

**City Council Tax-Rate Hearing**  
**Tuesday, December 21, 2010**  
**Testimony by Roberta R. Schaefer, Ph.D.**  
**President & CEO**  
**Worcester Regional Research Bureau**

Yesterday, The Research Bureau published its annual survey of downtown office occupancy. While the occupancy rate decreased by less than one percent between 2009 and 2010, Table 1 of our report shows that the City has lost 10.6% of its downtown office space in the past five years and the amount of occupied space has decreased by almost 19% during the same time period. That means there are many fewer businesses downtown to pay the ever-increasing tax burden than there were five years ago.

**Table 1: Occupancy Rates for Downtown Office Space, 2006-2010**

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

Second, I refer you to Table 2.1 which appears on page 7 of The Research Bureau's annual Benchmarking Economic Development report that was released less than a month ago. I have reproduced that table below to show how Worcester's residential and commercial/industrial tax rates compare to communities in our region. The Research Bureau believes that this comparison is much more relevant than comparing Worcester's tax rate to other older industrial cities such as Springfield or Brockton. Companies are interested in a place because of the cost of doing business and its business friendliness, its access to transportation, its access to an educated workforce and to an environment that is attractive to its workforce. These include the quality of schools and access to higher education and to healthcare facilities. The towns near Worcester benefit from all our assets such as the colleges and the hospitals without having Worcester's property taxes, which, as the table indicates, can be as low as a third of Worcester's.

Table 2.1: FY10 Residential Tax Rates in Nearby Communities compared to Worcester			Table 2.2: FY10 Commercial Tax Rates in Nearby Communities compared to Worcester		
	Tax Rate	% Change FY06-FY10		Tax Rate	% Change FY06-FY10
Ashland	\$15.10	19.3%	Ashland	\$15.10	19.3%
Berlin	\$13.37	13.5%	Berlin	\$13.37	13.5%
Bolton	\$17.61	29.9%	Bolton	\$17.61	29.9%
Boxborough	\$16.53	24.8%	Boxborough	\$16.53	24.8%
Grafton	\$12.43	23.3%	Grafton	\$12.43	23.3%
Harvard	\$14.33	31.6%	Harvard	\$14.33	31.6%
Holden	\$14.80	19.7%	Holden	\$14.80	19.7%
Hopkinton	\$15.76	26.4%	Hopkinton	\$15.76	26.4%
Hudson	\$13.02	28.1%	Hudson	\$25.30	12.3%
Marlborough	\$13.41	9.2%	Marlborough	\$25.42	6.1%
Milford	\$14.08	24.1%	Milford	\$24.40	15.3%
Northborough	\$14.38	17.2%	Northborough	\$14.38	17.2%
Shrewsbury	\$10.31	11.6%	Shrewsbury	\$10.31	11.6%
Southborough	\$14.06	13.8%	Southborough	\$14.06	13.8%
Upton	\$12.77	19.9%	Upton	\$12.77	19.9%
Westborough	\$16.98	22.5%	Westborough	\$16.98	22.5%
<b>Worcester</b>	<b>\$15.15</b>	<b>20.9%</b>	<b>Worcester</b>	<b>\$33.28</b>	<b>32.1%</b>
<i>Source: Massachusetts Department of Revenue</i>			<i>Source: Massachusetts Department of Revenue</i>		

It is clear from what you have heard from the business owners here tonight and the data we have shown you about downtown that the current policy is not working for Worcester or its taxpayers. Therefore, we are asking you again, as we have for more than a decade, not to vote for the highest commercial/industrial tax rate. It is time to give businesses a fair shot at competing with their counterparts in other towns and an incentive to remain and expand here. Expanding the business base will lessen the burden on both the homeowners and businesses. Please change course for the benefit of ALL your constituents.

Thank you.