

Chapter 2 The Crisfield Economy

The Crisfield Strategic Revitalization Plan (SRP) recommends that the City take three broad actions in relation to economic development:

1. Officially support and promote the SRP's regional goals and actions.
2. Target industries appropriate to the City's unique situation.
3. Conduct a unique marketing program to attract businesses.

ECONOMIC ANALYSIS

Many of the SRP issues essentially are about Crisfield's economy, its jobs, real estate development market, and costs of providing services. All these issues have a strong economic component. The SRP addresses the underlying economic conditions and trends and provides recommendations on specific issues.

Baseline Growth: Population & Jobs

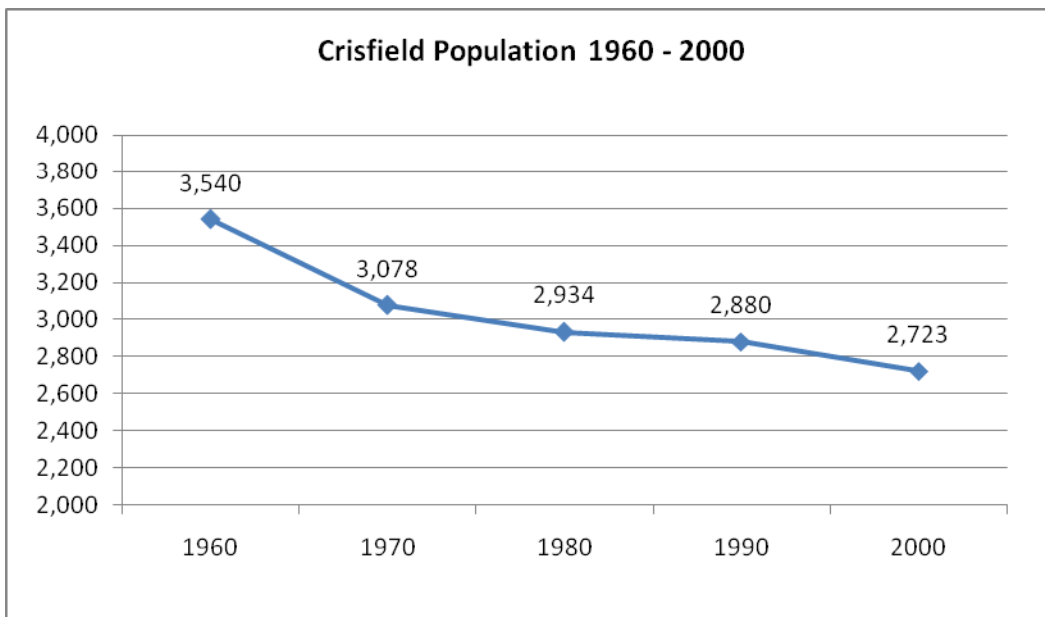
As indicated in the Crisfield Comprehensive Plan, the City's population has declined over many years as the seafood-based economy has decreased. This decline is largely due to environmental and economic changes outside the City's control. While there have been signs of resurgence in recent years, the fundamental economy remains in long-term decline. Between 1960 and 2000, the population decreased by 817 residents (23%), from 3,540 to 2,723.

Some important issues that affect the economy are strictly local and relate to the City. These include management of the land development process and responsibility for commercial revitalization. Others are associated with the larger Market Area, notably support for retail redevelopment and tourism. Therefore, the distinction between the City of Crisfield and the "Crisfield Market Area" is an important one for several reasons:



Crisfield's maritime and seafood heritage is important for the City's cultural identity and tourism.
Image Provided by Peter Johnston & Associates, LLC

1. The City is a financial and political jurisdiction responsible for providing services and managing development agreements, redevelopment, public housing (through the Crisfield Housing Authority), and other municipal matters.
2. The Crisfield Market Area includes residential areas and commercial properties located outside the City as well as some of the prime tourism attractions associated with Crisfield, including Smith and Tangier Islands.



Source: Crisfield Comprehensive Plan, Jakubiak & Associates

The City's long-term trend reflects very modest growth in population and jobs. Table 1 summarizes the baseline growth projected for Crisfield and the Crisfield Market Area. The figures indicate a total of about 44 additional residents and 20 additional jobs annually in the Market Area over the next 23 years. Nearly half of this growth is expected in the City. These projections reflect long-term trends and provide a reference point for further analysis. They do not account for the effects of implementing the SRP.

**Table 1: Projected Population & Jobs 2000 – 2030
Somerset County, Crisfield, & Crisfield Market Area**

<u>Classification</u>	<u>2000</u>	<u>2030</u>	<u>Change</u>	<u>No./Yr.</u>
Somerset Co.				
Population	24,700	30,399	+5,699	190
Jobs	10,600	13,400	+2,800	93
City of Crisfield				
Population	2,723	3,351	+628	21
Jobs	949	1,200	+251	8
Crisfield Market Area				
Population	5,771	7,103	+1,332	44
Jobs	2,321	2,934	+613	20

Source: Maryland Department of Planning (MDP); Thomas Point Associates, Inc.

Projections of population and jobs reflect past trends and relationships rather than opportunities. The baseline projection indicates 20 additional jobs annually in the Crisfield Market Area over the next 23 years. As a recommendation, the City should target job growth at twice this rate when considered in the context of the expanded opportunities associated with the SRP. This analysis provides a framework with reference points that can serve to measure the impact of SRP recommendations.

General Economic Condition

The City and region face a challenging situation resulting from changes in commercial fishing. Historically, Crisfield’s workforce grew around the fishing industry. Many of the workers associated with that industry remain in Crisfield but without jobs. There are many ways to describe the condition of the local economy but one, the “workforce participation rate,” tells the story in the simplest way.

As indicated in Table 2, the low workforce participation rate is a strong indication that the economy is not functioning as it should. The figures below indicate that just 35% of the City’s population is counted as employed. The comparable figure in Somerset County is 38%. The Maryland State figure is 50% and the U.S. national population figure is 47%. It should be noted that other considerations than lack of jobs help explain this situation, including the age of the population and the large number of seasonal and self-employed workers.

**Table 2: Employment By Occupation (2000)
Crisfield, Market Area, & Somerset County**

<u>Occupation</u>	<u>Crisfield</u>		<u>Market Area</u>		<u>Somerset County</u>	
Management, Business, & Financial Opportunities	53	5%	215	9%	814	8%
Professional and Related Occupations	81	8%	297	13%	1,507	16%
Service	260	27%	635	27%	1,983	21%
Sales and Office	244	25%	541	23%	2,201	24%
Farming, Fishing, and Forestry	55	6%	95	4%	354	4%
Construction, Extraction, and Maintenance	112	12%	226	10%	1,095	12%
Production, Transportation, Material Moving	164	17%	327	14%	1,414	15%
TOTAL	969	100	2,336	100	9,368	100

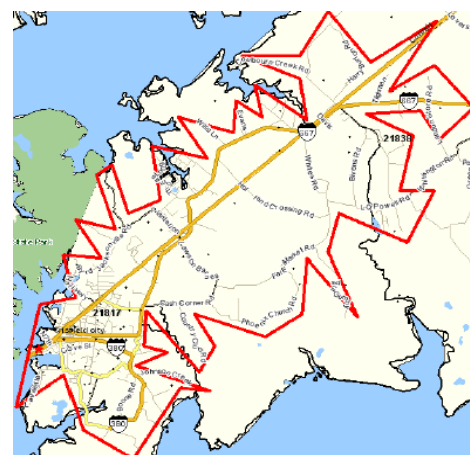
Source: Claritas, Inc.; Thomas Point Associates, Inc.

The same figures indicate that most Crisfield residents work in service industries and sales. These categories account for more than half (52%) the City’s total employment. Location quotients measure the relative importance of an industry in a defined place. For example, 1.0 is the norm or standard. The highest figures suggest the best opportunities: food manufacturing (2.56), wholesale merchandise (9.17), construction (1.24) health care (1.26) and food service (1.24) are the most highly represented.

Commercial Area Redevelopment

Crisfield has two distinct commercial areas that are sized to support a larger population base: the Uptown and Downtown areas of the City. This includes support for a higher level of tourism than what is now present in the Market Area, which results in numerous vacant commercial structures and properties creating the appearance of decline and disinvestment.

As shown in Figure 1, a 15-minute drive constitutes the primary Market Area for retail development in Crisfield. Beyond the Market Area limits, residents are likely to travel north to destinations in Princess Anne and Salisbury because of the wider variety of stores available in these areas. Residents also may travel south to shopping centers on Maryland Route 13. In fact, many Crisfield residents regularly do most of their shopping in Salisbury or Pocomoke City, a drive of approximately 30 minutes.



**Figure 1: Crisfield Market Area
(15-minute drive from downtown).**
Source: Claritas, Inc.; Thomas Point Associates, Inc.

Table 3 summarizes the current retail situation. It shows the City of Crisfield and the larger 15-minute drive and reveals the following:

- 1) Overall, there is a \$61 million “retail opportunity gap” in the Market Area (i.e., the 15-minute drive). This reflects the fact that many residents of this area travel north to shopping centers on Route 13, often to Salisbury, for routine shopping.
- 2) There are component “gaps” in all the major retail categories, suggesting that there is market demand, albeit somewhat limited demand. For example, the \$7 million grocery gap would support a small store (roughly 20,000 square feet, at sales of \$350 per square foot). However, this would require the full support of all shoppers who now travel outside the area for groceries.

The successful revitalization of Crisfield’s commercial districts will depend on the attraction of additional spending by residents, tourists, and businesses. One component of this effort will be an aggressive campaign to retain, expand, and recruit retail and other commercial activity. This effort must be carefully coordinated with other City and County activities, including the business development activities of the Chamber of Commerce and the County’s Economic Development Corporation.

Crisfield’s Market Area is larger than most people acknowledge. This extended Market Area has greater potential. To tap into this potential, it will be necessary to communicate a new identity for the City and a new vision of specific opportunities and attractions to retailers, developers, shoppers, and others in Crisfield, Somerset County, and throughout the region.

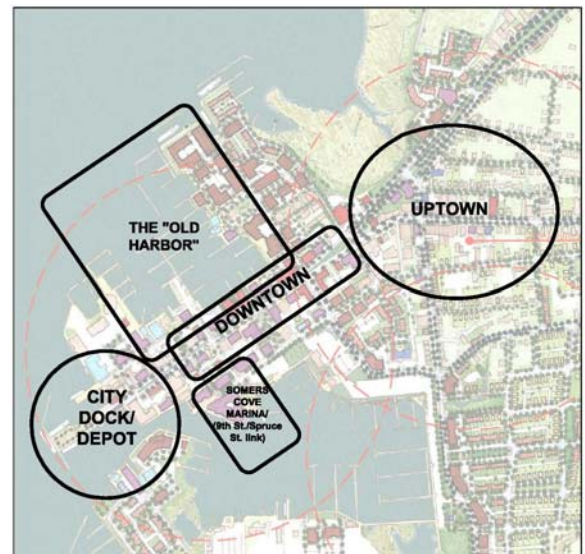
Table 3: Retail Sales Potentials (2007)
Selected Stores; Crisfield; And 15-Minute Drive

Classification	Crisfield			15-Minute Drive		
	Demand (Spending)	Supply (Sales)	Opportunity (Gap/Surplus)	Demand (Spending)	Supply (Sales)	Opportunity (Gap/Surplus)
Total Retail Sales	35,210,714	28,544,923	6,665,791	85,379,826	23,722,178	61,657,648
Motor Vehicle & Parts	7,733,999	6,236,391	1,497,608	17,655,943	5,160,773	12,495,170
Furniture & Furnishings	804,320	1,285	803,035	2,129,307	221	2,129,086
Bldg Material, Garden Equipment	3,457,507	2,534,972	922,535	9,580,709	919,586	8,661,123
Food and Beverage Stores	4,604,256	8,698,384	(4,094,128)	10,370,320	4,082,911	6,287,409
Health & Personal Care	2,285,102	3,687,362	(1,402,260)	5,438,400	3,824,455	1,613,945
Gasoline Stations	3,831,509	132,518	3,698,991	9,675,101	184,786	9,490,315
Clothing & Accessories	1,370,111		1,370,111	3,305,284	0	3,305,284
Sports, Hobby, Book, Music Retailers	574,217	6,904	567,313	1,460,188	5,177	1,455,011
Misc. Store	845,617	3,579	842,038	2,229,516	7,142	2,222,374
Foodservice & Drinking	2,619,910	2,995,177	(379,267)	6,545,863	2,186,705	4,359,158

Source: Claritas, Inc.; Thomas Point Associates, Inc.

Note: Difference between demand and supply represents the opportunity gap or surplus available for each retail outlet in the specified area. When the demand is greater than (less than) the supply, there is an opportunity gap (surplus) for that retail outlet. For example, a positive value signifies an opportunity gap while a negative value signifies a surplus.

The focus on Downtown and Uptown need not be exclusive. Benefits of actions to improve these locations will extend to other commercial and residential areas. The SRP defines four commercial areas, as opposed to the two that Crisfield residents traditionally have known. This approach will make it easier to create distinctive places that can be linked together in a walkable series to attract diverse individuals and groups. The several sub-areas will have distinct market niches that can be further defined in accordance with market potential and community vision in ways that generate synergy and new interest. The ideas set forth in the SRP are ambitious and will require time to refine and implement. These challenges are formidable and there is no simple short-term solution.



Tourism

Tourism is a growing industry throughout the United States. It represents an important economic force in Maryland and on the Eastern Shore. According to the State of Maryland, as indicated in Table 4, tourism accounted for 100 jobs and \$11 million in spending in Somerset County in 2004. However, tourism is far less important in the local economy than it should be, given the quality of attractions that Crisfield and the surrounding area have to offer, such as Smith Island. By comparison, tourism in Worcester County generated 14,700 jobs and \$1.2 billion in spending in 2004.

Table 4: Impact Of Travel On Lower Eastern Shore Counties (2005)

Classification	Impact By County (\$ Millions of Dollars)			
	Dorchester	Somerset	Wicomico	Worcester
Expenditures	20.15	10.95	213.4	1177.15
Payroll	4.15	2.34	63.61	319.66
Tax Receipts				
State	0.96	0.46	6.73	58.96
Local	2.09	1.06	5.66	72.33
Employment (No.)	100	100	2,010	14,710

Source: Somerset County Tourism; Thomas Point Associates, Inc.

Assertions by local industry officials state that tourism is in decline in the area although there is no hard data to prove this assertion. However, the appearance of the tourist areas and the various attractions indicate a much greater capacity. Crisfield has an important identity as the former seafood capital of Maryland. This title still resonates in the Market Area. Moreover, Crisfield continues to serve as the major gateway to Smith and Tangier Islands, two unique places that are important destinations.

Housing

There are two closely interrelated issues associated with housing in Crisfield: 1) use of Housing Authority properties; and 2) the challenge of finding affordable housing. Current problems associated with new development make the housing market even worse. First, developers overbuilt waterfront properties in anticipation of continuing speculation. Construction includes “standardized” products with unimaginative designs and site plans that have obstructed views

of the waterfront. Many Crisfielders see the City as a great place to live but these trends have an impact on that quality of life and place perception for residents and outsiders.

Most of the growth that occurred in the local housing market in 2005 and 2006 was the result of speculation rather than improvements in the residential fundamentals. The bursting of the housing market “bubble” that began in 2006 and continues today, comes on top of the decline in tourism and a static pattern of use of the City’s greatest resource, its marina. Table 5 summarizes the housing sales trend since 2000.

**Table 5: Housing Units Sold, Somerset County By Year 2000 – 2007
(Constant 2007 Dollars)**

<u>CLASSIFICATION</u>	<u>AVERAGE PRICE (\$000’s)</u>		
	No.	Current	Constant
2000	109	91.7	111.0
2001	130	87.3	102.1
2002	170	110.9	128.6
2003	200	99.7	113.7
2004	263	124.6	139.6
2005	253	153.1	166.9
2006	238	205.8	214.0
2007	148	159.9	159.9

Source: Maryland Association of Realtors; Thomas Point Associates, Inc.

Second, the City’s housing stock has been declining because many residents lack the financial resources to keep structures in good condition. The few government programs available are helpful but too limited to meet the need. Third, the large amount of public housing built in the 1960’s through the 1980’s to support the seafood industry workforce is still in place. Now the outmoded design and the concentration of assisted housing is a problem for the City. It overloads service requirements and impedes waterfront development. The large number of public housing units (330) is far higher than a city Crisfield’s size can support.

Public housing units are located between Downtown and Uptown, some on the waterfront. The City and the Crisfield Housing Authority (CHA) should aim for replacement of 50% to 70% of the public housing units. Some units can be rebuilt in the existing location and others can be dispersed throughout the City. This will improve overall public housing in the City, while rectifying the imbalance that exists in Crisfield at this time in regards to public housing. This

program will enable the City to use the property for new development that will generate funds for the replacement units.

As the real estate market rebounds, potential buyers will measure Crisfield as a “place to live” rather than a “place to speculate.” It will take several years before the City’s investment in the community will begin to take effect and have an impact on the homebuyer/resident decision process. In addition, there may be further waves of speculation at some point in the future.

KEY ECONOMIC DEVELOPMENT DRIVERS

Four significant trends will drive Crisfield’s redevelopment and fuel the implementation of plans to redevelop the City. These trends will change the economy and have the power to finance City improvements over time. Patience and determination are needed to implement these plans because results likely will take many years to come to fruition. There will be ups and downs, particularly in the short term. Positive trends can be promoted and expedited and negative trends can be mitigated through conscious management and adherence to the precepts of the SRP.

Residential Growth

The City needs more residents. More resident households with higher discretionary spending capacity can stimulate economic growth. This will come with increased and active use of the condominiums as well as the occupation of other residential units that are in various stages of planning in the City. Some of these additional residents will live in Crisfield year round and some will spend winters in warmer climates. Others will spend longer weekends in Crisfield, coming more often and staying for four or five days each week instead of two or three and visiting more often in the spring and fall.

Based on U.S. Census and consumer profiles, one additional household with an annual income of \$70,000 (a preretirement household able to purchase a \$300,000 to \$500,000 home) would generate retail spending of \$26,320. Assuming further that the local economy could capture a third of this spending (food, clothing, fuel, services, etc.), this amounts to \$8,700 in local spending per household per year. The “baseline projection” discussed above indicates 44 additional residents per year, roughly 19 households. With 1,970 new residential units in the plan, the City can expect population growth to be two or three times the baseline level. In that range, and assuming income and spending as above, 50 new households would bring additional spending of \$435,000 per year. After 10 years of this level of growth, the resident market alone would support approximately 14,500 square feet of additional retail space.

These figures are not meant to be precise projections but illustrate the impact of bringing additional population. Moreover, the added population brings new support for goods and services that fuel additional job growth.

Additional Tourism

Tourism can be expected to grow with more intensive marketing of the City, additional retail development, and the creation of new attractions. Crisfield citizens expressed their support for additional facilities such as a new hotel and meeting space and a Bay education center throughout the SRP planning process. New activities, shops and accommodations in the City will bring more visitors, business travelers and jobs.

The effects of potential tourism are similar to those of residential growth, but smaller in scale. If the City can grow tourism by 10% annually, from an estimated base of 100,000 tourist days per year with each tourist spending on average of \$20 per day, this would result in additional annual spending of \$200,000. This represents potential support for 700 square feet of retail space per year or roughly 7,000 square feet over a 10-year period.

Job Development

There is a clear need for additional jobs in Crisfield and the region. The continuing growth of high-tech fields in the State of Maryland, together with effective marketing of the region, including Somerset County and Crisfield, has the potential to bring job growth to the City. The fact that the City is close to the expanding launch center at Wallops Island is a positive factor. There is the potential to market the City to defense industry contractors in the Washington, D.C., area. The addition of just a small number of jobs in this category will have a significant impact on Crisfield's local economy.

While recreational boating will continue to replace commercial fishing, a viable fishing industry still exists and has the potential to expand to aquaculture operations. Opportunities for office space on the waterfront (for example as part of the mixed-use marine resort uses proposed along the Old Harbor) could attract boat brokers, marine finance and insurance companies and other maritime-related industries. Finally, any additional retail and service activity generated by new residents and increased numbers of tourists also has the potential to create new jobs.

Residential and Commercial Redevelopment

New construction and the renovation of old-stock housing in Crisfield is an important issue. Construction and renovation can and should become a priority field for investment in the area. This activity has the potential to become an industry in itself. The many old houses that need repair and renovation as well as the vacant lots that offer opportunities for new construction all represent a major opportunity. This industry sector should become a major industry and have the potential, assuming an average new home value of \$250,000, to add \$492 million to the City's real estate valuation. The average value takes into account that there will be a range of housing types and prices, from renovations to waterfront condos.

Commercial redevelopment has the potential to bring significant investment into the City as the SRP takes effect. This will bring new residents to the City, attract tourists, develop jobs, and create an industry to support the housing industry's redevelopment. Assuming just 10 projects each year at an average value of \$200,000, this would bring \$2 million annually into the City, as well as the additional employment of 50 to 100 people.