

Opportunities Provided by Local Jobs

Presented by the Move Lowell Forward PAC

1. Purpose

The purpose of this paper is to examine one of the specific items in the stated Move Lowell Forward (MLF) Vision – ***opportunities provided by local jobs***.

We will first review the overall Vision Statement by MLF, and then look at some of the suggestions made by prospective city councilors during the 2009 election in response to questions posed by MLF to the candidates for city council.

Then we will examine some mechanisms for achieving the Vision of “*opportunities provided by local jobs*”. We will discuss some policies of both the federal government and the local government that hold some promise for achieving the vision statement. Finally, we will recommend some actions for the city government and its citizens to pursue to achieve the vision.

2. Move Lowell Forward Vision

Move Lowell Forward is a non-partisan citizens’ group of Lowell residents which supports professional city management, good government with fair access for all, well-planned economic development and efficient use of taxpayer dollars.

We established a 10-item “Vision” of what we wanted the City of Lowell to have:

- A Professionally Managed City Government
- Renewed Economic Growth to Stabilize City Finances
- ***Opportunities Provided by Local Jobs***
- Effective Public Services
- A High Quality of Life
- A Strong Educational System
- Affordable Standard of Living
- Safe, Clean Neighborhoods
- Efficient Transportation
- Accessible Commercial Enterprises

This paper addresses the third item, *Opportunities Provided by Local Jobs*. However, as we shall see, many of the other items contribute to the success of that item which is the subject of this paper.

3. Questionnaire Responses from City Council Candidates – 2009

In order to better evaluate how city council candidates may advance our vision for the city, we prepared a questionnaire and requested that each candidate provide a response for our evaluation. In this section we will repeat some of the responses that offer some suggestions to the question on local jobs.

1. "The city should and has been assembling pad ready development sites, simplifying permitting processes by adopting one-stop permitting of MGL chapter 40D, and providing tax incentives (Like TIFs) for companies that are ready to expand here;" – William Martin
2. "Hamilton Canal is one in a generation transformative project; benefits will include jobs, tax revenue, and revitalizing a section of town that has been neglected for my entire lifetime." – William Martin
3. "I would continue to work in partnership with the Federal/State delegations to bring about the resources needed to continue attracting new enterprises to the city. Having a talented Planning and Development Office that continues to attract dollars to the community remains vital. Working with the National Park Service on Historic Tax Credits/Federal Tax Credits is important to bring about projects that will create jobs. I also believe that UML and MCC will continue to attract businesses to the area; Nanotechnology and Green Building opportunities." – James Millinazzo
4. "Another key element of attracting new enterprise is my commitment to assist in building a strong culture of entrepreneurialism in Lowell where independent, creative, small-business owners and artists can bring their businesses to Lowell. Within a relatively short period of time, these businesses must be capable of financially supporting entrepreneurs or artists. Some of the challenges towards meeting this goal are:
 - 1) Attracting entrepreneurs whose business concepts fill immediate market needs;
 - 2) Educating residents on the financial value of supporting their local economy;
 - 3) Continuing city-wide efforts to bring visitors and tourists into Lowell on a daily basis;
 - 4) Building stronger relationships with our educational institutions to train potential entrepreneurs." – Franky Descoteaux
5. "In order to maximize financial incentives – essentially an accelerated tax deduction process – for businesses which take advantage of being within a renewal community zone, the city must make sure that the proper infrastructure is in place for those businesses to survive and thrive in the designated zone. A long-term goal for the renewal zone would be the introduction of wireless internet access downtown to further boost businesses located there." – Patrick Murphy
6. "Renewal Community designation offers a number of federal tax incentives, including: a wage credit against their federal taxes of up

to \$1,500 each year for 8 years for every existing employee and new hire who lives and works in Lowell resulting in an increased value of \$12,000 to a prospective employer for each Lowell resident hired. It is incumbent on the City to promote this information to small businesses considering relocation, especially as we plan to go forward with the JAM revitalization.” – Raymond Weicker

4. General Discussion of Economic Development

The current “Great Recession” has affected nearly all aspects of American life, especially those who are losing their homes and their jobs. The national unemployment rate peaked at 10% and remains high at 9.5%, with many others having left the employment pool. The unemployment rate in the City of Lowell is even higher, approximately 10.3%. The federal job stimulus program may have tempered some job loss, but as it runs its financial course the economy still has not recovered to an acceptable level.

Although we will touch on some possible federal policies to improve the overall job situation, our focus will be at the local level where we will examine what we may do to improve our local economy and the job situation. In doing so we will look at “import” and “export” work at the local level. Import work is done by those outside the city, where we are effectively buyers of that work. In recent years much of that “import” work is truly performed in foreign countries, but we must also consider domestic work that we import to our city. Export work is done by those inside the city, where we are effectively sellers of goods and services to those outside the city.

To clarify this “import” and “export” work, let’s look at two recent companies that established operations in the City of Lowell – Target (or Lowe’s) and Cristek. Although Target may provide a valuable service to the consumers in the City, and it provides some jobs as well as tax revenue to the City, we identify it primarily as an “import” company. That is because the great majority of its revenue comes from nearby residents, whereas the great majority of its costs are for goods produced elsewhere, predominantly “offshore”. Although a much smaller scale company, Cristek (<http://www.cristek.com/corporate/pressrelease/pr042710.htm>) could have greater economic benefit with the great majority of its revenue from outside the City, and a significant amount of its costs from within the City, in the form of jobs for local residents - *if* it can follow through on its promise to grow in Lowell.

We will look at two approaches to economic development, import-replacing development and export-producing development (1). A good economic plan will contain both approaches to maximize the development potential.

a. Import-Replacing Development

This type of development results from selective changes to the “make vs. buy” policies of the City and its citizens. The challenge presented in making these changes should not be underestimated, but the value in doing so can be rewarding.

Any such initiative should be through private enterprise, although the City must provide public support. That public support could include contributions from a non-profit body that evaluates proposals and make assessments on the viability of an enterprise to advise further public support in the form of grants, infrastructure assistance, tax benefits and technical support.

Candidate “import-replacing” development opportunities may include:

1. Southeast/Southern Asian enterprise for Asian-style women’s clothes
2. Creative Arts, including music generation and performance
3. “Green” businesses with unique incentives for locating in Brownfield districts
4. Increased preference for hiring city residents to perform services

b. Export-Producing Development

This type of development can result from companies relocating into the city, or from innovative development within the City. Lowell has a distinct advantage with the latter type due to the research work being performed at UMASS Lowell (UML).

Some import-replacing development may grow into export-producing development as when a conversion from “buy” to “make” for citizens of the city becomes so successful that it can grow into producing goods or services well beyond the confines of the city.

New and/or spin-offs of old businesses may hold the best promise for innovation-based development, especially with the cutting edge research being performed locally at UML. When the new emerging technologies center is operational in 2012, UML should be attractive to businesses who want to build on that innovation to develop new products. Since these new products would have a wide market for consumption, they would clearly be in the category of export-producing development.

5. Specific Topics for Consideration

a. Federal Policies and Programs

Current federal policies penalize work through the addition of costs such as income tax, health insurance premiums, payroll taxes and regulations that do not apply to foreign competitors, or US international companies that locate operations abroad. As a result, work is leaving the country at a greater rate than innovation can replace it. Some modifications of federal policy could provide a more level playing field for US operations.

An overall of federal tax policy should consider that US employees generally pay US taxes, whereas overseas workers do not. So one action may be to convert the weight of taxes, including social security taxes, from work to consumption, but do so in a progressive way. With corporate taxes there should be a recognition of the benefit of US workers (via their personal income taxes) to weight the corporate tax rates accordingly, and certainly provide no advantage to moving operations (or headquarters) offshore. And it is not only taxes, but also expenses like health care that should migrate away from those workers who are also paying the freight with their income taxes. These attempts at "leveling the playing field" may tip the scales enough that job loss through outsourcing is limited enough that job creation through innovation can balance it at the national level.

Although we recognize the importance of federal policies in shaping the economy, it is not considered further in this paper as we intend to focus on local policies.

b. Local Policies and Programs

Let's first look at those comments from candidate city councilors listed in section 3.

1. William Martin Suggestions:

- "Pad ready" sites would aid in the attraction of businesses, and is one element of an economic development policy.
- Simplified permitting processes would be an advantage for a company establishing operations or expanding their work.
- Tax incentives would also be an attraction for relocation and/or expansion.
- Hamilton Canal is an example of the City creating a site for development.

2. James Millinazzo Suggestions:

- Working with the National Park to obtain historic tax credits would be an advantage in attracting new businesses to the city.
- Utilizing the local university and community college to spin off new businesses in the areas of nanotechnology and green building opportunities offers the potential of export-producing development.

3. Franky Descoteaux Suggestions:

- Assist small business entrepreneurs by matching their concepts with the area needs, and then educate the citizens on the value of supporting local businesses.
- Use the educational institutions to provide assistance to the entrepreneurs in learning business practices.

4. Patrick Murphy Suggestions:

- Preparing districts designated as Renewal Community zones with desirable infrastructure would make them more attractive to potential business development.
- Providing wireless internet access would be a plus for many business opportunities.

5. Raymond Weicker Suggestions:

- Stresses the importance of educating potential businesses on the benefits of the Renewal Community tax credits, which can be \$1,500 per local employee per year for up to 8 years.

Although there is a mixture of suggestions, there are some common themes that we can take from these for city government action.

- Prepare infrastructure to facilitate development zones
- Streamline the permitting process to remove bottlenecks
- Make good use of available State and Federal tax credits for business
- Match development to capabilities and needs of the community
- Involve educational institutions in business development
- Educate prospective businesses on specific benefits available

The City of Lowell has attempted to do some of these suggested actions already. The JAM Plan, and more specifically the Hamilton Canal District, is a derelict site being prepared for development by the City through judicious use of State and Federal grants and tax credits.

The City has also initiated a reorganization to combine development activities with inspectional services in order to provide “one stop shopping” for the permitting process.

However, there may be room for improvement in matching development to the capabilities and needs of the community, and to further involve the educational institutions in business development, as well as better educating prospective businesses on the specific benefits available in Lowell.

What about suggestions that have not yet been made?

We may want to look at some of the MLF Vision statements not directly related to economic development and job creation, as improvement in those areas would add to the overall attractiveness of the City of Lowell. For example;

- The confidence provided by a **professionally managed city government** would be an attraction to businesses considering locating within the city
 - Expand use of performance-based budget
 - Stabilize city finances
 - Continued improvement in efficiency of public sector
- **Effective public services** would ensure that businesses would receive the services necessary to prevent disruptions that would hamper their operations
 - Further Streamline permitting processes
 - Modernize water and waste-water systems
 - Continue to professionalize public safety departments

- **A high quality of life** would be an attraction to the key employees of any business
 - Maintain/expand city cultural events
 - Improve and maintain public parks, walkways, etc.
 - Work with entrepreneurs to make common areas more interesting, such as evening hours for retail businesses in downtown, or public art displays along walkways
- **A strong educational system** would enhance the workforce available to prospective businesses
 - Increase emphasis on math and science in Grades K – 12.
 - Convert incentive system to reward performance improvement
 - Expand civics lessons to include local examples, promote good citizenship and encourage voter participation
 - Engage parents and hold them responsible for their children
- **Safe, clean neighborhoods** would be attractive to the employees as well as the companies
 - More actively discourage crime
 - Actively pursue broken windows processes
 - Encourage further actions from neighborhood groups
- An **efficient transportation system** would be key to moving goods and providing customers with ready access to the businesses
 - Improve connection between downtown and transportation center as part of an expanded, year-round trolley system
 - Increase on-street parking at the expense of wide thoroughfares (2)
 - Develop limited urban bike paths, and provide racks at transportation center

Beyond these, the city government could take actions specifically intended to promote economic development. Let's look at the three areas where we have noted there is "room for improvement".

1. Matching Development to the Capabilities and Needs of Community

At the Innovative Cities Conference in June 2010, the representative from Ann Arbor listed specific focus areas for business development that helped concentrate their efforts in areas with the best chance for success. We are unaware of any such focus for development in Lowell, although there may be a general policy of trying to "follow the market". A combination of needs and capabilities specific to this area may help focus development efforts to businesses with the greatest chance for success.

2. Involve Educational Institutions in Business Development

Both UML and Middlesex Community College (MCC) are making contributions to the local economy through programs that bring the students to the downtown and offer incentives for purchasing items from local businesses. The location of the UML Inn and Conference Center, and now the Tsongas Center, provide additional opportunities with visitors to those sites.

However, more may be accomplished if these institutions could actively promote business development in the city to create new jobs. The Hamilton Canal District plan calls for the development of commercial buildings in the latter years of its development cycle, and these locations would be potential locations for new business, including research and advanced development work with high-paying jobs. There is a natural advantage for a business to locate near the innovative research center that spawned the business, and the local workforce would have people educated in that field. The university could further aid the local development if they were to give *preferential treatment in the use of its intellectual property for businesses that hired locally*.

There should be a connection between the expertise needed from workers and the educational system so as to ensure a workforce with a competitive edge for those enterprises needing specialized work. The flexibility of the administration at MCC I modifying course work should be an advantage to the area business community.

3. Educate Prospective Businesses on Specific Benefits Available

Although the city government may be actively engaged in this process, it may be necessary to expand this “marketing” of Lowell to its citizens, as some of these citizens may have alternate connections to businesses that want to start up or expand. It is especially important to make the right connections in light of the prior recommendation to establish areas of focus. Clearly defining incentives available by business type may be better than general lists of potential benefits.

4. Adopt a Policy to Reduce Commercial/Industrial Tax Rate

According to the FY 2010 Tax Classification for the city as listed in the “At a Glance” report, the city obtained \$15,011,441 of its \$100,280,358 total tax levy from commercial properties, and another \$10,169,171 from industrial properties, or 25.1% contributed by these two components. At the same time the tax rate for these two components was \$27.46 per thousand dollars valuation, whereas the rate for residential properties was \$13.27. The intent of this suggestion is to grow the commercial/industrial tax base while slowly reducing the ratio of its tax rate to the residential tax rate. *This can only occur if the valuation of commercial/industrial property rises at a rate higher than the ratio is reduced.* And the best way to increase that valuation is for new businesses, and likely new jobs, are added to the city. Since this is a complex task, we think that the parameter changes should be very modest over the period, but enough to indicate that residential property taxes can be controlled with improved commercial/industrial growth. In addition to using a percentage of new growth to decrease the commercial/industrial tax rate, the City should also designate a portion of any increase in local aid to that same purpose.

However, there are difficult obstacles to overcome, among which are:

- **Return on Investment “Gap”**

The cost of development in Lowell is similar to that of other areas in eastern Massachusetts, but the rents and prices that can be received are significantly less, especially when compared to the Boston area. This creates a return-on-investment

"gap" that must be closed. The City administration has creatively used grants and tax credits to close this gap, but those sources are limited, especially in the current economic climate.

- **Lack of Funding for Renewal Communities**

Congress did not extend the funding for Renewal Communities past December 31st, 2009. Current attempts to re-fund that legislation are difficult to achieve with the situation of the national economy and debt growth.

- **Limited Easily-developed land and work space**

High vacancy rates in surrounding communities provide ready locations for commercial business location, and at competitive prices. Lowell has far fewer buildings and tracks of land conducive to quick conversion and low costs.

- **Present Economic Conditions**

The present economic conditions make development difficult because of two primary factors: 1) investment in an uncertain economy is considered a higher risk and 2) competition for business is increased, and availability of State and Federal funds are reduced.

6. Recommended Actions

a. Continue to make local government more efficient

- i. Establish performance-based budgets and incentives from the top down in city government
- ii. Actively engage data analyst to identify areas for improvement
- iii. Use "lessons learned" to further streamline permitting process

b. Actively improve the city in accordance with MLF Vision Statement

- i. Use Vision Statement elements to evolve policies
- ii. Enact these policy improvements through city council action

c. Continue to improve the public education system

- i. Increase emphasis on math and science in grades K – 12.
- ii. Modify employee incentives away from things like "sick leave buyback" to more productive learning results
- iii. Institute civics instruction to encourage good citizenship, understand local government, and promote voter participation
- iv. Engage parents and hold them responsible for children's performance

d. Establish development focus in accordance with capabilities and needs

- i. Expand Lowell Plan to identify citizens capabilities and coordinate consumer needs with those citizen capabilities in order to identify areas for economic growth
- ii. Enlist volunteer help from citizens for additional risk assessment of potential businesses looking for public support
- iii. Enlist citizens to search out business opportunities

e. Consider reinvestment of TIF driven "new growth" into further development

- i. Supplement Community Development Block Grants with a small percentage of increased tax levy provided by tax increment financing (TIF) awards.

- ii. Modify tax incentive plans to give preference to “import-replacing” and “export-producing” developments.
- f. Apply for grants and tax credits to aid “green” businesses grow on Brownfield sites**
 - i. Use philosophy of “turning failure inside-out”, for example designate area around Silresim site to be green business district
 - ii. Apply for federal and State grants to improve infrastructure, create pad-ready locales and provide job tax credits for these type of businesses
- g. Actively promote local innovative economy**
 - i. Enhance connection between UML Music department and downtown venues and businesses
 - ii. Provide evening for local talent at Boardinghouse Park, maybe as a talent contest
 - iii. Develop ordinance for temporary display of private art in public places
- h. Lower business tax rate**
 - i. Use portion of future local aid increases to reduce business property tax weighting
 - ii. Use portion of future commercial/industrial growth to reduce business property tax weighting
 - iii. Actively lobby for extension of Renewal Communities designation

7. Conclusion

Lowell has great potential with the presence of the Lowell National Historical Park, its adherence to historical preservation, its growing artist community, its recognized public-private partnerships and the institutions of higher learning. The city government offers further hope with the increasingly professional management from the top down, and a very capable and innovative planning and development department.

But getting the most out of this potential requires further effort and continuous improvement. The citizens of MLF are particularly interested in promoting actions that can lead to job creation within the city, and better overall conditions for its residents. In this paper we have described some actions that should be considered by the city government to promote these improvements. We request that this consideration be given.

8. References

- (1) The Economy of Cities, Jane Jacobs, 1969
- (2) The Wealth of Cities, John Norquist, 1998