berlin

|              | Total Local Assessed Valuation |              |             |               |             |                |                  |              |                |               | Gross Valuation |
|--------------|--------------------------------|--------------|-------------|---------------|-------------|----------------|------------------|--------------|----------------|---------------|-----------------|
|              | Land                           |              |             | Buildings     |             |                | Public Utilities |              |                |               |                 |
|              | Current Use                    | Residential  | Comm/Ind    | Residential   | Manuf. Hsq  | Comm/Ind       | Gas              | Electric     | Other          |               |                 |
| 2007         | \$360,646                      | \$48,672,900 | \$6,651,900 | \$263,281,125 | \$1,821,400 | \$56,928,000   | \$12,555,500     | \$78,160,300 | \$0            | \$468,452,222 |                 |
| 2000         | \$627,059                      | \$18,770,900 | \$7,558,400 | \$132,133,300 | \$646,600   | \$105,621,146  | \$11,067,000     | \$33,741,800 | \$24,700,014   | \$334,866,219 |                 |
| Change       | (\$266,413)                    | \$29,902,000 | (\$906,500) | \$131,147,825 | \$1,174,800 | (\$48,693,146) | \$1,488,500      | \$44,418,500 | (\$24,700,014) | \$133,586,003 |                 |
| % Change     | -42.5%                         | 159.3%       | -12.0%      | 99.3%         | 181.7%      | -46.1%         | 13.4%            | 131.6%       | -100.0%        | 39.9%         |                 |
| % Total 2007 | 0.1%                           | 10.4%        | 1.4%        | 56.2%         | 0.4%        | 12.2%          | 2.7%             | 16.7%        | 0.0%           | 100.0%        |                 |
| % Total 2000 | 0.2%                           | 5.6%         | 2.3%        | 39.5%         | 0.2%        | 31.5%          | 3.3%             | 10.1%        | 7.4%           | 100.0%        |                 |

Source: NH Dept. of Revenue Administration

Due to the closure and dismantling of the Fraser Paper Mill in 2006, as well as other factors, the value of nonresidential land and buildings experienced a substantial decline. Commercial and industrial building values were reduced by approximately \$48 million, decreasing from 31% to 12% of the city's total valuation. Land in this category had a drop in value of 12% or approximately \$900,000.

The taxable value of public utility systems, which account for about 19% of the city's valuation, experienced notable growth over this time period. Gas infrastructure increased by 13% in value while the electric system grew by over 131%. A large portion of the increase in electric valuation was due to the transfer of hydropower facilities associated with the former mill property from the "other" category into the electric category. However, these utilities also experienced some real growth in value aside from this change in the way the information was reported.

Maintaining a sound tax base is critical for providing a solid foundation on which to build the city's economic future. A strong and diversified tax base allows the cost of providing services to be dispersed among property owners, thereby minimizing the property tax burden to the greatest extent possible. Growth in property valuation also enables the city to borrow money through bonding which is necessary to support financing of capital facilities such as roads, buildings, and other infrastructure. Presently, the city's bonding capacity is good. Under state law, cities are allowed to incur debt up to three percent of their equalized property valuation. As calculated by the DRA, the city's base valuation for debt purposes as of 2007 was approximately \$459.4 million, which allows for a debt limit of \$13.8 million. The city's outstanding debt service that is comparable to this debt ceiling is approximately \$1.9 million, which leaves \$11.8 million available for additional financing of municipal bonds. There is also additional outstanding debt of approximately \$21 million for improvements to the water system and wastewater treatment plant. However, this debt is financed directly from revenues of these utility systems and therefore, does not affect the city's total debt ceiling.

It should be noted that these figures do not include school bonding capacity, which is calculated separately at seven percent of base valuation. The city's current indebtedness for school bond

financing is approximately \$2.3 million, which allows for an additional \$29.8 million in bonding potential for future needs.

## **Economic Initiatives**

This section focuses on what are generally considered the key economic opportunities presently confronting Berlin. How successful the city is in managing and promoting these initiatives will be critical with regard to establishing a long-term economic strategy. These key opportunities and/or initiatives include downtown revitalization, housing removal/improvement, existing business development and workforce training, economic development program management, the supply of developable commercial and industrial land, the tourism industry, redevelopment of the Fraser Paper Mill site and the promotion of renewable/green energy development, the establishment of multiple correctional facilities, and the establishment of a system of annual goal setting, prioritization, and tracking. A brief overview for each of these areas is presented below, including related issues and opportunities, concluding with a series of recommendations for each topic.

### **1. Downtown**

Berlin's downtown center represents a barometer of changing conditions that have affected the city's overall economy. The commercial core of the downtown extends for approximately three-quarters of a mile along Main Street and Pleasant Street, parallel roadways that form a one-way traffic loop. The eastern boundary is formed by the Androscoggin River and to the west the area is loosely edged by the railroad right-of-way and Hillside Avenue. The western quadrant is comprised primarily of multi-family residential properties.

The prosperity of downtown merchants and property owners has fluctuated considerably over the last two decades and efforts to support and stabilize the city's economic core have been numerous throughout this period. The presence of local, county and state government buildings have helped to provide an anchor for other private businesses in the area. Public financing of a number of initiatives has also occurred. These include improvements to the streetscape, funds for façade improvements, expansion of public parking areas, and targeted building renovations. A recently completed example of the latter is the Cornerstone building project that was financed through the Tri-County Community Action Program (CAP) and included the creation of twelve affordable rental units for the elderly, as well as ground floor retail. In addition, a number of new tenants have been added to the downtown over the past decade, and in many cases, these new Main Street merchants have renovated the existing building stock. However, vacancies still remain, primarily on the upper end of Main Street, while the renovation costs of other buildings are likely to preclude the possibility of re-use in the current economic climate.

Recently, a number of downtown merchants have formed an investment group with the goal of becoming property owners as opposed to tenants. This group has purchased and is renovating the Gill Building to include four market rate rental units and ground floor retail. This effort may not necessarily increase total occupancy in the short-term, but could result in further renovation of existing downtown properties. Conversely, the State Department of Health and Human Services (HHS) is planning to relocate from its downtown location to the former Fraser Paper

administrative building located just north of the downtown on Route 16. This will increase downtown vacancy and draw potential patrons away from the district.

The city has also implemented a number of regulatory and administrative initiatives over the last several years intended to support development and investment in the downtown area. These include a reduction in parking requirements, improving the flow of truck traffic, promoting investment in building renovation through a five-year property tax reduction incentive (with additional years for creation of market rate rental units and historic preservation), and efforts to remove unsafe and blighted residential structures.

## **A. Issues and Opportunities**

- 1) The current economics of downtown redevelopment present a substantial challenge despite the actions taken by the public sector over the last 6 to 8 years. Until such time as the city's economy as a whole begins to expand in a more substantive manner, it will be difficult to attract new private investment to the downtown. Prior to that, continued public incentives and investment are likely to be required to stimulate economic activity.
- 2) The downtown mix of goods and services is primarily oriented to a local clientele and captures relatively little of the region's tourism revenues.
- 3) Despite the city's on-going efforts to improve the condition and safety of the existing housing stock, there is still a large amount of blighted multi-family dwellings in and around the downtown. This contributes to a negative influence on the area both aesthetically and from a property value standpoint.
- 4) Although situated in proximity to Androscoggin River, an important scenic amenity, the existing development pattern of buildings does not take advantage of this feature either visually or from an access standpoint. Since the river has historically been subjected to industrial use and pollution, it may necessitate a sustained public information effort to reverse lingering negative attitudes regarding the current status of this resource.
- 5) Limited parking is a detriment to future retail and office development. In fact, the State's Health and Human Services office is planning to relocate outside the downtown, partially due to a lack of on-site parking as well as the need for more building space.
- 6) Competition from the Wal-Mart Supercenter and other retail establishments in neighboring Gorham will affect the mix and amount of retail square footage that can be supported in the downtown.
- 7) As with housing in Berlin, the Downtown in Berlin was developed for a population of more than twice the population that Berlin has today. This means that there is surplus of buildings in the downtown just like there is a surplus of

housing units. It also provides the opportunity in Berlin to try to plan for and assist in the retention of the best buildings and the elimination of the lesser buildings. It also provides opportunity to plan for an appropriate mix of at grade parking and green space in the downtown area.

## **B. Recommendations**

- 1) The City should develop a master plan for the downtown. The City should assure that this happens, perhaps undertaking it in partnership with an organization that agrees to be assigned the responsibility for implementing the recommendations of this planning process. It should include not only an evaluation of the physical condition of the downtown buildings, but also a marketing plan and financial strategy for assisting private investment.
- 2) The City should encourage, support, and develop a memorandum of understanding with an organizational entity to take charge of the revitalization of downtown. The entity chosen should have the personnel and the sophistication to pursue a wide variety of grants and to utilize creative financing in the redevelopment of these properties. The economics of downtown redevelopment at the present time are marginal and, as the Tri-County Cap Agency discovered, it took a considerable focus on the part of one individual and the creative usage of four to five different sources of funding to fully redevelop the Cornerstone Block. This project is a significant improvement to the downtown and others like it will be needed.
- 3) The City should work in partnership with both for-profit and not-for-profit development entities to redevelop underperforming properties throughout the Downtown, including lower and upper Main Street and Pleasant Street. Key parcels should include the Cote Block and related Pleasant Street properties, the Rite Aid properties north of Mason Street, and the former Coos County Courthouse. The prioritization of projects should await the completion of the downtown master plan. The City's efforts could include, but not necessarily be limited to, seeking State and Federal funds for these projects, working with developers and other interested parties, and providing adequate public parking, streetscape improvements, and other public utilities and amenities.
- 4) The City's downtown master planning process should consider what buildings to retain, where additional parking may be required, overall design considerations, and how to phase and implement the agreed upon action items. The City should be prepared to participate in the funding of some portion of the necessary

improvements, particularly in the area of infrastructure upgrades, parking, landscaping, etc.

- 5) Upon completion of the downtown plan, the City should assure itself that the current zoning not only permits the type of development the plan suggests, but actively promotes and attracts it. The City may wish to consider some elements of Form Based Zoning, which would require any new buildings to be placed in a manner consistent with existing building placement and design (i.e. placed at the back edge of the sidewalk with parking to the rear, buildings to be multi-story, etc.).
- 6) Tri-County CAP should be encouraged to initiate another redevelopment project on another downtown property as one means to support continued public investment until market conditions are suitable to attract more private sector interest.
- 7) The “gateway” improvements at the entrances to the downtown area are excellent and should be continued in order to make the area more attractive to tourists, visitors and businesses.
- 8) The city should consider extending the existing tax incentive program for investment in downtown properties from five years (currently) to ten years.

## **2. Housing**

Over the past eight years, the Berlin Housing Authority and the City have become more aggressive in acquiring and demolishing multi-family buildings which are often not in compliance with either building codes or life safety codes. The need for a more aggressive policy in this regard grew out of a study by Applied Economic Research in 1999 which highlighted the need to reduce the blighted multi-family housing stock that was no longer necessary for a declining population base. The initial work of the Androscoggin Valley Economic Recovery Corporation (AVER) in 2001 further highlighted this need, and a series of sometimes fatal fires during this decade have also underscored the urgency of this need. This effort needs to be continued at a more aggressive pace, with specific targets established for the more blighted neighborhoods in the City, including but not limited to the Lower East Side, the Granite Street area, and parcels in the general vicinity of the former Notre Dame High School.

### **a) Issues**

- 1) The over supply of housing and the deferred maintenance on much of what is remaining continues to impact Berlin’s image negatively.

- 2) The construction (and ultimate opening) of the new Federal prison (and possible bio-fuel projects) will present an infusion of cash into the regional housing market that may allow for the upgrading of some housing units in Berlin that are close to code.

#### **b) Recommendations**

- 1) The above points notwithstanding, there is and will likely remain an over supply of lower quality housing units in Berlin. The City should develop a financing and organizational plan to implement the removal of those units in five years. This financing plan may include a combination of City bonding, Housing Authority funds, HUD funds, etc. If necessary, work with the City's Congressional Delegation in this regard to secure an earmark.
- 2) The general outcome of this effort will be the lessening of density in existing neighborhoods, the provision of on-site green and recreational space for remaining homes, and the creation of off street parking.
- 3) Where practical, some of these cleared lots may be redeveloped as new, owner-occupied in-fill housing. The City of Lewiston, Maine, has had success in this regard by working in conjunction with a non-profit residential developer, and a site visit to Lewiston (and other re-developing industrial communities) in this regard is warranted.

### **3. Developable Land, Infrastructure, and Management Initiatives**

Berlin's primary industrial development property has been the Maynesboro Industrial Park located on Route 16. This 66-acre site, which is managed by the Berlin Industrial Park Authority (BIDPA), has been slow to develop, but has only approximately 12 acres remaining, all of which is privately owned. The other major tract of potential industrial or business park land is the former Fraser Paper mill site, which encompasses approximately 120 acres. Adjacent to this site is the so-called "Dummer Yard" which contains approximately 400+/- acres, but contamination and on-going legal issues make the potential of this property for redevelopment unknown.

The City's water system has recently been upgraded and reportedly has adequate capacity to serve future growth for the foreseeable future. However, with respect to sewer system the city has reached 80% of design capacity at the treatment plant and must get state approval for any new connection. A natural gas distribution line serves both the state and federal prisons but, aside from several businesses at the industrial park, usage by local businesses is extremely limited. The electrical distribution system serving the city appears to be adequate; however, the proposals for creating a large megawatt power plant would be restricted by the ability of the existing transmission system to export the electricity generated by such a facility.

## **A. Issues and Opportunities**

- 1) Economic development efforts in the City and region are being pursued through a variety of entities. While this means that there are multiple entry ways to a conversation with prospective developers, it also creates the opportunity for duplicating efforts and confusion in they eyes of the developer as to who is doing what.
- 2) The City's available supply of developable commercial and industrial land is too limited to support a successful economic expansion program. Existing land use patterns, development constraints, and time are becoming significant limiting factors in obtaining additional acreage for this purpose.

## **B. Recommendations**

- 1) The City must assure that there is a coordinating agreement amongst the various economic development entities operating in the Androscoggin Valley so that there are clear areas of responsibility, expertise, and lines of communication. The City should support these efforts to the best of its ability financially.
- 2) The City should acquire 100 to 200 acres of land within two years for future commercial and industrial development. The city should retain ownership of this land, either in total or subdivided, until a bona fide development is proposed and guaranteed.
  - a) Investigate the potential of annexing land from the Township of Success for this and other uses (e.g. expanded recreation and tourism development).
- 3) Compile an inventory of vacant or underutilized commercial, industrial, and institutional buildings and assess their potential for re-use.

## **4. New Business Development/Creative Economy**

Berlin's economic past was tied to a single industry supported by a very large employer represented by the paper mill. This type of economy will not return to the city in the foreseeable future for a number of reasons. While this fact should not preclude the city from seeking large development projects, Berlin's economic development strategy must include an integrated approach that also has a strong focus on small establishments, entrepreneurs, and human investment related to training and educating the city's current and future workforce.

This portion of the city's economic strategy must rely on an integrated approach that capitalizes on the existing resources of the community and the region. One such area that should be focused on is the development and expansion of "industry clusters". This would build on the strengths of similar or related businesses, as well as businesses that are based on a single resource or service, such as wood or recreation. The city presently has a small industry cluster of four operating machine shops that offers potential for cluster expansion. Certainly, a wood products cluster is a natural fit for the city and the region, given the abundance of forest land in close proximity. Another area being examined as part of the

Coos Economic Action Plan (CEAP) is the creative economy concept that focuses on businesses that are oriented around creative, cultural or knowledge-based businesses and organizations such as artisans, museums, farms, architects, designers, boat builders, etc. This creative cluster would be appropriate for Berlin since it relies on smaller firms that do not necessarily need to be located near a population center, builds on the area cultural history, and can be well integrated with the natural and scenic resources of the area. Furthermore, the existence of a strong and vibrant arts and creative sector would make the community more appealing overall as a place to live and work and thus more attractive for enticing other businesses to locate in the area.

One of the key factors in supporting the growth and expansion of local businesses will be access to a trained workforce. Therefore, the availability of education and training programs for the city's residents is important on several levels. First, it will help to insure that high school graduates have opportunities for continuing their education locally. Second, it provides options for workers displaced by the decline of the paper industry, and third, it will offer existing professionals access to continuing training required in a number of fields.

The White Mountains Community College (WMCC) is the primary post-secondary institution that serves the city and region. This two-year college offers Associates Degrees and certificates in Accounting, Automotive Service Management, Automotive Technology, Baking and Pastry Arts, Business Administration, Criminal Justice, Culinary Arts, Early Childhood Education, Environmental Science, Geographic Information Systems, Human Services, Information Technology, Liberal Arts, Mobile Equipment Technology, Nursing, Office Management, Surveying Technology and Teacher Preparation. This institution works with existing businesses and professional groups to design, develop, and implement courses and programs that meet educational and specific skill training requirements.

The Coos Economic Action Plan identifies the Creative Economy as a key component of the future of the region. Both new forms of traditional businesses and the newer Creative Economy will need a reliable and affordable Internet infrastructure. There are several opportunities here, some included in the new Federal Stimulus financial package.

#### **A. Issues and Opportunities**

- 1) Berlin's scenic setting, historic downtown, and cultural heritage are appealing amenities for attracting small and entrepreneurial businesses to the area.
- 2) An adequate supply of safe and affordable housing will be an important factor in attracting young and well-educated professionals to the city. Although Berlin's housing supply is relatively affordable, there are still many quality and safety issues evident despite the city's on-going program to address them.
- 3) The current Internet infrastructure is inadequate to serve the needs of existing local businesses.

## **B. Recommendations**

- 1) A needs assessment should be undertaken to determine what actions can be taken to support existing businesses and help them expand.
- 2) The city should compile an inventory of existing businesses for the purpose of identifying industry clusters. This assessment should focus on not only larger businesses but “micro-businesses” as well, which may be single-person firms or home businesses.
- 3) There is a need to create a positive climate for the establishment and incubation of small businesses by making building space available, providing funding sources, and ensuring that city regulations and policies support such growth.
- 4) The findings of the creative communities cluster analysis should be reviewed to determine what resources exist in the city, and establish an action plan for supporting these segments of the local economy.
- 5) Identify businesses that rely on wood and wood products and develop a list of potential firms or market segments that could potentially be established in Berlin. Review and build on the analysis previously completed in this area as part of the Coos Economic Action Plan.
- 6) With respect to Internet infrastructure, it is recommended that the City:
  - Advocate that the agencies responsible for economic development have sufficient expertise to be able to articulate the availability and expected cost of broadband in Berlin to potential investors in Berlin. These organizations should collectively engage in a process of assessing and stimulating demand for broadband in order to encourage service providers to invest in upgrading the Internet infrastructure serving Berlin.
  - Negotiate with, and/or provide incentives to, current service providers to secure their commitment to invest in and build out the additional infrastructure required to foster universal access. Cable franchise agreements and telecom agreements for servicing City facilities might be leveraged to obtain broader availability or even the installation of networks for municipal use. An initial priority may be to provide broadband to the Maynesboro Industrial Park, other areas designated for business or industrial expansion, and any currently un-served or under-served municipal facilities.
  - Hire an individual to act as the City’s computer technology manager. This individual would plan, develop, and oversee the City’s own use of computer technology and broadband services from an operational and strategic perspective. This individual should be responsible for:

Identifying opportunities for streamlining or augmenting the City's service delivery operations through the application of broadband technologies;

Directing and administering approved IT and network projects;

Establishing specifications and negotiating agreements for technology purchases and computer services across all departments in order to achieve economies of scale and assure consistency and interoperability;

Providing technical guidance to all municipal departments;

Establishing, implementing, and monitoring effective network security practices;

Assisting with the development and implementation of disaster recovery plans for critical City technology infrastructure.

Options to share the expertise (and cost) of this individual with other local government agencies, educational institutions, and/or community-based non-profit organizations in the region should be explored and exploited to the extent possible. An explicit working relationship between this individual and the agency responsible for economic development should be established.

- Review and/or modify current zoning and other policies to reduce or eliminate any permitting bottlenecks with regard to telecommunication infrastructure development.
- Explore opportunities for involving telecommunications providers in planning and construction activities for municipal capital projects, particularly water and sewer projects. Also, resolve that any new industrial development by BIDPA and any plans for new municipal facilities (or upgrades of existing facilities) include provisions for the extension of broadband infrastructure.
- Establish a Wi-Fi district providing free Internet service in the downtown.
- Look for opportunities to develop incubator space for new or second step businesses, ideally in the downtown and in other locations where users would be supporting existing businesses.

## 5. Tourism

The tourism and leisure industry is a major component of New Hampshire's economic mix. Data compiled for the State's Department of Tourism by Plymouth State College indicates that total spending by tourists and travelers (this includes business travelers) was estimated to be approximately \$4.3 billion in 2007, an increase of 2.7 % from the previous year. Total employment in this sector places it second overall behind retail and ahead of health care (as of 2000). The total number of visitor trips to New Hampshire in 2007 was estimated to be 34.1 million and 53.2 million visitor days. The State's Great North Woods tourism region, of which Berlin is a part, has historically captured the smallest percentage of total visitor expenditures. Estimated spending in this region was approximately \$126.8 million in 2006 representing about 3% of the state's total, which was the smallest percentage for the seven tourism regions. This figure had reportedly declined by 4.4% between 2004 and 2006, according to a Plymouth State report.<sup>4</sup> In comparison, the neighboring White Mountains region captured over \$718 million or 17% of total spending, the second highest percentage for all regions. This region's total expenditures also declined during this time period by 2.2%.

Although data from the statewide tourism analysis noted above is not readily available for Berlin, total expenditures within the city are presumed to be relatively minor given that few establishments presently exist to support this industry. However, several initiatives underway will significantly increase the number of visitors coming to the city. The largest is the creation of the Jericho Mountain State Park on Route 110, approximately four miles from downtown Berlin. This facility will be devoted primarily to All Terrain Vehicles with a trail system of approximately 136 miles on 7,500 acres when fully completed in 2012. Approximately 50 miles have been completed to date. The park will also feature a lake and beach area with boat ramp, a campground with 200 sites (93 tents/trailers, 81 RVs, 26 tents only), as well as an administration building with visitors center, general store, and ATV wash station. The park master plan prepared by the Trails Bureau of the New Hampshire Department of Resources and Economic Development (DRED) anticipates approximately 36,000 total annual visitors to the park. The peak months will be July and August with total monthly visitors in excess of 10,000 (60% day visitors/40% campground visitors). Shoulder seasons in June and September are expected to attract 4,000 to 5,000 monthly visitors. October and November will have fewer than 2,000 visitors monthly with negligible amounts during the remainder of the year. The gross revenue for the park at build out is estimated at \$899,000, resulting in secondary expenditures in the regional economy of over \$1.3 million, according to the park master plan. Total employment at the facility will be approximately 20 full-time equivalent jobs during peak summer season.

In response to establishment of the park, the city rezoned the Route 110 corridor near the park road entrance for rural recreation uses considered compatible with the facility. In addition, two new subdivisions along this corridor have come before the Planning Board (21 approved lots and 97 proposed) that are reportedly targeting first and second home buyers,

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<sup>4</sup> *NEW HAMPSHIRE FISCAL YEAR 2006 TOURISM SATELLITE ACCOUNT*, Prepared for the New Hampshire Division of Travel and Tourism Development by Laurence E. Goss, Ph.D., The Institute for New Hampshire Studies, Plymouth State University of the University System of New Hampshire, June 2007

suggesting that the housing market may have begun to position itself to take advantage of the park facility. Finally, a retail establishment on the corridor that caters to ATVs and other motorized vehicles has apparently experienced a marked increase in business with only the partial trail system active.

The city's other tourist related attraction is the Northern Forest Heritage Park located on Route 16 north of the downtown. This facility, which opened in 1994, is a living history attraction that recreates a logging camp environment and features periodic demonstrations, exhibitions, and competitions related to this segment of the city's past. The facility's visitor center and museum are presently housed in the Chamber of Commerce building across the street. However, current plans are underway to renovate two adjoining buildings that formerly supported the paper industry as a new visitor center and museum. The park and future visitor center occupy a picturesque site along the Androscoggin River and offer guided boat rides up river to visitors.

Other tourism and leisure activities are predominantly events-related or supported by the natural resources of the city and region and therefore, are not centered on a particular attraction or facility. Furthermore, the city's existing and potential tourism industry is largely dependent upon the attractions and resources of the Great North Woods and Androscoggin Valley regions as a whole and will continue to be so in the future. In fact, a recent effort has been undertaken to establish a "brand" or identity for the region that will distinguish it from other portions of the state and help to support future marketing initiatives. Other focus on expanding tourism within the region's economy has been framed as part of the Coos County Economic Action Plan. A number of issues and recommendations that evolved from that planning effort are included in the following sections.

#### **A. Issues and Opportunities**

- 1) Businesses have historically not catered to a tourist clientele. Increased success in attracting this clientele will therefore necessitate that merchants and their employees become more attuned to serving this segment of the market.
- 2) Tourism is unlikely to become a mainstay of the local economy within the foreseeable future. Jobs in the leisure and tourism sectors tend to pay lower wages and are often seasonal in nature. However, tourism can be one contributing component of the city's overall economic development strategy.
- 3) The ATV Park will draw thousands of new visitors to the city annually. However, the park is located some miles from the downtown and its on-site facilities will make it somewhat self-contained. Therefore, the city will need to provide establishments, activities and incentives for attracting park users to other local businesses.
- 4) There is no lead group to promote tourism locally. This need may be best served on a regional basis. The five northern chamber of commerce organizations have been meeting on a regular basis and it seems as though they are taking the lead jointly.

- 5) The city lacks adequate seasonal housing and lodging facilities to attract visitors for extended stays.

## **B. Recommendations**

- 1) Responsibility for coordinating tourism activities should be assigned to a single entity. However, this will not preclude other groups or individuals from taking an active role in promoting tourism. This could be a shared regional entity that is funded from a variety of sources.
- 2) As noted above in the Downtown Section, focus on upgrading the downtown area and the key entrances to the City, keeping in mind their welcoming function for visiting tourists.
- 3) The city's infrastructure and site planning standards should include consideration of ATV use and tourism as a whole. Examples of this might include designated trailer parking in the downtown or at other locations, improved signage, public restrooms, and the identification of dedicated trail corridors outside the state park that might lead to the downtown or other nearby trail systems.
- 4) The designated tourism coordinator should develop a marketing and promotional plan for attracting ATV users to frequent local businesses and other tourism related facilities and activities. This effort should be coordinated with the State's Tourism Office and should include a strategy for extending visitation to the park beyond the peak months.
- 5) A component of the city's tourism strategy should be focused on the Androscoggin River. This strategy should include identifying and/or improving access to the river for boating, fishing and other appropriate activities.
- 6) Expand educational opportunities related to tourism at local educational institutions. Such offerings might be related to wildlife management, culinary and food services, recreation, and natural resources management. Education efforts should also focus on improved customer service at local businesses and within the community as a whole.
- 7) Embrace the recommendations of the Coos Economic Action Plan, including
  - Developing and Funding more Promotion;
  - Protecting the Region's Natural and Cultural Resources;
  - Working with the State of New Hampshire and others to continue promoting snow machining and 4-wheeling opportunities in the Androscoggin Valley;
  - Promoting Berlin as the gateway to the Upper Androscoggin and Umbagog Lake areas.

- 8) Coordinate/cooperate with Coos County initiatives regarding branding, promotion, and marketing.

## **6. Fraser Paper Mill Site/Renewable Resources**

A key component of the city's future economic development strategy will revolve around the former Fraser Paper mill site, which is situated adjacent to the downtown along the Androscoggin River. The approximately 120-acre site is now largely vacant after the mill facility was dismantled. The only remaining feature of this former industrial complex is the so-called black liquor boiler that was used by the facility to process raw materials for the paper manufacturing process. It appears at this juncture (March 2009) that the property has been purchased by the Laidlaw Energy Group, and that it is their intent to seek permitting of the re-use of the boiler as a biomass facility that would create a 65-megawatt (MW) electrical generating plant, as well as steam and hot water as by-products. The facility would reportedly require approximately 700,000 tons of wood annually to operate. Total investment to construct the facility would be \$100 million and would result in 40 on-site jobs once construction was complete.

This proposal would use half of the site, leaving 60 acres for additional development. The city's zoning for the site is Industrial/Business (I/B), which allows for light and heavy industrial uses, freight trucking and warehousing, sawmill and wood treatment facilities, and industrial accessory uses. Also permitted, by special exception, are bulk power supply facilities, energy facilities, or renewable energy facilities as defined by NHRSA 162-H:2. In addition, all uses permitted in the Business General (BG) zoning category are permitted in the I/B district by special exception.

Along with the energy plant proposal for the Fraser Mill site noted above, a second biomass facility has been proposed on eleven acres of land adjacent to the city's wastewater treatment plant. This facility, which has been proposed by Clean Power Development, would create a 25 to 30 MG power plant that would generate electricity, as well as steam and hot water as by-products. A recent analysis commissioned by this company concluded that the available supply of low grade wood within a 30-mile radius (60-minute drive time) was sufficient to support only one generating facility of 30 MW<sup>5</sup>. This analysis assumes that demand from pulp mills outside the region, which presently consume a "significant" portion of the total harvest, will continue into the future.

A third renewable energy initiative includes plans to construct a wood pellet manufacturing facility on land in the city's Maynesboro Industrial Park. The plant would reportedly employ 30-35 workers, create approximately 180,000 tons of wood pellets annually, and generate a demand for 400,000 tons of logs. The facility is expected to be operational in 2009.

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<sup>5</sup> Biomass Fuel Availability, Berlin, New Hampshire, Prepared for Clean Power Development by Innovative Natural Resource Solutions LLC, May 2008

## A. Issues and Opportunities

- 1) Recent energy cost trends have created strong interest in renewable and green energy development. The recently passed Executive Order by Governor John Lynch directs New Hampshire to obtain 25% of its energy needs from renewable sources by 2025, indicating that the state will provide support and resources for initiatives that further this goal.
- 2) Other regional initiatives for renewable energy production within Coos County could create a strong industry cluster around this emerging technology.
- 3) The use of wood resources for energy production will help to replace demand for those materials that has historically come from the declining paper industry.
- 4) Electricity generated by local biomass power plants could potentially supply lower cost energy within the city.
- 5) The byproduct of biomass facilities (i.e. steam, hot water) could support operations at secondary businesses within the city and the region at potentially lower costs.
- 6) The sustainability of a cost-effective wood supply to support multiple biomass facilities, in combination with other wood-related industries is questionable, based on some resource assessment studies. However, a definitive and “unbiased” determination regarding this issue has yet to be presented.
- 7) Another potential limiting factor to large-scale electric power generation is the lack of adequate transmission line infrastructure to export power from the region to the state and national grid.
- 8) The state and federal permitting process for energy facilities, combined with the construction period, could result in a lengthy development period that could potentially delay alternative economic development initiatives by the city or other private entities.
- 9) The former Fraser Paper mill site represents a very strategic redevelopment location in the center of the city. However, it is unclear to what extent the city can truly influence whether or not the Laidlaw project materializes. If the Laidlaw project materializes this may create spin-off opportunities for other businesses, or the downtown, to take advantage of either steam or hot water which will be a byproduct of the energy plant. Given the recent state and Coos County goal of encouraging renewable energy, coupled with likely future federal incentives in this regard, it is reasonable to assume that some of these bio-fuel projects project will proceed.
- 10) The city council recently voted against the usage of this site for power generation.

## B. Recommendations

- 1) The city should pursue alternative energy as an industry cluster within its long-term economic development strategy. Such an initiative may initially focus primarily on wood, but could ultimately diversify into other technologies. The city should consider establishing an energy committee to explore the potential of supporting such a cluster. Related curricula could also be established at the White Mountains Community College (WMCC) to train residents in this field.
- 2) The city should support the establishment of a regional Forest Products Development Center as recommended in the Coos County Economic Action Plan. Such a center would aid in the expansion and diversification of existing county businesses dependent on the region's forest lands. This facility, or a similar entity, could help to insure that the region's wood-related businesses operate in a "cooperative" system in order to minimize the impacts of direct competition for limited resources. This center could also help to evaluate potential cross-industry relationships (e.g. re-use of byproducts such as steam or hot water) by non-wood businesses.
- 3) The city should establish a task force to monitor the Laidlaw proposal closely and to make sure that, if it does go forward, it does so in a manner that best serves the needs of the community, including

Providing as minimal an intrusion on the community as possible, including the impacts of truck traffic, noise, visual impacts, releases into the atmosphere, etc.;

Seeing that it goes forward in a manner that is sustainable with respect to the wood resource;

Seeing that it goes forward in a manner that offsets its community impact by working cooperatively to make its steam and hot water by-products reasonably available to neighboring properties, including the downtown and new businesses that might be attracted to the immediate area;

Undertaking efforts to make the site a community resource, including tours of the facility for educational and tourism purposes, access to the Androscoggin River, interpretation of both the current and previous uses of the site, and the restoration of any remaining historic buildings.

- 4) With respect to the northern half of the site, the City should;

Review the current zoning to make sure that it permits the types of new uses that the City would like to see occurring there, and no others.

Review and include the recommendations of the Chlor-Alkali study of the 4+ acre superfund site in any future development plans for this area.

## **7. State and Federal Prison Facilities**

Berlin will soon be host to two correctional facilities. The more recent of the two is a medium security federal prison that is presently under construction and expected to be operational by 2010. Based on the Environmental Impact Statement (EIS) prepared by the Federal Bureau of Prisons (BOP), this facility will house approximately 1,200 to 1,400 adult inmates and create 325 long-term federal civilian jobs<sup>6</sup>. It will also result in the creation of an estimated 300 to 400 short-term construction jobs during the 30-month construction period. Total construction wages for the project are estimated to be \$43.3 million, while annual federal civilian compensation is estimated to be \$19.1 million<sup>7</sup>. The EIS indicates that an estimated 40% of new federal civilian jobs (130 employees) will be filled by existing BOP employees with the remaining 195 presumably filled from the local, regional, or state labor force.

Secondary economic impacts in the local and regional economies can also be expected as a result of the increase in jobs and wages related to construction and operation of the federal facility. These impacts would be manifested as increased expenditures for retail goods and services, as well as in other sectors of the economy. Estimated secondary expenditures are approximately \$3 to \$4 million along with the creation of 75 to 150 jobs in these sectors.

The state correctional facility was opened in 2000. This medium security prison has a current capacity of 500 beds (with the potential to expand to 1,000) with a staff of 207 employees. Reportedly, the New Hampshire Department of Corrections has considered the potential of expanding this facility because of the shortage of capacity at state correctional facilities due to a continued increase in demand although no specific time-frame has been identified.

### **A. Issues and Opportunities**

- 1) Berlin's ability to capture secondary expenditures in the local economy related to employment at the two correctional facilities will be dependent on the availability of businesses that can respond to the increased demand for retail goods, lodging facilities, restaurants, etc. generated by both the construction and operation of the facility.
- 2) Similarly, the residential housing market should receive a boost from an increase in demand resulting from the anticipated growth of a few hundred households related to the new federal facility. The ability to attract these households to the city, as opposed to elsewhere in the region, will depend upon the availability of suitable housing alternatives to supply these households.
- 3) The potential for Berlin residents to obtain jobs at the correctional facilities will depend upon transferability of existing skills and/or the availability of targeted

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<sup>6</sup> Environmental Impact Statement (EIS) for the Proposed Federal Correctional Institution, Berlin, New Hampshire, prepared by Federal Bureau of Prisons (BOP), March 2006.

<sup>7</sup> Coos County Perspectives...The Federal Prison, prepared by the NH Economic and Labor Market Bureau, June 2007.

training programs at local educational institutions. It will also require attracting and retaining younger workers to the area since the maximum age for beginning as a federal correctional officer is 37.

- 4) Increased demand for water and sewer created when the federal prison becomes operational will generate an increase in revenues from user fees for those utilities, but will also reduce available capacity for future economic development, particularly with regard to the sewer system which is presently nearing capacity.

## **B. Recommendations**

- 1) Accelerate the city's program to eliminate blight in the housing stock in order to provide safe and affordable housing for new employees of the prison and related secondary business growth.

## **8. Conclusions/Next Steps: Set Annual Goals Relative to the Above Initiatives**

A successful economic development strategy for Berlin will take many years to be fully realized. The limited amount of economic growth projected for the Coos County region as a whole indicates that there is presently no existing industry sector capable of filling the void created by the continuing demise of the paper manufacturing industry. However, there are a number of opportunities present upon which to build a sustainable economic strategy. Some are relatively obvious, but others will require that the city take targeted actions requiring public investment with the expectation that return on this investment will be a long-term proposition.

Historically, the city has been able to rely on a large business entity, the local paper company, to influence and support economic activities in the community and the region. Since this entity no longer exists, the city must take control and lead the private sector into supporting a new economic vision for the community. Attracting new private investors to the city will require a unified economic vision with stated goals that are steadily implemented. It will also require leadership that is unified in achieving these stated goals.

Cities and regions which are successful with Economic Development establish annual goals for themselves and then monitor progress against these goals. The City of Lewiston, Maine, has been very successful using this approach, as have others in the northeast. Set Goals. Assign Responsibilities. Allocate Resources. Monitor Progress. It is really the only way to move forward.