



# The Research Bureau

**“Testimony on ‘An Act to promote economic development in gateway cities’”**

**September 30, 2009**

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Good morning and thank you for the opportunity to testify.

I am here this morning to testify on behalf of my organization, the Worcester Regional Research Bureau, in support of this bill. The Research Bureau has been assessing Worcester’s economic development challenges for about 25 years, and recently we have been focused on downtown and the City’s ongoing efforts at revitalizing it. This bill will help to strengthen Worcester’s efforts at downtown revitalization in a few ways.

While certainly a far cry from the center of commercial and civic activity that it was at its height in the 1950s and 1960s, downtown Worcester has seen a number of large projects completed in recent years. Almost all of them have been backed by some form of “creative financing,” meaning funds from a few different sources, including non-profit organizations and Federal, state and local government programs. Though *for-profit* development backed purely by private financing may be ultimately preferable, it remains elusive in downtown Worcester. We expect this will continue to be the case for the foreseeable future, and so the question is how to come up with the fairest and most intelligent tax-incentive policy. Many, most notably MassInc, have drawn attention to the shortcomings of the current tax incentives available to Worcester and the other Gateway Cities. This legislation addresses some of those shortcomings.

Sections 3 and 4 of the current legislation would help to stimulate interest in some of Worcester’s many old buildings by removing the cap on historical tax credits in Gateway Cities. This would give developers with a potential interest in downtown Worcester greater confidence in finding financing for their projects. Section 7, which would grant historical tax credits for housing, will also help Worcester find creative new uses for its old buildings.

Section 5, which will create corporate income tax credits for job creation in Gateway Cities, will not only help with Worcester’s unemployment rate, but will help to attract a greater variety of businesses to downtown. As The Research Bureau has documented in our annual “Downtown Office Occupancy” surveys, Worcester has abundant usable office space downtown. During the current recession, the amount of available space has increased. Worcester has made use of existing tax incentive programs, such as the Tax Increment Financing (TIF) and the District Improvement Financing, in many projects downtown, but since these are only suited for firms interested in making capital

improvements, they are not real incentives for all firms that might have an interest in locating in an economically-depressed area.

Section 6, which aims to support more market rate housing in Worcester and the other Gateway Cities, could also enhance the potential for residential housing in downtown Worcester. Like many other older cities, Worcester has plenty of affordable housing (14%, well above the 10% benchmark), so it is redundant to require developers to include affordable housing in order to access state incentives. In providing incentives for producing more *market rate* housing, this legislation provides for incentives more in accord with Worcester's true needs.

I have enclosed a copy of our report "What's Up With Downtown Worcester?: Prospects for Revitalization," published last December, which goes into these issues in greater depth. Also enclosed is an essay that makes the case for a single-tax rate. While the issue of a dual tax rate and its impact on the Gateway Cities is not currently under consideration, The Research Bureau believes that it has left Worcester, and we suspect the other Gateway Cities, at a competitive disadvantage vis-à-vis nearby communities. We hope that the Legislature will review the impact of the dual tax rate on these cities and consider phasing out this local option. The essay includes a proposal for how this might be accomplished.

Thank you.

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