



The Research Bureau

# Benchmarking Economic Development in Worcester: 2010

Report 10-06

November 29, 2010

## *MassDevelopment and The Research Bureau: Promoting Economic Development*

Statewide organizations must love all of the 351 cities and towns of the Commonwealth equally. But everyone has favorites, and once again in 2010 MassDevelopment staff worked to support the arts, brownfields redevelopment, and housing in Worcester.

Space prohibits a complete recap of our agency's annual activities in the second-largest city in Massachusetts, so I will instead highlight a few particularly prominent public appearances. The diversity of these efforts demonstrates the breadth of what Worcester has to offer as well as the programs that MassDevelopment utilizes to make places like this one better environments in which to work and to live.

On a warm and sunny May afternoon, I helped to celebrate the ceremonial reopening of the American Antiquarian Society. The Society used two grants totaling \$299,000 from the Massachusetts Cultural Facilities Fund to renovate the Regent Street residence to provide housing for visiting scholars.

Along with the Massachusetts Cultural Council, MassDevelopment administers the Cultural Facilities Fund, which since its inception has also backed improvements to the EcoTarium, Hanover Theatre for the Performing Arts, John Woodman Higgins Armory Museum, Massachusetts Symphony Orchestra, Worcester Art Museum, and Worcester Historical Museum.

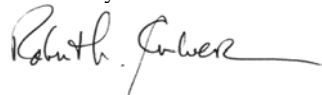
In June, MassDevelopment Executive Vice President for Finance Programs Laura Canter participated in a seminar entitled "Sustainable Opportunities in Worcester: Sowing the Seeds of Brownfields Redevelopment." MassDevelopment runs the Commonwealth's Brownfields Redevelopment Fund, and Worcester serves as a Massachusetts model for transforming environmentally challenging sites into cleaned properties that make a positive difference for city life.

For example, the 12-acre mixed-use Gateway Park has received \$700,000 from the Fund. With hundreds of jobs already at the life sciences and biotech destination and hundreds more slated to come, Gateway Park represents an example of the Brownfields Fund at its economic best.

In September, MassDevelopment Vice President for Community Development (and Worcester resident) Shyla Matthews spoke at a press conference commemorating the cleanup and demolition of part of the former Worcester Vocational High School, which will become market-rate housing. Funds for the project will come from three grants, one each from MassDevelopment and our partners at the U.S. Environmental Protection Agency and the Worcester Business Development Corporation.

MassDevelopment hopes that these and other efforts have helped and will help to improve the quality of life in Worcester. On behalf of the MassDevelopment staff based here - Roy Angel, Kelly Arvidson, Shyla Matthews, and Bob Seega - as well as our entire team in the Commonwealth, I commend the Worcester Regional Research Bureau for the incisiveness and quality of its work, which has done so much to focus our efforts as well as those of other like-minded individuals and organizations who will continue to work together on behalf of this great city and its wonderful people.

Sincerely,



Robert L. Culver  
President & CEO

*Dear Citizen,*

*This is the tenth annual Benchmarking Economic Development in Worcester report prepared by The Research Bureau. The report examines trend data for a variety of economic indicators in Worcester, including the City's tax base, tax rates, new construction growth, employment trends, office occupancy rates, and the number of vacant and abandoned properties.*

*We wish to thank MassDevelopment for its sponsorship of this report. We hope that this report will encourage widespread discussion about Worcester's economic future, serve as a basis for sound priority-setting and decision-making, and promote performance measurement and management practices at the municipal level.*

Sincerely,

A handwritten signature in black ink, appearing to be 'Sandra Dunn', with a long horizontal line extending to the right.

Sandra Dunn, Chairman of the Board

A handwritten signature in black ink, appearing to be 'Roberta R. Schaefer', written in a cursive style.

Roberta R. Schaefer, Ph.D., President & CEO

A handwritten signature in black ink, appearing to be 'Laura M. Swanson', written in a cursive style.

Laura M. Swanson, Project Manager

## INDICATOR 1: TAX BASE

### Why is it important?

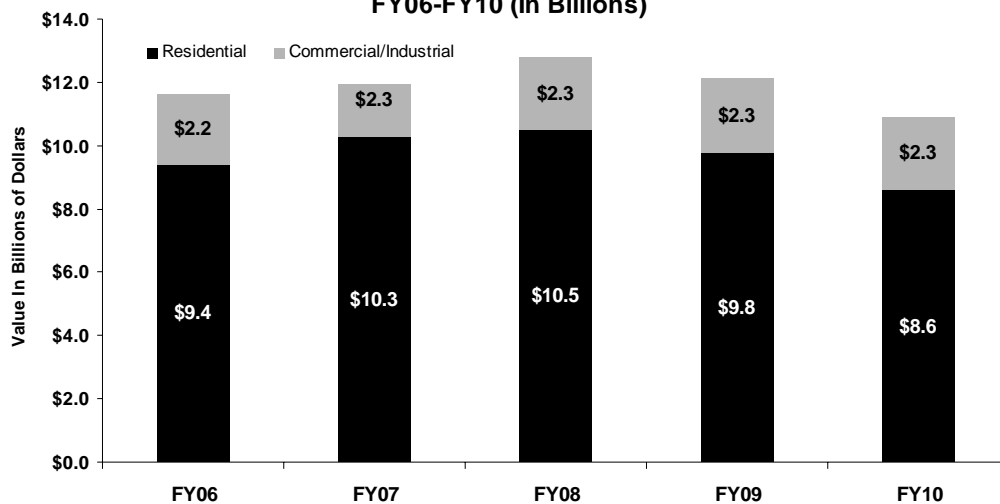
The tax base is the total assessed value of property within a city or town that is subject to local taxation. A municipality sets tax rates according to its annual revenue requirements and the value of all property assessments within its jurisdiction. The tax base is important because local governments are heavily reliant upon property taxes to fund municipal services such as public safety, public education, public libraries, and street and sidewalk maintenance.<sup>1</sup> Massachusetts' 351 cities and towns received an average of 55% of their total revenue from property taxes in FY10.<sup>2</sup> The widespread dependence on the property tax to fund municipal services has increased public concern about how- and how fairly- the tax burden is distributed between property-type owners (i.e., commercial-industrial and residential property owners). A tax base that is weighted heavily in the direction of one property type or the other is particularly vulnerable to changes in

economic circumstances. In particular, if the composition of a community's tax base shifts heavily towards residential property, homeowners will be faced with higher tax bills in order to make up for tax revenues once generated by commercial-industrial properties.

### How does Worcester Perform?

Worcester's total taxable property value of \$10.9 billion in FY10 was \$1.2 billion (10%) less than the FY09 value (\$12.1 billion). **Chart 1.1** examines changes in the total value and composition of Worcester's tax base between FY06 and FY10. After previous years in which the tax base grew, FY09 represents the first year during this period in which the value has dropped. FY10's total value was the lowest it has been since FY05 (\$10.4 billion). Growth had been more modest from FY07 to FY08, with just a 1.3% increase in value, compared to a 17.5% increase between FY04-FY05. The drop has been primarily in residential property values; the value of

**Chart 1.1: Total Assessed Value of all Properties in Worcester, FY06-FY10 (In Billions)**



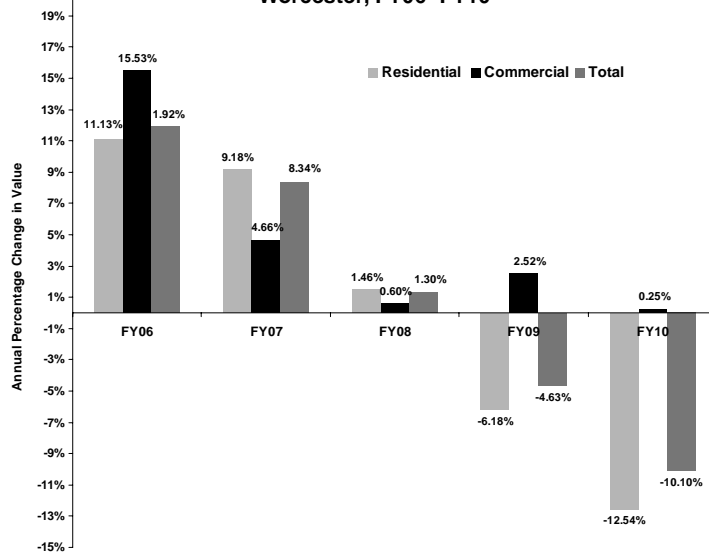
commercial/industrial property has increased by 8% over the past five years (\$2.15 billion in FY06 compared to \$2.33 billion in FY10).

The tax base will expand or decline due to two main factors: changes in market values of existing properties and value added as a result of new construction (discussed further in **Indicator 3: Private Investment**).

**Chart 1.2** shows that the rate of growth in total property value has been steadily decreasing since FY06. FY10 was the second year in which there was a decline in residential values (12.5%, leading to a 10% decline for all property), while commercial/industrial values increased slightly by .25% over the previous year.

From FY05 to FY08, Worcester’s commercial-industrial property value hovered around 18% of the total value of property in the City, with residential value as a percentage of total value remaining around 82% (see **Chart 1.3**).<sup>3</sup> Although in FY09 and FY10 total assessed value decreased from the previous year’s total, it was residential properties that experienced the decrease in value. This resulted in commercial-industrial properties accounting for 21% of the City’s total valuation in FY10. Due to further decreases in residential property values and a slight increase in commercial/industrial property in

**Chart 1.2: Annual Growth in Property Values, City of Worcester, FY06- FY10**

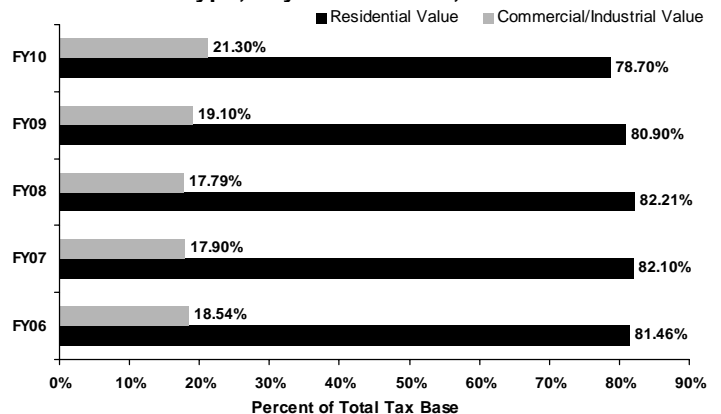


Source: Department of Revenue, Division of Local Services

FY10, residential property now accounts for 78.7% of the City’s total valuation.

**Table 1.1** compares Worcester’s FY10 tax base and its rate of increase since FY06 with those of several other cities in Massachusetts. In the recent past, the rate of growth of residential values far exceeded the growth of commercial-industrial values. However, for FY10, the opposite was the case; these cities all experienced higher rates of growth in commercial and industrial value over a five-year period.

**Chart 1.3: Distribution of Assessed Valued by Property Type, City of Worcester, FY06-10**



Source: Massachusetts Department of Revenue, Division of Local Services

**Table 1.1: Assessed Values in Competitive Massachusetts Cities FY10**

*In thousands of dollars*

	Residential	% Change FY06-FY10	Commercial/Industrial	% Change FY06-FY10	Total	% Change FY06-FY10
Worcester	\$8,585,028	-9.1%	\$2,326,914	8.2%	\$10,911,942	-5.9%
Boston	\$56,279,025	11.0%	\$30,977,507	28.8%	\$87,256,532	16.7%
Cambridge	\$14,894,313	6.7%	\$9,377,388	18.9%	\$24,271,701	11.1%
Lowell	\$5,300,037	-10.2%	\$1,090,636	21.5%	\$6,390,673	-6.0%
Somerville	\$7,017,857	2.1%	\$1,243,423	21.6%	\$8,261,280	4.6%
Springfield	\$5,252,154	4.7%	\$1,742,665	8.1%	\$6,994,819	5.5%

*Source: Massachusetts Department of Revenue, Division of Local Services*

In addition to property that is eligible for taxation, the City of Worcester contains a significant amount of property that is tax-exempt, including colleges and universities, churches, government buildings, and other nonprofit organizations. As shown in **Chart 1.4**, in FY10, about \$3 billion in property value was tax-exempt. The value of tax-exempt property as a percentage of total value has increased slightly over the past five years, from 19.1% in FY05 to 21.5% in FY10. **Chart 1.5** shows the distribution of taxable and tax-exempt property for Worcester and other cities in Massachusetts.

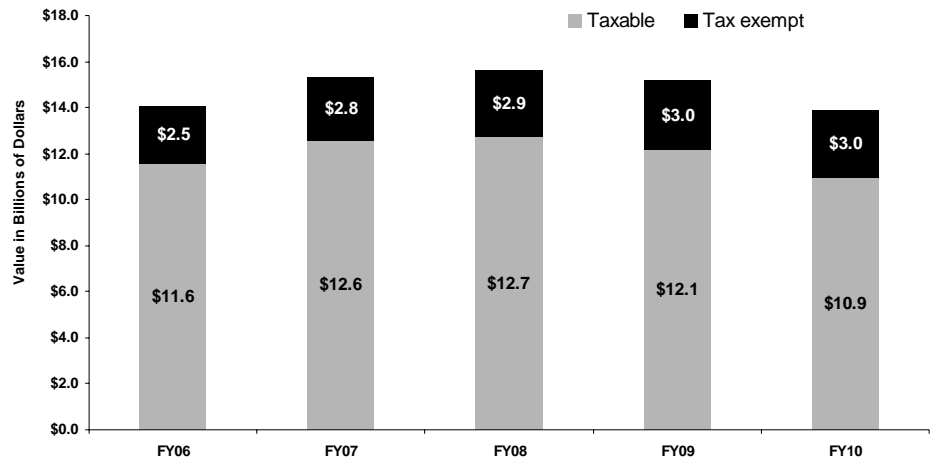
education, than most communities in the Commonwealth. As previously stated, General Fund expenditures include the major services that municipal governments provide to their citizens. A sound tax base is critical to a government’s ability to fund the services its citizens desire and expect, and a weakening tax base may force municipal leaders to cut municipal services or increase property taxes.<sup>5</sup>

The recession and the slowdown in the housing market have adversely affected growth in property values. Meanwhile, the City, like many communities across the Commonwealth, continues to experience significant fiscal pressure as growth in expenditures, primarily

**What does this mean for Worcester?**

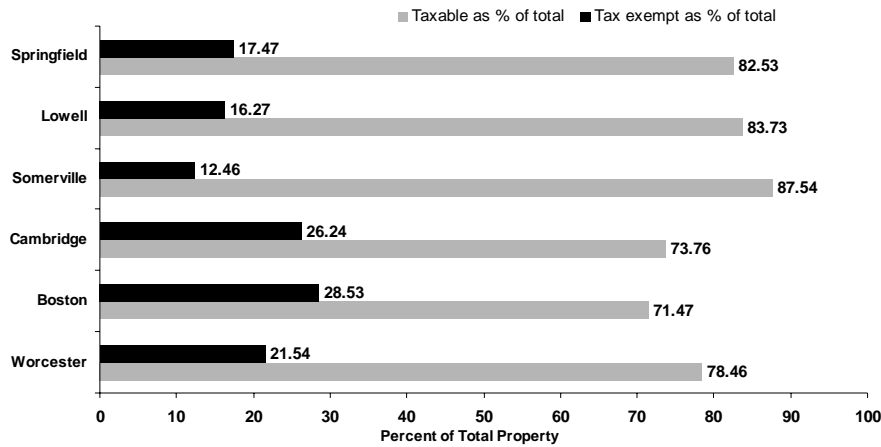
In FY10, about 37% of Worcester’s General Fund revenue was derived from local property taxes, compared to the statewide average of 55%.<sup>4</sup> This means that Worcester is much more dependent on local aid from the State to fund its municipal services, especially public

**Chart 1.4: Taxable and Tax-Exempt Property in Worcester, FY06-FY10 (In Billions)**



*Source: Massachusetts Department of Revenue, Division of Local Services*

Chart 1.5: Distribution of Taxable and Tax-Exempt Property in Selected Massachusetts Cities, FY10



Source: Massachusetts Department of Revenue, Division of Local Services

salaries and benefits, such as health insurance and pensions, regularly outpaces revenue growth. While it is important to expand the City's tax base to build the revenue side of the equation, public officials must also continually seek to identify opportunities to reduce the expense side (as the Worcester City Council did in 2007 with the adoption of Chapter 32B Section 18 of Massachusetts General Laws, which allows municipalities to require Medicare-eligible retirees age 65 and older to enroll in a Medicare health insurance plan, resulting in significant savings to taxpayers). They must also consider cost savings which could result from divesting the City of real estate management responsibilities that require taxpayer subsidies but are unrelated to its core mission.<sup>6</sup>

As noted above, currently almost 80% of the City's tax base is derived from residential property values. Although

the gap between growth in residential and commercial-industrial values has lessened with the cooling-off of the housing market, this will do little to alleviate the burden on residential property owners. Expanding the commercial-industrial tax base is the solution to easing that burden. One way, as outlined within

H. 2702, "An act to promote economic development in gateway cities," is the creation of new tools for Worcester and the other Gateway Cities (former industrial cities). These tools include an array of new tax incentives and grants related to historic preservation, market-rate housing construction, and job creation. While this legislation will expire at the end of this year, it is imperative that the Commonwealth continues to work toward the creation of a set of incentives that supports redevelopment and revitalization of our urban centers beyond the existing property tax-based programs. This could be helpful to "knowledge sector" businesses that just need office space, for which existing tax incentives for capital improvements such as the Tax-Increment Financing ("TIF") and District Improvement Financing ("DIF") programs, hold no appeal.

## INDICATOR 2: COMMERCIAL/INDUSTRIAL AND RESIDENTIAL TAX RATES

### **Why is it important?**

The **tax rate** is the amount a property owner pays per \$1,000 of assessed property value. For example, in FY10, Worcester's commercial/industrial tax rate was \$33.28; hence taxes on a commercial or industrial property with an assessed value of \$1 million would total \$33,280. The tax rate is determined by dividing the dollar amount required for the taxing district (equal to the amount of the General Fund budget) by the total tax base within the district.

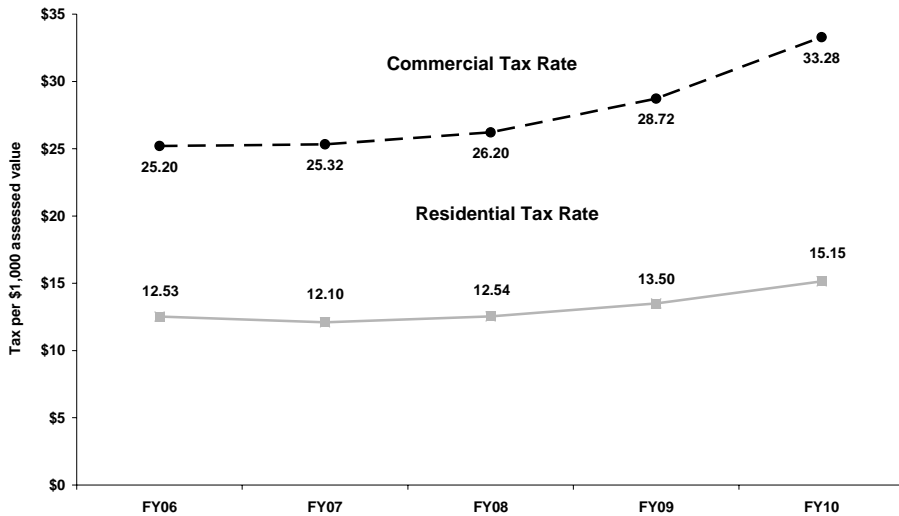
**Tax levy** is the amount of money raised annually through property taxes to support municipal operations. The amount of municipal spending and the availability of other revenues affect the total tax levy that must be collected. Tax rates vary from community to community depending on the level and variety of services provided and the total assessed value. Cities tend to have higher tax rates than towns because towns generally have lower infrastructure costs and provide fewer services to their residents. The size and composition of the tax base (discussed in **Indicator 1**) determine the tax levy's distribution among all property owners.

Property taxes are one of many factors that influence decisions about where to live or conduct business. Individuals are often concerned about the quality of

schools, housing costs, neighborhood safety, and the availability of jobs in addition to tax rates. Businesses are typically interested in the skill level of the local labor force, wage rates, energy costs, housing costs, infrastructure, availability of office space or land ready for immediate development, and the degree to which municipal officials are perceived as partners in economic development. But tax rates are still an important consideration in business siting decisions. Professionals in the field of tax consulting and site selection indicate the importance of tax considerations such as tax increment financing (TIF) on location decisions. In Massachusetts, the TIF program enables municipalities to grant tax abatements to firms which promise to create jobs and invest in a facility. (The TIF also enables a business to secure a State investment tax credit of up to 10%, which is an additional attractive feature of the program.) In 2003, the State also created the District Improvement Financing Program (DIF), under which a municipality borrows for public infrastructure improvements in support of private development with tax revenues that will be generated from a DIF District.<sup>7</sup>

### **How does Worcester perform?**

Chart 2.1: Worcester's Commercial and Residential Tax Rates, FY06-FY10



Source: Massachusetts Department of Revenue, Division of Local Services

of assessed value to \$33.28 in FY10. The residential rate has been experiencing smaller increases since FY07, from \$12.10 per \$1,000 of assessed value in FY07 to \$15.15 in FY10.

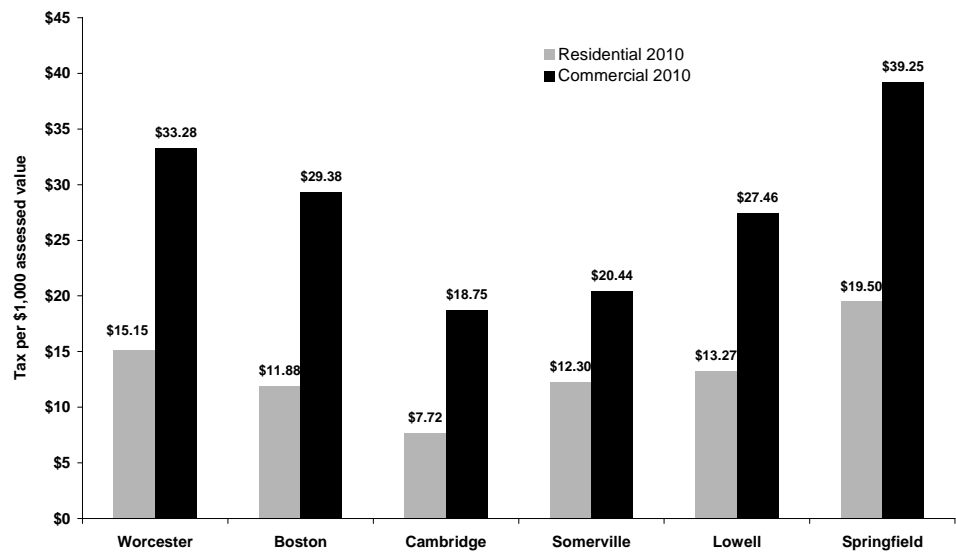
The City is experiencing increases in the residential tax rate as growth in residential property values has

Under Massachusetts General Laws Chapter 59, cities and towns may choose to adopt dual property tax classification, which allows different classes of property (residential and commercial/industrial) to be taxed at different rates.<sup>8</sup> The City of Worcester adopted dual classification in FY84. In almost every case, dual classification shifts the tax burden from residential property owners to commercial and industrial property owners.<sup>9</sup>

slowed significantly and even decreased during FY09 and FY10 (as discussed in **Indicator 1: Tax Base**). According to the Massachusetts Department of Revenue, while the average value of a single-family home in Worcester increased by almost 18% from FY05 to FY08 (from \$211,038 in FY05 to \$248,144 in FY08), the average value of such a home decreased by 5.6% from FY08 to FY09

Chart 2.1 shows Worcester's commercial-industrial and residential tax rates for the FY06 to FY10 period. Worcester's commercial-industrial rate has been steadily increasing since FY06, from \$25.20 per \$1,000

Chart 2.2: FY10 Tax Rates for Worcester and Massachusetts Comparison Cities



Source: Massachusetts Department of Revenue, Division of Local Services

(from \$248,144 to \$234,201) and then dropped 12% from FY09 to \$206,517 in FY10. Also, between FY05 and FY09, the average single-family tax bill in Worcester increased by about 14%, from \$2,781 to \$3,162, then dropped slightly by 1% to \$3,129 in FY10.

As **Chart 2.2** indicates, Worcester’s commercial and industrial and residential tax rates were lower than Springfield’s, similar to Lowell’s, and higher than those of the other cities examined. Closer to home, Worcester’s commercial and industrial tax rate is even less competitive with tax rates in towns along the I-495 corridor (**Table 2.1 & 2.2**), in part because a number of these communities have adopted a single tax rate, although they are also likely to provide fewer services than the City of Worcester.

**Chart 2.3** shows that the amount of

property tax revenue (tax levy) collected by the City of Worcester increased by 22% over the five-year period from FY05 to FY09. However, FY10 marks the first year since FY89 that total taxes paid by residential property owners decreased from the year before (between FY09 and FY10, there was a 1.9% drop in residential tax levy). In FY10, the City collected \$207.5 million in property taxes, with slightly less than two-thirds of that (62.7%) paid by residential property owners. (As discussed in **Indicator 1**, residential property values represent 78.7% of the City’s total property values.)

**What does this mean for Worcester?**

In FY10, local property tax levies comprised about 37% of Worcester’s total revenues (state aid represented the largest revenue source at 43%, while local receipts, such as motor vehicle

excise taxes, constituted about 18% of total revenue). While the proportion of revenue derived from property taxes has been fairly constant over the past decade, the burden on homeowners and business owners has been

**Table 2.1: FY10 Residential Tax Rates in Nearby Communities compared to Worcester**

	Tax Rate	% Change FY06-FY10
Ashland	\$15.10	19.3%
Berlin	\$13.37	13.5%
Bolton	\$17.61	29.9%
Boxborough	\$16.53	24.8%
Grafton	\$12.43	23.3%
Harvard	\$14.33	31.6%
Holden	\$14.80	19.7%
Hopkinton	\$15.76	26.4%
Hudson	\$13.02	28.1%
Marlborough	\$13.41	9.2%
Milford	\$14.08	24.1%
Northborough	\$14.38	17.2%
Shrewsbury	\$10.31	11.6%
Southborough	\$14.06	13.8%
Upton	\$12.77	19.9%
Westborough	\$16.98	22.5%
<b>Worcester</b>	<b>\$15.15</b>	<b>20.9%</b>

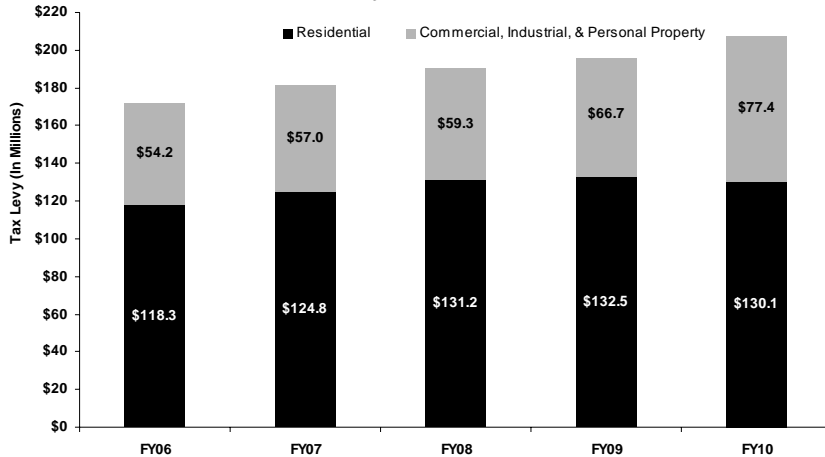
Source: Massachusetts Department of Revenue

**Table 2.2: FY10 Commercial Tax Rates in Nearby Communities compared to Worcester**

	Tax Rate	% Change FY06-FY10
Ashland	\$15.10	19.3%
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Grafton	\$12.43	23.3%
Harvard	\$14.33	31.6%
Holden	\$14.80	19.7%
Hopkinton	\$15.76	26.4%
Hudson	\$25.30	12.3%
Marlborough	\$25.42	6.1%
Milford	\$24.40	15.3%
Northborough	\$14.38	17.2%
Shrewsbury	\$10.31	11.6%
Southborough	\$14.06	13.8%
Upton	\$12.77	19.9%
Westborough	\$16.98	22.5%
<b>Worcester</b>	<b>\$33.28</b>	<b>32.1%</b>

Source: Massachusetts Department of Revenue

Chart 2.3: Total Tax Levy: Residential and CIP, FY06-FY10



Source: Massachusetts Department of Revenue, Division of Local Services

increasing. To lessen the burden on all property owners, public officials must seek ways to cut costs and increase revenues by expanding the tax base.

To expand the tax base, the City needs to be concerned not just with attracting new businesses to Worcester, but with retaining those that are already here. Among the factors that influence businesses' location decisions, there are some (e.g., proximity to a major city like Boston, or the availability of undeveloped land) that are beyond the influence of City leaders. There are others, however, over which the City has considerable impact, including tax rates. By shifting part of the tax burden onto commercial and industrial property, Worcester's dual tax classification puts the City at a disadvantage for attracting and retaining businesses.<sup>10</sup> Evidence that the split tax rate matters comes from the Mass High Tech Council's ranking of all 351 Massachusetts cities and towns based on how far they meet the needs of

high-tech employers and employees.<sup>11,12</sup> While Shrewsbury and Grafton, both with single tax rates, ranked number 2 and 4, respectively, in the entire state, neighboring Worcester ranked number 240. (It should also be noted, however, that the Massachusetts Biotechnology Council, a similar

organization, rated Worcester as a "platinum" municipality, based on its zoning practices and infrastructure capacity.<sup>13</sup>)

In 2010, Worcester Mayor Joseph C. O'Brien convened a 36-member task force to look at and make recommendations about the City's economic development strategy. One recommendation of the group was for the City to move to a more equal tax rate between commercial/industrial and residential.<sup>14</sup> As referenced in the task force report, there are several different ways to shift to a less differentiated tax rate, including the gradual movement to a single tax rate. A lower commercial/industrial tax rate could help attract and retain businesses in the City.

Table 2.4: Commercial Tax Rate and Mass Track Rank in Nearby Communities

Municipality	2008 Mass Track Ranking	FY10 Commercial/Industrial Tax Rate
Shrewsbury	2	\$10.31
Grafton	4	\$12.43
Douglas	6	\$11.77
Boylston	7	\$12.82
Leominster	8	\$13.82
Uxbridge	10	\$12.55
<b>Worcester</b>	240	\$33.28

Source: Massachusetts Dept. of Revenue and Massachusetts High Technology Council

## INDICATOR 3: AMOUNT OF PRIVATE INVESTMENT

### Why is it important?

Private investment, measured here as the value of new growth, reflects a city's ability to attract new development, create new jobs and housing opportunities for residents, and expand the tax base. New growth is the net increase in municipal property values resulting from new construction/new development or the return of exempt property to the tax rolls. New growth can be added to a municipality's levy limit as defined by Proposition 2 ½, and thereby increases taxing capacity. As discussed in **Indicator 1: Commercial and Residential Tax Base**, Worcester's overall tax base decreased by \$1.2 billion (10%) from FY09 to FY10. Two factors drive the tax base: 1) changing property values in the City, and 2) commercial and residential construction (new growth). This indicator will focus on the portion of the increase that is attributable to commercial-industrial and residential new growth.

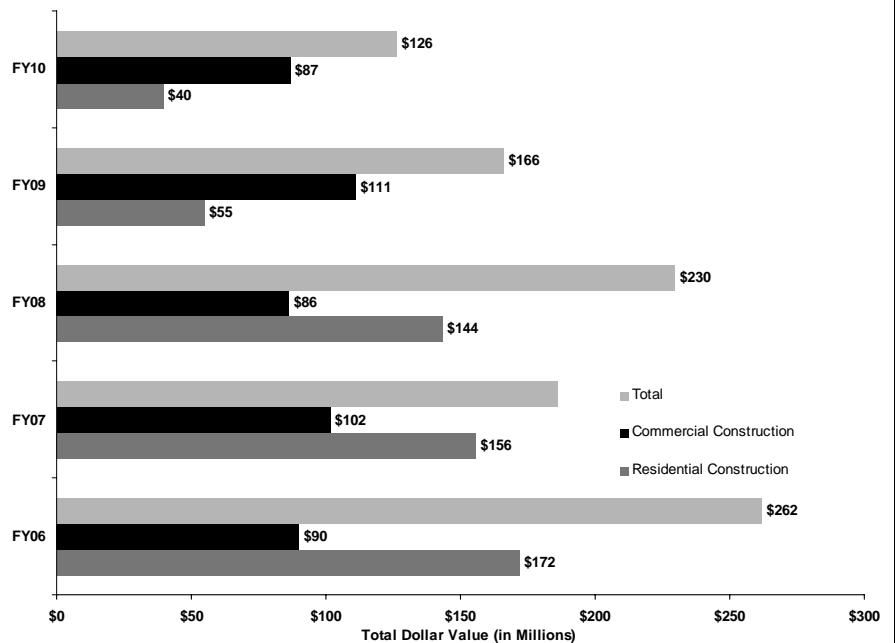
### How does Worcester perform?

Chart 3.1 shows that the combined value of commercial and residential new growth in Worcester totaled \$126.5 million in FY10. This figure is a 24% drop from the previous year, when there was \$166 million in new growth,

and is the lowest it has been since FY01. The highest amount of new growth over the past decade occurred in FY06, with almost \$262 million. Since then, the total value of new growth has decreased by almost 52%. In FY10, new growth decreased from the previous year for both residential (28%) and commercial/industrial (22%). From FY09 to FY10, the value of new residential growth in Worcester decreased from \$55.1 million to \$39.5 million, and commercial/industrial growth decreased from \$111.1 million to \$87 million.

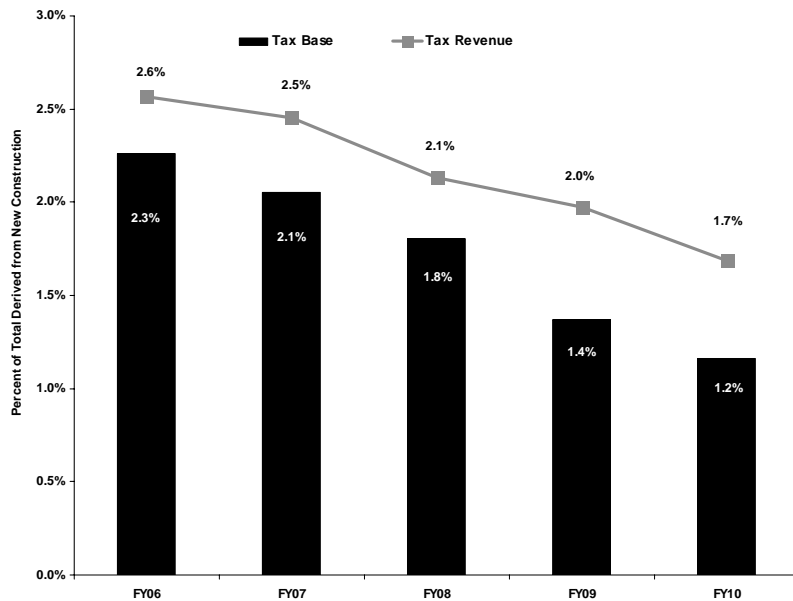
Chart 3.2 shows the percentage of Worcester's tax base and tax revenues

Chart 3.1: Value of New Construction in the City of Worcester, FY06-FY10



Source: Department of Revenue, Division of Local Services

**Chart 3.2: Percentage of Worcester's Tax Base and Tax Revenues Derived from New Construction , FY06-FY10**



Source: Department of Revenue, Division of Local Services

derived from new construction since FY06.<sup>15</sup> These percentages have been steadily decreasing since FY06. The \$126 million in new construction in FY10 is approximately 1.2% of the value of Worcester's tax base in the same year, and at the FY10 residential and commercial rates, it would yield about \$3.5 million in new tax revenue.

As shown in **Chart 3.3**, from FY00 until FY02 more than half of the value of new growth was generated by investment in commercial and industrial property. In FY01, commercial and industrial growth accounted for 67.9% of the value of all new construction in Worcester. By FY06, commercial and industrial growth lagged far behind residential growth, accounting for just 34.4% of new construction values. Although this figure rose slightly in FY07 and FY08, in

FY09 commercial and industrial new growth jumped dramatically to 67% of new construction, most likely on account of the slowdown of residential construction due to the recession. In FY10, this figure climbed slightly to 68.8%, even slightly higher than it had been in FY01.

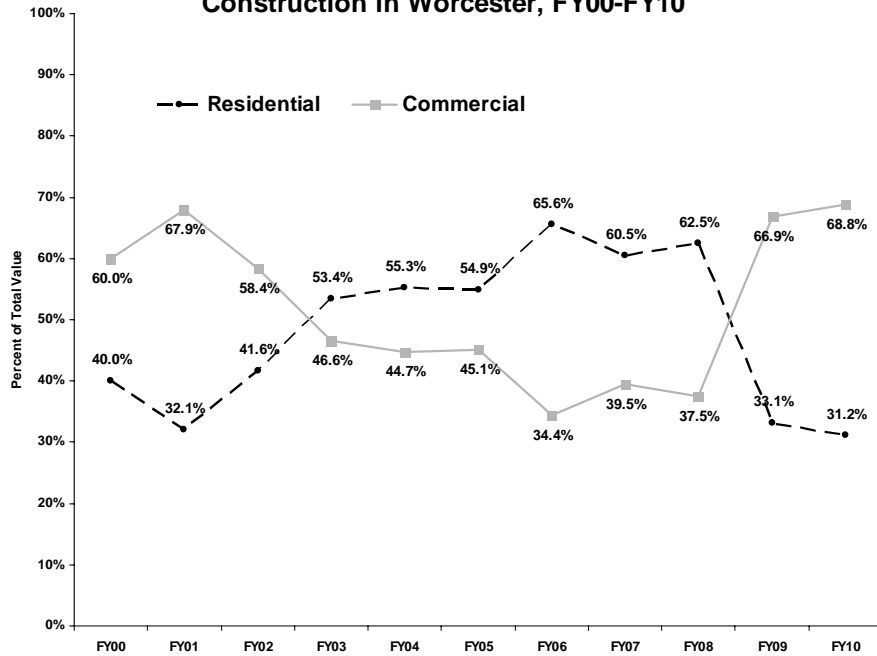
### What does this mean for Worcester?

The recession and the downturn in the housing market have reduced

residential new growth and the growth of residential values. At the same time, however, Worcester's public officials identify more than \$2.3 billion in proposed and recently completed projects that will contribute either directly (private investment) or indirectly (public investments that have encouraged further private investment) to strengthening Worcester's economy in the near and long term.<sup>16, 17</sup>

Sustained growth is key to Worcester's long-term economic vitality, and while growth levels in the City had been consistent until the recent recession, the ability to capture the rising economic tide and broaden the City's economy can only be enhanced by efforts to address comparatively high tax rates, including the disproportionate burden on commercial/industrial property owners, and overcoming the lack of

**Chart 3.3: Distribution of the Value of New Construction in Worcester, FY00-FY10**



Source: Department of Revenue, Division of Local Services

available land for new housing and industry compared to the surrounding communities. Reducing these barriers is critical to ensuring that Worcester remains competitive for private investment.

Mayor Joseph O'Brien's 2010 task force report includes some recommendations that could serve as ways to attract more

investment in the City.<sup>18</sup>

The recommendation to designate a Small Business Ombudsman to promote awareness of existing incentives for small businesses and address impediments to conducting business has already been adopted.

Another recommendation calls for the development of a pilot district in downtown that addresses the prohibitive costs of renovating older

downtown structures for mixed use.

Another one calls for the City to create a Business Ambassadors program, where members of the business community would meet with prospective businesses that had interest in Worcester. Also, developing a consistent theme and brand for Worcester to be used in marketing materials could serve as a way to increase interest in the City.

## INDICATOR 4: EMPLOYMENT AND LABOR FORCE GROWTH

### Why is it important?

Low unemployment, high labor-force participation, and job growth are key indicators of the health and stability of a local economy. Higher unemployment rates may reflect fewer employment opportunities for workers and/or the need for employment and training services to better match employees and employers. Labor-force participation is a measure of individuals' willingness to work outside the home and their confidence in the state of the job market. Job growth reveals how much an economy is expanding, and the distribution of workers across various industries is a measure of economic and employment diversity. While the current recession has constrained the growth of the local economy, it is important for municipal government to provide an environment that is conducive to continued economic development and job growth.

### How does Worcester perform?

As **Table 4.1** illustrates, from 2002 to 2009, average monthly employment in Worcester fluctuated from a high of 98,955 in 2006 to a low of 95,507 in 2009. From 2008 to 2009, the City lost more than 2,600 jobs, or a 2.7% decrease. In Worcester County, the greatest job growth occurred between 2005 and 2007, with an increase of 4,483 jobs. In 2009 the County experienced a job loss

**Table 4.1: Annual Rate of Job Growth**

	City of Worcester		Worcester County	
	Average Monthly Employment (#)	Annual Percentage Change	Average Monthly Employment (#)	Annual Percentage Change
2002	98,584	-2.37%	316,503	-1.41%
2003	98,073	-0.52%	315,037	-0.46%
2004	98,434	0.37%	317,251	0.70%
2005	97,647	-0.80%	316,849	-0.13%
2006	98,955	1.34%	319,669	0.89%
2007	98,710	-0.25%	321,332	0.52%
2008	98,139	-0.58%	319,469	-0.58%
2009	95,507	-2.68%	307,842	-3.64%

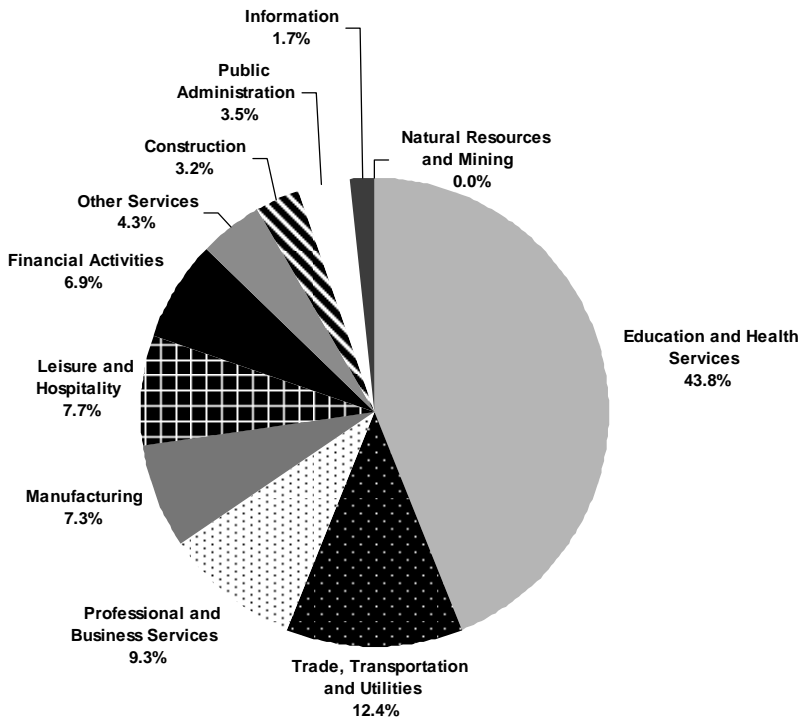
*Source: Massachusetts Department of Workforce Development*

of 3.6% from 2008, or close to 12,000 jobs.

**Chart 4.1** shows the percentage of the labor force employed in various sectors of the economy in the City of Worcester. In 2009, 89.5% of Worcester's jobs were in the service sector, with the remaining 10.5% in the goods-producing sector.<sup>19,20</sup> In 2009, 44% of the jobs in Worcester were in the education and health-services fields (a three-percentage-point increase from 2008 and an 11 percent increase overall since 2005).

**Table 4.2** shows 2009 average monthly employment by industry for both the City of Worcester and Worcester County. The proportion of jobs countywide in the education and health-services sectors has increased by 11.6% since 2005. This table also shows that the manufacturing job base experienced a significant decrease between 2005 and 2009, with job losses totaling 17% in Worcester (1,408 manufacturing jobs)

Chart 4.1: Employment by Industry, City of Worcester, 2009



a 12% decrease. The number of jobs in construction has also decreased at both the City (15% decrease) and County (22% decrease) level since 2005. However, the number of public-administration positions has increased in both the City (8.7%) and the County (2.8%).

Source: Massachusetts Department of Workforce Development

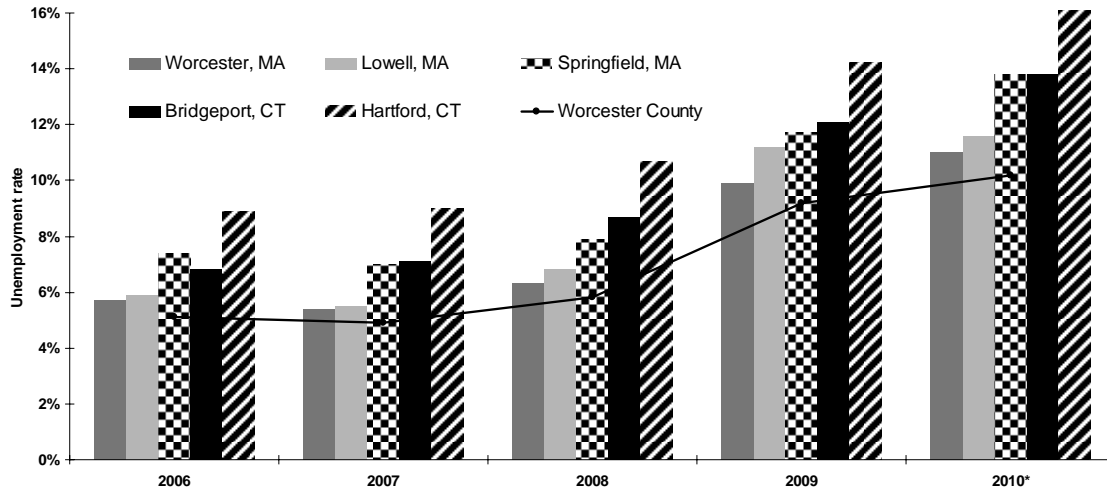
and 14% (5,893 manufacturing jobs) countywide.<sup>21</sup> Both the City of Worcester and Worcester County have lost a significant number of professional and business service-related jobs, with the City experiencing an 18% decrease since 2005 and the County experiencing

As shown in **Chart 4.2**, Worcester’s average annual unemployment rate, or the number of unemployed residents per 100 persons in the labor force, has recently experienced a large increase, from 6.3% in 2008 to 9.9% in 2009.<sup>22</sup> Preliminary data from 2010, which reflect the average monthly unemployment for

	City of Worcester		Worcester County	
	Average Monthly Employment (#)	Percent Change 2005-2009	Average Monthly Employment (#)	Percent Change 2005-2009
Education and Health Services	41,810	10.6%	93,727	11.6%
Trade, Transportation and Utilities	11,834	-13.0%	60,156	-4.1%
Professional and Business Services	8,864	-18.4%	32,159	-12.2%
Manufacturing	6,941	-16.9%	35,915	-14.1%
Leisure and Hospitality	7,333	0.7%	28,388	-0.9%
Financial Activities	6,624	-5.4%	15,551	-7.7%
Other Services	4,077	-9.8%	11,151	-5.5%
Construction	3,091	-15.3%	12,606	-21.5%
Public Administration	3,303	8.7%	12,444	2.8%
Information	1,625	7.3%	4,999	-7.8%
Natural Resources and Mining	5	-76.2%	745	-6.9%

Source: Massachusetts Department of Workforce Development

**Chart 4.2: Unemployment Trends for Northeastern Cities and Worcester County, 2006-2010\***



Source: Massachusetts Department of Workforce Development

January–August, show the unemployment rate rising to 11% in Worcester, and also rising in the four other cities examined.<sup>23</sup> From 2005 through 2009 the unemployment rate for the City of Worcester was, on average, about half to one percentage point higher than the countywide rate. Since 2005, however, Worcester’s unemployment rates have been below those of Lowell, Springfield, Hartford, and Bridgeport.

shown in preliminary data from 2010, there was a slight increase in the labor force (61.6%) (Table 4.3).<sup>24</sup> Countywide, the labor force decreased slightly from 400,875 in 2006 to 399,455 in 2008, but increased to 405,732 in 2009. Preliminary data from 2010 show a slight decrease from 2009 to 404,456, but still show a larger labor force than in previous years. Compared to the City of Worcester, Worcester County has historically had a higher labor force participation rate. In 2009 the County’s rate was 70% compared to 61.6% in the City.

Worcester’s labor force, or the total number of residents age 16 and older who are employed or looking for work, remained almost equal in 2007 and 2008 (about 60.5%). In 2009 and as

	City of Worcester		Worcester County	
	Labor Force (#)	Labor Force Participation Rate	Labor Force (#)	Labor Force Participation Rate
2006	83,000	60.9%	400,875	69.3%
2007	82,364	60.4%	400,009	69.1%
2008	82,375	60.5%	399,455	69.0%
2009	83,957	61.6%	405,732	70.1%
2010	83,909	61.6%	404,456	69.9%

\*January-Aug average, preliminary  
 Data source: Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Participation Rates calculated by WRRB using US Census Bureau 2000 population data

### **What does this mean for Worcester?**

In 2009, due presumably to current economic conditions, Worcester's average monthly employment was the lowest it has been in several years. Data from 2010 may show a continued decrease in the number of jobs available. At the same time, data from 2009 and preliminary data from 2010 show a slight increase in participation in the labor force, or the number of people employed or actively seeking employment. A significant jump occurred in the unemployment rate from 2008 to 2009, and it continues to increase in 2010.

The City of Worcester can expect that the health-care industry will continue to grow due to efforts to expand health-care coverage. At the same time, there will be greater demand for health-care services from an aging population. Many of the new jobs created in the health-care industry will require an associate's degree or higher. According to the Massachusetts Department of Labor and Workforce Development,

statewide, jobs for more-skilled workers will increase more rapidly than jobs for those less skilled. The demand for skilled workers will arise not only from job growth, as industry expands, but also to fill jobs being vacated by retiring baby boomers. The education sector, which has seen increases in the number of jobs over the past several years, may also continue to grow, as college enrollments, especially at 2-year institutions, continue to rise.

Worcester's heavy dependence on the education/healthcare sector may pose issues for the City in the future.

According to Harvard economist Edward Glaeser, an economy that has a large share in one type of industry or is over dependent on a certain sector could signify that there is not a lot of activity happening elsewhere and may be in danger one day. However, instead of decreasing the number of jobs in that sector, there should be efforts to broaden the economy to ensure a range of jobs and lessen the dependence on that sector.

## INDICATOR 5: DOWNTOWN OFFICE OCCUPANCY RATE

### Why is it important?

Office occupancy rates are a key indicator of a downtown area's economic vitality. Typically, areas with high office-occupancy rates also have strong business and retail economies, while low or declining occupancy rates may signal business and retail flight and an ensuing weakening of a downtown core. For many decades, the suburbs and "exurbs" have outpaced central cities in terms of both job and population growth, to the detriment of many of our nation's once-vital cores. While this exodus continues, in more recent years, some urban areas, such as Pittsburgh, have been making a comeback.

### How does Worcester perform?

During the summer of 2010, Research Bureau staff gathered information from property owners, leasing agents, and online data sources to determine the total amount of office space in Worcester's Central Business District (CBD) and the proportion of that space that was occupied.<sup>25</sup> For each of the 75 properties identified as containing some amount of office space in the CBD, the following information was collected: the total amount of office space in the building, the amount of office space that was vacant and/or available at the time of the survey, current rental rates,

parking availability, and other comments about the space.<sup>26,27</sup>

Downtown Worcester's Central Business District contains about 4.2 million square feet of office space, of which 81% was occupied as of September, 2010.<sup>28,29</sup> As shown in **Table 5.1**, office occupancy dropped by more than six percentage points from 2008 to 2009, from 88.4% to 81.8%. From 2009 to 2010, a slight drop occurred, from 81.8% to 81.2%.

Class "A" buildings (considered "premier space," either newly constructed buildings or office space that has undergone extensive renovation) account for about 1.4 million square feet, or almost one-third, of total office space.<sup>30</sup> While the total office occupancy rate decreased sharply between 2008 and 2009, Class A occupancy increased slightly, from 88.9% in 2008 to 90.3% in 2009. In 2010, the occupancy rate for Class A space dropped slightly from 90.3% to 88.1%. However, the rate for this space has remained fairly steady over the years. The 39 Class "B" buildings (older renovated buildings considered to be in fair to good condition) comprised almost half of downtown office space (47%), or almost 2 million square feet, of which 75% was occupied, a slight decrease from 2009. Finally, the 840,000

**Table 5.1: Occupancy Rates for Downtown Office Space, 2006-2010**

		2006	2007	2008	2009	2010	Change '06-'10
<b>Class A</b>	Total Office Space	1,987,253	1,896,417	1,323,231	1,411,572	1,361,147	-31.5%
	Occupied Space	1,810,043	1,666,917	1,176,503	1,274,529	1,198,897	-33.8%
	<b>Occupancy Rate</b>	<b>91.1%</b>	<b>87.9%</b>	<b>88.9%</b>	<b>90.3%</b>	<b>88.1%</b>	
<b>Class B</b>	Total Office Space	1,667,653	2,243,490	2,480,504	2,274,064	1,950,277	16.9%
	Occupied Space	1,462,126	1,943,623	2,197,624	1,726,269	1,464,732	0.2%
	<b>Occupancy Rate</b>	<b>87.7%</b>	<b>86.6%</b>	<b>88.6%</b>	<b>75.9%</b>	<b>75.1%</b>	
<b>Class C</b>	Total Office Space	985,335	859,918	948,386	776,147	840,249	-14.7%
	Occupied Space	875,335	755,694	826,174	650,855	705,949	-19.4%
	<b>Occupancy Rate</b>	<b>88.8%</b>	<b>87.9%</b>	<b>87.1%</b>	<b>83.9%</b>	<b>84.0%</b>	
<b>Total</b>	Total Office Space	4,645,674	4,999,825	4,752,121	4,461,783	4,151,673	-10.6%
	Occupied Space	4,155,237	4,366,234	4,200,301	3,669,709	3,369,578	-18.9%
	<b>Occupancy Rate</b>	<b>89.4%</b>	<b>87.3%</b>	<b>88.4%</b>	<b>81.8%</b>	<b>81.2%</b>	

square feet of Class “C” space (older unrenovated buildings offering “functional space”) had an occupancy rate of 84%, unchanged from the previous year. Class B space thus had the lowest occupancy rate by far of the three classes. This was true in 2006, 2007, and 2009 as well. (In 2005 and 2008, Class C space had the lowest occupancy rate.)

As shown in **Table 5.2**, in 2010 64% of the office buildings in the downtown area contain some amount of vacant space. Among these, 28 buildings have vacancies of 10,000 square feet or less, eleven have between 10,001 and 25,000 square feet of available space, and ten buildings contain more than 25,000 square feet of vacant office space. Class “B” space (older renovated buildings considered to be in fair to good condition) represents the greatest proportion of vacant space (485,545 square feet, or 62%).

As reported by Colliers Meredith & Grew, office occupancy rates for the third quarter of 2010 were 83.7% for Boston, 85.2% for Cambridge, 78.8% for the Boston suburbs, and 87.4% for Worcester (entire city).<sup>31</sup>

In 2010, property owners and agents provided information on lease rates for half of the properties included in the survey, reporting square-foot lease rates ranging from \$6 per square foot to \$25. While rental rates remained stagnant between 2005 and 2008, a slight decrease in rates occurred in 2009 and remained this way in 2010. Nationwide, as reported by Colliers International, rental rates for office space have continued to slightly decrease over the last 2 years, with a significant rate decrease in the Boston market.<sup>32,33</sup>

### **What does this mean for Worcester?**

**Table 5.2: Distribution of Vacancies by Size and Building Class**

	Number of Buildings with Vacancies	Total Space Vacant
<b>Class A</b>		
1-10,000 Sq. Ft.	4	26,273
10,001 -25,000 Sq. Ft.	1	12,998
>25,000 Sq. Ft.	3	127,759
<i>Total</i>	8	167,030
<b>Class B</b>		
1-10,000 Sq. Ft.	15	50,092
10,001 -25,000 Sq. Ft.	6	86,400
>25,000 Sq. Ft.	6	348,965
<i>Total</i>	27	485,457
<b>Class C</b>		
1-10,000 Sq. Ft.	9	39,200
10,001 -25,000 Sq. Ft.	4	63,408
>25,000 Sq. Ft.	1	27,000
<i>Total</i>	14	129,608
<b>Total (A, B, C)</b>		
1-10,000 Sq. Ft.	28	115,565
10,001 -25,000 Sq. Ft.	11	162,806
>25,000 Sq. Ft.	10	503,724
<i>Total</i>	49	782,095

Downtown Worcester’s overall office occupancy rate experienced a slight decrease from 81.8% in 2009 to 81.2% in 2010. Some of these vacancies may be the direct result of the recession. Other buildings have continued to have high vacancy rates, which may be a result of the quality of the space and of its management. New office construction in Worcester is difficult because of the “development gap” between the costs of construction, which are similar to those in the Boston area because of the costs of materials and prevailing wage, and the rents that the local real estate market

can support, which are much lower than Boston’s.

In 2010, there were 782,100 square feet of vacant office space available in Worcester’s Central Business District, which could potentially support almost 4,000 additional workers in the downtown area.<sup>34</sup> Is there anything the City can do to attract more tenants to the CBD? There are many factors that influence those decisions, as noted in **Indicator 2**. The City does have considerable influence over some of these, such as tax rates (see **Indicator 2**), water and sewer systems, transportation networks,

the permitting process, public safety, and the cleanliness and attractiveness of downtown.<sup>35,36</sup> The City is also working on a Creative Economy Initiative, which would help attract creative economy industries (art, music, etc.) to open or expand businesses in certain areas of the City, including downtown.

## INDICATOR 6: VACANT AND ABANDONED BUILDINGS

### Why is it important?

The housing foreclosure crisis has pushed the issue of vacant and abandoned buildings to the forefront of the City's agenda. The deleterious social and economic effects of these vacancies are well documented: they decrease the value of surrounding properties, reduce municipal tax revenues, pose serious fire-safety hazards, and may become havens for crime. A single vacant building can create perceptions of an unsafe and decaying neighborhood and ultimately trigger neighborhood disinvestment and destabilization. Redeveloping such buildings may prove to be a key component of various neighborhood revitalization efforts, since these properties are potential sites for new affordable housing or locations for new businesses. The return of these

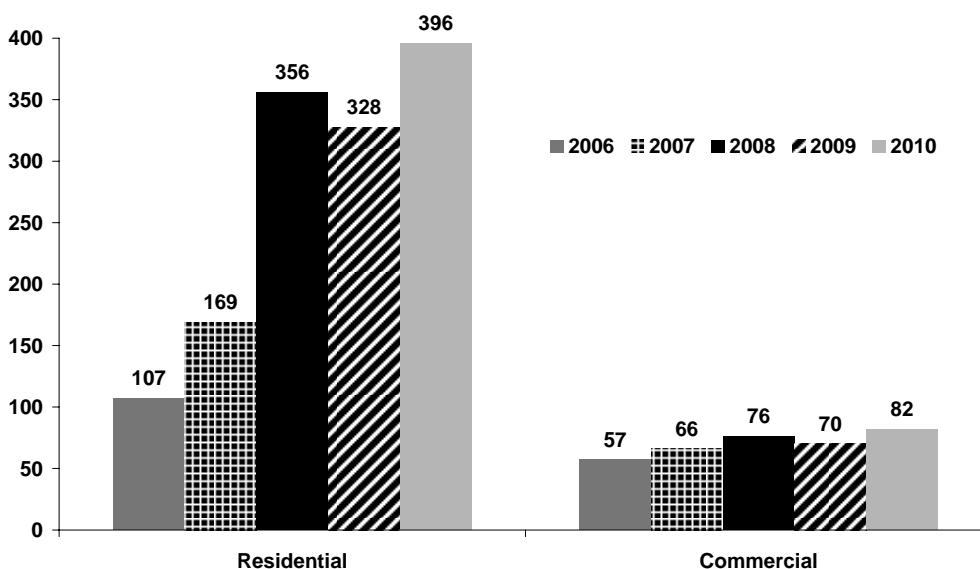
properties to productive use will help the City reclaim lost revenue, stem future tax losses, and enhance the overall economic vitality of its neighborhoods.

### How does Worcester perform?

Comparing point-in-time data from 2006 to 2010, the total number of vacant residential and commercial buildings in Worcester has risen by 192%, from 164 to 478.<sup>37</sup> As shown in **Chart 6.1**, in October, 2010, there were 396 vacant residential buildings and 82 vacant commercial buildings in the City. From 2007 to 2008, the number of residential vacant buildings increased by 111%, from 169 to 356, an increase almost certainly related to the downturn in the economy. From 2008 to 2009, the number of residential vacant and

abandoned buildings slightly decreased, from 356 in 2008 to 328 in 2009, a decrease of 8%. However, from 2009 to 2010, the number increased again to 396, an increase of 270% from 2006. The number of vacant and abandoned commercial

Chart 6.1: Number of Vacant Properties, City of Worcester, 2006-2010



\*These data reflect a point-in-time count of vacant properties.  
Source: City of Worcester Office of the Treasurer and Collector

**Table 6.1: Assessed Value & Tax Status of Vacant & Abandoned Properties, City of Worcester**

	Residential	Commercial/ Industrial	Total
Number of Vacant & Abandoned Properties	396	82	478
Assessed Value (FY10)	\$67,233,300	\$50,514,800	\$117,748,100
Delinquency - FY10 Taxes	33 (8.3%)	8 (9.8%)	41 (8.7%)
Properties with Tax Liens	14 (3.5%)	7 (8.5%)	21 (4.4%)
Total Value of Tax Liens	\$57,617	\$74,986	\$132,603

Source: City of Worcester Office of the Treasurer and Collector (data as of October, 2010)

buildings has increased as well from 2006-2010, but at a much slower pace (57 buildings in 2006 and 82 in 2010, an increase of 44%).

As of October, 2010, about 13% of vacant properties either owed FY10 taxes or had a tax lien placed against the property. This is a slight decrease from 2009, when 15% of properties had delinquent taxes or a tax lien (in 2007, almost one-third [30%] of vacant properties owed taxes or had a tax lien placed against the property). As shown in **Table 6.1**, commercial properties were slightly more likely to have delinquent taxes in 2010.

In July, 2004, tax liens totaling almost \$1 million had been placed against 24 vacant or abandoned properties in the City.<sup>38</sup> However, by July 2005, the total value of tax liens placed against 10 properties fell to a total of \$87,003.<sup>39</sup> Tax liens totaling \$132,603 in October, 2010, were 17% higher than they had been in 2009 (\$113,039), but are less than 2% higher than in 2006, when there were 164 total abandoned properties. **Charts 6.2** and **6.3** show

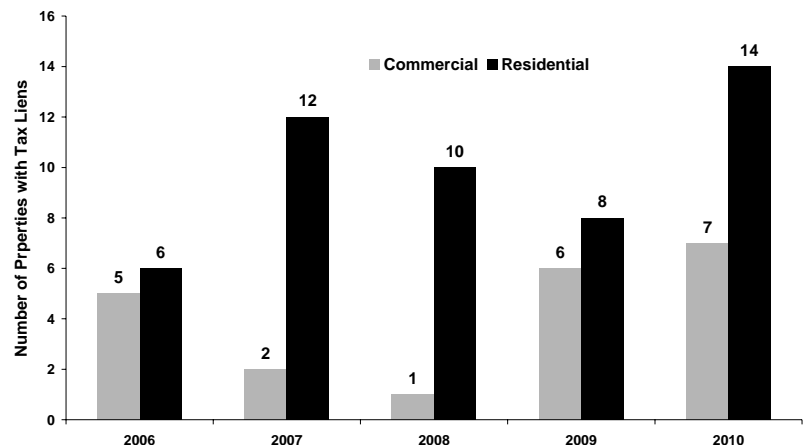
trends for both the number and value of tax liens by property type.

### What does this mean for

### Worcester?

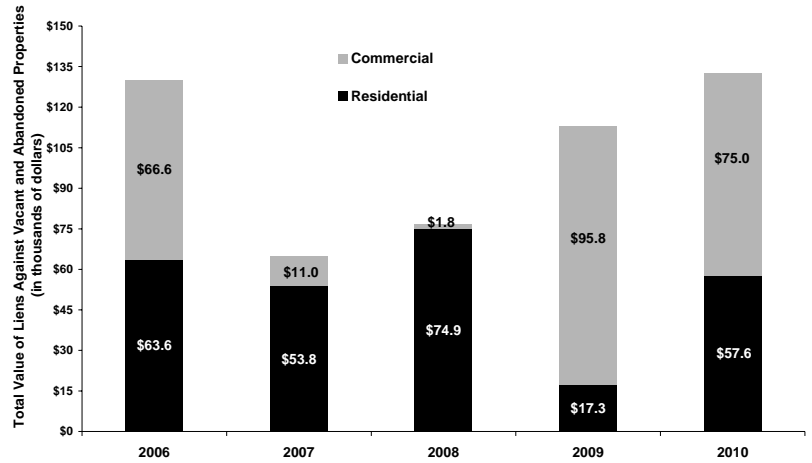
From 2007 to 2008, the number of vacant residential properties more than doubled. While the number of vacant residential properties decreased slightly from 2008 to 2009, it increased again in 2010 to almost 400 residential

**Chart 6.2: Vacant and Abandoned Properties with Tax Liens, City of Worcester, 2006-2010**



Source: City of Worcester Office of the Treasurer and Collector

**Chart 6.3: Property Tax Liens Against Vacant and Abandoned Properties in the City of Worcester, 2006-2010**



Source: City of Worcester Office of the Treasurer and Collector

properties. However, the number of these properties with delinquent taxes is fairly small. The number of vacant or abandoned commercial buildings has been slowly increasing over the past 5 years. Analysis of the vacant property listings obtained from the City of Worcester for each of the years from 2006 to 2010 indicates that 27% of the commercial properties and 8.5% of the residential properties vacant in 2010 have been vacant since 2006.

Some of the structures that are currently vacant are in the process of being renovated or rehabilitated, and will undoubtedly be reoccupied in the future. Other properties have been completely abandoned by owners. The return of these abandoned properties to productive use is much less certain because typically, the longer a building is abandoned, the more likely it is to suffer serious damage from neglect and/or vandalism, and therefore the greater the investment required to repair it.

In order to reduce the number of foreclosed properties on the market, in July 2008, the City Manager launched “Buy Worcester Now,” a new public/private partnership that strives to promote home ownership in the City by offering potential buyers a number of incentives. They include the following: below-market interest rates, no or low down payments, lower or no monthly mortgage insurance payments,

protection to cover the borrower in the case of temporary unemployment, waived or discounted attorney fees, and 30-year fixed-rate payments as well as other incentives.<sup>40</sup> Area banks and credit unions that are participating in the program have so far pledged more than \$90 million in “Buy Worcester Now” mortgage loans.<sup>41</sup> More than 400 homes in Worcester have been purchased through the program.

In addition, in September 2009, the City, in partnership with area agencies and private lenders, launched the Neighborhood Stabilization Program to help stimulate private investment in Worcester neighborhoods that were most deeply affected by the housing crisis. A total of \$12 million in Federal and State funding is being used to purchase and rehabilitate vacant and foreclosed properties, demolish chronic problem properties, upgrade current properties, and transform the People in Peril shelter into a referral-only shelter to be closed by the end of the year.

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<sup>1</sup> See CCPM publication 10-01, *Benchmarking Municipal and Neighborhood Services in Worcester: 2010* (available at [www.wrrb.org](http://www.wrrb.org)) for a discussion of these and other municipal services provided by the City of Worcester.

<sup>2</sup> See Massachusetts Department of Revenue, Division of Local Services, Municipal Databank, Fiscal Year 2010 Revenue Components at <http://www.mass.gov/Ador/docs/dls/mdmstuf/MunicipalBudgetedRevenues/Revs09.xls>.

<sup>3</sup> In FY84 (the year in which Worcester adopted dual classification), residential values and commercial-industrial values comprised 65% and 35% of the total tax base, respectively.

<sup>4</sup> This does not take into account Worcester’s \$12 million in excess capacity tax levy in 2010.

<sup>5</sup> The significance of a strong tax base is also discussed in *Benchmarking Municipal Finance in Worcester 2009: Factors Affecting the City’s Bond Rating*, Report 09-04, July 27, 2009, available at [www.wrrb.org](http://www.wrrb.org).

<sup>6</sup> For further discussion of potential areas of cost savings, see *Worcester's FY11 Budget and Fiscal Crisis: No End in Sight*, Report 10-02, June 1, 2010, available at [www.wrrb.org](http://www.wrrb.org).

<sup>7</sup> Worcester's CitySquare project was the first project in the state to receive approval for its DIF District and DIF financing plan.

<sup>8</sup> According to the Massachusetts Department of Revenue, in FY10, 106 Massachusetts communities (30%) taxed residential and commercial/industrial properties at different rates.

<sup>9</sup> While state legislation allows communities to shift the tax burden from one property class to another, the state sets limits on how much of the burden a municipality may shift. In FY10, the maximum allowable shift for all cities was 175% of the single tax rate (the single tax rate is the total tax levy divided by the total assessed value multiplied by one thousand), and the City adopted a commercial-industrial rate at 175% of the value of the single tax rate (\$33.28) and a residential rate at 80% of the value of the single tax rate (\$15.15).

<sup>10</sup> *What's Up With Downtown Worcester?: Prospects for Revitalization*, The Research Bureau, Report 08-08, December 2008.

<sup>11</sup> November 2008,

<http://www.masstrack.org/CommunityRanks.aspx>.

<sup>12</sup> According to the Council's survey, the existence of a split tax rate and the differential between the two rates rank on the top of high-tech business location decisions.

<sup>13</sup>

[http://www.massbio.org/economic\\_development/bioready\\_communities](http://www.massbio.org/economic_development/bioready_communities).

<sup>14</sup> Mayor's Task Force on Job Growth and Business Retention, "Task Force Report to Mayor Joseph O'Brien." August 2, 2010.

<sup>15</sup> To encourage economic development and new growth, communities may offer tax incentives which effectively lower or defer property taxes for a specified period of time. The calculation of the percentage of revenue derived from new construction depicted in **Chart 3.2** reflects the maximum percentage that could be derived from new construction, i.e., omitting tax incentives which would reduce tax revenues.

<sup>16</sup> See <http://www.worcestermass.org> to learn more about ongoing economic development projects and events in Worcester.

<sup>17</sup> See *What's Up With Downtown Worcester?: Prospects for Revitalization*, The Research Bureau, Report 08-08, December 2008.

<sup>18</sup> Mayor's Task Force on Job Growth and Business Retention, "Task Force Report to Mayor Joseph O'Brien." August 2, 2010.

<sup>19</sup> The service sector is composed of the following industries: Trade, Transportation, and Utilities; Information; Financial Activities; Professional and Business Services; Education and Health Services; Leisure and Hospitality; Other Services; and Public Administration (Massachusetts Department of Labor, <http://www.mass.gov/dol>).

<sup>20</sup> Mining, construction, and manufacturing industries comprise the goods-producing sector.

<sup>21</sup> The loss of manufacturing jobs has not necessarily resulted in decreased manufacturing capacity or output. Historically, manufacturing has relied on labor-intensive methods of goods production. In recent decades, industry has shifted to capital-intensive production methods (especially in the high-tech sectors), and as a result, manufacturing output has risen despite declining employment in this sector.

<sup>22</sup> Job-growth and employment-by-sector data are based on the number of jobs in a defined geographic area, and do not distinguish between jobs held by residents and non-residents of that particular locality. In contrast, unemployment data based on the Local Area Unemployment Statistics (LAUS) data series are based on the individual's place of residence, thus reflecting the proportion of Worcester City residents who are unemployed.

<sup>23</sup> Cities were chosen to provide a regional comparison.

<sup>24</sup> The labor force participation rate indicates the proportion of the available working age population that is willing and able to work and is either employed or actively seeking employment. This rate represents an economy's labor supply, and is calculated by dividing the total number of employed and unemployed persons by the total non-institutionalized population age 16 and over.

<sup>25</sup> Every effort has been made to ensure the accuracy of the data collected; however, they are self-reported, point-in-time and subject to change.

<sup>26</sup> While medical office space is counted as office space in this survey, not included are medical practice space, government buildings, and retail space.

<sup>27</sup> The full report, *Downtown Worcester Office Occupancy: 2010 Survey*, will be available in December 2010.

<sup>28</sup> Total space has changed from year to year because building usage can change over time (e.g., several buildings that were formerly office space have been converted to residential space in recent years, and office space may have become retail or vice versa).

<sup>29</sup> The occupancy rate is determined by dividing the total amount of occupied office space by the total square footage of office space in the CBD. The vacancy rate represents the amount of space that is vacant and available for lease divided by the total square footage of office space in the CBD.

<sup>30</sup> Office space is grouped into three classes, representing a subjective quality rating of buildings which indicates the competitive ability of each building to attract similar types of tenants. The Building Owners and Managers Association provides additional detail about building classification at <http://www.BOMA.org>. A building's classification may change from one category to another over time (e.g., following renovation, space that had been class "C" space may be listed as class "A" space).

<sup>31</sup> Colliers Meredith & Grew, "Market Snapshot, 3<sup>rd</sup> Quarter 2010 Statistics." [http://www.colliersmg.com/pdfs/snapshot\\_q3\\_10.pdf](http://www.colliersmg.com/pdfs/snapshot_q3_10.pdf)

<sup>32</sup> Colliers International, "North America Office Real Estate Highlights." Q1 2010, Office.

(<http://www.colliers.com/Corporate/MarketReports/UnitedStates/>).

<sup>33</sup> Colliers Meredith & Grew, "Market Viewpoint, Greater Boston." Q1 2010. (<http://www.colliersmg.com>).

<sup>34</sup> This is based on the standard of allocating 200 square feet of office space per worker.

<sup>35</sup> See CCPM report 10-01, *Benchmarking Municipal and Neighborhood Services in Worcester: 2010* (available at <http://www.wrrb.org>) for further discussion of the performance of several municipal agencies (including the Department of Public Works and Parks and the Department of Health and Human Service's Division of Code Enforcement).

<sup>36</sup> For a further discussion of these issues related to Downtown Worcester, see Research Bureau report # 08-08, *What's Up with Downtown Worcester?: Prospects for Revitalization*.

<sup>37</sup> The data presented here reflect a single point in time as the database of abandoned properties, maintained by the Office of the Treasurer and Collector, is regularly updated as properties move on and off the list.

<sup>38</sup> This dollar figure represents the cumulative total of all back taxes for which the City has perfected a tax lien against said property.

<sup>39</sup> According to the City Treasurer's Office, foreclosures and brownfield abatement efforts led to the payment of more than \$800,000 in back taxes owed to the City.

<sup>40</sup> <http://www.buyworcesternow.com>

<sup>41</sup> *Ibid.*

*Mission Statement:*

*The Research Bureau serves the public interest of the Greater Worcester region by conducting independent, non-partisan research and analysis of public policy issues to promote informed public debate and decision-making.*



## The Research Bureau

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