

Research and technical assistance by  
EDR Group

# A Growth Agenda for Boston

*Recommendations for the new Mayor to promote  
jobs and opportunity in Boston*





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## Executive Summary

For the first time in twenty years, Boston has a new mayor. The city has seen strong growth in both population and jobs during that time period, growth that has had positive impacts for residents, employers, and civic life. The challenge for Boston is not just to sustain that growth but to build on it, making the city's economy stronger than ever to accelerate job creation and business development.

Boston is fortunate to have a diverse economy with a broad mix of industries. Its leading industries, which employ 334,000 people, sell goods, services and ideas around the globe. They include startup firms and well-known brands, for-profits and non-profits, many of which are world-famous. The city's local industries, which employ 269,000 people, are also critical to its economy. They provide jobs at all skill levels, and career advancement opportunities across a wide range of specialties. Boston's remaining 91,000 jobs are in government, reflecting the city's role as state capital and government center.

The city is also fortunate to be the hub of the Greater Boston region, an economic powerhouse that competes nationally and globally for market shares. Boston and its surrounding communities benefit from, and depend on, each other. The region's population density and transportation connections are assets in the economic competition between regions around the country, and the world, for jobs and growth.

Success in that competition requires Boston to make its infrastructure, talent pool, and business climate stronger than ever. To that end, the Chamber recommends four initiatives for a new city administration:

**Regional Infrastructure:** A cooperative effort by business and local government leaders throughout Greater Boston to advance three critical initiatives: the expansion of South Station, new international connections at Logan Airport, and improvements to the Port of Boston.

**Charter School Floating Cap:** A "floating cap" to expand the supply of charter schools where demand for them is high, without forcing all school districts to have the same percentage of charter school seats in their system.

**Smart Permitting:** Principles governing permitting across all city agencies that include enforceable deadlines, simultaneous agencies review, and clear schedules to make them easy to navigate while maintaining substantive standards.

**Improved Cost Competitiveness:** A more competitive commercial property tax rate, to bring Boston's rate closer to those in competitor cities such as San Francisco, Atlanta, Seattle and Miami.

The Chamber will work with Boston's new mayor, administration, and City Council, as well as with leaders in the business community and state government, to advance these initiatives and make the city stronger than it has ever been before.



# I.

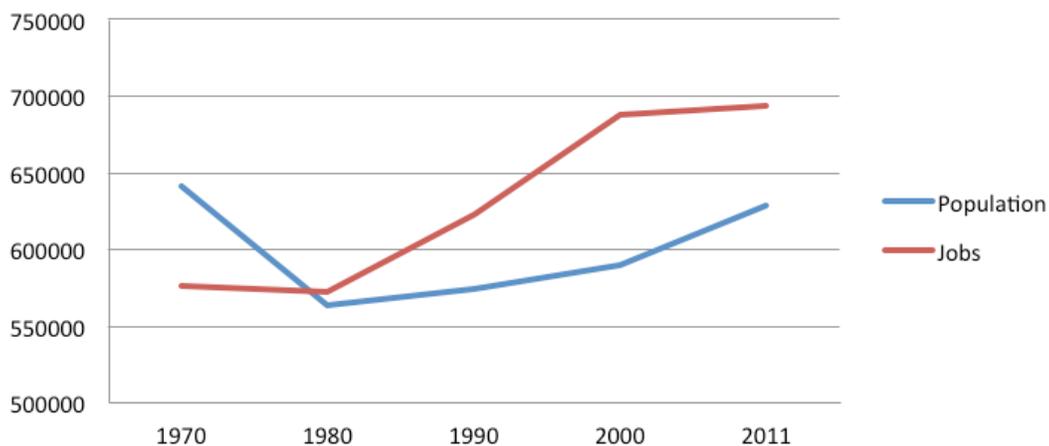
## Introduction

With a new mayor taking office for the first time in 20 years, Boston leaders have the opportunity to set a strong agenda for economic growth. Over the past two decades, the City of Boston has seen growth in both population and jobs (*Figure 1*). The incoming administration will have the opportunity to build on Boston's recent success by advancing new ideas and policies that will help determine Boston's economic future.

This report examines the drivers of Boston's economy and recommends an agenda for the city's economic future and job creation. It analyzes currently available data, including the city's mix of jobs and industries. It also includes insights from business and institutional leaders, interviewed for the report, who have a unique perspective on Boston's economy.

The report concludes with four key recommendations for the new administration. With a new mayor, new department heads and several new city councilors, now is the time to develop and execute a plan that will make Boston's economy stronger than ever and create new jobs.

**Figure 1.** Boston's population and jobs, 1970 - 2011



Sources: 2011 American Community Survey 1-Year Estimates and Suffolk County data packaged by IMPLAN Group, LLC, and adjusted to the City of Boston by EDR Group using information from the Massachusetts Executive Office of Labor and Workforce Development

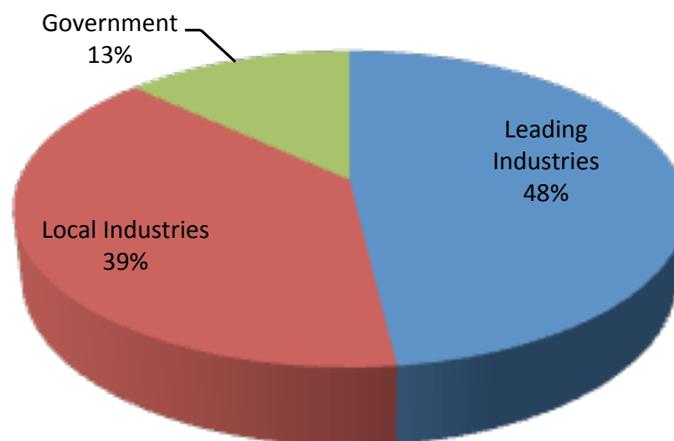


# II.

## The Drivers of Boston's Economy

Boston is fortunate to have a diverse economy, led by world-renowned institutions that export goods, services, ideas and culture around the world. Its broad array of industries employ over 694,000 individuals—a number far greater than the number of working-age Boston residents, a sign of the city's leadership in the regional economy. As illustrated in *Figure 2*, those jobs fall into three major sectors—leading industries (48% of all jobs), local industries (39% of all jobs), and government (13% of all jobs).

**Figure 2. Boston Jobs by Sector**



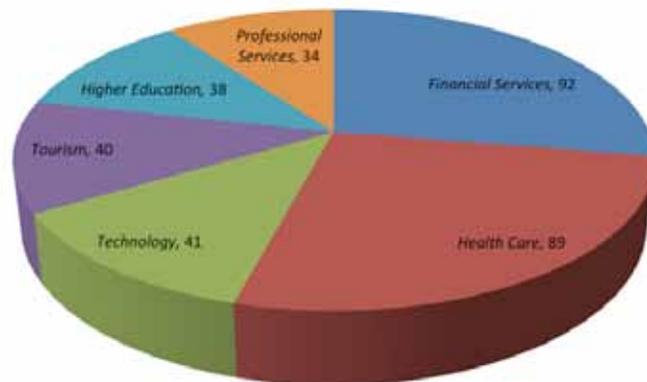
Sources: 2011 American Community Survey 1-Year Estimates and Suffolk County data packaged by IMPLAN Group, LLC, and adjusted to the City of Boston by EDR Group using information from the Massachusetts Executive Office of Labor and Workforce Development

## A. Boston’s Leading Industries — Selling Around the World

334,000 of Boston’s jobs are in its leading industries—industries that sell to customers outside of Boston, across the United States and throughout the world. Because of those customers, the leading industries bring new money into Boston that supports jobs, innovation, and new business for the firms that supply them. They are major contributors to Boston’s worldwide reputation as a center for innovation, culture and creativity.

Boston’s leading industries include financial services<sup>i</sup>; health care<sup>ii</sup>; technology firms<sup>iii</sup>; tourism; higher education; and professional services<sup>iv</sup>. Their employment levels are illustrated in *Figure 3*, and their economic impacts are detailed in Section 1 of the Appendix.

**Figure 3.** Leading Industry Jobs in Boston (in thousands)



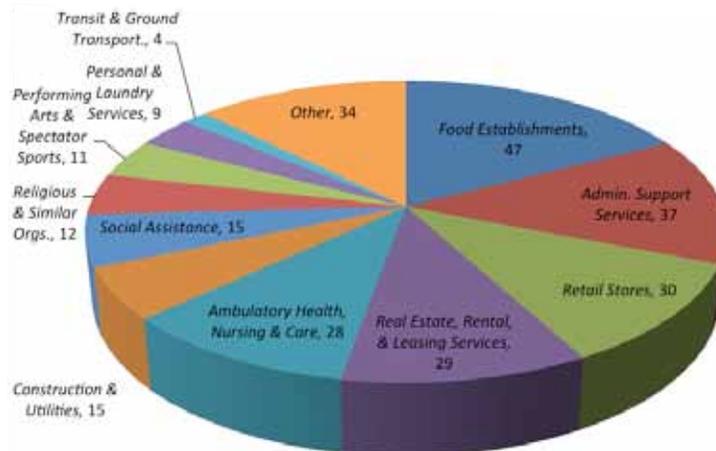
Sources: 2011 American Community Survey 1-Year Estimates and Suffolk County data packaged by IMPLAN Group, LLC, and adjusted to the City of Boston by EDR Group using information from the Massachusetts Executive Office of Labor and Workforce Development

## B. Boston’s Local Industries — Critical to the City’s Prosperity and Stability

269,000 of Boston’s jobs are in its local industries—industries that primarily serve local customers, both businesses and individuals. They are critical to the city’s growth, providing job and career advancement opportunities for individuals at all skill levels. The majority of employees in Boston’s local industries work in food establishments, administrative support services (i.e., management, personnel, clerical), retail stores, real estate, and ambulatory health care. Their employment levels are illustrated in *Figure 4*, and their economic impacts are detailed in Section 2 of the Appendix.

The remaining 91,000 Boston jobs are in government, at all three levels—local, state, and federal. Boston’s role as the state capital and the largest city in New England gives it a large share of state and federal jobs. Its government jobs at all levels provide income, opportunity, and spinoff economic activity across the city.

**Figure 4.** Local Industry Jobs in Boston (in thousands)



Sources: 2011 American Community Survey 1-Year Estimates and Suffolk County data packaged by IMPLAN Group, LLC, and adjusted to the City of Boston by EDR Group using information from the Massachusetts Executive Office of Labor and Workforce Development

## C. The Greater Boston Region — A City and Surrounding Communities That Depend on Each Other

269,000 of Boston’s jobs are in its local industries—industries that primarily serve local customers, both businesses and individuals. They are critical to the city’s growth, providing job and career advancement opportunities for individuals at all skill levels. The majority of employees in Boston’s local industries work in food establishments, administrative support services (i.e., management, personnel, clerical), retail stores, real estate, and ambulatory health care. Their employment levels are illustrated in *Figure 4*, and their economic impacts are detailed in Section 2 of the Appendix.

The result is an economic powerhouse that competes nationally and globally for market shares. The competition of Route 128 and “Silicon Valley” in computer technologies and software is well known, but technology is far from the only industry in which Boston competes. Boston competes with regions around the world that specialize in technology, financial services, health care, life sciences, education, tourism, and culture (not to mention Boston’s favorite pastimes of sports and politics). Some regions compete with Boston on several of those fronts, but few compete on all of them.

Two of Greater Boston’s important competitive advantages are its population density and its extensive transportation connections. Andelene Perkins, CEO of Infinity Pharmaceuticals and David Schenkein, CEO of Agios Pharmaceuticals (based in Cambridge), have noted that Boston’s density is a competitive advantage over the San Francisco Bay Area,<sup>v</sup> since it enables access to a broader base of workers with specialized skills.



In transportation, Greater Boston is fortunate to have an extensive public transit system, a modernized highway system, an international airport and a seaport at the hub of both. As shown in *Table 1*, three million people live within a 40-minute commuting radius of the central business district, a radius that is approximately the same for auto and transit trips (the MBTA commuter map shows that radius from North and South Stations extending to Brockton, Natick, Lowell, and Beverly).<sup>vi</sup> Boston also has the great advantage of its international airport being located close to central business districts, unlike many of its competitors.<sup>vii</sup>

**Table 1.** Proximity of business to the center of Boston.

All Sectors	0 - 10 minutes		0 - 20 minutes		0 - 40 minutes	
Population	121,099		1,046,516		3,086,700	
Total Businesses	14,224		61,406		191,765	
Total Employees	200,597		615,452		1,605,237	
Selected Sectors	Firms	Workers	Firms	Workers	Firms	Workers
Information	391	7,810	1,999	31,265	5,282	76,245
Finance & Insurance	1,207	21,982	2,884	40,994	7,852	78,004
Technology	4,212	41,755	13,203	105,200	40,173	313,508

Source: ESRI Business Analyst, Dun & Bradstreet, Inc.

Greater Boston’s interdependence is also illustrated by the contributions made by those living outside of the city who come into Boston to attend school, visit cultural institutions, shop or attend sporting events. The benefits of those activities flow both ways; surrounding communities have more to offer residents and businesses due to their proximity to Boston.

The lesson of this interconnectedness is clear. Boston and its surrounding communities should work together, on regional issues of common importance, to maximize the region’s competitiveness in the global marketplace. Specific recommendations are provided in the next section.



# III.

## An Agenda for Boston's Economic Future

As 2014 approaches, Boston faces both challenges and opportunities in the drive to enhance prosperity. The city and region compete with cities and metropolitan areas across the country and the world. Many competitors have highly-ranked universities; economic sectors that leverage technologies and educated workers; tourist attractions; and a diversified labor force. Some have more moderate climates than Boston, while others have larger population bases and therefore larger labor forces.



*Right now business is good – in both the sense that it is thriving and it is philanthropic. Private-public partnerships are critical if we want this to continue.*

**Karen Kaplan**  
**President & CEO**  
**Hill Holiday**

For Boston, this means that the city must continue to attract talent from the United States and around the world, assuring that the regional population base has ready access to job opportunities, while at the same time providing opportunities to its resident work force. City policies need to encourage investment in Boston and promote growth-friendly development practices throughout the city.

To achieve those goals, the Chamber recommends four key steps in the areas of regional infrastructure, charter schools, cost competitiveness and business regulation, all outlined below. In the months ahead the Chamber will work with city and other government leaders, and other civic organizations, to advance these policies and strengthen Boston's economy.

## A. Regional Infrastructure

Boston's competition with regions around the world means that the city, its surrounding communities, and its employers need to work together and compete together. Three regional infrastructure projects are critical—the expansion of South Station, Logan Airport nonstop international flights, and Port of Boston improvements.

Leaders in business and local government throughout Greater Boston should work together to advance all three. While the footprint of each project lies within the city of Boston, surrounding communities benefit from and are impacted by them. A regional cooperative effort to advance them will help get them done—and will also strengthen ties between municipal governments and businesses in Greater Boston.

### Expanding South Station

The MBTA does not just connect municipalities to each other; it helps make Greater Boston's economy greater than the sum of its parts. It links residents with jobs, travelers with Logan Airport, students with schools, ticket holders with sporting and cultural events, and more. It does a great deal with a constrained budget, a condition that has recently been addressed. In the summer of 2013, after years of work by leaders in government, business and the broader civic community, Massachusetts passed a transportation finance and reform bill. It addressed critical needs in the state transportation system by ending the payment of operating expenses with capital funds, strengthening regional transit authorities, and closing the MBTA's structural deficit. Those steps, and other efficiency reforms in the bill, create new opportunities to strengthen Greater Boston's transit system.

One critical project the bill makes possible is the expansion of South Station. An expanded South Station will increase rail connections to the west of Boston, to the South Coast, and to Amtrak destinations throughout the Northeast. It will promote expansion of Silver Line services, which connect Boston neighborhoods, employment centers, and Logan airport. And it will facilitate new waterfront development along the Fort Point Channel.

The Chamber recommends that Greater Boston's business leaders and local government leaders work with state and federal officials to secure South Station's expansion. The expansion is a complex project, involving major construction and moving the U.S. Postal Service facility on Dorchester Avenue—but no less important for it. When completed it will transform public transit in Boston, and make new regional connections possible.

Those connections can be accomplished with a variety of transit technologies. The Silver Line's success shows the role that bus rapid transit can play, with calls for its expansion. The upcoming Green Line extension shows the value of light rail, strengthening connections

between Boston, Cambridge and Somerville. Both bus rapid transit and light rail can help advance new longer-range projects, setting the stage for heavy rail connections similar to those on the Red, Orange, and Blue Lines.

In addition, Boston and surrounding municipalities can work in partnership with the business community to foster enhanced inter-city transportation. This effort can utilize both the MBTA and private shuttles, such as those operated by John Hancock and the Longwood Medical Area. The critical role of both the business community and the public sector is to assure that key economic centers in Boston are not choked due to congestion and lack of appropriate access for a workforce commuting from neighborhoods in Boston and surrounding areas. This point was highlighted in interviews conducted with business leaders for this report.



## Logan Airport Nonstop International Flights

Logan Airport serves as the international gateway to and from Boston, as well as all of New England. Since 2009, the total number of travelers flying in or out of Logan annually has increased by almost four million. The busiest international routes in and out of Logan are London, Frankfurt, Paris, Toronto, Amsterdam, Dublin, Rome, Munich, Zurich and Tokyo—major locations for leading industries such as financial services and health care. Logan provides direct (non-stop) flights to international capitals around the world, as shown in *Figure 5*.

**Figure 5.** Direct International Flights from Logan Airport



Graphic Credit: Boston Logan International Airport

International service from Boston is expanding. Massport has announced that direct (non-stop) flights will soon be available from Boston to Beijing, Dubai and Istanbul. This service follows on recently-added direct flights to Tokyo and Panama. Those destinations, economically valuable, also provide connections to other foreign countries (e.g. Dubai to India, Panama to South America). Massport seeks to build on that success by adding direct flights to more international capitals, such as Tel Aviv.

The Chamber recommends that leaders in the business community, local governments, and state government work with Massport to secure those flights, by promoting Boston as an international business center and connecting Boston companies with their global counterparts. All will benefit—the business community through improved access to overseas markets, governments through economic activity that generates new tax revenue, and the community as a whole through a more visible presence for Boston and the region internationally.

## Port of Boston Improvements

The Port of Boston serves as the maritime gateway to Boston and New England. According to estimates by Massport, the Port of Boston handles about 30 percent of the region's inbound waterborne freight. (Much of the remaining waterborne freight arrives at the Port of NY/NJ and is then transported by truck north, resulting in heavy traffic on I-84 and I-90.)<sup>vii</sup> The Boston port principally serves local markets, with 75-90 percent of shipments coming in to the Conley Container Terminal in Boston destined for locations within 100 miles of the City.<sup>ix</sup> Outbound freight is important as well; area exporters ship a wide variety of goods, including paper, seafood, animal skins and scrap metal by boat from Boston to points around the world.

The Port also hosts cruise ships, economic contributors in their own right. Each brings thousands of tourists to Boston who shop in local stores, eat in local restaurants and patronize local retailers. Some embark on tours of Greater Boston and New England, and many return to Boston in subsequent trips. The economic activity generated by cruise ships is important to Boston's hospitality industry.



*Dredging is needed to keep the Port current. Boston has thousands of high paying blue collar jobs because there is a working seaport in the City. A container port is very important for local companies. Other cities are trying to lure blue collar jobs – we should hold on to our share. Another important port industry is fish processing, which provides jobs for Boston residents of all backgrounds.*

**Thomas Glynn**  
**Chief Executive Officer**  
**MassPort**

A key challenge for Boston and other U.S. ports, particularly on the East Coast, will be their ability to handle the large “New-Panamax” cargo ships that will start service as the Panama and Suez Canals are expanded. Many U.S. ports have planned or begun upgrades. In Boston Harbor, navigation channels need to be improved to accommodate New-Panamax ships. As shown in *Table 2*, Boston’s current maximum channel depth is fifth among major U.S. Atlantic Coast ports. Massport proposes to dredge Boston Harbor, a three-year project costing \$300 million. It will require funding from Massport, the Army Corps of Engineers, and the Commonwealth of Massachusetts.

The Chamber recommends that the business community and the new city administration work with Massport to build support, and secure funding for, the dredging project. This effort will require advocacy at both the state and federal levels. Army Corps of Engineers funding, for example, will require Congressional backing. The result will be a port fully competitive with the newest shipping technologies, supporting current maritime-dependent jobs and promoting the creation of new ones far into the future.

**Table 2.** The Port of Boston Ranks 5th in Terms of Depth Among 10 Major U.S. Atlantic Coast Ports

Berths and Vessels	Nominal Maximum Channel/Berth Draft Feet	Estimated Maximum Vessel TEU	2010 Average Vessel TEU	2010 Average Vessel Discharge/Load
NYNJ	50	9,500	4,147	2,186
Baltimore	50	9,500	4,330	1,587
Virginia	49	9,500	4,200	993
Charleston	47	7,500	4,332	1,078
<b>Boston</b>	<b>45</b>	<b>6,500</b>	<b>4,485</b>	<b>1,194</b>
Savannah	42	5,000	4,199	1,553
Miami	42	5,000	3,065	N/A
Deleware River	40	3,500	2,715	1,079
Port Everglades	39	5,000	2,295	951
Jacksonville	37	3,500	3,401	1,893

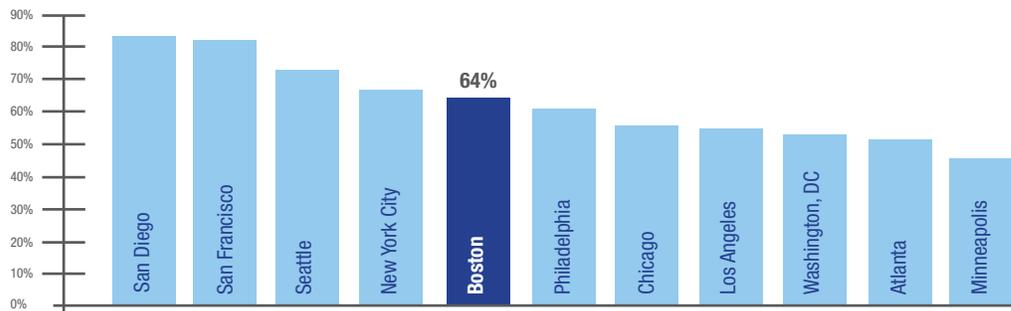
Source: Institute of Water Resources, U.S. Army Corps of Engineers

## B. Charter School Floating Cap

Boston has made progress in strengthening K-12 education. In 1993, the state passed landmark education reform legislation that authorized the Commonwealth's first charter schools. Their success set the state for a 2010 education reform bill that expanded the charter school system.

Compared to similar cities around the country, four-year high school graduation rates in Boston are in the middle<sup>x</sup>. *Figure 6* shows that Boston's graduation rate among the class of 2011 (students who entered school in 2007) was 64 percent. The four peer cities with high school graduation rates above Boston's are among the city's top competitors.

**Figure 6.** Boston high school graduation rates are in the middle of competitor cities



Source: Individual school districts

One of the strongest ways to bolster academic performance in Boston's high schools, and elementary schools as well, is to expand charter schools. In May 2013, researchers from M.I.T. unveiled a new study showing that students at six charter high schools in Boston outperformed their peers in traditional public high schools between 2002 and 2009. This study of 3,474 students, prepared for The Boston Foundation and the New Venture School Fund, found that charter school attendance<sup>xi</sup>:

1. Lifted SAT scores by 100 points in English and 51 points in math, and even more dramatically for special-education students;
2. Significantly boosted state MCAS scores in English and math, with students scoring "advanced" at a much higher rate than peers in district schools;
3. Markedly increased the rate at which special-education students met state competency standards;
4. Caused a marked increase in the likelihood that students would take at least one Advanced Placement exam; and
5. Was associated with a higher rate of four year college enrollment.

Source: Charter Schools and the Road Map to College Readiness: The Effects on College Preparation, Attendance and Choice.

There are close to 17,000 students on waiting lists for Boston charter schools—students who cannot attend charters because the city has now reached the state-imposed cap on charter schools. Legislation authorizing more charter school seats is needed.

The Chamber recommends adoption of a “floating cap” for charter schools, which can provide new charter school seats in locations where demand for them is high. A floating cap would raise the maximum number of charter school seats allowed in districts that have waiting lists above a certain level. A floating cap could be structured in the following way:

- The floating cap would apply to the district’s adjusted waiting list—the number of unique district students on charter school waiting lists, minus the number of seats in district charter schools approved by the state but not yet opened.
- Any district with an adjusted waiting list of more than 300 students would receive a floating cap.
- The floating cap would increase the district’s adjusted waiting list by 20 percent and keep it at that level for at least two years. At the end of two years, if the adjusted waiting list was more than 300 students the cap would be increased again. If the adjusted waiting list was less than 300 students at the end of two years, the cap would remain the same.

This approach (with appropriate modification for regional school districts) allows expansion to occur in phases, allowing school districts to plan for more charters and incorporate them into the system. The 300 student threshold ensures that the floating cap would not be triggered in districts with waiting lists shorter than the number of students needed to open a new school. The adjusted waiting list ensures that newly-authorized charter schools are accurately reflected when calculating the amount by which a cap is raised. The floating cap enables the charter school system to grow in response to demand, without forcing the same ratio of charter school seats on all school districts in Massachusetts.

## **C. Smart Permitting**

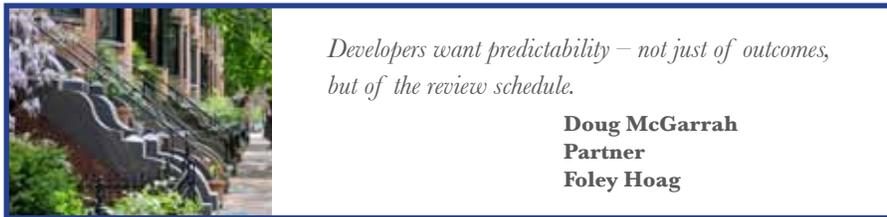
Every year thousands of businesses—small and large, new and established, in every Boston neighborhood and every industry—go through one or more of the city’s permitting processes. Those processes have a major impact on both the city’s quality of life and its economy. Administered well, they promote the growth of businesses and jobs that make Boston a better place to live. Administered poorly, they can cut off growth and set off a chain reaction of civic decline.

The key is not more permitting or less permitting, but “smart permitting”—permit processes with clear schedules that are easy to navigate. Smart permitting does not mean a lowering of standards; it promotes the efficient and accepted adoption of existing standards. It builds confidence in city government and strengthens the climate for new investment.

The Chamber recommends that city agencies follow the smart permitting principles outlined below:

- **Clear schedule:** Permit processes should proceed on a clear, reliable schedule that is comparable in length to Boston’s competitor cities;
- **Enforceable deadlines:** Permit processes should include enforceable deadlines that prevent a review from being stalled at steps prior to the city’s final decision on a permit.
- **Avoid duplication:** Permit processes should avoid duplicative or repetitive steps.
- **Simultaneous review:** When multiple agencies are involved with a project, their reviews should take place simultaneously whenever possible.
- **Economic impacts:** Permitting processes should include a focus on a project’s positive economic impacts, and keep them at the front of the debate about mitigation.

Development review provides examples of how these principles can be applied. The number of projects requiring development review in Boston each year is large, and the numbers of dollars and jobs associated with them are immense. The development review process needs to strike the right balance – reviewing projects and providing opportunities for input, without slowing them down so much that projects never get built or even proposed.



A clear, reliable schedule for development review is extremely important. Developers understand that not every project will be approved. But if the review process is overly long, or its schedule is unpredictable, projects that could make a positive difference for the city will never be put forward. Clear deadlines and mechanisms to ensure that they are met - by developers and city officials alike - can make a major contribution to the city’s growth.

Avoiding duplicative review steps is also important. The odds of duplicative steps increase with the number of agencies and offices involved in the review process—a large number in Boston today. The new administration should consider combining agencies, and/or review steps, as it looks to modernize development review.

Reviewing project impacts is a critical part of the development process. Certain types of impacts, such as those related to transportation or street life, always receive justifiable

attention. Certain other types of impacts, such as new jobs or economic activity resulting from a project, can get lost in the debate. These need to be kept at the front of the debate, especially when mitigation is being debated. A project's positive economic impacts are the best, and usually the largest, mitigation for its other impacts. If a city thinks of development projects as intrusions that need to provide extra benefits to receive approval, it will miss out on thousands of new jobs and new innovations each year.

Smart permitting principles apply to other city agencies just as they do to those in the development process. Whether it's a technology startup, a restaurant, a neighborhood store, or any other business that needs city approval to operate, a clear and predictable permitting process is essential. The city's new Boston Business Hub website, with its Licensing and Permitting Wizard, is a major step forward. Research conducted for this report indicates that cities around the country are putting more and more of their permitting processes online, a trend in which Boston should be a national leader.

## D. Improved Cost Competitiveness

Regardless of their size, industry, or status as a for-profit or non-profit, every employer in Boston is impacted by the city's business climate. All employers compete against peers in the region, and many compete in national and international markets as well. They need a business climate that is stable, competitive and conducive to growth.



*Our biggest problem in Boston is cost competitiveness. We need to pay staff more because Boston's costs are higher, so our bids for work are higher.*

**Anne Bailey Berman**  
**President**  
**Chadwick Martin Bailey**

One of city government's greatest impacts on the business climate is through its taxes on commercial and industrial property, which businesses pay each year.

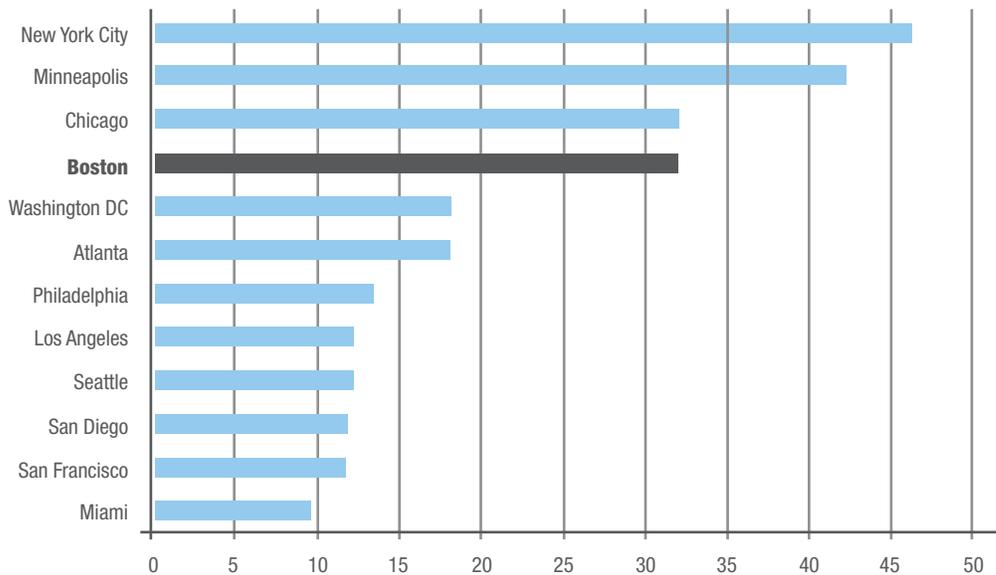
Boston has a high commercial property tax rate, detailed below, which is why Chapter 121A tax agreements and similar incentives are employed to help get location and expansion decisions over the finish line. Many projects would not be built in Boston without those incentives. Cost competitiveness is also important to non-profit employers. They cannot grow without a solid balance sheet, which is why their city-mandated costs such as payments in lieu of taxes (PILOT) should not be overly burdensome.

The Chamber recommends that city and business leaders take steps to make Boston's commercial property tax burden more competitive over time. This can be accomplished by lowering

the commercial property tax rate to bring it closer to the rate in comparable cities, by expanding incentives that mitigate the city’s high rate, or by dedicating some revenues generated by new development to commercial tax relief.

*Figure 7* illustrates the commercial property tax rates for Boston and competitor cities. Only New York, Minneapolis, and Chicago have higher rates than Boston’s rate of \$31.96/mil. (the “mil” rate is the tax rate per \$1,000 of assessed value). Atlanta’s rate ranges from \$17.77/mil in the Fulton County portion of the city to \$18.72/mil in the DeKalb portion of the City. Washington’s rate ranges from \$16.5/mil to \$18.5/mil. Miami, Seattle, and California cities have the lowest effective tax rates of those compared<sup>xii</sup>.

**Figure 7.** Of comparison cities, only New York, Minneapolis, and Chicago have a higher property tax rate than Boston.



Note: Rates displayed for Seattle and Chicago are based on midpoints of ranges \$10.5-\$13.8, and \$4.0 - \$5.9, respectively. Source: Research (cities’ web site reviews and phone interviews) by EDR Group.

*Table 3* shows the property tax for a commercial building valued at \$20 million, without accounting for abatements resulting from economic development programs or incentive packages. As seen, a \$20 million dollar property in Boston would be assessed for almost \$639,200 in property taxes under the City’s current rate.

**Table 3.** A \$20 Million Commercial Building in Boston is Assessed \$639,200 in Municipal Property Tax.

<b>City</b>	<b>Tax Assessment on a \$20 million Commercial Property</b>
New York City	\$925,920
Minneapolis	\$844,466
Chicago*	\$640,000
<b>Boston</b>	<b>\$639,200</b>
Washington DC	\$364,000
Atlanta*	\$362,000
Philadelphia	\$268,000
Los Angeles	\$244,088
Seattle	\$242,829
San Diego*	\$236,540
San Francisco	\$233,820
Miami	\$191,000

Note: Chicago's assessment is a range of \$80,000 to \$118,000, utilizing 2009 data. Seattle's assessment is a range of \$210,198-\$275,460. Atlanta's assessment varies by county, \$355,400 for DeKalb County and \$374,000 for Fulton County. In all three cases the table values represent the midpoint of these ranges. Source: Research by city (web search and phone interviews) by EDR Group and calculations by EDR Group.



# IV.

## Conclusion

As noted earlier in this report, Boston is fortunate to have a diverse economy. The growth of Boston's leading and local industries has helped make the city a magnet for people and ideas over the past twenty years. Their future growth, important to everyone in Boston, is not guaranteed; it depends on actions to be taken in the months and years ahead.

All employers in Boston benefit from its competitive advantages—its talent pool, infrastructure, educational systems, intellectual capital and reputation. Boston must maintain and strengthen those advantages. Cities around the world are improving their capabilities in each of those areas; if Boston does not do the same it will fall behind. Boston must also become more competitive in areas such as business costs and permitting.

The good news is that Boston begins 2014 from a position of strength. The city has seen consistent growth in population, jobs and development over the past two decades. Those gains have increased Boston's reputation around the country and the world. With a shared commitment to work together, the city's government, business and civic communities can make Boston better than it has ever been before. The Chamber will work with business and government leaders to implement the recommendations outlined in this report.



## Appendix

### A. Boston's Leading Industries

The direct economic impact of Boston's leading industries is large, generating \$70.1 billion in sales, of which 72 percent (approximately \$50.5 billion, by value) is from products and services sold to customers outside of Boston. (See Table A1).

**Table A1.** Leading Industries in Boston provide 334,000 jobs and sell \$50.3 billion of goods and services outside the city's borders

Industry Subsector	Employment in 2011	Sales Outside Boston in 2011	Percent of Total Sales Outside Boston 2011
Health Care	89,000	\$10.2 billion	84%
Financial Services	92,000	\$21.7 billion	68%
Tourism*	40,000	\$4.0 billion	100%
Technology	41,000	\$6.8 billion	60%
Professional Services	34,000	\$4.4 billion	65%
Higher Education	38,000	\$3.2 billion	84%
<b>TOTAL</b>	<b>334,000</b>	<b>\$50.3 billion</b>	<b>72%</b>

Source: Suffolk County data packaged by IMPLAN and adjusted to the City of Boston by EDR Group using information from the MA Office of Labor

Note: Employment totals are rounded to the nearest thousand.

The importance of Boston's leading industries comes from their income-generating power. Per job, they return money to Boston far above averages seen across the whole economy. The exceptions to this are tourism and private higher education, whose per worker yields are equal to or lower than national averages. Nonetheless, even these industries play a major role in creating a visibility and quality of Boston that makes the city an attractive location for other, higher-paying industries. At the high end, the financial services and technology sectors yield significantly higher per worker totals in both business sales and labor income than city averages. It should also be noted that biotechnology and software/internet development cut

across industries and yield higher benefits to Boston than even the average of the leading sectors noted in *Table A2*.

The six leading industries listed in *Table A2* account for 48 percent of jobs in the city and more than 60 percent of business sales and Boston income generated in the Boston economy. *Table A2* also shows the per-worker averages of the leading sectors described above in comparison to the Boston economy.

**Table A2.** Average sales per worker in leading industries are \$50,000 higher than the city average

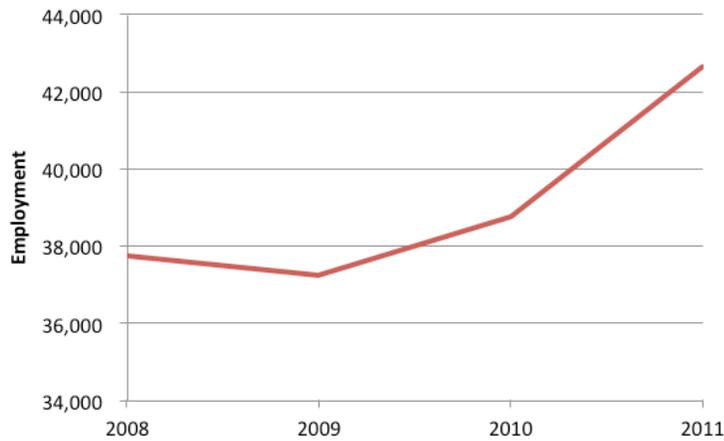
	Average business sales per worker
Average for Boston City Economy	\$175,000
Average for Boston Leading Industries	\$210,000
Health Care	\$150,000
Technology	\$232,200
Professional Services	\$200,000
Financial Services	\$348,000
Higher Education	\$102,000
Tourism	\$99,000

Sources: 2011 Suffolk County data packaged by IMPLAN Group, LLC, and adjusted to the City of Boston by EDR Group using information from the Massachusetts Executive Office of Labor and Workforce Development  
 Note: Sales per worker figures are rounded to the nearest thousand.

## B. Boston’s Local Industries

32 percent of Boston’s 694,000 jobs are in local industries, which have made important contributions to Boston’s employment growth and tax revenue in recent years. *Figure A1* shows that, from 2010-2011, food establishments added close to 4,000 jobs. According to Boston Budget Office data reported by the Boston Redevelopment Authority, that 10 percent employment growth was accompanied by an equivalent increase in meal tax revenue, which totaled \$21.6 million in 2011<sup>xiii</sup>.

**Figure A1.** Boston employment in food establishments has grown rapidly in recent years



Sources: 2011 American Community Survey 1-Year Estimates and Suffolk County data packaged by IMPLAN Group, LLC, and adjusted to the City of Boston by EDR Group using information from the Massachusetts Executive Office of Labor and Workforce Development

Food establishments serve residents, participants in Boston’s workforce who reside outside of the City, and tourists. Specialty food services- a component of the industry that includes caterers and food trucks - added close to 1,000 jobs in Boston from 2010-2011. In recent years city officials have promoted a burgeoning food truck movement, creating a municipal website that maps food truck locations and provides information for prospective vendors (see [www.cityofboston.gov/business/mobile](http://www.cityofboston.gov/business/mobile)). Growth in this sector is supported by average consumer spending levels in Boston that exceed national averages. Relative to a household-based national spending index of 100, Bostonians have a spending index of 114 on food away from home, 123 on alcoholic beverages, and 105 on entertainment and recreation. Boston households spent a total of \$1.9 billion on these items in 2012. <sup>xiv</sup>

With the exception of construction, employment in other major local serving industries grew from the depth of the recent recession in 2009 through 2012 in Boston. Employment for providers of ambulatory health care services increased by 13 percent, while employment in social assistance grew by 12 percent; retail by 6 percent; and real estate by 3 percent. On the negative side, construction employment decreased by 3 percent over this timeframe.

Boston’s two community colleges, in Roxbury (Roxbury Community College) and Charlestown (Bunker Hill), support these local-serving industries by providing custom workforce training programs and certificates in fields including allied health; culinary arts; hotels and restaurants; hospitality; and human services.<sup>xv</sup> These industries supply Boston residents and workers with goods and services. Many firms in these industries sell to Boston’s leading industries, making both sectors dependent upon each other.

## C. Endnotes

- <sup>i</sup> Financial Services includes financial institutions, banking, and insurance.
- <sup>ii</sup> Health care includes hospitals and life sciences firms.
- <sup>iii</sup> Technology includes manufacturing (excluding pharmaceutical manufacturing, which is within health care), computer systems design, and other scientific and technical services not included in the previously defined professional services sector. Note that while the manufacturing sector is relatively small in terms of jobs in Boston, it is almost exclusively a leading sector. The many industries that make up the overall manufacturing sector include biotechnology and medical device products as well as traditional industries familiar to Boston, such as food processing, machining, and textiles.
- <sup>iv</sup> Professional services includes legal, accounting, and architectural services.
- <sup>v</sup> Both are quoted in the BioBeat blog of Like Timmerman, “Watch Out SF, Boston is Turning Into Biotech’s No. 1 Cluster,” 10/8/12.
- <sup>vi</sup> Time-Scale Map of MBTA Commuter Rail found at <http://www.stonebrowndesign.com/boston-t-time-commuter-rail.html>.
- <sup>vii</sup> Reagan National Airport, adjacent to Washington, DC, is not an international airport. The international airports that serve the capital, Dulles International Airport and Baltimore Washington International Airport, are significant distances from downtown Washington, DC.
- <sup>viii</sup> MassDOT. Massachusetts Department of Transportation Freight Plan, 2010, pp. 2-95. <https://www.massdot.state.ma.us/portals/17/docs/freightplan/MAFreightPlanSeptember2010v2.pdf>
- <sup>ix</sup> MassDOT. Massachusetts Department of Transportation Freight Plan, 2010, pp. ES-16. <https://www.massdot.state.ma.us/portals/17/docs/freightplan/MAFreightPlanSeptember2010v2.pdf>
- <sup>x</sup> The four-year graduation rate shows the percentage of students graduating from high school within four years after they enrolled in grade nine (2011 cohort entering school in 2007).
- <sup>xi</sup> See more at: <http://www.tbf.org/news-and-events/news/2013/may/charters-and-the-road-to-college-readiness#sthash>.
- <sup>xii</sup> The effective tax rate is the rate at full market value.
- <sup>xiii</sup> *2013 Economy Report*. January 2013. Boston Redevelopment Authority Research Division. <http://www.bostonredevelopmentauthority.org/getattachment/86038673-b830-4152-9108-3c50978aa69e/>.
- <sup>xiv</sup> Based on forecasts from Esri Business Analyst using 2010 and 2011 U.S. Bureau of Labor Statistics Consumer Expenditure Surveys.
- <sup>xv</sup> See *The Case for Community Colleges: Aligning Higher Education and Workforce Needs in Massachusetts*, November 2011, The Boston Foundation, [http://www.tbf.org/~media/TBFOrg/Files/Reports/CommunityCollege\\_Nov2011.pdf](http://www.tbf.org/~media/TBFOrg/Files/Reports/CommunityCollege_Nov2011.pdf); Bunker Hill Community College certificate offerings at <http://www.bhcc.mass.edu/programsofstudy/certificateprograms/>; and Roxbury Community College certificate offerings at <http://www.rcc.mass.edu/academics/Certificate.asp>.

## D. About the authors

**The Greater Boston Chamber of Commerce** is a broad-based association representing 1,500 businesses of all sizes from virtually every industry and profession in our region. The Chamber works to help Greater Boston-area businesses grow and succeed through strategic networking events, impactful business advocacy, and innovative leadership development initiatives. Our networking events provide opportunities for members to build lasting professional connections, meet prominent business and government leaders, and engage in the issues most relevant to the business community. Our business advocacy efforts are designed to enhance legislative policies that improve the region's business climate and competitiveness, help grow and retain a skilled workforce, and create jobs. Our innovative leadership development initiatives aim to cultivate the region's current and future business leaders through three key programs: the Executive Leadership Institute, Boston's Future Leaders, and the Women's Leadership Program. Through its broad range of activities, the Chamber is committed to making Greater Boston a vibrant and inclusive business community. For more information, visit [bostonchamber.com](http://bostonchamber.com).

**Economic Development Research Group, Inc.** (EDR Group) is a Boston-based consulting firm focusing specifically on applying state-of-the-art tools and techniques for evaluating economic development performance, impacts and opportunities. The firm was started in 1996 by a core group of economists and planners who are specialists in models and tools for evaluating impacts of infrastructure, technology workforce and natural resources on economic development opportunities. The economic development work of EDR Group is organized in terms of five areas: (1) Forecasting economic change and needs, (2) Opportunities assessment, (3) Strategy development, (4) Benefit-cost analysis, and (5) Program evaluation. The firm's work and clients have been nationally recognized for project excellence by awards from the International Economic Development Council, the Northeastern Economic Developers Association and the Government Research Association.