



5.0 ECONOMIC DEVELOPMENT

5.1 Overview

Goal: A healthy, diversified economy with a strong tax base and employment opportunities for all Portsmouth residents.

Economic vitality is viewed as the underpinning of the Comprehensive Plan – the fundamental driving force that will assure the future success of the City of Portsmouth. As such, this concept transcends the traditional focus of economic development activities on attracting businesses and creating jobs. Instead, it embodies a synergistic approach in which the energies of city government and the private sector – and the policies and action strategies of all the Comprehensive Plan elements – are directed towards strengthening Portsmouth’s economy in a manner that increases opportunity and improves the quality of life for all citizens.

Portsmouth’s economic fortunes are tied both to the Hampton Roads economy as a whole and to the City’s unique attributes and position within the region. The region as a whole and Portsmouth in particular are heavily dependent on the presence of the military, with 35% of jobs in the City tied to the Defense Industry. Due to military downsizing as a result of the Base Realignment and Closure (BRAC) process initiated by Congress, federal civilian and military employment in the Hampton Roads region declined substantially between 1990 and 2000 (Table 2). Regional employment sectors that experienced significant increases between 1990 and 2000 included Services; Finance, Insurance, and Real Estate (FIRE); and State and Local Government.



North Pier

U.S. Fifth
District
Coast Guard
Headquarters



Mirroring the region as a whole, Portsmouth has experienced losses in military and federal civilian employment. Nevertheless, the Norfolk Naval Shipyard remains Portsmouth’s largest employer with approximately 7,000 employees. Other major federal employers include the Naval Medical Center (U.S. Naval Hospital) with approximately 4,000 employees and the U.S. Fifth District Coast Guard Headquarters with approximately 1,900 employees.

The 1990s also witnessed a decline in retail employment and sales due to the decline of shopping centers such as Tower Mall and Midcity and the emergence of retail areas in adjacent communities.¹ However, this trend has begun to turn around with the opening of the Victory Crossing shopping center. Employment growth areas include business, legal, and social services, as well as state and local government.

Table 2. Regional Employment Trends (1990-2000)¹

Employment Category	1990	2000	% Change
Increases			
Services	200,780	271,065	+35.0
FIRE ²	50,104	63,264	+26.3
State/Local Government	80,391	99,926	+24.3
TCU ³	31,860	38,034	+19.4
Construction	48,671	57,278	+17.7
Retail Trade	137,767	159,937	+16.1
Wholesale Trade	28,278	30,399	+7.5
Decreases			
Manufacturing	74,428	71,219	-4.3
Farm Employment	2,454	2,116	-13.8
Federal Government:			
• Military	142,650	111,261	-22.0
• Civilian	59,668	46,780	-21.6

¹ Numbers are for the Hampton Roads Planning District as compiled by the Hampton Roads Planning District Commission. The Hampton Roads Planning District includes 16 jurisdictions: the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg; and the Counties of Gloucester, Isle of Wight, James City, Southampton, Surry, and York.

² FIRE = Finance, Insurance, and Real Estate

³ TCU = Transportation, Communications, and Utilities

Statistical information available from the Hampton Roads Planning District Commission indicates that Portsmouth citizens benefit less from the regional economy than neighboring communities. The per capita income of the City's residents in 2001 was \$22,173 compared to \$27,970 for the average of five South Hampton Roads communities (Table 3). In March 2003, Portsmouth's unemployment rate was 5.6% compared to 4.2% for the same five communities as a whole (Table 4). Portsmouth had the lowest per capita income and second highest unemployment rate of the five communities.

¹ Retail sales in Portsmouth declined from a peak of \$491.0 million in 1987 to \$393.0 million in 1995. From 1995 to 2001 retail sales fluctuated between a high of \$413.2 million (1999) and a low of \$392.6 million (2001). Between 2001 and 2002 (the latest year for which figures are available), retail sales increased by 4.2% to \$408.9 million.


Table 3. Per Capita Income, South Hampton Roads Communities

Community	2001 Per Capita Income (\$)
Chesapeake	27,807
Norfolk	23,271
Portsmouth	22,173
Suffolk	27,302
Virginia Beach	32,076
South Hampton Roads	27,970

Source: Hampton Roads Planning District Commission

Table 4. Unemployment Rates, South Hampton Roads Communities

Community	March 2003 Unemployment (%)
Chesapeake	3.3
Norfolk	6.2
Portsmouth	5.6
Suffolk	4.1
Virginia Beach	3.5
South Hampton Roads	4.2

Source: Hampton Roads Planning District Commission

Portsmouth has definite strengths to build on as it seeks to improve its economy and the economic well-being of its citizens. These strengths include, among others, its waterfront and port access, historic character, strategic location at the center of the Hampton Roads region, and the City's aggressive approach to promoting economic development, which has created momentum for continued success. Key economic development issues include:

- Compared to growing neighbors such as Chesapeake and Suffolk, Portsmouth has limited vacant land available for economic development uses. This situation highlights the need to identify appropriate infill and redevelopment opportunities and achieve the highest and best use of each property if new business activities and uses are to be accommodated. There is also a need to carefully consider the impacts of economic development activities on neighborhoods and quality of life.



Renaissance
Hotel

- The decline in federal civilian and military employment suggests the importance of diversifying Portsmouth's employment base to ensure a healthy future economy.
- Improving the quality of education available to Portsmouth citizens is essential to retaining and attracting businesses and residents and to nurturing a skilled workforce, all of which are vital elements of a sustainable economy.

Economic development has been established as a priority by City Council. In recent years Portsmouth has experienced a number of economic development successes as a result of aggressive implementation of planning initiatives such as Vision 2005 and the Economic Development Department's Strategic Plan, which in turn has enhanced the City's image as a positive place for business growth and investment. Examples of these successes include the Renaissance Portsmouth Hotel and Waterfront Conference Center, the NTELOS Pavilion at Harbor Center, and the Victory Crossing shopping center. Currently pending projects include, among others, Victory Crossing Business Park, redevelopment of the former Fairwood Homes property as a mixed residential community, and development of a privately owned deepwater container terminal on the former Cox property in Churchland.

The policies and action strategies presented below are designed to build on the current momentum for success through a comprehensive approach to strengthening the vitality of Portsmouth's economy and increasing the economic opportunities available to Portsmouth's citizens. They establish a coordinated framework for city departments and programs to promote economic development in the context of the overall goals and policies of the Comprehensive Plan. They also provide a framework for implementation of the Economic Development Department's Strategic Plan, which is a separate document and is incorporated into the Comprehensive Plan by reference.



Policy #1 establishes the overall context for the City's economic development programs and initiatives. The action strategies included for this policy identify three fundamental principles that should guide all economic development activities. First, the scarcity of available land in Portsmouth places a premium on evaluating each and every parcel and project to ensure the highest and best use for the City and its residents. Second, the evaluation of specific economic development initiatives and projects should be based on clear criteria that take into account not only economic costs and benefits (e.g., public investment versus tax revenues generated) but also broader considerations of quality of life and community character. The third principle ties the first two principles to the goals and policies of the other Comprehensive Plan elements.



Policies #2-4 follow the organizational structure of the Economic Development Strategic Plan, which focuses on key economic development activities (Policy #2), key business sectors (Policy #3), and key geographic areas within the City (Policy #4). In the context of its role as a guide for the activities of the Economic Development Department, the Strategic Plan takes a broad view of economic development (e.g., by addressing the importance of improving Portsmouth's housing stock to the City's economy). The action strategies identified for these policies incorporate some additional recommendations that relate to key Comprehensive Plan concepts and will involve entities other than the Economic Development Department to implement (e.g., workforce training/program connections between major employers and the public schools).

Policy #5 builds on Policy #1 by explicitly addressing the linkages between economic development policies and programs and the policies of other elements of the Comprehensive Plan. For example, the City's economic development initiatives must be coordinated with infrastructure planning and programming to ensure that adequate roads, utilities, and other needed facilities are in place to support planned developments and projects.

Policy #6 addresses the continuing need to market Portsmouth to prospective visitors, residents, and businesses. It is based upon the City's present marketing plan, with the added recommendation that marketing efforts address Portsmouth's present and future assets as defined in the Comprehensive Plan Vision Statement. For example, the improved education system brought about by implementation of the policies and action strategies of the Education Element could conceivably in the future be marketed as a Portsmouth "success story."



**Sports Hall of
Fame**

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Policy #6 also identifies the need for measures of success to monitor not only the City's marketing program, but also progress in achieving the overall economic development goal and policies. The following are proposed as indicators to measure the success of the City's economic development policies and programs:

- Growth in the assessed valuation of the City's tax base
- Growth in retail sales within the City
- Increase in outside visitation to/visitor spending in Portsmouth
- Increase in the average per capita income of Portsmouth residents in relation to the per capita income of residents of South Hampton Roads as a whole (Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach)
- Reduction in Portsmouth's unemployment rate in relation to the unemployment rate for South Hampton Roads as a whole



5.2 Policies and Action Strategies

Policy #1: Economic Vitality

Coordinate all city programs and initiatives to promote economic vitality in a manner supportive of the broader goals and policies of the Comprehensive Plan.

Action Strategies

- Ensure that every piece of available land is evaluated and targeted for its highest and best use for the City and its residents
 - Inventory current assets
 - Identify gaps and unique opportunities
 - Based on these analyses, ascertain the highest and best use for available land parcels
 - Identify and proactively recruit individual businesses and uses that meet the standard of highest and best use
- Establish clear criteria for decision-making on specific economic development initiatives and programs to be pursued by the City, e.g.:
 - Cost/benefits in terms of public investment required vs. tax revenues generated
 - Job opportunities created for Portsmouth residents
 - Quality of life benefits (e.g., provision of quality local shopping opportunities) vs. detriments (e.g., adverse neighborhood impacts such as increased truck traffic)
 - Impacts on public facilities, services, and infrastructure
 - Development quality in terms of visual character, compatibility with adjacent land uses, etc.
- Align city economic development initiatives and programs, including the Department of Economic Development Strategic Plan, with Comprehensive Plan goals and policies (Policy #5)

Policy #2: Key Activities

Promote economic growth in Portsmouth by focusing on four key activities: Business Development, Market Development, Product Development, and Workforce Development.

Action Strategies

- ***Business Development:*** Implement strategies and programs to nurture business growth and investment, including retention and expansion of existing businesses; attraction of new businesses; and support of startup and emerging businesses:
 - Undertake outreach efforts to existing businesses to determine what may be needed to ensure that they remain and grow in Portsmouth
 - Identify and market Portsmouth's comparative and competitive advantages, targeted towards the types of businesses that may be attracted to locate in the City (Policy #6)
 - Facilitate business startup and development through actions such as maintaining an inventory of available properties in conjunction with local realtors; establishing small business incubators; and zoning and regulatory provisions that make it easier to start a business



- Form public/private partnerships and provide incentives (e.g., use of the HUB Zone, Empowerment Zone, and Foreign Trade Zone designations) to start or expand businesses in Portsmouth or to attract businesses from outside the City
- Aggressively partner with the Commonwealth of Virginia to attract innovative/state-of-the-art businesses, taking advantage of the Commonwealth’s economic incentive program
- **Market Development:** Implement strategies and programs to retain existing and attract new residents and visitors who will enhance the economy and enlarge the market area in which they can receive products and services:
 - Improve the quality of Portsmouth schools as a priority strategy to retain and attract residents
 - Implement Neighborhood and Housing policies to build quality neighborhoods in Portsmouth that are attractive to existing and new residents. Support and encourage revitalization policies or rehabilitation efforts that turn at risk neighborhoods into positive investment opportunities for stable families and individuals while respecting the personal property rights of current residents
 - Continue to develop regionally unique “portals of entry” that attract visitors to Portsmouth (e.g., Renaissance Hotel, NTELOS Pavilion)
 - As one “portal of entry,” develop a regionally unique recreational/athletic/event venue(s) (e.g., multi-field soccer complex, extreme sports center, enclosed ice rink/indoor soccer facility), thus attracting participants, visitors, and associated spending on hotels, goods, and services in the City
 - Continue and expand the City’s marketing program (Policy #6)
- **Product Development:** Invest in physical improvements that make the City more attractive to businesses and residents, including:
 - Development-ready sites and buildings
 - Infrastructure systems (water, sewer, electricity, telecommunications, streetscapes, etc.)
 - Urban design improvements (streetscapes, gateway enhancements, etc.)
- **Workforce Development:** Implement strategies and programs to build the skills of the local workforce:
 - Work with the City of Portsmouth public school system on strategies to equip students with the skills needed to succeed in the 21st century economy
 - Establish partnerships with educational institutions, economic development agencies, and others to increase continuing education/workforce training opportunities available to Portsmouth residents (adult education programs, financial assistance, etc.)
 - Establish workforce training/program connections with major employers. Partner with the school system to have these programs included in the curriculum (e.g., technical/career programs to provide graduates with industry certification, career fairs, etc.)



Policy #3: Key Business Sectors

Focus on enhancing the vitality of three key business sectors: Retail, Residential, and Office & Industrial.

Action Strategies

- ***Retail:*** Implement strategies to maintain and expand retail sales/tax revenue in Portsmouth and provide quality shopping opportunities for Portsmouth residents:
 - Using existing retailers as the foundation, identify the components of a more diverse and complete retail mix and target the missing retailers
 - In conjunction with retail brokers, identify and package the retail space that is available to the market, targeting specific retailers that offer the highest and best use of the land and meet market needs
 - Promote development of new retail space to attract the right balance of national brand names and local retailers
 - Provide and manage infrastructure (roads, downtown parking areas, etc.) needed to support retail development

- ***Residential:*** Implement strategies to improve the quality of and diversity of Portsmouth’s housing stock:
 - Promote rehabilitation of existing housing stock
 - Remove and redevelop blighted and economically obsolete housing
 - Redevelop available property in the downtown for “in-town” housing and mixed-use development
 - Attract higher income residents and expand the tax base by supporting development of new upscale residential housing options and communities
 - Promote existing and be prepared to capitalize on potential new historic districts as an economic development opportunity

- ***Office & Industrial:*** Implement strategies to retain and attract quality office and industrial development:
 - Identify and target market sectors that are good candidates for Portsmouth’s economy (e.g., government contractors, information technology, transportation and maritime-related services)
 - Build capacity by coordinating the development of business parks (PortCentre Commerce Park, Victory Crossing Business Park, other future opportunities)
 - Work with the Portsmouth Economic Development Authority to provide assistance and incentives for businesses to locate in the City

**Policy #4: Key Geographic Areas**

Focus economic development activities in key geographic areas, including the Downtown Waterfront, Downtown Portsmouth, Midtown Portsmouth, Central Portsmouth, George Washington Corridor, Western Portsmouth, and the Working Waterfront.

Action Strategies

- **Downtown Waterfront:** Utilize this asset to the maximum economic and aesthetic benefit to the City by developing a mix of residential, retail, and water-related commercial uses that provide for public access
- **Downtown Portsmouth:** Position the Downtown's authentic urban setting as an ideal location for business investment, quality housing, specialty shopping, and family entertainment
- **Midtown Portsmouth:** Implement initiatives to restore the economic vitality of the Midtown business district, foster growth and prosperity of the nearby neighborhoods, and create opportunities for new retail, office/industrial, residential, and mixed-use development
- **Central Portsmouth (Victory Boulevard/I-264 Corridor (Victory Crossing) and Airline Boulevard Corridor):**
 - Redevelop and redefine Victory Crossing as a regional center for retail and employment activity that serves as a catalyst for redevelopment of the surrounding area
 - Improve the vitality of the Airline Boulevard Corridor while ensuring that future development is compatible with existing viable land uses
- **George Washington Corridor:** Implement initiatives to enhance the appearance of the City's southern "gateway" by revitalizing the commercial strip and contributing to the overall quality of the surrounding neighborhoods, e.g.:
 - Develop codes to improve the character of the corridor (e.g., addressing the display and sale of used vehicles, prohibiting the overnight parking of tractor-trailer vehicles) and work with appropriate agencies to ensure enforcement
 - Develop a strategy to attract quality retail vendors to existing vacant commercial spaces
- **Western Portsmouth (Western Freeway Corridor and Churchland):**
 - Monitor the economic health of commercial, retail, and residential tracts in the western part of the City
 - Encourage quality retail development on remaining vacant tracts
 - Encourage redevelopment of underutilized tracts



- **Waterfront:** Capitalize on Portsmouth’s waterfront as a major economic development asset:
 - Maintain an active “working waterfront” by encouraging the development of vacant tracts and redevelopment of underutilized properties along the Elizabeth River
 - Increase public access to the water for residents and visitors
 - Pursue opportunities for higher end residential development on the waterfront

Policy #5: Linkage to Other City Policies

Balance objectives such as creating jobs and increasing the tax base with consideration of the broader impacts of economic development projects, programs, and policies on Portsmouth’s quality of life and community character.

Action Strategies

- Ensure that economic development policies and programs are coordinated with city policies and programs that address other topical areas of the Comprehensive Plan and are compatible in terms of their effects on these areas, e.g.:
 - **Education:**
 - Implement action strategies to establish Portsmouth as a “Community of Learning” as a key to attracting businesses and residents and to developing the workforce
 - Work with the City of Portsmouth public school system to encourage major employers and businesses to participate in technical and career education curricula that better prepare students to enter the workforce
 - **Land Use:** Coordinate economic development strategies with land use strategies designed to support economic vitality and quality of life
 - **Housing and Neighborhoods:** Coordinate economic development strategies with strategies designed to maintain and improve the quality of Portsmouth’s housing and neighborhoods
 - **Community Facilities, Services, and Infrastructure:** Provide quality community facilities, services, and infrastructure to support the City’s business development, market development, and product development activities
 - **Transportation:** Ensure that major traffic-generating industrial and employment uses are provided with adequate access to the regional transportation system so as not to result in significant traffic impacts on local neighborhoods
 - **Parks, Open Space, and Environment:**
 - Provide quality parks, recreational facilities, and greenways that can be used in helping to market Portsmouth to current and prospective residents
 - Ensure that economic development activities do not degrade the quality of environmental resources such as air and water
 - **Community Appearance:** Improve Portsmouth’s appeal to prospective businesses, residents, and visitors by implementing action strategies to make it an attractive, clean community



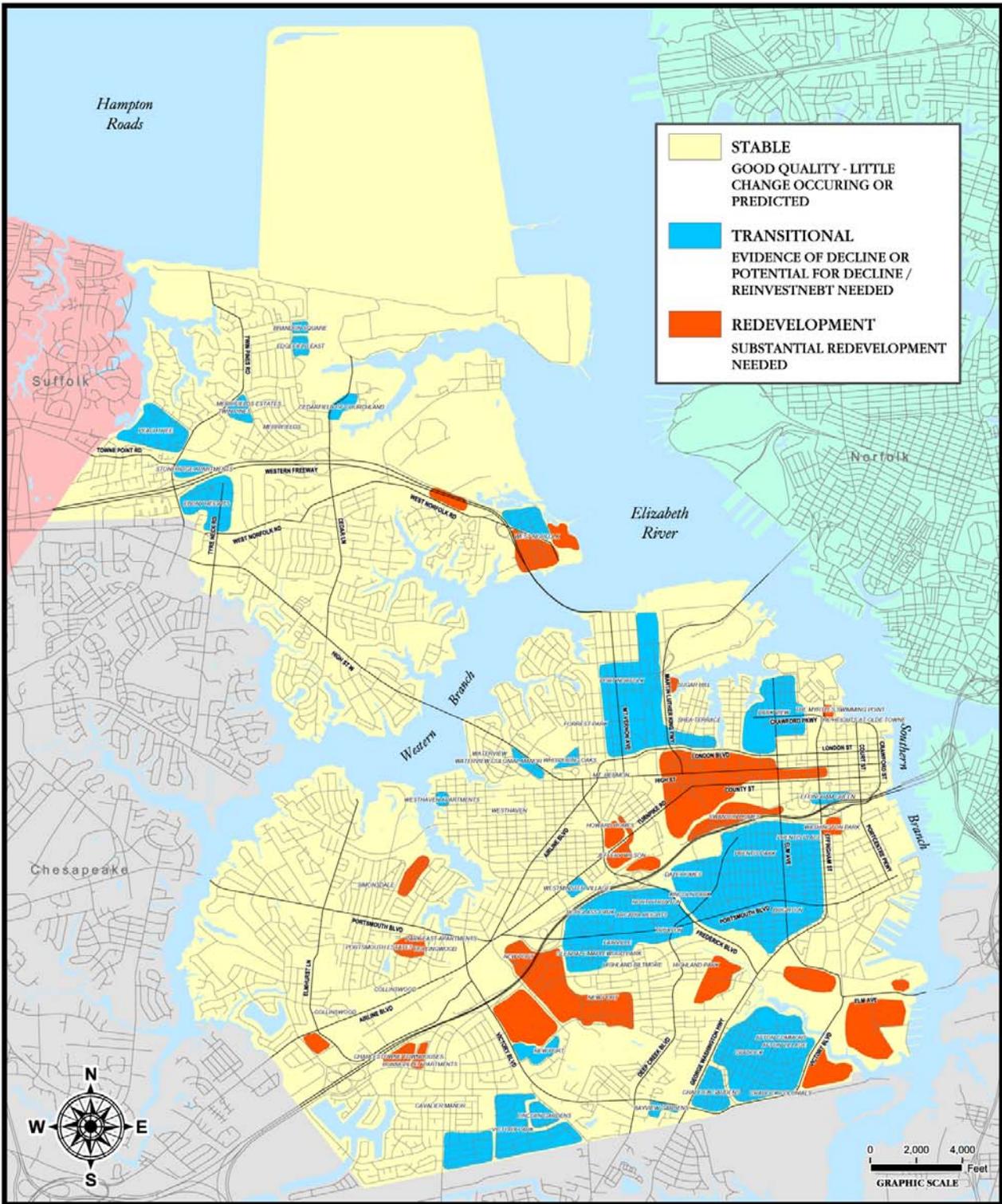
- **Governance:**
 - Ensure that public investments to promote economic development are appropriately balanced with private sector investment and are justified by the increased tax revenues generated
 - Evaluate current organizational functions and relationships related to economic development for opportunities to better direct, coordinate, and support policies and activities (e.g., roles of city departments in supporting economic development; establishment of a new downtown development entity as recommended by the Urban Land Institute Advisory Services Panel Report for Downtown Portsmouth)

Policy #6: Marketing

Continue and expand the City's program to market Portsmouth to prospective visitors, residents, and businesses.

Action Strategies

- Continue to develop and implement public relations and media campaigns focused on marketing and advertising Portsmouth's "Big Rocks":
 - Children's Museum of Virginia (targeting individuals and groups)
 - Victory Crossing Development (targeting site selection consultants, local brokers, and Hampton Roads residents overall)
 - Tourism (targeting hotel and conference visitors from the Mid-Atlantic and Northeast Regions, individuals visiting the Hampton Roads/Williamsburg area, and Hampton Roads residents)
 - Incentives (targeting economic development niche markets – defense contractors, maritime industry, finance, insurance, and real estate – and the Hampton Roads public overall)
 - Affordable historic housing
 - Plentiful waterfront (83 miles of shoreline)
 - The "New Portsmouth": (marketing residential, commercial, and retail developments; raising of the City's "quality bar"; regional attractions, etc. at the local, regional, and national levels)
- Market the City's existing and emerging assets as defined in the Comprehensive Plan Vision Statement
- Use a "brand" positioning statement and consistent graphic standards in all marketing and advertising materials
- Monitor the effectiveness of the City's marketing and advertising program by defining desired outcomes and criteria for measuring success



COMMUNITY CONDITIONS

PORTSMOUTH COMPREHENSIVE PLAN