November, 2004

Center for
Community
Performance
Measurement

Benchmarking Economic Development in Worcester: 2004

WORCESTER
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BUREAU

CCPM-04-07

Welcome...

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Dear Citizen,

This is the fourth annual *Benchmarking Economic Development in Worcester* report prepared by the Center for Community Performance Measurement (CCPM) at the Worcester Regional Research Bureau. Established in 2001 with support from the Alfred P. Sloan Foundation, the CCPM regularly issues a series of reports that measure Worcester's progress in meeting defined outcomes under the following five goals of the City's strategic plan: improving economic development, municipal and neighborhood services, public education, public safety, and youth services. Like its predecessors, the present report is intended to:

- Provide an assessment of how well the City is meeting the economic development outcomes described in its strategic plan;
- Educate and inform City leaders, policy makers, businesses, non-profit organizations, funders, and residents about the City's economic health; and
- Serve as a catalyst for setting priorities and promoting action to strengthen Worcester's economy.

It is important to bear in mind that no single indicator sufficiently describes Worcester's overall economic vitality, and context is important. In other words, the indicators included in this report are interrelated and should not be considered in isolation from each other. For instance, the level of new growth described in **Indicator 3: Private Investment** is directly related to **Indicator 1: Commercial and Residential Tax Base**. Additionally, the indicators discussed in this report are influenced by those in other reports, e.g., improvements in the physical condition of neighborhoods (see CCPM report 04-04, *Benchmarking Municipal and Neighborhood Services in Worcester: 2004*) may result in increased private investment in those areas.

Thank you for taking the time to read this report. We hope that it will encourage widespread discussion about Worcester's economic future, serve as a basis for sound priority-setting and decision-making, and further the adoption of performance measurement practices in local government.

Sincerely,

Eric H. Schultz - *President*

Roberta R. Schaefer, Ph.D. - *Executive Director*

Kimberly A. Hood - *Research Associate*

Executive Summary

Findings:

- While the City has experienced tremendous growth in the overall value of the tax base in recent years, commercial and industrial property continued to decline as a proportion of the tax base. The substantial growth in Worcester's residential property values suggests the City's continuing appeal as a place to live. In FY04, residential property made up nearly 80% of the value of the tax base and commercial/industrial properties made up 20%. This gap is expected to widen in FY05, fueling the perception that Worcester is becoming a bedroom community for the Boston and Metrowest areas.
- Residential tax rates declined in FY04; however, soaring home values have resulted in higher tax bills for homeowners.
- The City's commercial/industrial tax rate declined from FY03 to FY04, but it is still nearly double the residential rate and it is not competitive with those of adjacent towns.
- From 2002 to 2003, the City of Worcester lost 511 jobs.
- Worcester's unemployment rate fell from 7.2% in 2003 to 6.6% during the first half of 2004.
- In 2003, about 1 in 3 jobs in Worcester (36%) was in the education and health services sector.
- In 2004, 88.7% of the 4.6 million square feet of downtown office space was occupied.
- From 2001 to 2004, the number of vacant and abandoned buildings declined from 196 to 170.
- Three-quarters (76%) of survey respondents reported being "somewhat satisfied" or "very satisfied" with their experience obtaining a building permit.

Highlights:

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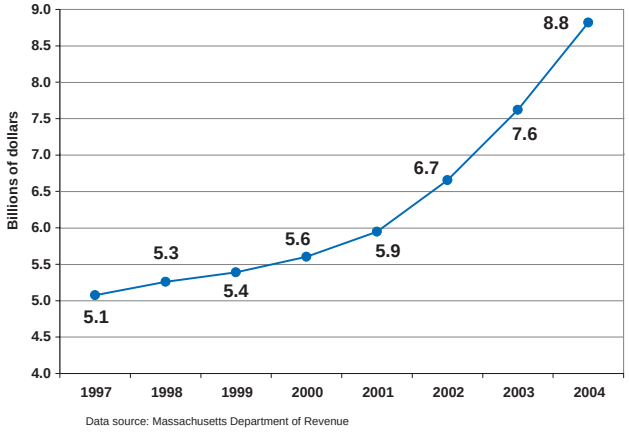
1 Commercial & Residential Tax Base

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. The tax base is important because local governments are heavily reliant upon property taxes to fund municipal services such as public safety, public libraries, and street and sidewalk maintenance.[1] The distribution of property values, or the proportion of the tax base derived from residential properties versus the portion of the tax base derived from commercial/industrial properties, is an indicator of the health of the local economy. A declining commercial/industrial tax base may signal business flight from an area and fewer jobs for residents in the region. As communities experience substantial growth in the residential sector coupled with a declining commercial/industrial tax base, homeowners are often faced with higher taxes in order to make up for tax revenues once generated by the commercial/industrial properties. Thus the importance of maintaining and expanding a city's commercial/industrial tax base cannot be overstated.

Chart 1.1: Total Assessed Value of all Properties in Worcester, FY97-FY04



Data source: Massachusetts Department of Revenue

[1] See CCPM publication 04-04, *Benchmarking Municipal and Neighborhood Services in Worcester: 2004* for a discussion of these and other municipal services provided by the City.

[2] Nick Kotsopoulos, "Total Property Value Leaps in Worcester," *Telegram & Gazette*, October 21, 2004.

[3] According to the Massachusetts Department of Revenue's Division of Local Services, the average value of a single-family home in Worcester was $109,545 in 2000. By 2004, following three consecutive years of double-digit increases in assessed values, the average home value in the City had risen to $180,193, a 64.5% increase since 2000.

[4] Nick Kotsopoulos, "Total Property Value Leaps in Worcester," *Telegram & Gazette*, October 21, 2004.

How does Worcester perform?

As shown in **Chart 1-1**, Worcester's total tax base has increased every year since 1997, with the most dramatic annual increases occurring in recent years. FY04's combined residential and commercial/industrial tax base of $8.8 billion is 15.7% ($1.2 billion) higher than the previous year's. In the three years since FY01 the tax base has increased 48.3%; since FY99 it has increased by 63.6%. Preliminary property valuations for FY05 released by the City Assessor's Office show yet another substantial increase in assessed values, with the value of all taxable property in the City totaling almost $10.4 billion.[2] This represents an almost 18% increase from FY04, and is more than double the FY97 value.

While the City has experienced tremendous growth in its overall tax base in recent years, **Table 1-1** and **Chart 1-2** reveal that the growth has not been evenly distributed between the residential and commercial /industrial markets. The growth rate in the residential sector has far outpaced commercial and industrial growth rates, with much of the overall increase in the tax base attributable to soaring home values.[3] Whereas residential values grew by $3.2 billion (84.1%) from FY99 to FY04, the commercial and industrial tax base grew by only $215 million (or 13.8%) during the same period. Based on the preliminary FY05 assessed values released by the City Assessor's Office in October, 2004, this trend of double-digit increases in residential assessed values and single-digit increases in commercial/industrial values is expected to continue. Preliminary FY05 valuations for the City's 37,528 residential properties total $8.5 billion (82% of total property values), with commercial/industrial properties valued at $1.9 billion (18% of the tax base).[4]

As shown in **Chart 1-3**, residential properties made up a far greater proportion –about 80%– of the City's total tax base compared to commercial/industrial properties in FY04. The gap between the two sectors has risen steadily since FY99, and, as noted above, is expected to increase further in FY05.[5]

Table 1-2 compares Worcester's FY04 tax base with those of bordering towns and also compares growth in total assessed values over the six-year period FY99 to FY04. While Worcester's tax base is substantially higher than its neighbors', several of the surrounding towns experienced greater growth in their tax bases as measured by the percentage change in total assessed value from FY99 to FY04. During this period, Grafton had the largest increase in total assessed value (126%), followed by Shrewsbury (102%), while Worcester, with its 64% increase, ranked 7th out of the ten communities listed.

HIGHLIGHTS

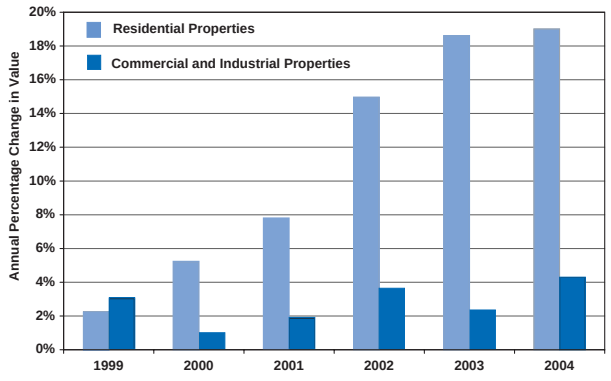
		FY04	FY05 (Preliminary)
Assessed Value	(TOTAL)	$8.8 billion	$10.4 billion
Assessed Value	(RESIDENTIAL)	$7.0 billion	$8.5 billion
Assessed Value	(COMMERCIAL / INDUSTRIAL)	$1.8 billion	$1.9 billion
Annual Growth	(RESIDENTIAL VALUES)	19.0 %	21.4%
Annual Growth	(COMMERCIAL / INDUSTRIAL)	4.3%	5.6 %

Table 1.1: City of Worcester Tax Base (In thousands of dollars)

	Residential	Commercial/ Industrial	Total
1999	$3,822,619	$1,566,928	$5,389,547
2000	$4,021,970	$1,582,130	$5,604,100
2001	$4,335,260	$1,611,705	$5,946,965
2002	$4,984,353	$1,669,860	$6,654,213
2003	$5,912,081	$1,708,997	$7,621,078
2004	$7,036,273	$1,782,479	$8,818,752
% Change FY99-FY04	84.1%	13.8%	63.6%

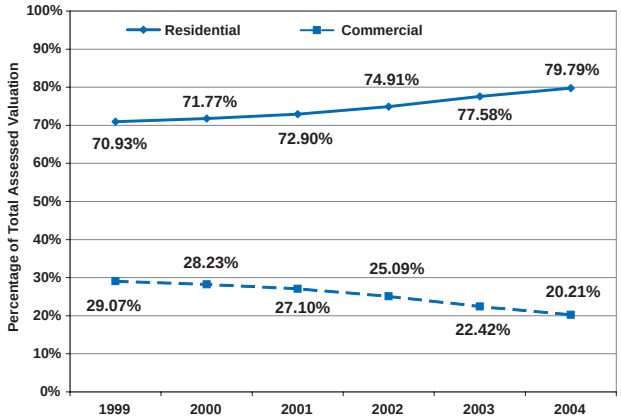
Data source: Massachusetts Department of Revenue, Division of Local Services

Chart 1.2: Annual Growth in Property Values, City of Worcester, FY99 - FY04



Data source: Massachusetts Department of Revenue, Division of Local Services

Chart 1.3: Distribution of Assessed Valued by Property Type, City of Worcester, FY99-04



Data source: Massachusetts Department of Revenue, Division of Local Services

What does this mean for Worcester?

Even though the substantial growth in Worcester's residential property values in recent years suggests the City's continuing appeal as a place to live (especially in view of rising real estate prices in the Boston metropolitan area), the relatively slow growth in Worcester's commercial/industrial tax base indicates that the City has not had the same success in attracting business development. Worcester's public officials are very much aware of the problem and have promoted a number of development projects throughout the City, including construction of a new Worcester Courthouse, a Hilton Garden Inn, and the new Vocational High School, development of Gateway Park, and redevelopment of the Worcester Common Outlets with housing and retail space. These projects will have to be carefully monitored to determine whether they increase the value of the commercial/industrial tax base and add new jobs for the region's residents.

In addition, the City has contracted with Northeastern University's Center for Urban and Regional Policy and the National Association of Industrial and Office Properties to conduct an assessment of the barriers in Worcester that hinder economic development and to develop policies to overcome them.

[5] At the time of publication of this report, the City has received preliminary certification from the state Department of Revenue for FY05 assessed property values. Based on the proposed assessments, single-family home values are expected to be 17% higher in FY05 than in FY04, three-family home values are expected to increase by one-third, commercial buildings by 8%, and industrial buildings by 6%. Based on the preliminary estimates which are subject to state approval, the City Assessor has projected that residential properties may account for 82% of the value of the tax base in FY05.

Table 1.2: Assessed Values in Border Communities FY04

	Residential	Commercial/ Industrial	Total	% Change FY99-FY04
Grafton	1,521,592	135,681	1,657,273	126.0%
Shrewsbury	3,469,509	514,401	3,983,910	101.8%
Paxton	427,323	19,482	446,805	94.4%
Boylston	487,243	56,618	543,861	82.2%
Holden	1,393,483	95,883	1,489,366	71.3%
Auburn	1,136,840	385,995	1,522,835	65.1%
Worcester	7,036,273	1,782,479	8,818,752	63.6%
Millbury	720,884	139,892	860,776	60.6%
West Boylston	532,411	114,667	647,078	58.8%
Leicester	542,529	58,075	600,604	53.1%

Data source: Massachusetts Department of Revenue, Division of Local Services

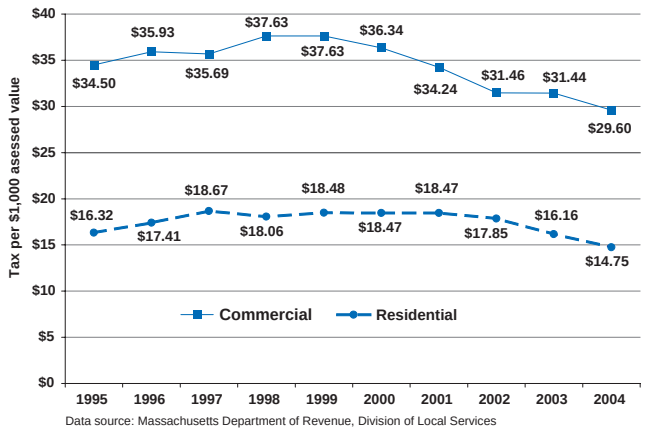
2 Commercial & Residential Tax Rate

Why is it important?

Businesses looking to relocate or expand existing operations typically take into consideration a number of factors that affect the cost of doing business in a particular community, including the property tax rate. The tax rate is expressed as a dollar amount per $1,000 of a property's assessed value. For example, in FY04, Worcester's commercial/industrial tax rate was $29.60 per $1,000 of valuation; therefore taxes on a commercial or industrial property with an assessed value of $1 million would total $29,600.

Property taxes, of course, are not the only factor influencing a decision 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. 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. Nonetheless, tax rates may be a major factor influencing the decision of individuals, and especially firms, to locate in one community or another. One indication of the importance of the tax rate in influencing business decisions is the popularity of tax incentives such as tax increment financing (TIF), which, in Massachusetts, grants firms tax abatements over a number of years in return for a guarantee that the company will create a certain number of jobs.

Chart 2.1: Worcester's Commercial and Residential Tax Rates, FY95-FY04



Data source: Massachusetts Department of Revenue, Division of Local Services

How does Worcester perform?

Under Massachusetts General Laws Chapter 59, cities and towns may choose to adopt property tax classification, which allows different classes of property (residential and commercial/industrial) to be taxed at different rates. The City of Worcester adopted dual classification in FY84. When adopted, dual classification typically shifts the tax burden from residential property owners to commercial and industrial property owners.[1,2]

Chart 2-1 compares Worcester's commercial/industrial and residential tax rates over time. In FY04, the commercial/industrial tax rate reached its lowest level in ten years at $29.60 per $1,000 of assessed value. While the commercial rate has steadily declined over the past five years from $37.63 to $29.60 per $1,000 of assessed value (a 16.4% decrease), the FY04 rate is still nearly double the residential rate of $14.75 per $1,000 of assessed value.

As **Chart 2-2** indicates, Worcester's commercial/industrial and residential tax rates compare favorably to those of Springfield, Hartford, and Syracuse, but are slightly higher than Lowell's. Closer to home, however, Worcester's commercial/industrial tax rates are not competitive with those of adjacent towns (**Table 2-1**) or those closest to the City along the I-495 corridor (**Table 2-2**). In FY04, Worcester's commercial/industrial tax rate was *significantly* higher (often two, and sometimes even three, times greater) than the rates of its neighbors.

Worcester is also at a disadvantage compared to most adjacent communities when it comes to residential tax rates. While residential property owners saw a 20% decline in their tax rate from FY99 to FY04, over the same period they saw rising property tax bills due to sharply increasing residential property values. According to the Massachusetts Department of Revenue, the average value of single-family homes in Worcester increased from $109,545 in FY00 to $180,193 in FY04 (a 64.5% increase). This trend of declining tax rates being offset by soaring home values has occurred throughout much of the larger region.

[1] For example, in FY04, residential property owners in Worcester paid 66.3% of the total tax levy, although residential properties constitute 79.8% of the tax base. Commercial property owners paid 33.7% of the total tax levy and constitute 20.2% of the total tax base.

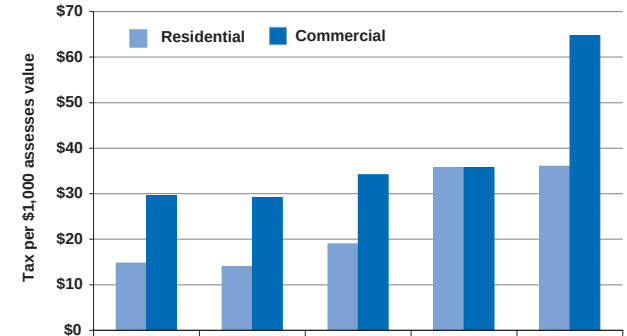
[2] While state legislation allows communities to shift the tax burden from one property class to another, the state does set limits as to how much of the burden a municipality may shift. In FY04, the maximum allowable shift (the highest amount at which commercial/industrial property tax rates could be set) for communities meeting certain criteria 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). While Worcester was eligible to shift up to 175% of the value of the single rate in FY04, the City adopted a commercial/industrial rate at 166% of the value of the single tax rate. In FY05, the maximum allowable shift will be 197%.

HIGHLIGHTS

Residential Tax Rate, FY04: $14.75 per $1,000

Commercial/Industrial Tax Rate, FY04: $29.60 per $1,000

Chart 2.2: FY04 Tax Rates for Worcester and Comparable Cities



	Worcester, MA	Lowell, MA	Springfield, MA	Syracuse, NY	Hartford, CT
Residential	$14.75	$13.97	$18.99	$35.75	$36.06
Commercial	$29.60	$29.17	$34.18	$35.75	$64.77

Data source: Massachusetts Department of Revenue, City of Syracuse Assessor, and City of Hartford Assessor

Table 2.1: FY04 Tax Rates in Border Communities

	Commercial	5-yr. Change	Residential	5-yr. Change
Shrewsbury	$9.92	-26.2%	$9.92	-26.2%
Grafton	$10.81	-30.4%	$10.81	-30.4%
Boylston	$11.50	-30.9%	$11.50	-23.0%
Paxton	$12.83	-28.4%	$12.85	-28.4%
Leicester	$13.24	-16.5%	$13.24	-16.5%
Holden	$14.06	-22.6%	$14.06	-22.6%
West Boylston	$14.55	-18.2%	$14.55	-18.2%
Millbury	$15.02	-6.1%	$15.02	-6.1%
Auburn	$21.13	-11.9%	$11.70	-12.2%
Worcester	$29.60	-21.3%	$14.75	-20.2%

Source: Massachusetts Department of Revenue

Table 2.2: FY04 Tax Rates in I-495 Communities

	Commercial	5-yr. Change	Residential	5-yr. Change
Harvard	$11.57	-12.9%	$11.57	-12.9%
Berlin	$12.58	-14.1%	$12.58	-14.1%
Southborough	$12.80	-13.7%	$12.80	-13.7%
Hopkinton	$12.90	-19.5%	$12.90	-11.6%
Bolton	$13.24	-22.6%	$13.24	-22.6%
Boxborough	$13.32	-24.6%	$13.32	-24.6%
Northborough	$13.79	-14.9%	$13.79	-14.9%
Westborough	$13.87	-11.2%	$13.87	-11.2%
Ashland	$14.01	-34.3%	$14.01	-23.5%
Upton	$14.77	-20.5%	$14.77	-20.5%
Hudson	$20.97	-15.5%	$9.84	-31.3%
Milford	$22.28	-24.9%	$11.94	-27.9%
Marlborough	$24.06	-16.9%	$12.90	-22.2%
Worcester	$29.60	-21.3%	$14.75	-20.2%

Source: Massachusetts Department of Revenue

What does this mean for Worcester?

Dual classification and higher commercial/industrial and residential tax rates place Worcester at a competitive disadvantage compared to its border communities and communities along the I-495 corridor whose rates are typically substantially lower than the City's.[3] *Even though tax rates may be only one of many factors businesses weigh when deciding where to relocate, Worcester's higher tax rates, which increase the costs of doing business in the City, make Worcester a less attractive alternative relative to many of its neighboring communities.*

Additionally, over the past five years, because of the marginal increase in the assessed value of commercial/industrial property compared to residential, the proportion of the tax base derived from residential properties has increased from 70.9% in FY99 to 79.8% in FY04 (and is projected to increase to 82% in FY05). These figures suggest not only the need to attract new business to Worcester, but that efforts to alleviate the tax burden on homeowners by raising the rate on businesses are self-defeating. Further increases in the commercial tax rate would only discourage businesses from locating or expanding in Worcester thus exacerbating the residential tax burden still further. Worcester would be far better served by a focused endeavor to reduce the cost of municipal operations, thus lowering the tax burden for everyone.

[3] While higher tax rates in Worcester may be in part a function of the City providing more municipal services than are provided in surrounding towns, the provision of these municipal services may also be one of the factors that attracts families and businesses to Worcester.

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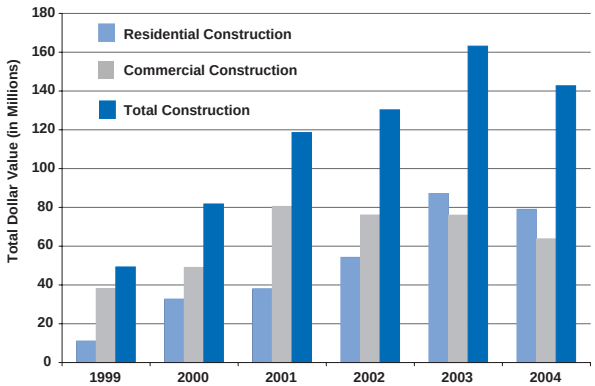
Amount of Private Investment

Why is it important?

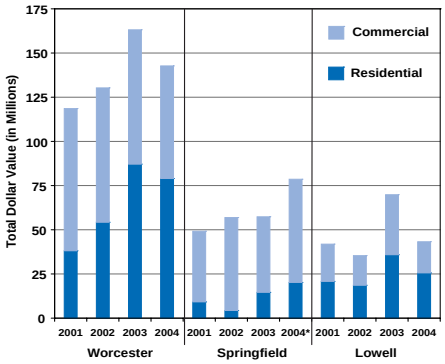
Private investment, measured here as the value of new construction, is an important economic indicator. It reflects a city's ability to attract new development, create new jobs and housing opportunities for its residents, and expand its tax base. As discussed in **Indicator 1: Commercial and Residential Tax Base**, Worcester's overall tax base increased by more than $1 billion (15.7%) from FY03 to FY04. Two factors drove this level of expansion: 1) rising property values in the City, and 2) continued high levels of 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.

Chart 3.1: Value of New Construction in the City of Worcester, FY99 - FY04



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

Chart 3.2: Value of New Commercial/Industrial Construction in Comparable Massachusetts Cities, FY00-FY03



Data source: Massachusetts Department of Revenue, Division of Local Services, 2004 data for Springfield adjusted per recommendation of Springfield Assessor's Office

How does Worcester perform?

Chart 3-1 shows that the combined value of commercial and residential new construction in Worcester totaled $142.7 million in FY04. While this amount represents a 12.5% decrease from the previous year, steady annual increases in the value of new construction occurred from FY99 to FY03. As a result, FY04's value was almost three times the value in FY99. Both the commercial and residential sectors experienced lower levels of new growth in FY04 than in FY03. The value of new commercial/industrial construction in Worcester fell 16.2%, from $76 million in FY03 to $63.7 million in FY04. Similarly, the value of residential construction in the City decreased by 9.4% (from $87.1 million to $79 million) during the same period.

As shown in **Chart 3-2**, from FY01 through FY04, new construction values in Worcester were typically between two and three times higher than comparable values for Springfield and Lowell. From FY03 to FY04, both Worcester and Lowell experienced declining levels of new growth, while new construction values in Springfield have shown steady annual increases since FY01. Additionally, a substantial proportion of Springfield's growth has occurred in the commercial sector, whereas Worcester and Lowell have typically experienced higher levels of growth in the residential sector.

Chart 3-3 shows the percentage of Worcester's tax base and tax revenues derived from new construction since 1999.[1] While no clear trend has emerged over this period, these proportions have typically fluctuated less than half a percentage point from year to year. In FY04, new construction accounted for 1.6% of Worcester's tax base, or approximately $3 million in tax revenue.

Chart 3-4 compares the value of new construction as a percentage of the local tax base in Worcester with the surrounding towns for FY04. These data reveal that new construction represents a smaller proportion of the total tax base in Worcester relative to many of its neighboring towns (ungraphed trend data indicate that this has been the case since FY99). Worcester may find itself

[1] As discussed in *Indicator 2: Commercial and Residential Tax Rate*, 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 3-3** reflects the maximum percentage that could be expected to be derived from new construction, i.e., omitting tax incentives which would reduce tax revenues.

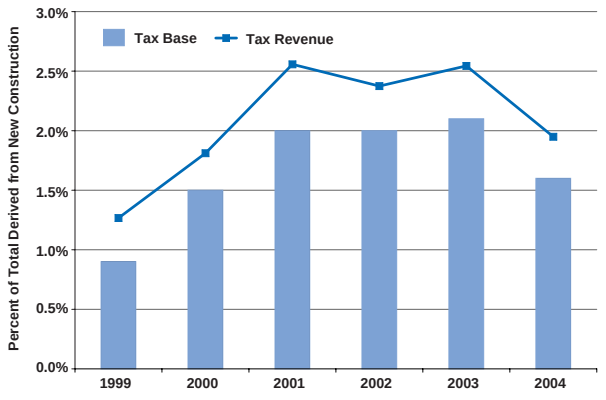
HIGHLIGHTS

Total value of commercial/industrial new growth during FY04: $63,733,300
Total value of residential new growth during FY04: $78,974,200
Change in the value of new commercial/industrial construction FY03-FY04: -16.2%
Change in the value of new residential construction FY03-FY04: -9.4%

at a disadvantage in attracting new growth compared to the surrounding areas due in part to: 1) higher tax rates (discussed in Indicator 2: Commercial and Residential Tax Rates), and 2) less availability of developable land, with much of the land that is available classified as brownfield sites requiring potentially costly clean-up.

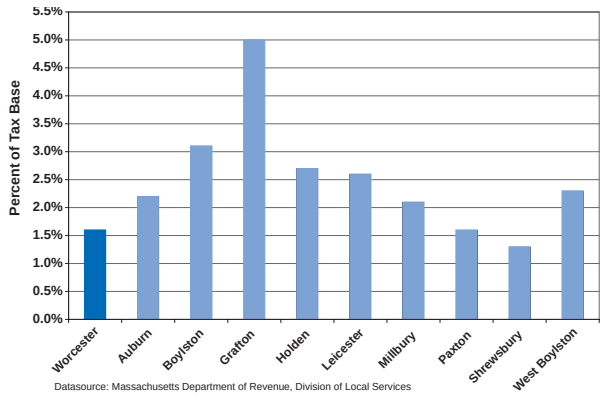
As shown in **Chart 3-5**, prior to FY03, new growth was being driven by construction occurring in the commercial/industrial sector. In FY95, commercial/industrial growth accounted for 78.7% ($59.9 million) of the value of all new construction in Worcester. In 1997, the proportion of commercial construction began to fall, and by FY04, commercial/industrial growth lagged behind residential growth, accounting for less than half (44.7%) of the value of new growth.

Chart 3.3: Percentage of Worcester's Tax Base and Tax Revenues Derived from New Contruction, FY99 - FY04



Data source: Massachusetts Department of Revenue, Division of Local Services

Chart 3.4: New Contruction Values as a Percentage of the Tax Base in Worcester and Surounding Towns, FY04



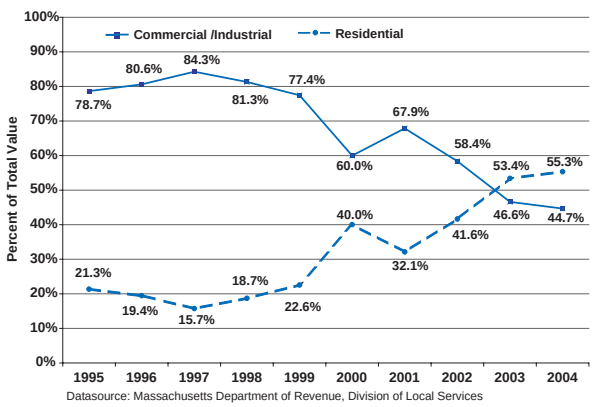
Datasource: Massachusetts Department of Revenue, Division of Local Services

What does this mean for Worcester?

Sustained growth is key to Worcester's long-term economic vitality. Following four years of increasing new construction values, new growth declined in Worcester in FY04 (though growth levels remained high from a historical perspective). This slowdown is likely the result of several factors: higher tax rates may make Worcester less attractive to do business when compared to some of the surrounding municipalities; unfavorable tax rates shift the tax burden to the commercial/industrial sector; and less land is available for new housing. It will be important for community leaders to consider these issues as they promote long-term economic development in the City. As indicated earlier, (see ***Indicator 1: Commercial and Residential Tax Base****), there are a number of key development projects just getting underway in the City which are anticipated to yield significant levels of new investment in downtown Worcester.*

One option for promoting long-term economic development not only in Worcester but also in the Central Massachusetts region is the revitalization of Worcester Regional Airport. Airports have long been stimulants of economic development because they are known to attract business and jobs to the region in which they are located. The $400,000 grant from the Federal Aviation Administration and the Massachusetts Aeronautical Commission to develop a new master plan for the airport and the recently announced $442,615 grant from the U.S. Department of Transportation for the development and implementation of a marketing plan provide the opportunity to develop a plan to realize Worcester Regional Airport's potential as an engine for economic development.

Chart 3.5: Distribution of the Value of New Construction in Worcester, FY95 - FY04



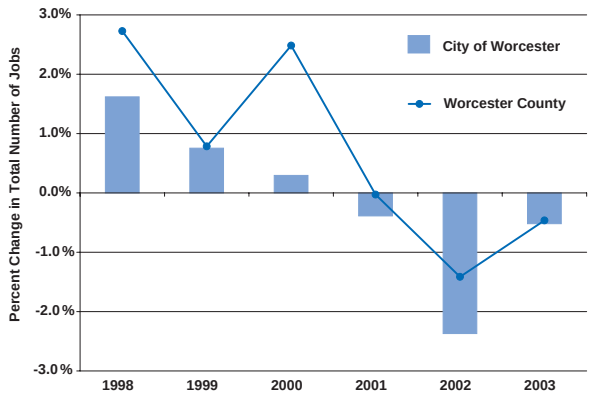
Datasource: Massachusetts Department of Revenue, Division of Local Services

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 and the potential need for employment and training services. Labor force participation measures individuals' willingness to work outside the home. Job growth reveals how much an economy is expanding, and the distribution of workers across various industries is a measure of economic diversity.

Chart 4.1: Annual Rate of Job Growth



Data source: US Department of Labor, Bureau of Labor Statistics

Table 4.1: Annual Rate of Job Growth

	City of Worcester		Worcester County	
	Average Monthly Employment (#)	Annual % Change	Average Monthly Employment (#)	Annual % Change
1997	98,718	-	302,655	-
1998	100,316	1.62%	310,910	2.73%
1999	101,072	0.75%	313,350	0.78%
2000	101,370	0.29%	321,131	2.48%
2001	100,977	-0.39%	321,043	-0.03%
2002	98,584	-2.37%	316,503	-1.41%
2003	98,073	-0.52%	315,037	-0.46%

Data source: Massachusetts Division of Career Services, Massachusetts Division of Unemployment Assistance

How does Worcester perform?

During 2003, average monthly employment in the City of Worcester was 98,073, down 511 jobs from the previous year, and the lowest level since 1997. As **Chart 4-1** and **Table 4-1** illustrate, the number of jobs in the City of Worcester grew by 2.7% (2,652 jobs) from 1997 to 2000. However, since 2000, the City has lost 3,297 jobs (a 3.25% decline), resulting in 645 fewer jobs in Worcester in 2003 than in 1997. Metro Boston experienced a similar pattern of annual job growth from 1997 to 2000 followed by three years of consecutive job losses. However, overall employment figures for Metro Boston remained 2.9% higher in 2003 than they had been in 1997.

Compared to the City, Worcester County as a whole experienced a higher level of job growth from 1997 to 2000, adding 18,476 jobs (a 6.1% increase countywide). Even though this period of growth was followed by three consecutive years of overall job loss, the County ultimately added 12,382 jobs between 1997 and 2003.

Table 4-2 compares levels of job growth among selected metropolitan statistical areas (MSAs) in the Northeast.[1] Monthly average employment levels for 2004 were below 2001 levels in each of the MSAs examined except Providence, which gained 2,700 jobs (+ 0.5%) during this period. The Hartford MSA experienced the greatest job loss in terms of real numbers with 23,400 fewer jobs in 2004 compared to three years earlier; however, while fewer in number, the 8,000 jobs lost in the Lowell MSA represented a greater proportion (6.1%) of jobs for that area. In 2004, the Worcester MSA had 6,400 or 2.7% fewer jobs compared to 2001.

[1] MSAs are defined by the Federal Office of Management and Budget (OMB) and refer to geographic areas containing a large population nucleus together with adjacent communities having a high degree of economic and social integration with the core. While the OMB released new definitions for MSAs in 2003, the Bureau of Labor Statistics (BLS) official data series continues to be based on the previous MSA definitions. BLS expects to officially convert to the new MSA definitions with the release of 2004 data later this year. BLS's research data series containing 2002 and 2003 data based on the new MSA definitions was the source of employment data contained in this report last year. However, because this series is not yet the official series, and because comparable historical data are not yet available, the employment data presented here are taken from BLS' official data series, which utilizes the earlier MSA designations. Therefore, the employment or job growth numbers contained in this report are not consistent with data in last year's report.

[2] 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.

[3] Mining, construction, and manufacturing industries comprise the goods-producing sector.

HIGHLIGHTS

From 2002 to 2003, the City of Worcester lost 511 jobs.

Worcester's unemployment rate fell from 7.2% in 2003 to 6.6% during the first half of 2004.

In 2003, about 1 in 3 jobs in Worcester (36%) was in the education and health services sector.

Chart 4-2 shows the percentage of the labor force engaged in various sectors of the economy in the City of Worcester. In 2003, 87% of Worcester's jobs were in the service-providing sector,[2] with the remaining 13% in the goods-producing sector.[3] More than one out of three jobs (36%) in Worcester were in the education and health services industry. **Table 4-3** shows 2003 average monthly employment by industry for both the City of Worcester and Worcester County. Roughly one in four jobs countywide (26.1%) was in the education and health services sector in 2003. This table also shows that the City and County's manufacturing job base continued to erode between 2001 and 2003, with manufacturing job losses totaling 18.1% in Worcester and 14.4% countywide.[4] Losses in manufacturing jobs have been partially offset by increases in other sectors, such as leisure and hospitality.

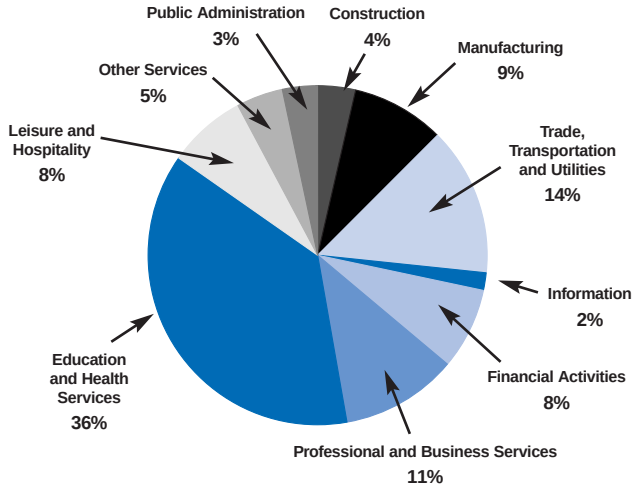
As shown in **Chart 4-3**, Worcester's average annual unemployment rate, or the number of unemployed residents per 100 persons in the labor force, more than doubled between 2000 and 2003.[5] In 2000, the unemployment rate reached its lowest level over the period examined here, falling to 3.3%, or 2,530 unemployed individuals. However, mirroring national and regional trends, Worcester's unemployment rate began to rise in 2001, and ultimately reached a six-year high of 7.2% (5,873 unemployed individuals) in 2003. This trend does appear to be improving, as reflected by data which show the City's unemployment rate declining to 6.6% during the first half of 2004. However, this figure still represents 5,372 unemployed individuals, an 83.5% increase in the number of unemployed residents compared to six years earlier.

Table 4.3:
Employment by Industry, 2003

	CITY OF WORCESTER		WORCESTER COUNTY	
	Average Monthly	Percent Change 2001-2003	Average Monthly	Percent Change 2001-2003
Leisure and Hospitality	7,407	10.4%	28,024	8.5%
Other Services	4,440	8.1%	11,082	3.3%
Trade, Transportation, & Utilities	13,855	3.0%	63,267	-1.4%
Education and Health Services	36,723	1.5%	82,258	2.3%
Financial Activities	7,669	-4.1%	16,779	2.4%
Public Administration	3,098	-5.7%	12,260	-3.3%
Information	1,658	-7.7%	5,883	-8.9%
Natural Resources & Mining	21	-8.7%	816	5.3%
Construction	3,641	-9.5%	15,076	1.2%
Professional & Business Services	10,854	-15.0%	35,016	-4.5%
Manufacturing	8,707	-18.1%	44,577	-14.4%

Data source: Massachusetts Division of Career Centers and Division of Unemployment Assistance

Chart 4.2: Employment by Industry, City of Worcester, 2003



Data source: Massachusetts Division of Career Services, Massachusetts Division of Unemployment Assistance

Table 4.2: Total Non-farm Employment in Northeast Metro Areas (in Thousands)

	Providence, RI	Bridgeport, CT	Syracuse, NY	Worcester, MA	Lowell, MA	Springfield, MA	Hartford, CT
2001	530.2	186.4	349.4	236.6	130.5	262.6	613.6
2002	530.2	186.0	345.4	232.5	126.1	258.4	606.0
2003	533.2	184.5	344.5	230.4	121.5	254.3	595.5
2004*	532.9	183.8	344.8	230.2	122.5	254.5	590.2
Total Change in Number of Jobs 2001-2004	2.7	-2.6	-4.6	-6.4	-8.0	-8.1	-23.4
Percentage Change 2001-2004	0.5%	-1.4%	-1.3%	-2.7%	-6.1%	-3.1%	-3.8%

*January-June Average Data source: Bureau of Labor Statistics

[4] These declines have followed national trends. According to the Bureau of Labor Statistics, in 2003, there were 1.9 million fewer manufacturing jobs nationwide compared to 2001 (an 11.7% decline). During the same period, the Boston Labor Market Area lost nearly 30,000 manufacturing jobs (a 15.7% decline).

[5] 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 or non-residents of that particular locality. In contrast, unemployment data based on the Local Area Unemployment Statistics (LAUS) data series are based in the individual's place of residence, thus reflecting the proportion of Worcester City residents who are unemployed.

WORCESTER REGIONAL RESEARCH BUREAU

4 Employment and Labor Force Growth (cont.)

Historically, Worcester's unemployment rates have been among the lowest when compared to other cities in the Northeast. While the gap between Worcester's and the comparison cities' rates has narrowed over the past decade, since 2000, unemployment rates in Worcester have ranged from 0.6 to 4.3 percentage points below the rates for comparable Northeastern cities. During this period unemployment rates in the City have been, on average, about half a percentage point higher than the overall countywide unemployment rate.

Worcester's labor force, or the total number of residents age 16 and older who are employed or looking for work, increased by 5.4% from 77,618 individuals in 2000 to 81,841 individuals during the first half of 2004 (**Table 4-4**). Countywide, the labor force grew at a slightly higher rate of 5.7%, to 388,782 individuals in 2004. According to Census Bureau population estimates, both the City of Worcester and Worcester County have experienced annual increases in population since 2000.[6] These population increases partly explain labor force growth at both the City and County levels.

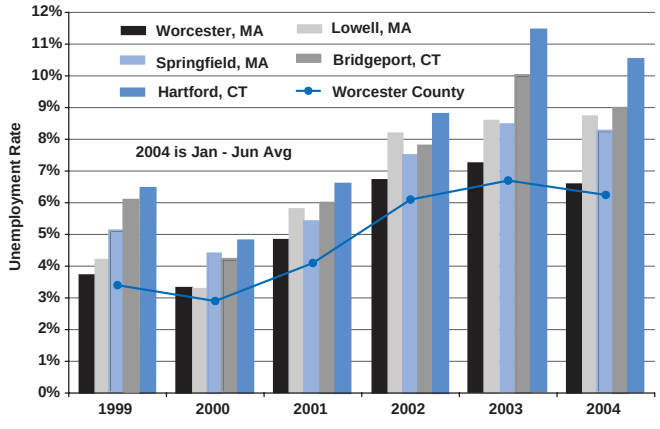
Compared to the City of Worcester, Worcester County has historically had a higher proportion of its residents participating in the labor force. In 2004, the County's labor force participation rate[7] was 67.2% compared to 60.1% in the City.

What does this mean for Worcester?

*The data presented for this indicator signal several significant shifts on the labor and employment front in recent years. Worcester has experienced three consecutive years of job losses, and as manufacturing jobs continue to disappear, Worcester's economy has become predominantly service-oriented. At the same time jobs were disappearing, the City's population and labor force were increasing. From 2000 to 2003, the number of unemployed individuals in the City increased by 112%, reaching a ten-year high, though that rate declined during the first half of 2004. In addition, as jobs and employers have left the City, Worcester has been faced with a declining commercial/industrial tax base (see **Indicator 1: Commercial and Residential Tax Base**). While all of these factors together do not paint a favorable picture of the health of Worcester's economy, there is evidence that some of the employment decline in the City has been offset by higher levels of job growth in outlying areas of the County. Data from the 2000 Census show an increase in the proportion of Worcester's population working outside the City compared to 1990 (43% vs. 31%).*

The combination of fewer jobs in the City, continued population growth, and increasing numbers of workers commuting to jobs in outlying communities fuels the perception that Worcester is becoming a bedroom community for the Boston and Metrowest areas.

Chart 4.3: Unemployment Trends for Northeastern Cities and Worcester County, 1999-2004



Data source: Bureau of Labor Statistics, Local Area Unemployment Statistics

Table 4.4: Labor Force Participation Rate

	CITY OF WORCESTER		WORCESTER COUNTY	
	Labor Force (#)	Labor Force Participation Rate	Labor Force (#)	Labor Force Participation Rate
2000	77,618	57.0%	367,846	63.6%
2001	80,496	59.1%	378,324	65.4%
2002	82,237	60.3%	391,203	67.6%
2003	81,757	60.0%	388,557	67.1%
2004*	81,841	60.1%	388,782	67.2%

*January-June Average

Data source: Bureau of Labor Statistics, Local Area Unemployment Statistics; Labor Force Participation Rates calculated by WRRB using US Census Bureau 2000 population data

[6] The Population Estimates Program of the U.S. Census Bureau publishes total population estimates each year. Estimates for July 1, 2003 show population growth in both the City of Worcester and Worcester County when compared to Census 2000 population data. The City's population has increased 1.8% from 172,646 residents in 2000 to 175,706 residents in 2003, and the County saw a 3.4% population increase (from 750,963 to 776,610 residents) over the same period.

[7] 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 noninstitutionalized population age 16 and over.

Downtown Office Occupancy Rate

Why is it important?

Office occupancy rates are a key reflection of a downtown area's economic vitality. While high office occupancy rates are an indicator of a strong business and retail economy in the central areas of a city, low or declining occupancy rates may signal business and retail flight and an ensuing weakening of the downtown core. Nationwide, the suburbs have outpaced central cities in terms of both job growth and population growth over the past decade. This type of growth and the resulting "exit ramp economy," in which new office space and retail facilities are increasingly located along suburban freeways,[1] has had a detrimental effect on many of our nation's once-vibrant urban cores. However, a number of cities have developed successful strategies aimed at keeping existing businesses downtown and attracting new tenants to vacant space.

HIGHLIGHTS

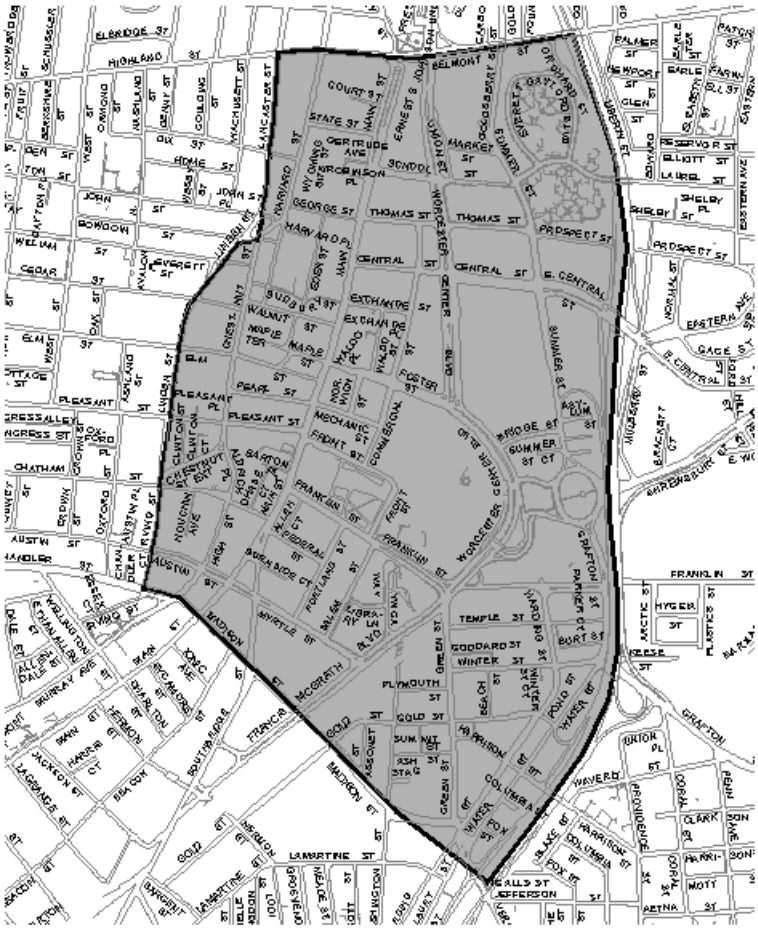
2003 Downtown Office Occupancy Rate: 89.5%

2004 Downtown Office Occupancy Rate: 88.7%

How does Worcester perform?

During June and July of 2004, CCPM staff conducted site visits and telephone surveys to determine the total amount of office space in Worcester's Central Business District (CBD)[2] and the proportion of that space that is currently occupied. CCPM documented 81 properties containing some amount of office space in the CBD, and obtained current information for 79 of these sites.[3]

Central Business District



[1] Katz, Bruce. May 2004. "A Progressive Agenda for Metropolitan America." The Brookings Institution.

[2] The Central Business District, or downtown Worcester, as defined by census tracts, includes the area south of Lincoln Square, north of Chandler and Madison and Vernon streets, west of I-290, and east of Irving, Linden, and Harvard Streets.

[3] The survey includes owner-occupied buildings (such as UnumProvident) because they represent a significant proportion of the overall downtown office space. Thus, the data contained in this report include leased and owner-occupied office space for single- and multi-tenant properties of all classes of buildings.

Downtown Office Occupancy Rate (cont.)

Downtown Worcester's Central Business District contains a total of 4.6 million square feet[4] of office space, of which 88.7% is occupied.[5] As shown in **Table 5-1**, the overall downtown office occupancy rate in 2004 was slightly lower than in 2003. Class "A"[6] buildings (considered "premier space," that is, newly constructed buildings[7] or buildings that have undergone extensive reconstruction) account for 1.8 million square feet of office space. The occupancy rate among this class of office space fell from 91.1% in 2003 to 88.5% in 2004. Class "B" buildings (older renovated buildings considered to be in fair to good condition) comprise 1.4 million square feet of downtown office space, of which 92.3% is occupied. Finally, the almost 1.4 million square feet of Class "C" space, or the older unrenovated buildings offering "functional space", has the lowest occupancy rate at 85.1%. Of the three categories, Class "C" has had the lowest occupancy rates in each of the last three years, although the rate did increase slightly from 2003 to 2004.

As shown in **Table 5-2** below, over half (57%) of the office buildings in the downtown area contain available vacant space. Among these, 31 buildings have vacancies of 10,000 square feet or less, eight have between 10,001 and 25,000 square feet of available space, and six buildings—up from three last year—contain more than 25,000 square feet of vacant office space.

In 2004, slightly more than half of survey respondents provided information on rental rates. Reported monthly rental rates for all properties in the CBD ranged from $7.50 per square foot to $26 per square foot.

Table 5.1: Occupancy Rates for Downtown Office Space, 2002-2004

		2002	2003	2004	Change '02-'04
Class A	Total Office Space	2,248,736	2,256,536	1,792,033	-20.3%
	Occupied Space	2,009,996	2,055,925	1,586,186	-21.1%
	Occupancy Rate	89.4%	91.1%	88.5%	
Class B	Total Office Space	1,233,540	1,278,478	1,436,083	16.4%
	Occupied Space	1,111,064	1,181,944	1,325,158	19.3%
	Occupancy Rate	90.1%	92.4%	92.3%	
Class C	Total Office Space	1,555,576	1,553,508	1,392,614	-10.5%
	Occupied Space	1,338,837	1,315,865	1,185,524	-11.5%
	Occupancy Rate	86.1%	84.7%	85.1%	
Total	Total Office Space	5,037,852	5,088,522	4,620,730	-8.3%
	Occupied Space	4,459,897	4,553,734	4,096,868	-8.1%
	Occupancy Rate	88.5%	89.5%	88.7%	

[4] This figure has changed from year-to-year because building usage can change from year-to-year (e.g., several buildings in the downtown area that were formerly office space have been converted to residential space in recent years, also, following rehabilitation, a building may move from one class to another).

[5] 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.

[6] 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 Owner's and Managers Association provides additional detail about building classification at http://www.BOMA.org

[7] The last major office building constructed in downtown Worcester (Chestnut Place) was completed in 1990. The most recent construction in downtown has been medical-related space for the Worcester Medical Center and the Massachusetts College of Pharmacy and Health Sciences.

What does this mean for Worcester?

During a period in which office occupancy rates have declined nationally, downtown Worcester has experienced only slight year-to-year changes in its office occupancy rate. While this is positive, the 523,862 square feet of vacant office space is space that, if occupied, would mean more jobs and revenues that would enhance the vibrancy of downtown Worcester.[8]

The City needs to be concerned not just with attracting new businesses to downtown, but maintaining those that are already here, and this need is on the minds of local leaders. On April 6, 2004, Worcester's City Council asked the City Manager to "develop a strategy to keep companies' business headquarters in downtown Worcester for the purpose of economic development." This request from the Council came on the heels of Carlin, Charron, & Rosen, LLP, New England's largest regional public accounting and business advisory firm's announcement to relocate its headquarters from Worcester to a facility in Westborough later this year. The firm's managing partner noted that the move, which includes relocating staff from offices outside of Worcester as well, would allow for greater efficiencies as well as position the firm geographically "closer to the fastest growing business region in the state," or areas to the east of Worcester.[9,10] *Undoubtedly, other firms are also feeling a similar pull to the East, and community leaders are faced with the challenge of retaining them in downtown Worcester.*

One question that needs to be answered is why are businesses opting to locate elsewhere? 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 influence, including tax rates, the overall "user-friendliness" of the permitting process, and infrastructure issues (including water and sewer systems and transportation).

[8] Using a standard of allocating 200 square feet of office space per worker, the amount of space currently vacant could potentially support 2,600 additional workers/jobs in the downtown area.

[9] Carlin, Charron, & Rosen, LLP press release, March 29, 2004. http://www.ccrgroup.com/media/pressreleases.htm

[10] Bob Kievra, "A Blueprint for Success: 'Crisis of Fragmentation' Hampering City," *Telegram & Gazette*, May 27, 2004.

Table 5.2: Distribution of Vacancies by Size (Sq. Ft.) and Building Class

Amount of Vacant Space:		Number of Buildings with Vacancies	Total Space Vacant
Class A	1-10,000 Sq. Ft	4	22,607
	10,001 -25,000 Sq. Ft.	3	33,240
	>25,000 Sq. Ft.	3	150,000
	Total	10	205,847
Class B	1-10,000 Sq. Ft	16	58,525
	10,001 -25,000 Sq. Ft.	1	15,400
	>25,000 Sq. Ft.	1	30,000
	Total	18	103,925
Class C	1-10,000 Sq. Ft	11	58,493
	10,001 -25,000 Sq. Ft.	4	63,480
	>25,000 Sq. Ft.	2	85,117
	Total	17	207,090
Total (A, B, C)	1-10,000 Sq. Ft	31	139,625
	10,001 -25,000 Sq. Ft.	8	112,120
	>25,000 Sq. Ft.	6	265,117
	Total	45	516,862

WORCESTER REGIONAL RESEARCH BUREAU

Vacant and Abandoned Buildings

Why is it important?

Vacant and abandoned buildings continue to be a serious concern for the City of Worcester.[1] While buildings become vacant or abandoned for various reasons, the deleterious social and economic effects of these properties are well documented: they decrease the values 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. Their redevelopment 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—and to the City's tax rolls— will help the City reclaim lost revenue, stem future tax losses, and enhance the overall economic vitality of its neighborhoods.

Table 6-1: Assessed Value and Tax Status of Vacant and Abandoned Properties, City of Worcester, June 2004

	Residential (N=105)	Commercial/ Industrial (N=65)	Total (N=170)
Assessed Value	$13,643,100	$20,482,500	$34,125,600
Current w/ FY04 Taxes	73 (69.5%)	48 (73.8%)	121 (71.2%)
Delinquency - FY04 Taxes	18 (17.1%)	7 (10.8%)	25 (14.7%)
Properties with Tax Liens	14 (13.3%)	10 (15.4%)	24 (14.1%)
Total Value of Tax Liens	$134,003	$845,069	$979,072

Data source: City of Worcester Office of the Treasurer and Collector

[1] The Research Bureau discussed many of the issues surrounding vacant and abandoned buildings and options for addressing them in the City of Worcester in its 1997 report *Distressed Property in Worcester: The Problems and the Options* (Report No. 97-2).

[2] The Worcester Fire Department, working in conjunction with the Department of Code Enforcement, maintains an up-to-date vacant and abandoned building inventory. Since this database is regularly updated as properties move on and off the list, the data here are for a single point in time.

[3] This figure represents the cumulative principal total of all back taxes for which the City has perfected a tax lien against said property.

[4] *Final Report of the City Manager's Community Task Force on Vacant and Abandoned Buildings*. November 21, 2000.

[5] As noted in the 1997 Research Bureau report *Distressed Property in Worcester* and the *City Manager's Community Task Force on Vacant and Abandoned Buildings*, there are a number of municipal agencies that have different and often competing responsibilities for dealing with vacant and abandoned buildings under Massachusetts General Laws. Because Police, Fire, Code Enforcement, Public Health, Economic Development, Planning, the Assessor's Office and the Treasurer's Office are all responsible for some aspect of vacant and abandoned buildings, any plan to address this issue must involve a comprehensive and coordinated approach among these agencies.

How does Worcester perform?

From 2001 to 2004, the total number of vacant buildings in Worcester declined 13.3%, from 196 to 170.[2] As shown in **Chart 6-1**, as of June 2004, there were 105 vacant residential buildings (46 fewer than in 2001) and 65 vacant commercial buildings (20 more than in 2001) in the City of Worcester. The assessed value of these 170 residential and commercial properties totaled $34,125,600.

As reflected in **Table 6-1**, more than two-thirds (71.2%) of the vacant properties were current with their taxes as of June 2004, and 28.8% either owed FY04 taxes or had had a tax lien placed against the property. Nearly one in six vacant or abandoned residential properties and about one in ten vacant or abandoned commercial/industrial properties owed FY04 taxes.

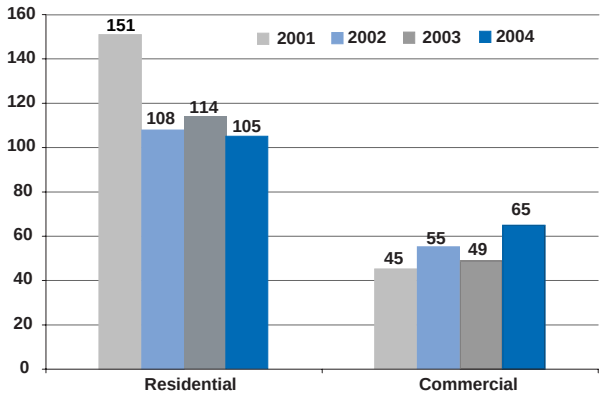
Tax liens totaling $979,072 have been placed against 24 of these properties, and the City is pursuing foreclosure actions against a number of these properties.[3] While both the number and the dollar value of residential liens declined from 2001 to 2004, the number of commercial properties with liens doubled, and the value of these liens more than tripled (**Chart 6-2** and **Chart 6-3**).

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, who may have felt these properties had little or no productive value. The return of these abandoned properties to productive use is much less certain due to the fact that 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. Analysis of the vacant property listings obtained from the Worcester Fire Department for 2002, 2003, and 2004 reveals that nearly half (48.8%) of the properties vacant in 2004 have been vacant for at least three years, and one-third of these are delinquent in property tax payments. Additionally, 17 of the 24 properties against which the City had placed a lien were vacant in each of the three years from 2002 – 2004.

HIGHLIGHTS

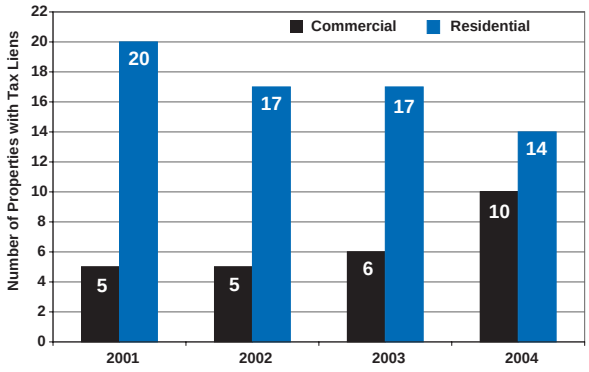
From 2003 to 2004, the number of vacant residential buildings declined from 114 to 105, while the number of vacant commercial buildings increased from 49 to 65.

Chart 6.1: Number of Vacant Buildings, City of Worcester, 2001-2004



Data source: Department of Public Health and Code Enforcement (2001); City of Worcester Fire Department (2002-2004)

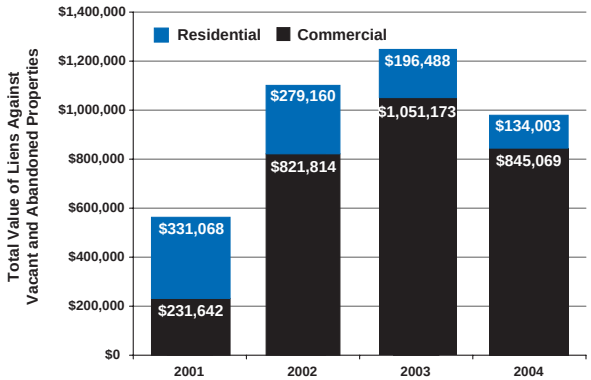
Chart 6.2: Vacant and Abandonded Properties with Tax Liens, City of Worcester, 2001-2004*



* Data are point-in-time only.

Data source: City of Worcester Office of the Treasurer and Collector

Chart 6.3: Property Tax Liens Against Vacant and Abandonded Properties in the City of Worcester, 2001-2004



*Data are point-in-time only.

Data source: City of Worcester Office of the Treasurer and Collector

What does this mean for Worcester?

*The increase in the number of vacant commercial buildings in Worcester over the last four years is another sign of a weakening commercial and industrial property market. A further indication of this trend is the shrinking proportion of the tax base derived from commercial and industrial properties (see **Indicator 1: Commercial and Residential Tax Base**) and the shrinking proportion of the workforce engaged in the manufacturing sector (see **Indicator 4: Employment and Labor Force Growth**).*

One of the most critical components of any economic development plan for the City of Worcester ought to be how the City deals with its vacant and abandoned properties. There are many strategies municipal and community leaders can implement to return these properties to productive use a number of which were detailed in a report issued on November 21, 2000 by the City Manager's Community Task Force on Vacant and Abandoned Buildings:[4]

- *Require property owners to notify the City of their intentions to vacate or abandon a building.*
- *Before abandonment, require property owners to provide the Fire Department with space utilization floor plans and arrange for the property to be inspected by code and fire officials.*
- *Establish and maintain an up-to-date inventory of vacant and abandoned buildings.*
- *Ensure that abandoned and vacant buildings are well-secured.*
- *Allow for tax abatements when vacant or abandoned properties are rehabilitated into residential properties.*
- *Adopt policies that encourage Brownfields development.*

While the City has met with success in implementing a number of recommendations contained in the task force's report (e.g., establishing the database of vacant and abandoned buildings that is now maintained by the Worcester Fire Department), the City should reevaluate its efforts to promote rehabilitation and reuse of these properties.[5] *Leaders ought to consider how the City could make better use of early intervention strategies such as aggressive code enforcement and tax collection (e.g., ensuring that liens are placed against properties as soon as statutorily possible), and evaluate the extent to which the City pursues foreclosure proceedings through the Land Court and grants or applies for tax abatements under Chapter 59, Section 59A and Chapter 58, Section 8 of the Massachusetts General Laws.*

Local Permitting Process

Why is it important?

Communities with efficient and user-friendly permitting processes have a competitive advantage in attracting business and private investment. In a study released in April 2004, researchers at Northeastern University's Center for Urban and Regional Policy identified a number of barriers that prevent older industrial cities from competing successfully for private sector investment and economic development.[1] Among the barriers or "deal breakers" cited by researchers is a cumbersome permitting process that "can create a sense of added risk and cost for businesses considering urban sites." Additionally, the authors note that a key factor in successful economic development is "the extent to which municipal officials are perceived as partners in the economic development system and, more importantly, can manage the review process fairly, effectively, and efficiently."

How does Worcester perform?

In July 2004, the Center for Community Performance Measurement, working in partnership with the City of Worcester Department of Code Enforcement, conducted a survey of individuals who submitted building permit applications between July 2003 and June 2004 which required the approval of at least one of the City's four regulatory boards or commissions (the Zoning Board of Appeals, the Planning Board, the Conservation Commission, and the Historical Commission). Respondents were asked to provide feedback about a number of aspects of the regulatory review process as well as provide specific recommendations for improvement. Fifty-three surveys were completed and analyzed, for a survey response rate of 24.3%.

Respondent Characteristics

As shown in **Table 7-1**, over half (56.9%) of the projects for which respondents applied for a permit were residential projects, while 39.2% were primarily commercial projects (the remaining four percent were both commercial and residential). Forty-seven percent of respondents identified their primary role in the project as "Homeowner/Small Business Owner," and about one in five (19.6%) "Developer."

Nearly three-quarters (72.5%) of survey respondents' permit applications required review by the Zoning Board of Appeals, about half (51%) required review by the Planning Board, a quarter (25.5%) required Conservation Commission review, and 9.8% had to be reviewed by the Historical Commission. A substantial proportion (45.7%) of respondents indicated that their application required review by two or more boards.

About half (52.2%) of the respondents indicated that the application was reviewed and approved or denied within two months of filing. While 49% of respondents indicated that the review process took about the length of time they'd expected, 39.2% said it took longer than they had expected. When asked "How long did you expect the process to take?" one-third of respondents indicated a month or less.

Overall Satisfaction with the Regulatory Process

Overall, 76% of respondents reported being "somewhat satisfied" or "very satisfied" with their experience obtaining a permit. Respondents whose projects were commercial were more likely to be "very satisfied" with their experience compared to respondents whose projects were residential (45% and 35.7% respectively).

Respondents who had applied for a permit in the past were asked to rate their most recent experience with their previous experience(s). Fifty percent of those who'd applied in the past reported that their most recent experience was "better" or "much better" than previous experiences. Forty percent felt it was "about the same," and ten percent rated their most recent experience as "worse" compared to previous experiences.

Respondents overwhelmingly judged that the Department of Code Enforcement staff was knowledgeable about the overall permitting process (93.9%), and friendly, courteous and helpful (90%). However, comments provided by a number of respondents suggested that the Department was understaffed, and these respondents generally perceived the staffing shortage as a barrier to an efficient process and satisfactory experience.

Comments include the following:

"Members of the staff at Code, DPW, and the Development Office do a good job! The permitting process is slowed by inadequate staffing."

[The staff is] "very helpful, but sometimes hard to reach."

"The office is understaffed and therefore not as responsive as one would like."

"If they had more administrative staff (I.e. desk workers, data entry, customer service) I would be VERY satisfied with the service and entire permitting process."

[Code Enforcement] "needs more people. It is sometimes impossible to get through to anyone on the phone for information."

"Everyone was very friendly but sometimes hard to get in touch with."

[1] Soule, David, Joan Fitzgerald, and Barry Bluestone. *The Rebirth of Older Industrial Cities: Exciting Opportunities for Private Sector Investment.* April 2004. Northeastern University Center for Urban and Regional Policy.

HIGHLIGHTS

Seventy-six percent of survey respondents reported being "somewhat satisfied" or "very satisfied" with their experience obtaining a permit.

A majority of respondents also expressed satisfaction with the portion of the permitting process involving the board(s) or commission(s) with which they met. While 54 % of respondents were "very satisfied" and 36% were "somewhat satisfied" with the timeliness of board or commission meetings, respondents noted or suggested the following:

"Due to rising costs of building materials, every day [spent waiting for approval] was crucial."

"Have homeowners go before the Board on a different night than big companies."

"The Boards should meet more frequently during the construction season."

[Develop a] "fast track process for small residential projects."

What does this mean for Worcester?

Respondents generally found the Code Enforcement and Board/Commission staff to be knowledgeable and helpful. Respondents also stated that while they may have found the overall permitting experience satisfactory, there were a number of areas where improvements could be made. Suggestions included: simplifying application forms and making them more understandable; providing better instructions (and examples) for filling out the forms; providing a better step-by-step overview of the process (including who reviews what, timelines and deadlines, the amount of information needed, potential delays and how to avoid them, etc.); improving access to information (documents, instructions, and process overview) online; developing an online application system;[2] increasing the frequency with which the Boards meet (particularly during peak construction season); developing a "fast-track" process for smaller projects; and increasing staffing levels in Code Enforcement to improve its ability to respond quickly.

The above suggestions are worthy of consideration by policymakers and leaders who must recognize that continued improvement of the City's permitting process is an important factor in promoting economic development. Adequate support and investment in this process can ultimately contribute to job growth and expansion of the tax base. However, it must be noted that recent reductions in Code Enforcement staffing levels and budget cuts[3] may undermine the Department's ability to implement some of the suggestions above. For example, the Department has recognized a number of ways in which increased use of technology could aid in streamlining the permitting process; however, the initial investment in such a process requires resources currently unavailable to the Department.

Table 7.1: Survey Highlights

Type of Project:	Commercial	39.2%
	Residential	56.9%
	Both	3.9%
Respondent's Role:	Architect	2.0%
	Attorney	13.7%
	Developer	19.6%
	Engineer	2.0%
	Homeowner/ Small Business Owner	47.1%
	Other	15.7%
Outcome of Permitting Process:	Application Approved	92.0%
	Application Denied	2.0%
	Still in Progress	6.0%
Time from filing to approval or denial:	2 Weeks	2.2%
	1-2 Months	50.0%
	3-4 Months	26.1%
	5 or More Months	21.7%
The length of time between filing and approval of application was:	Longer than expected	39.2%
	About the expected	49.0%
	Less time than expected	11.8%
Boards/Commissions with which application filed:*	Planning Board	51.0%
	Zoning Board of Appeals	72.5%
	Conservation Commission	25.5%
	Historical Commission	9.8%
	None	5.9%
	Not Sure	3.9%

* Percentage does not sum to 100 due to fact that many applicants filed with more than one Board or Commission.

Overall Satisfaction

Have you applied for a building permit from the City in the past?	Yes	60.8%
	No	39.2%
If yes, how would you rate this experience compared to your previous experience(s)?	Much better	13.3%
	Better	36.7%
	About the same	40.0%
	Worse	10.0%
	Much Worse	0.0%
Overall, how easy or difficult was it to complete the permit process in Worcester?	Very easy	16.0%
	Easy	48.0%
	Difficult	26.0%
	Very difficult	10.0%
Overall, how satisfied were you with your experience obtaining a building permit?	Very satisfied	38.0%
	Somewhat satisfied	38.0%
	Somewhat dissatisfied	14.0%
	Very dissatisfied	10.0%

[2] Through the City's website, residents of Toledo, Ohio are able to check on filed permits, get permit information on pending projects, projects under construction, or completed projects, schedule inspections for projects, receive immediate confirmation of the inspection date and time, complete an online permit application, and pay all applicable permit fees.

[3] From FY03 to FY05, the Department of Code Enforcement's budget decreased by 12.5% ($324,000) and the Department has 9 fewer staff in FY05 compared to FY03. While resources have diminished over the past few years, the Department's workload has remained steady.

MISSION STATEMENT

The Worcester Regional Research Bureau is a private, non-profit organization dedicated to conducting independent, non-partisan research on financial, administrative, management and community issues facing Worcester's municipal government and the surrounding region.

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