

WATERBURY

INNER CITY BUSINESS STRATEGY INITIATIVE

CREATING JOBS, INCOME, AND
WEALTH FOR INNER CITY RESIDENTS



ICIC
Initiative for a Competitive Inner City



DECD
State of Connecticut
Department of Economic and
Community Development

WATERBURY

INNER CITY BUSINESS STRATEGY

**CREATING JOBS, INCOME, AND WEALTH FOR
INNER CITY RESIDENTS**



On behalf of the Waterbury Advisory Board, I am proud to present Waterbury's action plan for inner-city business development.

The strategies described in this document are the result of a powerful partnership between Waterbury's business leadership, the City of Waterbury, and Waterbury's many dedicated nonprofit community organizations. I would like to thank Mayor Giordano in particular for his strong support of the project.

Through this powerful partnership, Waterbury leaders have identified new opportunities to tackle the complex issues of inner-city revitalization. Waterbury's action plan identifies key strategies for inner-city business growth, entrepreneurship, and employment in three of our strongest industry clusters: precision metal manufacturing, financial services, and health care.

This effort to boost business development in Waterbury's inner city comes at a critical time. A strong state and national economy, coupled with significant progress and momentum in Waterbury's own revitalization, create a window of opportunity to broaden the reach of economic prosperity.

Through continued commitment and collaboration the innovative strategies outlined in this report can lead to measurable business growth and job creation in Waterbury. With your support we can move farther than ever before toward providing all Waterbury residents with opportunities for stable employment and entrepreneurship.

Sincerely,

A handwritten signature in blue ink, appearing to read "F. Luedke".

Frederick Luedke
President, NEOPERL, Inc.
Waterbury City Champion

ACKNOWLEDGEMENTS

We would like to gratefully acknowledge the leadership and generous commitment of time, energy, and resources of all of the following:

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- The Honorable Philip Giordano, Mayor of Waterbury
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EXECUTIVE SUMMARY

Introduction

This study explores ways in which the inner-city area of Waterbury, Connecticut can become more competitive as a business location. Central to this study is the premise that the inner city's long-term vitality depends upon its ability to foster and compete for business development within the region, the state, and the nation. A large body of research has focused on the competitive disadvantages of the inner city, and many programs have been designed to address these disadvantages, usually through subsidy mechanisms. While these programs have value, a growing body of work is substantiating that there are, in fact, significant competitive advantages to private investment in inner-city locations.

Several premises form the foundation for this study:

- The inner city is an untapped resource for business development.
- Strategies for inner-city development should leverage unique competitive advantages.
- Development in the inner city should be linked to strong economic clusters in the regional economy.
- Many of the traditional barriers to inner-city business development are based on inaccurate perceptions.

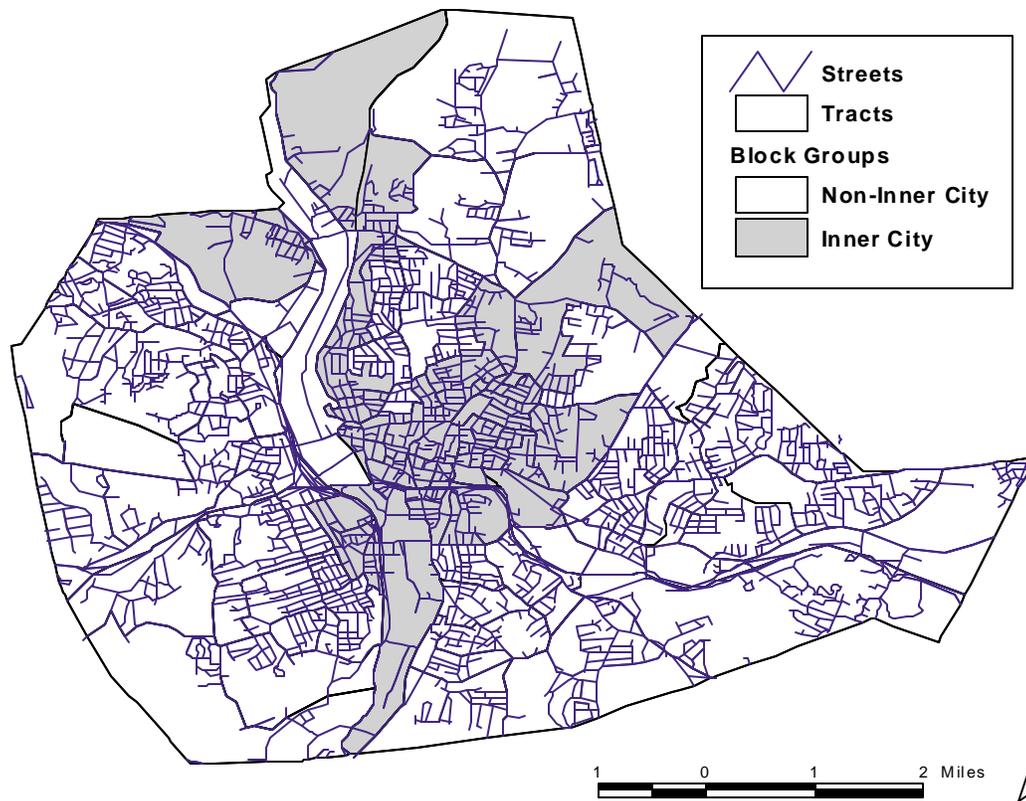
Waterbury's Inner City

The Inner City study area contains an estimated 33,800 persons, or roughly one-third of Waterbury's total population. Although diverse, this population differs from the city and Labor Market Area (LMA) in a number of key ways: it is heavily minority, with substantially lower household incomes, higher rates of single-parent headed households, and significantly lower levels of educational attainment:

- Median household income is \$21,300, 61 percent of median for the city, and 48 percent of the median for the region.
- Nearly 24 percent of households have an annual income less than \$10,000.
- The population is 28 percent Black (non-Hispanic) and 35 percent Hispanic.
- Approximately, 17 percent of households are headed by single parents, compared to 10 percent in the city and 7 percent in the region (1990 Census).
- Only 57 percent of individuals over the age of 25 have a high school diploma, and of these, only 13 percent have a post-secondary degree.

The map on the next page shows the geographic boundaries of the area defined as Waterbury's inner city for the purpose of this report.

Connecticut Inner City Business Strategy Initiative Waterbury Inner City Study Area



Base Map: Council of Governments, Central Naugatuck Valley

The inner-city study area is notable because of the degree to which the region's poor and minority population is concentrated within it. The inner city contains two-thirds of Waterbury's Hispanic and non-Hispanic Black population. The inner city contains 40 percent of the region's households with incomes below \$10,000 a year.

Based upon data collected for this study, Waterbury's inner city currently accounts for about one-quarter of the economic activity in the *region*, and about one-half of the activity in the city. Jobs in the inner city are disproportionately concentrated within the retail sector. This is due to the city's success in converting old industrial land located near some of the city's poorest neighborhoods into prime development space for retail: first at the Brass Mill Mall and Commons, and second in the South End with Waterbury Crossing. As a result, Waterbury has maintained its status as a retail center for the surrounding suburbs.

The inner-city area also contains one of the city's large hospitals—St. Mary's—along with many elder care facilities, resulting in a concentration of employment in health services. The inner city also encompasses Waterbury's downtown area, which houses a concentration of bank offices, including Webster Bank and Bank Boston.

The inner-city study area does not include many of Waterbury's industrial parks. In spite of this, a significant number of manufacturing jobs are located in the inner city, as well as some of the area's most prominent manufacturers, including MacDermid. Approximately 37 percent of the city's manufacturing jobs, and 14 percent of the region's, are located in the inner city. Also, many of Waterbury's small metal manufacturers are widely dispersed throughout the inner-city area, providing accessible job opportunities to inner-city residents.

Major Findings: Business Environment

According to the business interview results, the top four competitive advantages of the inner city are, in order of importance:

- Access/proximity to interstate/transportation
- Workforce availability
- Productivity of workforce
- Skills of workforce

The top four competitive disadvantages are, in order of importance:

- City of Waterbury Personal Property Tax
- City of Waterbury Real Estate Tax
- Cost of utilities
- Perception of crime

These findings clearly indicate that the primary advantages of Waterbury's inner-city location are its location at the junction of Route 8 and Interstate 84, and its large skilled workforce. However, the high-cost environment in Waterbury is a powerful disincentive, especially when Waterbury's tax rates are compared to those of its surrounding suburbs. It is also notable that existing businesses see the perception of crime as a much larger problem than actual crime. Perceived crime, taxes, and a general sense of decline have contributed to a negative image of Waterbury in the regional business community and among area residents.

Although the labor force is a primary competitive advantage, many businesses—from retailers to manufacturers—indicated that this advantage is threatened. For manufacturers, key issues are the aging of the skilled workforce and a shortage of younger workers pursuing careers in manufacturing. For the retail and service industries, the low unemployment rate is resulting in a shortage of entry-level workers. High pockets of unemployed and discouraged workers within the inner city provide a means of addressing this problem through job readiness and retail training programs that would provide job opportunities for populations with the weakest labor force attachment. Because the labor force is one of the key advantages outweighing Waterbury's high costs, labor force issues must be a high priority.

Major Findings: Regional Economic Clusters

This project focused on three primary clusters located in the Waterbury Region, and worked to identify opportunities to link inner-city businesses to these clusters.

Metal Manufacturing

The precision metal manufacturing cluster currently employs over 8,000 people, comprising around 10 percent of the regional employment. In addition, this cluster also accounts for almost 13 percent of the region's economic output, in terms of sales. This cluster sells to national and international markets, making it a true export-oriented engine of the regional economy. At a time when manufacturing employment generally has been in decline in the United States, the precision metal manufacturing sector has been adding jobs in the region, attesting to its continuing strength and importance.

Financial Services

Historically, Waterbury has been a regional center for financial services, serving as a headquarters for banks such as Webster Bank, and a regional office location for other national and local banks. With increasing merger activity and consolidation, this cluster has declined in importance. The sector remains a major employer, but now serves an increasingly local market. Future growth may rest on the ability to capture back-office operations of financial firms, either through Information Technology Zone (ITZ) incentives, or through the ability to offer an attractive real estate and employee training package.

Health Care

The health care sector has long been an important industry in Waterbury, which contains two of the region's major hospitals. While once a dependable growth industry, the need for cost control and the ascendancy of managed care has led to a downsizing of hospitals and an upsizing of outpatient facilities and home health care services. Most recently, hospital employment in Waterbury has stabilized, and local hospitals are facing a shortage of nurses and radiology technicians. While the sources of further growth—an expanding or an aging population—are not projected to impact the Waterbury region over the next decade, this sector will remain one of the largest sources of jobs for local and regional residents.

Recommendations

The Advisory Board's final set of recommendations can be divided into three broad categories that provide a framework for addressing the key components of inner-city competitiveness:

1. Building competitive industry clusters
2. Building competitive residents
3. Building a competitive city

Thus stated, these three parallel initiatives address the fundamentals of any economic development strategy: retaining, attracting and growing successful businesses; upgrading workforce skills and preparedness; and improving the business climate. From the standpoint of the inner-city economy, they address the creation of employment opportunities for inner-city residents; matching skill levels to available jobs; and creating a more competitive environment for future development within the inner city.

The strategies grew out of a series of workshops conducted jointly with the Advisory Board and Research Team. In the course of these workshops, the following goals were identified, which formed the foundation for the recommended strategies:

Underlying Goals

- **Provide room for business expansion in the form of appropriate development sites.** The lack of usable buildings and land in the inner city is a major deterrent to business expansion.
- **Increase the job readiness of inner city residents either entering the labor force for the first time, or after a prolonged absence.** The current low unemployment rate in the city provides a unique opportunity to move more individuals into the workforce.
- **Increase the skill base of the inner city workforce to respond to job opportunities, particularly in the Metal Manufacturing cluster, but also in the Financial Services and Health Services clusters** Building on an already strong base of workforce training programs, work with industry to craft programs that directly respond to hiring needs.
- **Adopt strategies, ranging from worker training to site assistance, that add value to the city's new Information Technology Zone (ITZ).** The ITZ is widely seen as the cornerstone of efforts to increase downtown employment, and to create a new cluster in Waterbury with strong future growth prospects.
- **Provide greater support and opportunities for entrepreneurship.** Elements include capital availability, entrepreneurial training and counseling, and possible incubators.

Building Competitive Industry Clusters

Manufacturing Network Initiative

- **Create a regional Manufacturers Leadership Group (MLG) to oversee manufacturing initiatives.** A volunteer group composed of the heads of local manufacturing firms, the MLG would take the lead in promoting manufacturing in the region and provide outreach to area firms. The MLG, as a mouthpiece for the manufacturing community, should take the lead in advocating for new training initiatives. Finally, the MLG can serve as a forum for promoting manufacturing careers, and raising the profile of the city's and region's manufacturers.

- **Hire a Manufacturing Network Coordinator to do outreach, organizing and research.** The magnitude of the work needed to conduct outreach and organizing efforts in the manufacturing community requires a dedicated, full-time staff person. This person will serve as the main contact for the region's manufacturers, providing both referrals and information. The network coordinator will also do one-on-one outreach, and conduct seminars with assistance from statewide entities such as the Flexible Manufacturing Networks Center.

Entrepreneurship Initiative

- **Address capital availability for small businesses through an Inner-City Loan Fund.** Currently, there is a gap for small businesses seeking small loans of \$5,000 to \$50,000. A revolving loan fund, to be administered by Neighborhood Housing Services of Waterbury in partnership with local banks and the Chamber, could address this need.
- **Consider the creation of one or more incubators, targeting small manufacturers, retail, and ITZ-related companies.** These incubators would tie in with the ongoing entrepreneurial training efforts. With regard to the ITZ, it is expected that some of the interest in the ITZ will come from fledgling startups. History suggests that many of these companies may have phenomenal prospects for growth—however, many of them may not be able to afford to retrofit their own space. An incubator would enhance the ability of the ITZ to attract these young firms.

Developing Competitive Residents

Job Readiness Initiative

- **Explore bringing a proven job-readiness organization, such as STRIVE, to Waterbury.** Although there are many local providers in Waterbury, a model program like STRIVE could provide a fresh, comprehensive approach.
- **Create a Retail Training and Employee Center at the Brass Mill Mall.** As the largest source of entry-level jobs, the retail sector should be made a partner in the job readiness initiative. Specifically, strongly link retail jobs with job training efforts, through the use of an employment center in the Brass Mill Mall, ongoing dialog with retail businesses, and a training center in a proposed retail incubator.
- **Implement a certificate program, as proposed in the Central Naugatuck Valley Council of Governments study, to assist upward mobility.** Through a partnership between employers and Workforce Connection, provide workers who have demonstrated mastery of basic job skills with certificates they can present to future employers. This program would be modeled after the Training for Retail and Commerce (TRAC/USA) program in Alexandria, Virginia.
- **Place emphasis on ESL in programs.** With Waterbury's sizable Spanish-speaking population, ESL must be a component of any job readiness initiative.

Skilled Training Initiative

- **Create employer-driven training programs for the health care, financial services, and metal manufacturing clusters.** Each training program should be demand-driven based on industry needs. Throughout this effort, the emphasis should be on strengthening and refocusing existing programs and resources, rather than creating new ones.
- **Create training-focused committees or organizations organized by cluster.** These would be the driving force behind refocusing training efforts in Waterbury. Possible structure for these committees could be as follows:
 - Manufacturing: Manufacturing Leadership Group
 - Health care: Regional Healthcare Collaborative
 - Financial Services/ITZ: Waterbury Opportunities Industrialization Council (WOIC), Naugatuck Valley Development Corporation (NVDC), business representatives
- **As a first step, expand Waterbury Adult Education's Technical Training Center (TTC).** The TTC is a true success story, but its offerings are limited due to lack of space for equipment and classrooms. As a priority project, the TTC should be found a new home with room to expand. This effort is already underway.

Entrepreneurial Training Initiative

- **Bring a bilingual business counselor to Waterbury Small Business Development Center (SBDC).** SBDC has been conducting a series of very popular small business seminars targeting the region's Hispanic community. However, to carry this success forward it is essential that a bilingual business counselor be available in Waterbury to help these fledgling businesses through their start-up phases. Currently, the closest bilingual counselor is in Bridgeport.
- **Continue and expand the small business seminars, targeting all of Waterbury's diverse communities.** The highly successful seminars conducted by SBDC and targeting the region's Spanish-speaking community should be emulated in similar seminars targeting other minority communities in the region.

Building a Competitive City

Brownfields Initiative

- **Create a short list of critical brownfields sites to address, based on their market potential.** This will serve as a starting point for coordinating future efforts.
- **Look at the national models, including Pennsylvania and Michigan, for examples of how state statutes governing brownfields might be improved.** While Connecticut brownfields legislation is widely regarded as good, it may still lag behind the state-of-the-art.

- **Evaluate the zoning of former industrial areas, as the zoning will impact the potential for reuse.** Specifically, zoning impacts both the value of the property for redevelopment and the standards to which it must be remediated.
- **Link brownfields redevelopment with other investments that add value and attract private investment.** The substantial expenditures associated with brownfields remediation will be better investments if they can be linked and coordinated with complementary ones that increase development potential and stimulate higher levels of private investment.

ITZ Site Initiative

- **Expand opportunities for development within the ITZ beyond what is available within the existing stock of class B and C buildings.** The ITZ is a powerful incentive tool that should be coupled with redevelopment to attract new office development for firms that cannot operate in existing class B and C space. As the ITZ gains momentum, it can also be expanded to take in new development areas, such as Freight Street and the North Square Gateway area.

Downtown Initiative

- **Create a Special Services District (SSD) stretching from the Brass Mill Mall to the train tracks.** An SSD will help address security and cleanliness concerns that are currently giving the downtown area a poor reputation. The inclusion of the mall will provide the necessary ratable base, and the mall will benefit through enhanced joint promotions with downtown attractions. Finally, an SSD will enhance the viability and impact of proposed investments in the downtown, including the Palace Theater renovation and the Arts Magnet School.

I. BUILDING COMPETITIVE URBAN BUSINESSES

Analysis of the Waterbury region's economy and clusters reveals that the primary opportunities are located within the region's historic strength: precision metal manufacturing. Additional opportunities are also presented by the city's new Information Technology Zone (ITZ), which offers incentives and infrastructure targeting information technology companies. Feeding the concentration of manufacturers, hospitals, and financial services firms that make up much of the city's non-retail economy requires a support system of commercial services. Commercial services, as well as the need for neighborhood-oriented retail, provide opportunities for increased entrepreneurship. Such entrepreneurship can be aided by increasing capital availability, especially in the form of micro-loans. Incubator space provides another strategy for increasing entrepreneurial activity.

Two broad initiatives are proposed for building competitive industries:

- Manufacturing Network Initiative
- Entrepreneurship Initiative

Manufacturing Network Initiative

The manufacturing Network Initiative consists of two key recommendations:

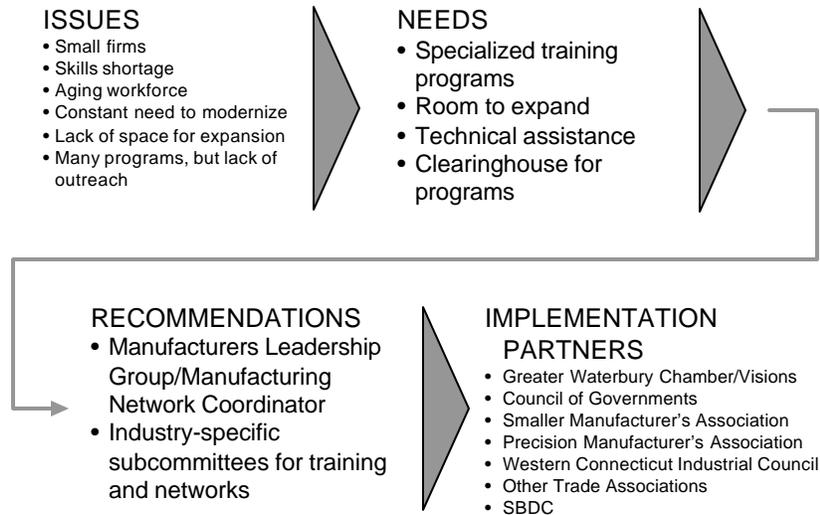
1. Form a **Manufacturers Leadership Group** (MLG) to act as the organization initiating and overseeing efforts to activate the metal manufacturing cluster, create manufacturing cluster networks, and promote manufacturing generally.
2. Hire a full-time **Manufacturing Network Coordinator** to serve as the main contact for services and programs, and to undertake organizing activities.

Manufacturing Leadership Group

Because of the importance and continued vitality of the Metal Manufacturing cluster, the bulk of the industry strategies are aimed at stimulating further growth in this cluster. The unique characteristics of the cluster in Waterbury—dominated by small firms, experiencing the constant need to modernize and find new markets, and facing a future shortage of skilled workers—argue for creation of a new organizational structure that will accomplish the following goals:

- Provide a clearinghouse for programs
- Foster industry-specific networks expanding markets, linking buyers with suppliers, etc.
- Organize networks around training issues
- Provide technical assistance with modernization

Rationale for Manufacturing Network Organization



The manufacturing network strategy recognizes that there are already substantial resources available both regionally and statewide to assist the manufacturing sector. These existing resources address many key areas of concern, from modernization to worker training, from lean manufacturing to business networks. However, the strategy also recognizes that Waterbury's manufacturing sector is made up primarily of small establishments whose owners may not have the time to seek out help, and who will relate better to a local representative than a distant government agency. The MLG will coordinate existing resources and serve as a clearinghouse for local companies.

Existing Programs Precision Manufacturing

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Naugatuck Valley Community-Technical College • Connecticut Small Business Development Center • Connecticut State Technology Extension Program (CONN/STEP) • Naugatuck Valley Research Deployment Program • Connecticut Innovations, Inc. • Technology Assistance Center | <ul style="list-style-type: none"> • Advanced Technology Center for Precision Manufacturing at UConn • Connecticut Business and Industry Association • Manufacturing Applications Center (IIET) • Flexible Manufacturing Networks Center (IIET) • Connecticut Procurement Technical Assistance Center (IIET) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Recognizing that the impetus for better organizing the local manufacturing sector must come from a local initiative, a Manufacturers Leadership Group is proposed for the Waterbury region. Building on the proposal first articulated in the Mt. Auburn Associates economic study for the Central Naugatuck Valley, the MLG membership would include the heads of local manufacturing companies, with an emphasis on metal manufacturers. The MLG would perform the following functions:

- Consortium of manufacturing trade associations
- Clearinghouse for programs
- Technical assistance
 - Educational/training programs
 - Business incubator program
 - Oversight of other manufacturing network initiatives
- Outreach/business retention

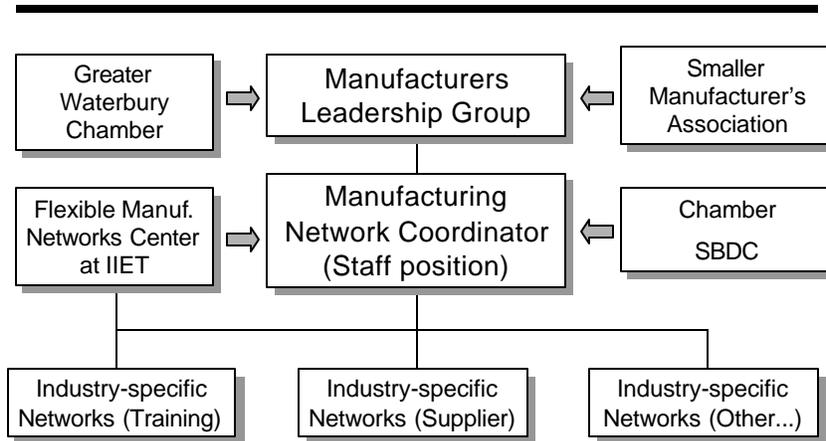
One of the first steps the MLG will undertake will be to apply for a Connecticut Business and Industry Association (CBIA) training network grant to provide the startup funds to begin discussions about worker training among different segments of the manufacturing community, particularly metal manufacturing. The MLG will also build upon the work started by the Chamber of Commerce's Manufacturing Committee to expand and enhance several initiatives that are underway, including efforts to promote careers in manufacturing through local schools, and to raise the profile of the area's manufacturers through a public relations effort that will get the word out that manufacturing still thrives in the region.

Manufacturing Network Coordinator

While the above tasks are appropriate for what is, in essence, a volunteer organization, other necessary tasks require the continuity and oversight of a full-time staff position. Therefore, as a later step, the hiring of a Manufacturing Network Coordinator is strongly recommended. This person would serve as the main contact for the region's manufacturers, providing information and referrals to the wealth of programs available to assist the manufacturing community. Moreover, the Network Coordinator could conduct one-on-one outreach, and also organize workshops and seminars (perhaps with MLG members) explaining the benefits of different types of manufacturing networks, or of the various support services available. These seminars might also be conducted by invitees from the Flexible Manufacturing Networks Center (FMNC) or CONN/STEP, as examples.

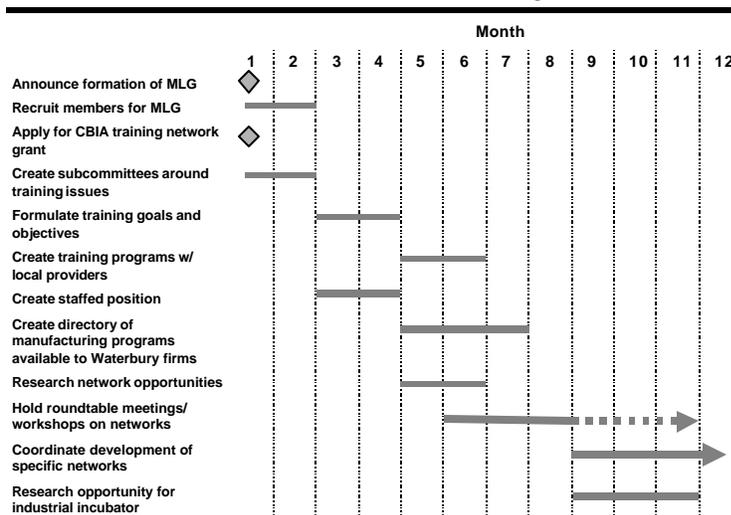
Funding for this position could be secured partly from member dues, partly from Chamber funds, and partly from state funds. A logical place to house the Network Coordinator is at the Chamber of Commerce office with its central location. A close working relationship with the Chamber, the MLG, and the State is envisioned.

Proposed Structure Manufacturing Network



Initial steps in the Manufacturing Network Initiative can be undertaken almost immediately, including an initial drive to find members for the Manufacturers Leadership Group, and the application for the CBIA grant (in fact, an initial meeting has been held). Securing funding and support for the staff position is envisioned to take longer. However, the goal of this initiative is to create a flexible framework for future manufacturing initiatives. A proposed timeline is shown below.

Timeline Manufacturing Network Initiative



Entrepreneurship Initiative

The Waterbury economy provides many opportunities for entrepreneurial development. Some of these opportunities include:

- Small retail businesses serving neighborhoods lacking in retail services
- Small retail businesses catering primarily to ethnic markets
- Commercial services firms serving the concentration of manufacturing and health care employers
- The city's Information Technology Zone, which reduces the cost of starting up info-tech companies

By implementing the following recommendations, Waterbury can create an environment in which entrepreneurship can thrive.

1. Create an **Inner-City Loan Fund** to improve capital availability to small business through the provision of micro-loans of \$5,000 to \$50,000.
2. Explore the creation of one or more **incubators** targeting retail, industrial, and information technology companies.

Waterbury Inner-City Loan Fund

The Waterbury Inner-City Loan Fund would be designed to address the following capital market failures:

- Banks are reluctant to make small loans, because the cost of performing the necessary due diligence often outweighs the potential return on the loan.
- Banks are also reluctant to loan to small business, because of the difficulty in assessing the risk involved.

There are several existing sources of business financing in Waterbury that aim to address these issues.

- The local development corporation, the Naugatuck Valley Development Corporation (NVDC) currently operates a revolving loan fund (RLF)—the Regional Business Investment Fund—that primarily targets the industrial sector. The NVDC RLF typically makes loans in the range of \$50,000 to \$350,000 and has a total capitalization of \$3.5 million.
- NVDC also operates the Downtown Development Incentive Fund, which offers loans ranging from \$15,000 to \$250,000 for real property improvements, working capital, job training, property acquisition, architectural and design services, and other forms of business investment. Most types of commercial establishments can qualify, including ITZ-targeted companies. These loans are only available for businesses located within the downtown.
- The other remaining source for small business financing is a small loan pool available through Neighborhood Housing Services of Waterbury, Inc. (NHS). NHS can make loans throughout the city. This program also offers small grants as part of the loan package. However, the fund is inadequately capitalized.

Despite these programs, there is a need for a fund that provides loans in the \$5,000 to \$50,000 range, is available throughout the inner city, and is responsive to the needs of small inner-city businesses. The manager of this fund should have experience working in inner-city communities, and should have the resources available to provide counseling to participating businesses so that they can continue to make the payments on their loan.

A revolving loan fund with a modest capitalization of around \$1 million could initially make 20 loans of an average size of \$25,000 while maintaining a loan-to-asset ratio of 50 percent (a higher ratio may be desirable). Past experience suggests that a well-managed, city-based, working capital revolving loan fund can achieve a loss rate of six percent or lower¹. Doing proper due diligence on the front end, and providing ongoing counseling services throughout the life of the loan, could further minimize the loss rate.

Recognizing that the expense of capital often is less of an issue than its availability, the focus of the loan fund should be less on providing “cheap” capital and more on providing the small loans banks won’t make, and “gap” financing. The provision of below-market loans can often end up expending resources on businesses that are not viable over the long term, as well as depleting the loan fund’s capitalization by depriving it of interest payments

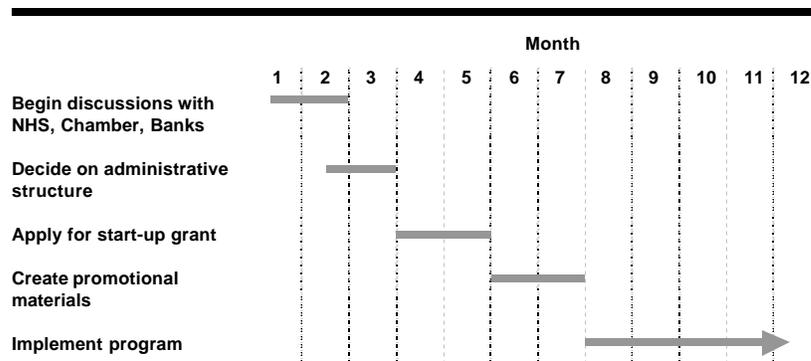
The diversity of talents needed to implement this new Inner-City Development Fund suggests a partnership of local resources. The following structure is suggested:

- Neighborhood Housing Services of Waterbury (NHS), which has the capacity and experience to manage an inner city focused loan fund, should administer the fund.
- Technical assistance with due diligence could be provided on a pro-bono basis by local banks, which in return would receive a boost in their CRA ratings.
- Business counseling could be coordinated in part through the local Small Business Development Center, which already has a local business counselor, is involved with entrepreneurial training, and is looking to bring an additional, bilingual counselor to Waterbury.
- The Chamber could assist with publicizing the fund and with referrals.

Because of its orientation toward micro-lending, this program would complement the proposed State Inner-City Capital Fund, which would focus on larger-scale lending activities within the inner city, with greater profit potential. By virtue of its larger size, the state fund will naturally attract greater private sector interest and involvement, while the local inner-city fund is best administered through a partnership between a nonprofit and local banks.

The following is a timeline for implementation:

Timeline Revolving Loan Fund



Incubators

Business incubators help nurture start-ups by providing lower cost space and shared services such as a receptionist. They lower the cost of entry for entrepreneurs, and help young businesses make it through their perilous start-up period.

In Waterbury, there are opportunities for three types of incubators:

- ***Retail Incubator.*** The Advisory Board has proposed the creation of a retail incubator. While not as common as some other types of incubators, a retail incubator can help new businesses by providing not only lower cost space, but also technical and marketing assistance. An incubator based on an indoor market concept can provide space for “kiosk” type retail operations, which have the smallest start-up costs of any type of retail business. Such a market will find most success if it caters to a market segment, such as ethnic specialty items, that is narrow but deep. Like any retail operation, however, the incubator will need access and visibility in order to address its target market.

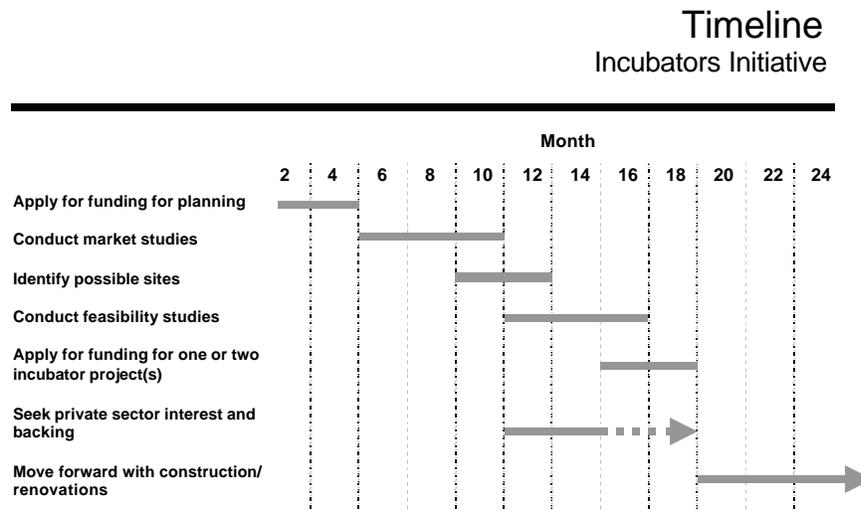
Several factors argue for the possibility of a retail incubator in Waterbury:

- The Waterbury region’s growing Hispanic population creates demand for specialty food and other items. The retail incubator could focus on ethnic foods.
- A retail incubator would dovetail with the Small Business Development Center’s ongoing and popular business seminars. Many of the attendees intend to start retail businesses, but have little or no experience.
- Waterbury has several underutilized or vacant retail properties in the inner city suitable for housing an incubator.

The retail incubator could be effectively linked with the retail training center discussed later, by providing trainees with on-the-job experience, and retailers with low- or no-cost help. SBDC’s counseling services should also be available for businesses in the incubator.

- Industrial Incubator.** Waterbury is home to at least one privately operated industrial incubator, housed in an older industrial building in the city’s most centrally located industrial corridor. Advisory Board members and at least one industrial property owner have indicated that there is demand for additional industrial incubator space in Waterbury. Incubators are often proposed as a possible reuse for some of Waterbury’s inventory of underutilized, multi-story industrial buildings. However, it should be noted that in order to provide low-cost space, costly renovations must be avoided, and therefore only buildings in sound condition can be considered for incubator conversion. Because of market demand for industrial incubator space, strong private sector involvement can and should be expected when creating any new industrial incubators. Specifically, it is recommended that the public sector limit its involvement to assistance with site and building preparation and appropriate regulatory actions, and that private actors undertake the development and administration of the incubator.
- Information Technology Incubator.** A third incubator proposal worth investigation is the creation of an Information Technology Zone (ITZ) incubator. Such an incubator would likely require up-front public expenditures for start-up costs, as the ITZ is too new for there to be a realistic assessment of ITZ-related demand. However, the creation of an ITZ incubator would provide yet another kind of space that could be incorporated into the ITZ marketing efforts, thereby broadening the target market. Currently, many of the initial inquiries into the ITZ have come from very small, young companies.

Each of the different incubator proposals should be subject to the scrutiny of a market study to establish demand for the product, and a feasibility study to assess its long-term sustainability. A possible timeline is shown below. NVDC would be one logical implementing agency.



Benchmarks and Targets: Competitive Industries

In three years, a successful Manufacturing Leadership Group will help to:

- Retain Waterbury's base of **over 100 inner-city manufacturers** and **3,500 manufacturing jobs**
- Form at least **two industry-specific or cluster-specific networks** to foster local collaboration
- Create **at least two new employer-driven training programs** serving hundreds of -city residents
- Launch a manufacturing career outreach program reaching **200 inner-city high school seniors annually**

In its first year, the Inner-City Business Fund will:

- Provide loans to **20 inner-city businesses** requiring capital to start-up, expand or diversify

In three years, city, nonprofit, and private sector entities will:

- Facilitate the creation of **one or two new incubators** in Waterbury targeting industrial, retail, and ITZ-related users
- The startup of **10 new inner-city firms** within these incubators

II. BUILDING COMPETITIVE RESIDENTS

Job opportunities in Waterbury are in a state of flux:

- Shifts in employment continue from historic clusters like financial services, to growth sectors such as retail.
- Within clusters, the employment picture is also changing. In health services, for example, there has been substantial growth in home health care services and nursing care facilities, even while there has been downsizing at the big hospitals.
- In the metal manufacturing cluster, the impending retirement of much of the older, skilled workforce over the next decade is opening up tremendous opportunity, while at the same time posing the tremendous danger that manufacturers will have to close or relocate because of labor force issues.
- Finally, normal turnover throughout all clusters is freeing new positions, which could be filled by currently unemployed or underemployed inner-city residents.

The Competitive Residents initiative seeks to address three levels of job training through three initiatives:

1. Job Readiness and Retail Training Initiative
2. Skilled Worker Training Initiative
3. Entrepreneurial Training Initiative

Job Readiness and Retail Training Initiative

High pockets of unemployment and poverty within Waterbury's inner city point to the fact that many residents are having difficulty finding work. At the same time, unemployment in the city is lower than it has been for decades, providing the unprecedented opportunity to move individuals into gainful employment. The gap between available jobs and inner-city residents needing those jobs can be filled by increasing the scale and scope of local job readiness programs.

The objective of the job readiness initiative is to provide unemployed residents with the basic skills they need to obtain and retain available jobs. Recognizing that entry-level jobs are just that—entry-level—this initiative also proposes a mechanism by which entry-level jobs become stepping-stones to higher-level jobs. The goals of providing entry-level preparation and advancement to better positions can be addressed through the following recommendations:

1. Bring a proven **job readiness** provider, such as STRIVE, to Waterbury. This recommendation has been echoed in the other four cities.
2. Create a **Retail Training** and Employee Center at the Brass Mill Mall.
3. Create a **certificate program**, modeled after the TRAC/USA program, to help trainees advance out of entry-level jobs.
4. Ensure that adequate resources are devoted to **English as a Second Language** training.

Job Readiness and STRIVE

Currently, several different actors provide job readiness training in Waterbury:

- Waterbury Adult Education offers English as a Second Language (ESL) courses, which are especially important given the large Spanish-speaking population in Waterbury. Adult Ed also offers GED courses and exams.
- Workforce Connection has been administering the city's Job Training Partnership Act (JTPA) grants, and will be implementing the city's Welfare-to-Work (TANF grant) program. Workforce connection contracts out much of its training to other entities, such as Naugatuck Valley Community College.
- Naugatuck Valley Community College, in addition to other courses, conducts ESL training.
- Connecticut Works provides job search assistance and specialized training. Connecticut Works was especially active in Waterbury during the opening of the Brass Mill Mall, which required that hundreds of employees be hired over a short time period. Connecticut Works placed 650 employees in Brass Mill Mall.

The Advisory Board agreed that job readiness was an important issue for the inner city. Representatives for the Brass Mill Mall agree that finding qualified employees is an ongoing concern. Yet, any new job readiness program will have to offer something different from what is currently available. Some of the ways in which job readiness training in Waterbury could be enhanced include:

- More emphasis could be placed on personal skills that will help trainees find work throughout their lives, even through shifts in the economy.
- Programs could provide contacts with potential employers in addition to training.
- A tighter linkage could be forged with the retail sector, the city's largest source of entry-level jobs.

With these factors in mind, it is recommended that a proven organization such as STRIVE be brought to Waterbury. The STRIVE program has become a national model for job readiness programs and could help Waterbury obtain their workforce goals.

Retail Training and Employee Center

In order to address retail training more directly, the creation of a retail training partnership with Workforce Connection, retail employers, and Waterbury Adult Education is recommended. The physical elements of this strategy would include a Retail Training Center and a small Employee Center at the Brass Mill Mall and Commons, offering:

- Training for retail jobs
- Recruitment services and job information
- Human resource assistance, including case managers to assist workers facing personal or work-related difficulties

Money was set aside for the creation of a retail training center at the time the mall opened, but was never used. There is about \$150,000 available for this purpose. Although the time of greatest demand has passed, finding qualified employees is always an issue for retailers due to the high turnover in the industry.

Certificate Program

Retail offers readily available employment opportunities, but has limited avenues for advancement. However, a certificate program is one means of addressing this issue. As was written in the 1997 Mt. Auburn Associates study for the Central Naugatuck Valley:

One of the largest barriers to employment generation in the retail sector is the perceived “dead end” nature of its career opportunities. A certificate program should be developed that gives residents (from the inner city) opportunities for advancement in and beyond the mallⁱⁱ.

The Mt. Auburn proposal was modeled in part on the successful TRAC/USA (Training for Retail and Commerce) program in Alexandria, Virginia. The TRAC/USA program offers two tiers of certificates. The first corresponds to the basic job readiness soft skills that apply to any industry. The second tier offers certificates in three different skill sets:

- Customer service (retail and banking)
- Commercial services (offices)
- Hospitality, travel and tourism (hotel, restaurant, etc.)

The certificate program can be implemented through a partnership with mall employers, Waterbury Adult Education, and Workforce Connection. It can be housed in the retail training center.

English as a Second Language

Because of the large Spanish-speaking population in Waterbury, it will be essential to ensure that adequate resources are available to address ESL needs throughout the different elements of the job readiness initiative. The primary providers of ESL training are Waterbury Adult Education and Naugatuck Valley Community College.

Skilled Training Initiative

The skilled training initiative focuses on giving inner-city workers the skills they need to secure employment in key clusters. There are three major recommendations:

1. Create employer-driven training programs, as opposed to individual-driven programs, addressing the needs of the major clusters.
2. Create training-focused committees or organizations organized by cluster.

3. Relocate and expand the Technical Training Center, a model program preparing workers for jobs with the metal manufacturing industry.

Many of the best job opportunities in Waterbury are for positions that require specialized skills and, in some cases, extensive training:

- **Health Services:** At the major hospitals, the greatest staffing needs are for radiology technicians and registered nurses.
- **Manufacturing:** Manufacturers need skilled machinists, tool setters, and maintenance technicians, as well as workers who can operate state-of-the art computer numerical controlled (CNC) machines.
- **Financial Services:** The financial services cluster, which includes legal services as well, requires office personnel ranging from receptionists to office administrators and paralegals.
- **Information Technology:** The ITZ, which may help lure back office operations such as call centers and processing centers to Waterbury, will create demand for computer-literate workers.

Clearly, the need for skilled training programs in Waterbury is substantial. Fortunately, so is the local supply of providers:

- Naugatuck Valley Community College (NVCC) offers preparation for careers in health care, manufacturing, and technology.
- Waterbury Opportunities Industrial Council (WOIC) is working to create a computer training center in the inner city.
- Waterbury Workforce Connection contracts out a wide variety of training programs, for “occupations in demand” defined by the Connecticut Department of Labor, and based on requests for training from individuals.
- Waterbury Adult Education runs the highly successful Technical Training Center, which certifies its students as machine operators in the eyelet and screw machine industries.

The goal then is not to create new entities, but to leverage and enhance existing providers and programs.

Create Employer-Driven Training Programs

Workforce Connection responds less to industry needs and more to individual contacts and state directives. Skilled training should more directly respond to industry needs. In employer-driven training programs, the point of departure is the job to be filled, rather than the individual to be placed. The successful Technical Training Center provides the model, as this program was the result of a partnership between local manufacturers and Waterbury Adult Education.

Each major cluster in Waterbury should consider forming a training network to help design and oversee the creation of new training programs addressing cluster needs.

Create Training-focused Committees or Organizations for each Cluster

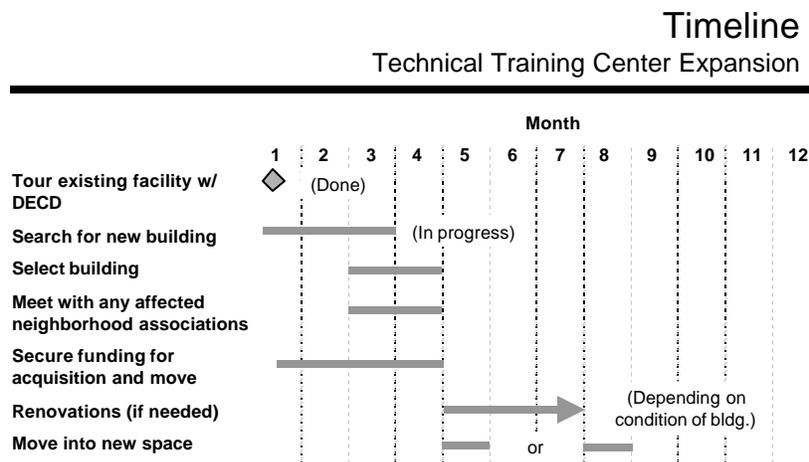
Each cluster could benefit from the creation of a committee to oversee the implementation of the employer-driven training programs. A possible structure for each major cluster is shown below.

- **Metal Manufacturing:** The proposed Manufacturers Leadership Group would be the logical entity to oversee the creation of new training programs targeting the city's and region's metal manufacturers.
- **Health Services:** Naugatuck Valley Community College (NVCC) has proposed the creation of a Regional Healthcare Collaborative, involving all the major regional employers in the health care industry along with NVCC. Such a collaborative would help coordinate demand for specific training programs and achieve economies of scale for training programs that are expensive to provide, such as courses for Certified Nurses Assistants.
- **Financial Services/ITZ:** While no existing organization addresses training in these industries, the following entities would likely be involved: the Waterbury Opportunity Industrialization Council (WOIC), which is working to create a Computer Training Center in the ITZ; NVDC, which is overseeing the implementation of the ITZ; the Chamber, who are implementing the marketing of the ITZ; and representatives from local financial institutions.

Expand the Technical Training Center

The Technical Training Center has been enormously successful. In its three-year life span, it has enrolled 402 students and graduated 274, of whom 228 are currently employed in manufacturing (a placement rate of over 80 percent). The TTC is the only accredited program of its kind in the nation, and is being explored as a state and national model. The TTC needs more space, and the lease on its current facility will expire soon.

The TTC requires about 20,000 square feet of space to accommodate more classrooms and more equipment. The process of finding a new location has begun. The goal is to find an appropriate building within the inner city and accessible to public transportation. In addition, it may be appropriate to increase access through a shuttle bus connecting Exchange Place (where all bus lines converge) with the TTC. Because transportation would only have to be provided once in the morning and once in the afternoon, such a service could be provided at low cost.



Entrepreneurial Training Initiative

The importance of increasing opportunities for self-employment, micro-enterprise, and small business cannot be underestimated, as these have been traditional routes to self-sufficiency for inner-city residents, particularly immigrants. With this in mind, the following recommendations address training for aspiring entrepreneurs:

1. Bring a bilingual business counselor to Waterbury, to build on the success of the Small Business Development Center's successful seminars.
2. Expand these seminars beyond their current focus on the region's Spanish-speaking community.

The Small Business Development Center (SBDC) has recently begun conducting a series of small business seminars that provide training for individuals wishing to start their own businesses. These seminars are targeting the region's Spanish-speaking population, and the response has been enthusiastic, with the first seminar drawing to full capacity.

As people graduate from these seminars and go on to start their own businesses, there will be a need for ongoing business counseling services to get these new business through their initial start-up phases, when the resources and capacity of their founders will be stretched to the limit. SBDC provides business counseling, but there is no bilingual business counselor in Waterbury. The nearest bilingual counselor is in New Haven. Therefore, it is strongly recommended that a bilingual counselor be brought to Waterbury, to build on the success of the small business seminars.

Just as the small business seminars have been highly popular among the region's Spanish-speaking community, so might they be popular with other inner-city communities, including Waterbury's African American community. Therefore, SBDC should consider offering a similar program targeting all of Waterbury's diverse communities.

Benchmarks and Targets: Competitive Residents

Job Readiness:

- Over 3 years, approximately, **500 inner city residents** will receive job readiness training

Skilled Training:

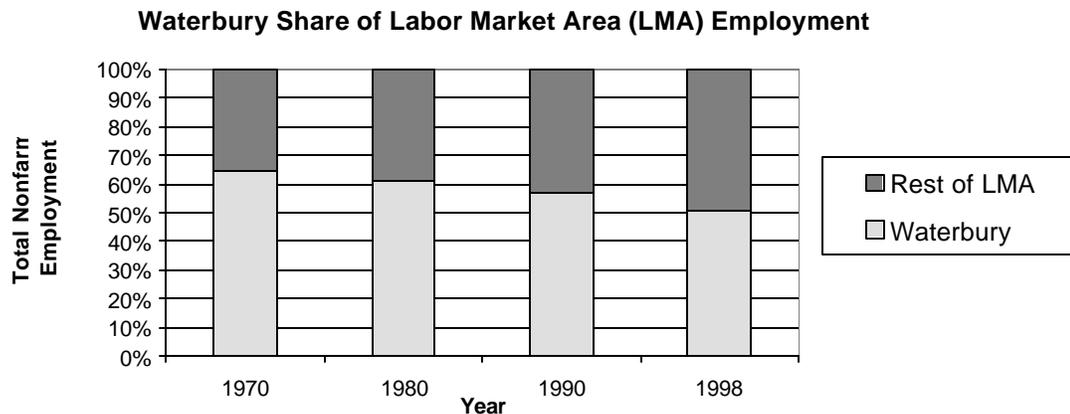
- **Hundreds of unemployed or underemployed inner city residents** will receive skills training in one of the three cluster areas
- **Hundreds of inner city workers** will receive skills training that allows them to move ahead in their current jobs

Entrepreneurial Training:

- **50 new Hispanic small businesses** will receive counseling services
- **250 additional people** are trained in entrepreneurship through expansion of seminars

III. BUILDING A COMPETITIVE CITY

Waterbury's share of regional employment has been declining for some time, from 64 percent in 1970, to 50 percent in 1998ⁱⁱⁱ.



Clearly, Waterbury is not capturing its share of the region's overall growth. This is less true for some sectors, such as retail, and truer for others. For example, in the Metal Manufacturing cluster, fabricated metal manufacturing companies added 200 jobs in the region between 1995 and 1998, while fabricated metal manufacturing companies in Waterbury lost 50 jobs over the same time period^{iv}.

There are likely several reasons why this has occurred.

- The city is not cost competitive with its suburbs: Its real and personal property tax rates are significantly higher than surrounding towns'.
- The city lacks appropriate space to accommodate industrial expansion.
- The city suffers from the perception that it is a high-crime area. This negatively impacts many retail and service businesses, particularly those located in the downtown.

To combat these problems, three initiatives are proposed:

- **Brownfields Initiative.** Recognizing that brownfields are a major limiting factor affecting the amount of industrial land, it is recommended that extra emphasis be placed at the local and state level on brownfields redevelopment. Moreover, brownfields efforts should be linked with complementary investments that enhance value and spur private investment.
- **ITZ Site Initiative.** In order to capture anticipated ITZ-related growth in the downtown, it is recommended that the city and NVDC pursue the opportunity for a new office development site in the downtown.
- **Downtown Initiative.** To address the frequently expressed concerns over security and sanitation, a Special Services District covering the downtown from the railroad tracks to (and including) the Brass Mill Mall is strongly recommended.

With regard to business costs, the overwhelming majority of respondents to the business survey identified taxes as the primary disadvantage to a Waterbury location. No other factor elicited such a negative response. The high tax rate in Waterbury has been offset to some extent by two factors. First, the city's property assessments have not been updated since 1980, and therefore most properties are assessed at well below market value. Low assessed values for real property have effectively increased the tax on personal property, which especially impacts capital-intensive firms such as manufacturers. Second, the city's Enterprise Zone offers tax relief to qualifying companies locating in Waterbury, yet these benefits are not available to many long-standing Waterbury companies.

No specific recommendations are made with respect to taxes in this report. Reductions in Waterbury's tax rates can only be achieved by dramatically lowering spending or substantially increasing the tax base, neither of which is obtainable in the short term. Like many cities, Waterbury shoulders the burden of housing much of the region's poor, elderly, and special needs population, increasing demand for social spending while decreasing the ratable base. Only a broader tax reform project—such as regional tax base sharing or a statewide urban tax credit—can effectively address the tax differential.

Brownfields Initiative

The Advisory Board identified brownfields as a major impediment to industrial expansion. Addressing this problem will require significant investments in time, energy, and money. While no single program can address the problem, the following recommendations will help focus effort in Waterbury:

1. Create a short list of critical brownfields sites to address, based on their market potential.
2. Look at the national models, including Pennsylvania and Michigan, for examples of how state statutes governing brownfields might be improved.
3. Evaluate the zoning of former industrial areas, as the zoning will impact the potential for reuse.
4. Link brownfields redevelopment with other investments that add value and attract private investment.

Like many older industrial cities, Waterbury's industrial heritage has left the city with a profound problem, that of contaminated land. Before modern environmental regulation, and when the threat of environmental contamination was either ignored or misunderstood, many companies took few precautions when it came to the storage and disposal of hazardous and toxic substances. As a result, much of Waterbury's supply of industrial land is either known to harbor or suspected of harboring contaminants.

Virgin industrial land is non-existent or in short supply. Moreover, because Waterbury industrialized beginning in the 19th century, much of the land that was suitable for industrial development was developed, leaving very little in the way of "greenfield" industrially zoned sites within the city limits. Waterbury's industrial parks—which offer modern, one story industrial space—are near capacity. Accommodating new industrial development in Waterbury depends upon effectively recycling existing buildings and sites. Providing adequate space for expansion is critical for Waterbury to capture future industrial growth, and will almost certainly require public sector involvement.

The Brass Mill Mall provides a useful example. Large-scale retail development somewhere within the Waterbury region was inevitable, due to a sizable underserved market. The City, working in concert with the Naugatuck Valley Development Corporation, the State, and a private developer, was able to prepare a large site adjacent to I-84, where the defunct Scovill Brass Works once stood. In this way, the demand for retail growth was captured by the city, but only through public commitment to shouldering much of the considerable cost and effort of remediating and preparing the site.

Although brownfields have emerged as one of the most important issues impacting the competitiveness of Waterbury's inner city, the city is fortunate that there is substantial local capacity available to address brownfields issues, and substantial state support available as well.

Local resources include:

- **The Naugatuck Valley Brownfields Pilot (NVBP).** NVBP is a regional brownfields pilot formed in 1996. It was funded under the EPA's Brownfields Pilot program, which provides funding for site assessments, site identification, site response, cleanup planning and design, and community involvement activities. NVBP includes two representatives from each participating town, including Waterbury. The Pilot has funding available for Phase I and II assessments of contamination. In addition, funding is in place for next few years, provided by a combination of contributions from the member towns and EPA grants. The Pilot has also applied for an EPA grant to establish a revolving loan fund for remediation. They have asked NVDC to manage this fund.
- **Naugatuck Valley Development Corporation (NVDC).** NVDC managed the aforementioned Brass Mill Mall project, the City's largest remediation project to date. NVDC is currently involved with the large Freight Street remediation study, which has \$2 million in state funds committed and is still in the early stages. NVDC is the only entity in Waterbury charged with doing large-scale redevelopment.
- **The City of Waterbury.** A member of the regional pilot, the city has compiled confidential list of suspected and known contaminated sites.

In addition to local capacity, the state offers significant resources, including three programs:

- **Urban Sites Remedial Action Program (USRAP).** The program targets Distressed Municipalities and Targeted Investment Areas (Waterbury qualifies as a distressed municipality). It provides funding for site investigations and remediation.
- **Special Contaminated Property Remediation & Insurance Fund (SCPRIF).** This program is a loan program for Phase II and III assessments and building demolition. It does not provide funding for remediation.
- **Dry Cleaner Establishment Remediation Program.** This program is only available to active dry cleaners, and provides \$50,000 per year up to three years.

In spite of these positive factors, brownfields reuse faces significant obstacles in Waterbury, as it does elsewhere in Connecticut:

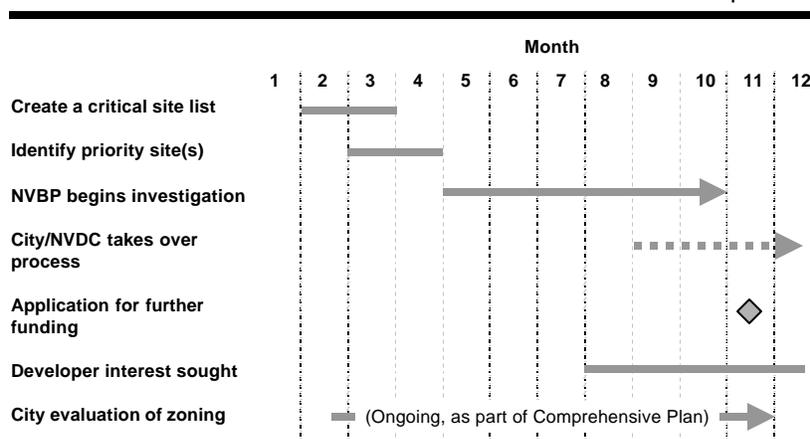
- Most of the funding sources for remediation are loans, not grants, adding an extra layer of cost for any would-be redeveloper.
- Banks tend to shy away from brownfields projects due to the unknown risk, either withholding capital or charging much higher rates.
- Liability concerns often prevent landowners from taking even the initial step of investigating the problem, for fear of being stuck with a costly remediation obligation.
- The same concerns compel landowners to withhold site access from third parties wishing to undertake investigations. As a result, the real extent of the contamination is often unknown.
- Finally, private sector actors undertaking remediation need assurances that once completed to the regulating agency's satisfaction, they will be spared any further liability for contamination. Many states offer such a liability shield for remediation undertaken and conducted in good faith.

Clearly, there is no easy path to addressing the brownfields issue in Waterbury. In addition, any serious attempt to address the problem will involve significant amounts of money. This scale of expenditure, whether it comes from the public or private sector, will have to be justified by providing the opportunity for high-value development. With these points in mind, the following actions should be taken:

- Local economic development actors, including NVDC and the Waterbury Partnership 2000, should create a short list of critical brownfields sites to address, based on their market potential.
- Brownfields statutes in Connecticut are viewed as good, but not state-of-the-art. The state should look at the national models, including Pennsylvania and Michigan, for examples of how its statutes and programs could be improved.
- Standards for remediation are based in part on the underlying zoning. Some of Waterbury's old industrial sites are located within residential zones, raising the bar for remediation. The city should evaluate the zoning of these areas as part of its ongoing update to its Plan of Conservation and Development.
- Redevelopment should be linked with other investments that add value and attract private investment. An example is the proposal for an extension of Thomaston Avenue through the brownfields areas along Freight Street. This infrastructure investment will open up far more developable land with street frontage, increase the likelihood and scope of private investment, and help justify the expense of remediating this important inner-city site.

Although every site will require a different process, a typical timeline might look like the following:

Timeline Brownfields Redevelopment



ITZ Site Initiative

In order to fully realize the potential of the ITZ, the following action is recommended:

- Expand opportunities for development within the ITZ beyond what is available within the existing stock of class B and C buildings.

Most forms of commercial development—including retail and professional offices—can be accommodated in the city’s inventory of underutilized commercial structures and commercially zoned land. Therefore, site availability has largely been an issue for the city’s manufacturers. However, there is one exception. Waterbury’s downtown lacks a suitable development site for a new class A office building. This is particularly glaring in view of the effort that has gone into enhancing the downtown as a business location, particularly through the ITZ.

While the ITZ has been thought of as a tool for filling the downtown’s large inventory of vacant class B and C office space, many types of operations—from large back offices to regional headquarters—cannot comfortably be accommodated in these older buildings. Therefore, it is recommended that the local actors work together to identify and assemble new construction sites in the ITZ. In this way, the ITZ marketing can go forward with a full range of “product” to offer prospective firms—class B and C retrofit for start-ups and smaller firms, class A build-to-suit for larger and higher-profile operations.

The Strategic Economic Development Plan, currently being undertaken under the auspices of the Waterbury Partnership 2000, is looking at the issue of potential development sites for a high-profile office development within the ITZ, with some preliminary sites already identified. Whatever sites are chosen, they would ideally have the following characteristics:

- The site should be capable of accommodating a moderately sized building with on-site surface parking.

- The site should be in a visible location where passersby will see it, so as to positively impact the image of the city.
- Assembly of the site should involve minimal dislocation of existing residents/businesses.
- Development of the site would ideally remove blight from the downtown.

As the ITZ gains momentum, expansion of the ITZ to accommodate a variety of development sites should be supported. An example project is the Technology Quad proposed by New Opportunities for Waterbury, Inc. (NOW) as a second phase of its North Square Gateway development project. The North Square Gateway is an urban economic development project located just north of downtown in the heart of one of Waterbury's most distressed inner-city communities—the North End. The first phase of the project, which includes childcare, housing, and commercial components, has been going forward with \$52 million in funds committed to date. Phase I addresses the lack of neighborhood-based retail and services in the North End. The proposed Technology Quad in Phase II has the potential to bring over 230,000 square feet of office development space to the North End community, potentially creating over 800 jobs. The city has made a commitment to extend ITZ benefits to this project if it is built. The Technology Quad could accommodate back-office facilities, and should be supported.

Downtown Initiative

Recognizing that poor image and concerns about crime are the key factors preventing a healthier business environment downtown, as opposed to access, visibility and parking, the following step is recommended to improve the climate downtown:

- Create a **Special Services District** extending from the Brass Mill Mall to the Metro-North station, focusing on security, sanitation, and main street management.

If site availability is a critical issue for manufacturing firms, crime and image are key concerns for many inner-city retailers and service businesses, especially in the downtown. Business surveys indicate that the perception of crime is much worse than actual crime. However, the perception of crime is difficult to combat. With crime rates downtown already modest, it will not be possible in the future to publicize dramatic reductions (as has New York City, for example). Nor is the discussion of lowered crime rates always helpful—people are unlikely to respond positively to the news that there were only two murders downtown this year (for example), instead of three. Instead, the best ways to improve the perception of security are the following:

- Improve the neatness and sanitation of the downtown. People tend to feel safe in areas that appear to be well kept.
- Increase the number and visibility of security personnel in the downtown. The presence of only a few police or security personnel walking the streets can dramatically improve the perception of safety, particularly after dark.

- Increase the level of activity in the downtown. If people come downtown during times when there are large number of people there, such as for a special event or promotion, they will tend to leave with the impression that the area is safe.
- Increase the number of businesses downtown. More business means fewer vacant storefronts, more people on the streets during the day, and a greater sense of safety and well-being.

The downtown merchants have already undertaken to cultivate a positive relationship with the Waterbury Police Department, to help increase the police presence (and visibility) in the downtown. However, the remaining recommendations require some sort of implementing organization with a dedicated funding stream. A logical entity is a Special Services District (SSD), which would be funded by a special extra assessment on property located within the district. However, the downtown lacks a sufficient ratable base to properly fund such a district, which would require an annual budget of several hundred thousand dollars. Including the Brass Mill Mall in the district would provide the needed assessment, and help further a local goal of better linking the mall with the downtown.

An SSD will help to achieve multiple objectives, all of which will further the goal of upgrading the downtown's image, and allaying fears of crime:

- The SSD will be able to hire private security personnel to walk through the downtown streets, as well as the downtown ramp garages that are the primary source of parking. In addition, these personnel might be available "on call" to walk people working late at night to their cars.
- The SSD would be able to fund additional sanitation services in the downtown, improving its appearance.
- The SSD could hire a Main Street Manager to work on a day-to-day basis on issues ranging from retenanting vacant retail space to organizing special joint promotions and events.

In addition, the city and state, with NVDC as the implementing agency, have made or are planning to make substantial investments in the proposed SSD area. These include the Rowland Government Building (now complete), the renovation of the Palace Theater, an Arts Magnet School, and the Time Expo museum. Many of these projects have as a goal the creation of an arts, tourism and entertainment cluster in the downtown. Each one of them benefits from the success of the other. Yet, none of them can achieve their goals unless people feel safe and comfortable coming downtown. An SSD will help ensure that these significant public investments realize their potential, as well as catalyze increased private investment in the downtown.

A narrow opportunity exists to create an SSD. The Brass Mill Mall has made a commitment to be a part of an SSD, *but this commitment expires this spring*. Therefore, it is strongly recommended that the process of forming an SSD be commenced as soon as possible.

Benchmarks and Targets: Competitive Cities

Through a three-year intensive brownfields strategy and site availability strategy, Waterbury will:

- **Increase available land** for development by **100 percent**
- Develop a detailed, prioritized redevelopment strategy for **100 acres of currently unusable land**

Through the formation of a Special Services District, Waterbury will:

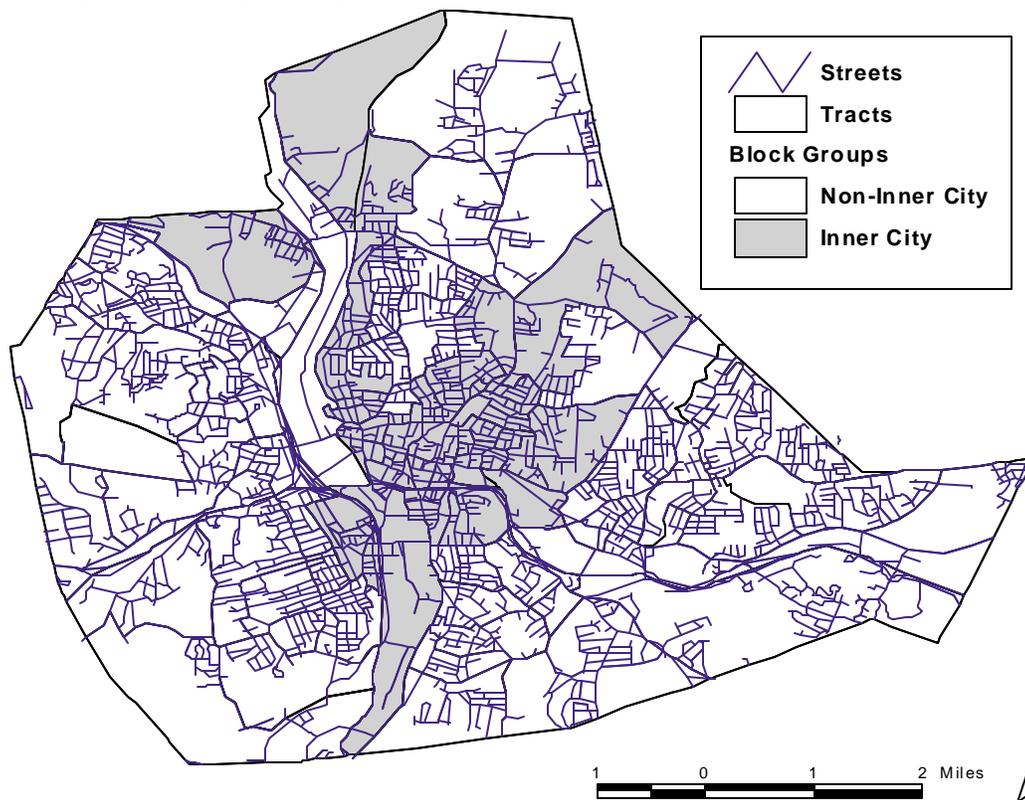
- Decrease the **downtown retail vacancy rate** by **50 percent**
- Enhance the viability of new arts, entertainment and tourism developments

VI. WATERBURY'S INNER CITY

Demographics and Overview

Before the age of the auto, Waterbury's historical growth patterns concentrated development in two areas—close to the Green and adjoining central business district; and along the Naugatuck River and its tributaries, where water power (and later the rail lines) provided the opportunity for industrial development. Because the thriving industrial plants needed a concentration of workers within walking distance, affordable triple-decker homes were built in the areas surrounding the mills and factories. By contrast, larger and more ornate homes grew up the hill from the downtown, and were home to the city's prominent families. Today, these two development areas—the old in-town neighborhoods, and the “mill villages”—are what constitute the inner city, which is shown on the following map:

Connecticut Inner City Business Strategy Initiative Waterbury Inner City Study Area



Base Map: Council of Governments, Central Naugatuck Valley

The area comprising Waterbury's inner city was once composed of prosperous homes and stable working-class neighborhoods. Today, it is home to the region's largest concentrations of poverty. The inner city

has a population of 33,801 people, or 15 percent of the region's population. Yet, the inner city contains 40 percent of the region's households with incomes less than \$10,000 a year. The median household income is less than half of the regional median. These indicators of economic distress are due to many factors, not the least of which is the long-term decline in industrial employment in these neighborhoods.

The following table summarizes many of the key demographic indicators:

Demographic Indicators			
Variable	Inner City	Waterbury City	Waterbury LMA
Population	32,252	105,357	221,629
Households (HH)	13,482	42,000	84,484
Median age	31.9	35.9	37.2
Median Household Income (MHI)	\$21,961	\$35,815	\$45,047
MHI as percent of regional median	49%	80%	100%
Percent HH w/ annual incomes <\$10K	23.8%	13%	9.1%
Poverty Rate (1998) †	42.1%	28.5%	21.2%
Unemployment Rate (1998) †	7.9%	5.1%	4.0%
Percent single-parent HH	16.8%	9.7%	7.2%
Percent Black (Non-Hispanic)	27.5%	13.1%	6.9%
Percent Hispanic	35.5%	17.2%	9.2%
Percent of pop. over 25 w/ high school diploma	56.5%	66.8%	73.7%
Percent of pop. over 25 with a post-secondary degree	12.8%	20.5%	26%

Sources: Claritas Inc, 1999; 1990 US Census.

†Data approximates inner city, as block group data were unavailable.

Although economic restructuring has impacted the entire Central Naugatuck Valley region, it is clear that these impacts have been disproportionately felt within the Waterbury inner city. What is remarkable is not only the degree of poverty in the inner city, but the extent to which the *region's* poverty is concentrated within the Waterbury inner city. As noted, the inner city accounts for a large share of the region's lowest income households, as well as the majority of the region's Black and Hispanic population. The inner city is segregated not only by income, but along racial lines as well.

Inner City Economy

The large inventory of abandoned and underutilized commercial and industrial land and buildings in Waterbury's inner city testifies to the fact that this area was once at the heart of the region's economy.

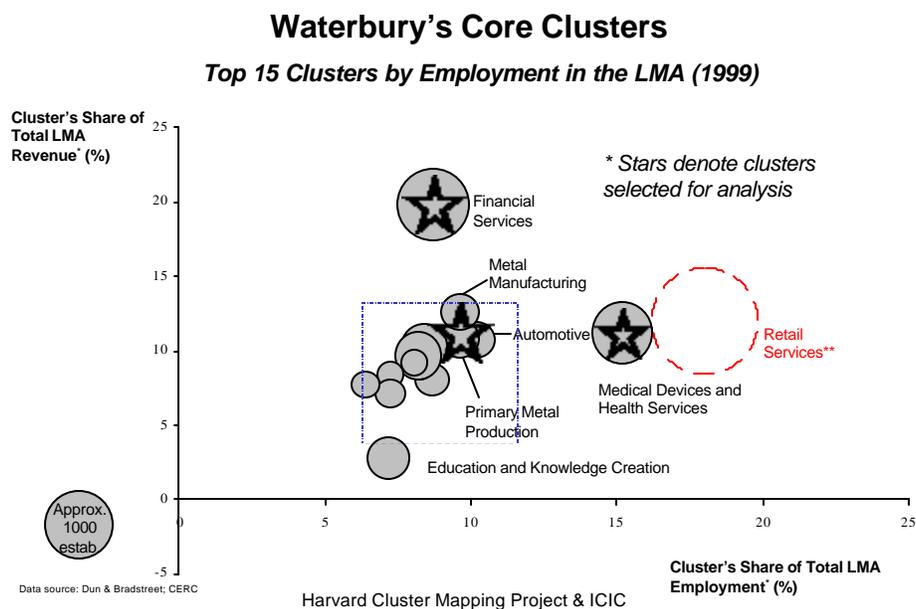
However, it would be a mistake to assume that the importance of the inner city as a business location has passed. Based upon employment data collected for this study, Waterbury’s inner city currently accounts for around one-quarter of the economic activity in the *region*, and about one-half of the activity in the city.

The continued concentration of employment in the inner city is likely due to many factors:

- The inner city contains much of the city’s industrial land and buildings, and therefore many of the city’s metal manufacturers.
- The inner city contains the downtown, which retains a core of bank and government offices.
- The inner city is home to one of the city’s big hospitals, St. Mary’s.
- Through the foresight and action of the city, two large retail developments—the Brass Mill Mall and Commons, and Waterbury Crossing—have been successfully located in the inner city.

Clusters

The Inner City Business Strategy Initiative uses a cluster-based approach, rather than a sector-based approach, to analyzing the regional and city economy. Clusters offer a more sophisticated picture of the local economy by internalizing the linkages between firms that might be missed in a more traditional sector-based approach. ICIC’s proprietary cluster model was applied to the Waterbury LMA economy to identify its underlying structure. The following chart shows the top seven clusters by LMA employment.



Once the important clusters in the regional economy were identified, the Advisory Board and Research Team selected three clusters to concentrate on using the following criteria:

- Clusters that are economic engines, such those that are large sources of employment.
- Clusters that have strong growth potential.
- Clusters that offer jobs matching the inner-city skill base.
- Clusters that can derive competitive advantage from an inner-city location.

From the list of 15, the Team decided to concentrate on three clusters: (1) Metal Manufacturing; (2) Financial Services; and (3) Medical Devices and Health Services. Clusters 2 and 3 were chosen largely because they are the largest sources of employment outside of retail, although they have limited growth potential. Metal Manufacturing fit the criteria most closely, as it is Waterbury's historic cluster, sells to national and global markets, and does have growth potential.

Other major clusters include such production-oriented agglomerations as Primary Metal Production, Automotive, Lighting and Electrical Appliances, Building Products, Construction Equipment, and Production Technology. Clearly, the Waterbury region is home to a specialized set of manufacturers that sell products to many different industry clusters, including the automotive industry and the lighting industry.

In addition to the clusters, the Waterbury study also examined the retail industry. While not a cluster, retail is important because it is often the largest source of entry-level jobs, and also because many inner-city areas represent an underserved market for retail, making retail a viable growth sector in the inner city.

Finally, the Advisory Board focused on Information Technology as a future growth industry for the city. Waterbury's employment base is heavily concentrated in industries with little growth potential, including health care, retail and financial services. In order to address this problem, the city has created an *Information Technology Zone* (ITZ) within the downtown to attract and grow info-tech companies. Information Technology is currently a very small part of the Waterbury economy, but it is hoped that the high-speed telecommunications infrastructure and financial incentives available in the ITZ will help to increase info-tech as a viable growth sector within the economy. While the ITZ is too new to assess, the Advisory Board examined information technology as a possible *incipient* cluster for Waterbury and brainstormed strategies for adding value to the city's ITZ program.

Major Findings: Clusters

Metal Manufacturing: The metal manufacturing cluster currently employs over 8,000 people, comprising around 10 percent of the regional employment. In addition, this cluster also accounts for almost 13 percent of the region's economic output, in terms of sales. The cluster added 450 jobs to the city economy between 1994 and 1999. This cluster sells to national and international markets, making it a true export-oriented engine of the regional economy. At a time when manufacturing employment generally has been in decline in the United States, the precision metal manufacturing sector has been adding jobs in the region, attesting to its continuing strength and importance.

Financial Services: Historically, Waterbury has been a regional center for financial services, serving as a headquarters for banks such as Webster Bank, and a regional office location for other national and local

banks. The presence of the courts in Waterbury also has helped the city retain lawyers' offices, which are also included in the Financial Services cluster. However, with increasing merger activity and consolidation, the financial services industry has declined in importance in Waterbury. Waterbury also lost an estimated 1,200 jobs in this cluster to its suburbs, representing a significant shift of employment within the LMA. The sector remains a major employer, but now serves an increasingly local market. Employment is increasingly driven by brokerage and investment firms riding the wave of a booming stock market, rather than banks. Future growth may rest on the ability to capture back-office operations of financial firms, either through Information Technology Zone (ITZ) incentives, or through the ability to offer an attractive real estate and employee training package.

Health Care: Health care has long been an important industry in Waterbury, which contains two of the region's major hospitals. Health care has long been a consistent growth industry throughout the nation, but these trends have been altered in the 1990s with the need for cost control and the ascendancy of managed care. These trends led to a downsizing of hospitals, and an upsizing of outpatient facilities and home health care services. Most recently, hospital employment has stabilized, and local hospitals are facing a shortage of nurses and radiology technicians. While the sources of further growth—an expanding or an aging population—are not projected to impact the Waterbury region over the next decade, this sector will remain a major source of jobs for local and regional residents.

Major Findings: Retail

With the shift of population and wealth to the suburbs, many retailers abandoned inner-city locations due to a shrinking market and increasing concerns over crime. As the retail industry became increasingly dominated by chain stores, which rely on an easily replicable formula for building size and site configuration, and use relatively inflexible site location criteria, inner-city areas were increasingly overlooked for retail expansion. These retailers overlooked the fact that the inner city, due to its increased population density, remained a significant market for goods and services. As a result, many inner-city neighborhoods became woefully underserved for basic retail, often lacking access even to a quality supermarket.

Just a decade ago, the same would have been true for Waterbury. However, during the 90s, substantial retail development occurred within the inner city. The Brass Mill Mall and Commons were developed on a former industrial site a half-mile from the downtown. This mall is primarily regional in orientation, although the Commons contains a large Shaw's supermarket. Later, a small cluster of superstores, Waterbury Crossing, was developed on underutilized land in the South End.

The inner-city study area has a total retail spending power of around \$200 million. However, total sales within the study area are estimated at over twice as much, or \$450 million. These new retail developments have made the inner city (and the city as a whole) a net importer of retail spending from the surrounding towns. This is in stark contrast to many inner-city areas.

However, much of this retail addresses regional, as opposed to local, shopping needs. Specific inner-city neighborhoods still have a lack of retail providing daily necessities. Because of the large overall supply,

neighborhood retail nodes will necessarily be modest in size, but they can still provide opportunities for inner-city entrepreneurs. Inner-city retail is best addressed through promoting entrepreneurship, providing appropriate zoning, and providing small physical enhancements at retail nodes, such as a new traffic light, traffic calming, etc. Redevelopment projects, such as the North Square Gateway project, also play a role.

Inner City Business Environment

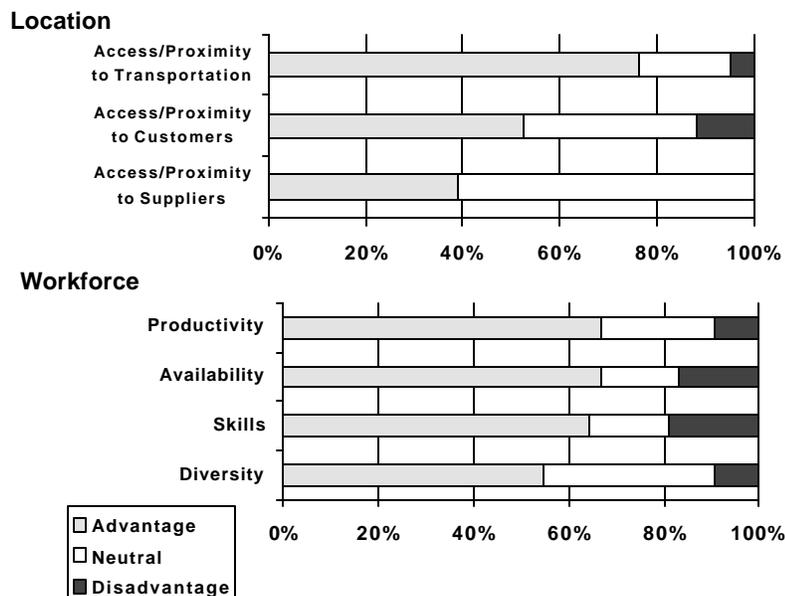
As noted, Waterbury’s inner city has continued to retain its viability as a business location, in spite of obvious disadvantages. In order to understand the business climate in the inner city, a series of interviews were conducted with inner-city companies, concentrating on the three business clusters. These interviews asked detailed questions regarding the relative advantages and disadvantages of an inner-city location as opposed to a location elsewhere in the region or state. Companies were also asked about their future plans, including any expansion or relocation plans, and whether their inner-city location has constrained them from achieving their goals.

Competitive Advantages

In general, it was found that Waterbury’s inner city offers three key advantages as a business location:

1. Transportation (easy access to Route 8 and I-84)
2. Access to markets (central location provides greatest access to regional population)
3. Labor force (the ability to access a large, skilled, and varied labor force is considered an important advantage, particularly at a time of low unemployment in the suburbs)

Inner City Competitive Advantages



The local labor force was rated high in four categories: productivity, availability, skills, and diversity. More than 50 percent of respondents identified these traits as competitive advantages. From the standpoint of manufacturing firms, the productivity of the workforce has been directly tied to its ability to adapt to new, automated production technologies. Likewise, the skill set of the workforce is largely due to the accumulated “know how” of laborers who have been working in the metal manufacturing industry most or all of their lives.

Workforce availability in Waterbury relative to the region is likely impacted by two factors. First, the unemployment rate in Waterbury has historically been higher than its surrounding suburbs, meaning that there are simply more people in Waterbury looking for work than there are elsewhere. Moreover, most Waterbury employers are served by public transportation, unlike their suburban competitors. This gives them the ability to hire from lower-income households that may not have access to reliable personal transportation.

In spite of the generally positive views expressed about the labor force, many firms took a more pessimistic view of the future. Nearly 80 percent of employers reported having had trouble finding qualified employees, indicating a “skills gap” between the available workforce and employer requirements. The fastest growing positions—ranging from skilled toolmakers in the manufacturing industries to paralegals in the financial services cluster—are those requiring specialized skills. This emphasizes the importance of job training efforts for both retaining existing companies and fully utilizing the available labor force.

Competitive Disadvantages

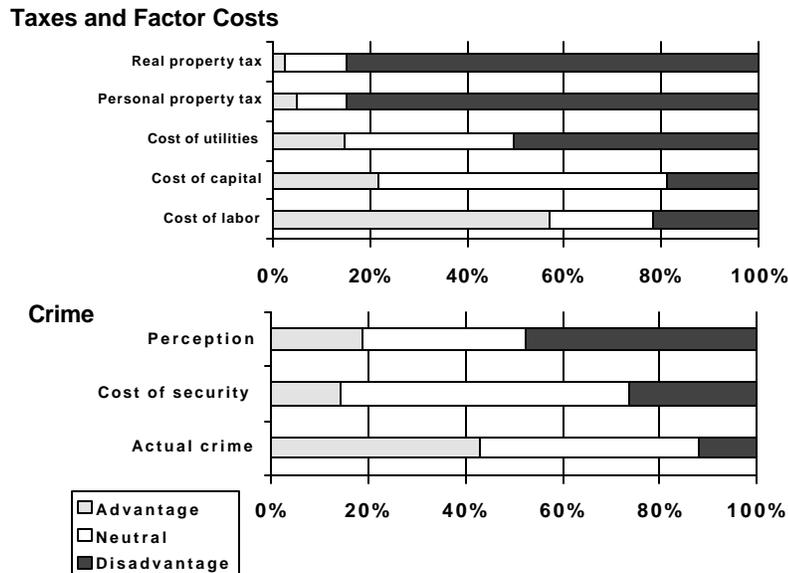
Working against these competitive advantages are many significant disadvantages, most importantly the following:

1. High taxes, specifically the real property tax and personal property tax
2. The cost of utilities
3. The perception that the inner city is a high crime area

Topping the list are local taxes: around 85 percent of respondents reported that the city’s real and personal property tax rates were significant disadvantages. While the high property tax rate (over 70 mills compared with around 30 in surrounding towns) is offset by lower assessed values, the high personal property tax rate falls especially hard on modern manufacturing operations. They tend to be highly capital intensive, and therefore pay a relatively higher share of their tax on equipment as opposed to land and building.

Real estate values have not been reassessed in Waterbury since 1980, resulting in lower-than-market value assessments for many properties. As a result, the property tax has tended to fall disproportionately on personal property. A court-ordered revaluation will likely change the tax picture in Waterbury, immediately benefiting many businesses, but potentially having a large negative impact on homeowners. Although a University of Connecticut study indicated that the impact on most homeowners would be modest, it remains to be seen how the revaluation will impact the city^v.

Inner City Competitive Disadvantages



Other cost factors rating mention include the cost of utilities, which was rated as a disadvantage by around 50 percent of respondents. Again, this factor tends to disproportionately impact firms—such as manufacturing firms—that are large consumers of power and water. The cost of capital and labor was cited by a minority of interviewees as a disadvantage, but these costs tend to be issues statewide and not just in the inner city. In fact, the cost of labor was identified as an advantage of an inner-city location by a majority of interviewees. Connecticut Department of Labor wage data corroborate that wages tend to be somewhat lower in the Waterbury LMA when compared to statewide averages.

Taxes for new businesses in the inner city are offset by the city’s Enterprise Zone designation, which allows for abatements of taxes for a period of five years. In fact, many businesses have located within the inner city specifically to take advantage of these incentives. Over 30 percent cited city or Enterprise Zone tax credits as being a critical advantage for their business. However, the remainder said these benefits were either having no effect on them, or were a disadvantage (presumably because they were going to their competitors). Enterprise Zone tax credits are not available for long-standing businesses, which is significant in light of the fact that the median time interviewees had been in business in Waterbury was 14 years. Moreover, since the abatements are time-limited, it is necessary to ensure that businesses stay competitive after these benefits have expired. More attention needs to be paid to business retention, in addition to business recruitment.

Another significant disadvantage for inner-city firms was the perception of crime. Having a location in a perceived high-crime area can have multiple negative impacts on a business. These include increased difficulty in attracting qualified employees and difficulties in attracting customers, neither of whom may want to venture into an area that is perceived as dangerous, especially if there are competitors available in “safer” locations. Perceptions of crime are particularly important for retail and service businesses, where there is ample competition and considerable discretion on the part of the consumer about where to do

business. Therefore, crime was perceived as a greater problem among these businesses than it was by industrial businesses, which tend to stand apart from their surroundings.

The perception of crime was rated a competitive disadvantage by around 50 percent of interviewees. By contrast, only 25 percent rated the cost of security (a tangible impact of high crime) as a disadvantage, and only 15 percent rated actual crime as a disadvantage. Clearly, the perception of crime is out of step with the reality. Several possible reasons present themselves:

- Downtown crime is typically given more play in the press, because it happens in a prominent location.
- Much of Waterbury's inner city exhibits the physical characteristics—including older multifamily buildings, deteriorated buildings, and vacant lots—that are associated in the popular imagination with high crime areas.
- Ethnic prejudices may play a role. Minority neighborhoods are often erroneously associated with higher crime rates. Minority youths “hanging out” in public places are often associated with gang activity, whether or not such activity is taking place.

Combating such preconceptions requires a comprehensive approach. Strategies include:

- Increasing the visibility of security and police personnel in the downtown
- Working with the press to help change the image of the inner city (an example is the Waterbury Republican's laudable “Urban Pioneers” series)
- Pursuing projects and events that will upgrade the city's image and bring people from the region into the city to see first hand that it offers a safe environment.

Barriers to Expansion

Businesses were asked about barriers to expansion. Of the 28 who responded to the question, 7 (25 percent) indicated that labor was a problem, and six (21 percent) cited the lack of availability of land and buildings. Other common barriers cited were market size (four), capital availability (four) and taxes (three). Of 20 businesses considering a move either “somewhat” or “very” seriously, the need for expansion space was given as a reason by seven of those companies (35 percent). Clearly, the need for expansion space is limiting inner-city companies. This is not surprising, as much of the inner city building stock (especially industrial buildings) needs significant rehabilitation, and much of the available land is believed to suffer from environmental problems.

Conclusions

The results of the survey emphasize several points about the inner-city business climate relevant to the inner-city business strategy:

- Unless Waterbury's labor force can remain competitive, one of the most important advantages of a Waterbury location will evaporate.
- Growth in the industrial sector is limited by the lack of buildings and sites that are cost effective for companies looking to expand or locate in Waterbury.

- Retail and service business residing in and near the downtown, including the entire Brass Mill Center and Commons, depend on the perception that their area is clean and safe for outsiders.
- Over the longer term, the cost of doing business in Waterbury must be addressed. However, reductions in taxes can only be achieved through significant reductions in spending or a substantial increase in the tax base, neither of which are achievable in the short term. Like many cities, Waterbury is caught in a double bind, where its lower-income and special needs population both reduces the tax base while increasing demands on city social spending.

V. Project Overview

Background

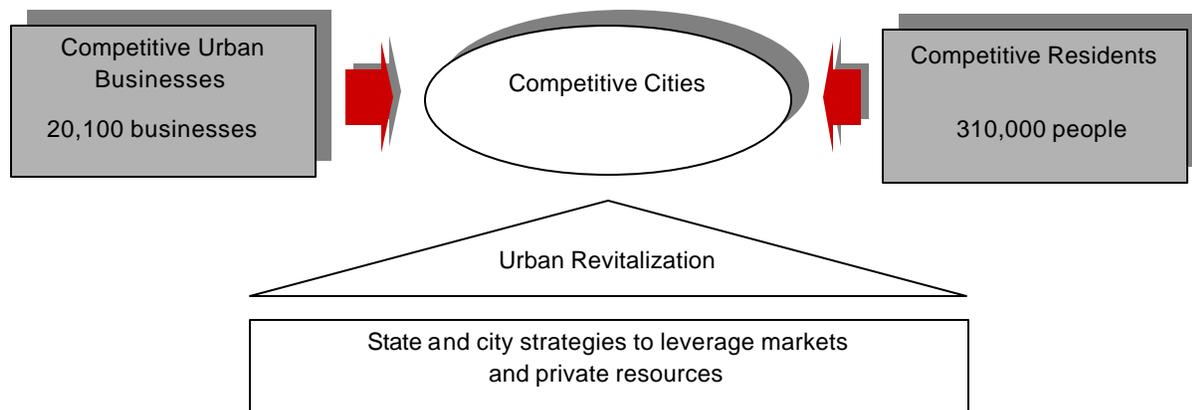
In January 1999, the Governor's Council on Economic Competitiveness (Competitiveness Council) launched the Connecticut Inner City Business Strategy Initiative. The initiative's mission is to further local revitalization efforts and devise an overall strategy for inner-city economic revitalization in five target cities: Bridgeport, Hartford, New Britain, New Haven, and Waterbury. By identifying opportunities for business growth and changing perceptions of the inner city, the initiative seeks to increase economic opportunities for inner-city residents.

To implement this project, the Department of Economic and Community Development (DECD) and the Competitiveness Council partnered with the Initiative for a Competitive Inner City (ICIC), a national not-for-profit organization founded in June 1994 by Harvard Business School Professor Michael E. Porter. ICIC's mission is to spark new thinking about economic opportunities in America's inner cities, thereby creating jobs, income, and wealth for local residents. ICIC offers a new approach to inner-city revitalization that emphasizes the creation of sustainable communities through for-profit business development and often-overlooked competitive advantages.

From June to December 1999, business, civic, and community leaders in Waterbury and the other four cities have worked closely with ICIC to assess the inner-city business base and create action-oriented growth strategies. The project's strategic vision is based on the following three interlocking determinants of inner-city competitiveness:

1. **Competitive Businesses:** A base of strong and growing businesses;
2. **Competitive Cities:** A business environment that facilitates growth; and
3. **Competitive Residents:** A well-trained workforce prepared to compete in the new economy and a pool of entrepreneurs prepared to take advantage of new economic opportunities.

A multi-faceted strategy for improving Connecticut's inner cities



The project's strategies focus on developing each of these critical determinants. Past approaches to urban revitalization tended to focus exclusively on one area without acknowledging the linkages among all three. For example, assisting businesses in economically distressed locations through tax credits or technical assistance has limited impact if those businesses struggle with critical barriers to growth such as finding suitable workers or being located in perceived high crime rate areas.

A New Approach to Urban Revitalization

This project's approach to urban revitalization includes several key unique elements:

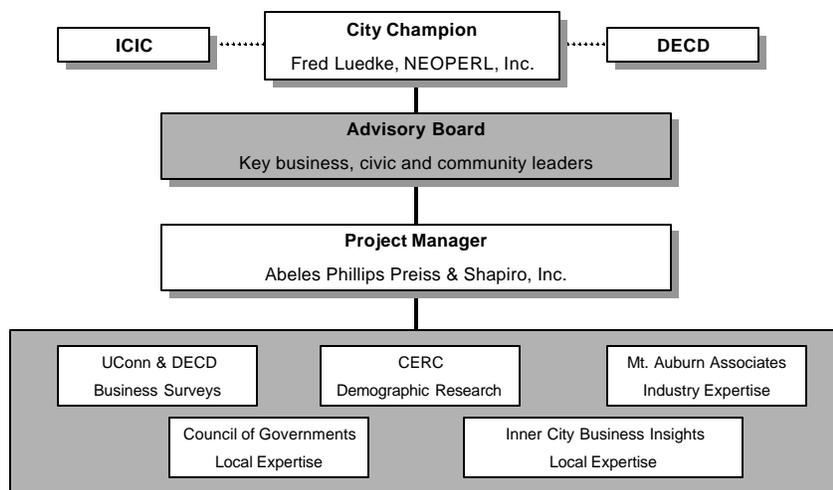
- Strong collaboration
- Specific focus on inner-city business development
- Cluster approach

Strong Collaboration

First, and most importantly, the project requires strong collaboration among multiple organizations and sectors within Waterbury, and between the City of Waterbury and the State of Connecticut.

Waterbury and the other target cities began the project by selecting a *City Champion* and an *Advisory Board*. The City Champion is the CEO of a major local company. Each champion has committed an enormous amount of time and energy to spearheading the project. In Waterbury, Frederick Luedke, President of NEOPERL, Inc., has played this critical role. The Advisory Board is a group of 20-25 business, government, and nonprofit leaders. A complete list of Waterbury's Advisory Board members can be found in the Appendix. At regular meetings over a six-month period, the Advisory Board lent local expertise, provided feedback on research findings, and oversaw the development of project strategies.

The high degree of collaboration in this project has provided the necessary groundwork for a successful revitalization strategy that focuses organizational energy and resources on a common set of objectives.



Inner-City Business Development

A second definitive aspect of this project's approach is its specific focus on inner-city business development. While housing, education, and infrastructure are important aspects of economic development, the scope of this project is limited to the identification of for-profit business development opportunities—an area often overlooked in many urban revitalization strategies. Based on a belief that poverty is fundamentally caused by a lack of jobs and economic opportunities, the emphasis on business development is a required ingredient to achieving healthy communities.

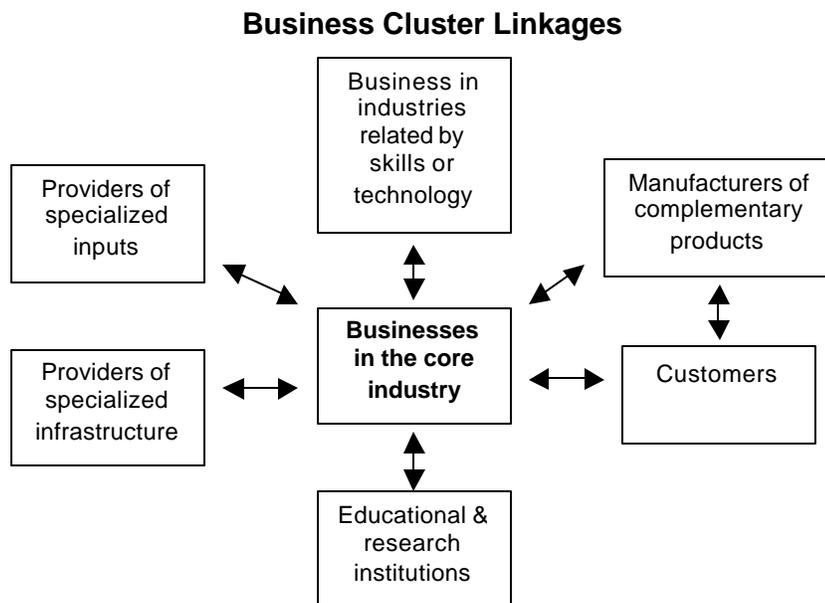
The project specifically focuses on Waterbury's inner city, an area of high unemployment, low income, and poverty (see Section IV for further details on Waterbury's inner city). In order to generate sustainable economic development in this area, the project focuses on:

- Making the area competitive as a business location
- Building on its existing business base
- Integrating this area into the regional and national economy

Waterbury's Research Team interviewed nearly 50 inner-city business owners to identify the most critical business environment issues specific to the inner city.

Cluster Approach

The third unique aspect of this project's approach to inner-city economic development is its focus on business clusters. A business cluster is a geographical concentration of interconnected companies and institutions in a particular field. Clusters can include the following groups of businesses:



Clusters can stimulate business formation and growth, help attract new companies to an area, and encourage retention among companies who benefit from the cluster's presence. The specific ways that clusters can benefit individual companies include cluster-based employee training initiatives, joint purchasing and negotiation, and shared learning and best practices.

The Waterbury project began with a rigorous examination of the inner-city economic portfolio by cluster. Traditionally, economic development strategies focus either on particular parcels of real estate, individual neighborhoods, or specific industries. These approaches fail to recognize the dynamic nature of a city's economy and the multiple factors effecting competitiveness. By using a cluster lens, the Waterbury team has been able to base analysis and strategies on:

- A comprehensive view of the inner-city economy;
- A view of the inner-city portfolio in the context of the region; and
- An understanding of key inter-linkages between companies and industries.

In addition to providing a valuable framework for Waterbury's strategy development, the cluster focus has also illuminated many connections among the five target cities. Several clusters were examined in multiple cities, allowing teams to share information, best practices, and innovative ideas for cluster growth, and to explore linkages between companies and clusters. This inter-city collaboration will have a far-reaching effect in strengthening urban business clusters and promoting sustainable economic development across the state.

VI. Conclusion

Waterbury has made a bold effort to tackle every city's most pressing challenge—to extend today's economic prosperity to citizens who have been left behind. Through the Waterbury Inner City Business Strategy Initiative, leaders throughout the City have come together to produce a unique, multi-faceted strategy focused on building healthy inner-city economies and promoting opportunities for inner-city job, income and wealth creation.

By taking decisive action to implement this strategy Waterbury will achieve dramatic results:

- Prepare hundreds of inner-city residents to compete for higher-skilled jobs with opportunities for advancement
- Create a competitive business environment that facilitates and supports business growth and attracts new business
- Create a strong base of inner-city businesses with access to the resources and assistance they need to expand and to adapt to competitive pressures
- Develop a pool of inner-city entrepreneurs poised to take on new business opportunities
- Solidify ties among business, government, and nonprofit leaders and build the institutional infrastructure needed to promote and sustain business development in the long term
- Fundamentally alter the opinions and attitudes of customers, investors, and business professionals regarding viable business opportunities in Waterbury's inner city

Success will require sustained commitment across multiple constituencies to harness energy, resources, and leadership. By stimulating ongoing commitment for these strategies, Waterbury will reach new heights of success in advancing the economic prosperity of its residents.

ⁱ Interface (1988), *Where Credit is Due: A Study of Small Business Access to Capital*, New York: Interface, Appendix C, pp. 2 – 3.

ⁱⁱ Mt. Auburn Associates (1997), *An Economic Development Strategic Plan for the Central Naugatuck Valley*, Council of Governments of the Central Naugatuck Valley.

ⁱⁱⁱ Connecticut Department of Labor, Research Division.

^{iv} Connecticut Department of Labor, Research Division.

^v Connecticut Center for Economic Analysis (1998), *Waterbury and Naugatuck Revaluation Study*, University of Connecticut.

