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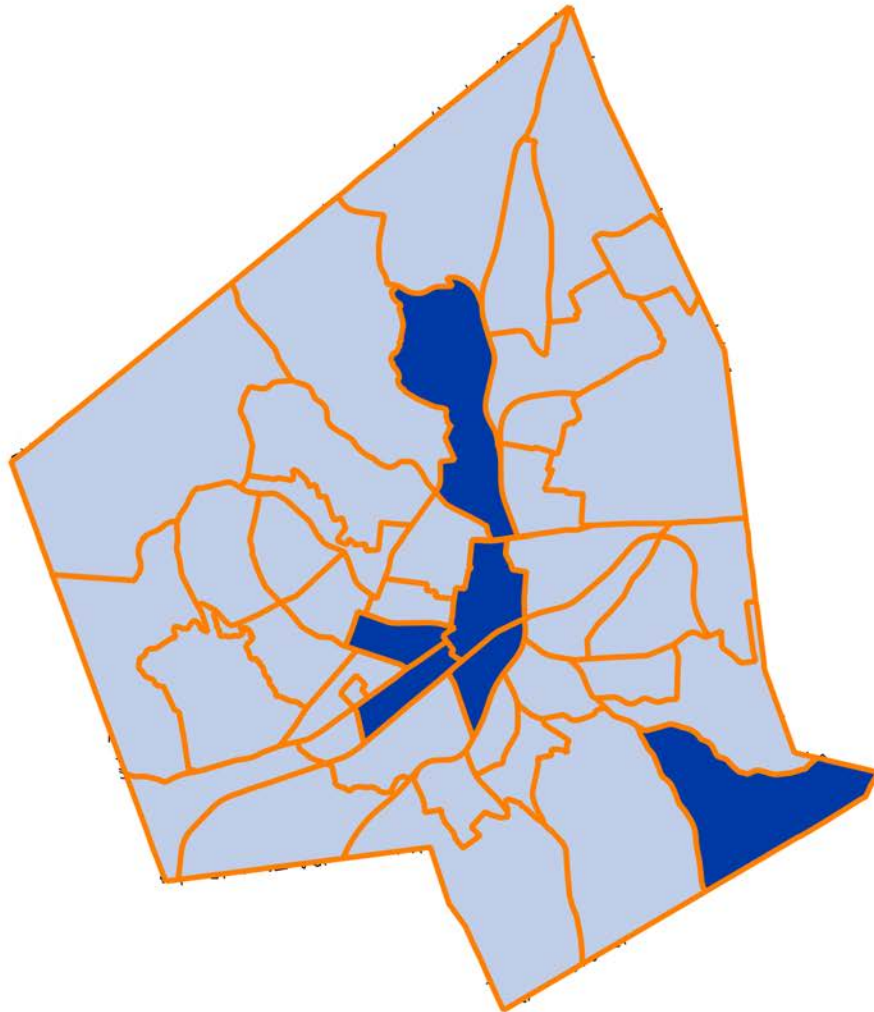
# Opportunity Zones in Worcester

Characteristics of Worcester's Designated Areas

Report 19-01

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Research in the Public Interest



Worcester Regional Research Bureau, Inc.

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## **Opportunity Zones—an Overview**

The Opportunity Zone program was created by the Tax Cuts and Jobs Act of 2017. It provides temporary deferments and permanent exclusion of taxable income to investors who support projects in designated areas. This investment must come from realized capital gains, and has multiple conditions attached in an effort to benefit specific, low-income areas.

U.S. households hold around \$3.8 trillion in unrealized capital gains, and corporations hold around \$2.3 trillion, according to the Economic Innovation Group. The goal of the incentive, which lasts until December 2026 (or when the investor exits the Opportunity Fund, whichever comes sooner), is to direct some of that money to neighborhoods that would not otherwise attract investment attention. Opportunity Zones allow investors to defer taxes owed on capital gains (i.e., profit from a previous investment, usually in stock or property) by investing the gains into one of 8,700 census tracts designated as Opportunity Zones. Money is invested through an Opportunity Fund, a vehicle set up by the investor.

The program encourages long-term investments rather than short-term profit seeking. If an investor keeps the investment in an Opportunity Fund for 10 years, any gains from the fund are exempt from taxation. There are also tax reductions at five years (10 percent) and seven years (an additional 5 percent, for a total reduction of 15 percent in the original capital gains liability).

Only low-income tracts are eligible for Opportunity Zone status. Based on criteria issued by the federal government, 581 of Massachusetts' 1,478 census tracts were originally eligible. Under federal guidelines, the governor of each state was allowed to nominate up to 25 percent of a state's eligible tracts. In Massachusetts, Governor Charlie Baker, based on nominations from local officials, designated 138 tracts in 79 cities and towns as Opportunity Zones.

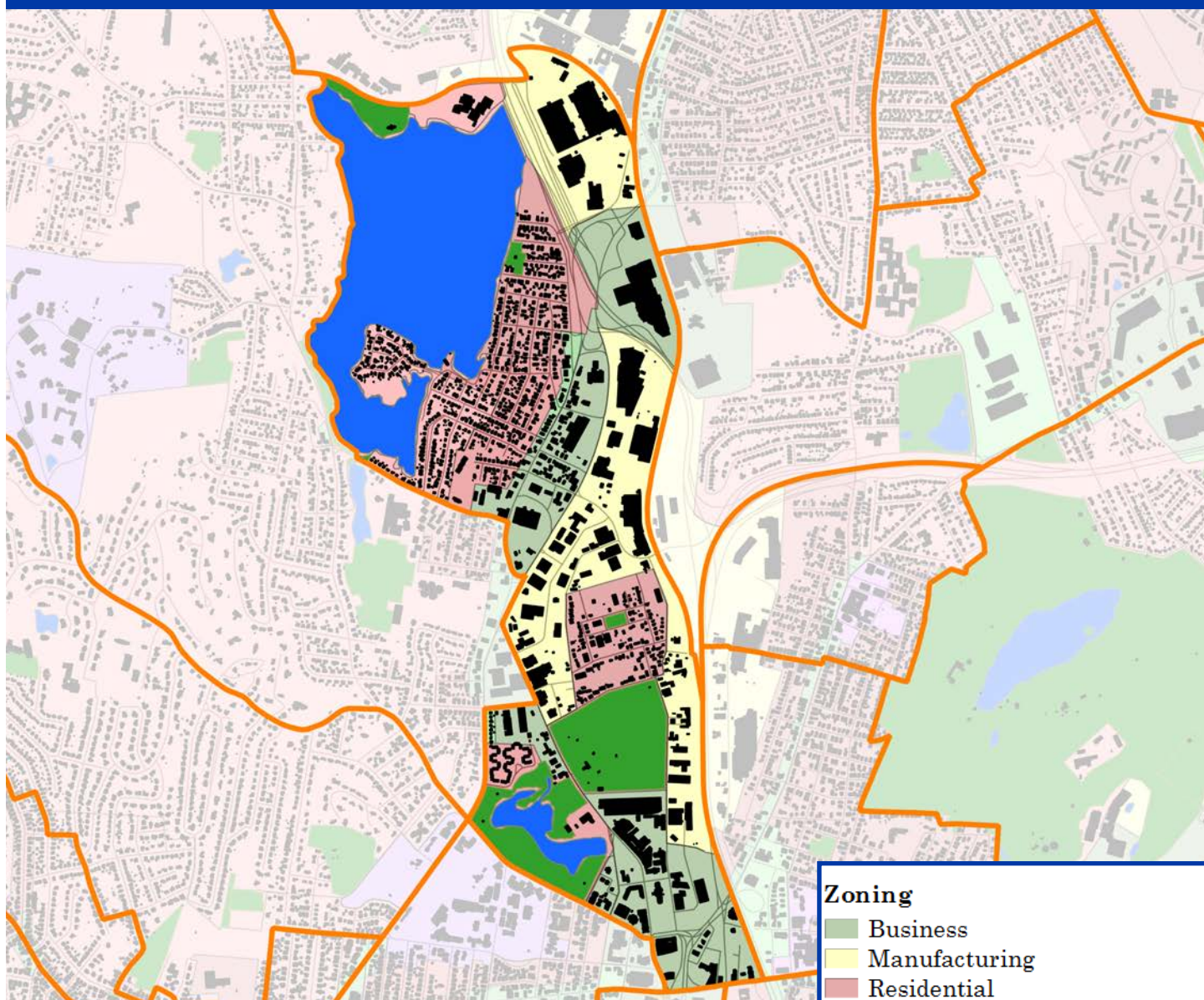
Worcester has six designated Opportunity Zones. Five are clustered around the downtown area, while one is on the Worcester-Millbury line. All have different challenges and opportunities. Some are mainly residential, while others are mainly commercial. Some have dense construction already, while others have open land available. All will undoubtedly see an uptick in investor interest, as media attention on Opportunity Zones has been intense nationally and experts have reported high interest from investors, corporations, and developers.

By reviewing zoning, data from the U.S. Census Bureau and Worcester Assessor's office, and key features for the city's six Opportunity Zones, The Research Bureau hopes to provide a resource for those interested in investing in Worcester.

For potential investors, the benefits are clear. While experts at an Opportunity Zone conference convened by the Massachusetts Executive Office of Housing and Economic Development said an Opportunity Zone designation will not be the only factor that leads to investment, it is a powerful tool for mitigating risk and buffering profit margins.

For the community, the stakes are just as high. New investment can transform a neighborhood, and Opportunity Zones are viewed as a way to improve infrastructure, build needed housing or commercial space, and address a host of other community needs. A recent federal Executive Order instructs 13 federal agencies, including Housing and Urban Development, to prioritize Opportunity Zones in grant funding, loan guarantees, infrastructure spending, and crime prevention, according to the *New York Times*. However, there are risks. Boston, for example, chose to nominate only 13 tracts, and intentionally avoided some lower-income areas, in order to not "further fan the flames of gentrification." The Massachusetts Governor's office recommends that communities "ensure that local permitting and zoning is conducive to the kinds of investments you aim to attract."

## Opportunity Zone 25027730500: Indian Lake—Belmont Hill



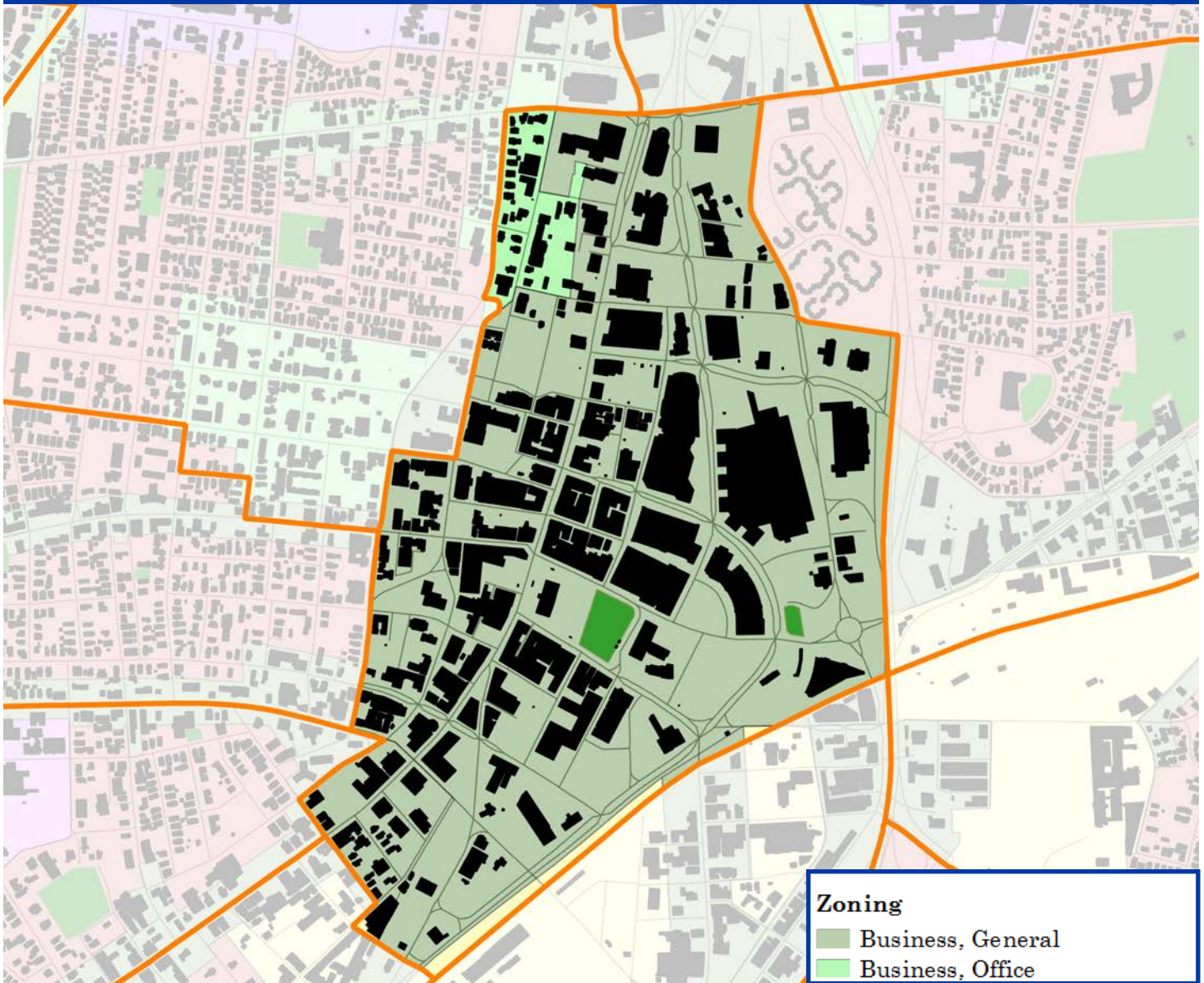
Fast Facts	
Population	3,541
Median Income	\$47,628
Households in Poverty	26%
Businesses	449
Jobs	8,818
Average Residential Value	\$31 per land ft <sup>2</sup>
Average Commercial/Industrial Value	\$23 per land ft <sup>2</sup>
Change in Average Land Value, 2013-2018	18% increase

### Key Features

This zone is bounded by Indian Lake to the north, I-290 to the east, Route 122A to the west, and the Belmont/Highland Street intersection to the south. It is zoned for a mix of residential neighborhoods, business corridors, and manufacturing centers. Indian Lake is a recreational opportunity that is the subject of sustained city efforts to clear algae, while Institute Park and Rural Cemetery provide green areas. Gateway Park includes hotels, Worcester Polytechnic Institute's life sciences center, and other labs, while the university itself is adjacent to the southwest. Grove Street and Gold Star Boulevard host significant business activity and small proprietors, while large employers like Rand-Whitney and Saint-Gobain make use of bigger spaces. The Greendale Mall off I-190 is a formerly thriving shopping center that has experienced tenant vacancies amid a downturn.



## Opportunity Zone 25027731700: Downtown



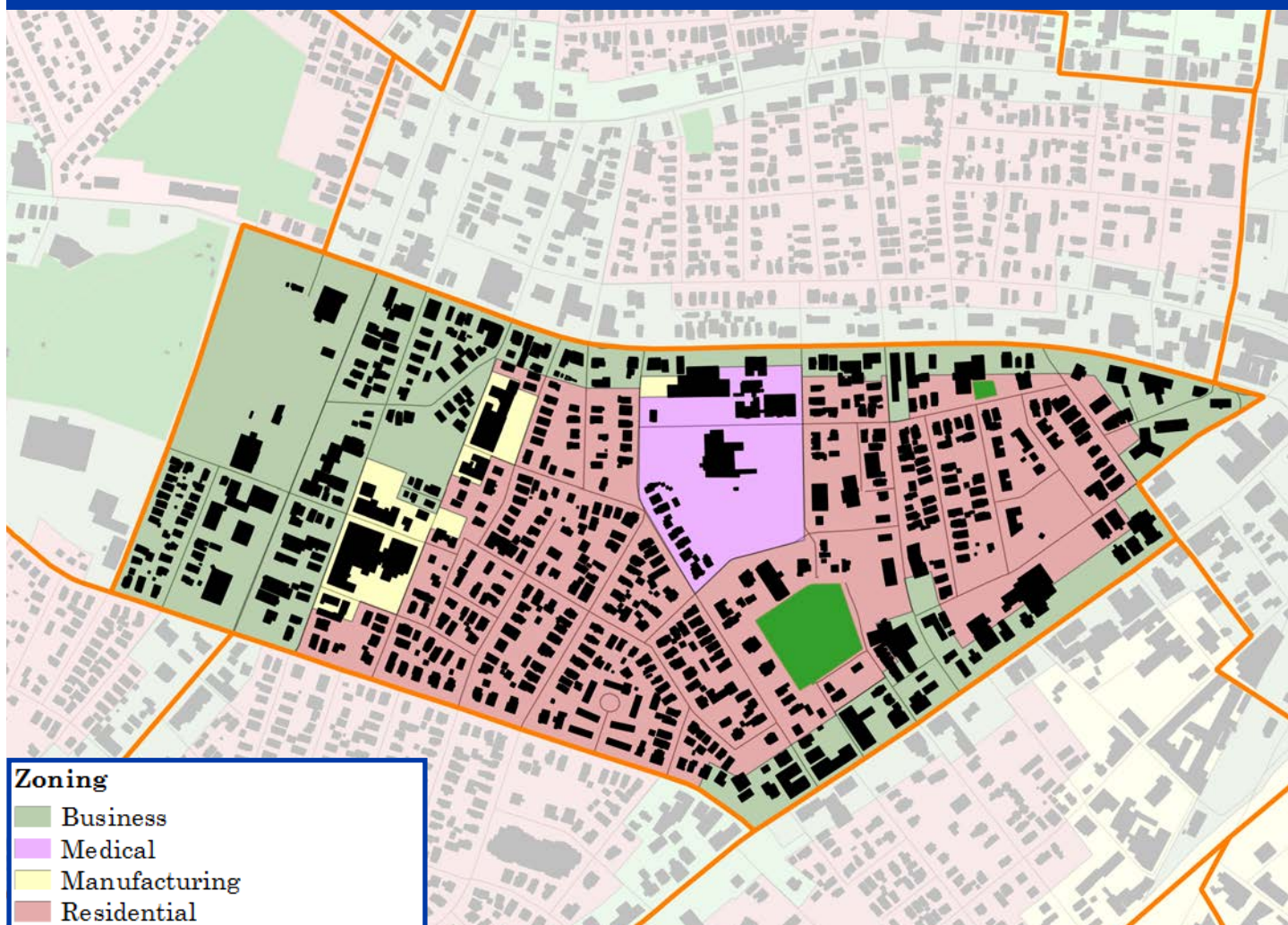
Fast Facts	
Population	3,065
Median Income	\$25,621
Households in Poverty	38%
Businesses	1,022
Jobs	20,450
Average Residential Value	\$119 per land ft <sup>2</sup>
Average Commercial/Industrial Value	\$99 per land ft <sup>2</sup>
Change in Average Land Value, 2013-2018	27% increase

### Key Features

This zone is bounded by I-290 to the east, Highland/Belmont Street to the north, and the Providence-Worcester rail line to the south, and extends roughly two blocks up from Main Street to the west. Union Station, with passenger rail service to Boston and beyond, and the Worcester Regional Transit Authority bus hub are in the zone. Entertainment venues include the DCU Center, Hanover Theatre, Mechanics Hall, and the Palladium. Large employers like Saint Vincent Hospital and Unum are in the zone, as is the Massachusetts College of Pharmacy and Health Sciences. Notable public buildings include City Hall overlooking Worcester Common, Worcester Public Library, Worcester District Courthouse, and Worcester Police Department headquarters. The area has recently witnessed new mixed-use developments, including CitySquare and the Grid District.



## Opportunity Zone 25027731400: Main Middle



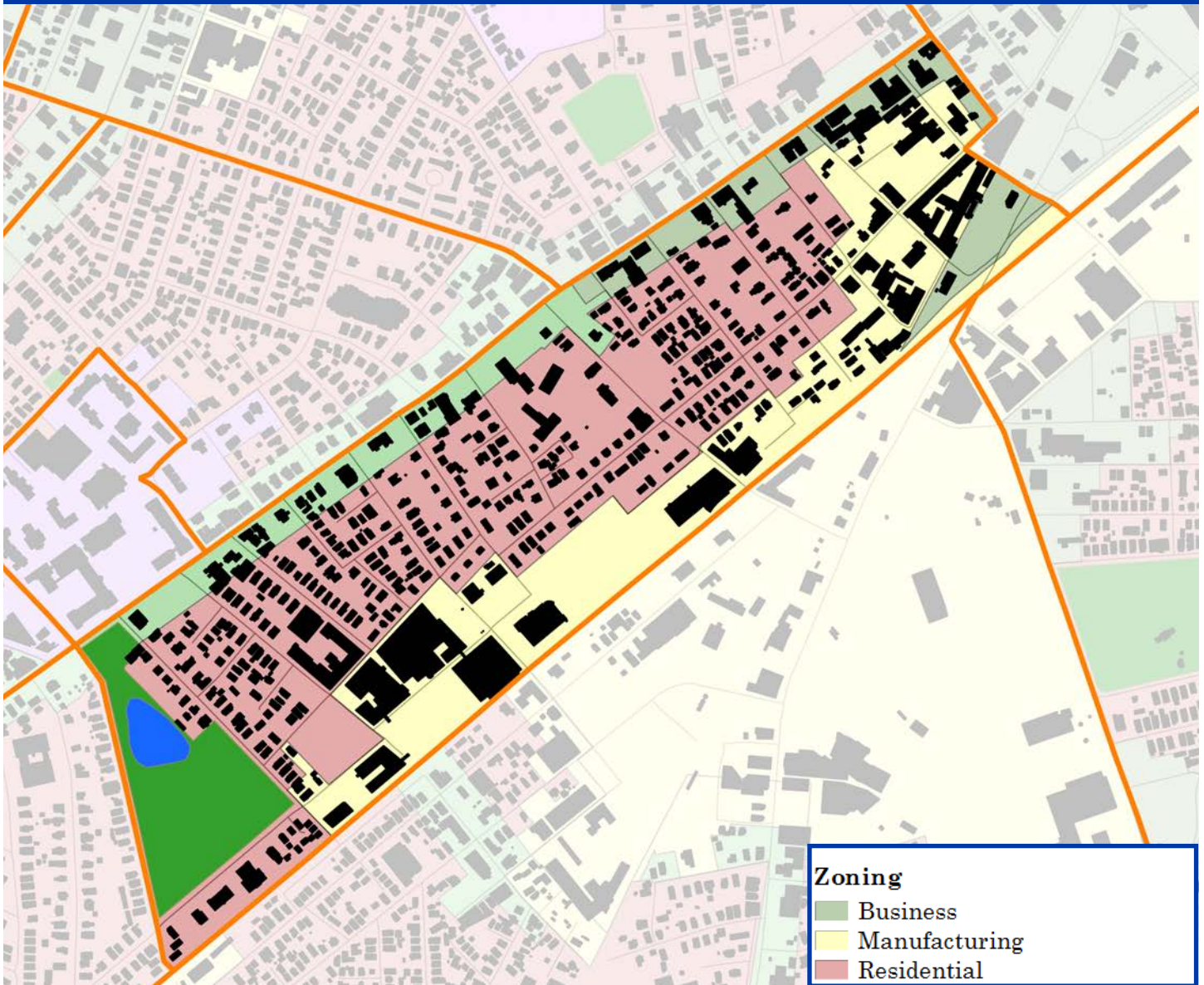
Fast Facts	
Population	4,776
Median Income	\$25,177
Households in Poverty	42%
Businesses	168
Jobs	2,944
Average Residential Value	\$44 per land ft <sup>2</sup>
Average Commercial/Industrial Value	\$21 per land ft <sup>2</sup>
Change in Average Land Value, 2013-2018	32% increase

### Key Features

This zone encompasses the area known as Main Middle and is bounded on the south by Main Street and the Main South business corridor, on the north by Chandler Street, and on the west roughly by Park Avenue. In addition to Beaver Brook Park, located just outside the zone, Oread Castle Park provides recreational opportunities. Many thriving small businesses along high-traffic streets, including Park Avenue, Chandler Street, and Main Street, and a well-established residential neighborhood give the area high levels of foot traffic. The area features several destination businesses, ranging from restaurants to a natural goods store. Community Healthlink and other medical and social services, including the city's homeless triage shelter, are located in the middle of the neighborhood, with the YMCA located on Main Street.



## Opportunity Zone 25027731300: Main South



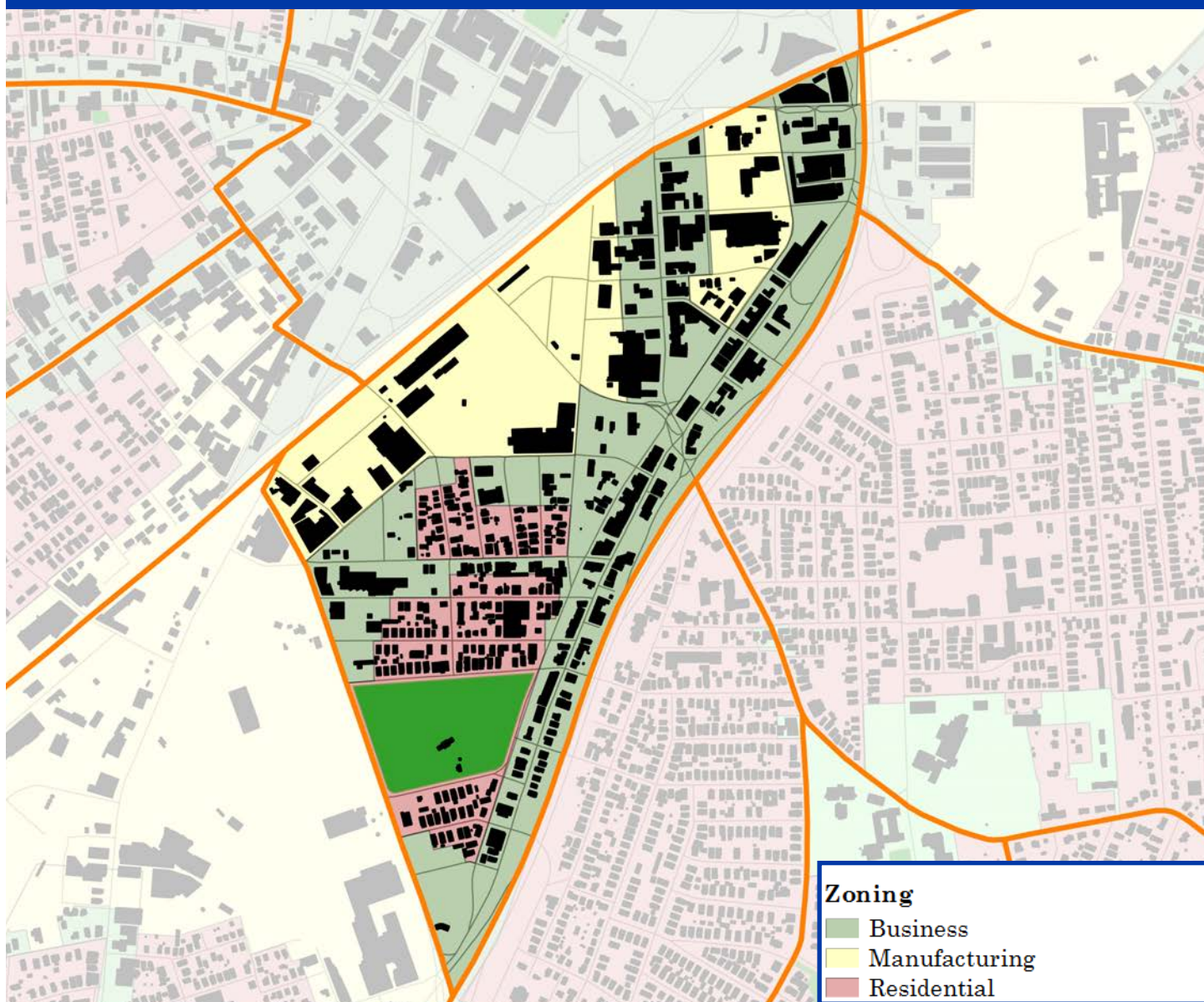
Fast Facts	
Population	4,450
Median Income	\$24,837
Households in Poverty	43%
Businesses	108
Jobs	847
Average Residential Value	\$43 per land ft <sup>2</sup>
Average Commercial/Industrial Value	\$16 per land ft <sup>2</sup>
Change in Average Land Value, 2013-2018	31% increase

### Key Features

This zone is bounded by Main Street to the north and the Providence-Worcester rail line to the south, stretching from University/Crystal Park in the west nearly to Madison Street in the east, an area referred to as Main South. The area is a combination of small storefronts along Main Street, manufacturing-zoned land to the south, and a residential neighborhood in the middle. Clark University is adjacent to the zone across Main Street and owns land in the zone. Other notable institutions include the Boys and Girls Club. While some of the industrial zone is still used for manufacturing, a few buildings have been repurposed, including the Junction Shop Lofts to the northeast and the Lofts at Loomworks to the southwest, which in both cases were mill complexes redeveloped into apartments.



## Opportunity Zone 25027732500: Canal District—Green Island

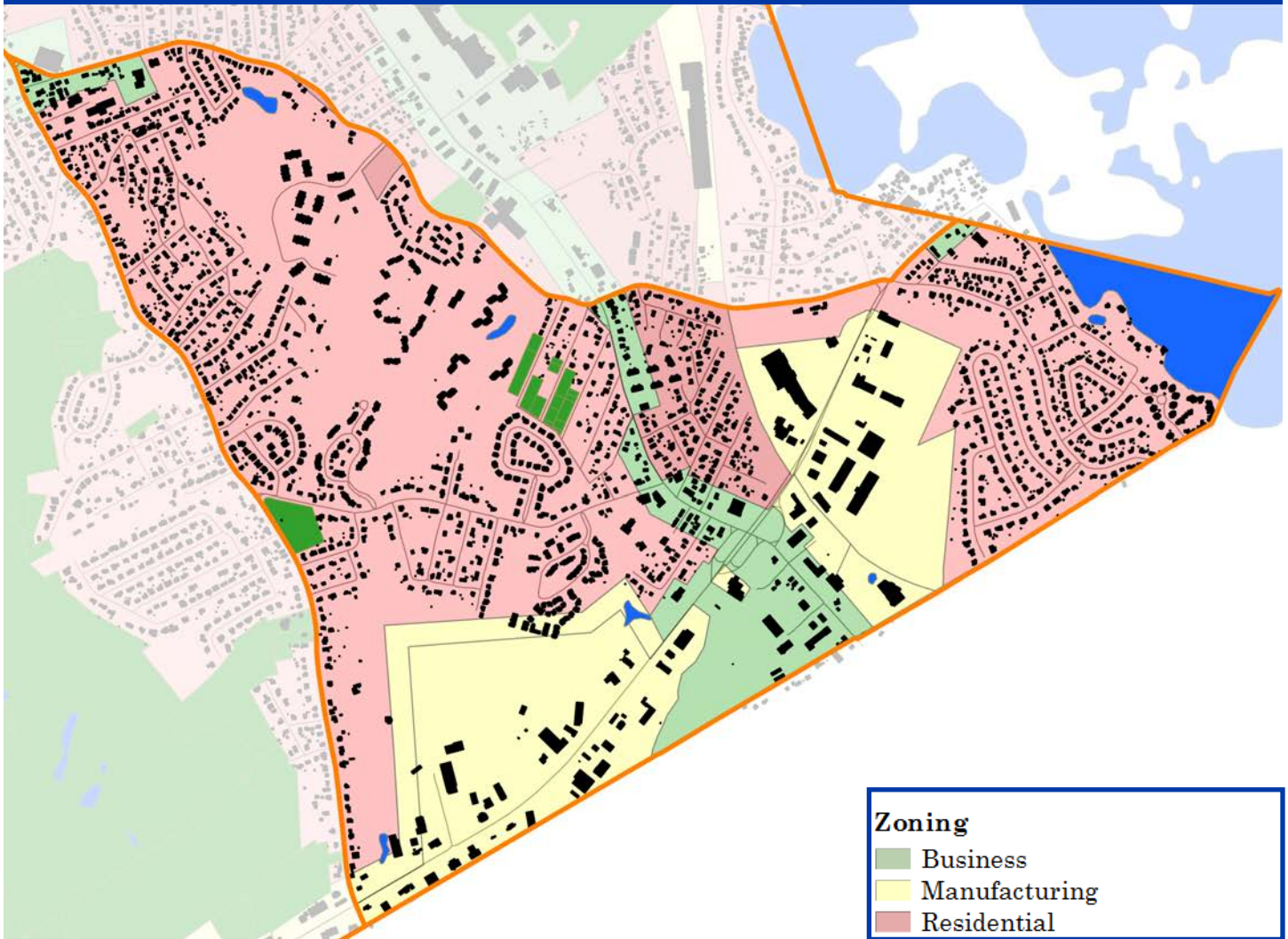


Fast Facts	
Population	1,170
Median Income	\$39,116
Households in Poverty	35%
Businesses	234
Jobs	2,047
Average Residential Value	\$61 per land ft <sup>2</sup>
Average Commercial/Industrial Value	\$22 per land ft <sup>2</sup>
Change in Average Land Value, 2013-2018	37% increase

### Key Features

This zone, which encompasses the area known as the Canal District, is bounded on the north by the Providence-Worcester rail line, the west by Quinsigamond Avenue just in from the tracks, and on the east by I-290, with the Union Station rail and bus hub located just out of the zone to the north. Crompton Park is a notable geographic feature (the canal having been paved over). The business corridor is well-known as a nightlife center. While large employers like Table Talk Pies still occupy industrial space, much of that area is being redeveloped into a municipally-owned stadium for the Boston Red Sox's AAA affiliate and associated hotels, residential, and commercial space. Crompton Place and the upcoming Harding Green mixed-use developments exist alongside older residential neighborhoods. The zone also features a practice facility for college and minor league hockey.

## Opportunity Zone 25027732801: Route 20



Fast Facts	
Population	4,753
Median Income	\$65,719
Households in Poverty	8%
Businesses	184
Jobs	1,350
Average Residential Value	\$17 per land ft <sup>2</sup>
Average Commercial/Industrial Value	\$7 per land ft <sup>2</sup>
Change in Average Land Value, 2013-2018	19% increase

### Key Features

This zone is bounded by the Worcester-Millbury border to the south, Massasoit Road to the west, Sunderland Road to the north, and an offshoot of Lake Quinsigamond known as Flint Pond to the east by the Worcester-Shrewsbury border. It includes south Grafton Street and much of Worcester's strip of Route 20. The mostly residential zone has a higher median income and lower poverty rate than the other Opportunity Zones chosen for the city, but also has significant underdeveloped and underused land. The installation of a sewer system is underway in order to expand development opportunities beyond the current low-water uses and take advantage of available land and access to the east and west via Route 20 and the Massachusetts Turnpike, which runs to the south across the Worcester border.



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