



The Economic Effect:

How UMass Lowell Benefits the City of Lowell

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“The city’s tax base will continue to grow given ongoing development activity, including ... the expansion of the University of Massachusetts Lowell.”

– Moody’s Investors Service, Sept. 3, 2013

‘A Stabilizing Presence in the Local Economy’

The dynamic growth of the University of Massachusetts Lowell provides a case study of strategic and entrepreneurial public investment powering economic revival in an older, urban core while simultaneously generating new revenue streams for the tax-exempt institution’s host community.

During the last economic downturn, UMass Lowell was a bulwark against the recession, growing rapidly, providing construction jobs with the launch of an unprecedented \$600 million building boom and resuscitating crucial downtown properties that were failing and in danger of starting a cycle of decline and disinvestment. Under Chancellor Martin T. Meehan, the University has poured more than \$100 million into renovations or new construction to transform a once-foundering hotel and arena as well as the site of a former hospital. Following the recent construction of new classroom and research facilities, two new dormitories, built with public and private financing, opened this fall.

All of this economic development is now producing a windfall for the City of Lowell treasury—well over \$400,000 annually in new revenues starting this year.

A portion of the new revenue stream will come from the University, returning to the city’s tax rolls once-exempt properties that are being sold to the highest private bidder. Even more revenue comes from a privately built dormitory that the University is leasing and which will also generate city property taxes for years to come on the site of an old manufacturing plant. Up to \$221,000 will flow annually into the city treasury from three-year UMass Lowell leases of space in city parking facilities.

Two bond-rating agencies upgraded the city’s financial outlook in 2013 based, in part, on the economic activity around the University’s expansion.

Moody’s Investors Service, in elevating the city’s status to positive from stable, specifically cited “our expectation that the city’s tax base will continue to grow given ongoing development activity, including taxable development ancillary to the expansion of the University of Massachusetts Lowell.”

Standard & Poor’s Ratings Services increased the city’s long-term bond rating from A to A+ and called the University “a stabilizing presence in the local economy.”

RECENT UMASS LOWELL CONSTRUCTION PROJECTS

- Health and Social Sciences Building—\$40 million
- Mark and Elisia Saab Emerging Technologies and Innovation Center—\$84 million
- North and South campus parking garages—\$40 million
- University Crossing—\$95 million
- University Suites—\$54 million
- Pulichino Tong Business Building (planned)—\$40 million (estimated)



New City Revenues

The new revenue sources for the City of Lowell are:

- The pending sale of 49 and 61 East Meadow Lane in outer Pawtucketville to a private owner, which will return a pair of 24-unit apartment buildings on 2.75 acres to the city's tax rolls. The sale was made possible by the construction of two new dormitories on campus, part of the University's evolution from primarily a commuter school to a balance of commuters and on-campus residents.
- In a bidding process overseen by the UMass Building Authority, three prospective buyers submitted proposals. The highest bid was \$4.1 million. Depending on the results of this year's city revaluation process and the final tax rate to be set later this fall, the property could generate up to \$50,000 in new tax revenue for the city each year. Negotiations are continuing with the prospective buyer over the University's plan to lease back the property for one year to house 102 students while a dorm on East Campus undergoes modernization. The University purchased the property in 1980 for \$768,000.

(Sources: UMass Building Authority, City of Lowell Assessor, UMass Lowell Office of Student Affairs.)

- Riverview Suites on Marginal Street, at the edge of South Campus, opened this fall as home to 510 UMass Lowell students. Privately built to University specifications by Lowell-based Soho Development, the dormitory will be leased by UMass Lowell for an average of \$3.86 million annually for a minimum of 10 years. The development has already expanded the city's tax base this year by about \$15 million in new valuation on the former manufacturing property. In fiscal year 2014, it will produce at least \$245,423 in property taxes, pending final revaluation results. That's up from the \$36,551 that Soho paid the city last year, a net increase of about \$209,000 per year.

(Sources: City of Lowell offices of Assessor and Treasurer, UMass Lowell Offices of Student Affairs and University Relations, The [Lowell] Sun.)

- On Sept. 1, the University made its first of three annual payments of between \$146,169 and \$210,969 to lease a large portion of the George Ayotte Parking Facility next to the Tsongas Center in Post Office Square. UMass Lowell will lease 450 of the 1,250 spaces in the garage, from September through May, and has an option to expand the lease to 600 spaces. The parking will be used by freshmen commuters until 5 p.m. on weekdays.

(Sources: UMass Lowell Administrative and Office Services, City of Lowell Parking Department.)

- The University will pay the city \$10,000 per year for three years to use the parking lot at Sheehy Park, along the Merrimack River near South Campus, from Sept. 1 to May 31. UMass Lowell will reserve some spaces for the public during the academic year and be responsible for maintenance and snow removal.

(Source: UMass Lowell Administrative and Office Services.)

NEW REVENUE FOR THE CITY (ESTIMATED)

East Meadow Lane	\$50,000/yr
Riverview Suites	\$245,000/yr
Ayotte garage lease	\$145,000/yr
Sheehy Park lease	\$10,000/yr
Total	\$450,000/yr



Ongoing Economic Benefits

The new revenue sources represent a minuscule portion of the economic benefits—direct and indirect—UMass Lowell generates for Lowell on a continuing basis. The institution's support for the city extends across a range of commercial, social and cultural activities that enhance not only the economy but also the quality of life in Lowell.

- In the University's laboratories, professors and students conduct research, much of it underwritten by more than \$60 million in corporate or government sponsorships, to create new products, technologies and employment.
- Besides contributing \$60,000 per year in cash and staff expertise to local cultural and historical organizations, and \$221,000 in annual staff salaries and operating funds for the Tsongas Industrial History Center in the Lowell National Historical Park, the University provides community support for which the value is incalculable: tens of thousands of hours of volunteerism by students and staff, public access to University facilities, and the presence of UMass Lowell public safety personnel around the three campus clusters in the city.

Most of UMass Lowell's contribution to its host community is quantifiable, however.

- A total of 1,052 Lowell residents who attend the University are now receiving more than \$3.5 million in annual grant, scholarship and tuition-waiver aid.
- UMass Lowell is the second-largest employer in the city, and 561 employees, more than a third of the University total, reside in the city and are being paid a total of \$24.3 million in 2013. The impact of employee compensation is multiplied several times as it is spent in the local economy.
- UMass Lowell purchased \$2.7 million worth of goods and services from businesses with Lowell addresses in fiscal year 2013.
- The University has also contributed a total of \$50,000 to a pair of studies that focused on new economic development in the downtown area.

- UMass Lowell is spending approximately \$1.6 million annually to lease local residential, research and office property, which supports the Lowell tax base and real estate economy.

- The University is renting 182 housing units from three landlords at a cost of more than \$1 million annually, plus a combined 53,000 square feet, at a cost of \$412,000 annually, for research facilities at the Wannalancit Mills complex in East Campus and 1001 Pawtucket Blvd., the former M/A-Com plant. The Pawtucketville tenants include UMass Lowell's New England Robotics Validation and Experimentation Center, the only testing facility in the Northeast for robotic devices developed for commercial, military and academic use. The NERVE Center was also the remote command center of the "Rover Hawks" team, a group of UMass Lowell students who built a Mars-type rover that won a NASA-sponsored contest last spring in Houston.

- As a result of the University entering a long-term lease, a historic building, the last to be restored of those still standing in the old Lawrence Manufacturing mill complex, is being renovated near the Tsongas Center by a private developer. UMass Lowell will rent the entire 6,000-square-foot, three-story brick building at 1 Perkins St. for administrative uses at a cost of \$130,500 per year. Rehabilitation of the mill complex's former administration building, which is 136 years old and within a national historic preservation district, will significantly increase the building's valuation and taxes paid to the city when construction is complete. Currently valued at \$155,900, the building is undergoing a \$2 million renovation.

- UMass Lowell once had rights to develop the Lawrence Mills complex, which was heavily damaged by fire in 1987, but relinquished them on most of the property to allow commercial redevelopment of the surviving mill structures on East Campus near most of the University's dorms. Today, a pair of Boston-based firms has created a residential community of 335 condominium and rental housing units valued at more than \$38 million and currently yielding more than \$600,000 each year in property taxes to the city.

SNAPSHOT OF DIRECT ECONOMIC BENEFITS (IN MILLIONS ANNUAL)



\$3.5	Financial aid to Lowell residents
\$24.3	Combined salary of Lowell residents
\$2.7	Goods and services purchased at Lowell businesses
\$1.6	Combined leased property in Lowell



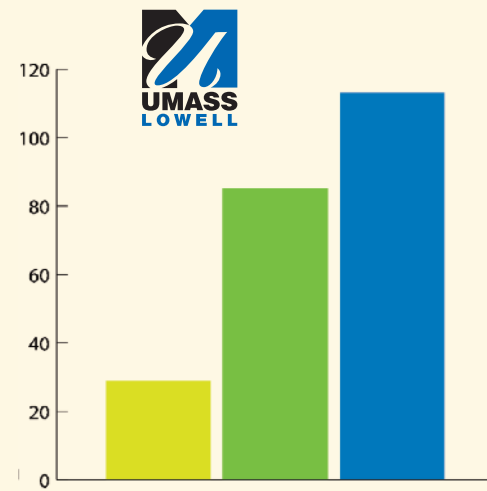
An Invigorating Force

As the Great Recession brutally slammed the region after 2008, the University began to inject downtown Lowell with the energy of campus life and the economic stimulation it creates. Revitalizing and creating new uses for a pair of tarnished civic jewels built with heavy public investment—a 252-room hotel and a multi-purpose arena—UMass Lowell stepped forward with an infusion of new capital, including the acquisition of a largely vacant former hospital.

All three enterprises had been failing. Until the University acted, each posed a threat to the momentum of Lowell’s commercial and cultural progress, launched nearly three decades earlier when Paul E. Tsongas, a son of Lowell and then a U.S. senator, called for public-private partnerships to resurrect the old mill city.

Today, the hotel and arena are durable engines of the downtown economy. They draw visitors to downtown, its restaurants and other area attractions.

On the site of the old St. Joseph’s Hospital, a \$95 million campus centerpiece is rising above the Merrimack River and will soon become a hub of student life and commerce open to the public. When it opens next year, University Crossing will provide a sleek, four-story link between UMass Lowell’s three campus clusters while moving toward Meehan’s goal of a “university city” identity for Lowell.



STATE AND LOCAL MEAL AND ROOM TAX REVENUE

Since UMass Lowell took ownership of the Tsongas Center and the Inn & Conference Center (ICC), the properties have generated significant annual tax revenue for both Lowell and the state:

Fiscal Year 2013

■ ICC meal tax:	\$28,964
■ Tsongas Center meal tax:	\$85,215
■ ICC room tax:	\$113,131

Total: \$227,310



As the Great Recession brutally slammed the region after 2008, UMass Lowell stepped forward with an infusion of new capital.

UMass Lowell Inn & Conference Center

In 2009, UMass Lowell purchased the centrally located but perpetually struggling DoubleTree Hotel for \$15 million from its Rhode Island-based owners. Opened in 1986 with the help of enormous public investment, the facility had suffered chronic low occupancy rates and declining use as a meeting and events destination under a series of owners. At the time it was sold, the hotel had a woeful annual occupancy rate of 29 percent.

Immediately, the University invested the first \$4 million of what has become \$7.6 million to refurbish the nine-story facility overlooking the Lower Locks and Concord River. Little more than a month after the acquisition, several hundred upperclassmen moved into what was now a combination residence hall and inn. For the 2013-14 academic year, 418 students reside at the UMass Lowell Inn & Conference Center. The multi-purpose ICC also maintains 31 year-round inn-style rooms available to the public. During the summer months, it increases to 91 guest rooms, and for the late July weekend of the Lowell Folk Festival, the total increases to 150. The ICC sold out for the 2013 festival and, starting in 2014, 150 guest rooms will be available all summer, which should produce more lodging tax revenue for the city.

A 2011 study projected that downtown Lowell would benefit from millions of dollars a year in new spending by student residents and University faculty and staff who used the ICC. The Inn & Conference Center, moreover, also provides tax revenue directly to the city of Lowell from its public restaurant, 50 Warren, and guest room rentals, as well as parking revenue from the city's Lower Locks Parking Facility for the many conferences and functions held next door.

For the fiscal year ending June 30, the hotel generated \$58,023 in room taxes for the city plus another \$55,108 in room taxes for the state. That represents nearly one-fourth of the \$243,545 the City of Lowell collected last fiscal year under the 6 percent local-option room tax. The amount generated by the ICC for the city has increased significantly each year since it went into effect in 2010. The local tax is in addition to the 5.7 percent room occupancy excise tax retained by the state.

The Inn & Conference Center also produced \$3,103 in local meals taxes for the city last fiscal year under the .75 percent local option tax on restaurant meals, also adopted in 2010. The state retained another \$25,861 in taxes under the 6.25 percent state meals tax.

(Sources: UMass Lowell Dining [Aramark] and Student Services, The Sun, Lowell Plan-UMass Lowell Downtown Initiative Report, Massachusetts Department of Revenue.)



Following \$10 million in renovations and upgrades, the Tsongas Center at UMass Lowell was recently ranked among the top 20 venues of its size in the world.



Tsongas Center at UMass Lowell

Despite high hopes for it, the publicly built and city-controlled Tsongas Arena drained almost \$17 million in Lowell funds between its opening in 1998 and its sale to the University 12 years later. With no end to the red ink in sight, the city sold it for one dollar in early 2010 to UMass Lowell, a major arena user and contributor of \$4 million of the \$28 million construction cost. There was also a land swap, with the city obtaining four acres near the Merrimack River in Pawtucketville for \$1, and UMass Lowell paying \$800,000 to acquire three acres around the arena.

The deal has worked for both. The city was relieved of a facility losing more than \$1 million a year and in need of costly new upgrades. The University obtained a top-flight event venue without incurring heavy new debt, then promptly modernized it at a cost of \$5 million and created a showcase for marquee events in 2012, like the lecture by author Stephen King and a nationally important debate in the torrid U.S. Senate race between Elizabeth Warren and Scott Brown.

Since the initial upgrades, UMass Lowell has spent an additional \$5 million on improvements.

Now called the Tsongas Center at UMass Lowell, the facility, with support from dozens of local sponsors, is hosting more public events, more University-centered activities and is almost breaking even despite shedding its chief tenant, the American Hockey League affiliate of the NHL's New Jersey Devils. The University also sets aside funds from ticket sales to pay for future repairs and improvements. The center accounted for nearly all of the \$85,215 in state and local meals taxes generated by commercial food vendors around campus in fiscal year 2013. Of that, \$9,130 went into the city treasury. These are in addition to meal taxes from the Inn & Conference Center. The Tsongas Center also generates significant parking revenues for the city's Ayotte garage.

Originally built with a \$20 million state grant and \$4 million contributions each by the city and University, the 7,800-seat arena has state-of-the-art amenities and energy-efficient technology which reduces operating costs.

For each of the past two years, Tsongas Center attendance at concerts, sports and corporate events, family entertainment and graduations exceeded 240,000. The UMass Lowell hockey team, on its way to an appearance in the 2013 NCAA Frozen Four national semifinals, drew 89,179 fans, an average of 5,246 per game, 12th best nationally in Division I hockey. The prior year, the nationally ranked River Hawks drew 88,277, or 4,904 a game, also in the top 20 nationally.

With UMass Lowell joining the America East conference and moving up to Division I in all other sports, the Tsongas Center is also the home court for some River Hawks basketball games.

The City of Lowell expects to receive added financial relief as a direct result of UMass Lowell's ownership of the Tsongas Center. Global Spectrum, manager of the venue, is also the new manager of city-owned Lowell Memorial Auditorium. In the fiscal year 2014 budget, Lowell estimates it will reduce from \$320,000 to \$250,000 the annual city subsidy to cover auditorium operating losses in part because of efficiencies created by the firm managing two facilities in Lowell.

(Sources: Tsongas Arena Financial Statements [Office of City of Lowell Chief Financial Officer]; UMass Lowell University Relations, Athletics and University Dining departments; Global Spectrum; City of Lowell FY 2014 budget.)



University Crossing

The signature project of Meehan's chancellorship to date is University Crossing, a \$95 million student services center under construction at the head of Merrimack Street, Lowell's chief commercial thoroughfare. When it opens in 2014, the glass-fronted, 230,000-square-foot complex will expand the University's footprint by nearly 10 percent and bring new life to the long-stagnant site.

After St. Joseph's Hospital closed in 1992, a succession of owners tried unsuccessfully to sustain it with health-care provider tenants. By the time UMass Lowell purchased the six buildings in early 2011 for \$6.3 million, the largely vacant complex owed the city about \$490,000 in back taxes and water bills. The sale enabled the city to collect the arrearages.

Enhancing the site is the \$32 million, state-funded Howe Bridge, which opened in 2013 and connects Merrimack Street (and University Crossing) with University Avenue, the main street of North Campus, at VFW Highway. The river span will replace a more than century-old bridge nearby.

As the new heart of the campus, University Crossing will provide space and meeting areas for more than 150 campus organizations, restaurants at the Crossroads Café, one-stop shopping for student services now spread across the campuses and a 20,000-square-foot bookstore, consolidating student stores on North and South campuses and replacing the Merrimack Street store which had served the public for 17 years before closing in August.

University Crossing will establish a crossroads for the campuses, which were founded at the end of the 19th century as a pair of public institutions, separated by the Merrimack River and different educational missions. In 1975, Lowell State College and Lowell Technological Institute merged to become the University of Lowell, which, in 1991, became part of the University of Massachusetts system.

University Crossing will provide a focal point for UMass Lowell campus life and a symbol of the University's evolution and growth.

(Sources: UMass Lowell Office of University Relations, The Sun, Massachusetts Department of Transportation.)

