

**ELEMENT V**  
**ECONOMIC DEVELOPMENT**

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## V

**ECONOMIC DEVELOPMENT**

1. Middletown has always been economically linked to the growing urban area of Newport. As early as 1743 regional economic demand factors encouraged the agricultural sector to develop. Neighboring Newport provided a viable marketplace for Middletown's agricultural commodities. Wealthy merchants from Newport also viewed Middletown as a desirable place to live. Its prominence as a desirable residential community was second only to its function as a regional agricultural supplier.
2. Although changes in land use and economic activity occurred, for the most part Middletown maintained its rural character well into the 20th Century. The most dramatic change occurred with the onset of World War II when the Navy purchased over 300 acres of waterfront property. This farmland was rapidly converted to Naval support facilities and housing. The infusion of Naval personnel, along with the associated development impacts, increased the regional population by nearly 900 percent from 1940 to 1970 and created a new economic sector within the town and region. Historical economic linkages were changed by the addition of new consumer needs that were based, solely upon solely the presence of the Navy. The economy of the Island has continued to be dominated by the Navy. Middletown's present economy reflects a diversity of activity but, with a significant sector (over 40%) devoted to service industries associated totally to defense related activities.
3. The following analysis of Middletown's economy will identify those activities which are basic to the town's continued economic vitality, identify the sources, trends and levels of employment, and the various income producing activities in the town. Conclusions concerning the towns economic future and the recommendations for improvements are based on the latest data available.

**POPULATION AND LABOR FORCE CHARACTERISTICS****1. RESIDENT LABOR FORCE**

- a. The 2000 U.S. Census of Population and Housing sets the population of Middletown at 17,334. This represents a decrease of almost 11% over the 19,460 count of 1990. During this same period, Newport experienced a population decrease of 6.2% and Portsmouth a growth of 1.7%.
- b. Based on the 2000 Census, the total resident labor force in Middletown is estimated at 9,147, a decrease from the 1990 census figures of 11,140. This decrease was due primarily to a reduction in the number of armed forces personnel in Middletown. The civilian labor force actually saw an increase from 8,138 to 8,259 in 2000. The unemployment rate decreased in 2000 to 3.5% from the 1990 level of 6.0%.
- c. The sizeable labor force available to prospective employers offers additional incentives for economic expansion. The available labor force within a one-hour drive is more than triple that of the town. Table 1 lists the class of employed workers 16 years of age and older residing in Middletown in 2000.

**Table 1  
RESIDENT LABOR FORCE**

<b>Class of Employed Workers</b>	<b>1990</b>	<b>2000</b>
Private Wage and Salary	5320	5732
Government	1746	1631
Self Employed	537	510
Unpaid Family Worker	7	7
<b>Total</b>	<b>7610</b>	<b>7880</b>

Source: 1990, 2000 U.S. Census

**PRIVATE SECTOR EMPLOYMENT/INDUSTRY GROUPS**

Table 2 provides a breakdown of private industry employment in Middletown, which was subject to the R.I. Unemployment Insurance Tax, for 1990 to 2000. It should be noted that the trend of total employment since 1993 has been upward.

**TABLE 2  
TOTAL PRIVATE EMPLOYMENT**

<b>Average Annual Employment</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Agricultural Forestry & Fisheries	199	164	170	176	153	169	148	144	163	166	163
Construction	218	182	151	180	185	201	220	258	246	260	247
Manufacturing	829	494	393	416	370	439	518	477	328	473	27
Transportation/Comm/Utilities	79	93	83	44	51	53	58	62	62	66	124
Wholesale Trade	87	109	128	113	96	113	118	131	137	157	45
Retail Trade	1,381	1,817	1,869	2,108	2,131	2,222	2,182	2,194	2,122	2,279	2,427
Finance/Insurance/Real Estate	244	380	413	378	421	417	397	415	442	627	509
Service Industries	3,114	3,401	3,440	3,391	3,549	3,661	3,688	4,213	4,274	4,673	4,734
<b>Total Private Employment</b>	<b>6,153</b>	<b>6,639</b>	<b>7,227</b>	<b>6,838</b>	<b>6,976</b>	<b>7,275</b>	<b>7,345</b>	<b>7,906</b>	<b>7,791</b>	<b>8,715</b>	<b>9,092</b>

Source: Rhode Island Department Labor and Training

Middletown continues to share in a large proportion of the retail business conducted on Aquidneck Island. Because space is available for parking, the town is the "shopping center" of the island, with traffic converging on Middletown from Newport and Portsmouth. Presently, there are four large Shopping Centers, two supermarkets, four major auto dealerships and three "other" significant retail areas in Middletown. As can be seen in Table 2, the retail trade generated in the town provided 2,427 jobs in 2000, an increase of 109% or 1,044 jobs over 1990. This also represents 27% of the total private sector job market.

Middletown has approximately 1,177,137 square feet of retail space, and a vacancy rate of about 6.98%.

Only the Service Industries including health, business and educational which employed 53% of the workers in the private sector provided more jobs than Retail Trade. As can be seen in Table 3 the

service industries generated in the town provided 4,734 jobs in 2000, an increase of 52% or 1,620 more jobs over 1990.

**TABLE 3**  
**PRIVATE EMPLOYMENT 1990 VS 2000**

	1990	2000	Change	%
Agriculture, Forestry & Fisheries	199	163	-36	-18.09
Construction	218	247	29	13.30
Manufacturing	829	27	-802	-96.74
Transportation, Communications/Utilities	79	124	45	56.96
Wholesale Trade	87	45	-42	48.28%
Retail Trade	1,383	2,427	1,044	75.49
Finance, Insurance, Real Estate	244	509	265	108.61
Service Industries	3,114	4,734	1,620	52.02

Source: R.I. Department of Labor and Training

Middletown has approximately 1,132,039 square feet of office business and light industry floor space; the vacancy rate in April 2002 was approximately 12%.

Middletown has excellent office parks, some of which overlook the Atlantic Ocean. The community's diverse labor force and convenient transportation facilities makes it an excellent location for businesses to locate. One of the most desirable aspects of Middletown, whether it is for business interest or residence, is its livability in the form of recreational and cultural activities.

At one time, the manufacturing sector was a significant industry group. However, it is now just about non-existent with a total of 29 jobs in 2000 as compared to 829 in 1990, a downturn of 97%. Portsmouth has captured the greatest share of existing manufacturing on the island.

### **PUBLIC SECTOR (GOVERNMENT) EMPLOYMENT**

A significant number of jobs available to Middletown residents are associated with the public sector.

#### Navy as an Employer

In 2000, the largest employer on Aquidneck Island with 7,350 employees is the Navy. Approximately 60% of the workforce are civilian staff with the rest active duty military who reside in the local area. Major commands in the area include: Naval Station Newport, Naval War College, Naval Underwater Warfare Center, Surface Warfare Officers School, Naval Ambulatory Care Center, Naval Academy Prep School, and the Senior Enlisted Academy. Hundreds of DOD civilian and military personnel participate in various education and training programs taught at these facilities throughout the year, thus contributing significantly to the local economy.

In 1973, a national reorganization of Navy operations led to a reduction of more than 14,000 employees at the Newport Naval Complex. In the early 1990's, there was another reduction of more than 4,000 employees. Staff levels have been stable since 1994, increasing slightly from 1998 to 1999. Although the Navy's past role as a major sector has diminished somewhat, its percentage

impact on the town, county and state remains substantial. In addition to direct employment at the Naval Base, naval activities provide defense contracts to many area service industries. Unfortunately, this is a sector of the town’s economy that has been forced to find contracting from the private sector. The lesson, once again, is Middletown must continued to diversify away from its dependence on the Navy.

From World War II through the 1970’s, the presence of the Navy could not be missed. With the fleet stationed at Coddington Cove uniformed sailors was the norm. Today the Navy’s presence is more difficult to find. Replacing yesterday’s sailors are today’s DOD civilians and defense contractors. Everyone talks about the tourism industry on Aquidneck Island but the facts are that the defense industry supports much of the economic infrastructure of the Island. In 2000, the military and defense industry employed 10,846 people according to figures provided by the Navy and the State. It generates an annual payroll of about \$800 million on Aquidneck Island ALONE. In contrast, the tourism industry employed 38,900 people and a payroll of \$669 million STATEWIDE. The defense industry on Aquidneck Island is high tech and clean, employing college graduates or highly trained professionals. Just doing the simple math on the industry’s 2000 payroll reveals an average salary of \$60,000 per year.

Estimated Total Employment

Based on available information, Table 4 provides an estimate of the total employment (jobs available) in Middletown.

**TABLE 4  
EMPLOYMENT IN MIDDLETOWN**

	<b>1990*</b>	<b>2000</b>
Private Employment	7,939	9,092**
Self Employed	279	N/A
Government	4,879	709**
<b>Total Employment</b>	<b>13,097</b>	

\*Sources unknown

\*\* Source: RI Dept. Labor & Training

**MUNICIPAL FINANCES**

**LAND USE**

1. According to the Aquidneck Island Geographic Information System (AIGIS), Middletown has a total area 13.26 square miles; of which, 12.84 is land area and .42 is inland water area. Of the total land area, approximately 40 percent are developed. Agricultural and open land account for the single largest category of land use in town, totaling 2,859 acres (34%). This land will be affected by population increases and development pressures in the future and conversion of these lands to other uses can be expected as demand changes. Residential land accounts for the second largest categorical use (33%). Commercial and Industrial uses account for only 7 percent. Those three categories are generally considered prime tax revenue sources for local communities.

Although agricultural activities occupy the largest category of land in the Town, the numbers of people employed are small, at 163, and has been declining (see Table 2). The significance agriculture has on the tax base is minimal. Of those employed in the agricultural sector, most are in the nursery business. People working on farms for a living are few and, in most cases, the farms that remain active employ one person, the owner. In order to increase farm activity and agricultural employment significant incentives must be offered to make farming attractive. Recently, two vineyards have collaborated with the Aquidneck Island Land Trust to save open space and maintain the town's agricultural heritage. The vineyards are seasonal employers and are producing nationally recognized wines.

Office and commercial uses generally pay a high ratio of tax to services (e.g. for every tax dollar paid, service demand is substantially less): they pay their own way. Residential use, on the other hand, is characterized by paying a low tax to service ratio: they receive more than they pay.

The need to develop and reinforce sectors of the economy, which serve as community tax assets must be realized. Dependence on residential property tax for local revenue could lead to financial insolvency. Not only does the development of a significant commercial and office economic sector improve basic to non-basic activities; it also establishes a sound tax base able to provide desired community services.

## TAX BASE

A brief review of the financial characteristics of Middletown helps to identify trends and provides an insight into the financial strength of the town. Table 5 describes the financial characteristics of the town for fiscal years 1990-2000.

**TABLE 5  
TOWN FINANCIAL CHARACTERISTICS**

	1990	2000
Population	19,460	17,334
Town Budget	22,607,302	43,287,299
Assessed Valuation	503,373,700	1,339,363,292
Property Tax Levy	13,540,046	26,843,349
Total Indebtedness*	4,960,000	5,019,218
Actual Tax Rate	\$9.18	\$20.45
Equalized Tax Rate	\$12.08	\$18.20

\* Includes school, sewer, and general fund bonds.

Sources: Town Budget/Tax Assessor

In the 2000 budget, federal and state aid comprised approximately 34 percent of total revenue. Sources for the property taxes in 1990 and 2000 are listed in Table 6.

**TABLE 6**  
**ANALYSIS OF PROPERTY TAX REVENUE IN MIDDLETOWN**

Budget Year	1990	2000
Residential	65.20%	65.51%
Commercial	22.21%	23.33%
Industrial	4.49%	2.82%
Utilities & Railroads	1.83%	1.39%
Motor Vehicles	4.23%	4.86%
Other	2.04%	2.09%
Total	100%	100%

Property tax liability has shifted very little since 1990 and, although the tax burden rests primarily on residential property, its proportional share has held relatively constant. A 1999 property revaluation was conducted to realize tax equalization and to ensure equitable tax liability among property owners.

Property tax revenue comprised 59 percent of total revenues in the 2000 Budget. Expenditures in the 2000 Town Budget were primarily for educational services, amounting to 65 percent. General governmental expenditures for administration and delivery of services comprised 35 percent. A diversified tax base can insure the continued provision of essential public services without excessive tax burdens upon residents of the town. The town must recognize the wide range of fiscal impacts attributed to different types of growth. Commercial properties, for example, place a relatively low tax expenditure burden upon the town in relation to the taxes it pays to the town. Certain forms of single family housing demand services far in excess of the amount of taxes which they pay, while other types, such as condominiums, demand less for their taxes especially with regard to demands on schools. Ideally, a proper "mix" of land use in the community will create a balance between revenue received and expenditures required. As another example, commercial land use in Middletown offsets the imbalance experienced in a strictly residential community by providing over 27 percent of the town's annual real estate tax revenue, while requiring lower levels of services. Residential properties account for 73 percent of total real estate tax revenues.

Fiscal impact considerations can provide local government officials with a planning tool. They can estimate the net impact of existing and future development on the fiscal well-being of the town. Analysis can inform local authorities, for instance, that certain forms of new development (such as residential) will drain away tax dollars, while others (such as non-residential), will be more cost-effective for the town. Fiscal impact analysis (cost vs. benefit) should be used in Middletown to evaluate all significant new growth and land use changes.

## MIDDLETOWN'S ECONOMIC PROFILE IN 2000

The economic situation in Middletown has been able to diversify, but not completely able to divorce itself from the Naval facilities which contributes significant employment to the area. Newport has continued to grow as a tourist destination attracting over four million visitors in 2001.

Extensive cuts in military spending will affect our communities on Aquidneck Island. Middletown has the dubious distinction of being affected in the extreme, due to a lack of business diversity and an extensive dependence on Navy funding associated directly in the research and development sector. The majority of private sector jobs on Aquidneck Island are related either to tourism or to the white-collar sector (government/Navy support). However, employment in the retail trade sector has increased by 75% over 1990 figures.

It cannot be overemphasized that Middletown's economic stability will be linked to its ability to boldly and imaginatively plan its future economy. The town must insure that it is not placed in a role of meekly reacting to changing economic realities. The town must take an aggressive posture in confronting changing economic tides and must be prepared to use impending changes to its advantage. The town must evaluate resources and attributes in quantitative terms rather than in intangibles such as "a way of life" or "proximity to the ocean". Aquidneck Island has some of the best private K-12 schools in the country, which could help an executive of a company make a decision to relocate in Middletown. Based upon the data available, in order for Middletown to retain its tax base, population and economic stability, it must diversify the economy.

The economic reality is that Middletown and the State are at a disadvantage in most economic categories compared to many areas of the country. This does not take into account its position in the global economic arena that should not be ignored, as the world economy through the Internet becomes more significant and accessible. To summarize, the economic climate in Middletown is stable however; flexibility is needed to continue to create jobs. Some of the negatives that must be addressed are by the Town are as follows:

- a. Better public education opportunities for School grades K-12
- b. Local property taxes
- c. Crime rates
- d. Unpredictable Town regulations which carry with them adverse financial impacts towards business

If the Defense Department realigns and/or closes activities at the Naval Base, Middletown must be ready to take advantage of properties that may become available. When and if Piers 1 and 2 at Coddington Cove become vacant, the Town should have a plan for their best utilization. Town support of the Aquidneck Island Planning Commission's West Side Master Plan is essential in this regard. Coddington Cove could be considered as part of an enterprise or free trade zone, a commercial fishing fleet site, a deep water harbor for cruise ships visiting the Newport area during the summer tourist season, or a pleasure boat marina.

The Middletown Economic Development Advisory Committee is aware of the Small Business Survival Index 2001 and has made a portion of the report available at Table 8. The Index rates Rhode Island **LAST!** The Index can be found on the World Wide Web at [www.sbisc.org](http://www.sbisc.org), and is on

file at the Planning office.

The Town Council, Planning Board and Economic Development Advisory Committee should work with State representatives to change the attitude towards small businesses to a more friendlier environment. The following top six categories are Rhode Island's ranking among the 50 states:

Health Insurance Rates	44 <sup>th</sup>
Gas Tax	44 <sup>th</sup>
Corporate Income Tax Rate	42 <sup>nd</sup>
Capital Gains Tax Rate	27 <sup>th</sup>
State's Personal Income Tax Rate	51 <sup>st</sup>
Electric Utilities Costs	47 <sup>th</sup>

## **GOALS/POLICIES/IMPLEMENTATION**

The Goals/Policies/Implementation of this element are associated with the following issues:

1. Economic Planning/Job Creation
2. Educating and training the workforce
3. Improving Business Environment
4. Maintaining existing Facilities, encourage new smart growth development

**GOAL I:** Maintain economic growth and job creation at a rate adequate to support the town's population in a manner consistent with the town's characteristics, capabilities, and environmental objectives.

### **POLICIES:**

1. Revitalize the Middletown Economic Development Advisory Committee. The committee must meet on a monthly basis so that it may keep the Town Council abreast of changing economic conditions and to recommend changes in the town's economic policies and regulations.
2. Partner with the Chamber of Commerce to attract new businesses such as Financial Services, Stock Brokerage firms, Insurance Services, Accounting Firms, High Tech companies, and recreational uses such as golf tournaments, sport fishing, etc.
3. Improve the coordination of federal, state and regional (Newport/Portsmouth) economic development policies, programs, and projects.
4. Expand job creation through networking of the private industry and the academic community in an effort to attract high tech research and development to the area.

### **IMPLEMENTATION:**

To accomplish this goal, maintain an active Economic Development Advisory Committee to take primary responsibility for the review, evaluation, and promotion of economic development. Recommended members of the commission are the Town Administrator, Town Planner, representation from the Chamber of Commerce, and citizens from various professions/businesses in the town. Tasking should include, but not be limited to, maintaining data on available sites for development of light industrial, retail and office space and coordinate activities with Federal, State and Regional Agencies.

1. The Economic Development Advisory Committee (EDAC) should be revitalized with the appointment of new members.
2. Identify vacant properties and those likely to be redeveloped in the near future, and investigate potential development/redevelopment options.
3. Formulate and implement an economic development strategic plan based on the goals of the Comprehensive Plan.
4. Promote the development of a countywide economic development organization with

representation from each of the towns.

**GOAL II:** Retain agriculture as a viable economic activity in Middletown.

**POLICIES:**

1. The Town must partner with the Aquidneck Island Land Trust to preserve family farms, with a goal to continue to farm, and to protect open space.
2. The Town should work with State, and Federal Agencies to acquire significant financial incentives that will induce agriculture users to keep farming for a living.

**IMPLEMENTATION:**

Value enhanced uses to compliment the current agricultural uses should be explored. These include Bed and Breakfasts, petting zoos, Agri-tourism uses, etc. This would require amendments to the Zoning Ordinances.

1. Adopt amendments to the Zoning Ordinance that will promote agriculture uses.
2. Promote the use of conservation easements to protect agricultural land.
3. The Town should endeavor to acquire agricultural land when it is placed on the market for sale.

**GOAL III:** Establish technical training programs in order to provide for a skilled workforce and attract desirable businesses.

**POLICY:**

Understand what technical training programs are needed for Aquidneck Island and support the needs to coordinate a comprehensive plan.

**IMPLEMENTATION:**

This initiative must include the three island communities working together with schools and other training activities to provide the training needed to perform the tasks for area industries. Newport Area Career and Technical Center already offers programs to support local industries.

1. Evaluate regional technical training programs to determine their value to Aquidneck Island.
2. Encourage business and academic leaders to support vocational training programs
3. After identifying vocational programs that fit Aquidneck Island such as hospitality, travel and tourism, marine construction, computer technology, and service industries, make all Aquidneck Island residents aware of the vocation education that is available.
4. The Advisory Committee must work with officials from CCRI to insure that the curriculum at the future CCRI campus on Ranger Rd. meets the needs of the local community.

**GOAL IV:** Obtain new economic activity to offset the loss of jobs (associated with contracts and services) resulting from the reduction of federal spending.

**POLICY:**

Retain and expand defense related economic activity, and attract new business to the area in cooperation with neighboring communities.

**IMPLEMENTATION:**

Implementation of this goal requires a regional effort by the three island communities. The communities must work closely with agencies such as the RI Economic Development Corporation and the Newport Chamber of Commerce to formulate a strategy that will benefit the island as a whole.

1. Work closely with Newport and Portsmouth in promoting the attributes of Aquidneck Island.
2. Maintain contacts with U.S. Congressional Delegates to obtain their support for retaining (and adding) defense support contracts on Aquidneck Island.

**GOAL V:** Maximize the use of existing commercial properties to avoid over development and preserve open space.

**POLICIES:**

1. Offer incentives to encourage property owners to remodel and/or rebuild on existing commercial sites.
2. Encourage developers to take advantage of “Brownfields” legislation in order to redevelop contaminated sites.

**IMPLEMENTATION:**

The Council, in conjunction with the Economic Advisory Committee, shall promote incentives to developers (and property owners) to use vacant or empty storefronts rather than develop on open space areas in commercial zones.

1. Encourage developers to take advantage of “Brownfields” legislation in order to redevelop contaminated sites.
2. Consider zoning and/or tax incentives for development on existing commercial properties.