

# 11

S T R A T E G Y E L E V E N

## Focus on Economic Growth

## Summary

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MetroFuture, Metro Boston's 2008 regional plan, provided thirteen comprehensive strategies believed essential to realizing its progressive vision for the region in 2030. What follows is an evaluation of the extent to which the region embraced Strategy #11: Focus Economic Growth. The driving principle of the Focus Economic Growth strategy was robust, sustainable economic growth distributed equitably throughout the region. Many MetroFuture strategies articulate preconditions for growth, such as a well-educated and healthy workforce (Strategies 6 and 7), diverse housing opportunities (Strategy 8), an efficient transportation system (Strategy 12), and coordinated public policy (Strategy 1). The recommendations in Strategy #11 seek to ensure that the growth that results is focused in appropriate locations and that the diverse population of Massachusetts residents benefit from that growth. This includes supporting job creation in smart growth-consistent locations, capitalizing on existing institutions, and supporting small businesses and entrepreneurs.

Since the release of MetroFuture, the state created a variety of incentives and programs to promote job creation in locations served by infrastructure. Growth Districts, Priority Development Areas (PDA), and 40R smart growth districts sought to assist municipalities in planning compactly and stimulating job growth. Through the Workforce Skills Cabinet, the state funded the development of Workforce Regional Labor Market Blueprints to coordinate the work of the regional Workforce Investment Boards. The Executive Office of Housing and Economic Development (EOHED) and Labor and Workforce Development (EOLWD) funded and supported a number of programs. While these are great examples of intentional job growth and development, programs like Economic Opportunity Area Credit (EOA), which do not take location into account, are still being rolled out. MAPC, along with a collection of non-governmental organizations, advised many municipalities on economic development plans that targeted growth in areas that could already support it, which include opportunities for small businesses. Co-working spaces continue to thrive making space more affordable for small businesses. Also, the state supports incubators, providing capital and networking to those supporting startups and entrepreneurs.

The state was largely supportive of existing institutions, especially in the medical and education sectors. Medical institutions partnered with community colleges to make employment pipelines more efficient. Universities took advantage of state and city programs to spin out startup companies in the Boston area. The Boston Chamber of Commerce, in partnership with Eastern Bank and others, are supporting women and minority owned businesses in pursuing contracts with medical and university anchor institutions.

The state offered a variety of programs to support small businesses and entrepreneurs, offered through the Massachusetts Office of Business Development, the Executive Office of Housing and economic development through the MA Downtown Initiative, Mass Growth Capital, MassEcon, MassVentures, and the Mass Office of International Trade &

Investment. While many state programs exist to support small businesses, limited funding restricts the amount of entrepreneurs that can participate. Businesses also report being confused about the array of programs. Lastly, affordable retail/office space in the Greater Boston continues to be very hard to find for small businesses.

In the ten years since MAPC wrote Strategy #11, new concepts have developed. The Blueprint, a regional workforce skills planning initiative is a recent and promising vehicle for increasing employment in prominent occupation areas like health care and tech where the barriers of entry tend to be higher. Municipalities are in the process of developing regional workforce development strategies. Somerville and Boston have municipal level workforce development programs, Somerville's having just started in 2017. Lastly it will be important to track the success of prospective or impending large-scale commercial developments like GE, Amazon, and Encore Casino. Co-working spaces continue to thrive making space more affordable for small businesses.

## **Sub-Strategy Review**

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### **Sub-Strategy A: Create jobs in MetroFuture-consistent locations**

#### **EXAMPLES OF PROGRESS:**

- The Patrick Administration, via the EOHEd, created a Growth District<sup>1</sup> designation where EOHEd would work with the community to make the district “development ready” with respect to local permitting, state permitting, site preparation (including brownfields remediation), infrastructure improvements, and marketing. Twenty-three communities took advantage of the program, most doing so in 2008. The Baker Administration did not continue the program.
- Chapter 43E Expedited State Permitting Program (2006) and Chapter 43D Expedited Local Permitting Program (2006) promotes a streamlined and time sensitive review process, which makes development more predictable and therefore more attractive to developers.
  - According to state data<sup>2</sup>, the number of sites using 43D dropped precipitously from an average of 55 per year between 2007 and 2009 to an average of 3 per year since. The state website notes fourteen total 43 E sites.
  - Within the MAPC region, up to and including 2008 there were thirteen 43D Expedited Local Permitting communities. From 2009 to the present, there have been nine additional 43D communities.
- Chapter 40R, Smart Growth Zoning Overlay Districts, were codified in 2004 and encourage communities to create denser residential or mixed-use smart growth zoning districts, including a high percentage of affordable housing units, to be located near transit stations and in other areas of concentrated development. From 2006 through the beginning of the recession the state created seven districts per year, which included zoning for 2600 units. From 2011 to 2017 the yearly average

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1 <http://www.mass.gov/hed/economic/eohed/pro/gdi/>

2 <http://www.mass.gov/hed/economic/eohed/pro/zoning-and-permitting/43d/chapter-43d-communities.html>

fell to 3 new districts and zoning for 730 units per year.<sup>3</sup> In 2017, DHCD approved five districts, the most since 2010.

- In 2016, legislation created a new 40R category for smaller, single-family homes on smaller lots (Starter Home Zoning Districts). There have been no proposals to create such a district at this point.
- In September 2010 the MassWorks Infrastructure Program was created to provide a one-stop shop for municipalities and other eligible applicants seeking public infrastructure funding to support economic development, housing creation, and roadway safety improvements in rural communities. This has streamlined economic development and multifamily housing funding as well as incentivized applicants to meet a variety of smart growth targets including:
  - 50% in support of projects consistent with regional land use and development plans;
  - 50% in support of developments that contain a mix of residential and commercial uses, with a residential unit density of at least four units to the acre;
  - 50% in support of development in Gateway Cities;
  - 67% in support of developments located within one-half mile of a transit station;
  - 80% in support of developments that are re-using previously developed sites; and
  - 100% in support of housing (or mixed use including housing) be in support of developments with a residential unit density of at least four units to the acre.
- In 2017, MassDOT issued its first TOD policy around disposition and development of public parcels in station areas, which seeks to stimulate compact growth in transit-served locations, including affordable units.
- The 2014 Economic Development Bill authorized the [Transformative Development Initiative](#) (TDI) to be managed by MassDevelopment. TDI provides:
  - Technical assistance for professional services, community-building place-making projects, and a fellows program through which a MassDevelopment employee is embedded in and works with a TDI District's local partnership.
  - Equity investment program through which MassDevelopment makes equity investments in real estate within TDI Districts.
  - Business growth tools program that supports collaborative workspaces.
- EOHEd's Urban Agenda grants offer flexible funding to support creative local partnerships in select municipalities. The program is for neighborhoods across Massachusetts that have developed partnerships that leverage existing economic assets, target specific workforce populations, define their economic development and quality of life goals, and deliver on those goals.

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<sup>3</sup> <https://www.mass.gov/doc/40r-districts-activity-summary/download>

- **Workforce Skills Capital Program:** Provides funding for the purchase and installation of equipment and any related improvements and renovations necessary for installation and use of such equipment to support vocational and technical training to upgrade and expand career technical education and high quality career pathway programs that are aligned to regional economic and workforce development priorities for in-demand industries.
- The **Advanced Manufacturing Training Program** provides funding to qualifying consortiums to develop, coordinate, and maintain comprehensive manufacturing workforce development systems. Regional systems will provide workforce development services in advanced manufacturing, such as recruitment, job training, placement activities, and supportive services. The program focuses on providing training to unemployed and underemployed individuals, and underrepresented populations including: veterans, minorities, and women.
- The **Community Compact Program** is a voluntary, mutual agreement between the Baker-Polito Administration and individual cities and towns. In a Community Compact, a community agrees to implement at least one best practice that they select from across a variety of areas, with several connecting to Economic Development. For example, a municipality could commit to creating an Economic Development Plan that engages diverse stakeholders, leverages local and regional economic strengths and assets, encourages innovation and entrepreneurship, and/or promotes workforce development planning and implementation. And the state provides funds or technical assistance to make it happen.
- The **Massachusetts Technology Collaborative** supports advanced manufacturing projects and discovery centers, advancing innovations and job growth within the state through cross-collaboration among companies, universities, national labs, government, incubators and other academic and training institutions. These projects specifically support projects from the federal Manufacturing USA program.
- The **Workforce Training Fund Program** administered by Commonwealth Corporation provides resources to Massachusetts businesses to fund training for current and newly hired employees.
- **Mass Development Finance Agency's Site Readiness Program** aims to boost the Commonwealth's inventory of large, well-located, project-ready sites; accelerate private-sector investment in industrial and commercial projects; and support conversion of abandoned sites and obsolete facilities into clean, actively-used, tax-generating properties
- **Economic Opportunity Area Credit, now the Economic Development Incentive Program (EDIP)** sought to stimulate the economy of distressed areas. While positive, it would have been even stronger if it took into account locational criteria of the Sustainable Development Principles.

## BARRIERS TO PROGRESS:

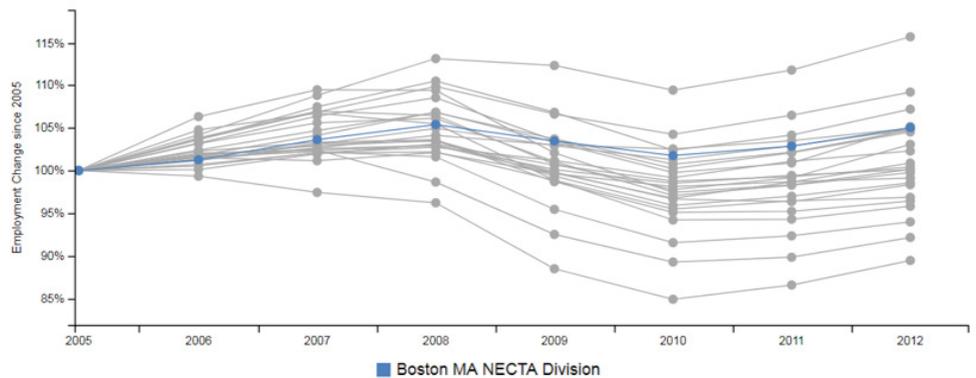
- While many programs focus their investments in smart growth-consistent locations, others solely focus on job growth regardless of location. To re-invigorate existing centers, conserve open space, and maximize options for public transportation, all state economic development programs should focus in investments in appropriate locations.

## RELEVANT INDICATORS<sup>4</sup>:

- Total jobs in Metro Boston firms have increased by 5.7% since the depths of the Great Recession in 2009. In 2013, Metro Boston hit 2,417,000 jobs, finally inched above the previous peak in 2001. When the Recession hit, Metro Boston's job market had not yet fully recovered from the losses sustained during the recession of the early 2000s, in the wake of the dot-com bubble of the late 1990s and early 2000s. Fortunately, the Metro Boston economy has proven more resilient in recent years than the labor markets of most other major metropolitan areas. Since 2005, employment in the region grew by 5.0%, fifth-highest over that period among the twenty five U.S. metropolitan areas with the most employment. Only Houston, Dallas, Seattle, and San Francisco metropolitan areas grew more since 2005. Job recovery after 2009 was particularly pronounced in businesses located in the Developing Suburbs, with an increase of 8.1% between 2009 and 2013. Job growth over this time in the Inner Core was 6.3%, in Regional Urban Centers it was 4.3%, and in Maturing Suburbs it was 4.6%. Over 40% (57,000) of the jobs added in Metro Boston since 2009 were added in Inner Core municipalities.

Figure 1: Employment Change in US Metro Areas (2005-2012)

Source: [http://www.regionalindicators.org/topic\\_areas/1#job-growth-by-sector](http://www.regionalindicators.org/topic_areas/1#job-growth-by-sector)



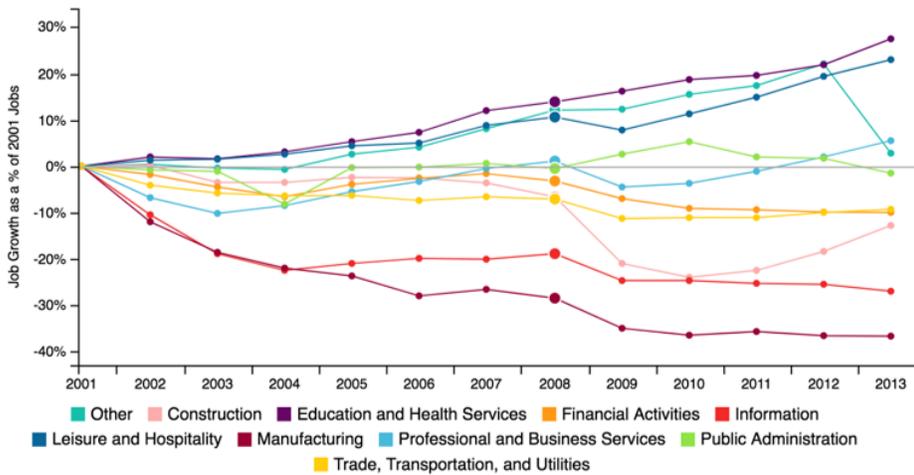
- It is clear that certain industries are leading the way when it comes to economic growth in Metro Boston. The Education and Health Services sector posted year-over-year gains almost continuously between 2001 and 2013, adding 137,000 jobs for an increase of 27.5%. Leisure and Hospitality was close behind at 23% growth (adding 45,000 jobs). Nearly every industry was affected to some degree by the Great Recession, though some recovered faster than others. The Leisure

<sup>4</sup> While not directly tied to the success or failure of a sub-strategy, indicators show how the region has changed in the face of the aforementioned actions or inactions.

and Hospitality, Professional and Business Services, Education and Health Services, and Construction industries all added jobs between 2009 and 2013. Meanwhile, Manufacturing, Financial Services, and Information continued to slide. These trends are generally consistent with national patterns, though the region's rate of employment recovery was slightly faster than the nation overall.

- While Metro Boston had slightly positive overall job gains between 2001 and 2013, job numbers in many individual industries declined over that period, especially in goods-producing industries. Manufacturing lost 95,800 jobs (37% decline) and Construction lost 13,800 (13% decline). The service sectors were not immune to job losses either, however: Financial Activities (10% decline), Information (27% decline), and Trade, Transportation, and Utilities (9% decline) sector employment all declined during this period.

Figure 2: Job Change in Metro Boston Firms by Industry (2001-2013)  
 Source: [http://www.regionalindicators.org/topic\\_areas/1#job-growth-by-sector](http://www.regionalindicators.org/topic_areas/1#job-growth-by-sector)



- A higher share of jobs in the Metro Boston, compared to the top 25 MSAs and the US overall, are occupied by employees with a bachelor's degree or higher. Though nearly 64% of all Metro Boston clean tech jobs are considered green collar, or occupations paying mid-level wages, this is lower than the national average, and the region ranks 20th in green collar jobs share out of the top 25 MSAs.
- And employment in the cluster of creative occupations accounts for 2.8% of total employment within Metro Boston, 5th among the top 25 metropolitan areas by employment. Boston also ranks 5th in terms of how much the creative sector earns relative to the overall workforce. The average earnings among creative cluster workers is 3 times the overall average salary in the Boston region, behind only New York, Los Angeles, San Francisco, and Washington D.C.

Figure 3: Trending Industries and Work Force Opportunities  
 Source: [http://www.regionalindicators.org/topic\\_areas/1#innovation-and-local-economies](http://www.regionalindicators.org/topic_areas/1#innovation-and-local-economies)



## Sub-Strategy B:

### Capitalize on existing medical and educational institutions

#### EXAMPLES OF PROGRESS:

- In 2008, the Patrick Administration passed the Act to Promote Cost Containment, Transparency, and Efficiency in the Delivery of Quality Health care, which established the [Health Care Workforce Center](#), to assure optimal supply and distribution of primary care and other health professionals.
- The [Commonwealth Corporation](#) has continued its history of strengthening the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education, and workforce organizations.
- Massachusetts received a grant from the Robert Wood Johnson Foundation to advance the work of increasing the percentage of the RN workforce who hold a Bachelor of Science in Nursing (BSN) or above. As part of this initiative, the Department of Higher Education established the [Nursing Education Transfer Compact](#) (NETC) Working Group to create a seamless, cost effective, timely and transparent pathway for students to progress from community college Associate Degree in Nursing (ADN) programs to the BSN degree at a state university or UMass.

#### BARRIERS TO PROGRESS:

- Experts report that community colleges are not incentivized to partner. Partnering around economic development outcomes could create more resources for students and further their chances of becoming employed.

## Sub-Strategy C: Support small businesses and entrepreneurs

#### EXAMPLES OF PROGRESS:

- Community Development Capital Program (2016): EOHED and Mass Growth Capital Corp (MGCC) provide matching grants to eligible non-profit lenders including Community Development Financial Institutions (CDFIs) and Community Development Corporations (CDC), which enable these community based organizations to leverage federal and/or private funds for the purpose of extending credit to small businesses.
- In FY2017, EOHED and MGCC awarded grants of up to \$250,000, to eligible nonprofit community-based lenders. Funding is subject to appropriation. MassDevelopment is playing this role statewide. The Community Development Capital Program seeks to increase the flow of capital into Massachusetts's small businesses. MGCC also expanded their loan programs to include micro-loans as well as contract-based financing for small businesses doing business with anchor institutions.

- EOHED through MODB created Regional Economic Development Organizations that support regionally based efforts to nurture and facilitate economic growth and prosperity in the Commonwealth including, but not limited to, the identification of regional competitive strengths challenges and opportunities, support of small businesses, and regional cluster development strategies.
- Expanded access to appropriate technical assistance that supports small businesses and entrepreneurs:
  - Colleges across the Commonwealth now offer courses that support small businesses and entrepreneurs.
  - MAPC's partnership with the Community Business Clinic at NU School of Law is now doing this, as well as the Immigrant Resource Center, and others.
- The [Collaborative Workspace](#) program administered by the MassDevelopment Finance Agency is designed to accelerate the pace of new business formation, job creation, and entrepreneurial activity in communities, by supporting infrastructure that fuels community-based innovation. Eligible collaborative workspace applicants may apply for either Seed Grants for predevelopment and feasibility work, or Fit-out Grants for building improvements and equipment purchases.
- The MA Downtown Initiative (DHCD) provides small grants to municipalities to improve their downtowns through market analysis, small business technical assistance, and other initiatives.
- The State also provided Seaport Economic Council Grants Administered by the Executive Office of Housing and Economic Development that offer flexible funding to empower communities to bring forward the best ideas and projects for cultivating and stimulating the maritime economy.
- Entrepreneur-In-Residence Program Administered by MassTech Collaborative: In partnership with UMass Boston, the Global Entrepreneur-in-Residence program helps international entrepreneurs stay in the U.S. and continue to build their startup companies. UMass acts as the "sponsor" for filing cap-exempt H-1B petitions, enabling the entrepreneur's start-up company to apply for the entrepreneur's work authorization, and ultimately will allow the company, and new high-skill jobs, to grow here in Massachusetts.

## RELEVANT INDICATORS:

- Small businesses are an important component of the regional economy because they form the heart and soul of many local business districts. Almost all start-ups pass through a small business phase before growing to scale. There is no official definition of a small business, but it is reasonable to define them by number of employees. Here we define small businesses as those with 5-99 employees, and micro businesses as those with fewer than 5. Micro and small businesses each account for 4.4% and 26.7% of employment in the Boston metro area, and 3.6% and 22.0% of total compensation, respectively. By comparison, large firms with over 500 employees account for nearly 55% of total employment and over 61% of total compensation.
- The share of employment in small businesses in the Boston metro area is consistent with other major metro areas. Small business employment has hovered between 25% and 33% of total employment in each of the ten largest MSAs every year from 2003 to 2011. Employment in micro, small, and mid-size businesses declined between 4 and 7% from 2003 to 2011. Large businesses were the only firms to see employment rise over the period, increasing over 5%.
- Employees in large firms are compensated at 12% above the regional average, while those in micro and small businesses are compensated at 18% below the regional average. Between 2003 and 2011, average wages fell by 2.5% for micro businesses, and remained unchanged for small businesses. By comparison, wages at mid-sized businesses grew 2.2%, and at large businesses they grew 11.6% during this time.
- These trends suggest that small businesses are having a difficult time in Metro Boston—unable to take advantage of the boom years preceding 2008, and also slow to recover from the Great Recession. More assistance and supports are clearly needed if growing small businesses are a key policy priority.

Figure 4: Small and Micro Business Economy  
Source: [http://www.regionalindicators.org/topic\\_areas/1#small-and-micro-businesses](http://www.regionalindicators.org/topic_areas/1#small-and-micro-businesses)

