

Measures of Economic Health: Springfield vs. Worcester

A Presentation to the Springfield Finance Control Board

July, 2006

Prepared by:



The Research Bureau

www.wrrb.org

Purpose and Scope

- ❖ The Springfield Finance Control Board contracted with The Research Bureau to analyze the factors related to the rate of tax base growth in Springfield and Worcester
- ❖ Factors examined include:
 - Population characteristics
 - Property values, tax rates, new growth, tax levies
 - Labor force and labor market
 - Housing Prices
 - Public safety

About The Research Bureau

- ❖ Providing independent non-partisan research and analysis of public policy issues
- ❖ Measuring government performance
- ❖ Educating citizens and public officials to promote informed debate and decision-making

Population Overview

- ❖ From 2000 to 2005 Worcester's population has increased annually
 - 2000 Census: 172,648
 - 2005 Estimate: 175,898
- ❖ Springfield's population has declined
 - 2000 Census: 152,082
 - 2005 Estimate: 151,732

Population Overview (cont.)

- ❖ From 2000 to 2005, Worcester County's population increased by an estimated 33,289 individuals to 783,262
- ❖ Hampden County's population increased by about 5,365 individuals to 461,591
- ❖ Statewide: MA is losing more people than it is attracting

Demographic Overview

	Springfield	Worcester
Median Age	31.9	33.4
Population <5 Yrs	7.6%	6.5%
Population 18+ Yrs	71.1%	76.4%
Population 65+ Yrs	12.4%	14.1%
Population White	56.1%	77.1%
Educational Attainment: Population 25+ Yrs		
High School Grad or Higher	73.4%	76.7%
Bachelor's Degree or Higher	15.4%	23.3%
Total Housing Units	61,172	70,723
Vacant Housing Units	4,042	3,695

Source: US Census Bureau, 2000 Census

Demographic Overview (cont.)

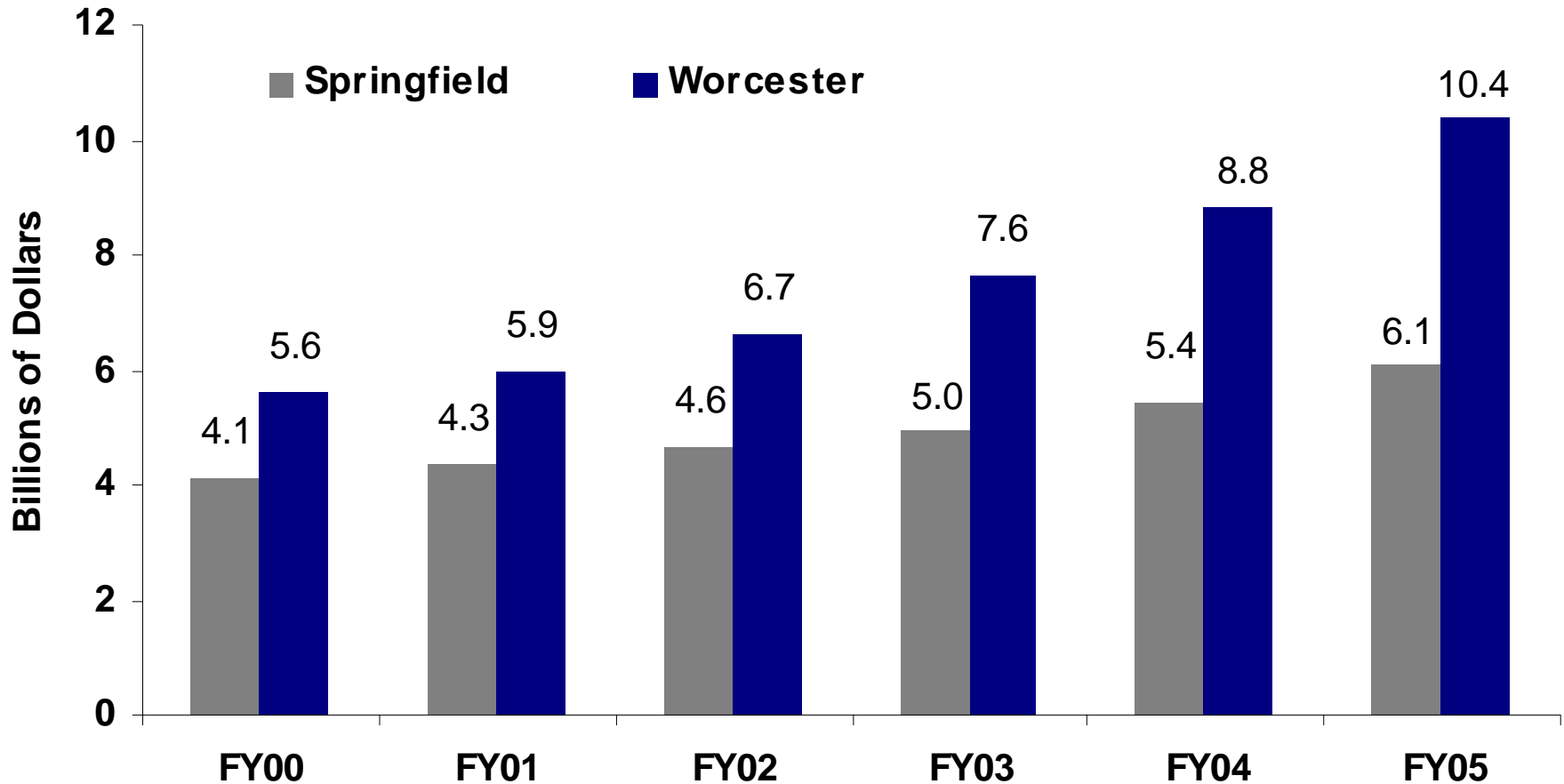
	Springfield	Worcester
Median Household Income	\$30,417	\$35,623
Median Family Income	\$36,285	\$42,988
Per Capita Income	\$15,232	\$18,614
Families Below Poverty Level	19.3%	14.1%
Individuals Below Poverty Level	23.1%	17.9%

Source: US Census Bureau, 2000 Census

Key Demographic Findings

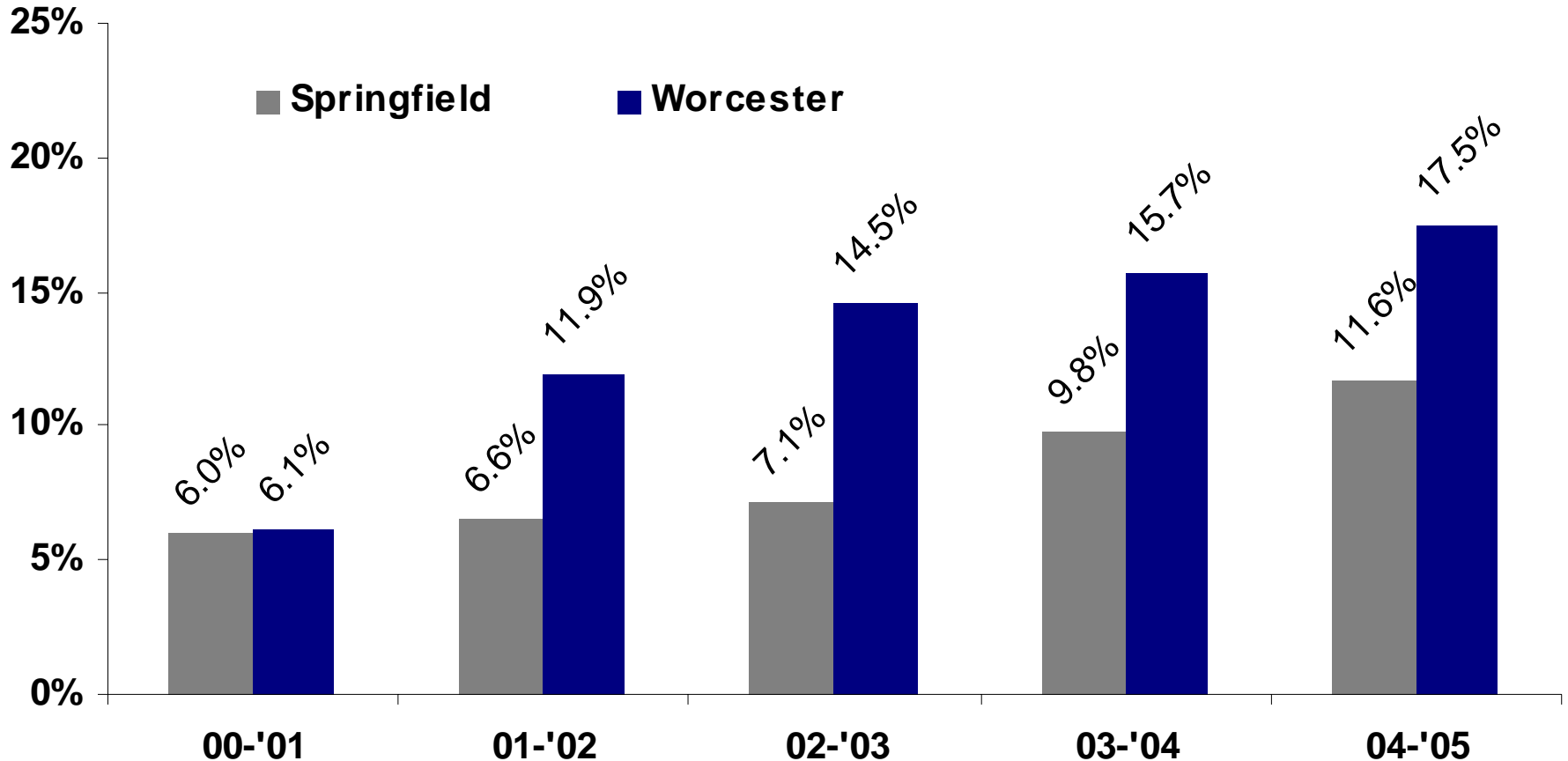
- ❖ In recent years, population growth rates in the City of Worcester and Worcester County have exceeded rates in Springfield and Hampden County, respectively.
- ❖ A greater proportion of Worcester residents have a bachelor's degree or higher compared to Springfield residents.
- ❖ Worcester's median family income in 1999 was about \$5,200 higher than Springfield's, and Worcester had a smaller proportion of its families living below poverty.

Assessed Values (Total Tax Base)



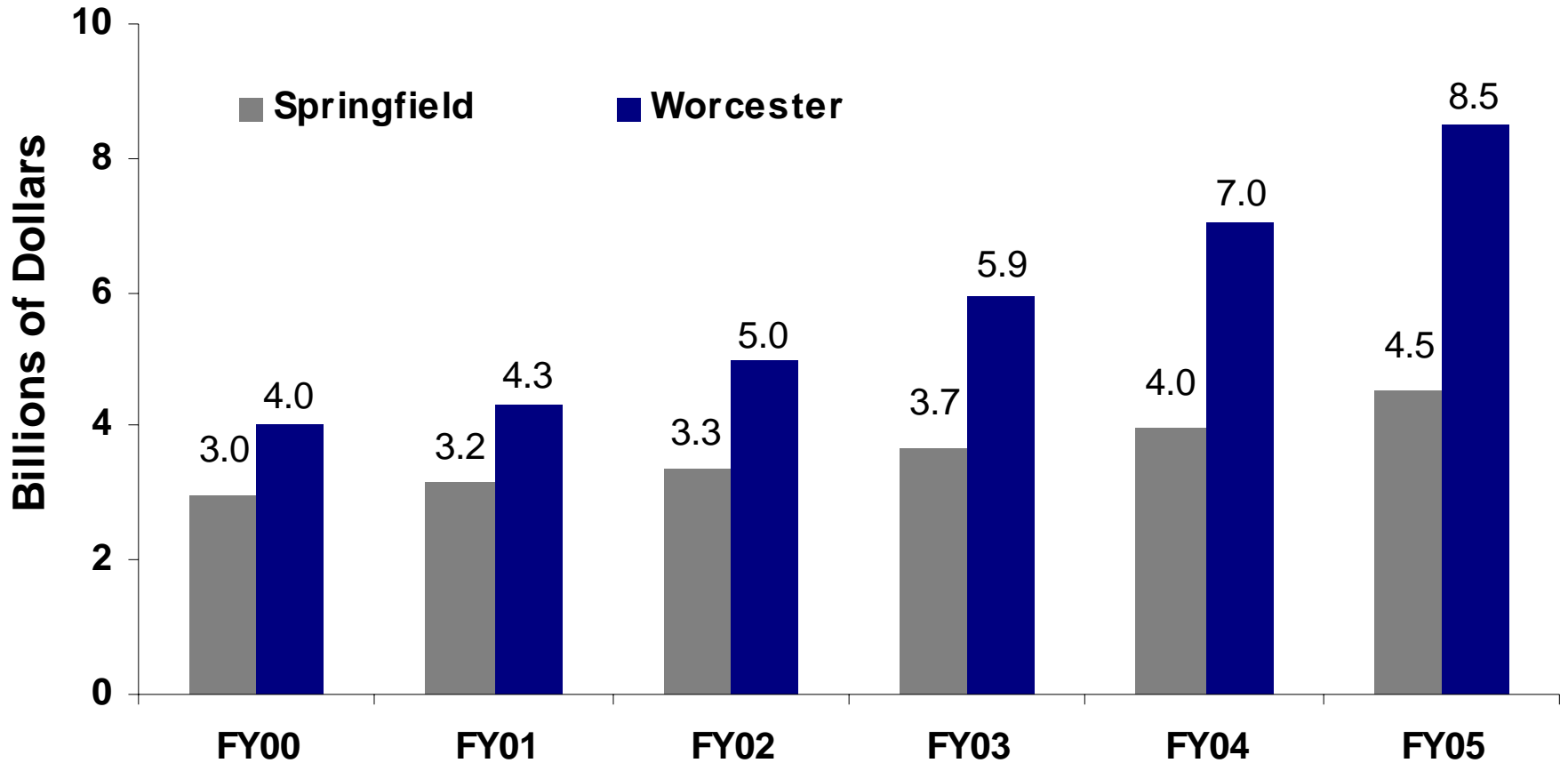
Source: Massachusetts Department of Revenue

Annual Growth in Total Tax Base



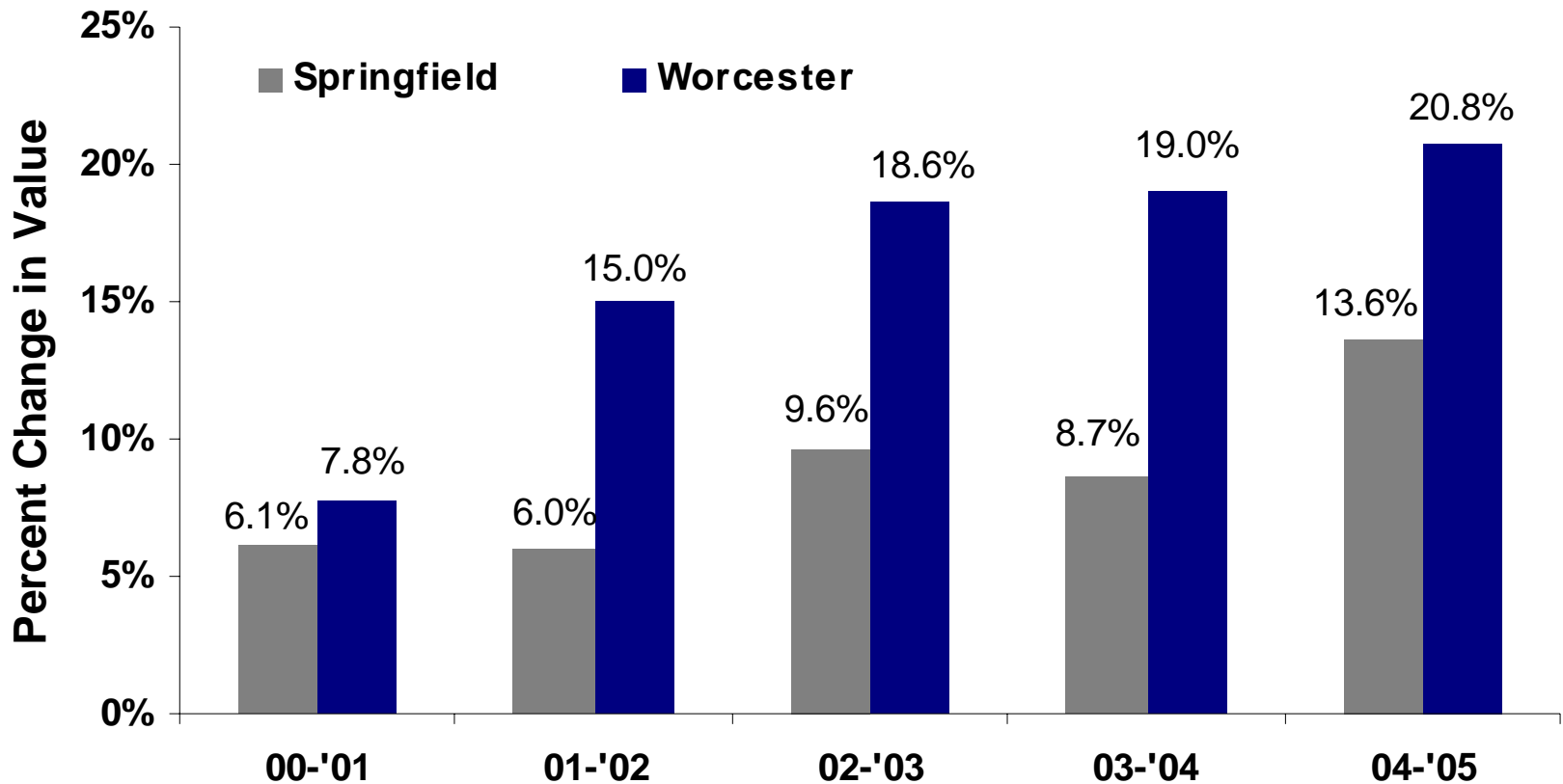
Source: Massachusetts Department of Revenue

Assessed Values (Residential)



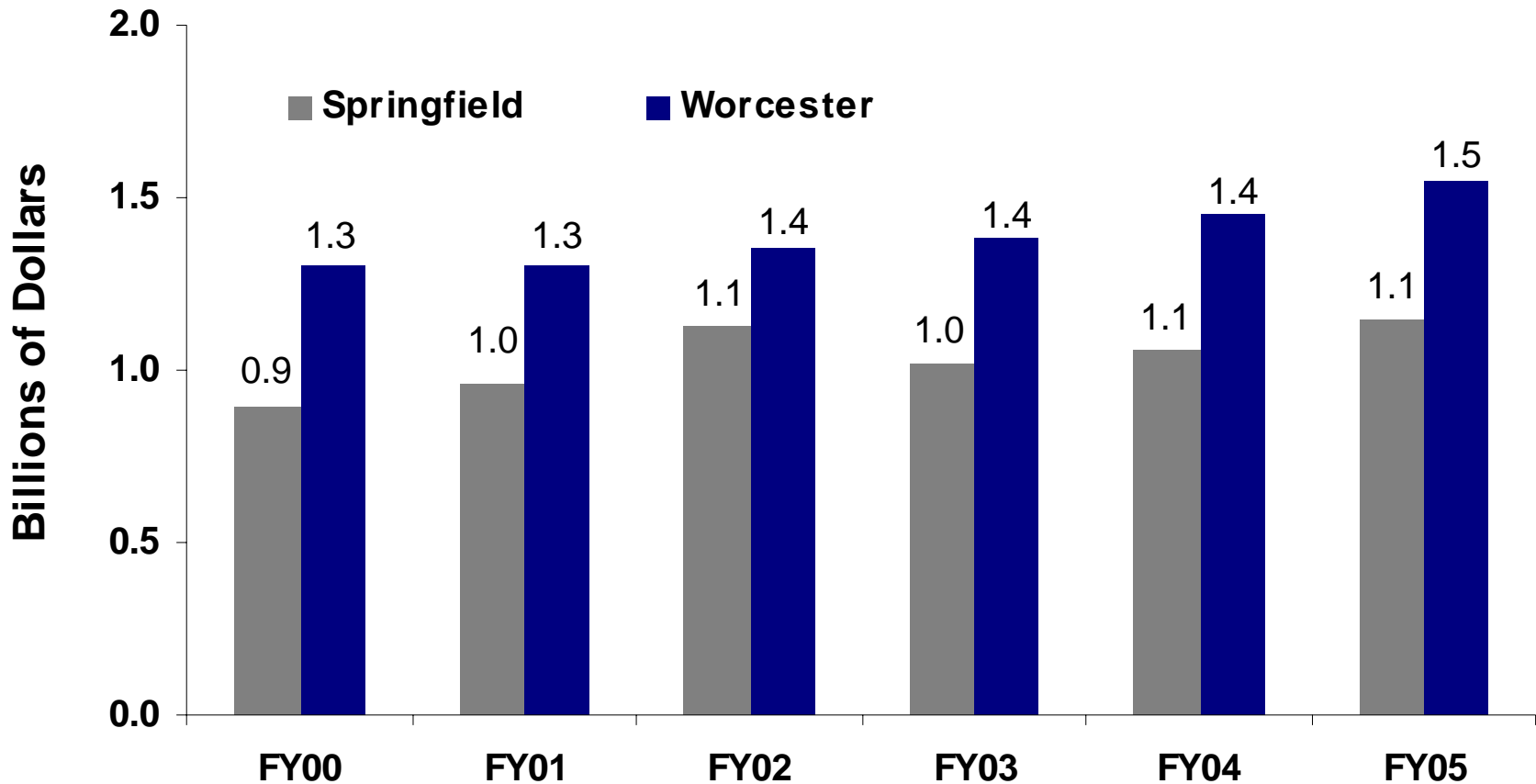
Source: Massachusetts Department of Revenue

Annual Growth in Residential Property Values



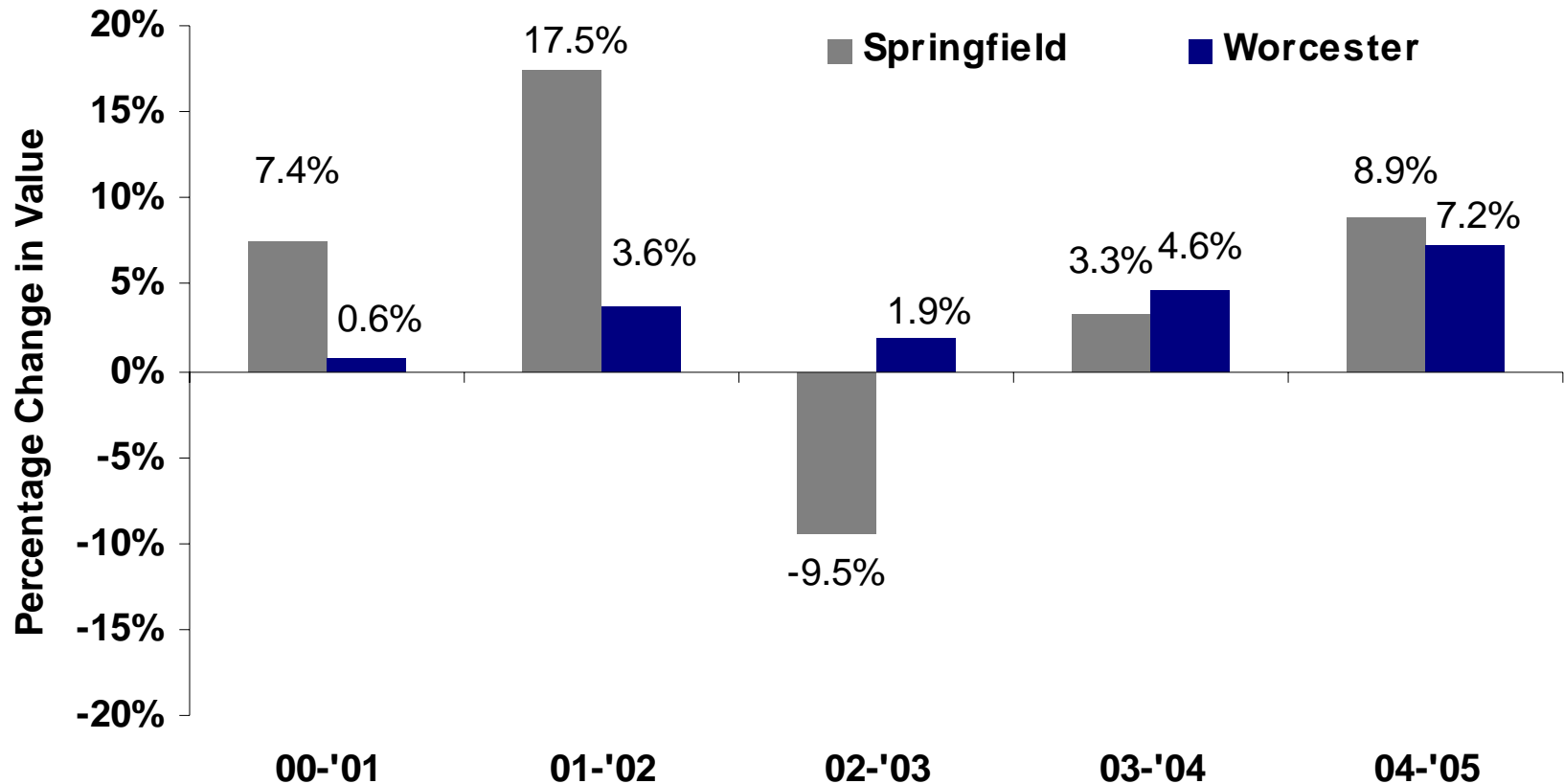
Source: Massachusetts Department of Revenue

Assessed Values (Commercial/Industrial)



Source: Massachusetts Department of Revenue

Annual Growth in Commercial & Industrial Property Values



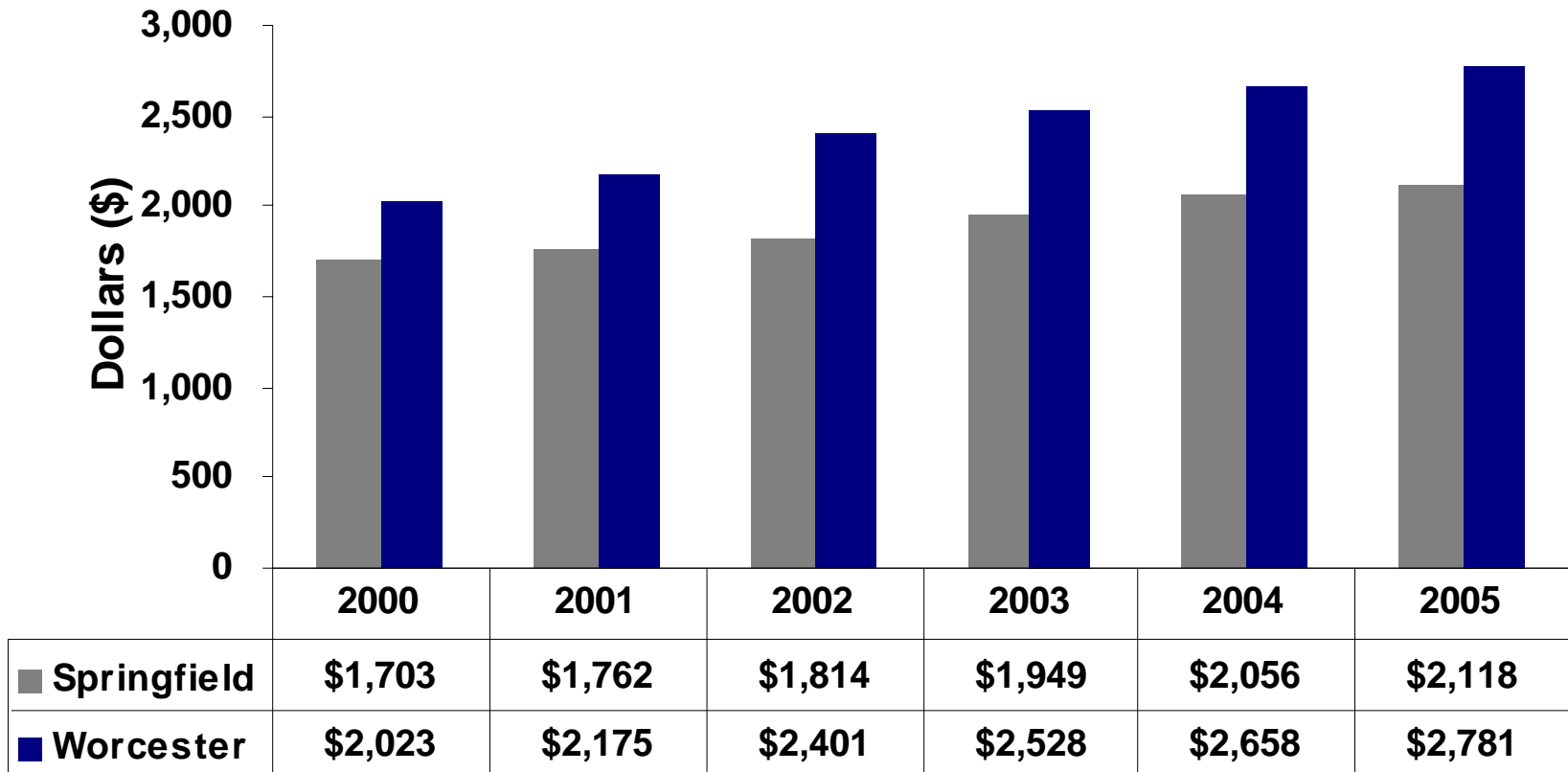
Source: Massachusetts Department of Revenue

Tax Rates and Tax Levies

	Springfield	Worcester
FY06 Residential Tax Rate	17.00	12.53
FY06 Commercial/Industrial Tax Rate	33.02	25.20
FY05 Total Tax Levy	131,027,439	163,384,130
FY05 Tax Levy- Residential	79,229,094	112,015,677
FY05 Tax Levy- Commercial/Industrial	38,310,307	42,776,940

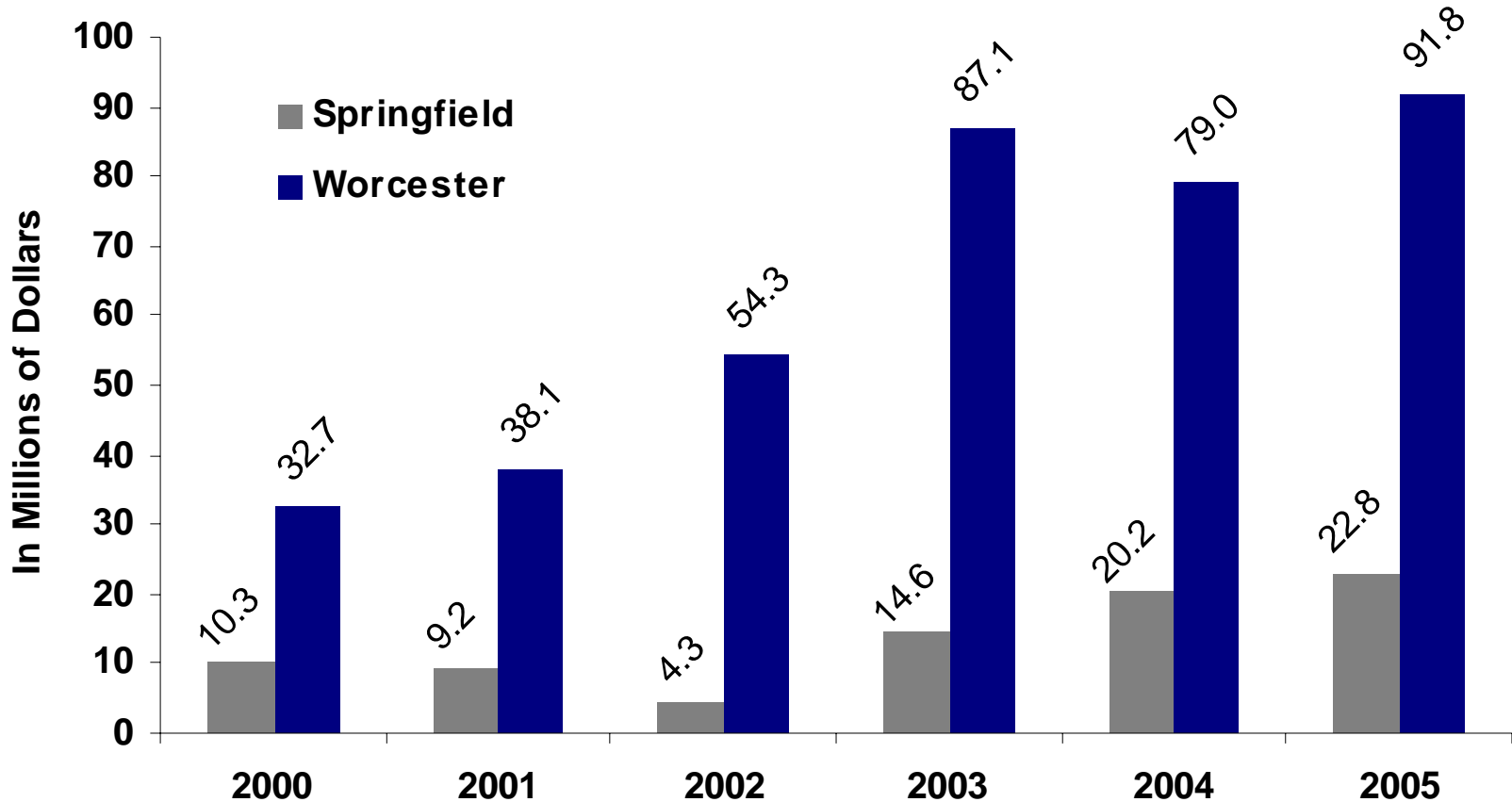
Source: Massachusetts Department of Revenue

Average Single Family Tax Bill



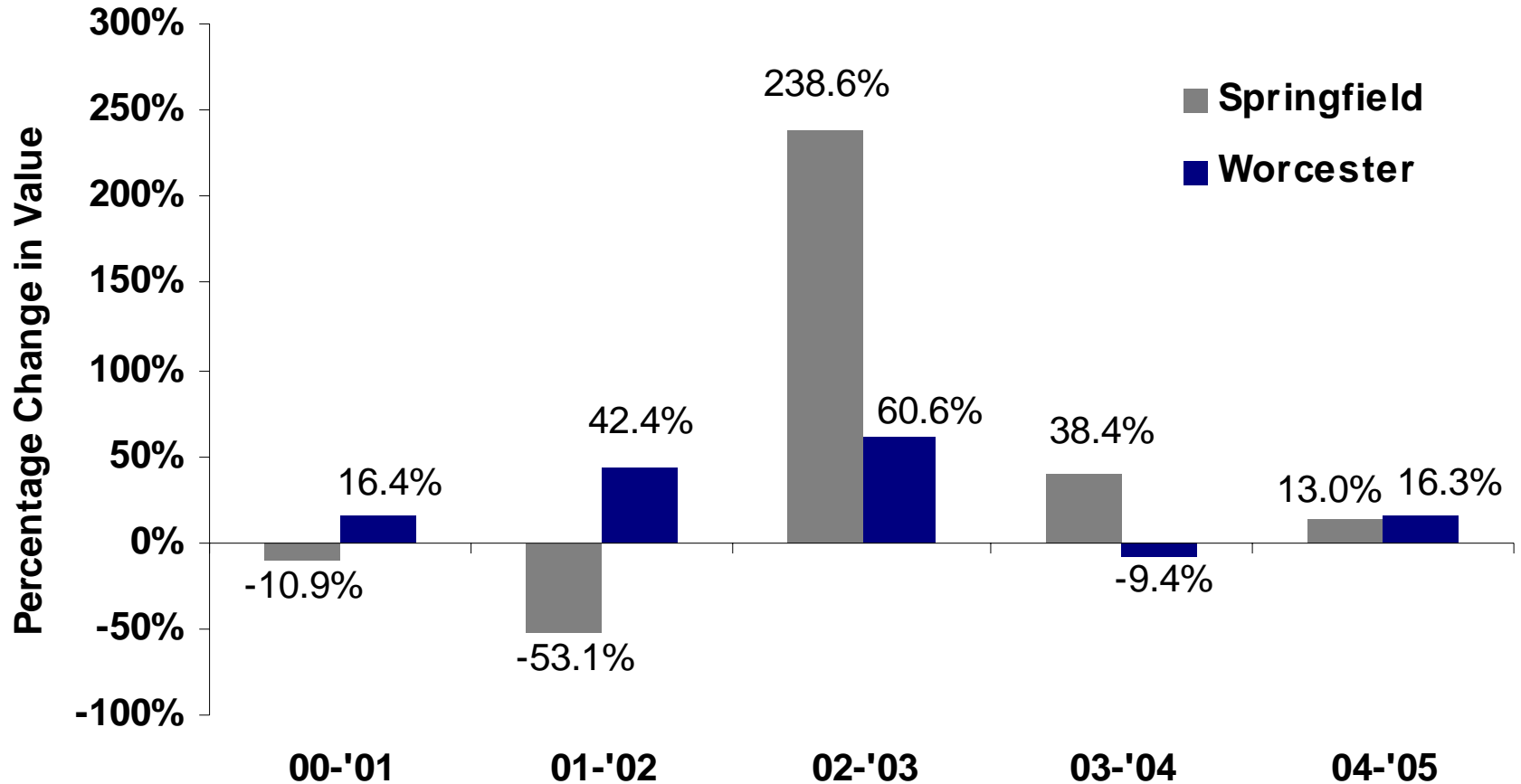
Source: Massachusetts Department of Revenue

Value of Residential New Growth



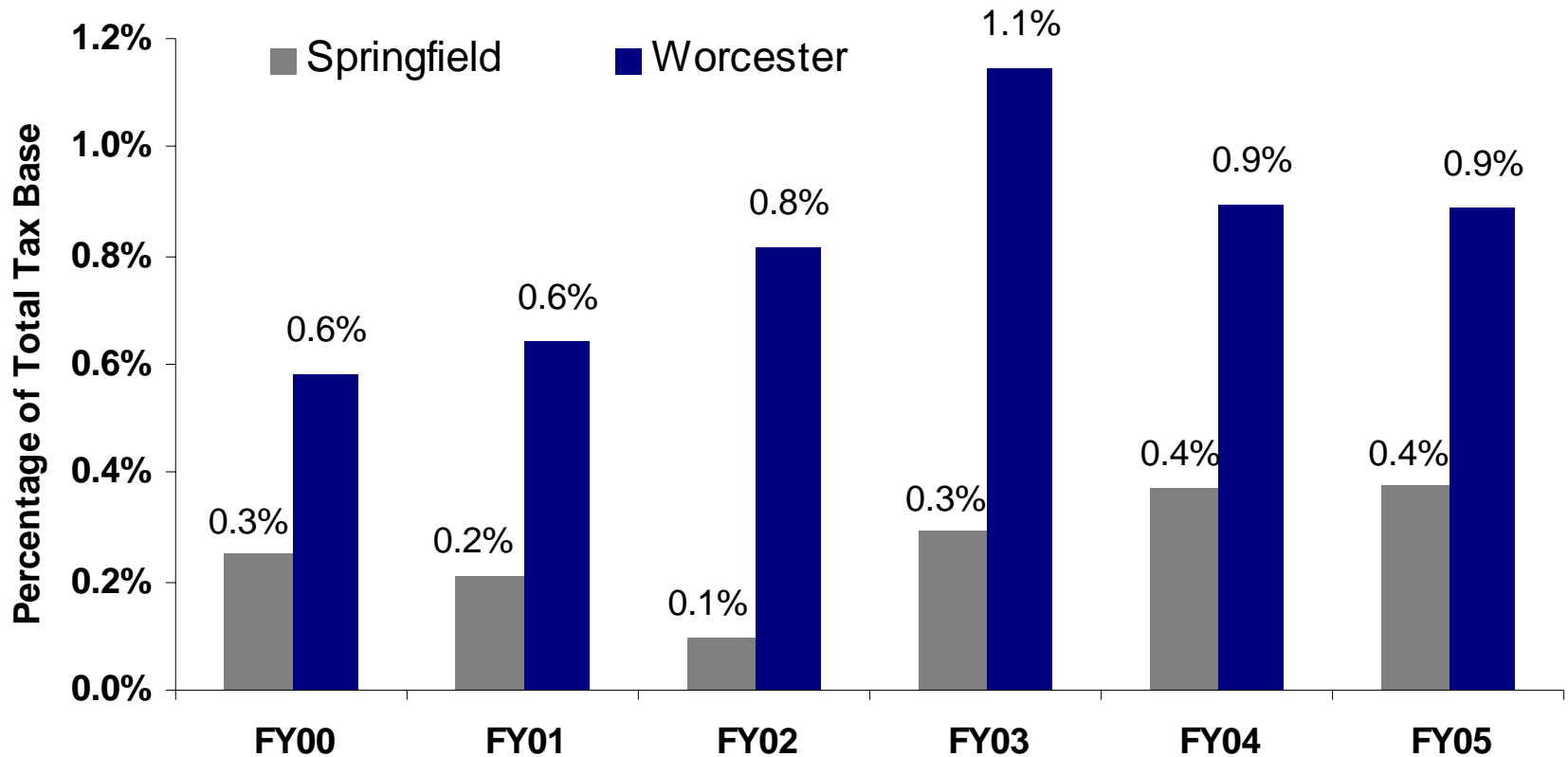
Source: Massachusetts Department of Revenue

Residential New Growth



Source: Massachusetts Department of Revenue

Value of Residential New Growth as a Percentage of Total Tax Base



Source: Massachusetts Department of Revenue

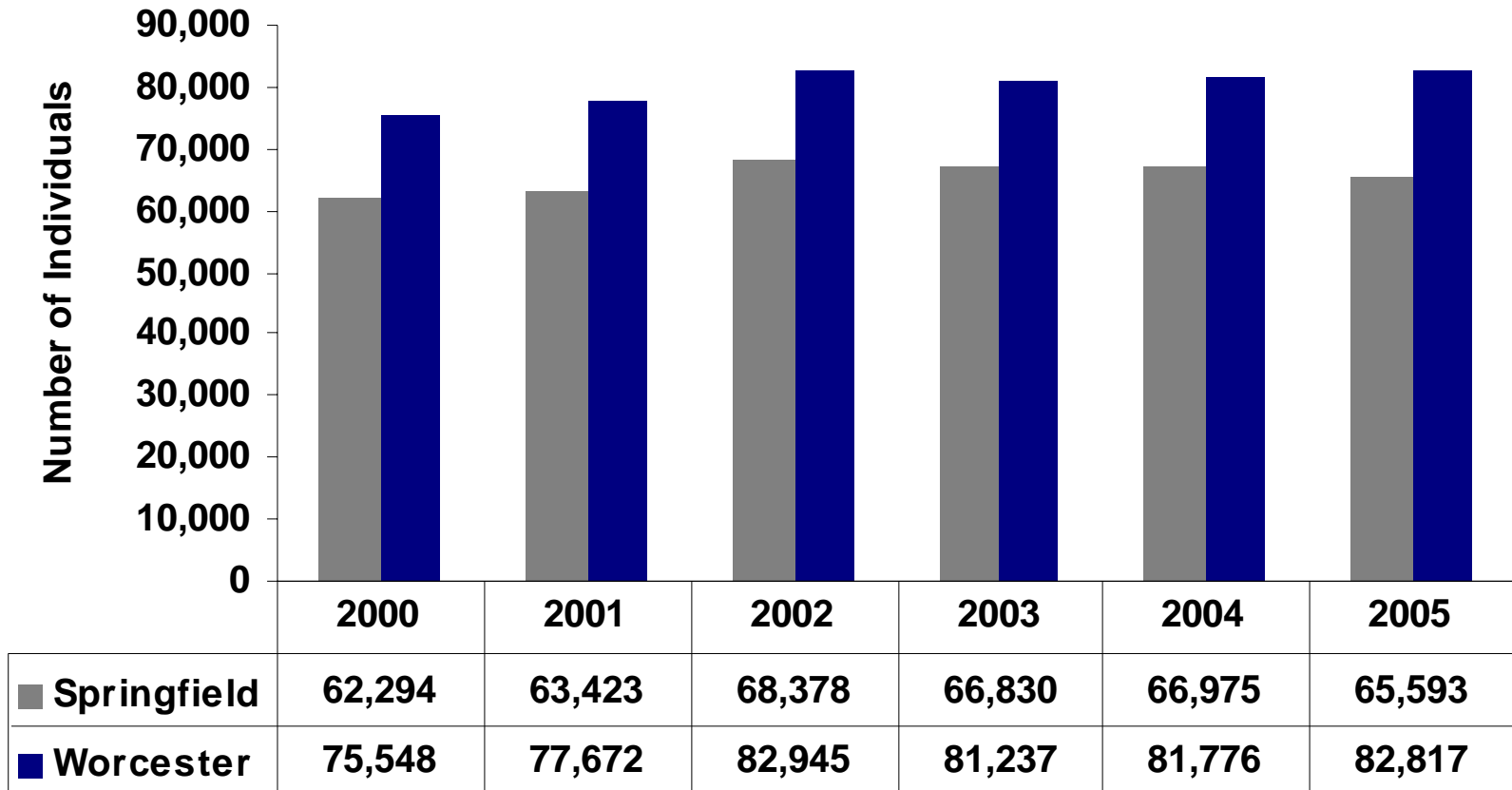
Property Values: Key Findings

- ❖ Between FY00 and FY05, total assessed values grew by about 85% in Worcester compared to 48% in Springfield.
- ❖ During the same period, residential values increased by 111% in Worcester vs. 52% in Springfield. Commercial/industrial values, on the other hand increased by 29% in Springfield and by only 19% in Worcester.

Property Values (cont.)

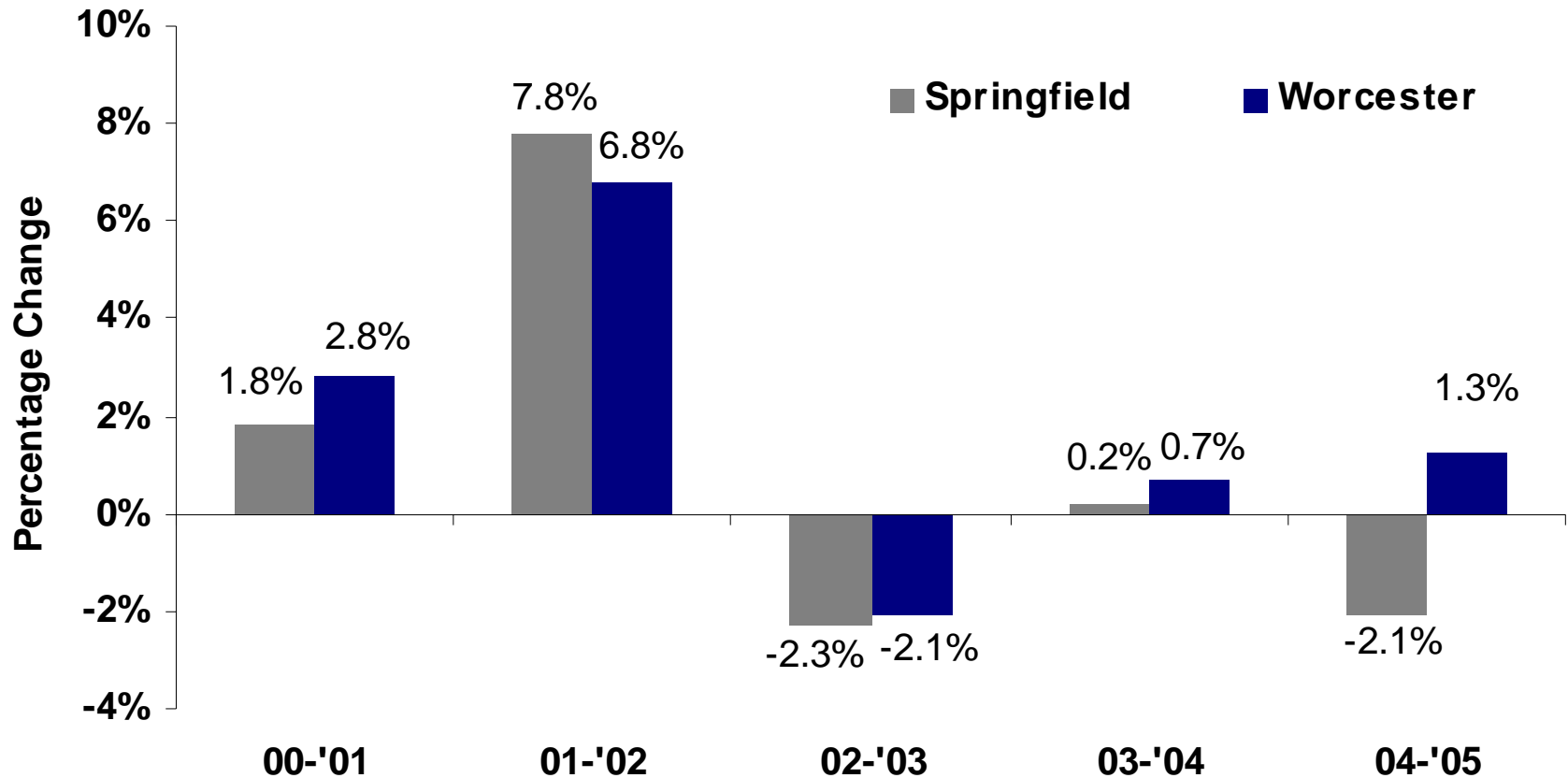
- ❖ Both Cities have dual tax rates, and Springfield's rates for both residential and commercial/industrial properties are substantially higher than Worcester's respective rates.
- ❖ In FY84, 35% of Worcester's total assessed value was from commercial/industrial property but by FY06, this proportion had declined to 18%.
- ❖ In FY84, 39% of Springfield's total assessed value was from commercial/industrial property but by FY06, this proportion had declined to 24%.

Labor Force



Source: Massachusetts Department of Workforce Development

Annual Labor Force Growth



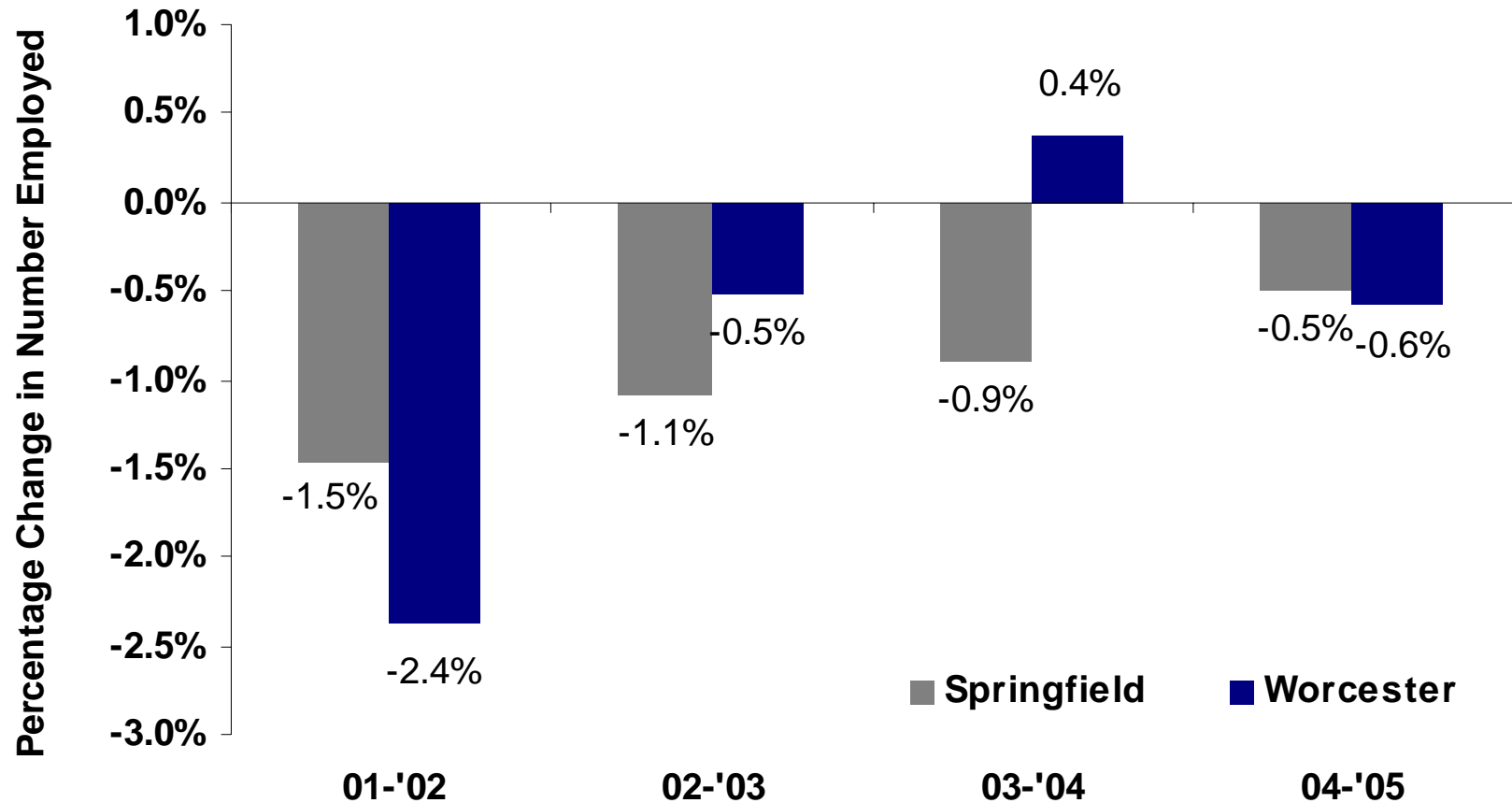
Source: Massachusetts Department of Workforce Development

Average Monthly Employment

	Springfield				Worcester			
	Average Monthly Employment	Average Weekly Wages	Average Monthly Employment	Average Weekly Wages	Average Monthly Employment	Average Weekly Wages	Average Monthly Employment	Average Weekly Wages
	2004		% Change 2001-2004		2004		% Change 2001-2004	
Total, All Industries	77,201	\$795	-3.4%	11.3%	98,434	\$777	-2.5%	7.2%
Construction	1,883	\$1,027	-18.4%	4.4%	3,749	\$925	-6.9%	-1.8%
Manufacturing	5,233	\$904	-18.9%	8.7%	8,463	\$981	-20.4%	12.8%
Trade, Transportation and Utilities	13,850	\$663	-7.5%	8.5%	13,595	\$627	1.1%	5.6%
Information	1,983	\$964	-13.7%	25.5%	1,589	\$920	-11.5%	5.9%
Financial Activities	8,071	\$1,369	-7.1%	22.6%	7,269	\$1,153	-9.1%	10.0%
Professional and Business Services	6,354	\$812	-18.1%	18.5%	11,360	\$766	-11.0%	1.7%
Education and Health Services	26,274	\$799	6.1%	14.0%	37,272	\$815	3.0%	13.0%
Leisure and Hospitality	5,599	\$275	4.7%	-3.8%	7,498	\$297	11.7%	2.1%
Other Services	5,069	\$397	27.3%	1.5%	4,567	\$437	11.2%	4.8%
Public Administration	2,885	\$1,007	-14.2%	11.6%	3,044	\$988	-7.3%	11.3%

Source: Massachusetts Department of Workforce Development

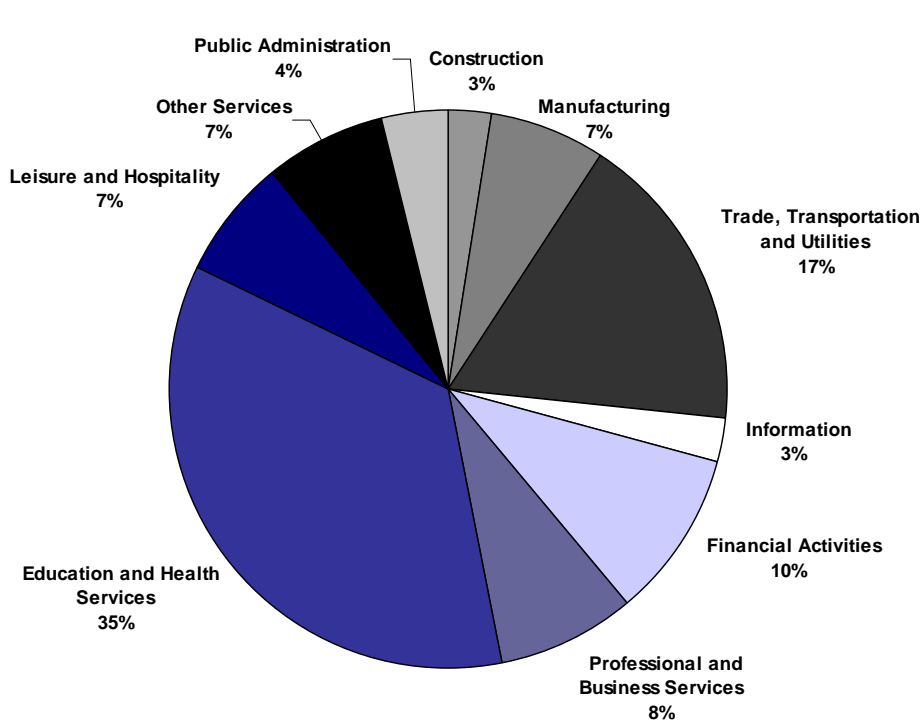
Change in Average Monthly Employment



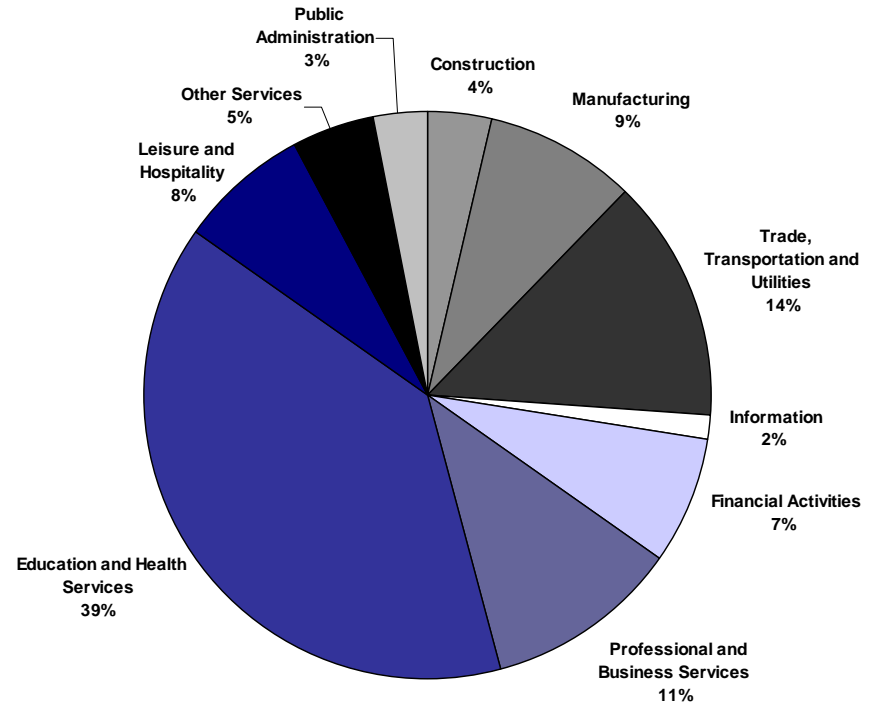
Source: Massachusetts Department of Workforce Development

Employment by Industry

Springfield

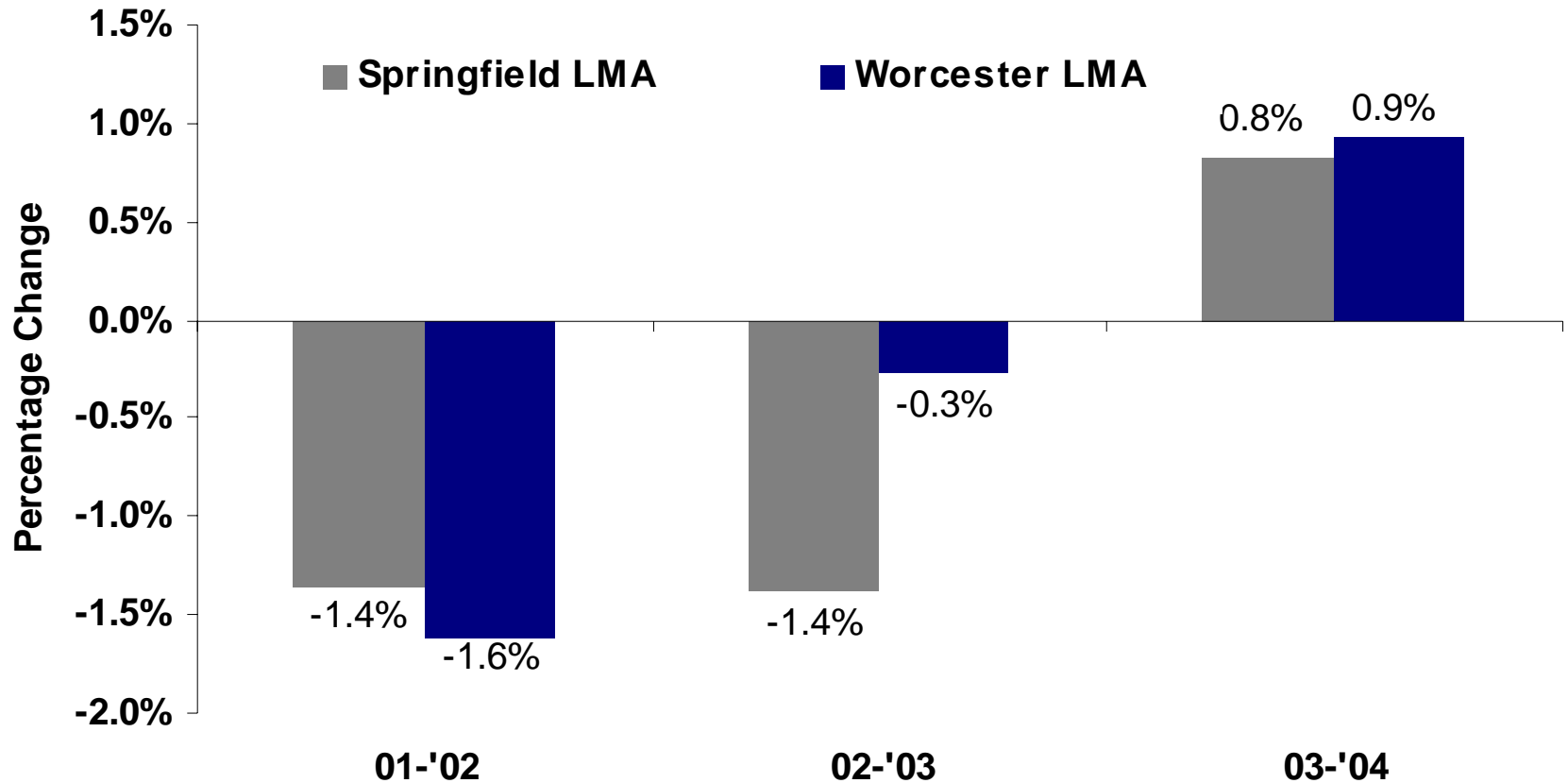


Worcester



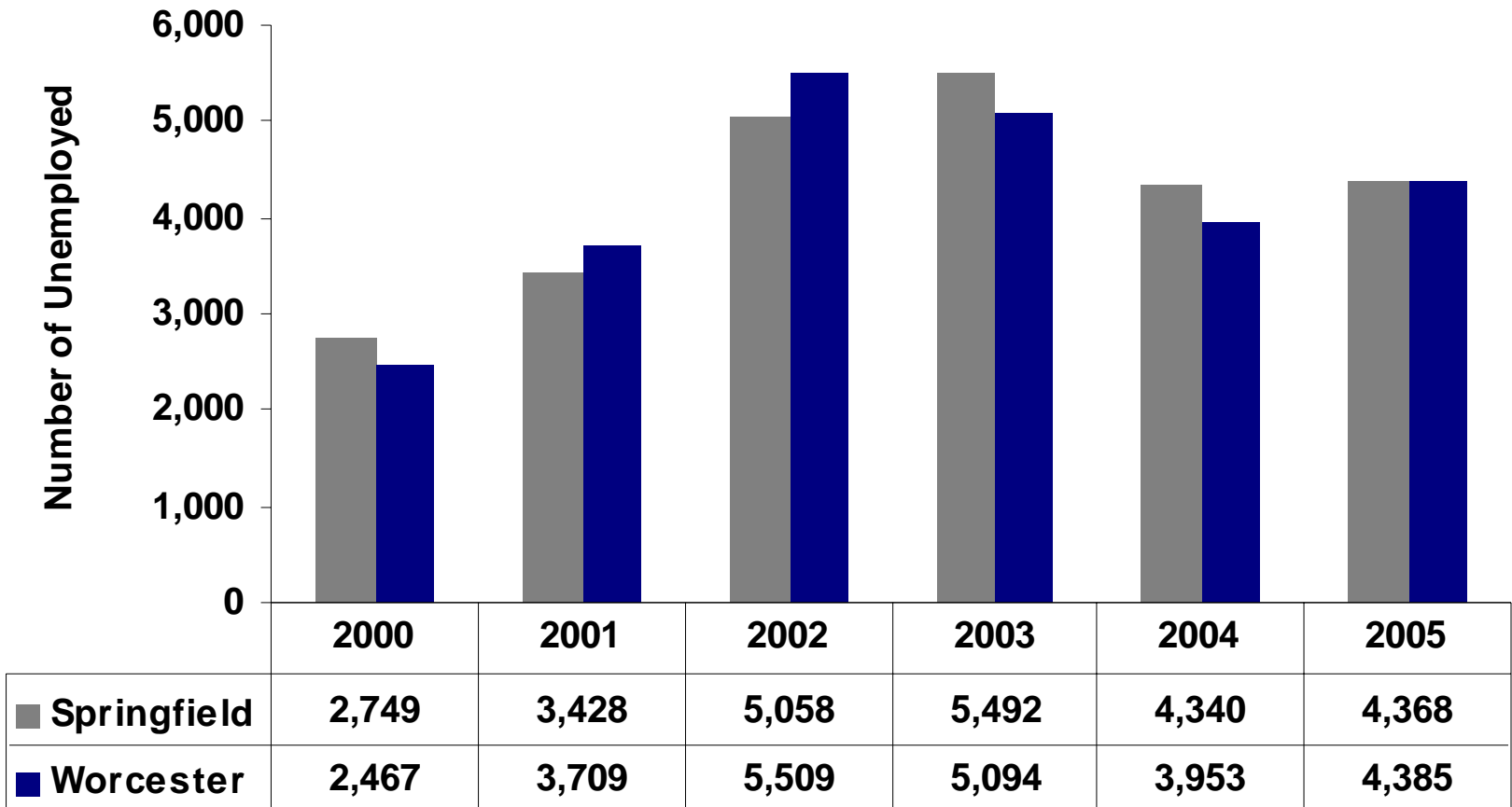
Source: Massachusetts Department of Workforce Development

Employment in the Labor Market Area (LMA)



Source: Massachusetts Department of Workforce Development

Average Monthly Unemployed



Source: Massachusetts Department of Workforce Development

Labor and Employment: Key Findings

- ❖ Education and health services represent the largest employment sectors in both Springfield (34%) and Worcester (38%).
- ❖ From 2000 to 2005, Worcester's labor force grew by about 10% while the labor force in Springfield grew by 5%.
- ❖ Springfield continues to lose jobs, with a net loss totaling about 3,100 jobs since 2001.
- ❖ In 2005, Worcester also had about 3,100 fewer jobs than in 2001, although Worcester has experienced job growth in each of the past two years.

Median Sales Price, Existing Single Family Homes

	Metropolitan Area	
	Springfield, MA	Worcester, MA
2001	\$127,400	\$152,600
2002	\$139,800	\$225,600
2003	\$162,300	\$252,600
2004	\$180,300	\$275,900
2005	\$201,800	\$290,700
% Change 2001-2005	58.4%	90.5%

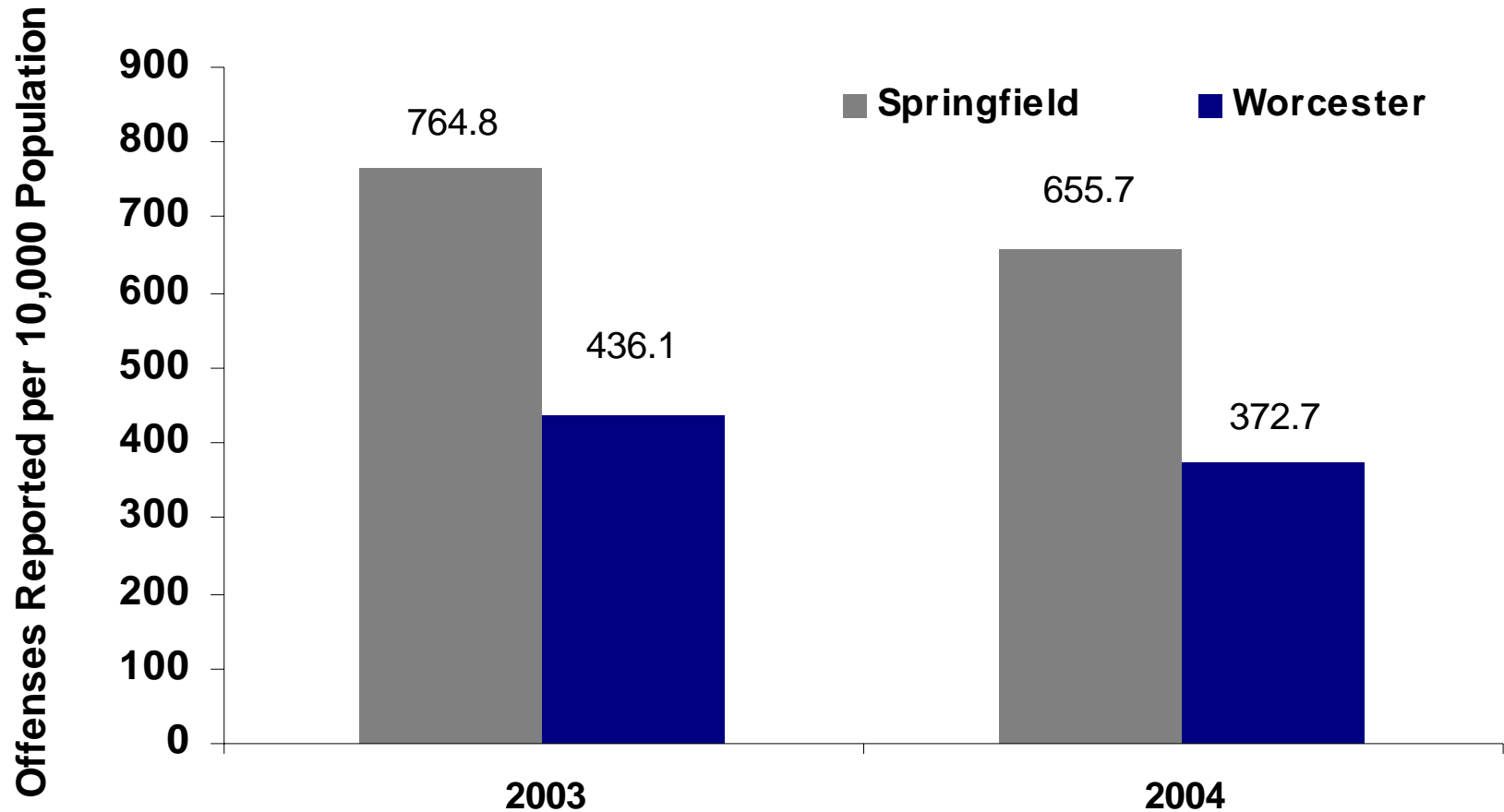
2005 data are preliminary

Source: National Association of Realtors

Housing Prices

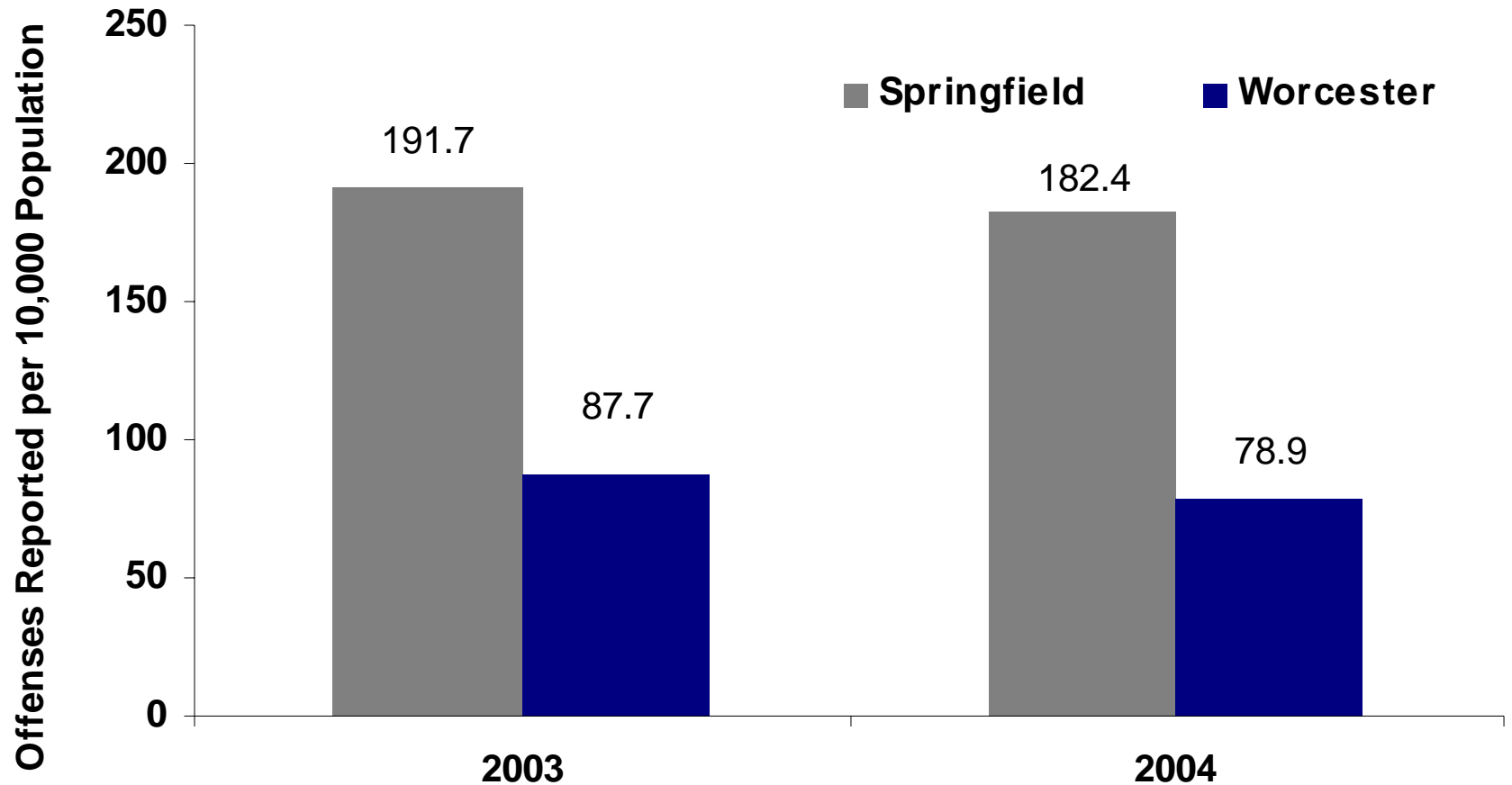
- ❖ In 2005, the median sales price of existing single family homes in the Worcester metro area was almost \$89,000 (44%) higher than in the Springfield metro area.
- ❖ The Worcester area has seen a much greater increase in the median sales prices (+90.5%) since 2001 compared to Springfield (+58.4%).

Reported Property Crime



Source: FBI Uniform Crime Reports

Reported Violent Crime



Source: FBI Uniform Crime Reports

Ridership of Commuter Rail

- ❖ Between July 2003 and April 2006, an average of 944 passengers boarded the Worcester/Framingham line in Worcester each weekday.
- ❖ In April 2006 about 320 passengers boarded in Worcester on Saturdays and 299 boarded in Worcester on Sundays.

Source: Massachusetts Bay Commuter Railroad

Observations

A Tale of Two Cities...

- ❖ Worcester has experienced higher levels of growth on a number of factors examined
- ❖ While the data describe *what is*, they do not explain how we got here
- ❖ The questions policy makers need to answer are *why?* and *what do we do about it?*

Location, Location, Location

- ❖ Worcester is undoubtedly benefiting from its proximity to Boston
 - “Drive until you qualify”
 - State’s major employment center remains to the East
 - Commuter rail and other infrastructure improvements (e.g., 146 connector) have improved accessibility to jobs and made area more attractive to employers

Financial Stability

- ❖ June 30, 2004 – Finance Control Board took charge of Springfield
- ❖ Moody's Bond Rating (May 2005)
 - Worcester: A3
 - Springfield: Baa3
- ❖ A higher proportion of Springfield's revenues are derived from State Aid

Control Costs

- ❖ The City of Springfield has almost 24,000 fewer residents than Worcester and is comparable in geographic size, but its municipal expenditures were almost \$7.9 million **greater** than Worcester's in FY05
- ❖ Worcester's City Manager is determined to keep yearly spending increases to 3-4% not to exceed yearly increases in revenues
 - Committed to reducing burden of municipal employee health insurance costs; most unions agreeing to higher employee contribution rates

Economic Development in Worcester

- ❖ A number of significant economic development projects (leveraging public and private funds) are underway or near completion which are expected to increase the tax base and generate new jobs
 - \$180m Courthouse
 - \$25m 200-room hotel
 - \$90m Vocational High School
 - \$35m Gateway Park
 - \$563m City Square

Regional Strengths

- ❖ Both regions are strong in the “knowledge creation” industry
 - Efforts to retain and capitalize on this sector
- ❖ Access to major transportation routes
- ❖ Housing costs are relatively affordable
 - Supply vs. Demand

Final Thoughts

The relative economic health of Worcester compared to Springfield can be attributed largely to its growth in residential property values. Worcester seems to have benefited from its location in an area where demand for housing outstripped supply, driving prices higher and encouraging workers to seek more affordable housing in the Worcester market. Commuter rail added to the attractiveness of the Worcester housing market. The shift in the composition of Worcester's assessed value during the last two decades from 65% to 82% residential values indicates that Worcester has become a bedroom community for metro Boston.