



THE DEVELOPMENT OF ASSEMBLY SQUARE: A STUDY
OF ECONOMIC PLANNING IN SOMERVILLE, MASSACHUSETTS

by

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ABSTRACT

Assembly Square emerged out of the contraction of Somerville's manufacturing base and the growth of the Northeast service economy. Formerly called the Mystic River Area, the site once hosted both a Ford Motor Company Assembly Plant and the food processing and warehousing operations of First National Stores. Ford closed its Somerville operations in 1958, and First National announced it would move in 1977.

Developers immediately began eyeing the River Area for commercial use. The newly constructed Interstate 93 placed the site ten minutes from Boston's Central Business District by automobile; and made it a potential retail location easily accessible to suburban cities in the vicinity. By 1978, the Urban Development Action Grant program was available to fund the local access and internal circulation improvements necessary to facilitate commercial development.

Somerville officials wanted to balance commercial growth with reindustrialization. However, traditional manufacturing was declining in the region. Promotion of industrial development countered prevailing economic trends, and reliable investors could not be secured.

The Assembly Square Mall and Office Park, named after the Ford Plant, opened toward the end of 1980, aided by a package of public-private development instruments. Benefits to Somerville, defined by employment; property taxes; effects on city commerce and development, to date are fair but not exceptional. Above all else, Assembly Square is important to Somerville because it was the first modern development built in the city, and is the potential foundation of a diversified local economy.

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CHAPTER I
INTRODUCTION

In November, 1982, planners who served three diverse Somerville mayors praised the office and retail complex developed at Assembly Square as an outstanding achievement for the city. Like many traditional manufacturing cities in Massachusetts, the industries which underscore the Somerville economy have been declining for a generation. Since 1969 a public policy goal of the current and previous two mayors of Somerville-- S. Lester Ralph, Thomas August, and Eugene Brune--has been to foster commercial development, and integrate the city into the new regional economy. In this regard the Assembly Square Mall and Office Park, developed between 1978 and 1981, is the showcase of Somerville, and represents six years of work by city planners to promote the image of Somerville as a forward-looking city. Assembly Square proved that Somerville can attract major investors and build ambitious projects; it was a positive step towards burying the lingering reputation of a seedy "Slumerville."

The efforts to make Somerville an attractive environment for first-class investors and developers are being threatened by scandal too reminiscent of the history of corruption in the city. From February, 1984, Assembly Square has been the focus of a United States Grand Jury investigation, including publicized subpoenas; and rumors of bribery, extortion, and kickbacks. Officials of the current administration of Mayor Eugene Brune fear that quality developers will shy away from doing business

in the city, leaving Somerville to "bottom of the barrel" investors.¹

To date neither officials nor activities of Brune's government have been implicated by the probe. If corrupt institutions in the city are uprooted by the investigation, Somerville may overcome this latest tarnish to its image. Then, the development strategy which began with Assembly Square can succeed or fail on the objective locational factors and development opportunities found in Somerville.

Assembly Square as a Product of The National Economy

To understand why Assembly Square was developed it is necessary to examine Somerville in the context of general industrial decline. The retail and office development is a product of contemporary trends in the national and regional economies, including the shifting relationship between central cities and their suburban rings. The story of Assembly Square begins in the mid-1920's, when the site was called the Mystic River Area of Somerville. Ford Motor Company built an automobile assembly plant by the river, and First National Stores established its corporate headquarters, food processing operations, and warehousing center on a parcel adjacent to Ford.

Anchored by the Mystic River Area, Somerville became a major industrial center in New England. The city retained its manufacturing base into the 1950's. However, the national economy began to change in that decade. Manufacturing employment has become a progressively smaller part of the United States's economy and Northeast industries are an increasingly smaller proportion of domestic manufacturing.

¹Telephone interview with Thomas Pelham, Director of the Office of Planning and Community Development, Somerville; March 9, 1984.

In 1946 41% of private sector employment in the United States was in manufactures, and an equal 41% was in service related industries. As a share of the private economy, manufacturing employment fell to 38% in 1957; 29% in 1977, the year Assembly Square was proposed; and preliminary 1983 data pegs the manufacturing at 25%. During the same period service employment has ballooned to 61% of the private sector through 1983.² Of the manufacturing sector retained in the United States, trends clearly show a job flow from the Northeast to other regions of the nation. Bureau of Labor Statistics employment data reveal that the Northeast region (defined as New England and the Mid-Atlantic states) sustained a 10.8% decrease in manufacturing jobs between 1950 and 1981. Further examination shows that this sector was stable into the middle 1960's before the decline began. All other broadly defined regions in the country--North Central, South, and West--have increased manufacturing employment. As might be expected, the overall growth in North Central states has been modest, 11.6% since 1950 and 7.4% from 1960-1981. However, since 1950 the West and South have more than doubled their manufacturing sectors.³

Aided by federal highway construction, dramatically increased population mobility, and the advent of national capital markets, the Southern and Western economies have matured. Investment has been attracted

²United States Department of Labor, Bureau of Labor Statistics, Employment and Earnings, February, 1984, p. 45.

³George Sternlieb, et al., Demographic Trends and Economic Reality: Planning and Markets in the 80's, (Rutgers University, 1982), p. 116; and Bernard L. Weinstein and Robert E. Firestone, Regional Growth and Decline in the United States: The Rise of the Sunbelt and the Decline of the Northeast, (New York: Praeger Publishers, 1978), pp. 16-18, 23-43.

to these regions generally by lowers costs of land, energy, and (much less unionized) labor at the expense of the developed Northeast. The growing industrial base, in turn, has fueled additional infrastructure investment and population migration from northern states.

Regional differences are equally clear when the rings of Standard Metropolitan Statistical Areas (SMSAs) are examined. By excluding central cities, we are able to form a precise regional and national economic context for urban suburbs such as Somerville. H. J. Brown, Ruby Phillips, and Avis Vidal analyzed the economies of the 50 largest SMSA's in the United States between 1967 and 1977.⁴ Their study is unique because they both stratified SMSA's by central city and rings (also done in studies by John Kain and Arthur Soloman), and they cross-stratified their analysis by regions. Employment trends show significant gains in all parts of this country in the ten-year period, 38% in the Northeast; 57% in the North Central; 97% in the South; and 61% in the West. The study also shows a clear flow of jobs from central cities to surrounding rings in all regions. However, the only economic sector in any ring to show a net employment loss is manufacturing in the Northeast. The rings of Northeast SMSAs sustained a net decline of 85,000 manufacturing jobs between 1967 and 1977, or 6%. In 1967 48% of employment in Northeast SMSA rings was in manufacturing, ten years later the proportion fell under 33%.

⁴H. J. Brown, Ruby Phillips, and Avis Vidal, Growth and Restructuring of Metropolitan Economies: Decentralization and Industrial Change During the 1970's, Unofficial Working Paper of the MIT-Harvard Joint Center for Urban Studies (Cambridge, MA: October, 1983).

The study of Brown, et al., shows that growth in all sectors of the private economy has been much larger in rings than in central cities in the Northeast. Services are being generated in the suburbs which traditionally were provided in urban centers. For example, Finance, Insurance and Real Estate (FIRE) services increased 153% in the rings, and declined 2% in central cities. Similar patterns are found in the sectors of services, retail trade, and wholesale trade. Two related reasons can be assigned to these trends. First, as people have moved out of central cities, services have located in the new population pockets. Second, the role urban rings as the outlying manufacturing areas of central cities has been changing as national and regional economies are restructuring. Ring areas are diversifying their economies as a means of economic development.

The economic trends of the Northeast can be focussed onto the metropolitan Boston region, comprised of five counties: Essex, Norfolk, Plymouth, Suffolk (including Boston), and Middlesex (including Somerville). This region is not the SMSA but, according to the Research Department of the Boston Redevelopment Authority, is a fairer representation of the Greater Boston labor market.⁵ Examining "low-tech" manufacturing in industries traditional to the Boston area leads to the conclusion that the old metropolitan manufacturing base is dying. During the 1969 to 1980 period, food and kindred products lost 36% of its employment; apparel fell 28%; and losses are observed of 24% in rubber and plastics, and 54% in leather. In the overall metro economy, this trend has been counterbalanced by high

⁵Conversation with Jeffrey P. Brown, Research Department, Boston Redevelopment Authority.

technology industries, including computers; optical instruments; and many other technological goods.⁶

In sum, the metro economy expanded 22.5% between 1969 and 1980. Economic growth was paced by services, particularly business and health services, which grew by 64%, while employment in retail trade and FIRE each increased 21%. As the economy has evolved, services and manufacturing have been running on opposite tracks. In 1969, services accounted for 22% of the Greater Boston economy and manufacturing for 34%. By 1980 the manufacturing share--including high tech industries--fell to a 22% share and services captured 31%.⁷

The national and regional growth of service industries set off an office and retail boom in downtown Boston. Between 1960 and 1983 \$3.1 billion was spent on commercial construction in the Central Business District, including 45 new office buildings, 14 new hotels, Faneuil Hall/Quincy Market, and Copley Place. Furthermore, demand will exist for an additional one million square feet of office space in Boston for the next five years.⁸

The development of Assembly Square in Somerville is a product of the above described trends. Named for the former Ford plant, it is an explicit attempt to create an export commercial sector to replace the city's

⁶ Brown, Jeffrey P., Boston Business Trends: Suffolk County, the Metro Area, and the United States, Boston Redevelopment Authority, Boston, MA, December, 1982; p. 51.

⁷ Ibid.

⁸ The Boston Conference: A City and Its Future; April 10, 1984.

declining manufacturing base. The 210,000 square foot office building competes with the nearby Central Business District (CBD) for firms which may be enticed by lower rents. The retail mall is aimed at capturing trade immediately north of the CBD from potential customers who are inconvenienced by shopping downtown. In effect, Assembly Square is a trail blazer as Somerville's first modern retail and office complex, and its most important public-private venture to date. This report will examine the economic and political changes in Somerville which created both the need and opportunity to build this mixed-use complex. It also will explore the evolving nature of economic development in the city, concentrating on planning for Assembly Square. Finally, the economic impacts of the development will be surveyed and evaluated.

CHAPTER II

THE ECONOMIC BACKGROUND OF SOMERVILLE: 1947-1977

In the decade after World War Two, manufacturing was the backbone of a strong Somerville economy. Manufactures comprised 38% of employment in Somerville in 1947 and 35% in 1955.⁹ Manufactures are "primary" or "export" industries which produce goods for markets beyond city boundaries or local areas. These industries create an inflow of income, and stimulate demands for goods and services among primary industries and their employees. This demand, in turn, sparks economic activities within secondary and service industries. In the first decade following the war, Somerville's key primary manufacturing industries were Food and Kindred Products, and Transportation Equipment. With the advantage of excellent railroad connections and relatively low cost freight charges, fine roadway connections, and proximity to Boston, secondary industries in the city included warehousing and distribution, transportation, and wholesale trade.

In December, 1926 when Ford opened its automobile assembly plant, the Mystic River was the major locational lure. The Company used water transportation for incoming raw materials and outgoing shipments of

⁹Community Renewal Program, Economic Analysis: Plan of Development, Somerville, MA; The Planning Services Group, Inc.; Cambridge, MA; May 19, 1968, p. 16.

vehicles.¹⁰ Satisfied with its Somerville location, Ford invested \$500,000 to expand its factory during the depression in 1937.¹¹ In addition, the rail and road connections at the Mystic River Area lured First National Stores to the site. Between 1926 and 1930, First National invested roughly \$5,000,000 in the River Area.¹²

The changes in the Somerville economy are fully consistent with post-war national and regional trends. Table 1 illustrates Somerville's declining manufacturing base between 1947 and 1966, while Table 2 presents an overview of the city economy from 1967 through 1982. It is easy to observe the downward spiral of manufacturing in Somerville. In 1947 manufactures provided 39% of private sector employment in the city. By 1982 the manufacturing share was 21%, and it had dipped as low as 19% in 1976 and 1977.

The disinvestment in Somerville's industrial plant is seen more sharply by studying the de-evolution of Food and Kindred Products and Transport Equipment manufacturing in the city. In 1947 and 1955 they accounted for 21% of Somerville's employment base and 55% and 59% respectively of manufacturing jobs in the city. Food processing firms employed 2753 people in 1947, and this level has declined steadily to under 1,000 by 1966.¹³ In the early 1950's, First National, the largest single

¹⁰ Somerville Journal, February 27, 1958; p. 11.

¹¹ Ibid.

¹² Somerville Journal; April 18, 1930; p. 1.

¹³ The Census of Manufactures, published by United States Census
(Footnote Continued)

TABLE 1

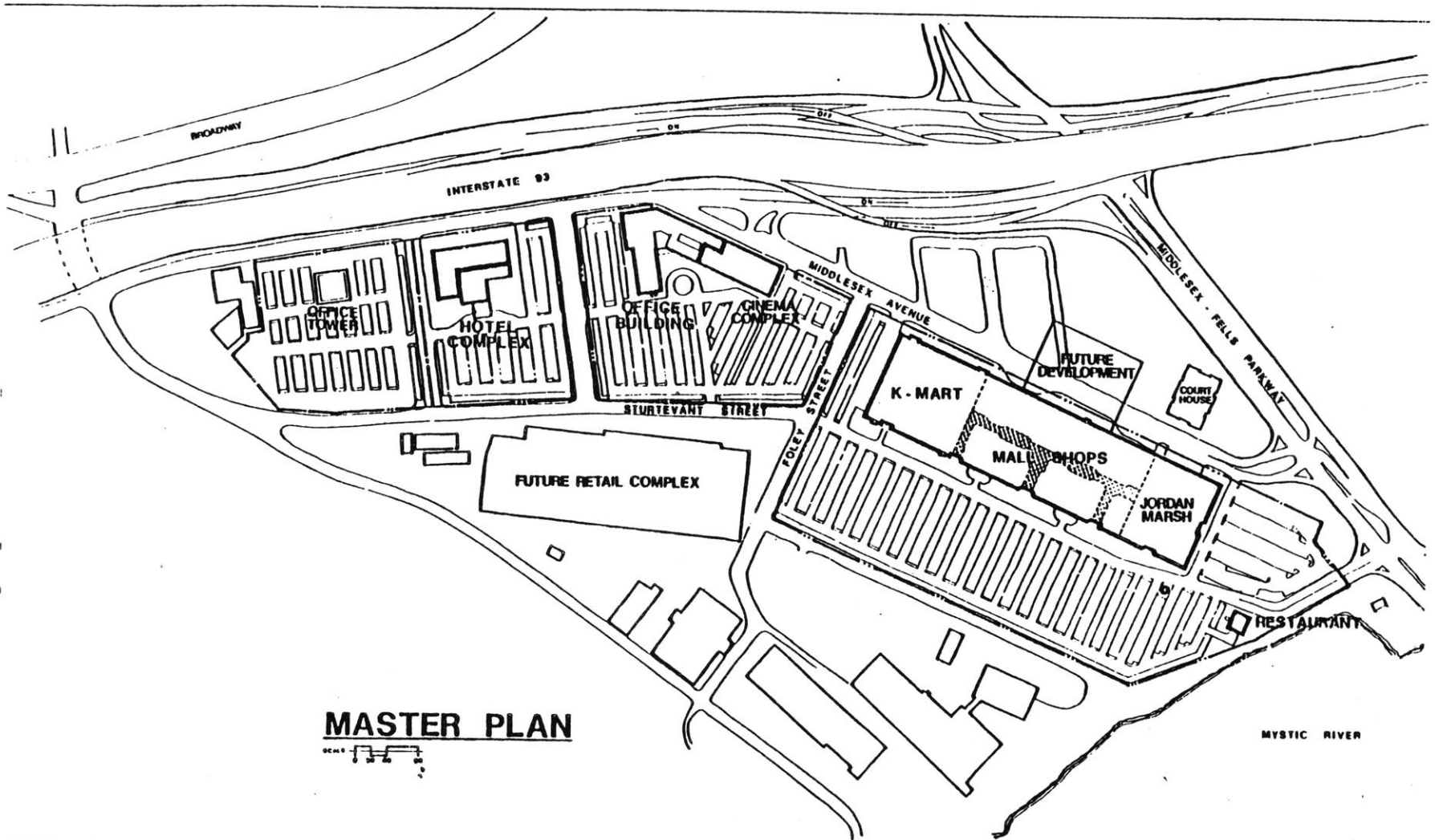
Manufacturing and Key Industries as a Percentage
of Private Sector Employment in Somerville

	<u>1947</u>	<u>1955</u>	<u>1963</u>	<u>1966</u>	% D <u>1947-1966</u>
Total Private Employment	20,444	21,861	17,688	17,350	-11.2%
Manufacturing Employment	7,742	7,734	4,763	4,319	-44.2%
% of Total	37.9	35.4	26.9	24.9	
Food and Kindred Products 2,753	2,660	1,653	973		-64.7%
% of Total	13.5	12.2	9.3	5.6	
Transportation Equipment	1,518	1,898	148	183	-87.9%
% of Total	7.4	8.7	0.8	1.1	

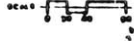
Source: Community Renewal Program, Economic Analysis: Plan of
Development, Somerville, MA; The Planning Services Group, Inc.

(Footnote Continued)

Bureau, lists 1,400 Food and Kindred Products employees in 1967; and 1,000 in 1972. By 1977, the sector had less than 450 employees in Somerville, and therefore was not listed in the Census of that year.



MASTER PLAN



NOTICE
 NOTICE TO THE PUBLIC
 NOTICE TO THE PUBLIC
 NOTICE TO THE PUBLIC

DATE	DESCRIPTION

Assembly Square
 Somerville, Massachusetts
 East Bay Development Corp.



RICHARD L. BOWEN AND ASSOCIATES INC.
 13124 SHAKER SQUARE, CLEVELAND, OHIO 44120-2167/491-9300




TABLE 2

Jobs in Somerville
Average Annual Employment

<u>Year</u>	<u>Total Employ- ment</u>	<u>Contract Construc- tion</u>	<u>%</u>	<u>Mfg.</u>	<u>%</u>	<u>Util.</u>	<u>%</u>	<u>Retail Trade</u>	<u>%</u>	<u>FIRE</u>	<u>%</u>	<u>Ser- vices</u>	<u>%</u>
1967	17458	1119	6	4381	25	1686	10	7189	41	508	3	2535	15
1968	17237	1131	7	4330	25	1692	10	6843	40	390	2	2814	16
1969	18184	1141	6	4621	25	1565	9	7290	40	339	2	3189	18
1970	17801	1155	6	4304	24	1500	8	7638	43	342	2	2832	16
1971	17651	1188	7	3954	22	1356	8	7958	45	317	2	2853	16
1972	18447	1226	7	3692	20	1476	8	8007	43	323	2	3694	20
1973	17399	1158	7	3654	21	1863	11	6702	39	447	3	3550	20
1974	17814	1150	6	3524	20	1738	10	7100	40	691	4	3585	20
1975	16332	1131	7	3395	21	1474	9	6080	37	464	3	3770	23
1976	16280	1287	8	3112	19	1399	9	6230	38	497	3	3726	23
1977	15968	1368	9	3017	19	992	6	6290	39	518	3	3755	24
1978	15513	1376	9	3099	20	943	6	5779	37	441	3	3861	25
1979	14963	844	6	3235	22	1110	7	5351	36	517	3	3894	26
1980	15647	917	6	3483	22	1223	8	5147	33	524	3	4334	28
1981	15368	812	5	3351	22	1018	7	5160	34	551	4	4461	29
1982	15950	795	5	3301	21	1043	7	5512	35	524	3	4758	30

Source: Massachusetts Department of Employment Security

employer and taxpayer in Somerville, was the industry's leader in the city. Other major firms included the Great Atlantic and Pacific Tea Company; John P. Squires Company; North Packing and Provision; and New England Dresses, Meat, and Wall Company.¹⁴ By the mid-1950's, Swift and Co. acquired and operated the production facilities of the latter three meatpacking firms.¹⁵ In the mid-1970s, first Swift, then First National closed their Somerville operations. When First National left Mystic River in 1977, it symbolized the end of Somerville as a major food processing center.

Ford, the second largest employer and taxpaying establishment in Somerville during the mid-1950's, in effect was the Transport Equipment sector of the Somerville economy. Direct employment at the assembly plant ranged from 1400 to 2600 depending on the cyclical health of the automobile industry. In addition, the ripple effects of auto manufacturing on the metro economy were significant. In the years following the war, Ford purchased \$2,500,000 of local goods and services annually.¹⁶ The assembly plant closed down and was sold in 1958. Between 1955 and 1963 Transport Equipment Manufacturing in Somerville fell from 1898 employees to 148, and ceased to be a major factor in the city. (Table I)

Somerville's image as "blue collar town" grew out of both its industrial base and the manufacturing employment of its residential

¹⁴Cheney, Isobel, Brief History of Somerville: 1630-1956, Book Two, Publication Date Unknown, p. 89.

¹⁵Real Estate Tax Commitment Books, City of Somerville, 1957.

¹⁶Somerville Journal, October 23, 1980, p. 10.

workforce. Approximately half of the jobs available in Somerville are taken by residents, but that covers only one quarter of working Somervillians. In fact, more residents work in Boston than in their home city.¹⁷ Jobs within Somerville that are especially desirable, such as automobile assembly line worker, may spark competition which crowds out residents. The Somerville Journal estimated that less than 20% of Ford's employees were from Somerville.¹⁸ However, as wages are lower in other types of manufacturing, secondary services, and other sectors, potential workers are less inclined to travel for them, and therefore residents hold a higher ratio of these jobs.

Table 3 describes the employment composition of Somervillians. In 1950, nearly half of employed city residents were "blue-collar" workers. Over the following 20 years, to 1970, the goods producing sector of the residential workforce fell to 38%; by 1980 it was 28.5%. During this 30-year period the percentage of employed residents who worked as professionals or clericals rose rapidly. Due to changes in census data formatting in 1980, exact comparisons of service type jobs among Somervillians are not possible. However, it seems clear from available data

¹⁷United States Census: Characteristics of the Population, 1960; Journey to Work, 1970; General Social and Economic Characteristics, 1980. Data are based on samples.

¹⁸Somerville Journal, February 20, 1958. The 20% was constant. A Ford Company public relations magazine, Ford Somerville News, September, 1948, reported approximately 300 or 1500 employees lived in Somerville.

TABLE 3

Occupations of Employed Somerville Residents: 1950-1980

	<u>1950</u>	<u>%</u>	<u>1960</u>	<u>%</u>	<u>1970</u>	<u>%</u>
Total Employed Residents	40,848 ¹	100.0%	39,275 ¹	100.0%	37,381	100.0%
Prof., Technical, Kindred	3,015	7.3	3,211	8.2	4,377	11.7
Managers, ² Officials, Proprietors	2,545	6.2	1,839	4.7	1,617	4.3
Clerical and Kindred	8,399	20.6	8,734	22.2	9,837	26.3
Sales	2,927	7.2	2,271	5.8	2,116	5.7
Service Workers	4,216	10.3	4,057	10.3	5,221	14.0
Operatives, Craftspeople, Laborers	19,512	47.8	16,948	43.2	14,213	38.0
Others	234	.6	2,295	5.8	---	
	<u>1980</u>	<u>%</u>				
Total Employed Residents	37,797	100.0%				
Managerial & Professional ²	8,128	21.5				
Technical, Sales & Administrative Support	13,375	35.4				
Service	5,513	14.6				
Operatives, Craftspeople, Laborers	10,781	28.5				

¹ Includes members of Armed Forces

² Includes Agricultural

that city residents are becoming more oriented towards office work, and that this trend has accelerated since 1970.

Regarding employment of Somerville residents within specific industrial classifications, examining the number of Somervillians working within Food and Kindred Products over time is particularly interesting. In 1950 and 1960, when food processing was the largest manufacturing sector in the city, 2657 and 2628 residents respectively worked in the industry. By 1970, as the sector began its decline, 1132 residents were employed; and in 1980 the number was 720. Note that this trend is correlated closely with the life and decline of Food and Kindred Products firms in Somerville. This suggests strongly that Somervillians filled many of the food processing jobs in the city. By 1980 more residents worked in the industry than the number of such jobs in the city.¹⁹

The parallel trends of the employed residential labor force and the city's job market are related as are the explanations of these economic changes. Clearly, composition of the workforce is shaped in part by obtainable jobs. Secondly, the proportion of service related jobs has increased while the city's population has fallen from 102,351 in 1950 to 77,372 in 1980.²⁰ Less services are needed for Somervillians, suggesting that Somerville is becoming an attractive address for people who work outside of the city. At the same time, selected service industries in

¹⁹United States Census: Characteristics of the Population, 1950; 1960; 1970; General Social and Economic Characteristics, 1980. Data are based on samples.

²⁰Ibid.

Somerville are being used for economic export to clients beyond city lines. Perhaps most importantly, the increases of service-related employment in Somerville and among its residents are occurring as women become a growing proportion of the city's workforce (33.7% in 1950, 37.9% in 1960, 41.6% in 1970, and 48.1% in 1980). Nationally and locally women make up a disproportionate share of "white collar" labor. In 1980 86% of employed Somerville women worked in service, clerical, or professional jobs.²¹

As Somerville has deindustrialized, the city has become poorer relative to the Boston SMSA. Median incomes and minimum income levels were examined from 1950 to 1980 in Table 4. In 1950 Somerville's median income was 109% of the SMSA; as the city's economy has shifted, Somerville's income has fallen dramatically to 77% of the SMSA median by 1980. Similarly, selected family income and poverty statistics reveal that Somerville had a smaller percentage of lower income families than the SMSA in 1950. By 1960 it had a slightly higher rate of minimal income families, and the gap has become wider in 1970 and 1980.

Employment levels within cities, distinct from residents' occupations, measure the vitality of industry and commerce within city limits. In turn, the health of these sectors determine the strength of municipal tax bases where citizens' incomes generally are in low to moderate strata. Usually residential property value, and hence residential tax bases, reflect income levels. When a municipal tax base is supported by

²¹Ibid.

TABLE 4

Median Household Income and Percent Below Selected MinimumFamily Income Levels: Somerville and BostonSMSA, 1950-1980

A. Median Income

	<u>Somerville</u>	<u>Boston SMSA</u>	Somerville as a percent- age of <u>Boston SMSA</u>
1950	\$ 3,168	\$ 2,909	109%
1960	6,024	6,622	91
1970	9,594	11,449	84
1980	14,401	18,694	77

B. Minimum Family Income Level

	<u>Somerville</u>	<u>Boston SMSA</u>
1950 ¹	24.7%	30.4%
1960 ²	11.9	11.3
1970 ³	7.5	6.1
1980 ³	9.6	7.5

¹ Less than \$2000 per year

² Less than \$3000 per year

³ Federal Poverty Level

Note: The minimum levels of 1950 and 1960 are not comparable with each other or with the 1970 and 1980 poverty level. Percentages should be used to compare Somerville with Boston SMSA within single years only.

Source: United States Census: Characteristics of the Population, 1950; 1960; 1970; Social and Economic Characteristics, 1980.

export industries, a city effectively has people from outside its borders supporting its public services.

The number of households in Somerville has increased since 1950 from 27,955 to 29,687 in 1980.²² Despite the broader residential base, Somerville's property tax assessments have declined between the 1950's and the present. In 1958 the year the Ford plant closed down, real estate in Somerville was assessed at \$126,166,400;²³ in Fiscal Year 1983-84, assessed value is at \$115,780,838.²⁴ Unfortunately, real property assessments by classification are not available prior to 1967. As expected, from 1967 to 1981 the burden of carrying the tax base has progressively shifted to residential property. In 1967, homes and apartment buildings were valued at 63.5% of the Somerville tax base, but by 1981 residential property carried 72%.²⁵

²²Ibid.

²³Annual Report; City of Somerville; 1958.

²⁴Tax Recapitulation of Somerville; Fiscal 1984.

²⁵The Planning Service Group, Inc., p. 96; Property Classification Report, Massachusetts Department of Revenue, Bureau of Local Assessment. Somerville's property tax valuations by the Board of Assessors are notoriously ad-hoc. Gerald McCue, Treasurer of Somerville, said that the city does not have a logical tax assessment formula that can be traced over past years. The Commonwealth of Massachusetts has set Somerville's equalized valuation at \$330,000,000. However, a market analysis conducted by OPCD places Somerville's 100% property valuation at about \$1,100,000,000.

CHAPTER III

THE EVOLUTION OF THE MYSTIC RIVER AREA

The transformation of Somerville's Mystic River Area into Assembly Square is pivotal in the overall changes of the city economy. First the river, then a railyard, thirdly the intersection of Routes 1 and 28, and finally an adjacent interstate highway, historically has made the site an enticing location for manufacturing and warehousing firms. With the establishment of Ford and First National, the River Area became a major industrial pocket in Somerville and the metropolitan region. By the late 1950s, the assembly plant supplied automobiles to 323 New England Ford dealers, and employed well over 1,000 hourly and salaried people.²⁶ First National, at its operating peak, had nearly 2,000 employees. The supermarket's Somerville complex was a distribution center for 214 stores in its "Somerville Division," and processed foods for 572 stores in New England and New York.²⁷

On the afternoon of February 19, 1958, the Ford Motor Company announced its plans to close the Somerville assembly facility by the coming March 14th, and sell the shell of the plant and its 32 acre site within

²⁶ Somerville Journal, February 27, 1958; p. 11.

²⁷ Somerville Journal, May 29, 1959; p. 1.

thirty days after the shutdown.²⁸ The closing was part of the ten-year consolidation program which was to include laying off 40,000 employees.²⁹ The Mystic River plant had three drawbacks in Ford's national perspective. First, it was tooled to produce the discontinued Edsel line. Second, a company spokesperson argued that the high cost of machinery required at least a two shift operation for economic efficiency. However, two shifts were not possible in Somerville because the plant did not have room to expand for required storage space.³⁰ Finally, the original locational factor that attracted Ford to Somerville was the River; but by 1958 cars were no longer being transported by water.³¹

The Ford closing had been rumored for many years before the fact.³² When it was announced, judging from the written record, the news was digested calmly. Perhaps it was because less than 20% of Ford employees were Somervillians, some 300 out of 40,000 employed city residents. In addition, food processing, not automobile manufacturing, was the city's major industry. The city government and Chamber of Commerce appeared concerned over the adverse impact the closing would have on the municipal tax base. Ford was Somerville's third, sometimes second, largest tax payer accounting for about 2% of the city's assessed real estate and revenues (see

²⁸Somerville Journal, February 20, 1958; p. 1.

²⁹Somerville Journal, March 6, 1958; p. 10.

³⁰Somerville Journal, February 20, 1958, p. 1.

³¹Somerville Journal, February 27, 1958, p. 1.

³²Ibid.

Table 5). In context of the tax base, Mayor William J. Donovan referred to the closing as a "near-tragedy."³³

To maintain the tax base, and secondarily to preserve jobs in the city, official Somerville quickly mobilized to find a buyer for the Ford facility. Before the era of Community Development Departments, City Hall did not have an in-house organ to market the property and city to prospective investors. The Chamber of Commerce assumed the initiative, and took charge of finding a purchaser through its Industrial Development Committee (IDC). The Mayor formally confirmed the Chamber's role, and directed Somerville's Urban Renewal Authority to assist the Committee.³⁴

The Ford disinvestment operation was efficient. By April 2, only 100 salaried and 125 hourly paid workers remained on the payroll. At that date, Ford publicly set the sale price of the property at \$1,750,000,³⁵ some \$700,000 below its tax assessed valuation (Table 5).

The IDC reported receiving several inquiries regarding the Ford plant. Ironically, one such feeler came on behalf of Volkswagen. However,

³³ Mayor William J. Donovan's Midterm Address, January 5, 1959. The Boston and Main Railroad, which then owned 29 parcels of land in Somerville, including five in the Mystic River Area, was Somerville's largest taxpayer. For one example, in FY 1977 its property value was assessed in excess of \$5,000,000. Also, Swift and Co. paid roughly the same amount of taxes as Ford in 1955, 1957 and 1958. In 1959 its property was valued at \$2,455,612; however by 1967 the valuation of Swift and Co.'s property fell to \$953,200.

³⁴ Somerville Journal, February 27, 1958; p. 2.

³⁵ Somerville Journal, April 3, 1958; p. 1.

TABLE 5

Tax Payments and Impact on Somerville Tax Base by Ford MotorCompany and First National Stores in Selected Years

Year	Tax Rate per \$1000 of Assessed Value	Ford			First National		
		Valuation of Real Property (000's)	Gross R.E. Taxes Before Abatements (000's)	% of Somerville Tax Base	Valuation of Real Property (000's)	Gross R.E. Taxes Before Abatements (000's)	% of Somerville Tax Base
1955	\$ 63.20	\$2,091	\$132	1.7%	\$3,727	\$236	3.0%
1957	71.20	2,433	173	1.9	4,227	301	3.4
1958	79.20	2,433	193	1.9	4,227	335	3.4
1959	83.40	---	---	---	5,766	481	4.7
1962	96.20	---	---	---	5,558	535	4.4
1967	126.80	---	---	---	5,526	701	3.5
1972	181.80	---	---	---	3,525	641	1.6
FY1977	237.60	---	---	---	3,336	792	2.7

Note: First National received a tax abatement of \$231,740 in 1967. Net taxes paid that year was \$469,000 (rounded).

Sources: Annual Report, City of Somerville; Real Estate Tax Commitment Books, City of Somerville

the German car manufacturer lost interest when it found that the site did not have a tidewater dock.³⁶

In the last week of May, First National Stores, with the IDC acting as an intermediary, purchased the former assembly plant. First National thus coupled Ford's 32 acres with its adjacent 20 acre site, and took possession of the plant in September. First National remained "bullish" on the Mystic River Area due to easy access to railroad facilities, low freight charges, good roadway connections for the time, and ambitious highway construction proposals including an urban innerbelt slated for Somerville.³⁷ Mayor Brennan hailed First National's acquisition of the Ford plant. He stated that the new use of the site "heralds a reinforcement of the prosperity of this city based on the stability inherent in the food industry which is so predominant locally."³⁸

Somerville's economy sustained a substantial job loss due to the Ford-First National change. First National used the former assembly plant as a shipping-receiving center, and to augment its warehouse space.³⁹ The labor required for these functions is a fraction of a one shift automobile factory. Furthermore, Somerville lost about \$900,000 in its tax base as a result of the changed land use. In 1958, Ford was assessed at a value of

³⁶ Somerville Journal, February 27, 1958; p. 1.

³⁷ Somerville Journal, May 29, 1958; p. 1.

³⁸ Donovan, January 5, 1959.

³⁹ Sachs, Celine, Assembly Square Mall and the Role of Planners as Catalysts in the Renaissance of Somerville; Unpublished Paper, May 19, 1982, p. 4; Assembly Square Mobile Workshop, Background Papers for American Planners Association Conference, April 27, 1981.

\$2,433,397 for its two Mystic River parcels. One year later, the same parcels, then owned by First National, were valued at \$1,538,537--a drop of 36.8%. Applying the 1959 tax rate of \$83.40 per assessed \$1,000 reveals that Somerville lost \$74,631 in tax revenue in 1959 due to Ford's disinvestment.⁴⁰

In the 1960's First National began to contract. In 1963 the corporation employed 1186 at its Somerville center, less than one-half of the combined Ford-First National employment level of the 1950's.⁴¹ By 1976, First National had 800 employees at Mystic River.⁴² Moreover, the 1970's was a period of "shakeout" in the supermarket industry. By 1976, First National was reduced to 260 retail outlets in New England, New York, and New Jersey.⁴³ Also, at the same time, the WT Grant department store chain went out of business, and was selling its warehouse in Windsor Locks, Connecticut.⁴⁴

In August, 1976 First National management (the corporation had been renamed Finast) sent a letter to Teamsters Local 829 informing the union that the company was "considering the feasibility of relocating certain operations now being handled at our Somerville warehouse." However, public relations director, Robert Nolan, denied that First National was leaving

⁴⁰Real Estate Tax Commitment Books, City of Somerville, 1958; 1959.

⁴¹The Planning Services Group, Inc., p. 30.

⁴²Somerville Journal, August 22, 1976; p. 1.

⁴³Interview of John Matthews by Celine Sachs and Joseph Soley, March 31, 1982.

⁴⁴Somerville Journal, September 23, 1976; p. 6.

Somerville, saying, "As far as I'm concerned, it's just a rumor. We're not moving."⁴⁵ One month later, the Griffin Report of New England, a grocery trade journal, reported: "After many months of planning and study, Finast is in the final stages of deciding where it will go when the warehouse in Somerville, MA is closed. [Finast is] currently bidding for the W. T. Grant warehouse . . ." The article also reported that McCarthy Transport, a contract carrier for First National, was planning to close its business. Instead of responding to the intensified rumors of disinvestment, First National management refused to comment.⁴⁶

During the last week of September, 1976, First National confirmed that it would move to Connecticut by mid-1977. The move made sense from a corporate perspective. Connecticut was the center of the consolidated First National chain, and locating in Southern Connecticut considerably reduced transportation costs. In addition, the W. T. Grant building was a modern one-level warehouse, and it was judged too expensive to attempt to modernize the split-level buildings in Somerville.⁴⁷

The announcement by First National was a blow to Somerville's job and tax bases and its status as a manufacturing center. First National was the largest manufacturing firm in Somerville--Swift and Company, the city's second largest manufacturing firm since Ford departed, had closed its

⁴⁵ Somerville Journal, August 12, 1976; p. 1.

⁴⁶ Somerville Journal, September 23, 1976; p. 6.

⁴⁷ Somerville Journal, September 30, 1976; p. 1.

Somerville operation two years earlier.⁴⁸ Compounding the city's problems, also in September, 1976, the MBTA purchased some of the property owned by Boston and Maine Railroads in Somerville, and leased it back to the B&M, allowing the Railroad to avoid part of its property taxes.⁴⁹ The city's tax base appeared to be crumbling. Moreover, coming on the heels of Swift's closure, First National's move marked the end of Somerville as a major meatpacking city.

The Somerville government tried to have First National reconsider its decision. The Ralph administration explored lowering the company's property tax bill as an inducement to stay. However, at a meeting with Mayor Ralph, First National executives stated clearly that the supermarket chain was not leaving because of Somerville's high tax rate. The move was influenced by the changes of the corporation.⁵⁰

As with Ford's disinvestment, First National left Somerville due to its corporate considerations. In both cases, the city was a bystander as trends in the national economy and the availability of larger tracts of land elsewhere resulted in substantial city and regional job losses. When Ford closed its plant, the city's economy was firmly based in food processing industries. Somerville did not have a similarly strong industrial sector to shore up its economy in the mid-1970's. Somerville's valued real property tax base peaked at nearly \$128,000,000 in 1965. On July 1, 1977, the base

⁴⁸Somerville Journal, July 29, 1976; p. 1.

⁴⁹Somerville Journal, September 23, 1976; p. 1.

⁵⁰Ferguson, Laura; Notes on Interviews in Somerville, MA; July 26, 1978; p. 6.

was valued at under \$121,000,000, and Somerville faced the loss of its largest firm.⁵¹

⁵¹Annual Report, City of Somerville, 1965; 1977.

CHAPTER IV

ROOTS OF OFFICE AND RETAIL DEVELOPMENT

The Assembly Square Mall and Office Park, opened four years after First National closed its headquarters, but it can be traced to the 1960's. As was observed earlier, trends indicate that the economies of Northeast urban rings were shifting away from a manufacturing concentration and towards "white-collar" sectors. Extending Interstate 93 north of Boston opened up Somerville's Mystic River Area for commercial development as an export factor in the Somerville economy.

The politics behind urban highway building are complex, justifiably emotional, and beyond the scope of this report. In simple terms, proponents of development often tout highways as needed infrastructure for long-term local and regional economic growth, and short-term public works jobs. Opposition is varied. The core usually are residents and businesspeople who are threatened with displacement or a lower quality of life by the proposed construction. Opposition is also created because seizure of urban land for public roads removes valuable acres from a city's tax base. Moreover residential neighborhoods sliced into wedges next to large highways often become undesirable, property values fall, and more tax revenue is lost.

Somerville's economic development planning in the mid-1960's centered on proposals to build I-93, and I-695, an innerbelt highway which in Somerville would have connected I-93 with Routes 1 and 28. The proposed construction would have created a trapezoid shaped circumferential roadway

network around East Somerville and the Mystic River area. Within the trapezoid, the Somerville Redevelopment Authority envisioned an "Inner Belt Industrial Center" (IBIC). Though Somerville historically has been among the most densely populated cities in the United States, and East Somerville is the most densely settled area in the city, the proposed highway and development program would have forceably changed the neighborhood into a commercial/industrial zone.⁵²

The administration of Mayor Lawrence F. Bretta avidly supported the highway program as an economic development strategy for Somerville. City Hall published pamphlets, newspaper supplements, and "Developing the Inner Belt Urban Renewal Area: A Guide for Prospective Developers." Use of phrases regarding Somerville such as "forward looking city," and "modern development" were used for the first time in the post-war era as the Bretta government tried to lure investors into Somerville's "planned industrial environment."⁵³

The fight in Somerville during the 1960's over the extension of I-93 has had profound implications. The struggle in opposition marked the beginnings of organized reform and progressive politics in the city. Community mobilization against construction begat: the coalition that soon afterwards instituted rent control; the political career of Sal Albano, considered the most progressive of the city's Board of Aldermen who now

⁵²Boston Sunday Globe, October 17, 1965; Twelve-page color pullout section published by City of Somerville.

⁵³Ibid. Also untitled, undated pamphlet published by the Somerville Redevelopment Authority.

chairs the Board's Housing and Community Development Committee; and the foundation of Lester Ralph's first mayoral campaign in 1969.⁵⁴ I-93 was extended through Somerville, but sustained opposition in the city and Cambridge prevented the construction of the proposed Inner Belt.

A detailed cost benefit analysis of I-93 also lies beyond the scope of this study. However, it is important to note the major impacts brought by the highway. Land taken for I-93 removed over \$2,000,000 in assessed value from the Somerville tax rolls; loss of this taxable land has cost Somerville \$250,000 to \$600,000 per year in revenues depending on the tax rate per thousand dollar valuation (see appendix for annual tax rates).⁵⁵ While the gross economic impact of forced removals and relocations of homes and businesses is measurable, the social costs on East Somerville--both on evictees and the residents who remained--are incalculable. Yet I-93 has created a commercial/industrial park corridor in the metro-Boston area which now is being mined. John Matthews, currently the Director of Community Development in Medford, and formerly the project manager for the Assembly Square development in Somerville's OPCD, believes that I-93 has created excellent office, retail and industrial park locations in the north metro-region. Matthews specifically cited Assembly Square and a multi-use development planned in Medford. He observed: "The office market is being

⁵⁴Interview with James Kaplan, December 26, 1982.

⁵⁵Inaugural address of Mayor James F. Brennan; January, 1968. Brennan put the amount of assessed property taken at \$2,059,000.

established late on 93 because it was the last interstate built. It was only five or six years ago that I-93 was looked at as an asset."⁵⁶

As a bittersweet footnote, the construction of I-93 isolated an enclave of eleven homes and eight "mom and pop" businesses near the Mystic River Area. Years later when the city proposed to develop Assembly Square, its plan required building local roadway infrastructure in place of this handful of buildings. The proposal cited the blighted living conditions and stagnant small businesses of the dying neighborhood isolated by I-93 as a justification for the use of eminent domain.⁵⁷

In 1969, Lester Ralph was elected Mayor of Somerville as part of a city-wide reform movement. Ralph served four tumultuous terms as Mayor, from January, 1970 to January, 1978. His mandate was to promote human services, education, and housing policies on behalf of the city's low to moderate income residents. Under his administration, human services in Somerville expanded widely; a Community School System was established, and long delayed capital improvements were made. Also during the Ralph years, Somerville's funded debt grew from \$5,510,000 in 1969 to \$29,500,000 in Fiscal Year 1977-78; and the City's tax rate rose from \$143.80 in 1969 to \$268.10 in FY 1977-78 (\$268.10 in 1977 equaled \$162.19 in 1969 dollars).

⁵⁶Interview with John Matthews, March 28, 1984.

⁵⁷Urban Development Action Grant Proposal, City of Somerville to United States Department of Housing and Urban Development; October 31, 1978; p. 25.

During this period Somerville's assessed tax base fell from \$124,000,000 to \$121,000,000.⁵⁸

During the tenure of the Ralph administration, and in the succeeding years, Ralph has been criticized for ignoring the need to expand Somerville's tax base. Matthews voiced the common criticism of Ralph. After praising the Mayor's accomplishments in human service fields, he said:

Ralph's policies were all short-term oriented. They concentrated on social programs, schools, and public investments . . . and didn't try to attract development dollars to change the [city's] economic base. Somerville was losing industry, but nobody was coming in.⁵⁹

Though Ralph was not successful in attracting major private investment, he was concerned about new development in Somerville. In his first inaugural speech, he said:

I am conferring almost daily with businesspeople from within and without the city to encourage them to come into Somerville and build high rise office [buildings]. I shall be touring the city by helicopter with the presidents of two of Boston's largest developing firms in the hopes that they might invest some of their huge capital funds in the city.⁶⁰

Federal policies of the time encouraged planning, but gave scant support to implementation. However, with the availability of federal dollars, Ralph presided over Somerville's first modern development department. At a forum on planning in Somerville held November 19, 1982 at the MIT-Harvard Joint Center for Urban Studies, Carla Johnston--the first Director of the Office of Planning and Community Development (OPCD)--recalled only one planner worked for the city when Ralph came into office.

⁵⁸ Annual Report, City of Somerville, 1969; FY 1978.

⁵⁹ Sachs and Soley, March 31, 1982.

⁶⁰ Inaugural address of Mayor Lester Ralph, January 5, 1970.

This planner advocated far sweeping urban renewal in East Somerville as part of the innerbelt strategy; other forms of economic development were not being considered.

The planners in Ralph's Community Development Department did not have the necessary tools to develop modern office and retail centers in Somerville. First, the office market was bubbling in the CBD of Boston, but had not yet spilled northward; I-93 was an unknown asset. Secondly, the investment climate in the city was not good. The reform administration was alienated sharply from the "old-guard" that controlled non-mayoral institutions in Somerville. Moreover highly publicized scandals rocked the city during Ralph's later years as Mayor. During the early-to-middle 1970's the idea of public-private development partnership was a new concept. The volatility within Somerville's "establishment", and the poor public image reinforced by scandal, were not conducive to attracting major private investors who would have to work with the city government. With regard to the Assembly Square development, First National Stores, then Somerville's largest employer and second largest taxpayer, occupied the site where the mall and office park now stand until the final months of Ralph's mayoralty.

CHAPTER V

COMMERCIAL DEVELOPMENT PLANS FOR THE MYSTIC RIVER AREA

Soon after First National's plans to disinvest from Somerville were confirmed, commercial developers began eyeing the Mystic River Area. The site's proximity to Boston's Commercial Business District, and a heavily populated potential consumer market north of the central city, made it a viable office and retail location. Though First National would not be completely out of Somerville until mid-1978, rumors regarding the sale of its 52 acres began circulating in May, 1977. On May 19th the Somerville Journal reported that the site might be sold to a developer for a "housing, commercial, and industrial complex."⁶¹

A week later, the Journal described a pair of meetings which appeared to confirm the rumors of new development. The first meeting was held on May 17th at the offices of Glaser-de Castro-Vitols, architects for the real estate developing firm of Stackhouse Associates. Representing Somerville were Frank Sestito, then Director of OPCD under Ralph, and Mary Tomeo who chaired the City's Board of Assessors. Tentatively, Stackhouse representatives discussed building a shopping mall, two 26-story apartment buildings to house 496 low and moderate income families, and possible industrial development. Participants at the meeting explored available city

⁶¹Somerville Journal, May 19, 1977, p. 1.

incentives, including street and parking area construction, and a temporary tax abatement agreement. The second reported planning meeting took place the next day between unnamed "city officials" and John Marino, Commissioner of Massachusetts Commerce and Development. According to Sestito, the purpose of this conference was to discuss how the Commonwealth could help support the development. Overall, the projected private investment of the Stackhouse proposal roughly was \$46,000,000; \$6,000,000 for the First National property and \$40,000,000 in development costs.⁶²

The significance of these meetings is two-fold. First, they show the time was right for commercial development in the Mystic River area. The growth of suburban retail markets, the construction of I-93, economic trends away from manufacturing and towards a service economy, and the availability of a pre-assembled 52-acre site presented a development opportunity to the private sector. In addition, because of the previous industrial uses, the existing sewer, water, and power lines on the site were more than adequate for commercial needs. The Ralph administration and other Somerville institutions wanted the city's economy tied to growth sectors. On May 26th, the Journal hoped that the impending loss of First National could be turned into "a shot in the arm for Somerville."⁶³ Second, the meetings also outline the negative externalities of Mystic River for commercial development. Namely, the local roadway network and internal circulation system was inadequate for retail use. Though located off I-93 with

⁶²Somerville Journal, May 26, 1977, p. 1.

⁶³Ibid.

excellent visibility, access was difficult, and onsite transportation was oriented for railroad cars and trucking. Moreover, building a roadway access system required use of eminent domain powers. The meeting with Marino clearly indicated that the expensive roadway improvements were beyond the city's means, and outside assistance was needed as a linchpin for the development project.

In July, 1977, the Stackhouse proposal appeared on its way to realization. A joint press conference was held by Ralph; Governor Michael Dukakis; Dennis Stackhouse; Victor Vitolis; and Alan Harberman, the President of Finast. Finast agreed to sell its land to Stackhouse Associates within 90 days for \$6,000,000. Stackhouse and Vitolis formally revealed a \$40,000,000 development plan which included high rise housing, and office and industrial space. The former Ford plant was to be renovated into a 426,000 square foot enclosed shopping mall.⁶⁴

The Stackhouse plan collapsed in three months, and the 90-day option was not exercised.⁶⁵ Although Stackhouse conducted a market study which indicated the site was profitable, he could not secure financing for the project. The proposal called for a 150,000 square foot Ann and Hope anchor store. According to Matthews, the anchor was too large for the planned mall

⁶⁴Somerville Journal, July 21, 1977, p. 1.

⁶⁵Somerville Journal, July 27, 1978, p. 1; also Somerville Journal February 23, 1984, p. 1.

space (which may have been reduced later to 350,000 square feet.)⁶⁶

Literature on mall development refers to anchors as loss leaders subsidized by developers to attract retail volume to malls. Regional shopping centers, such as this proposed project, often have at least two anchors. Developers profit by charging high rents to the small tenants which locate in the mall to benefit from the customer flow lured by anchors.⁶⁷ The Ann and Hope store was too large for a relatively small regional mall. It was feared that sufficient rentable space would not be available to make the mall profitable, particularly with a second anchor also consuming a large chunk of space. Moreover, Ann and Hope is considered an upscale department store. Investors may have doubted if an upscale anchor in Somerville could attract volume necessary to sustain a mall, or if smaller outlets which cater to upscale clientele would rent space in Somerville; they often demand a quota of signed leases as proof of a shopping center's viability. The mall with a pre-selected anchor appears to have been the best developed idea of the Stackhouse package. When the retail concept proved unable to jell, the entire proposal fell apart.

The development failure presented City Hall and First National with problems. In FY 1978 (July 1, 1977 to June 30, 1978), First National's property was assessed at a value of \$3,332,500 and its gross tax bill

⁶⁶Sachs and Soley, March 31, 1982.

⁶⁷See Urban Land Institute, Shopping Center Development Handbook, Washington, D.C., 1977.

amounted to \$893,443, 2.8% of Somerville's tax base.⁶⁸ It was also Somerville's largest employer with about 800 jobs well-matched to the city's resident workforce.⁶⁹ After Stackhouse, it appeared that the city would be unable to replace those jobs. The job loss combined with the publicity of disinvestment emphasized the image of Somerville as a dying city. From the corporation's perspective, First National was about to be saddled with an unwanted facility, and be responsible for tax payments. It seems unlikely the First National would have defaulted on property it priced for sale at \$6,000,000. As time passed the assessed value of the property would decrease, but so would a commandable sales price. Thus, both the city government--Thomas August became mayor in January of 1978--and First National wanted to promote re-use of the Mystic River site.

In 1978, events crystalized which allowed First National's property to be redeveloped into office and retail space. The Federal government provided the means for infrastructure development through the new Urban Development Action Grant (UDAG) program. UDAG criteria perfectly matched the economic conditions of Somerville, and the program goal of leveraging maximum private with public monies was suited to commercial development projects. In addition, infrastructure development was specifically

⁶⁸ Real Estate Tax Commitment Books, City of Somerville, Fiscal Year 1978.

⁶⁹ Somerville Journal, August 12, 1976, p. 1.

mentioned as a valid use of the program. Enacted in 1977, the program began operations in 1978.⁷⁰

Also in 1978, August assumed the Mayor's office. The new administration hired John Matthews as Federal Funds Coordinator in OPCD. His job was to aggressively seek federal dollars for which Somerville qualified. Matthews had just completed a Masters of Business Administration program at Carnegie-Mellon University where he analyzed the new UDAG program in depth.⁷¹

The final and most important piece of the redevelopment puzzle was that the site remained attractive to commercial developers if the roadway problem could be solved. In June, 1978, representatives of the East Bay Development Corporation came to Somerville City Hall with the idea of creating "the Assembly Square Mall," a retail design based around the theme of the Ford plant in the 1920s.

Founded in 1973, East Bay had become a major retail development firm in its five-year corporate existence. At the time that East Bay expressed interest in the Mystic River area, it had developed or was developing malls in six states, including four in Massachusetts: Billerica, North Weymouth, Woburn, and Chelsea. East Bay built what it termed "community sized regional malls" tied together with cohesive advertising packages, and explicitly spurned "large, sprawling malls." In addition, East Bay and the

⁷⁰United States Housing and Community Development Act of 1977.

⁷¹Sachs and Soley, March 31, 1982.

K-Mart chain had a working agreement that the department store would locate anywhere East Bay selected through market analysis. K-Mart has a moderate income clientele. The dense populations of Somerville, Everett, Medford, and Charlestown, all within a few minutes drive of the proposed mall, made the site appear as an excellent location for K-Mart, far better than for Ann and Hope.⁷²

The East Bay concept differed from the Stackhouse proposal in important factors other than the key anchor store. First, East Bay originally had a limited objective to build a shopping mall. It became interested in larger scale development when its New York office, later organized as the Assembly Square Trust, reasoned that the whole 52-acre First National site would have to be developed if a retail mall was to be attractively situated.⁷³ Second, its line of financing was secure.⁷⁴ Third, in 1978 Somerville had more tools available to help with access problems of the site. Aside from the untested UDAG program, the federal Community Development Block Grant (CDBG) program changed its funding formula

⁷²UDAG Proposal, October 31, 1978; also Sachs and Soley, March 31, 1982.

⁷³Peattie, Lisa, Rein, Martin; Interview with John Matthews, February 19, 1982.

⁷⁴Telephone interview with John Matthews, April 26, 1984. OPCD did not have a back-up plan for roadway development if the UDAG was not approved. The total of the city's 1978 CDBG equaled the final UDAG. Yet during August's two years as mayor, Somerville received \$18,000,000 in federal aid, both for specific projects and discretionary use in the city within given guidelines. It is possible that alternatives to the UDAG could have paid for adequate roadway infrastructure.

coincidental with the August mayoralty. Somerville's CDBG allocation increased ten-fold from \$330,000 to \$3,300,000 in August's first year. Finally, the K-Mart was slated at 90,000 square feet out of a 360,000 square foot mall. This left room for a second anchor plus profitable "filler" stores. A factor which remained constant in the two proposals was the need for the public sector to assume the costs of roadway development. East Bay representatives were clear; if Somerville wanted commercial development, it would have to provide access and circulation systems.⁷⁵

After a month of negotiations with City Hall, it was announced publicly that East Bay would develop the First National property. At the press conference with East Bay executives, Mayor August said:

This development is a golden opportunity for this city. It will provide jobs and strengthen our tax base, but it will be up to us to provide this necessary cooperation to make this a reality . . . This⁷⁵ is a team effort; without everyone's cooperation, it will not happen.

Matthews and other OPCD staff began developing a UDAG proposal to fund infrastructure improvements. At the same time, East Bay negotiated with First National for purchase of the property. During these initial dealings, First National was sold to Pick and Pay, a midwestern based supermarket chain. Pick and Pay executives ordered their First National

⁷⁵Somerville Journal, July 27, 1978, p. 1.

subsidiary to leave Somerville immediately (First National was conducting a slowly phased withdrawal from its Mystic River plant, and providing job placement assistance to workers facing layoff.) As a result, First National rushed to complete negotiations for the sale. The cost to East Bay was \$4,000,000 in November, 1978, \$2,000,000 less than the negotiated price to Stackhouse.⁷⁶ One month earlier, in October, the UDAG proposal to fund infrastructure improvements of Mystic River and create Assembly Square was sent to HUD.

City officials initially defined their choices for the First National land as: (1) develop with East Bay proposal; or (2) do nothing. When asked if alternatives to the Assembly Square development were considered, Matthews replied that there were not any discussed. He further stated that without roadway development, which occurred due to the Assembly Square project, the site would have deteriorated into warehousing space, renting at \$2-\$5 per square foot, offering little employment, and with a low tax return.⁷⁷

The East Bay proposal was the core of the UDAG application. It was a firm commitment to develop a retail mall and office building on the First National site if the public sector would provide the requisite roadway improvements. Leveraging public funds to secure private investment exactly fit the program objective. However, the application sent to the Department

⁷⁶Sachs and Soley, March 31, 1982.

⁷⁷Telephone interview with John Matthews, March 9, 1984.

of Housing and Urban Development (HUD) went far beyond supporting the East Bay initiative. The city tried to use the UDAG to shape development, and the grant proposal reflects the strategizing in City Hall for the future of Somerville. The city, using East Bay as a jumping off point, requested over \$9,500,000 from HUD for an industrial park at the Brick Bottom area of the city as well as a greatly expanded Assembly Square project. The application reflected both hopes of revitalizing Somerville's manufacturing sector and extending downtown Boston north along I-93.

Brick Bottom Development Area

The Brick Bottom proposal was for the creation of an industrial park on a former manufacturing site between East and Central Somerville. Though not funded by HUD, it is important to examine this part of the application because it represents a conscious effort by the August administration to revitalize Somerville's industrial base. Using the UDAG, City Hall wanted to rebuild the traditional Somerville that clearly was dying. The city planned to use the UDAG to acquire and clear several blighted parcels with five partially occupied or vacant industrial buildings, and develop a modern roadway network. Then, properties would be resold further using UDAG funds to subsidize cost writedowns. In the application, the city argued: "This method is the only way to create new industrial growth in a city with a density of 21,000 per square mile." As projected, an approximate \$3,600,000 UDAG for Brick Bottom would generate at least \$20,000,000 in new industrial investment in Somerville. The goal was to create a 32-acre light industrial park through the Somerville Redevelopment Authority, to be administered by a not yet created Somerville Development and Industrial Corporation; build

five to seven modern buildings; and recap an increase of \$800,000 in annual property taxes. Note, the Brick Bottom proposal did not contain job creation estimates. The development idea was too vague for a projection.

Matthews recalls that responsible staff in the Somerville government knew that the Brick Bottom plan would not be funded. However, August wanted it submitted.⁷⁸ Irene Jenkins, HUD's regional office field representative for Somerville, called the plan "speculative," and said that UDAGs are not invested on speculation. Indeed, the application includes five letters of very qualified support from interested developers and tenants, but lacked firm commitments to invest in Brick Bottom.⁷⁹

August carries a simplistic label as "the conservative" mayor of the old Somerville (i.e. the pre-Ralph machine). His administration hired an outside consultant, Robert Vey, to formulate a plan to rebuild Somerville as a manufactures based city. However, this proposal went against the prevailing economic trends, requiring forceful market intervention as investors could not be quickly recruited and committed to the project.

The Assembly Square Development Area (ASDA)

The proposal for the ASDA was very different than Brick Bottom. Prevailing economies created the concept, pushing mall developers towards City Hall with offers of private sector investment. However, the requested UDAG went far beyond a retail mall and office building and included a hotel,

⁷⁸ Matthews, March 9, 1984; and March 28, 1984.

⁷⁹ Telephone interview with Irene Jenkins, February 24, 1984.

additional commercial space, a recreational area, and a small light industrial park. The master plan embraced 144 acres bordered by the Mystic River on the northeast; the Somerville-Charlestown line on the south; and I-93, Middlesex Fells Parkway and Mystic Avenue to the west. In 18 months it would be designated as an urban renewal area when the Board of Aldermen formally passed a Chapter 121B resolution.

The City of Somerville's development plan called for a mixture of adaptive reuse and new construction. East Bay was proposing to renovate the former Ford assembly plant into a one-level 350,000 square foot shopping mall; build a 130,000 square foot office and retail structure by re-adapting parts of the former First National office and plant building; and develop a waterfront restaurant in an old art deco powerhouse on the site. The city also requested funds to encourage further development: a 60,000 square foot office/light industrial building; a 200 room hotel-convention center; and 14 acres of additional commercial development by the District Courthouse. Finally, in the same spirit as the Brick Bottom proposal to revive Somerville's manufacturing, the city proposed to transform the Tenny Court-North Union Street area in an "incubator industrial park" for small business under the administration of OPCD. The city needed to acquire the 11 homes and eight micro-businesses (containing 25 jobs) in the area, isolated from the remainder of Somerville by I-93, to build roadways linking Assembly Square to Broadway--a major cross-city avenue which lies in part on the other side of the interstate.

The August administration also wanted to encourage the Metropolitan District Commission (MDC) to develop the Somerville bank of the Mystic

River, owned by the MDC, as a recreational park area. The city planned to explore the possibility of waterfront luxury housing and a marina. Finally, if sufficient transit demand existed at the ASDA, the possibility was mentioned that the Massachusetts Bay Transportation Authority could be induced to build an Assembly Square station on the rapid transit Orange Line. The line's surface tracks pass through the site. Constructing a station would be reasonable in cost, and link the ASDA to Boston's CBD by 15 minutes on public transportation.

OPCD requested a \$5,933,000 UDAG for Assembly Square. Major uses were to be for: land acquisition at Tenny Court-North Union Street, the Courthouse area, and around Middlesex Falls; a relocation budget; demolition and clearance; roadway construction/improvements; and administration and contingency. Private investment for land purchases and construction was projected at about \$38,000,000. Funds received from developers for land parcels other than the First National site would be used to seed the incubator industrial park.

The August administration changed the straightforward East Bay development concept into a plan more complex than the failed Stackhouse proposal. The city had three basic goals for the ASDA. First, it wanted to promote major real estate investment into Somerville and strengthen the tax base. Second, as presented, ASDA development would provide jobs for Somerville residents at all income levels and skills. The incubator park would have been a job well for Somervillians who have had manufacturing work all their lives. The plan projected over 1,000 construction and 1,765 permanent retail, office, and industrial jobs in the ASDA. Of the permanent jobs, roughly 1,100 (62%) were anticipated for low and moderate income

people; 500 (28%) to middle income, and 176 (10%) to upper income. Implicit in this breakdown is that levels of marketable employment are equivalent to income stratification.

The third goal of the ASDA plan was to create a downtown focus in Somerville. The city is decentralized economically and socially. Local shopping revolves around small businesses and a handful of mid-sized department stores in neighborhood squares, and a lot of shopping for major items is done outside the city. This export of capital effectively means that Somervillians are supporting the economies and tax bases of other municipalities at the expense of their own city. Through the development of Assembly Square, the city hoped to retain capital; attract retail patronage and office space rentals from other cities, and manufacture commodities to export. A downtown Somerville would create a natural district for further office/retail expansion, and possibly bring an influx of upper income professionals to tax lucrative waterfront housing in future years.

HUD staff carved the grant request to the minimum East Bay proposal, the mall in the Ford plant which carried firm private sector investment commitments. However, development of the primary office building was funded implicitly. The improvements required to facilitate access to and around the retail mall also provided a roadway system for the adjacent parcel. Table six summarizes the final UDAG allocation, actual expenditure, and private investment in the site.

The Assembly Square project carried high expectations even as a two building development. Final engineering studies for East Bay indicated that the renovation of the First National building could be expanded to 200,000+

square feet of gross office space.⁸⁰ Eventually 925 office and 735 retail jobs were expected on the site as permanent employment.⁸¹ In the fall of 1979, in the midst of a bitter campaign for reelection, August said:

East Bay is the largest employer and taxpayer in Somerville, even though they're still in the demolition stage. The city of Somerville has continued to have high unemployment, and we certainly need the jobs this project will create.⁸²

Today, the mall and office park are the only developed portions of the ASDA. The mall's two anchors, K-Mart and Jordan Marsh, sit on the ends of a rectangular one-lane "shopping street." Of its 323,400 square feet of gross leasable area (gla), K-Mart occupies 94,000 and Jordan's has 73,000. As of March 15, 1984, 59 establishments rented spaces in the mall: the two department stores; eighteen clothiers; nine shoe stores; nine small/fast-food eateries plus one full-service restaurant; three jewelers; two card shops; and fifteen miscellaneous chains. Six spaces, five being very small, are vacant.

The Assembly Square Office Park is in two parts. The major piece, a four-story, V-shaped office building contains 210,000 gross square feet and 187,341 gla. The building opened in December, 1980, and now has eight tenants and a vacancy rate of about 20%.⁸³ A ninth firm, Urban Research

⁸⁰ Matthews, March 9, 1984.

⁸¹ UDAG Proposal, October 31, 1978.

⁸² Cambridge and Somerville Post, September 26, 1979. According to UDAG evaluation report submitted by Somerville to HUD on September 30, 1982, the project generated 400 construction jobs.

⁸³ Spaulding and Sly Market Report, Fourth Quarter, 1983, lists a 19% vacancy rate. Robert Pihlcrantz, former leasing agent for the office building with Merrideth and Grew puts vacancies at about 30% (letter to Steven Landau, March 29, 1984).

TABLE 6

Public and Private Expenditures in Assembling Square: 1979-1983

A. UDAG

<u>Purpose</u>	<u>Authorized Costs (1000s)</u>	<u>Actual Expenditures as of May 31, 1983 (1000s)</u>
Road Construction and improve- ments in Assembly Square land area	1,287	2,104
Land acquisition in Tenny Court-North	1,225	1,002
Union Street, and Exxon Station in Middlesex Fells area		
Demolition, clearance, relocation	500	25
Administration and contingencies	<u>288</u>	<u>131</u>
Totals:	3,300	3,262

Sources: Financial Statements, UDAG Funds, City of Somerville, Grant number B-79-AA-25-0014; Zafarana, Macdonald, and Suny, CPAs; November 18, 1983.

B. Private Investment

<u>Purpose</u>	<u>Amount (1000s)</u>
Land acquisition	4,000
Contract with Cleveland Wrecking Co.	800
Renovation of Assembly Plant and anchors' investment	18,000
Renovation of office building	12,000
Construction of Sack Theaters	<u>1,615</u>
Total:	36,415

Sources: Soley, Joseph, Interview with John Matthews, January 14, 1982; Public Information Summaries of MIFA Revenue Bond applications; Jordan Marsh Company; Saxon Theater Corporation.

Note: Figures do not reflect investments made by smaller mall stores. Therefore, the private-public leverage of \$11-\$1 presented above is conservative.

Associates, is a one person company loosely affiliated with a large tenant, Bernett Research. A Sack Corporation theater complex adjoins the office building. Opened as six theaters in mid-1981, the successful complex now houses twelve. Sack originally planned to re-adapt a First National garage building. Subsequent engineering studies revealed that the garage would be inadequate for the layout of sufficient seating. Therefore, Sack constructed a building, the only new structure now in Assembly Square.⁸⁴

Public Incentives

A package of public-private development instruments was pieced together for the Assembly Square project. Interestingly, land writedown was not provided. First National, in its haste to leave Somerville, sold its land and buildings to East Bay for \$4,000,000. An additional \$1,000,000 was needed for partial demolition and clearance. The \$5,000,000 land cost was supportable by the project. The public package was a piecemeal collection of available programs used for infrastructure, attracting desired tenants, and providing a bearable tax rate during the start-up period of the development. Cash outlays and loan subsidies were spread among state and federal taxpayers. The tax agreement, involving the possibility of foregone city revenues, was supported by Somerville. The components of the package include:

1. The UDAG

This grant is described above. The federal \$3,300,000 were used by Somerville to develop a roadway system around and within the site,

⁸⁴ Matthews, April 26, 1984.

compensate property owners, and provide relocation assistance to twelve households and three businesses.

2. Designation of Assembly Square as a
Commercial Area Revitalization
District (CARD)

CARD designation makes commercial projects within the district eligible for tax-free industrial revenue bond financing through the Massachusetts Industrial Finance Agency (MIFA). Matthews remarked that CARD designation was "another tool we had available to use . . . if you're writing an urban renewal plan, it only takes a couple of paragraphs to designate it as a CARD district."⁸⁵

A CARD is first designated by a city's governing body (for Somerville, voted by the Board of Aldermen), and then approved by the Commonwealth's Secretary of Communities and Development. Loans are made directly between the applicant and a commercial bank, and then approved by appropriate city and state agencies. The bank is issued MIFA bonds to fund the loan on which interest income is tax free. Terms, including interest rates, and the name of the lender are confidential, and thus are not part of the public record. The CARD designation was an important incentive for attracting Sack Theaters and Jordan Marsh. Sack borrowed \$1,600,000 of its \$1,615,420 capital costs at the tax free rate. Jordan's received \$4,000,000 to cover its projected costs for locating in Assembly Square.⁸⁶ According to the Somerville Journal, interest MIFA backed loans ranged between 8.5%

⁸⁵ Matthews, March 28, 1984.

⁸⁶ Public information summaries of MIFA Revenue Bond applications: Jordan Marsh Company; Saxon Theater Corporation of Boston.

and 9.5% in the summer of 1980 when the two corporations applied. Mark Leff of MIFA said that interest on the tax free loans are 75% to 80% of market rates on a floating interest basis.⁸⁷

East Bay desperately wanted to bring Jordan Marsh into the mall to lure upscale consumers and mall stores to Assembly Square. The estimated market pull the mall would have with Jordan's was estimated at 450,000 shoppers within ten minutes and 750,000 within twenty.⁸⁸ To lure Jordan's, the developer was forced to compliment the tax-free financing. First, East By agreed to hire Wilder-Manley as the leasing agency for the mall. Second, it purchased the Dowling Building in Malden, Jordan's previous north-of-Boston store which had closed. Jordan's came to Somerville, and at least ten firms subsequently located in the mall explicitly because of the department store.⁸⁹

3. Small Business Administration (SBA) Loan

SBA provides subsidized loans and loan guarantees for qualified businesses. Aside from the two department store anchors, Dapper Dan's, a full service 205 seat restaurant, is the largest establishment in the mall. "Dan's" is locally owned, and planners at OPCD helped assemble an SBA application. The restaurant has been successful, and recently opened a second eatery in Stoneham.

⁸⁷ Somerville Journal, July 17, 1980; Interview with Mark Leff, March 20, 1984.

⁸⁸ Sachs, May 19, 1982.

4. Tax Agreement Between the City of Somerville and East Bay

East Bay began negotiating for a state chapter 121A classification in November, 1979. The designation would have allowed a tax formula for Assembly Square to be set directly with Somerville's Board of Assessors in lieu of payments based on assessed property value. After months of wrangling the application tentatively was denied by both the Assessors and the Massachusetts Department of Revenue.⁹⁰ In August, 1980, Assessors voted to set tax estimate guidelines for the developer, and East Bay withdrew its request for a 121A when its attorney, John Lynch, "received assurance of reasonable and competitive tax levies through the negotiation process." Such an agreement is not absolutely binding, but provided some certainty of future tax levels.⁹¹

The formal agreement is in a letter from the Assessors' office to East Bay dated August 19th. A tax schedule was set at \$1.25 per square foot, based on mid-1981 occupancy expectations. For FY 1981 and FY 1982, the tax rate would be levied only on income-producing space in the mall and office park. Undeveloped parcels were to be taxed at regular vacant land rates. Through this agreement, property taxes would not be an undue financial drain on the developer. The Assembly Square tax rate was in line with malls in Burlington and Chelsea. The Burlington rates per square foot

(Footnote Continued)

⁸⁹ Sachs and Soley, May 4, 1982.

⁹⁰ Somerville Journal, February 23, 1984, p. 1.

⁹¹ Somerville Journal, August 14, 1980, p. 1.

was \$1.05 for retail and \$1.31 for office, while Chelsea's retail mall was taxed at \$1.23.⁹²

Problems of Further Development

Despite available public assistance, high interest rates during the construction and start-up periods caused a serious cash drain. The prime interest rate stood at 9.06% in November 1978, when East Bay bought the site from First National. As it completed demolition in September, 1979 the prime had risen to 12.90%, and during 1980 and 1981 the average monthly rates fluctuated between 15.25% and 20.50%.⁹³ Chains were very cautious about opening new branches and assuming new debt at the prevailing rates. This resulted in a piecemeal start-up which diluted the publicity impact of "grand opening," and also hurt East Bay's cash flow. Finally acceding to Jordan's demand to buy the Malden building compounded the financial strain of the new development.⁹⁴

The high interest rates, the fact that Somerville remains unproven as a commercial location, and the city image are contributory reasons why other parts of the master plan, particularly the hotel, have not been developed. The ASDA plan was to be implemented in phases. First, the mall, office building, and detached restaurant were to be built. The second phase was to be the hotel in the early 1980s. To date two serious development efforts have been made for the vacant hotel site. A small hotel chain

⁹²Sachs, Celine, Soley, Joseph; Interview with Jack O'Neill.

⁹³Federal Reserve Bulletin, Table 1.33: Prime Rate Charged By Banks. Rates given are monthly averages.

⁹⁴Sachs and Soley, May 4, 1982.

assembled 50% of the necessary financing before the effort fell apart. Secondly, Howard Johnson's was looking for a main headquarters, narrowed its choice to Somerville or Brockton, and picked the latter. Phases three and four, more office/retail space and waterfront development are forgotten for practical discussion.⁹⁵ With two isolated buildings and 2400 free open air parking spaces, Assembly Square is a suburban development in an urban setting as was proposed by East Bay. The ASDA has not given Somerville the downtown focus desired by City Hall in 1978.

⁹⁵ Interview with E. Thomas Pelham, April 14, 1984.

CHAPTER VI

ASSEMBLY SQUARE IN SOMERVILLE

The tangible impact of Assembly Square for Somerville can be measured by job generation and real property taxes. The ripples in the city caused by the project are difficult to analyze. These include the mall's effect on established retail trade in Somerville; Assembly Square's utility as a base for further development; and how the complex contributes to the definition of Somerville.

Employment

When First National left Somerville, the move cost 800 jobs, approximately 5% of employment in the city during 1977. These were important jobs, largely taken by residents. The mall and office park now house nearly 1600 permanent jobs, perhaps 10% of employment in the city; better than 1400 are new jobs for Somerville. These jobs overwhelmingly are clerical, sales, and restaurant/fast-food workers. As of July 22, 1983, 789 persons had permanent full or part-time jobs at the mall. An additional 116 were estimated as seasonal hires, probably for the Christmas season. Of the regular jobs, 22 were mall staff and 767 were employed by 54 establishments.⁹⁶ Since that survey was compiled, the mall has grown to 59

⁹⁶Jane Skuncik, the mall manager, furnished a list of tenants regular employees, and seasonal employees, dated July 22, 1983.

establishments, and likely contains over 800 permanent employees. Based on the 1983 statistics, Jordan Marsh, K-Mart, and Dapper Dan's combine to employ over 300 permanent staff, roughly 38% of the mall's workforce. The eight fast-food and sandwich restaurants employ 124, 43 of them in McDonald's; 336 jobs are available in the 43 other establishments.

Weeks before any part of the mall opened, more than 1000 people, at least 90% from Somerville, applied for jobs.⁹⁷ In late 1980, the state's Department of Employment Security reported that 78% of mall employees were from Somerville. As the initial hiring cycle faded, so did the emphasis on local employment. By April, 1982, OPCD staff estimated that Somerville residents held between 37%-50% of the jobs in the mall.⁹⁸

Evaluating the nature of mall employment is difficult. The changing proportions of city hires indicate that a substantial number of jobs are volatile. Undoubtedly many pay close to the minimum wage. Fast food and retail chains target young workers for part-time employment; many require little experience, do not invest in human capital development, and accept employment turnover as a natural factor of business. However, national and regional chains also provide career ladder opportunities. For example, in October, 1980, as hiring was starting for the new mall, the Endicott Johnson show store and Papa Gino's advertised for "management trainees." Johnson sought three trainees and five part-time sales people for Assembly Square.⁹⁹

⁹⁷ Somerville Journal, October 2, 1980, p. 3.

⁹⁸ Sachs, May 19, 1982.

⁹⁹ Somerville Journal, October 2, 1980, Classified Advertisement Section.

Of the 59 establishments in the mall, over 50 are parts of chains which may offer "trainee"/management opportunities in Somerville or elsewhere to Somervillians. Some of the mall establishments, particularly the anchors and Dapper Dan's, employ full-time and part-time workers at a variety of levels. Finally, it must be noted that part-time and temporary work fit the objectives of some people, and therefore should not be considered "prima facie" evidence of "bad jobs" or underemployment.

Eight firms plus Sack Theaters rent space in the Office Park. The theater complex employs over 60. Of these 6 are unionized projectionists, 3 are managerial, while the remaining personnel are teenagers or young adults working part-time. Over 700 people work in the office building. Table 7 illustrates the composition of office jobs. Note, unlike the mall where almost all establishment were new to the city, the office building has just two start-up firms. However, five of the six firms which relocated to Somerville reported that as clerical positions became vacant, they were filled by city residents. Thus, while not creating new jobs, attrition has created employment opportunities for Somervillians. Most clerical work is localized; generally people do not travel far to secure these jobs. Two firms reported that several professional employees moved to Somerville after the company located in Assembly Square. Overall, about 24% of the office building workforce are from Somerville; of the total clerical and other non-professional slotted employees, 38% are residents. Office wages range

from a low of \$4-\$5 per hour to salaries comparable to unionized food processing or warehouse workers and higher for professional staff.¹⁰⁰

More jobs exist in Assembly Square than the First National operations. The jobs available to Somerville residents differ widely in wages and working conditions (as did the varied jobs in the First National plant). Employment in Assembly Square probably is more desirable than most of the First National jobs to a large majority of people who work in the mall or office building. The question is raised: for whom should Somerville's development policies target jobs?

Assembly Square provides employment for the growing proportion of the Somerville labor force that is "white collar." Many Somervillians have held manufacturing jobs for their working lives and cannot adapt easily to the service economy. An affirmative desire to maintain their employment base led to the blown-up \$9,500,000 UDAG submitted to HUD by the August administration. Assembly Square--its development and the employment it generated for the city--is a conservative product of national and regional economic market trends over the preceding 30 years. The employment market at Mystic River-- Assembly Square is both a victim and beneficiary of the shifting economies.

Taxes

During its final year of operations, First National in Somerville was valued at \$3,332,500 and assessed for \$893,433 in taxes, 2.8% of

¹⁰⁰ See Boston Area Wage Survey published by the Bureau of Labor Statistics, for detailed salary information for clerical and production employment classifications. Mean warehouse worker wage is listed at \$8.32/hour in August, 1983.

TABLE 7

Office Firms in Assembly Square

Name of Firm	Number of Employees	Full-Time	Part-Time	Prof.	Cleric./Other	New Jobs	Somervillians Employed: Prof. / Cleric. (or other)	Prev. Location		
SBC Management	20	20	-	4	16	-	-	17	Back Bay, Boston	
Bernett Research Associates	150	20	130	20	-	130 ¹	-	2	35	Burlington
Urban Research Associates	1	1	-	1	-	-	-	-	-	Burlington
Sprint	85	85	-	56	29	-	65 due to phone industry expansion	-	29	Financial District, Boston
Ogden Security	21	21	-	14	7	- ²	-	-	5	Financial District, Boston
SCA Services, Inc.	125	125	-	42	83	-	-	-	30	Fenway, Boston
GCA Vacume Ind.	60	58	2	47	13	-	-	-	6	Union Sq., Somerville
Computer Learning Center	50	30	20	40	10	-	50--new establishment	2	5	--
System Development Corporation	200	200	-	40	160	-	200--new establishment	2	40	--
Totals	712	560	152	264	318	130	315	6	167	

1. Phone and personal interviewers. Employment varies widely depending on contracts held by firm.

2. Does not include 350 security guards who work out of the Somerville office. Fifteen guard jobs can be classified as new--security at Assembly Square.

Source: Telephone Survey of office building establishments; March, 1984.

Somerville's real property base. Holding First National's valuation constant and applying the FY 1984 tax rate of \$211.95 per \$1,000, the tax assessment would have been \$706,323. The Assembly Square parcels are valued on the City Assessor's books at \$1,408,800, and is taxed for \$298,595 in FY 1984, 1.2% of the city's base.¹⁰¹

Apparently, the 1980 tax agreement was never implemented. By the letter, the mall was listed at 331,000 gla and the office park at 206,200 gla. The two parcels tentatively were scheduled to return \$325,000 in FY 1981 and \$450,000 in FY 1982 based on projected occupancy. In FY 1983, the final year of the agreement, full occupancy was expected which would have yielded \$671,000. Also in that year, the development was to be reassessed. OPCD staff estimated the post-agreement tax return to be between \$650,000 and \$750,000 annually.¹⁰²

In practice, taxes on the development are paid through the standard system of valuation and assessment, and the "value" of the development is woefully low compared to its \$40,000 cost. In FY 1981, all five parcels, two with the mall and office park and three vacant lots, were valued at \$1,204,360. During the last three fiscal years the value has been \$1,408,800.¹⁰³

¹⁰¹Real Estate Tax Commitment Books, Fiscal Year 1984. According to Gerald McCue, Somerville's Treasurer, tax revenues received from the mall are based entirely on the valuation by the Board of Assessors.

¹⁰²Sachs and Soley, April 14, 1984. The different gla from previous citations may reflect the theaters and two offices in the interior of the mall.

¹⁰³Real Estate Commitment Books, Fiscal Years 1981-1984.

The valuation has reaped disappointing tax returns for Somerville. In FY 1981, owing to an abnormally high \$292.11 tax rate, revenues received were equivalent to the earlier projections. Adding in the vacant parcels at the regular tax rate, Assembly Square should have returned \$355,000 and actually paid \$352,000. However, FY 1982 was the first year Proposition 2½ was implemented, and the tax rate dropped to \$246.82. For FYs 1982 and 1983, the rate has stood at \$211.95. The tax levy for FY 1982 was \$347,720, and--as mentioned above--\$298,595 during the following two years.¹⁰⁴ By examining possible returns under the agreement, the scope of lost revenues can be seen. FY 1984 is a good year for an example because ranges of vacancy rates are available.¹⁰⁵ Accepting high estimates of 30% office and 10% mall vacancies, at a return of \$1.25 per square foot, equals \$180,250 and \$372,375 respectively. The actual returns paid on the mall and office park were \$166,847 and \$110,829, a total shortfall of \$274,949.

On April 2, 1984, Somerville's Board of Assessors voted to hire Phillip Waterman, a professional real estate appraiser, to reassess the property value of Assembly Square. Assessor John Howe, sponsor of the motion to hire Waterman, said: "I think this will help the tax base quite a bit."¹⁰⁶ The future base tax for Assembly Square, if valued in a straightforward means, and not with income triggers, may indeed rise dramatically. For example, assuming a \$40,000,000 true value at 2½% equals

¹⁰⁴Ibid; also Sachs and Soley, April 14, 1984.

¹⁰⁵Technically the agreement expired after FY 1983. The operating assumption is that it was extended pending revaluation.

¹⁰⁶Somerville Journal, April 5, 1984.

\$1,000,000 in property tax revenues. Or, OPCD estimates that Somerville property is assessed at a city-wide average of 10.45% of market value;¹⁰⁷ \$40,000,000 multiplied by .1045 equals an approximate value of \$4,182,000. At the current \$211.95 tax rate, the development may generate \$886,000.

Commerce in Somerville

Frank Stellato, President of Somerville's Chamber of Commerce, believes that the Assembly Square Mall's effect on the city's established retail trade has been minimal--"One or two merchants complain," he said, "but solid businesses are doing well."¹⁰⁸

Residential shopping is organized around a half dozen local squares which provide products and services appropriate for neighborhood markets. Many types of businesses in the squares do not overlap with the mall, including: supermarkets, convenience stores, ethnic groceries and restaurants, full service hardware stores, and local services. As an indication of Somerville's changing population, the squares are starting to sprout establishments like croissant bakeries and gourmet pizza restaurants which also do not face competition from the mall. Many fast food/quick service restaurants are located in the squares. Though these types of firms are in the mall, eateries in the squares cater almost exclusively to neighborhoods' residents and local labor markets while similar establishments in the mall draw business from retail shoppers and workers in the complex. Dapper Dan's is the only bar in the mall, and is the sole

¹⁰⁷ Somerville's 1982 100% Property Valuation; Unpublished Memorandum in OPCD; May 25, 1982.

¹⁰⁸ Telephone interview with Frank Stellato, March 13, 1984.

restaurant which regularly attracts diners. Dan's clientele largely reflect well-to-do office workers in the city and the multi-city market of the mall. Most of Somerville's neighborhood bars and restaurants, with noticeable exceptions, are aimed towards moderate income/working class customers.

The mall may be having an adverse impact on local shoe and clothing stores. However, as Stellato remarked, small businesses are notoriously volatile, and closings cannot be easily traced to the mall. Regional department store chains in the squares, Almy's in Davis Square and Bradley's off Union Square, have remained in business despite the mall. Both of these stores are in direct competition with K-Mart for moderate income consumers. Moreover, a neighborhood retail center, including a Service Merchandise appliance store; shoe stores; and clothiers, opened near Union Square two years after Assembly Square began business.

Summary: Impact of Assembly Square in Somerville

Findings regarding the short-term impact of Assembly Square are mixed. It has generated employment at varied levels for Somervillians; twice as many jobs now are on the site as when First National announced its disinvestment plans. The economy has to be traced over twenty years to find more jobs on those 52 acres. Furthermore, the mall development does not appear to have hurt local commerce significantly.

Retailing at Assembly Square, as well as the office building, largely is "export." Staff at Bennett Research, an office park tenant and holder of the exclusive right to conduct market surveys in the mall, say that 20%-30% of shoppers in Assembly Square are Somerville residents. Therefore, 70%-80% come from outside the city. The jobs and property taxes generated by the development are supported by consumers and office firms

from other municipalities as was the previous manufacturing at the Mystic River.

Somerville's tax base has continued to steadily decline following the development of Assembly Square. The problems afflicting the base, when a city's economy was formally rooted in sunset manufactures, cannot be arrested by a two-building commercial complex. At this writing, Assembly Square is undertaxed, a situation which appears recognized city-wide. The idea to mitigate the tax burden on the developer during start-up was reasonable. However, after four years in operation, Assembly Square should be revalued to a reasonable level. Hiring a consultant to reappraise the development is a late first step toward that direction.

Marketing problems of the mall and office must be corrected so that Assembly Square can sustain its employment record and higher tax payments. Matthews and Patty Crooks, former vice-president of East Bay, both point to the dual market of the mall as a problem. The anchors, K-Mart and Jordan Marsh, attract moderate and upper income clientele respectively. Despite East Bay's thematic approach to mall development, the odd mix of Assembly Square stores does not effectively attract a specific consumer group.¹⁰⁹

Donald O'Brian, Vice President of Market Research for Jordan Marsh, expressed satisfaction with sales volume at the mall, and thought Somerville--specifically Assembly Square--could absorb more retailing "if it is done with a master plan and not ad-hoc."¹¹⁰ This view is complimentary

¹⁰⁹ Sachs and Soley, May 4, 1982; also Matthews, April 26, 1984.

¹¹⁰ Telephone interview with Donald O'Brian, April 21, 1984.

to an observation by Matthews that the mall's commercial health would be improved if K-Mart could be replaced by a second middle income oriented anchor.¹¹¹ The switch would upgrade the quality of the general mall stores by attracting more upscale tenants, filling vacancies, and replacing storefronts as leases expired. The sales in the mall to an exported market would be strengthened while moderate income Somervillians would continue to be served by department stores and commercial districts in the city.

The location of the Sack Theaters also hurts retailing in the mall. As mentioned previously, Sack adjoins the office building. The benefit of this location is that the office park is used days, nights, and weekends. However, it is inconvenient to walk between the office park and mall. If the twelve theater complex located by the mall, many Sack customers instinctively would wander through the retail shops before or after attending movies.

The problems of the office building appear much more serious than the mall. Assembly Square's locational advantages are proximity to Boston's CBD, free parking, and relatively inexpensive rent. Current rents per square foot are about \$15-\$16 gross, roughly \$10 less than equivalent buildings downtown. Of the five firms that relocated from Boston, three cited the rent differential and two others said they needed available room for expansion. Of the eight firms in the building, two referred to free parking and four were attracted by the location.

¹¹¹ Matthews, April 26, 1984.

Despite the available enticements, Assembly Square has not proved to be a popular location for office development. The vacancy rate hovers around 20%. Through a letter dated May 14, 1981, Manufacturers Hanover Trust, the permanent lender backing the office building, informed tenants that the Assembly Square Trustees had defaulted on terms of their mortgage agreement, and in accordance with the agreement, rent was to be paid directly to Manufacturers Hanover.

A number of explanations exist for the slack office market. Matthews says that in retrospect the First National building should have been torn down in favor of new construction. The rehabilitation saved fine wood detail which cannot be reproduced today because of high cost, but it resulted in poorly laid out office space.¹¹² One tenant commented about chronic ventilation problems and a lack of adequate security. Another tenant praised the building, but said, "people prefer doing business in Boston. Somerville is away from the center of action." Access by public transportation is awkward. Local buses pass through Assembly Square. However, the Orange Line goes by the site without stopping; connections to the rapid transit system are available by two bus routes which run every 15 minutes to hourly depending on the time. Finally, there is the problem of the image of Somerville. Robert Pihlcrantz, the former leasing agent,

¹¹²Ibid.

ventures: "Somerville is a high crime rate area with a rather low rank for office users--certainly not a prestigious address."¹¹³

¹¹³Letter from Robert Pihlcrantz to Steven Landau, March 29, 1984.

CHAPTER VII

DEVELOPMENT IN SOMERVILLE

The short post-industrial history of Mystic River leaves a legacy of unfulfilled master plans and a two-building commercial development. From the Stackhouse proposal through the UDAG application, a mall and primary office building were to be complimented by many other land uses. The city used the Mystic River Area to present a picture of Somerville's future. The conflicting ideas presented in each plan reflect a city shared by its traditional working class residents and growing proportion of Cambridge oriented professionals, students, and "bohemians." Proposals for low-to-moderate income housing and light industrial development at Mystic River reflected that the traditional-and-declining Somerville was valued. Conflicting calls for luxury, riverfront housing, a marina, and a hotel/convention complex indicate a desire to stimulate further middle class in-migration. The existing complex lies between the two worlds. Overwhelmingly, professional employment at Assembly Square never was available to Somervillians. Yet, perhaps 75% of the total jobs at the site are within reach of low and moderately skilled residents. In this respect, the development is more valuable to the old Somerville than to the new city.

Assembly Square is a product of private market choice and the federal highway and UDAG programs; these outside forces defined what was possible. City Hall could not develop its full vision of Somerville, upscaling the city while protecting the interests of long-time residents.

However, civic institutions are rooted in the traditional city. The Ralph, August, and Brune administrations aimed to maintain opportunities in Somerville for its traditional workforce, and did not exclusively embrace commercial and upscale development.

Overall, Assembly Square has been beneficial to Somerville. The mall and office park integrate the City of Somerville into the regional economy. However, surrounded by state and interstate highways, and a row of older industrial buildings, Assembly Square is an isolated "export" district for the city. The physical barriers around the development prevent the influx of shoppers from significantly stimulating commerce elsewhere in Somerville, and insulates locally oriented retail trade from mall competition.

The mixed basic economic results previously were noted. To date property taxes received from Assembly Square are far too low, though potential exists for a 100% to 200% increase in annual revenues. Employment on the 52 acre site has doubled since First National moved to Connecticut. Less than 50% of these jobs are suitable for primary wage earners in pay and/or available work hours. Subtract the 260 professional office jobs never available to Somervillians, and primary employment falls to a distinct minority. The variety of jobs meet a spectrum of individual needs, and fill a useful niche in the city.

Mystic River development has had a profound impact on Somerville because it is the foundation of a learning curve at OPCD. The office has overlapped during the Ralph-August-Brune administrations. J. Richard Poulin was a Ralph holdover as Director of OPCD under August. Matthews worked on the Assembly Square project for a year with Brune before leaving for

Medford. The first commercial development plan was formulated in the Ralph administration, the East Bay proposal, the second development plan, and the UDAG application occurred during the August years. August's OPCD secured the UDAG, but it was implemented under Brune. The Brune administration prodded the Board of Aldermen to pass the Chapter 121B and CARD designation, allowing the city to receive the grant; exercise eminent domain powers; and build the roadway infrastructure. Brune presided over the construction of the complex and its opening. This continuity made Assembly Square a laboratory for working with developers, investors, and UDAGs.

At present OPCD is not actively pursuing development in the ASDA (With the exception of the Pump House Restaurant).¹¹⁴ The office market is poor. Retail is not yet ready to expand, and housing/hotel construction seem very remote. Moreover the Massachusetts District Commission still owns the waterfront. On its own, Assembly Square reflects the two Somervilles. In addition to the 52 acre development site, a string of small smokestack and warehousing firms sit between the commercial buildings and the river. Two of the larger industrial firms recently expanded, and there appears to be no likelihood that their land will be taken for further development of the ASDA.

Today, city development efforts are concentrating internally on the squares and at Brick Bottom. The squares are Somerville's traditional commercial districts, and are the focus of revitalization efforts. For

¹¹⁴ Interview with Thomas Pelham, April 14, 1984.

example, substantial roadway improvements are being implemented in Union Square.

In Davis Square, to take advantage of a new rapid transit Red Line station, large scale commercial development relative to the city outside the ASDA is being implemented. City programs encourage local storefront and building rehabilitation. A 200 car garage was built, and OPCD is trying to attract a developer to build a small to medium size (about 50,000 square foot) office building.¹¹⁵ Davis Square development has presented a difficult balancing problem to OPCD. The square is the center of a growing pocket of upscale Somervillians. Current development efforts are viewed warily, and acceptance is grudging, by established businesses and long-time residents who fear that their neighborhood is being taken from them.

The Brune administration is facilitating light industry in Brick Bottom through a UDAG for a 80,000 square foot plant for Telelogic, manufacturers of automatic telephone dialing devices. The Telelogic building is not part of a master plan for the area. It reflects a single concrete development opportunity being exploited by the City.¹¹⁶ Expected to generate 250 manufacturing jobs, Telelogic may be a harbinger for future development in the city, including vacant parcels in Assembly Square. As real estate in Cambridge appreciates, "high-tech" type industries may seek less expensive land in Somerville for manufacturing plants (Telelogic is headquartered in Cambridge). The expansion out of Cambridge of high-tech

115 Ibid.

116 Ibid.

production is presenting a market opportunity for Somerville to revitalize its manufacturing base.

Epilogue: Assembly Square and the Image of Somerville

A stated goal of the Assembly Square development plan and general public policy under Brune has been to "open-up" Somerville. It was hoped that Assembly Square would bring people into the city, and show Somerville as a good investment opportunity. Assembly Square lured major investors. Manufacturers Hanover Trust and Mutual Life of New York backed the office Park and Mall respectively with equity participation loans. The slack office market and retailing problems discussed above have not encouraged further major commercial investments spinning off from the development.

Pelham points to the open development procedures which followed up Assembly Square, including meaningful processes for community participation in decision making and the use of development kits. The city's objective is to give developers confidence that they will not be "ripped-off" if they come to Somerville.¹¹⁷

The scandal hovering over Assembly Square publicly pastes the development with the odious "Slumerville" tag. Pelham fears that the city will remain under a cloud until the Grand Jury acts. Of course, if the Jury issues indictments a trial will keep "corruption in Somerville" headlines in the media for a substantial length of time. Furthermore testimony likely will be solicited from current as well as previous city officials. "People

¹¹⁷ Ibid.

working with [OPCD]," says Pelham, "know that Brune is not the problem. But people who do not know Brune think: 'ah, it's Somerville.'"¹¹⁸

To date, the scandal is centering on the relationship between East Bay and Lawrence Bretta, the former Somerville mayor; the granting liquor licenses for Assembly Square; and city assessment practices. The administration of UDAG has not been an issue.¹¹⁹

The probe is hurting Somerville by reinforcing negative imagery that the Assembly Square development slowly began to relegate to the past. Pelham fears that quality developers who might have considered coming to Somerville will stay away, leaving the city to less desirable investors. It also is possible that desired developers who remain interested in Somerville will be in a strong position to demand subsidies without giving significant quid-pro-quo on factors as city hiring policies, UDAG equity participation terms, and design agreements. However, some optimism can be generated. Development opportunities in the city are not affected, tangibly by the Grand Jury. Also, the possibility exists that the investigation and future indictments will be the core of a reform movement within Somerville. Broadly generated outcry for removing corrupt officials in the city and appropriate action may provide public reassurance that public institutions and processes in fact are open.

¹¹⁸ Ibid.

¹¹⁹ East Bay went out of business in 1982 after its president, Raymond Coats, died. Several executives formed JDC Properties in Reading. They refuse any comment on the Assembly Square development (Somerville Journal, February 18, 1984).

APPENDIX

VALUE OF REAL PROPERTY AND THE TAX RATECITY OF SOMERVILLE, 1955-1984

	<u>Valuation</u> <u>(\$ 1000s)</u>	<u>Tax Rate</u> <u>per \$1000</u>
1955	\$124,739	\$ 63.20
1956	124,942	69.90
1957	125,139	71.20
1958	126,166	79.20
1959	125,036	83.40
1960	125,257	91.30
1961	126,164	93.00
1962	126,011	96.20
1963	125,496	95.70
1964	126,640	99.40
1965	127,727	107.20
1966	126,765	111.90
1967	125,404	126.80
1968	124,371	131.90
1969	123,969	143.80
1970	124,430	169.30
1971	124,244	177.30
1972	123,433	181.80
1973	122,809	171.60
1/1/74-6/30/74	123,124	85.80
Fiscal		
Year 1975	123,124	196.20
FY 1976	121,212	199.70
FY 1977	121,790	237.60
FY 1978	120,805	268.10
FY 1979	119,068	266.60
FY 1980	199,146	245.80
FY 1981	115,924	292.11
FY 1982	115,427	246.82
FY 1983	115,290	211.95
FY 1984	115,290	211.95

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