

**Baseline Economic Conditions &  
Market Characteristics  
The Center City Urban Renewal District  
Holyoke, Massachusetts**

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# TABLE OF CONTENTS

- I. Baseline Conditions & Market Characteristics..... 1**
  - A. Overview..... 1**
  - B. Center City Supply Characteristics..... 1**
  - C. Socio-Economic Trends and Implications ..... 2**
  - D. Short-Term Forecasts..... 3**
  - E. Commercial and Industrial Development Trends and Competitive Supply ..... 4**
  - F. Residential Development Trends..... 5**
  - G. Outlook for the Urban Renewal Plan ..... 6**
- II. Appendix..... 8**
  - A. Map of Center City..... 8**
  - B. Demographic Statistics ..... 9**
  - C. Housing Characteristics ..... 15**
  - D. Employment Statistics & Business Licenses ..... 16**
  - E. Tax Base Characteristics and Trends ..... 22**
  - F. Center City Supply and Assessment and Owner Characteristics ..... 24**
  - G. Available Commercial Buildings ..... 31**
  - H. Residential Development Trends ..... 33**
  - I. Commercial and Industrial Building Development..... 34**
  - J. Vacant Buildings ..... 35**

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## **I. BASELINE CONDITIONS & MARKET CHARACTERISTICS**

### **A. Overview**

RKG Associates, Inc. (RKG) in association with Vanesse Hangen Brustlin (VHB) was retained by the City of Holyoke to assist in preparing an Urban Renewal Plan for the Center City area in the City of Holyoke, Massachusetts. RKG's role was to establish baseline conditions and market characteristics in Center City, the City as a whole and Hampden County (region). A recently prepared "Center City Vision Plan" identified four census tracts in Holyoke's urban core as the Urban Renewal Area and established key aspects for revitalizing the business, cultural and living environments. Holyoke, and more specifically Center City, is expected to benefit from a planned investment of nearly \$168 million for a Green High Performance Computer Center (GHPCC), as well as other initiatives including a new multi-modal transportation center and pilot program by Cisco Systems to make Holyoke a "Smart + Connected Community". Also, north-south commuter rail service will be available within the next five to seven years.

RKG reviewed demographic and employment trend data as well as short term forecasts in order to quantify a potential building demand that may be captured in Center City over the near term, provided a suitable environment would be created. RKG also compared the forecasts with historic development trends in Holyoke and Center City in order to place future growth in context with historic trends.

Tax base, ownership and real estate characteristics were also reviewed and the supply of properties in Center City was evaluated by individual neighborhoods, and collectively in relationship to the city. The following summarizes the analysis; detailed statistics and data tables used for this technical memorandum are attached in the Appendix, and various sections in the Appendix and tables are noted in the text.

### **B. Center City Supply Characteristics**

Center City contains approximately 700 acres, according to assessment records, and is improved with nearly 21.8 million square feet (SF) of building area, including 11.9 million SF in taxable commercial/industrial buildings and 5.9 million SF in taxable residential buildings.<sup>1</sup> Center City also has 3.9 million SF of tax-exempt properties improved on nearly 340 acres. The latter represents nearly 50% of the acreage in Center City, while the former represents 18% of the building supply in Center City and 52% of the tax-exempt building supply in Holyoke. In other words, a large percentage of properties in Center City are not contributing to the tax base.

According to 2009 estimates from Demographic Now<sup>2</sup>, Center City had 10,720 persons in 3,840 households, accounting for approximately 27% of the City's population. Housing

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<sup>1</sup> Please refer to the tables in Section F of the Appendix.

<sup>2</sup> Demographics Now is a private vendor that specializes in demographic estimates and short-term forecasts. Please refer to the tables in Section B of the Appendix.

estimates indicate a supply of 4,400 units in Center City, representing 26% of the citywide supply. The difference between housing units and households was 560 vacant units; reflecting a residential vacancy rate of 12.8%. Approximately 90% of the occupied housing units were renters, including a large supply of subsidized housing.

Holyoke had an employment base of 20,500 jobs in the 2009 (3<sup>rd</sup> quarter), including 10,250 jobs at the City's major employers. These include Holyoke Medical Center, ISO New England, and the Holyoke Mall, to name a few. While employment data specific for Center City was not available, RKG reviewed a listing of major employers in Holyoke provided by the City, and the data indicated that Center City had 23% of this employment or 2,400 jobs, including a large portion of municipal employees.

According to business licensing data provided by the City, Center City has 222 businesses, or 37% of those in the City. Approximately 53% of businesses in Center City are either retail or services businesses, and include mostly "mom & pop" type operations of convenience stores, small retail shops, nail and hair salons, barber shops, and the like. Restaurants account for 11% of the businesses in Center City, mostly sandwich shops and bars/pubs. Prospect Heights (Census Tract 8117) had the highest number of businesses (98) in Center City, and another 105 business were evenly divided between Churchill (Census Tract 8116) and South Holyoke (Census Tract 8115). Approximately 18% of the businesses in Center City are auto-related companies, which represent 60% of all auto-related businesses in Holyoke. Since Holyoke has the region's largest shopping mall, only 32% of the retail businesses in Holyoke were in Center City. <sup>3</sup>

Center City accounts for 5% of the land area in Holyoke and 36% of the building area. Taxable assessment in Center City represents 12% of the citywide total. From a redevelopment or assemblage perspective, improved residential properties in Center City has a total assessed value that averaged \$1.4 million per acre, as compared to an average of \$370,000 per acre citywide, and this is attributed in part to higher density. Commercial and industrial properties in Center City have a total assessed value of \$380,000 per acre, while it was nearly \$480,000 citywide, indicating these properties in Center City have much lower values. Approximately 300 acres, or 43% of the land area in Center City, had no buildings and had an average value of \$80,000 per acre. Almost 80% of this land without buildings, or 240 acres is tax-exempt, including many city-owned parcels including the canals. In effect, the remaining 400 acres in Center City is developed with 21.8 million SF, resulting in a floor area ratio of 125%.

### **C. Socio-Economic Trends and Implications <sup>4</sup>**

Holyoke has an employment base of 20,500 jobs in 2009, which was 5,160 lower than the peak period in 1988 of 25,660 jobs, and also 3,550 jobs less than in 2001. Over the last 25 years, the economic base in Holyoke was severely impacted from the loss of 5,300 manufacturing employment, which in turn caused an estimated 4.0 million square feet (SF) of building area to go vacant/idle. Center City was clearly affected since it contained over 9.1 million SF of industrial building area, representing 84% of that citywide. In 2010, over

<sup>3</sup> Please refer to Table II-15 and Table II-16 in the Appendix

<sup>4</sup> Please refer to tables and statistics in Section D of the Appendix.

2.9 million SF of commercial/industrial space sat either idle (1.3 million SF) or vacant/available to the market (1.6 million SF) in Center City. Housing statistics indicated a vacancy rate of 12.8% in Center City. There is also a supply of 482,000 SF in 39 abandoned residential buildings in Center City, and 16 vacant, city-owned buildings, with 265,000 SF. In total, this vacant, idle supply of residential buildings contained 420 units.

This supply of vacant buildings affected the real estate market in Center City as well as the tax base in all of Holyoke, since it had one of the highest, if not the highest, commercial tax rate in the Commonwealth. Other systemic problems are affecting Center City since nearly 90% of the occupied housing was rental, and the median household income of \$16,000 would not support a vibrant retail market in the downtown. While a focus for Center City will be on upgrading/attracting retail and services in the downtown core, this will take time and require a significant infusion of new households with more disposable income than presently exists. Retail development is a follower and not a leader, and the downtown retail environment will be competing with other commercial nodes surrounding Center City.

#### **D. Short-Term Forecasts**

Demographic forecasts over the next 5 years are positive for the region, as households with incomes of \$75,000 or more are projected to increase by 7,600, including 500 households in Holyoke. These projections provide opportunities that Holyoke may capture; however, they may be more limited for Center City given the weak environment for “market” rate housing and the lack of diversity in the housing stock. Other issues affecting the living environment are the lack of cultural and entertainment amenities, a perception of safety and evidence of blight. Effectively, new residential owners in the downtown will need to be so-called “urban pioneers”<sup>5</sup> and retail/services won’t follow until a sufficient critical mass has been attained. Over time, as conditions improve and more amenities become apparent, opportunities for more balanced residential development may arise, resulting in a better mix of incomes and housing types within the Center City neighborhoods. For the short term, the City should encourage local developers to infill owner/taxable units on some of the 28 vacant “city-owned” lots containing 4.3 acres.

A statewide employment forecast prepared in 2004 indicated that by 2016 employment growth would occur in key industry sectors that have strength in the City, but not necessarily in Center City. If the employment projections come to fruition, Holyoke could capture between 800 and 1,000 new jobs over the next 5 to 6 years, at least statistically. This would translate into possibly 300,000 SF to 360,000 SF of citywide building demand during this period.<sup>6</sup>

Health Care and Educational services are two major sectors that are forecasted to grow, and the planned expansion of the Holyoke Medical Center should provide more medical-related employment. There is also much focus on creating alternative energy sources, and potential research and development and manufacturing opportunities in this field may fit well in

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<sup>5</sup> Urban Pioneers typically include young singles and couples with above average incomes seeking to live/work/play in an urban environment, as well as older “empty nesters” seeking cultural and social ties and sustainable neighborhood environments.

<sup>6</sup> Please refer to Table II-14 in the Appendix

Holyoke, given it is a major employment center with excellent regional access. A strong focus is also on bio-tech industry and Holyoke is considered “bio-ready” through efforts of the Innovation District Task Force. The key is to successfully leverage these efforts and attract new and growing firms and bring employment opportunities back to the Center City.

The availability of labor does not seem to be an issue since Holyoke had an 11.7% unemployment rate in April 2010. In fact, Center City is believed to “import” workers from the rest of the city and region on a daily basis. The unemployment rate in Center City was nearly twice that according to 2009 population statistics. Workforce training would be required given the poor educational attainment levels of those in Center City, and programs provided by Holyoke Community College, Career Point, Dean Vocational High School, Holyoke Works, New England Farm Worker Council and Halo Center, among others, could help fill the void.

At this point it is unknown what impact on employment the GHPCC would have on Center City, Holyoke and the region. A study is currently underway to answer this question. For planning purposes, if it is assumed that this project would double the short-term employment forecasts and building demand previously identified, then the range in building demand would be from 300,000 SF to 720,000 SF throughout Holyoke over the next 6 years or so. If Center City could capture between 30% and 50% of this demand, that would equate to building needs of 60,000 SF to 360,000 SF, or from less than 1% to 12% of the vacant/available space in Center City. Even if Center City could attract 750,000 SF over the next ten years, that would still leave 2.1 million SF vacant and/or available.

Therefore, the City needs to be active in preparing a strategy for dealing with the excess building supply in order to correct the market imbalance and strengthen the City’s tax base. Statistics indicate that the value of the industrial properties declined by more than 3% per year (compounded) between 1990 and 2010, and the commercial/industrial tax rates more than doubled during this period.<sup>7</sup> The overall tax base did increase in value but at a much slower rate than inflation as measured by the Consumer Price Index (CPI). Additional resources from the Commonwealth would be required to implement such a strategy. While some of these buildings are architecturally unique and may be worth saving; the bulk of the excess has limited, if any, reuse potential and continues to act as a drain the City’s tax base by providing fewer taxes revenues and higher public service costs.

## **E. Commercial and Industrial Development Trends and Competitive Supply**

The market characteristics in Center City as compared to the rest of the city are quite opposite. Holyoke has experienced significant investment from the private sector since 1979, as the largest shopping mall and office park in the region were developed.<sup>8</sup> At the same time, Center City suffered disinvestment and outmigration, resulting in an excess building supply. The feasibility of developing in Center City is questionable and deep subsidies would likely be required to offset the market and financial risks.

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<sup>7</sup> Please refer to tables in Section E in the Appendix

<sup>8</sup> Please refer to Section I in the Appendix

From a historic demand perspective, Holyoke has benefitted from the development of 4.1 million SF of commercial/industrial space since 1979, which has a total assessment of \$358.5 million. Unfortunately, only 10% of this post-1979 development has been constructed in the last decade, suggesting Holyoke did not benefit from the more recent economic boom of the last decade as other parts of the Commonwealth. About 10% of the post-1979 commercial/industrial development in Holyoke was captured in Center City, of which very little occurred over the last decade.

This post-1979 development in Holyoke represents 46% of the commercial/industrial building supply, but contributes to more than 64% of the City's commercial and industrial tax base. This means that attracting new development has helped the city's tax bases more than redeveloping its older stock. The energy efficiency and enhanced functionality of modern buildings is typically better than re-used older building, thereby lowering the costs of doing business for the companies that occupy them.

From a pricing perspective, values in the urban core are well below those in the rest of the City or the region, although redevelopment costs are significantly higher due to environmental constraints and density of existing development. From a demand perspective, the over-supply of functionally obsolete buildings is not conducive to modern-day industry in many cases, and the lack of diversity in the housing stock limits ownership opportunities, since 92% of the units are small at multi-family properties or apartments in Center City.<sup>9</sup>

Over 50 acres of commercial/industrial land is on the market in the Ingleside portion of Holyoke and it will compete with any Center City revitalization, so efforts need to be made to improve the investment climate in Center City in order to seek new development, and redevelopment funds will be required to help reduce "gaps" that result between low market values and high (re)development costs. The City of Springfield has made ready 30 acres or so for new economic development by acquiring property and demolishing outdated buildings, while another 30 acres is also being made ready in the village of Chicopee Falls. Undeveloped land is also available at Westover, as well as a ready supply of available, more-modern, industrial buildings. Chicopee Business Park also has available land, and Westmass Area Development Corporation is planning to revitalize a large mill complex in Ludlow into a major mixed use project. In other words, the region has a large supply of available land and buildings that will compete with Center City.

## **F. Residential Development Trends**

Since 1979, taxable market rate housing in Holyoke increased by 1,460 units, indicating an annual average of 49 units per year.<sup>10</sup> Similar to commercial/industrial development, the pace of housing production over the last decade, which averaged 30 units per year, was slower than the prior two decades. In fact, housing production was higher during the 1980s, when it averaged 76 units per year. This new residential supply added in Holyoke over the last 30 years represents 9% of the city's housing stock and 15% of the residential assessment. Building permit data for 2000 to 2008 indicates that a total of 332 were issued, for an average

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<sup>9</sup> Please refer to Table II-10 in the Appendix

<sup>10</sup> Please refer to Section H in the Appendix

of 37 units per year, of which 184 or 55% were single family homes. In that same time period, 483 residential units were demolished.

In Center City, taxable housing production averaged only 15 units per year since 1979. Approximately 72% of the added supply in Center City was multi-family, evenly divided between 2 and 3 family properties and buildings with 4 units or more, while the remaining 28% were single-family or condominiums. The Holyoke Housing Authority (HHA) successfully completed a Hope VI project in the last decade and introduced 60 new “owner” units into the Center City mix. The HHA also has another Hope VI project in the planning phase in Center City, since it was passed over in the last round of funding.

Values in Center City are at least 50% lower than indicated citywide, which suggest that they may also be a drain on the City’s tax base, since these buildings pay fewer, if any, taxes and require the same, or higher, levels of municipal services. The City should consider undertaking a residential market study to identify how best to reposition/support the housing stock in Center City over the long term and in other neighborhoods throughout the City. With ownership rates in Center City at 10%, an expansion of 2,100 owner units would be needed to increase the ownership rate to the current citywide average of 42%, assuming the renter supply stays constant. This type of increase would also provide the support to upgrade and expand the retail and service environment in Center City over the long term.

## **G. Outlook for the Urban Renewal Plan**

Holyoke’s market characteristics versus those in Center City are almost complete opposites. However, development trends over the last decade indicate the City attracted very little new investment as compared to prior two decades. Conditions in the Holyoke market have also been weakened over the last few years by the national recession, which in turn has created more stringent lending standards. Economic and demographic characteristics in Center City are not that appealing to many real estate developers/investors, which will be a challenge facing the Urban Renewal process.

As some key planned investments in Center City become a reality conditions may improve. Center City has a strong social network of local citizens, as well as an established artist environment. There are also two developers with major redevelopment projects either in the planning phase or underway and each of these should complement the planned Green High Performance Computer Center. Also, the recently adopted Economic Development Act may provide some tax credit and funding incentives to stimulate manufacturing interest in Holyoke and Center City, and also serve as a means to introduce more market-rate housing into Center City, and assist in improving the balance of housing types and values and the income of its residents. Other projects in Center City include:

- Holyoke Transportation Center , which was completed in August 2010
- Smart + Connected Community: A pilot program Cisco is developing with key law enforcement, education and hospital stakeholders to enhance security, information and technology sharing and access
- Commuter Rail Project: Planned upgrade/expansion of the Amtrak/commuter rail corridor between New Haven, Connecticut and Burlington, Vermont

- Hope VI request for Lyman Terrace: A 160-unit apartment project that would be razed and replaced with a mixed income, owner/renter development proposed by the Holyoke Housing Authority. Other HHA projects in Center City should also be considered for upgrading/replacing in the future as funds become available.
- Open Square: A redevelopment project underway of a 600,000 SF mill facility for mixed uses
- Quantum Development: Redevelopment of 16+/- acres (or more) targeted at end-users in emerging/high-tech industry sectors
- Restoration and reopening of the former Victory Theater
- Residential conversion at the former Holyoke Catholic High School buildings
- City Library expansion/modernization
- Art district: Upgrading various existing buildings and expanding artist studios from 30 or so now, to 100 or so when completed

This potential renaissance in Center City however will take time and likely extend well beyond the 20-year planning horizon of an urban renewal plan. Significant funds from the City of Holyoke and its Redevelopment Authority, the Commonwealth, and Federal Government will be required beyond what is already committed. These funds will be necessary to reverse the market imbalance currently in place, and provide “gap” funds for key redevelopment projects.

Holyoke and Center City has proven itself as a place to work, but clearly the investment climate needs to be addressed through a reduction of an oversupply of buildings. More jobs are also needed, and RKG assumes that the economic study underway for the IDTF will address how Center City can leverage on-going and planned initiatives to attract emerging high-tech industries in the near term.

The City/Redevelopment Authority should also concentrate on enhancing/improving the cultural, dining, events and entertainment sector in Center City, as a means to keep people downtown after work and return on weekends. As this sector improves, then a more balanced residential market should follow, and the vision of creating a City Center for “live, work and play” will come to fruition.