

November, 2003



Center for
Community
Performance
Measurement



WORCESTER
REGIONAL
RESEARCH
BUREAU

Benchmarking Economic Development in Worcester: 2003

CCPM-03-06

Welcome...



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Dear Citizen,

This is the third annual report from the Center for Community Performance Measurement on *Benchmarking Economic Development in Worcester*. This report provides updated information on the same economic development measures presented previously. The measures indicate changes and accomplishments during the last year as well as future challenges. In addition, **Indicator 7: Local Permitting Process** includes results from an original survey designed by the Center in cooperation with the Department of Code Enforcement to determine user satisfaction with the City's building permitting process. It is not our purpose in this report to provide recommendations for action. Rather, we are presenting the data to stimulate discussion about possible options for improving Worcester's performance. It will be up to the City government, citizens, businesses, and non-profit organizations to ensure that these data are used to promote action that will help Worcester perform better on these various indicators.

It is also important to note that indicators in this report are interrelated. The state of Worcester's economic development efforts is not completely illustrated using only one or two of the indicators. For example, the level of new growth in Worcester (**Indicator 3: Private Investment**) directly impacts the overall tax base (**Indicator 1: Commercial and Residential Tax Base**). The overall tax base, in turn, affects the tax rate (**Indicator 2: Commercial and Residential Tax Rate**) because of the revenue generated.

Thank you for taking the time to read this report. We hope that it will encourage widespread discussion about the future of Worcester and how performance measures can be used as a basis for making sound public policy.

Sincerely,

Philip R. Morgan - President

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

Kuba Stolarski - Research Associate

Executive Summary



Findings:

- Commercial and industrial property continued to decline as a proportion of the tax base during FY03.
- The total assessed value of residential property continued to rise, increasing by 18.6% during FY03.
- Worcester's labor force decreased by over 2,100 people, offsetting the increase from the last fiscal year.
- Although Worcester lost over 2,300 jobs in FY03, the greater Worcester area gained over 11,000.
- The occupancy of downtown office space increased to 89.5%, up from 88.5% in 2002.
- Although Worcester's commercial tax rate declined by 2 cents to \$31.44 from FY02, it is higher than all towns that border Worcester as well as the nearest communities in the I-495 corridor.

Questions:

- Is Worcester continuing to lose its status as a center of commerce and industry and becoming more of a bedroom community for Metro-Boston commuters?
- Since the commercial tax base is not increasing at a rate comparable to that of the residential, how will the city afford increased demands on municipal services such as public schools and public safety?
- How can Worcester attract new jobs?
- Can a well-functioning Worcester Regional Airport serve as a catalyst for economic growth?
- How can changes to the local permitting process be used to attract new development and improve Worcester's reputation as a good place to do business?

Highlights:

PAGE

INDICATOR 1: Commercial and Residential Tax Base3-4

*The total assessed value of all taxable properties increased 14.5% to \$7.62 billion.
The total assessed value of residential properties increased 18.6% while the assessed value of commercial properties increased 2.3%.*

INDICATOR 2: Commercial and Residential Tax Rate 5-6

*The residential tax rate declined 9.5% to \$16.16 per \$1,000 of assessed valuation in FY03.
The commercial tax rate declined by 2 cents to \$31.44 per \$1,000 of assessed valuation in FY03.*

INDICATOR 3: Amount of Private Investment 7-8

*The value of new residential construction in FY03 increased 60.6% over the FY02 level.
The value of new commercial construction declined 0.02% from the FY02 level.*

INDICATOR 4: Employment and Labor Force Growth 9-10

Between 2001 and 2002, the number of jobs in the city declined by 2,383. The greater Worcester area gained 11,138 jobs. The labor force in the city of Worcester decreased by 2,107 people.

INDICATOR 5: Downtown Office Occupancy 11-12

The occupancy of downtown office space increased from 88.5% in 2002 to 89.5% in 2003.

INDICATOR 6: Abandoned and Distressed Properties 13-14

*There are 7 more vacant residential properties in the city than there were in 2002.
There are 4 more vacant commercial properties in the city than in 2002.*

INDICATOR 7: Local Permitting Process 15-16

*Fifty-nine percent of survey respondents said that they spent 3 or more months going through the permitting process.
One third of survey respondents found the permitting process to be easy.*



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 taxation. The revenue generated from these taxes funds most municipal services, including public safety, public libraries, street and sidewalk maintenance, and other services examined in the CCPM's publication, *"Benchmarking Municipal and Neighborhood Services."* As one economic development text states, "The strength of the local tax base reflects the health of the local economy. A weak tax base can be an indication of a difficult local economy.... On the other hand, a strong tax base may reflect a well-functioning local economy...."¹

This performance measure distinguishes between the assessed value of residential property and that of commercial/industrial property in Worcester. Growth in each of these sectors, and a balance between the two, is important for a city to remain economically competitive.

How does Worcester perform?

Worcester's total assessed property value for FY03 was \$7.6 billion. This is a significant increase of 14.5% from FY02 when the total assessed value was \$6.7 billion. **Chart 1-1** illustrates the growth over the past seven years. While the total assessed value for properties grew steadily during this period, the growth started to increase more dramatically in FY02. Despite this large increase in the overall tax base, **Chart 1-2** indicates that this growth has not been distributed evenly between the commercial/industrial and residential markets. In FY03, the total assessed value of commercial and industrial properties increased by only 2.3% from FY02, while the value of residential properties increased by 18.6%.

Chart 1-3 illustrates the growing imbalance between residential and commercial/industrial proportions of Worcester's tax base. The residential tax base constituted 77.6% of the total tax base in FY03. This is a record high in the residential proportion. The commercial proportion in FY03 was 22.4%. In FY84, it was 35.4%. As shown in **Chart 1-4**, Worcester now has the highest overall assessed value of taxable properties among mid-sized cities in the northeast.² Worcester also had the largest increase in its growth rate from FY02's 11.9% to FY03's 14.5%.

Charts 1-5 and **1-6** compare Worcester's residential and commercial/industrial tax base growth to that of other Massachusetts cities. Worcester's residential growth rate significantly outperforms both Lowell and Springfield. In FY03, the growth rate of Worcester's commercial/industrial tax base fell by 1.3% as illustrated in **Chart 1-6**. The commercial tax bases of both Springfield and Lowell fell as well during that period.

Chart 1-1: Total Assessed Value of all Properties in Worcester, FY97-FY03 (in thousands of dollars)

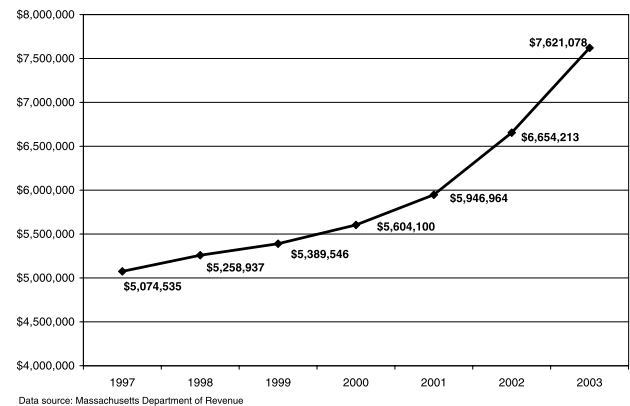


Chart 1-2: Growth in the Total Assessed Value of Properties by Class (in thousands of dollars)

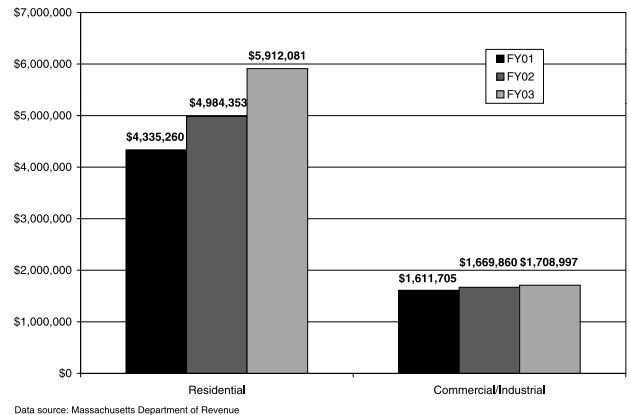
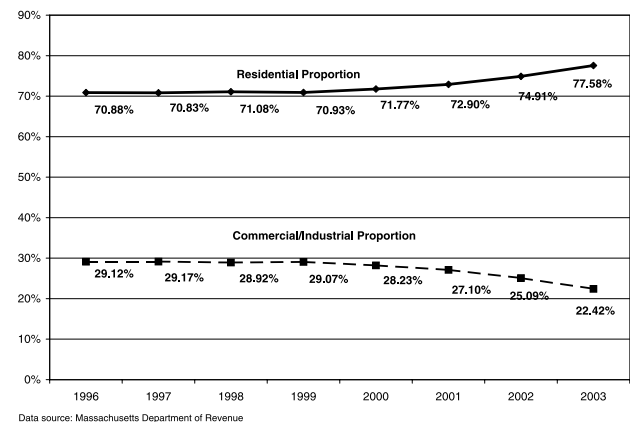


Chart 1-3: Trend in the Distribution of Property Values, FY96-FY03



¹ Walzer, Norman, ed., 1995, *Local Economic Development: Incentives and International Trends* (Boulder, CO: Westview Press).

H I G H L I G H T S

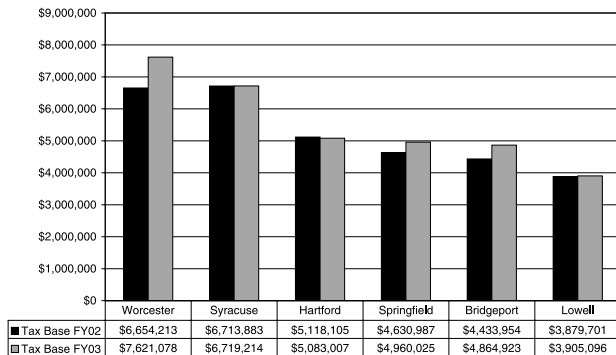
Total Assessed Value of Properties, FY03 \$7,621,077,900

Residential Growth18.6%

Commercial Growth2.3%



Chart 1-4: Comparison of the Total Assessed Value of Properties, Worcester and Northeastern Cities (in thousands of dollars)



Data source: Massachusetts Department of Revenue, City of Syracuse Assessor, City of Hartford Assessor, City of Bridgeport Assessor
Note: Because Hartford and Bridgeport assess property at only 70% of full market value, their tax bases have been adjusted for comparison purposes.

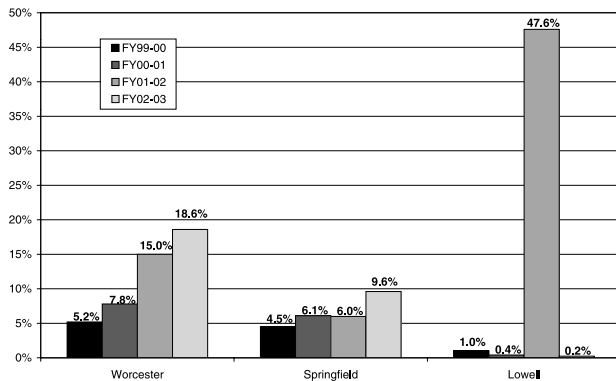
What does this mean for Worcester?

As noted earlier, the total assessed value of properties in Worcester is important to the quality of life here because it generates revenue to fund municipal services. Just as important are the businesses that make up the commercial/industrial market of the City, which provide jobs for Worcester residents and for others in neighboring communities. The very slow growth in the commercial tax base compared to the residential suggests that Worcester is not sufficiently attractive to new businesses, but it is becoming a more desirable place to live.

As shown in **Indicator 3: Private Investment**, the residential market in Worcester is very strong. This has been confirmed by recent information about the median home selling price in Worcester, which has increased from \$140,000 in 2001 to \$190,000 in 2003.³ Comparatively, Worcester's housing costs are still lower than those in communities to the east, which enhances the City's attractiveness as a place to live.

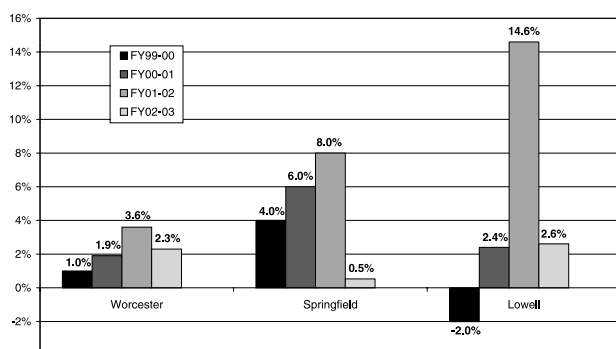
Unfortunately, the growth in the commercial/industrial sector has not mirrored the trend of accelerated growth in the residential sector. An increase in the city's commercial/industrial tax base would generate more revenue to finance municipal services to support a growing population. For example, the CCPM's 2002 survey of citizen satisfaction with municipal services indicated 63% of citizens are dissatisfied with the City's streets and 35% with its sidewalks. The City does not have the revenue to spend more than about \$5.5 million per year on sidewalk and street repair, but City officials estimate that about \$13.2 million per year should be spent in order to maintain City streets and sidewalks at an acceptable level. In addition to financing municipal services, greater tax revenue from the commercial/industrial sector would alleviate some of the tax burden placed on residential property owners in the city. What changes can be made to make Worcester a more attractive place to new or relocating businesses, or for the expansion of existing ones?

Chart 1-5: Annual Growth in the Total Assessed Value of Residential Properties



Data source: Massachusetts Department of Revenue
Note: Lowell's high increase from FY01-02 was due to a recertification of property values in FY02; Lowell recertifies property values every 3 years.

Chart 1-6: Annual Growth in the Total Assessed Value of Commercial/Industrial Properties



Data source: Massachusetts Department of Revenue
Note: Lowell's high increase from FY01-02 was due to a recertification of property values in FY02; Lowell recertifies property values every 3 years.

² Information about Providence's tax base was unavailable at the time of publication. In FY01, Providence's total tax base was \$5.1 billion.

³ The Warren Group: www.thewarrendgroup.com. Also see Research Bureau report No. CCPM-02-04, "The 2000 Census: Income and Educational Attainment in Worcester and the Region."

2

Commercial & Residential Tax Rate

Why is it important?

The property tax rate is one factor that influences business decisions regarding location of operations. Businesses are more likely to locate where costs are comparatively low and the potential for profit is comparatively great. High taxes can affect business location decisions which, in turn, affect jobs and tax revenues. Taxes are calculated as a dollar amount per \$1,000 of a property's assessed value. For example, since Worcester's FY03 commercial tax rate was \$31.44 per \$1,000 of valuation, the owner of a commercial building in Worcester assessed at \$1 million would have to pay \$31,440 in taxes in FY03.

Property taxes, of course, are not the only factor that businesses take into account when choosing a location. Other factors include the labor supply for a particular industry, wage rates, energy costs, the cost of housing, educational opportunities, infrastructure, accessibility, availability of office space, and land that is ready for immediate development. One indication of the importance of the tax rate, however, is the popularity in recent years of various tax incentives, such as tax increment financing (TIF), which offers tax abatements over a number of years in return for a guarantee that the company granted the abatement will create a certain number of jobs.

While commercial tax revenues help finance municipal services, the quality of the services in turn affects a city's ability to attract new businesses. For example, the infrastructure of a city is an important factor in a business's decision to locate its operations. The quality of the roads and accessibility to the city and to other communities are usually vital to a company's success. Without sufficient property tax revenues, funding for infrastructure maintenance and repair would be inadequate, thereby allowing roads and pipes to fall into disrepair. This can hurt existing businesses and discourage new development.

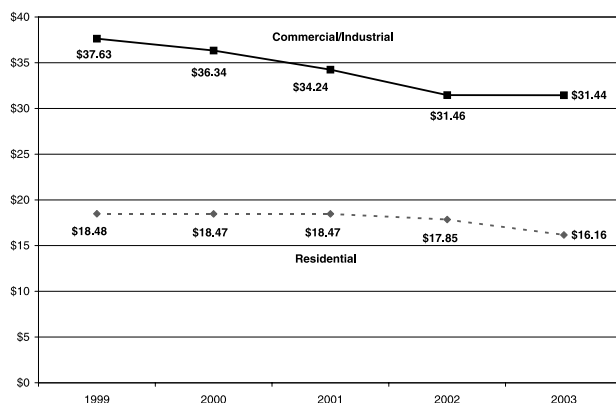
How does Worcester perform?

Under Massachusetts General Laws Chapter 59, cities and towns may choose to adopt dual classification of their tax rate. Dual classification means that different classes of property (residential and commercial/industrial) are taxed at different rates. The usual shift in the tax burden is away from residential property owners and onto commercial and industrial property owners.¹ If a community decides against adopting dual classification, a single tax rate is established for all properties.

Worcester adopted dual classification in FY84, as soon as the practice was allowed by the Massachusetts General Laws. This lessened the impact of the revaluation of property that had occurred two years earlier. In FY87, Worcester's commercial/industrial tax rate was \$21.71 and its residential rate was \$13. The State average at the time in single-rate communities was \$14.21. In more recent years, however, as Worcester's commercial/industrial tax base has eroded, property owners have had to bear much more of a tax burden. In FY03, Worcester's commercial/industrial tax rate was \$31.44, a reduction of only two cents from FY02. Worcester's residential tax rate for FY03 was \$16.16. Meanwhile, the State's single-rate average in FY03 was only \$13.49. (Note that the ratio of commercial to residential tax rates increased by 17% between FY87 and FY03, from 1.67 to 1.95.) The FY03 reduction of over 9.4% from the \$17.85 residential rate for FY02 was decided upon in order to reduce the impact of the 18.6% increase in the value of residential property. (See **Chart 2-1** for FY99-FY03 tax rates.)

Worcester's residential and commercial/industrial tax rates are fairly competitive in comparison to the other northeastern cities listed in **Chart 2-2**. (Bridgeport and Hartford have the highest tax rates of the cities included in this study.²) They are not, however, competitive compared to the towns near Worcester. (**Tables 2-1** and **2-2**) In fact, Worcester has a higher commercial tax rate than all towns that border it, as well as those closest to the city along the I-495 corridor. Although both of Worcester's rates have declined over the last three years, most other nearby communities have also reduced their rates. Therefore, in the region Worcester remains at a competitive disadvantage in terms of tax rates.

Chart 2-1: Worcester's Tax Rate, FY99 to FY03
(per \$1,000 assessed valuation)



Data source: Massachusetts Department of Revenue

¹ For example, in FY03, residential property owners in Worcester paid only 64.0% of the total tax levy, although residential properties constitute 77.6% of the tax base. Commercial property owners paid 36.0% of the total tax levy and constitute 22.4% of the total tax base.

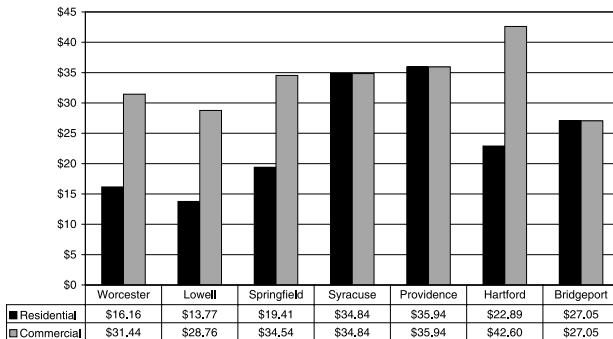
² Bridgeport and Hartford assess taxes on only 70% of the full market value of a property. Therefore, their tax rates have been adjusted for comparison purposes.

Residential Tax Rate, FY03:\$16.16 per \$1,000

Commercial Tax Rate, FY03:\$31.44 per \$1,000



Chart 2-2: FY03 Tax Rates: Worcester and Comparable Cities
(per \$1,000 assessed valuation)



Data source: Massachusetts Department of Revenue, City of Syracuse Assessor, City of Providence Assessor, City of Hartford Assessor, City of Bridgeport Assessor
Note: Because Bridgeport and Hartford assess property at only 70% of full market value, their tax rates have been adjusted for comparison purposes.

Table 2-1: Tax Rates in Border Communities

	Commercial	3-yr. Change	Residential	3-yr. Change
Shrewsbury	\$10.60	-19.9%	\$10.60	-19.9%
Boylston	\$13.83	-26.5%	\$13.83	-18.1%
Leicester	\$14.00	-14.9%	\$14.00	-14.9%
Grafton	\$15.00	-5.1%	\$15.00	-5.1%
Millbury	\$15.00	-4.2%	\$15.00	-4.2%
West Boylston	\$15.29	-15.1%	\$15.29	-15.1%
Holden	\$16.23	-11.2%	\$16.23	-11.2%
Paxton	\$17.86	-9.2%	\$17.89	-9.2%
Auburn	\$23.97	-2.3%	\$13.28	-0.3%
Worcester	\$31.44	-13.5%	\$16.16	-12.5%

Source: Massachusetts Department of Revenue

Table 2-2: 2003 Tax Rates in I-495 Communities

	Commercial	3-yr. Change	Residential	3-yr. Change
Harvard	\$11.45	-17.0%	\$11.45	-17.0%
Southborough	\$12.24	-14.4%	\$12.24	-14.4%
Bolton	\$12.72	-22.5%	\$12.72	-22.5%
Boxborough	\$12.78	-24.3%	\$12.78	-24.3%
Upton	\$12.85	3.5%	\$12.85	3.5%
Westborough	\$13.28	-12.2%	\$13.28	-12.2%
Ashland	\$13.32	-26.2%	\$13.32	-17.7%
Hopkinton	\$13.82	-12.0%	\$13.82	-12.0%
Berlin	\$14.13	-7.0%	\$14.13	-7.0%
Northborough	\$15.83	-6.0%	\$15.83	-6.0%
Marlborough	\$21.73	-22.6%	\$13.11	-19.6%
Hudson	\$21.76	-8.2%	\$10.72	-20.5%
Milford	\$25.88	-12.7%	\$13.36	-19.3%
Worcester	\$31.44	-13.5%	\$16.16	-12.5%

Source: Massachusetts Department of Revenue

What does this mean for Worcester?

For the fourth consecutive year, the City Council has reduced the commercial tax rate slightly, while decreasing the residential tax rate more significantly. By so doing, the Council mitigates the impact of the increase in value of residential properties. While a given property is taxed at a lower rate than it was in FY02, it is assessed at a higher value, and therefore is subject to higher taxes than it was in FY02. As a result, residents are paying higher tax bills on their properties than in previous years.

If Worcester is not competing for businesses with other mid-sized northeastern cities, but rather with neighboring communities, such as Shrewsbury and Grafton, that have significantly lower tax rates, then businesses and families making location decisions may be enticed by the lower property taxes of these communities. Worcester's tax rates were the highest in comparison to neighboring communities and the I-495 corridor communities in FY02 and FY03. These tax rates continue to put Worcester at a significant disadvantage for further economic growth and commercial development. In addition, the long term effect of higher business taxes can be that the actual residential rate is higher, since there is less business to share the tax burden. While Worcester provides more municipal services than the surrounding towns, its infrastructure and various social services demand more financial resources to maintain them. In order to do so, Worcester may need to find innovative ways to attract new businesses in the future.



3

Amount of Private Investment

Why is it important?

As shown in **Indicator 1: Commercial and Residential Tax Base**, Worcester's tax base has grown 14.5% between FY02 to FY03. Part of this growth is attributable to the amount of new residential construction in that period. New construction is an important indicator for any city, as it provides enhanced housing, buildings for employment, and an increase in the City's tax base to finance municipal services.

Chart 3-1: Value of New Residential Construction in Comparable Massachusetts Cities, FY00-FY03

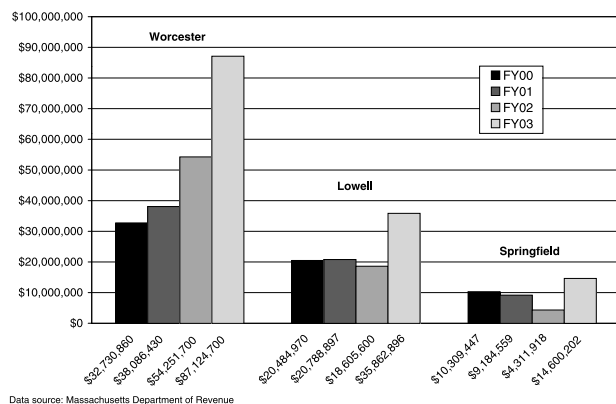
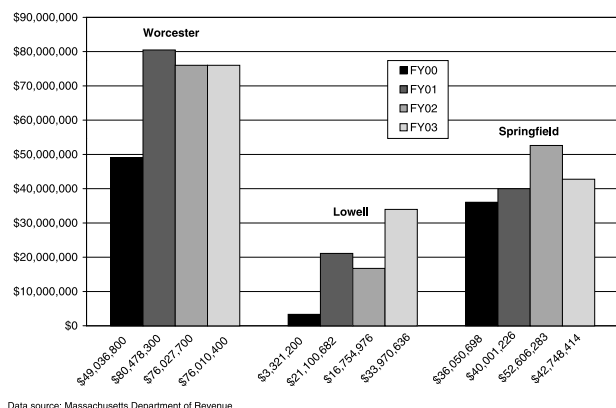


Chart 3-2: Value of New Commercial/Industrial Construction in Comparable Massachusetts Cities, FY00-FY03



How does Worcester perform?

The value of the **total** new construction in the city of Worcester in FY03 came to \$163.1 million. This is a 25.2% increase over the previous year's reported new growth. **Chart 3-1** illustrates the massive increase (60.6%) in the value of **residential** new construction between FY02 and FY03. During the previous three years, there had been a steady pattern of augmented growth. Meanwhile, as shown in **Chart 3-2**, **commercial/industrial** new construction remained about the same from FY02 to FY03 (decreasing by 0.02% during the last year).

Total new construction in Worcester in FY03 continues to be greater in value than that of Springfield and Lowell. Springfield's and Lowell's residential construction declined in FY02 and increased in FY03. Now, the value of new residential construction is on the rise in all three cities, with Worcester experiencing the greatest growth. As shown in **Chart 3-2**, the value of new commercial/industrial construction from FY02 to FY03 remained constant in Worcester, increased in Lowell, and declined in Springfield.

Chart 3-3 shows the value of new construction in Worcester and the surrounding towns as a percentage of the local tax base. In FY03, Worcester's overall new construction rate (2.1% of tax base) surpassed that of Auburn (2.0%), Leicester (2.0%), and Shrewsbury (1.7%), but lagged behind most of the surrounding towns, including Grafton (7.6%)¹, West Boylston (3.4%), Holden (3.2%), Millbury (2.6%), and Paxton (2.4%). This is the third consecutive year that Worcester's new growth rate has been below the rates of most surrounding towns. The lower rate of new construction may be due, in part, to the tax rates discussed earlier in **Indicator 2: Commercial and Residential Tax Rates** or that other towns have more open land on which to build.

Investment in residential construction continues to show strong growth. As shown in **Chart 3-4**, in FY03, the housing market constituted more than 50% of total new growth, whereas the commercial/industrial portion of new construction fell from 58.4% in FY02 to 46.6% in FY03, although the assessed value of new construction remained almost the same (\$76 million).

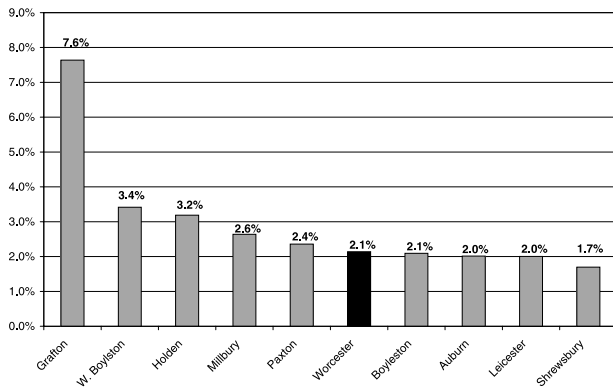
¹ The tax base of towns like Grafton is relatively small at \$1.1 billion, compared to Worcester's \$7.6 billion. Large development/construction projects have a greater impact on new growth as a percentage of the tax base in smaller towns.

Change in values for FY02-FY03:

New Commercial/Industrial Construction -0.02%
New Residential Construction +60.6%

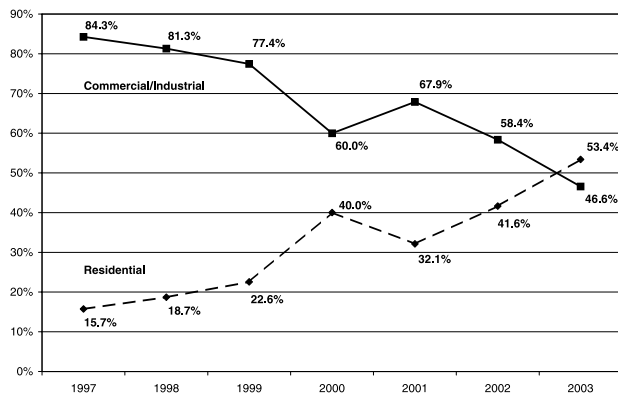


Chart 3-3: Value of New Construction as a Percentage of the Tax Base for Worcester and Surrounding Towns, FY03



Data source: Massachusetts Department of Revenue

Chart 3-4: Distribution of the Value of New Construction in Worcester, FY97-FY03



Data source: Massachusetts Department of Revenue

What does this mean for Worcester?

The continuation of enormous growth in the residential sector and stagnation in the commercial/industrial sector illustrate the trend identified in the last two reports on “**Benchmarking Economic Development in Worcester**,” that the City is increasingly becoming a bedroom community of Metro-Boston commuters. However, the growth in residential properties also reflects a national trend of new residential construction as a result of historically low mortgage rates. Conversely, the last two to three years have seen a slowing of commercial/industrial growth nationally. Once these national trends reverse, it will be important to see how Worcester fares.

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. According to Manchester's Airport Director, the impact on the local economy of Manchester Airport in New Hampshire was estimated at \$500 million in 1998, and is expected to top \$1 billion per year by 2010. By comparison, in 2000, the Massachusetts Aeronautics Commission estimated Worcester Regional Airport's impact on the local economy was about \$35 million per year. This difference is not surprising, since the total investment in Worcester Regional Airport since its founding in 1947 has been about \$50 million, while investment in Manchester Airport has been about \$600 million since 1987. The recently announced grants from the Federal Aviation Administration and the Massachusetts Aeronautics Commission to develop a new master plan for the airport provide the opportunity to develop a plan that will start us on the road to realize the potential of Worcester Regional Airport to become an engine for economic development.

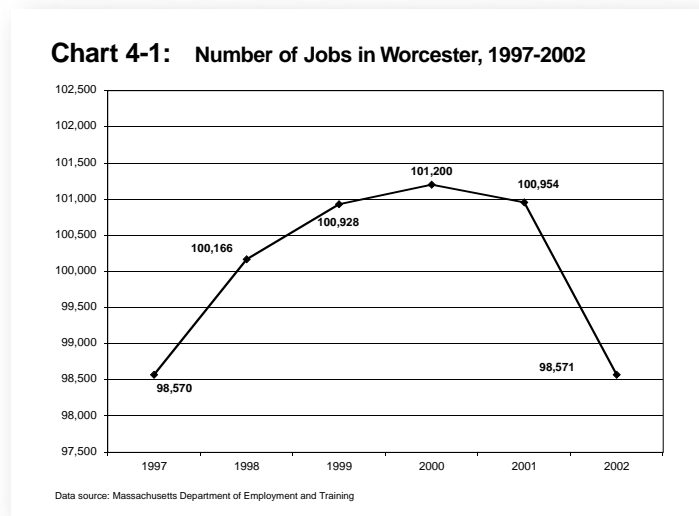


4

Employment and Labor Force Growth

Why is it important?

Low unemployment, a skilled labor force, and an adequate number of jobs for the available workforce are all signs of economic growth. Without these, a city or town may struggle to maintain a healthy economy. Without new businesses and development projects, a city will have a difficult time trying to maintain its economic prosperity.



¹ Massachusetts Department of Employment and Training, ES-202 series data, based on the number of jobs within city limits held by either residents or non-residents of the locality.

² The Worcester MSA, as defined by the Office of Management and Budget on June 6, 2003, includes all municipalities in Worcester County: Auburn, Barre, Berlin, Blackstone, Bolton, Boylston, Brookfield, Charlton, Clinton, Douglas, Dudley, East Brookfield, Grafton, Harvard, Holden, Hopedale, Lancaster, Leicester, Mendon, Milford, Millbury, Millville, North Brookfield, Northborough, Northbridge, Oakham, Oxford, Paxton, Princeton, Rutland, Shrewsbury, Southborough, Southbridge, Spencer, Sterling, Sturbridge, Sutton, Upton, Uxbridge, Webster, West Boylston, West Brookfield, Westborough, and Worcester.

³ The composition of MSAs is periodically redefined, most recently in 2003 (see footnote 2). The Bureau of Labor Statistics therefore revised figures from previous years in order to maintain year-to-year consistency. The data reported in last year's "Benchmarking Economic Development in Worcester" report correspond to the previous definitions of the MSAs included in this report, and as a result are significantly lower than the revised data reported here.

How does Worcester perform?

During 2002, Worcester had 98,571 jobs.¹ As shown in **Chart 4-1**, this was a 2.4% decrease from the previous year in the overall number of jobs within the city. This is the first year since 1998 that the number of jobs has dropped below 100,000.

Table 4-1 illustrates Worcester's job growth by industry since 1999. The most notable change is that between 1999 and 2002 manufacturing jobs decreased by 29.3%. This corresponds to the massive loss of manufacturing jobs nationally during this period. However, while jobs were lost in Worcester's manufacturing sector, there have been increases in other industry sectors, particularly in the services sector.

Chart 4-2 compares statistics for the Worcester metropolitan statistical area (MSA)² with other MSAs in the northeast. The Providence MSA now maintains the highest number of jobs within its region. This is not surprising, since the 2000 Census reported that the population of Providence surpassed that of Worcester to make it the second-largest city in New England. In the Worcester MSA, which encompasses Worcester and the surrounding area, there were 252,372 jobs in 2002, an increase of 4.6% since 2001.³

As shown in **Chart 4-3**, the labor force in Worcester decreased by 2.2% during the first seven months of 2003, from 82,945 to 81,086. However, since 2001 the labor force has actually increased 0.7%, as shown by **Table 4-2**. Among comparable northeastern cities, Syracuse had the largest percentage increase (4.1%) in labor force since 2001. Worcester's slight increase was the second lowest, with only Lowell showing an actual decrease (less than 0.1%) in its labor force.

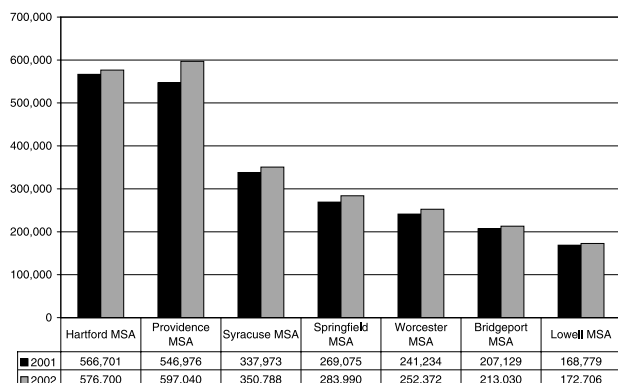
Since 2001, the unemployment rate has increased in Worcester, following state and national trends. However, as indicated in **Table 4-2**, Worcester did have the lowest unemployment rate among the comparison cities during the first seven months of 2003 at 7.2%, compared to 5.9% nationally.

H I G H L I G H T S

From 2001 to 2002, Worcester lost 2,383 jobs.
The greater Worcester area gained 11,138 jobs.
Worcester's labor force shrank by 2,107 people.



Chart 4-2: Number of Jobs in Metro Areas, 2001-2002

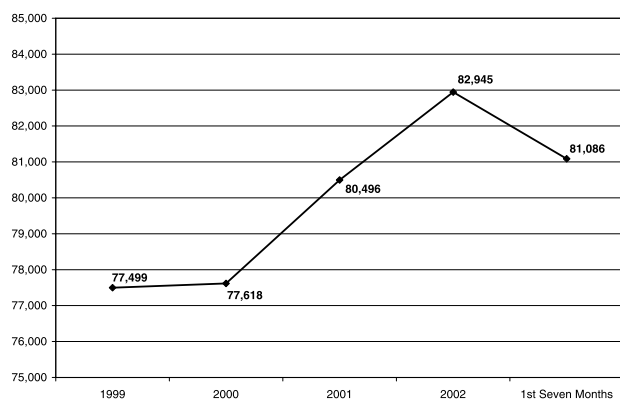


Data source: U.S Department of Labor, Bureau of Labor Statistics (www.bls.gov)

What does this mean for Worcester?

As illustrated in **Chart 4-2**, the number of jobs in Worcester's metro area grew by over 11,000 between 2001 and 2002, while the number in Worcester declined by over 2,300. In spite of this decrease, Worcester had the lowest unemployment rate of the cities surveyed (**Table 4-2**). This relatively low unemployment may be due to the increasing number of jobs available to Worcester residents in the surrounding area, in addition to the jobs available to those residents who commute to Boston. The loss of jobs in the City, combined with a declining commercial/industrial tax base (see **Indicator 1: Commercial and Residential Tax Base**), signals a decrease in business activity in Worcester, and does not bode well for the City's future economic development.

Chart 4-3: Growth in Worcester's Labor Force, 1999-2003



Data source: Massachusetts Department of Employment and Training

Table 4-2: Labor Forces and Unemployment Rates for Northeastern Cities, 2001-2003

	Labor Force, 1st Seven Months, 2003	Labor Force Growth, 2001-2003	Unemployment Rate, 2003
Worcester	81,086	0.7%	7.2%
Providence	76,839	3.6%	7.3%
Syracuse	77,381	4.1%	7.6%
Springfield	68,092	3.9%	7.9%
Lowell	54,439	0.0%	8.5%
Bridgeport	63,777	3.5%	9.3%
Hartford	54,921	2.6%	10.3%

Data source: U.S Department of Labor, Bureau of Labor Statistics; www.bls.gov.

Table 4-1: Worcester's Job Growth by Industry, 1999-2002

	1999	2000	2001	2002	% Change 1999-2002
Government	15,241	13,772	14,058	14,117	-7.4%
Construction	2,728	3,126	3,449	3,049	11.8%
Manufacturing	12,901	12,668	10,626	9,115	-29.3%
Transportation, Communications and Public Utilities	2,715	2,736	3,066	2,953	8.8%
Trade	17,789	17,447	15,869	16,258	-8.6%
Finance, Insurance and Real Estate	9,060	8,558	7,998	8,083	-10.8%
Services	40,494	42,893	45,888	44,996	11.1%
TOTAL # of Jobs	100,928	101,200	100,954	98,571	-2.3%

Data source: Massachusetts Department of Employment and Training.



5

Downtown Office Space Occupancy

Why is it important?

The rate of office occupancy in the downtown area is indicative of an economy's health. A high occupancy rate in a downtown area indicates a strong business economy in the central area of a city, while a low occupancy rate (high vacancy) indicates weakness in attracting businesses to the downtown core. A low occupancy rate can also be caused by a lack of appropriate office space for businesses wishing to relocate, reflecting the presence of older buildings that have not been renovated, or space that is too large or too small for particular businesses. High occupancy rates for office space in downtown areas result in more employees and therefore higher demand for related amenities, such as restaurants, convenience stores, and retail shops.

How does Worcester perform?

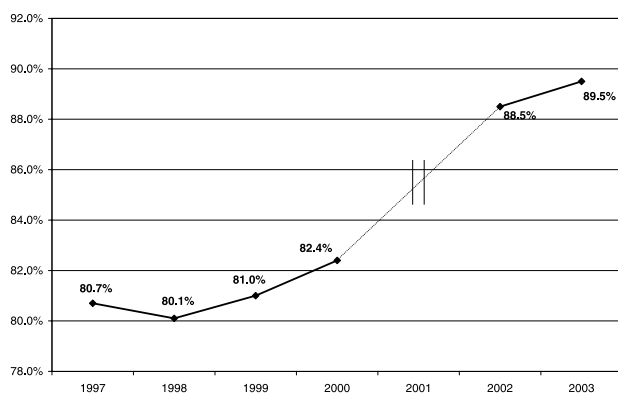


According to a survey conducted by the CCPM between June and August 2003 (as shown in **Table 5-1**), there was a total of about 5.1 million square feet of office space in the downtown area, of which 89.5% was occupied. While occupancy increased in Class A and Class B buildings by 1.7% and 2.4%, respectively since last year, the Class C occupancy rate declined by 1.4% during that period. There was no significant increase in total office space, although there was a slight decline (about 2,000 square feet) in the amount of Class C office space. Annual rental rates for all classes of property ranged from \$8 to \$26 per square foot in 2003, a slight increase from the previous year's \$5 to \$25 range.

As shown in **Chart 5-1**, Worcester's 2003 occupancy rate is the highest that it has been since the survey began. However, the survey was changed in 2002 to include owner-occupied space, which had been excluded from previous surveys. As a result, the occupancy rates for prior years were slightly deflated.

Forty-nine (49) of the 81 buildings downtown still have some space available. Of these, 34 buildings have available space of less than 10,000 square feet, as shown in **Table 5-2**. Only three buildings in the downtown area have more than 25,000 square feet of available space, although this space may not be contiguous. There are no Class B buildings with more than 25,000 square feet of available space. As a result, large organizations looking to relocate to downtown Worcester may have difficulty finding contiguous space large enough for their needs.

Chart 5-1: Historical Occupancy Rates: 1997 to 2003



Source: 1997-2000, Worcester Regional Chamber of Commerce, 2002-2003 Worcester Regional Research Bureau. The survey was not completed in 2001.

Table 5-1: Occupancy Rate for Downtown Office Space, 2002-2003¹

Type of building	2002 Total Square Feet	2002 Square Feet Occupied	2002 Occupancy Rate	2003 Total Square Feet	2003 Square Feet Occupied	2003 Occupancy Rate	2002-2003 Change in Occup. Rate
Class A	2,248,736	2,009,996	89.4%	2,256,536	2,055,925	91.1%	1.7%
Class B	1,233,540	1,111,064	90.1%	1,278,478	1,181,944	92.4%	2.4%
Class C	1,555,576	1,338,837	86.1%	1,553,508	1,315,865	84.7%	-1.4%
TOTAL	5,037,852	4,459,897	88.5%	5,088,522	4,553,734	89.5%	1.0%

Class A: new construction or extensive reconstruction; Class B: older renovated; Class C: older unrenovated.

¹ The calculations for 2002 were adjusted because some of the entries inadvertently included non-office space.

Downtown office space occupancy 2002:88.5%

Downtown office space occupancy 2003:89.5%



What does this mean for Worcester?

Occupancy of downtown office space has increased over the last several years. If this trend continues, it will be a good sign for the vitality of downtown Worcester. However, while the occupancy rate has increased, little new office space has been built in downtown Worcester in the last ten years. The high occupancy rate and low level of new construction may both be due to relatively low rental rates, attracting tenants who want to pay less, but deterring developers who want to earn more. The last major multi-tenant building to be completed was Chestnut Place in 1990. The most recent construction or major rehabilitation has been medical-related: the Worcester Medical Center and the Massachusetts College of Pharmacy. While the recent increase in medical-related space downtown is a sign that Worcester is becoming a center for medical, biomedical, and biotechnology industries, the lack of new multi-tenant construction in the downtown area stands in stark contrast to the high level of construction that has occurred in the last several years in the I-495 corridor to the east, as was discussed in **Indicator 3: Amount of Private Investment**. If demand for office space increases, will Worcester be in a position to meet that demand?

Although markets in the Route I-495 corridor have been building more commercial space, of which some portion may be office space, the office occupancy rate in those communities has continued to fall from an already relatively low (compared to Worcester) 73.5%¹ in 2002, to 66.4%² in 2003. Downtown office occupancy in Boston, which in recent years had been the highest in the country, dropped to an overall occupancy rate of 87.6%³ in 2002 and 83.9%⁴ in 2003. Providence's occupancy rate fell from about 89% in 2000 to 86.2% in 2001. By April, 2003, however, the occupancy rate had improved, and was estimated at about 89.1%.⁵ By building more space now, these markets may be positioning themselves to attract large businesses in search of additional space in the future. While Worcester's occupancy rate is relatively high, the lack of new growth in office space may help to steer those future businesses away from Worcester and into nearby markets.

¹ Jim Bodor, "Office Occupancy Grows a Notch," *Telegram & Gazette*, August 12, 2002.

² Meredith & Grew Incorporated, "Market Overview Statistics: 2nd Quarter 2003," http://www.m-g.com/resources_stats.html.

³ "Office Vacancies Up," *The Boston Globe*, July 27, 2002, third edition.

⁴ Meredith & Grew Incorporated, "Market Overview Statistics: 2nd Quarter 2003."

⁵ Lynn Arditi, "In Rhode Island, Little Sign of a Sharp, Quick Rebound," *The Providence Journal*, April 13, 2003.

Table 5-2: Detail of Buildings with Available Space, 2003

Type of building	Total number of buildings (changes from 2002 ¹)	Number of buildings with vacancies, by size of vacancy:			Total
		between 1 and 10,000 sq. ft.	between 10,001 and 25,000 sq. ft.	with more than 25,000 sq. ft.	
Class A	18 (+1)	7 totaling 35,438 sq. ft.	5 totaling 66,481 sq. ft.	2 totaling 98,692 sq. ft.	14 totaling 200,611 sq. ft.
Class B	33 (+1)	17 totaling 71,534 sq. ft.	1 totaling 25,000 sq. ft.	0	18 totaling 96,534 sq. ft.
Class C	30 (n.c.)	10 totaling 60,600 sq. ft.	6 totaling 103,090 sq. ft.	1 totaling 73,953 sq. ft.	17 totaling 237,643 sq. ft.
TOTAL	81 (+2)	34 totaling 167,572 sq. ft.	12 totaling 194,571 sq. ft.	3 totaling 172,645 sq. ft.	49 totaling 534,788 sq. ft.

¹ For the 2003 Office Occupancy Survey, one new building was added to Class A, one was converted from Class C to Class B, and one existing building was made available for Class C office space.

6

Abandoned and Distressed Properties

Why is it important?

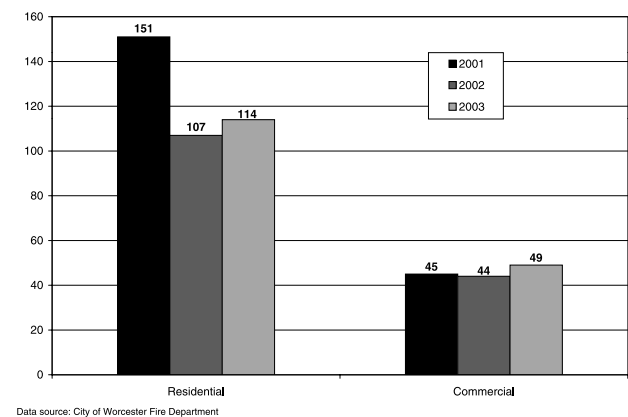
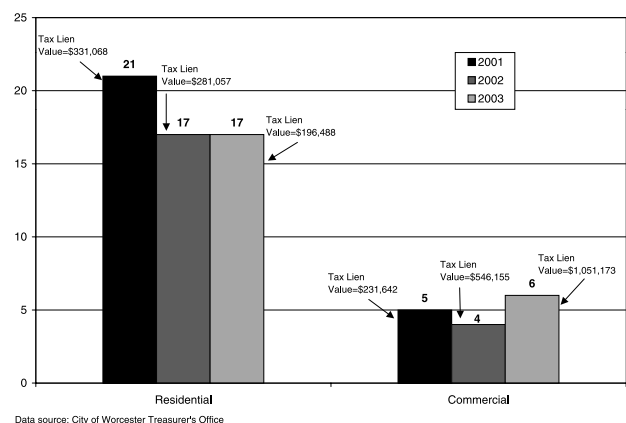
Abandoned and distressed properties continue to be a serious concern for the city of Worcester. The Worcester Regional Research Bureau has investigated their existence during the past several years in a variety of publications, including the 1997 report “*Distressed Property in Worcester: The Problems and the Options*,” (report no. 97-2) and in the 2002 Center for Community Performance Measurement’s report on “*Benchmarking Economic Development in Worcester*” (report no. CCPM-02-05). These abandoned properties can destabilize neighborhoods, increase costs of public safety, threaten fire safety, provide drug and crime havens, encourage dumping, and become infested with rodents and other animals.

**How does Worcester perform?**

According to data obtained from Worcester’s Fire Department and Treasurer’s Office, and illustrated in **Chart 6-1** the number of vacant residential structures increased from 107 to 114 since last year, while the number of vacant commercial structures increased from 44 to 49.

It is likely that some of the structures labeled “vacant” by the Fire Department will be reoccupied in the future. Analyzing a list of delinquent property tax payments can be a good indicator of whether the owner of that property has abandoned his building or not. An owner who pays taxes on time sees value in his property, and most probably wishes to continue keeping it updated and maintained. Properties with unpaid taxes are often not valued by owners, and are more likely to be abandoned.

As shown in **Chart 6-2**, the number of residential buildings with tax liens is the same as in 2002, 17 buildings. However, the value of those tax liens has dropped significantly. The number of commercial buildings with tax liens has increased by two, and the value of those liens has doubled. **Chart 6-3** illustrates that tax liens on seven buildings dating from 2002 have now been paid. The number of vacant commercial properties increased from four buildings in 2002 to six in 2003. **Chart 6-3** also shows that one commercial and five residential structures have been reoccupied since 2002, and the owners have begun paying taxes.

Chart 6-1: Number of Vacant Structures, 2001-2003**Chart 6-2: Vacant Structures with Tax Liens, 2001-2003**

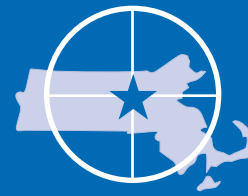
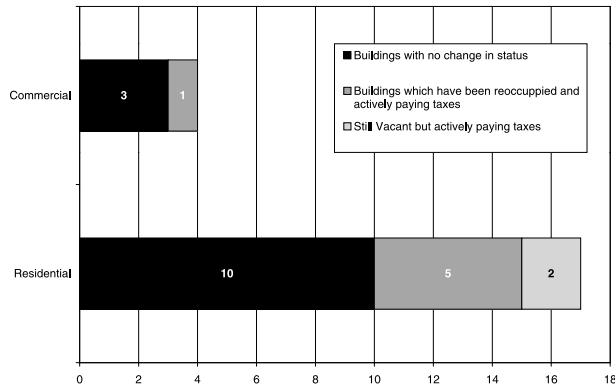


Chart 6-3: Current Status of 2002 Vacant Commercial and Residential Buildings with Tax Liens



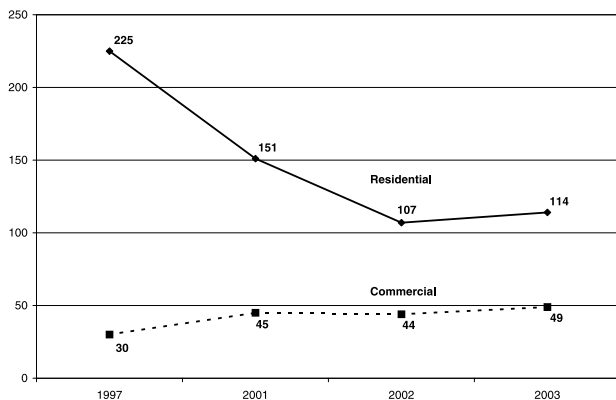
Data sources: City of Worcester Fire Department, City of Worcester Treasurer's Office

What does this mean for Worcester?

In order to reduce the number of vacant residential structures, Worcester needs to determine a better way to promote the rehabilitation of these properties. As noted in last year's report, the City utilized provisions of the Massachusetts General Laws Chapter 58, Section 8 (allowing the City to grant tax abatements for residential properties to encourage their rehabilitation) on four residential properties. Only one of those properties has been removed from the abandoned buildings list. The City should evaluate whether it is utilizing this tool in the most effective way.

*As shown in **Chart 6-4**, from 1997 to 2002, the number of vacant commercial properties rose by 63.3%, from 30 to 49 buildings. The number of vacant residential properties has decreased by 49.3% since 1997, from 225 to 114. As other indicators in this report point out, the residential market in Worcester is thriving, while the value of the commercial/industrial proportion of the City's tax base is in steady decline.*

Figure 6-4: Historical Trend of Vacant Structures, 1997-2003



Data source: City of Worcester Fire Department



7

Local Permitting Process

Why is it important?

Communities with user-friendly permitting processes may be better positioned to promote and attract development, thereby increasing the overall value of property in the community and expanding the tax base to pay for municipal services.

Indicative of the importance of user-friendly local building permitting processes is the *Award for Excellence in Local Permitting* that was presented in 2001 to the town of Marlborough by Mass Insight,¹ a Boston-based organization dedicated to promoting public-private partnerships in Massachusetts. The award, based on a survey of development professionals, was presented to Marlborough because of its coordinated approach that includes a knowledgeable professional staff, a comprehensive site plan review, an effective master plan, and good coordination among all boards and permitting authority.

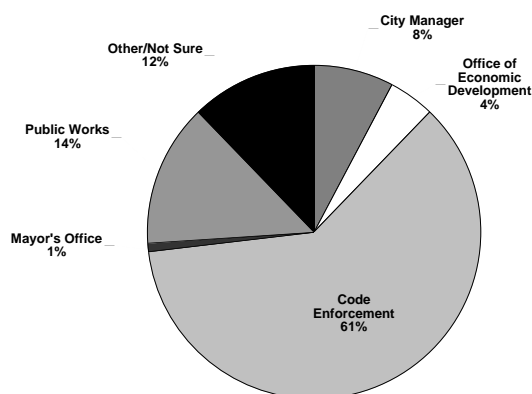
Worcester's permitting process often requires a complex series of legal procedures that may involve up to four regulatory boards, several municipal departments, numerous public hearings, project reviews, and inspections. This process can be both difficult and time-consuming. This somewhat cumbersome process has been exacerbated by staff reductions in recent years resulting in higher case loads per staff member. Although obtaining a building permit may never become easy, there may be ways in which the City can streamline the process and make permitting more user-friendly and efficient.

How does Worcester perform?

In December 2002 and June 2003, the Center for Community Performance Measurement collaborated with the Department of Code Enforcement to conduct a survey of individuals and organizations who had applied in the past year for a building permit to one of the City's four regulatory boards or commissions: the Planning Board, Zoning Board of Appeals, Conservation Commission, and Historical Commission. The purpose of the survey was to assess customer satisfaction with the user-friendliness of the regulatory review processes that are often necessary to obtain a building permit. In addition, the survey instrument sought to obtain specific recommendations for improvement.² The CCPM mailed a total of 453 surveys and received 123 responses (a 27% response rate).

As **Chart 7-1** shows, a majority of respondents to the survey (61%) started the application process at the Department of Code Enforcement. **Chart 7-2** shows that 64% of those surveyed applied to the Zoning Board of Appeals, 33% to the Planning Board, 28% to the Conservation Commission, and 10% to the Historical Commission. It should be noted that 60% of the respondents applied to two or more boards, while only 3% reported that they did not apply to any of them. Fifty-four (54) percent reported that their project was classified as residential, and 40% indicated that their project was primarily commercial. Only 9% of the respondents said that as part of the application process they had to meet with the Development Cabinet, a body made up of City department heads that assists with large private development projects.³ Of the respondents to the survey, 90% reported that their application had been approved, while only

Chart 7-1: First Office Contacted for Application



¹ Mass Insight Corporation (2001), "*Competitive Local Permitting: Seven Steps Communities Can Take*," <http://www.massinsight.com>.

² Respondents were asked to supply suggestions for improvement. Suggestions included concerns about timeliness ("improve turn-around time," "[create a] timetable for submitting, [have] scheduled hearing days," "have more comprehensive site approval process, to avoid daunting delays between planning/conservation/DPW meetings") and making the process easier ("on-line instructions would be helpful," "there is no one person who directs you... and then tells you what to do next," "the documentation required for ZBA could be simplified"). The full list of suggestions and comments was turned over to the Department of Code Enforcement.

³ The members of the Development Cabinet are the Commissioner of the Department of Public Works, the Commissioner of Code Enforcement, the Traffic Engineer, the Chief Development Officer, the Director of Economic Development, the City Solicitor, the Director of Neighborhood Services, and the Director of Planning.

H I G H L I G H T S

59% of respondents to CCPM's survey of those who applied for building permits spent three or more months going through the permitting process.

About one third of respondents found the permitting process in Worcester to be "easy" or "very easy."



6% were denied. (The remainder reported either "still in progress" or "both" approved and denied, as some respondents had submitted multiple applications during the previous year.)

The respondents also answered four questions about their experiences with the staff during their application process: whether their first contact was knowledgeable about where to direct the applicant (79% answered yes), whether the first contact was friendly and responsive (84%), whether the regulatory review staff was knowledgeable about the overall permitting process (77%), and whether after their first contact with a member of the permitting staff the respondent was clear about the next steps that they needed to take (71%). Overall, the staff was favorably appraised by those surveyed: 63% answered yes to **all four** of the above questions. It is important to keep in mind, however, that the first contact was not always someone on the regulatory review staff, but often someone from another department who may not have been familiar with the regulatory review process. This may have had a negative impact on responses to the first two questions.

While 81% of respondents reported that the offices that they had to visit were easy to find and accessible, only 42% had a single contact person with whom they could discuss their application. However, as described in the previous paragraph, a majority of respondents considered the permitting staff to be knowledgeable about the permitting process. If they had a question about their application, 61% reported that they could always find someone who could answer it or direct them to someone who could.

Chart 7-3 shows the overall time needed to complete the permitting process. About 7% of respondents had their approval or denial within one month, while 30% of those who applied for a building permit with the city in the last year waited five or more months to receive their decision. It is not clear why some respondents may have experienced delays. In future versions of this survey, we will include questions to clarify this issue.

When asked about various aspects related to the ease of completing the permitting process, the respondents reported mixed results. As shown in **Chart 7-4**, a majority found the necessary forms easy to fill out (56%). Forty-one percent (41%)

Chart 7-2: Boards/Commissions filed with during application

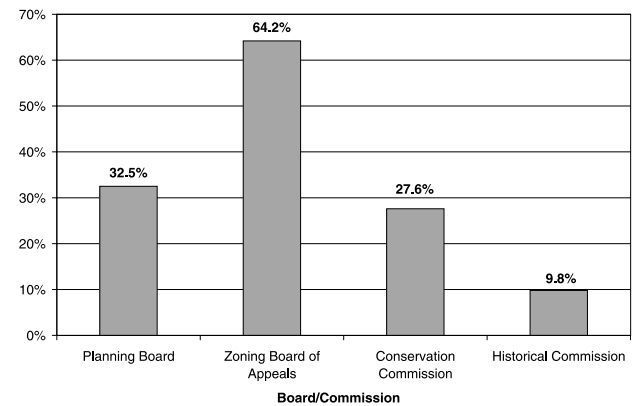
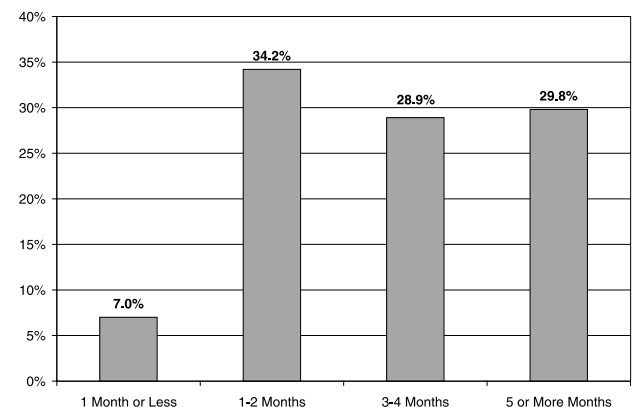


Chart 7-3: Total Time to Complete Permitting Process



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7

Local Permitting Process (cont.)

(Continued)

of respondents received written materials explaining the permitting process, and 39% had to visit fewer than three separate offices. Only 24% reported that they did not require professional assistance with their application. Overall, about 30% of respondents rated the overall experience with the permitting process as “easy” or “very easy.”

Chart 7-5 shows the overall satisfaction ratings for experience with the permitting process. A total of 42% of respondents were either “satisfied” or “very satisfied” with the permitting process, while 31% were either “unsatisfied” or “very unsatisfied.” Of the respondents who received a decision within two months of submitting their applications, 52% were generally satisfied with the overall process. If they had to wait five months or longer, their satisfaction rating dropped to 29%. The permitting staff had a great impact on respondents’ satisfaction ratings: 58% of those who gave the permitting staff the highest possible rating⁴ were generally satisfied with the permitting process. However, if respondents answered no to **at least one** of the four staff-related questions, their satisfaction rating dropped dramatically to only 13%. Lastly, respondents who rated the overall process as easy were overwhelmingly satisfied with it (94%), while those who found it difficult were not (only 3% satisfied).

⁴ The highest possible rating is a “yes” answer to all four of the previously mentioned questions regarding staff helpfulness and knowledge.

What does this mean for Worcester?

Respondents generally found regulatory review and other staff to be helpful and the required forms easy to fill out. Overall, however, respondents felt they had too many steps to complete: they had to file with multiple boards and visit with several staff members from various City departments. In response to specific survey questions, we learned that most respondents (58%) did not have an individual contact person to whom they could turn when in need of information or assistance, nor did most (59%) receive written materials to aid them in filing their applications properly.

As noted in **Chart 7-3**, many respondents waited a long time before they received a decision on their application. This may have been as a result of the above-mentioned complexity of required regulatory review, or due to state-mandated advertising and appeal periods. These several months may be especially critical for businesses that wish to expand their operations or for new businesses attempting to get off the ground. The longer businesses must wait for building permits, the more money they will spend without earning revenue from their planned operations. A long waiting period prior to a decision could discourage some businesses from even attempting to come to Worcester. Although no comparisons have been made with other communities, the City should take a close look at the results of this survey to see where improvements might have the greatest effect on customer satisfaction, and thereby improve Worcester’s reputation as a good place to do business.

Chart 7-4: Factors in Ease of Permitting Process

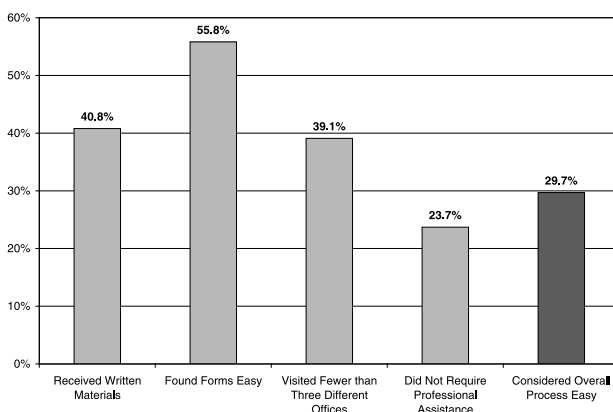
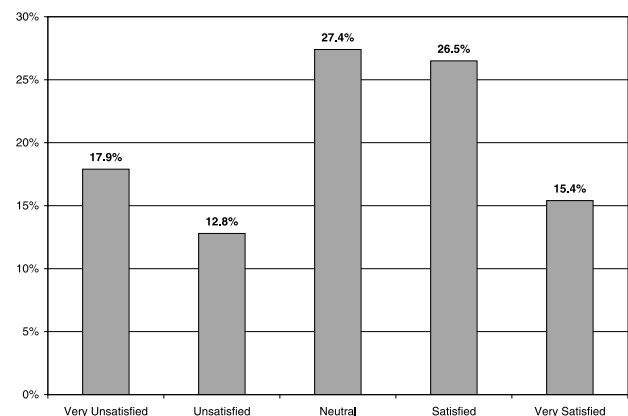


Chart 7-5: Overall Satisfaction



Benchmarking Economic Development in Worcester: 2003



CCPM Advisory Committee

The Research Bureau gratefully acknowledges the following individuals for their advice and assistance during the development of this project:

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Bruce S. Bennett	Telegram & Gazette
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Robert L. Thomas	Martin Luther King Jr. Business Empowerment Center

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Debra M. Lockwood	Canal District CDC
Dominick Marcigliano	Worcester East Side CDC
Steve Patton	Worcester Common Ground
J. Stephen Teasdale	Main South CDC

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Robbin Ahlquist	Sole Proprietor and Highland Street Business Association
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Christos Liazos	Webster House Restaurant and Webster Square Business Association
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Dave Johnson	Quinsigamond Village
Mary Keefe	Crown Hill
Edith Morgan	Brittan Square
Marge Purves	Crown Hill
Cathy Recht	UMass Memorial Health Care and Bell Hill
Sue Swanson	Columbus Park



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