

November, 2005



Center for
Community
Performance
Measurement



WORCESTER
REGIONAL
RESEARCH
BUREAU

**Benchmarking
Economic
Development
in Worcester:
2005**

CCPM-05-04

Welcome...



319 Main Street
Worcester, MA 01608-1511
Telephone: 508-799-7169
Fax: 508-799-4720

www.wrrb.org

Dear Citizen,

This is the fifth annual *Benchmarking Economic Development in Worcester* report prepared by the Research Bureau's Center for Community Performance Measurement (CCPM). The CCPM was established in 2001 with support from the Alfred P. Sloan Foundation to measure and benchmark municipal and community performance in the areas of 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 related to those in other reports, e.g., improvements in the physical condition of neighborhoods may result in increased private investment in those areas (see CCPM report 05-03, *Benchmarking Municipal and Neighborhood Services in Worcester 2005*, available online at www.wrrb.org, for a discussion of the physical condition of Worcester's neighborhoods).

We wish to thank the Alfred P. Sloan Foundation for its continued support of the CCPM. We hope that this report will encourage widespread discussion about Worcester's economic future, serve as a basis for sound priority-setting and decision-making, and promote greater adoption of performance measurement practices at the municipal level.

Sincerely,



Eric H. Schultz - President



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



Kimberly A. Hood, MPA - Manager, CCPM

Executive Summary



Findings:

- From FY00 to FY05, the value of Worcester’s residential and commercial/industrial tax base increased by 84.9%. However, residential property values made up a far greater proportion- about 82%- of the City’s tax base in FY05 than commercial/industrial values, signaling the continued erosion of commerce and industry in Worcester.
- The average value of a single-family home in the City of Worcester increased from \$109,545 in 2000 to \$211,038 in 2005, or a 93% increase. As a result, homeowners have seen soaring tax bills despite recent declines in the City’s residential tax rate.
- While the City’s commercial/industrial tax rate declined from FY04 to FY05, it is still nearly double the residential rate, and it is not competitive with those of adjacent towns.
- In FY05, the combined value of commercial and residential new construction in Worcester totaled \$167.2 million, a 17.2% increase from the previous year. This value could generate as much as \$3.3 million more in property tax revenue.
- Average monthly employment in Worcester increased to 98,343 in 2004. The net gain of 361 jobs in 2004 represents the first year of job growth in the City since 2000.
- From 2004 to 2005, the occupancy rate for office space in downtown Worcester remained unchanged at 88.7%.
- In July 2005, there were a total of 157 vacant commercial and residential properties in Worcester, or 13 fewer compared to a year earlier.

Highlights:

	PAGE
INDICATOR 1: Commercial / Industrial and Residential Tax Base	3-4
INDICATOR 2: Commercial / Industrial and Residential Tax Rates	5-6
INDICATOR 3: Amount of Private Investment	7-8
INDICATOR 4: Employment and Labor Force Growth	9-11
INDICATOR 5: Downtown Office Occupancy Rate	12-13
INDICATOR 6: Vacant and Abandoned Buildings	14-15
INDICATOR 7: Local Permitting Process	16-18



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.

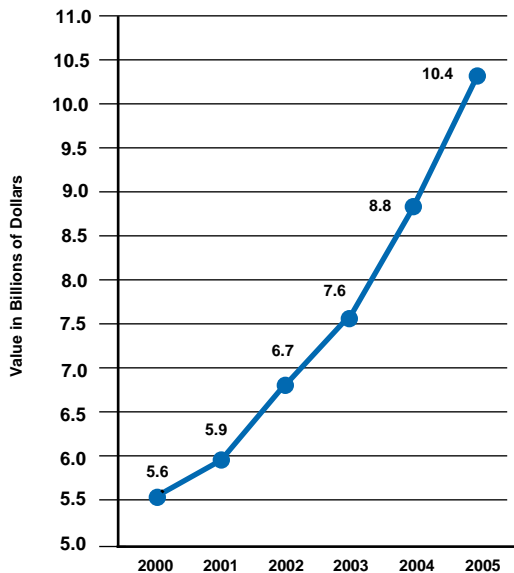
¹ See CCPM publication 05-03, *Benchmarking Municipal and Neighborhood Services in Worcester: 2005* for a discussion of these and other municipal services provided by the City.

How does Worcester perform?

As shown in **Chart 1.1**, Worcester's total tax base has increased every year since 2000. FY05's combined residential and commercial/industrial tax base of \$10.4 billion is 17.5% (\$1.5 billion) higher than the previous year's. Since FY00, the value of the tax base has increased 84.9%. While the official data will not be released until the City Council holds its annual tax classification hearing, scheduled for November 22, 2005, the City Assessor's Office has indicated that the value of all taxable property in the City is expected to total between \$11.5 and \$11.8 billion in FY06.

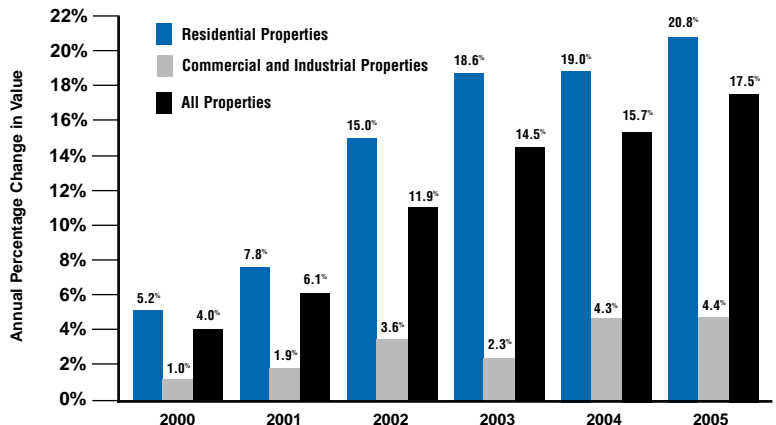
While the City has experienced tremendous growth in its overall tax base in recent years, **Table 1.1** and **Chart 1.2** reveal that the growth has not been evenly distributed between the residential and commercial/industrial markets. The growth rate in the residential sector has far outpaced commercial and industrial growth rates, with much of the overall increase in the tax base attributable to soaring home values. 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 2005, following four consecutive years of double-digit increases in assessed values, the average home value in the City had risen to \$211,038, a 92.6% increase since 2000. Whereas residential values grew by \$4.5 billion (111.3%) from FY00 to FY05, the commercial and industrial tax base grew by only \$279 million (or 17.6%) during the same period. Based on initial estimates for FY06 assessed values provided by the City Assessor's Office in October

Chart 1.1: Total Assessed Value of all Properties in Worcester, FY00-FY05



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

Chart 1.2: Annual Growth in Property Values, City of Worcester, FY00- FY05



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

HIGHLIGHTS

	FY05	FY06 (Estimated)
TOTAL (ASSESSED VALUE)	\$10.4 billion	\$11.5 -11.8 billion
RESIDENTIAL (ASSESSED VALUE)	\$8.5 billion	\$9.3 - 9.6 billion
COMMERCIAL/INDUSTRIAL (ASSESSED VALUE)	\$1.9 billion	\$2.2 billion
ANNUAL GROWTH (RESIDENTIAL VALUES)	20.8%	10% – 13%



2005, this trend of double-digit increases in residential assessed values is expected to continue, and, for the first time in 21 years, the City's commercial and industrial property values are also expected to see double-digit growth, with their total value expected to increase by about 20%. FY06 valuations for the City's residential properties are expected to exceed \$9.3 billion, with commercial/industrial properties valued at \$2.2 billion.

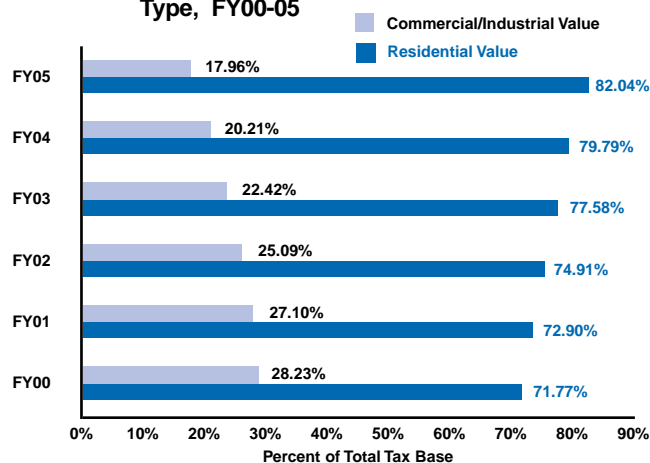
As shown in **Chart 1.3**, residential property values made up a far greater proportion—about 82%—of the City's total tax base compared to commercial/industrial property values in FY05. Twenty years ago, residential property values made up 65% of the tax base while commercial/industrial values made up 35%, indicating a long-term slide in the health of commerce and industry in Worcester that will be further discussed later in this report.

Table 1.2 compares Worcester's FY05 tax base with those of bordering towns. While Worcester's tax base is substantially higher than its neighbors', several of the surrounding towns have experienced greater growth in their tax bases as measured by the percentage change in total assessed value from FY00 to FY05. During this period, four communities- Grafton, Boylston, Leicester, and Paxton- saw their tax bases more than double, with Grafton experiencing the largest increase in total assessed value (145%), while Worcester, with its 84.9% increase, ranked 8th out of the ten communities listed.

What does this mean for Worcester?

While 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 signals a decline in the City's ability to retain existing and/or generate new business development. However, City leaders have been successful in their pursuit of several large-scale development initiatives which are expected to increase the value of commercial/industrial properties and generate new jobs in the near future. Construction is well underway on the new \$180 million Worcester Courthouse, the \$25 million 200 room Hilton Garden Inn, the \$90 million Vocational High School; in June, 2005, construction began on the WPI Life Sciences and Bioengineering Center at Gateway Park, a \$35 million project that is a joint effort of WPI and WBDC; and after receiving local and state approval, the \$563 million CitySquare initiative which proposes to turn the property occupied by the Worcester Common Outlets into a mixed use (residential, retail, office, and entertainment) development, is underway. The impact of these and other projects on the value of the commercial/industrial tax base, and the extent to which they add new jobs for the region's residents, will be measured in future **Benchmarking Economic Development** reports.

Chart 1.3: Distribution of Assessed Valued by Property Type, FY00-05



Data source: Massachusetts Department of Revenue

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

	Residential	Commercial/ Industrial	Total
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
2005	\$8,498,913	\$1,861,176	\$10,360,089
% Change FY00-FY05	111.3%	17.6%	84.9%

Table 1.2: Assessed Values in Border Communities FY05

(In thousands of dollars)	Residential	Commercial/ Industrial	Total	% Change FY00-FY05
Grafton	1,725,615	136,993	1,862,609	145.0%
Boylston	572,311	57,815	630,126	107.7%
Leicester	768,298	64,752	833,049	107.0%
Paxton	458,659	21,668	480,327	105.4%
Shrewsbury	3,725,605	521,650	4,247,255	98.1%
Millbury	981,073	186,412	1,167,485	95.5%
Holden	1,654,378	98,613	1,752,990	94.9%
Worcester	8,498,913	1,861,176	10,360,089	84.9%
Auburn	1,247,285	444,840	1,692,124	79.1%
West Boylston	611,446	114,232	725,678	77.1%

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

2

Commercial/Industrial & Residential Tax Rates

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 FY05, Worcester's commercial/industrial tax rate was \$27.60 per \$1,000 of valuation; therefore taxes on a commercial or industrial property with an assessed value of \$1 million would total \$27,600.

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. In 2003, the state also created the District Improvement Financing Program (DIF), under which a municipality pays for public infrastructure improvements with tax revenues generated from a project.¹

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.² 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.^{3,4}

Chart 2.1 compares Worcester's commercial/industrial and residential tax rates over time. In FY05, the commercial/industrial tax rate reached its lowest level in over a decade, at \$27.60 per \$1,000 of assessed value. While the commercial rate has steadily declined over the past five years from \$36.34 to \$27.60 per \$1,000 of assessed value (a 24.1% decrease), the FY05 rate is more than double the residential rate of \$13.18 per \$1,000 of assessed value.

Despite four consecutive years of falling residential tax rates (yielding a 29% reduction since FY00), homeowners have faced 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 \$211,038 in FY05 (a 92.6% increase). This trend of declining tax rates being offset by soaring home values has occurred throughout much of the larger region.

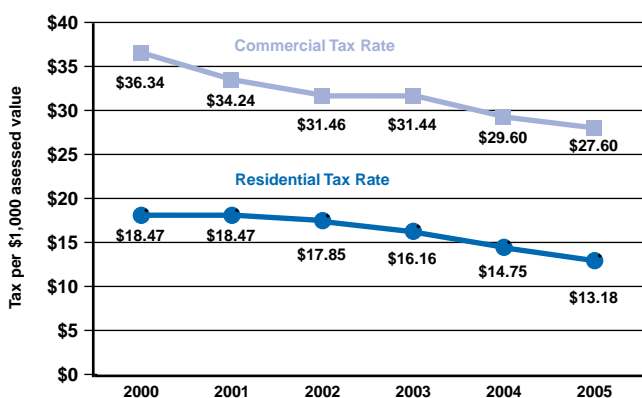
As **Chart 2.2** indicates, Worcester's commercial/industrial and residential tax rates compare favorably to those of Springfield, Hartford, and Syracuse, but are slightly higher than Lowell's. Closer to home, however, Worcester's commercial/industrial tax rates *are not* competitive with those of adjacent towns (**Table 2.1**) or those closest to the City along the I-495 corridor (**Table 2.2**). In FY05, Worcester's commercial/industrial tax rate was *significantly* higher (typically at least two times greater) than the rates of its neighbors, and despite shifting a portion of the tax levy away from residential property owners to commercial and industrial property owners, Worcester's residential tax rate remains higher than most of its neighbors.

¹ Worcester's CitySquare project is the first project in the state to take advantage of DIF. The City will pay for a portion of road, sewer, and water work associated with the project by issuing bonds which will be paid off over a 30-year period from tax revenues generated by the project.

² According to the Massachusetts Department of Revenue, in FY05, 70% of Massachusetts' communities taxed residential and commercial/industrial properties at the same rate.

³ For example, in FY05, residential property owners in Worcester paid only 68.6% of the total tax levy, although residential properties constitute 82% of the tax base. Commercial property owners paid 31.4% of the total tax levy and constitute 18% of the total tax base.

Chart 2.1: Worcester's Commercial and Residential Tax Rates, FY00-FY05



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

Residential Tax Rate, FY05: \$13.18 per \$1,000

Commercial/Industrial Tax Rate, FY05: \$27.60 per \$1,000

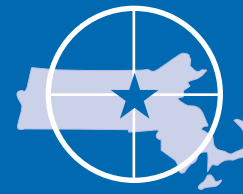
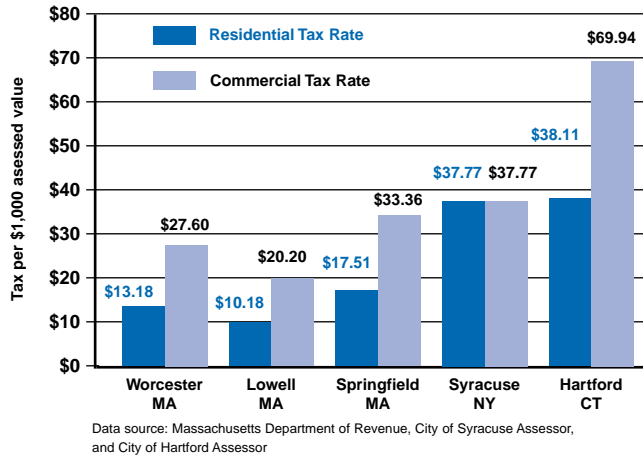


Chart 2.2: FY05 Tax Rates for Worcester and Comparable Cities



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. 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 71.8% in FY00 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.

For further discussion of opportunities to reduce expenditures and/or increase productivity, see the Research Bureau's Report No. 05-02, **The FY06 Budget: Are Increasing Taxes and Reducing Services the Only Options?**, and Report No. 05-01, **Condition Serious, Prognosis Uncertain: The Impact of Municipal Employee Health Insurance on Massachusetts Cities.**

Table 2.1: FY05 Tax Rates in Border Communities

	Tax Rate FY05		% Change FY00-FY05	
	Commercial	Residential	Commercial	Residential
Shrewsbury	\$9.74	\$9.74	-27.0%	-27.0%
Grafton	\$10.39	\$10.39	-52.1%	-52.1%
Leicester	\$10.50	\$10.50	-36.2%	-36.2%
Millbury	\$11.58	\$11.58	-26.1%	-26.1%
Boylston	\$11.64	\$11.64	-38.1%	-31.1%
Paxton	\$12.85	\$12.85	-34.7%	-34.8%
Holden	\$12.98	\$12.98	-29.0%	-29.0%
West Boylston	\$13.55	\$13.55	-24.7%	-24.7%
Auburn	\$21.62	\$11.85	-11.9%	-11.0%
Worcester	\$27.60	\$13.18	-24.1%	-28.6%

Table 2.2: FY05 Tax Rates in I-495 Communities

	Tax Rate FY05		% Change FY00-FY05	
	Commercial	Residential	Commercial	Residential
Harvard	\$10.01	\$10.01	-27.5%	-27.5%
Upton	\$10.09	\$10.09	-18.7%	-18.7%
Berlin	\$12.12	\$12.12	-20.2%	-20.2%
Hopkinton	\$12.32	\$12.32	-21.5%	-21.5%
Southborough	\$12.68	\$12.68	-11.3%	-11.3%
Boxborough	\$13.10	\$13.10	-22.4%	-22.4%
Northborough	\$13.32	\$13.32	-20.9%	-20.9%
Ashland	\$13.74	\$13.74	-23.8%	-15.1%
Bolton	\$13.97	\$13.97	-14.9%	-14.9%
Westborough	\$14.37	\$14.37	-5.0%	-5.0%
Milford	\$21.94	\$11.83	-24.8%	-28.5%
Hudson	\$22.73	\$10.34	-4.1%	-23.3%
Marlborough	\$26.68	\$13.78	-13.1%	-15.5%
Worcester	\$27.60	\$13.18	-24.1%	-28.6%

Source: Massachusetts Department of Revenue

⁴ 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 FY05, the maximum allowable shift for Worcester was 188% 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 188% of the value of the single rate in FY05, the City adopted a commercial/industrial rate at 175% of the value of the single tax rate.

⁵ 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.

3

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 \$1.5 billion (17.5%) from FY04 to FY05. 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.

How does Worcester perform?

Chart 3.1 shows that the combined value of commercial and residential new construction in Worcester totaled \$167.2 million in FY05. This amount represents a 17.2% increase from the previous year, and is more than double the FY00 value. Both the commercial and residential sectors experienced higher levels of new growth in FY05 than in FY04. The value of new commercial/industrial construction in Worcester increased by 18.3%, from \$63.7 million in FY04 to \$75.4 million in FY05. Similarly, the value of residential construction in the City increased by 16.3% (from \$79 million to \$91.8 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. According to Lowell's City Assessor's Office, the remarkable 278% growth in the value of the City's residential and commercial new construction is largely attributable to increased values following the City's three-year revaluation. Additionally, Springfield continues to experience a greater proportion of its growth in the commercial sector; annually, since FY01, the value of residential growth has accounted for less than one third of Springfield's total growth. In contrast, in each of the past three years, residential construction values made up more than half the value of all new construction in both Worcester and Lowell.

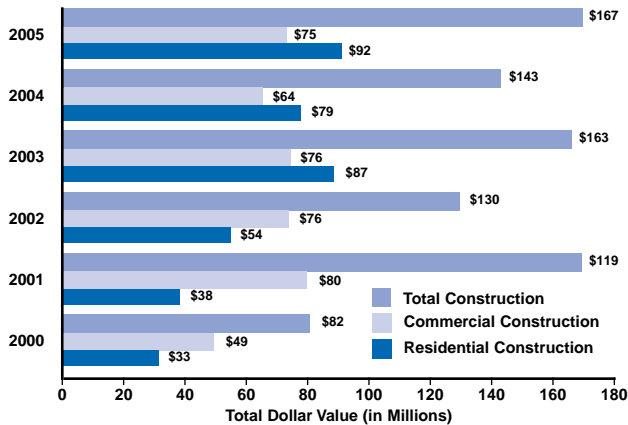
Chart 3.3 shows the percentage of Worcester's tax base and tax revenues derived from new construction since FY00.¹ While no clear trend has emerged over this period, these proportions have typically fluctuated less than half a percentage point from year-to-year. In FY05, new construction accounted for 1.6% of Worcester's tax base, or approximately \$3.3 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 FY05. 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 FY00). Worcester may find itself at a

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.

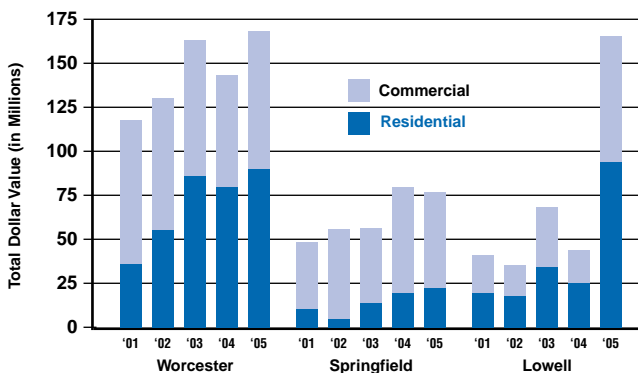
² While brownfield remediation is potentially costly to developers, Robert Z. Nemeth's column *Worcester a Leader in Brownfields Battle* (*Telegram & Gazette*, October 30, 2005, p. C2) describes how Worcester has been a leader in reclaiming land once considered unsuitable for productive use.

Chart 3.1: Value of New Construction in the City of Worcester, FY00 - FY05



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

Chart 3.2: Value of New Construction in Worcester and Comparable Massachusetts Cities, FY01-FY05



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

HIGHLIGHTS

Total value of commercial/industrial new growth during FY05: \$75,367,300

Total value of residential new growth during FY05: \$91,836,700

Change in the value of new commercial/industrial construction FY04-FY05: 18.3%

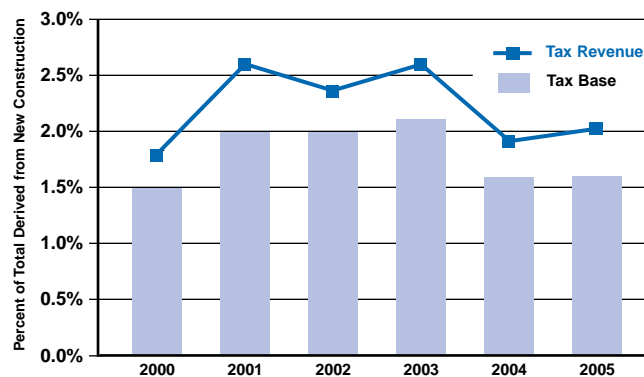
Change in the value of new residential construction FY04-FY05: 16.3%



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.²

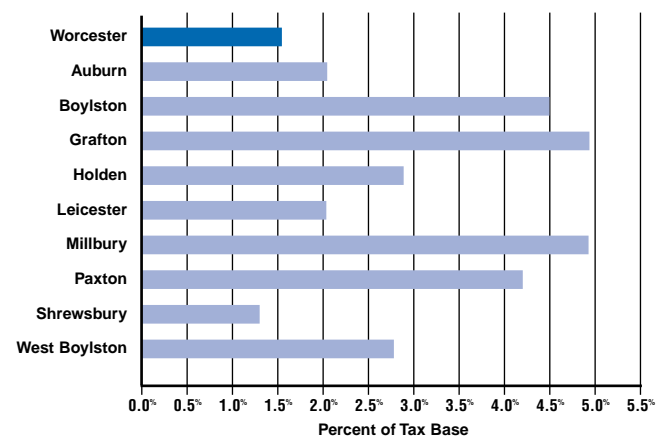
As shown in **Chart 3.5**, prior to FY03, new growth was being driven by construction occurring in the commercial/industrial sector. A decade ago, in FY95, commercial/industrial growth accounted for 78.7% (\$59.9 million) of the value of all new construction in Worcester. During FY05, commercial/ industrial growth lagged behind residential growth, accounting for 45.1% of the value of new growth.

Chart 3.3: Percentage of Worcester's Tax Base and Tax Revenues Derived from New Construction, FY00-FY05



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

Chart 3.4: New Construction Values as a Percentage of the Tax Base in Worcester and Surrounding Towns, FY05



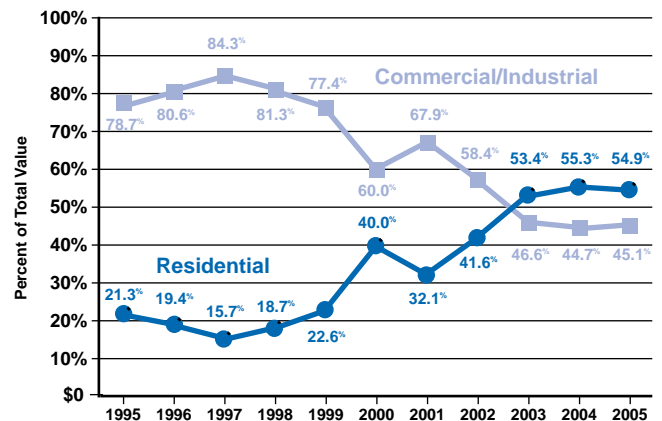
Data source: Massachusetts Department of Revenue, Division of Local Services

What does this mean for Worcester?

Sustained growth is key to Worcester's long-term economic vitality, and while growth levels in the City have remained high from a historical perspective, future efforts to attract private investment to the area may be stymied by the following: 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 and industry than in surrounding communities. Eliminating or reducing these barriers will be critical as City leaders continue their efforts to attract private investment to Worcester. The Gateway Park initiative, a joint effort of WPI and the WBDC that has resulted in the clean-up of a contaminated 11-acre sight that will be redeveloped to house a \$35 million life sciences and bioengineering complex, is a model redevelopment effort that successfully leveraged public and private funds to return non-productive land in the heart of the City to productive use.

Another important element in 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. In September, 2005, the City of Worcester announced the return of commercial passenger air service to the Worcester Regional Airport, with flights from Worcester to Orlando expected to begin by December, 2005. Future editions of this report will examine the impact of the return of passenger air service to Worcester.

Chart 3.5: Distribution of the Value of New Construction in Worcester, FY95-FY05



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

4

Employment and Labor Force Growth

Why is it important?

Low unemployment, high labor force participation, and job growth are key indicators of the health and stability of a local economy. Higher unemployment rates may reflect fewer employment opportunities 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.

How does Worcester perform?

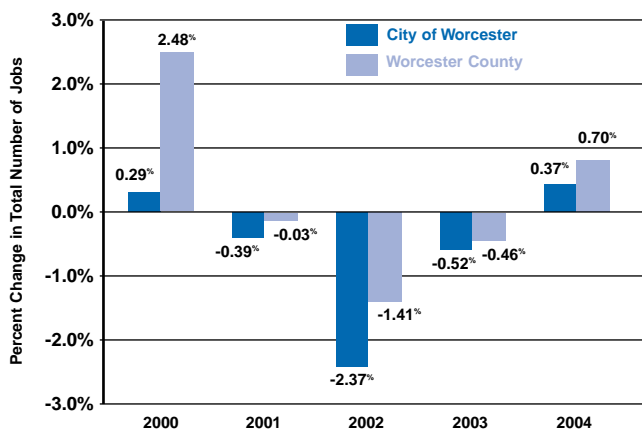
From 2003 to 2004, average monthly employment in the City of Worcester grew by 361 jobs, to 98,434. This increase represents the first year of net job growth in the City since 2000. As **Table 4.1** and **Chart 4.1** illustrate, from 2000 to 2003, the City lost 3,297 jobs (a 3.25% decline), and average monthly employment in the City is still well below 2000 levels.

Prior to 2000, the rate of job growth in Worcester County outpaced growth in the City (from 1997 to 2000, the County added 18,476 jobs- a 6.1% increase countywide). However, similar to the City, the County experienced three consecutive years of overall job losses, losing more than 6,000 jobs between 2000 and 2003. In 2004, the County began to recoup some of its earlier losses with net job growth of more than 2,200 positions.

Chart 4.2 shows the percentage of the labor force engaged in various sectors of the economy in the City of Worcester. In 2004, 87% of Worcester's jobs were in the service-providing sector, with the remaining 13% in the goods-producing sector.^{1,2} This distribution was unchanged from 2003 to 2004. More than one out of three jobs (37%) in Worcester were in the education and health services industry (up 1 percentage point from 2003). **Table 4.2** shows 2004 average monthly employment by industry for both the City of Worcester and Worcester County. The proportion of jobs countywide in the education and health services sector was constant from 2003 to 2004 at roughly one in four jobs (26.1%). This table also shows that the City's and County's manufacturing job base continued to erode between 2001 and 2004, with manufacturing job losses totaling 20.4% in Worcester and 17.8% countywide.³ Losses in manufacturing jobs have been partially offset by increases in other sectors, such as leisure and hospitality and education and health services.

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 2004

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
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%
2004	98,434	0.37%	317,251	0.70%

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

¹ 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.

² Mining, construction, and manufacturing industries comprise the goods-producing sector.

³ These declines have followed national trends. According to the Bureau of Labor Statistics, in 2004, there were 2.1 million fewer manufacturing jobs nationwide compared to 2001 (a 12.8% decline). During the same period, the Boston Metro Area lost more than 37,000 manufacturing jobs (a 19.9% decline).

HIGHLIGHTS

Following three consecutive years of job losses, in 2004, Worcester gained 361 jobs. Worcester's unemployment rate fell from 6.0% in 2004 to 5.8% during the first half of 2005. In 2004, more than one-third of jobs in Worcester (37%) were in the education and health services sector.



(2005 data reflect the monthly average unemployment for January – July).^{4,5} In 2000, 2,494 individuals in Worcester were unemployed. Mirroring national and regional trends, Worcester's unemployment rate more than doubled, rising from 3.0% in 2000 to 6.7% in 2003, and then declined to 6.0% in 2004. 2005 data for the period January through July show the City's unemployment rate further declining to 5.8%; however, this figure represents more than 4,850 unemployed individuals in the City. Since 2000, Worcester's unemployment rates have been below those of Lowell, Springfield, Hartford, and Bridgeport. From 2000 to 2004 unemployment rates in the City of Worcester were, on average, about half a percentage point higher than the overall countywide unemployment rate. In 2005, the citywide and countywide unemployment rates were comparable at 5.8%.

Worcester's labor force, or the total number of residents age 16 and older who are employed or looking for work, increased by 2.3% from 82,211 individuals in 2000 to 84,074 individuals in 2004 (Table 4.3). Countywide, the labor force grew at a slightly higher rate of 3.3%, to 400,729 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 was 69.2% compared to 61.7% in the City.⁷

Continued on next page

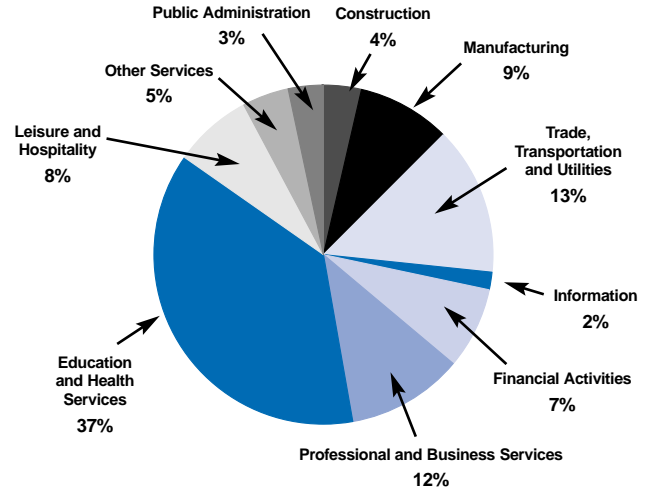
⁴ Job growth and employment-by-sector data are based on the number of jobs in a defined geographic area, and do not distinguish between jobs held by residents or non-residents of that particular locality. In contrast, unemployment data based on the Local Area Unemployment Statistics (LAUS) data series are based on the individual's place of residence, thus reflecting the proportion of Worcester City residents who are unemployed.

⁵ Unemployment figures presented in this report differ from those in last year's report. On an annual basis, the Bureau of Labor Statistics revises sub-state level estimates for previous years to reflect updated input data and new Census population controls.

⁶ The Population Estimates Program of the U.S. Census Bureau publishes total population estimates each year. Estimates for July 1, 2004 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 1.9% from 172,646 residents in 2000 to 175,966 residents in 2004, and the County saw a 3.9% population increase (from 750,963 to 779,488 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.

Chart 4.2: Employment by Industry, City of Worcester, 2004



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

Table 4.2: Employment by Industry, 2004

	CITY OF WORCESTER		WORCESTER COUNTY	
	Average Monthly Employment	Percent Change '01-'04	Average Monthly Employment*	Percent Change '01-'04
Education & Health Services	37,272	3.0%	83,030	3.2%
Trade, Transportation & Utilities	13,595	1.1%	63,110	-1.6%
Professional & Business Services	11,360	-11.0%	36,867	0.5%
Manufacturing	8,463	-20.4%	42,782	-17.8%
Leisure & Hospitality	7,498	11.7%	28,665	11.0%
Financial Activities	7,269	-9.1%	16,723	2.1%
Other Services	4,567	11.2%	11,594	8.1%
Construction	3,749	-6.9%	15,905	6.8%
Public Administration	3,044	-7.3%	11,978	-5.5%
Information	1,589	-11.5%	5,785	-10.4%
Natural Resources & Mining	29	26.1%	813	4.9%

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

Table 4.3: Labor Force Participation Rate

	CITY OF WORCESTER		WORCESTER COUNTY	
	Labor Force (#)	Labor Force Participation Rate	Labor Force (#)	Labor Force Participation Rate
2000	82,211	60.3%	387,944	67.0%
2001	83,053	60.9%	392,563	67.8%
2002	84,035	61.7%	399,097	69.0%
2003	84,184	61.8%	401,453	69.4%
2004	84,074	61.7%	400,729	69.2%
2005*	83,490	61.3%	398,234	68.8%

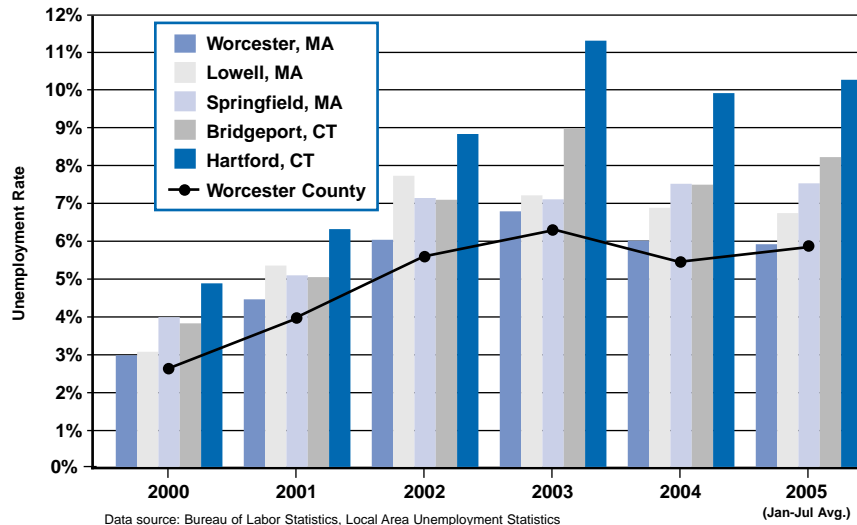
*January-July Average

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

4

Employment and Labor Force Growth

Chart 4.3: Unemployment Trends for Northeastern Cities and Worcester County, 2000-2005



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 experienced three consecutive years of job losses, resulting in a net loss of more than 2,900 jobs from 2000 to 2004. 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, suggesting that more individuals may be forced to seek jobs in outlying areas or a greater number of individuals may be unable to find work. There is in fact 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%). However, the doubling of the number of unemployed individuals in the City (from 2,494 in 2000 to 5,023 in 2004) indicates a need for greater job creation efforts in the City as well as the region. 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**).

Efforts to attract jobs to the area would likely be bolstered by better utilization of the area's transportation network.

Specifically, City officials should continue to seek expansion of commuter rail service in Worcester, particularly the expansion of reverse-commuting options. Increasing both the inbound and outbound commuter rail service between Worcester, Framingham, and Boston during peak commuting hours could make Worcester a more attractive location to employers looking to locate outside the MetroBoston area, but improved rail service could also make Worcester a more attractive place to live for individuals working in the Boston and MetroWest areas.⁸

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 has become a bedroom community for the Boston and MetroWest areas.

⁸ See Mayor Timothy Murray's February 2005 report *Commuter Rail West of Boston: The Demand and The Dilemma* available at http://www.ci.worcester.ma.us/may/white_papers/commuter_rail.pdf for further discussion of the need for expanded commuter rail service in Worcester.

5

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, has had a detrimental effect on many of our nation's once-vibrant urban cores.¹ However, a number of cities have developed successful strategies aimed at keeping existing businesses downtown and attracting new tenants to vacant space.

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.

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 Owners 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.

How does Worcester perform?

During the summer of 2005, CCPM staff conducted site visits and telephone surveys to determine the total amount of office space in Worcester's Central Business District (CBD) and the proportion of that space that is currently occupied. CCPM documented 85 properties containing office space in the CBD, and obtained information about the amount, type, and cost of vacant space in these sites.^{2,3}

Downtown Worcester's Central Business District contains a total of 4.6 million square feet of office space, of which 88.7% is occupied.^{4,5} As shown in **Table 5.1**, the overall downtown office occupancy rate was unchanged from 2004 to 2005. The thirteen Class "A" properties (considered "premier space," that is, newly constructed buildings or buildings that have undergone extensive reconstruction) account for 1.7 million square feet of office space.^{6,7} The occupancy rate among this class of office space fell from 91.1% in 2003 to 88.9% in 2005. The 47 Class "B" buildings (older renovated buildings considered to be in fair to good condition) comprise 2.1 million square feet of downtown office space, of which 89.2% is occupied. Finally, 25 properties provide more than 918,000 square feet of Class "C" space, or the older unrenovated buildings offering "functional space," has the lowest occupancy rate at 87.0%. 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 84.7% in 2003 to 87.0% in 2005.

As shown in **Table 5.2**, slightly more than half (51.7%) of the office buildings in the downtown area contain available vacant space. Among these, 29 buildings have vacancies of 10,000 square feet or less, ten have between 10,001 and 25,000 square feet of available space, and five buildings contain more than 25,000 square feet of vacant office space.

In 2005, 53% of survey respondents provided information on rental rates. Reported monthly rental rates for these properties (in the CBD) ranged from \$5 per square foot to \$27 per square foot.

Continued on next page



5

Downtown Office Occupancy Rate (cont.)

Table 5.1: Occupancy Rates for Downtown Office Space, 2002-2005

	2002	2003	2004	2005	Change '02-'05
Class A					
Total Office Space	2,248,736	2,256,536	1,792,033	1,695,889	-24.6%
Occupied Space	2,009,996	2,055,925	1,586,186	1,507,585	-25.0%
Occupancy Rate	89.4%	91.1%	88.5%	88.9%	
Class B					
Total Office Space	1,233,540	1,278,478	1,436,083	2,082,157	68.8%
Occupied Space	1,111,064	1,181,944	1,325,158	1,856,772	67.1%
Occupancy Rate	90.1%	92.4%	92.3%	89.2%	
Class C					
Total Office Space	1,555,576	1,553,508	1,392,614	918,665	-40.9%
Occupied Space	1,338,837	1,315,865	1,185,524	799,304	-40.3%
Occupancy Rate	86.1%	84.7%	85.1%	87.0%	
Total					
Total Office Space	5,037,852	5,088,522	4,620,730	4,696,705	-6.8%
Occupied Space	4,459,897	4,553,734	4,096,868	4,168,133	-6.5%
Occupancy Rate	88.5%	89.5%	88.7%	88.7%	



What does this mean for Worcester?

During a period in which office occupancy rates have declined nationally, since 2002, downtown Worcester has experienced only slight year-to-year changes in its office occupancy rate. While this is positive, the more than 528,000 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 retaining those that are already here. 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 more than 2,600 additional workers/jobs in the downtown area.

Table 5.2: Distribution of Vacancies by Size and Building Class, 2005

Amount of Vacant Space:	Number of Buildings with Vacancies		Total Space Vacant (Sq. Ft.)
Class A	1-10,000 Sq. Ft.	3	21,085
	10,001 -25,000 Sq. Ft.	1	13,300
	>25,000 Sq. Ft.	3	153,919
	Total	7	188,304
Class B	1-10,000 Sq. Ft.	18	71,424
	10,001 -25,000 Sq. Ft.	5	84,692
	>25,000 Sq. Ft.	2	69,269
	Total	25	225,385
Class C	1-10,000 Sq. Ft.	8	54,072
	10,001 -25,000 Sq. Ft.	4	65,289
	>25,000 Sq. Ft.	0	0
	Total	12	119,361
Total (A, B, C)	1-10,000 Sq. Ft.	29	146,581
	10,001 -25,000 Sq. Ft.	10	163,281
	>25,000 Sq. Ft.	5	223,188
	Total	44	533,050

6

Vacant and Abandoned Buildings

HIGHLIGHTS

From 2004 to 2005, the number of vacant residential buildings declined from 105 to 94, and the number of vacant commercial buildings decreased from 65 to 63.

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

How does Worcester perform?

From 2001 to 2005, the total number of vacant buildings in Worcester declined 19.9%, from 196 to 157.² As shown in **Chart 6.1**, as of July 2005, there were 95 vacant residential buildings (56 fewer than in 2001) and 62 vacant commercial buildings (17 more compared to 2001) in the City of Worcester. The assessed value of these 157 residential and commercial properties totaled \$34,125,600.

As reflected in **Table 6.1**, more than two-thirds (71.6%) of the vacant properties were current with their taxes as of July 2005, and 28.4% either owed FY05 taxes or had had a tax lien placed against the property.

In July 2004, tax liens totaling \$979,072 had been placed against 24 vacant or abandoned properties in the City.³ In contrast, a year later, in July 2005, the total value of tax liens placed against 10 properties totaled \$87,003. According to the City Treasurer's Office, foreclosures and brownfield abatement efforts led to the payment of more than \$800,000 in back taxes owed to the City. **Charts 6.2** and **6.3** show the trend in both the number and value of tax liens by property type.

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

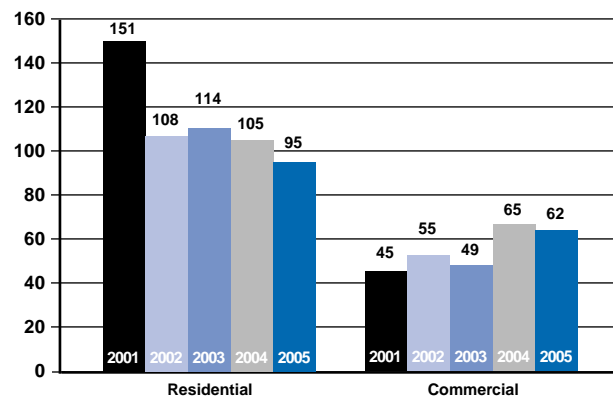
Continued on next page

Table 6.1: Assessed Value and Tax Status of Vacant and Abandoned Properties, City of Worcester (July, 2005)

	Residential	Commercial/Industrial	Total
Number of Vacant and Abandoned Properties	95	62	157
Assessed Value (FY05)	\$15,275,700	\$21,574,900	\$36,850,600
Delinquency - FY05 Taxes	27 (28.4%)	17 (27.4%)	44 (28.0%)
Properties with Tax Liens	8 (8.4%)	2 (3.2%)	10 (6.4%)
Total Value of Tax Liens	\$80,857	\$6,146	\$87,003

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

Chart 6.1: Number of Vacant Buildings, City of Worcester, 2001 - 2005*



*These data reflect a point-in-time count of vacant buildings.
Data source: Department of Public Health and Code Enforcement (2001); City of Worcester Fire Department (2002-2005)

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 Division 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 presented here are for a single point in time.

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

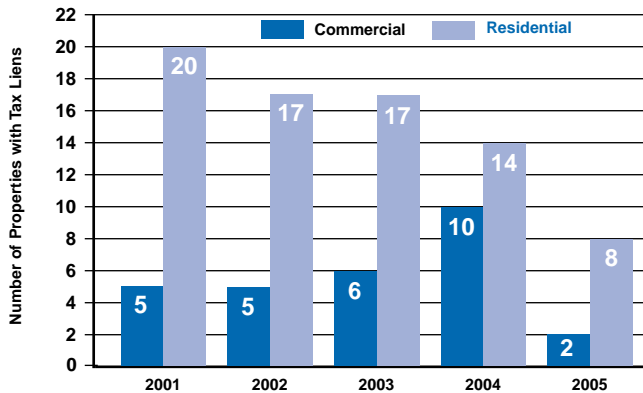
6

Vacant and Abandoned Buildings (cont.)

How does Worcester perform? (cont.)

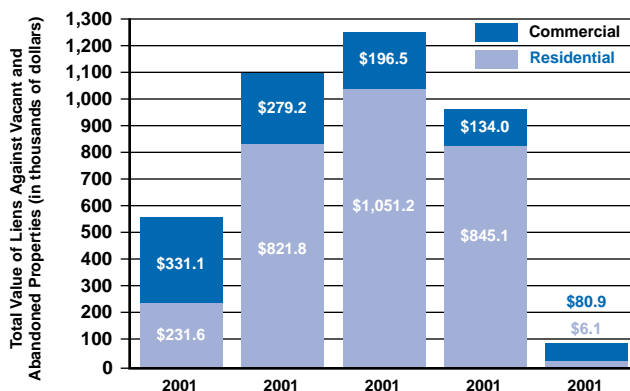
abandoned by owners, who may have felt these properties had little or no productive value. The return of these abandoned properties to productive use is much less certain due to the fact that typically, the longer a building is abandoned, the more likely it is to suffer serious damage from neglect and/or vandalism, and therefore the greater the investment required to repair it. Analysis of the vacant property listings obtained from the Worcester Fire Department for each of the years from 2002 to 2005 reveals that 45% of the commercial properties vacant in 2005 have been vacant for at least three years, and 38% of the residential properties have been vacant in each of the past four years.

Chart 6.2: Vacant and Abandoned Properties with Tax Liens, City of Worcester, 2001 - 2005*



* 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 Abandoned Properties in the City of Worcester, 2001 - 2005*



* Data are point-in-time only.
Data source: City of Worcester Office of the Treasurer and Collector

What does this mean for Worcester?

The substantial increase in the number of vacant commercial buildings in Worcester over the past 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, including the following 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.**

To date the City has implemented each of the above listed recommendations contained in the task force's report. We urge City leaders to continue to identify strategies that will prevent properties from becoming vacant or abandoned (e.g., better use of early intervention strategies such as aggressive code enforcement), as well as strategies to more quickly return vacant and abandoned properties to productive use.

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

7

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 2005, the Center for Community Performance Measurement, working in partnership with the City of Worcester Division of Code Enforcement and the Planning and Regulatory Division, conducted a survey of individuals who submitted building permit applications between July 2004 and June 2005 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-four surveys were completed and analyzed, for a survey response rate of 25.5%.

Respondent Characteristics

As shown in **Table 7.1**, more than two-thirds (69.8%) of the projects for which respondents applied for a permit were residential projects, while 30.2% were commercial projects. Fifty-nine percent of respondents identified their primary role in the project as "Homeowner/Property Owner," and 24% stated "Developer."

More than two-thirds (70%) of survey respondents' permit applications required review by the Zoning Board of Appeals,

about half (52%) required review by the Planning Board, nearly a quarter (22%) required Conservation Commission review, and 7% had to be reviewed by the Historical Commission.

A substantial proportion (43%) of respondents indicated that their application required review by two or more boards.

About 70% of the respondents indicated that the application was reviewed and approved or denied within two months of filing, up from 52% last year. While 51% of respondents indicated that the review process took about the length of time they'd expected, 41% said it took longer than they had expected.

Overall Satisfaction with the Regulatory Process

Overall, 77% 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 (46% and 38% respectively). About three-quarters of applicants responding to the survey visited two or more municipal offices to complete the permit application process.

Respondents who had applied for a permit in the past were asked to rate their most recent experience with their previous experience(s). Twenty-five percent of those who had applied in the past reported that their most recent experience was "better" than previous experiences. Sixty percent felt it was "about the same," seven percent rated their most recent experience as "worse," and seven percent rate it "much worse" when compared to their previous experience(s). In contrast, in 2004, fifty percent of respondents who had applied for a permit in the past indicated that their most recent experience was "much better" or "better" than prior experiences.

Respondents overwhelmingly judged that the Department of Code Enforcement staff was knowledgeable about the overall permitting process (93%), and friendly, courteous and helpful (95%). 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. One respondent noted the following: "My sense is that the Planning Department staff at Code Enforcement are very busy and friendly, but overworked. I would encourage the hiring of additional staff."

Continued on next page

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.

7

Local Permitting Process (cont.)

Several respondents also indicated that they had met with the interdepartmental review team, and that they found the preliminary review which allowed them to identify and address potential areas of concern prior to the formal review process to be very helpful.² A respondent who took advantage of this opportunity reported that “The key for us was the coordination of the various departments and the Manager’s office’s oversight. All of the people were terrific to work with.”

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. Sixty percent of respondents were “very satisfied” with the courtesy and respect shown to them by board members, and while 59% were “very satisfied” with the amount of time the board took to make a decision, 16% of respondents were “very dissatisfied” with this aspect of the process. Several respondents indicated that there is a need for further training of board and commission staff so that they better understand the complex regulatory environment governing the issuance of permits. Respondents also provided the following comments/suggestions related to the boards and commissions:

- *There needs to be a better meeting location (less crowded, etc).*
- *Stick to the prepared agenda rather than taking applicants out of order.*
- *Don't review small or less complex projects at the same meeting that larger or more complex projects are reviewed. It wastes applicants' time.*
- *The Board members should take the advice of the staff of the different departments more seriously. After all, they are the educated professionals on the City's payroll.*
- *There needs to be more predictability in the permitting process. It is still possible to go through a pre-filing review with Code Enforcement and the review team and have the Planning Board reach a different result. I recommend that a Planning Board (or a representative of the Planning Board) be involved in the IRT review.*
- *If there are questions during the Board meeting, the site should be visited during a continuation and questions should be gone over at the site.*

² This team is composed of representatives from key municipal departments including Public Works, Code Enforcement, Law, Traffic Engineering, Water, Fire, Police and Planning, and is intended to assist prospective applicants with mitigation of any potential areas of concern prior to formal review.

Table 7.1: 2005 Survey Highlights

Type of Project:	Commercial 30.2%
	Residential 69.8%
Respondent's Role:	Architect/Engineer/General Contractor . . 9.3%
	Attorney 7.4%
	Developer 24.1%
	Property/Business Owner 59.2%
Outcome of Permitting Process:	Application Approved 75.5%
	Application Denied 11.3%
	Still in Progress 13.2%
Time from filing to approval or denial:	1-3 Weeks 6.5%
	1-2 Months 63.0%
	3-4 Months 17.4%
	5 or More Months 13.0%
The length of time between filing and approval of application was:	Longer than expected 40.8%
	About the expected 51.0%
	Less time than expected 8.2%
Boards/Commissions with which application filed:*	Planning Board 51.9%
	Zoning Board of Appeals 70.4%
	Conservation Commission 22.2%
	Historical Commission 7.4%
	None 3.7%
	Not Sure 3.7%

Overall Satisfaction

Have you applied for a building permit from the City in the past?	Yes 52.8%
	No 47.2%
If yes, how would you rate this experience compared to your previous experience(s)?	Much better 0.0%
	Better 25.0%
	About the same 60.7%
	Worse 7.1%
	Much Worse 7.1%
Overall, how easy or difficult was it to complete the permit process in Worcester?	Very easy 3.9%
	Easy 66.7%
	Difficult 13.7%
	Very difficult 15.7%
Overall, how satisfied were you with your experience obtaining a building permit?	Very satisfied 41.7%
	Somewhat satisfied 35.4%
	Somewhat dissatisfied 14.6%
	Very dissatisfied 8.3%

HIGHLIGHTS

Seventy-seven percent of survey respondents reported being “somewhat satisfied” or “very satisfied” with their experience obtaining a permit.



What does this mean for Worcester?

Respondents generally found the Code Enforcement and Board/Commission staff to be knowledgeable and courteous. 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; 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 and the use of technology in Code Enforcement to improve its ability to respond to applicant inquiries more quickly.³

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.

Under the City Manager’s reorganization plan implemented in July 2005, the regulatory review process was moved from Code Enforcement to the City’s Planning and Regulatory Division. In gauging applicants’ satisfaction with the review process in the future, it will be important to review the findings in light of process

³ 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.

change that may have occurred as a result of the move. For example, will there be a marked increase in the number of municipal offices that applicants will be required to visit to complete the process? And will efforts to provide Board and Commission members with training increase applicant satisfaction with the process?

In 2005 the Governor proposed comprehensive permitting reform legislation to provide municipalities with incentives and new options for adopting expedited permitting. Under the proposed legislation, municipalities would:

- **Identify priority development sites;**
- **Establish and comply with a 180-day expedited permitting review timeline for all priority development sites;**
- **Designate a single municipal point of contact responsible for coordinating and facilitating the permitting process;**
- **Be eligible for up to \$200,000 in technical assistance grants;**
- **Adopt a streamlined appeals process in which decisions are rendered within 90 days of filing;**
- **Be eligible to receive marketing assistance from the state.**

At the time of the printing of this report, the proposal is being considered by the Joint Committee of Labor and Workforce Development. The permitting reform is also being advanced by the Senate in its recently announced Economic Stimulus Legislation. At the state level, the Governor has also asked all state agencies to carry out streamlined and expedited permitting overhaul of state agency services and has established an inter-agency permitting board which will include several development-related state agencies to facilitate collaboration.



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.



319 Main Street
Worcester, MA 01608-1511
Telephone: 508-799-7169
Fax: 508-799-4720

www.wrrb.org

Non-Profit Org.
U.S. Postage
PAID
Permit No. 272
Worcester, MA