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FALL 2014

Massachusetts on the Move: The Intersection of Talent, Transportation, and Housing

Prepared by the UMass Boston Center for Collaborative Leadership
in conjunction with the Massachusetts Business Roundtable



Project Description

The Massachusetts Business Roundtable (MBR) collaborated with a team from the Emerging Leaders Program (ELP) from the University of Massachusetts Boston to interview business leaders to explore the important intersection of talent, transportation, and housing on the state's economy.

The ELP Team obtained the insights of 15 key business leaders, industry experts as well as public policy organizations on these important issues and their impact across the Commonwealth. This research seeks to capture the views of stakeholders throughout Massachusetts. The ELP Team surveyed the landscape by reviewing trends and current research on these policy issues.

About the MBR

The Massachusetts Business Roundtable is a member-driven, statewide public policy organization comprised of Chief Executive Officers and senior business leaders from businesses that employ more than 250,000 people throughout the Commonwealth. The mission is to strengthen the state's long term economic vitality with the goal of making Massachusetts a highly desirable place to do business. To do so, MBR engages with both public and private leaders to provide the strategic thinking of its members to develop and influence public policy that will strengthen the long-term health of the Massachusetts economy.

About the ELP

The Emerging Leaders Program (ELP) is an initiative of the University of Massachusetts Boston Center for Collaborative Leadership. Through the ELP, mid-level professionals in Greater Boston enhance their individual leadership skills and ability to work effectively with others towards significant civic goals. The program stresses collaboration and fosters leadership that is visionary, goal-oriented and inclusive. Diverse in profession, race, ethnicity, and gender, these fellows have already demonstrated leadership potential through work in corporations, non-profits, and governmental organizations. Each has been identified by his or her sponsoring organization as an "emerging leader"—talent worth watching and developing.

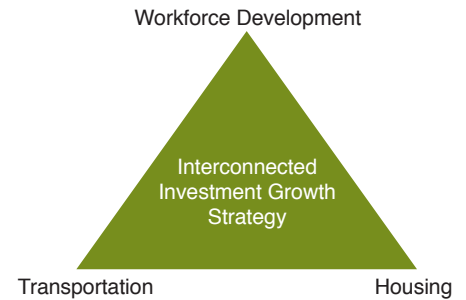
The Emerging Leaders Team

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Introduction

Talented workers and students are embracing urban life and fueling a boom in Boston that has implications for the economy and the broader region. Transportation and housing costs have become competitive disadvantages in the Commonwealth, while workforce talent and the continuous pipeline of new talent emerging from universities are significant competitive advantages. Roundtable members have increasingly noticed the linkage between the three corners of this vital intersection and have made it an important policy priority for MBR and the Commonwealth.

The MBR and ELP Team jointly produced the following report to examine the impact of current public policies, identify best practices and case studies which could serve as a model for how to successfully address this key intersection of talent, transportation and housing.



KEY FINDING 1

Viable Public Transportation and Affordable Housing Inevitably Results in Higher Rates of Talent Retention, but Policy Must Adapt to Changing Demands as Workers Age

Based on interviews conducted with business leaders throughout the state, a recurring theme that within the intersection of talent, transportation, and housing, transportation was by far the largest concern followed by affordable housing and talent retention. In the view of several business leaders, **viable public transportation and affordable housing inevitably results in higher rates of talent retention.** The 2010 Boston Regional Challenge cited housing and transportation as the two most economically significant costs for most families.¹

However, a May 2013 research report from the Federal Reserve Bank of Boston entitled “Retaining Recent College Graduates in New England”² found that transportation and housing are not the primary drivers of talent retention for recent college graduates. More specifically, the report states that 40% of recent college graduates left Massachusetts to take a job or look for work while only 2% of that same sample said they left because of high rents—in stark contrast to the idea that housing and transportation lead to higher talent retention.

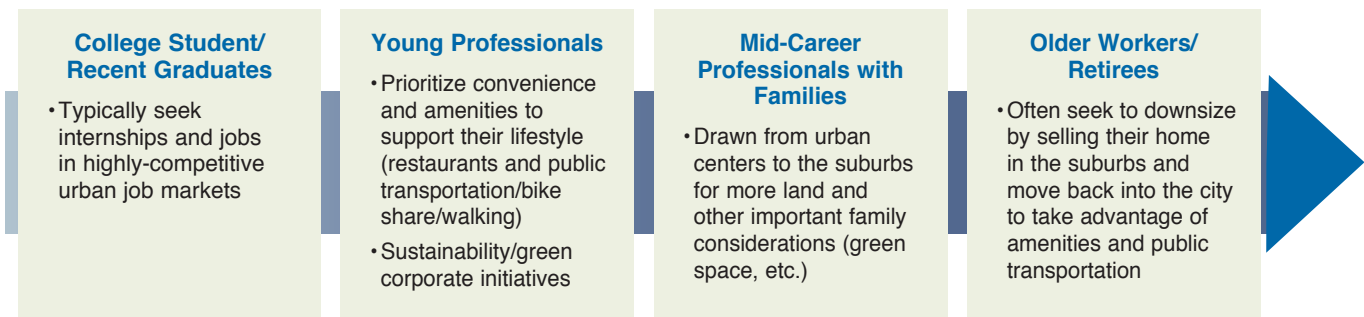
“It’s all about that first job,” said Alicia Sasser Modestino, the report’s author and senior economist at the Boston Fed. “Surveys show students who step off their college campus, have an internship in the local job market, and make connections with local people will be much more likely to stay here.”

This contradiction might be explained by the fact that the primary drivers of talent retention change for an employee as they go through different life cycles. The World Class Cities Partnership’s Talent Magnets report³ echoed some of the findings of the Boston Fed but went on to say that “...too often we lump together all of these various reasons that push people out of the Commonwealth without regard for importance, timing, or life needs. We give each reason equal weight...By breaking down talent needs into life stages; policy makers can better prioritize talent retention strategies.” This perspective suggests that the primary determinant of talent retention is often driven by which factor is most important to them at the life stage they find themselves at a given point in time.

“Employers have placed greater emphasis on locating near the institutions and workforce they believe can aid their ability to innovate. For the most part, those institutions and that workforce favor very urban settings where “live, work, play” is readily available. These trends favor both international investment and local origination and development. Two factors can aid the continued health and growth of the Boston innovation economy: (1) broad, varied and extensive housing supply and choice located within the highest growth areas, and (2) a robust transit system, far more extensive and robust than what we plan to restore with the recent new revenues.”

Jay Doherty, CEO, Cabot, Cabot & Forbes

Employees Needs Change As They Age



Content derived from World Class Cities Talent Management Report

The exact stage of an employee's life or employment cycle is often the primary determinant of how they prioritize their job-related decisions such as where to live and how to get to work.⁴ For example, college students and recent graduates typically seek internships and jobs (in their field of study) in highly competitive urban job markets. Young professionals prioritize convenience and amenities to support their lifestyle (restaurants and round the clock public transportation). Working families are drawn from urban centers to the suburbs for affordable housing and more green space and older workers and retirees often seek to downsize by selling their homes in the suburbs and move back to the city to take advantage of amenities and public transportation.

Each stage of life requires a unique public policy response. Public policy aimed at talent retention that focuses on the key priorities of transportation and housing must recognize this.

KEY FINDING 2

If a Proper Balance is Struck between Jobs, Affordable Housing and Investments in Infrastructure, then Talent Will Stay, and Businesses have a Better Opportunity to Thrive and Grow in Massachusetts

At a March 2014 economic breakfast event, business leaders participated in a survey noting that the biggest issues facing this state centered on attracting and retaining businesses, job creation, transportation infrastructure and the overall cost of living. This feedback reaffirms our findings that if a balance is struck between jobs, affordable housing and investments in infrastructure, then talent will stay, and businesses have a better opportunity to thrive and grow in Massachusetts.

The Commonwealth's competitive edge is the high quality of its skilled workforce. According to the 2010 U.S. census data, the Boston metropolitan area leads the United States in the number of young people with college degrees.⁶ In order to remain competitive in this increasingly global economy, employers need to retain their talented workforce and offer high quality services and products. Going forward, there is little doubt that Massachusetts will face

increased competition for skilled workers in a global economy where workers and jobs are increasingly mobile.

There needs to be a collective effort by policy makers, employers and higher education institutions to bring and retain talent in the Commonwealth in order to compete in an increasingly global economy where today's worker is increasingly mobile.

The Internship Collaborative is a partnership led by the Federal Reserve Bank of Boston and the Greater Boston Chamber of Commerce to provide a free website open to all students, employers, and college career counselors in Greater Boston to improve talent retention.

Some state activity is already underway. For example, state workforce development grants have provided needed training and support for companies to develop and maintain a skilled workforce. Commonwealth Corporation's initiative is to address the intersection between businesses' needs for skilled workers and employees' needs for good paying jobs. Through grant making, technical assistance and research, Commonwealth Corporation forms partnerships throughout the state in key industry sectors.

State programs and others like them need to continue to be funded and more awareness needs to be made available to make these programs more accessible to businesses and their workers.

In addition, recent research conducted by the Boston Federal Reserve noted that students who "have an internship in the local job market and make connections with local people will be much more likely to stay here." This suggests that targeted policies toward retaining recent graduates would be an effective method for increasing talent retention. One such example is the expansion of internship and cooperative learning opportunities throughout the region. These programs are beneficial for all parties. Students are afforded work experiences, employers have access to finding new talent and educational institutions develop a positive reputation for providing a flow of opportunities for students entering and graduating from the institution.²

At the same time, public policy is also addressing transportation infrastructure and affordable housing, with an eye toward talent retention and striking the appropriate balance of public investment. For example, the Legislature adopted a major capital spending plan over the next five years to fund improvements to the Commonwealth's transportation system. The plan includes broad-based investments in roads, bridges, and rail maintenance and expansion.¹⁰

Housing policy is also receiving attention. According to The Greater Boston Housing Report Card 2013,⁷ the Commonwealth ranks 47th out of 50 in the number of new housing permits per capita largely due to the way cities and towns actively zone out multifamily developments. Zoning decisions are made at the local municipal level and there is a negative perception about multifamily housing in many established suburban communities.⁷ Despite the positive economic benefits that many local municipalities and communities have realized through the creation of multifamily housing developments, thirty three municipalities in the Commonwealth produced no multi-family housing over the past eight years. The leading rationale for the divergent views towards multifamily housing is the negative perception that resources will be strained (i.e. schools) in the community.⁷

To address this issue, a comprehensive suite of state programs have been developed and continue to be enhanced. The Massachusetts Department of Housing and Community Development (DHCD) introduced programs that offer incentives to municipalities and developers to build cluster developments' and multi-family units.

In 2013, there was an increase in the number of housing permits issued aided by Chapter 40R zoning regulation which provides incentive payments to cities and towns that set aside land for the development of denser, more affordable housing. Through August 2013, 40R has been responsible for the completion of 1,478 units in multifamily structures, with the construction of another 875 multifamily units pending the issuance of building permits (The Greater Boston

Commonwealth Corporation is launching an innovative program and streamlining the application process for Workforce Development Grants to make it more accessible to businesses. In the future, vendors will be able to help manage the state application process for businesses, which should reduce administrative burden and spur workforce training and retention across the state.

CASE STUDY

Integrated 40R-zoned housing/transit project in Reading where the development was in a transit friendly area and produced at least 256 multi-family housing units. This serves as a good example of how the Commonwealth's programs can support community development and new housing stock while making better use of the existing transportation infrastructure.

Housing Report Card 2013). According to a state official, “communities must continue to be encouraged to develop these housing units to improve local economic growth.” Demographic trends in Boston and other urban communities support this.

The Gateway Cities Program is another example that has been successful as it provides economic development and support for cities that have faced social and economic challenges. Gateway Cities include Attleboro, Brockton, Chelsea, Fall River, Haverhill, Lawrence, New Bedford, Pittsfield, Revere, Springfield, and Worcester. The Patrick Administration has invested over \$2.5 billion in capital funding in Gateway Cities since 2008. These investments have resulted in thousands of temporary or permanent jobs in Gateway Cities. The MassWorks program has supported the creation of over 1,600 jobs in Gateway Cities from fiscal years 2008 through 2013. (www.mass.gov/bb/cap/fy2014/prnt/exec/preport).

According to a recent study by the Metropolitan Area Planning Council (MAPC) “many signs point to a resurgence of urban communities.⁷ These areas are receiving an influx of younger people who are now tending to stay in urban areas even after they turn 30 and begin to have families.” The report further states that, “An increasingly diverse population attracted by the job proximity, transit access, vibrancy, and cultural assets of urban areas is likely to drive continued population growth.” This will drive demand for the types of housing which can accommodate this population in urban areas (such as multifamily) through 2030.

Research and interviews conducted by the ELP Team brought to light significant efforts already underway in the Commonwealth to improve and build on the intersection of transportation, housing and talent retention for years to come. Simultaneous public policy attention and investment that recognizes the interrelationship between talent retention initiatives, transportation infrastructure and affordable housing, provides the interconnected growth strategy necessary for economic growth and job creation.

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KEY FINDING 3

Increased Collaboration Between the State, Local/Municipal Level and Businesses Will Drive Policies Aimed at Creating Jobs, Retaining Talent, Lowering Housing Costs, and Improving Transportation Across the State

Interviews with business leaders found that decisions to relocate back to Boston or outside of Boston were based on the company’s culture. Some businesses have relocated their offices to Cambridge and Boston to be closer to the talent from higher education institutions. However, many businesses find that city migration is not economically feasible as housing and rent costs are high and can be an inefficient use of worker’s time due to growing traffic congestion in the city.

CASE STUDY

Introduction of Micro-Apartments: City officials are experimenting with the construction of tiny dwelling units (500 square feet and under) known as micro-apartments to help alleviate the lack of available housing in urban downtowns. These micro-apartments is a growing phenomenon in U.S. cities including New York and San Francisco, however there is concern among public officials about allowing real estate developers to flood the market with these units as they are the size of 19th century tenements.⁸ These smaller living spaces are created for young professionals that elect to live and work in urban downtowns close to employers and the city’s amenities.



The Point in Littleton, Massachusetts

To relieve worker pressures of living in Boston, some suburban communities with access to public transit are working with local leaders to develop an “urban city feel” by bringing restaurants and businesses to their neighborhood streets to drive economic growth. This has been aided by the Chapter 40R and Gateway Cities programs discussed previously in the report. In addition, city officials are experimenting with the development of micro-apartments to help alleviate the housing shortage in greater Boston.

Other parts of the state remain challenged as there is limited inter-regional transportation infrastructure to promote economic development. College graduates and young professionals are less inclined to live in regions that do not have active social neighborhoods. Concerned urban planners, community leaders, and employers throughout the state continue to seek expansion of the regional mass transportation.

A great example of collaboration between state and local government and business occurred in Littleton, Massachusetts. In 2010, IBM opened its “Mass Lab” campus in Littleton, consisting of a 55,000 square foot facility; its biggest campus in North America devoted to software development. In 2011, the Town of Littleton, MassDOT, and the developer (Sam Park, Inc.) of the project called “The Point” collaborated to develop a commercial mix-use complex consisting of up to twelve buildings including a hotel, restaurants and office space. ‘The Point,’ is a 580,000 square-foot, mixed-use private venture that includes retail, office space and a 100-room hotel on the former Cisco Systems site. The complex could house up to 400 workers. Confirmed tenants include Market Basket and a 100 room Hilton Hotel. To make the make-over a reality, the town of Littleton secured a \$1.8 million MassWorks grant for improvements of road infrastructure (specifically Great Road/Route 119 and the installation of lights at the I-495 exit ramp). Additionally, the Littleton commuter rail station reopened after platform upgrades and expanded parking was completed. Investments in the Littleton transportation infrastructure and the development of the Point will potentially attract workers to seek residence in the Littleton area with easy access to major highways (I-495 and Route 2) into Boston along with access to culture and recreational activities at the Point development.

This provides a great example of the intersection of workforce, infrastructure and housing. Increased collaboration between the state and local municipal level and businesses will drive policies aimed at creating jobs, retaining talent, lowering housing costs and improving transportation across the state. The Town of Littleton is a strong example of how increased collaboration can bring along improvements in transportation infrastructure, job creation, housing, and economic development to a suburban community.

Recommendations

The Commonwealth is aggressively tackling the transportation and housing challenges that limit our ability to improve and grow our economy.

- The state should continue to enhance and expand public transit services in peripheral communities where housing costs are already low. Efforts to link these communities to major job centers and other nearby destinations through public transit could lower transportation costs significantly.
- The Commonwealth needs to continue enhancing existing housing policies to provide incentives to cities and towns and developers. Keeping pressure on the state and its local communities to ensure sufficient housing at affordable prices must remain a top priority in the Commonwealth.
- Research and interviews with public policy leaders determined that existing State and local programs for Housing, Transportation and Workforce Development are currently available, but often under utilized. State programs need to be continually promoted for increased awareness and accessibility. Developing the infrastructure will naturally lead to increased connectivity through jobs, providing more affordable housing and access to the most attractive workforce.

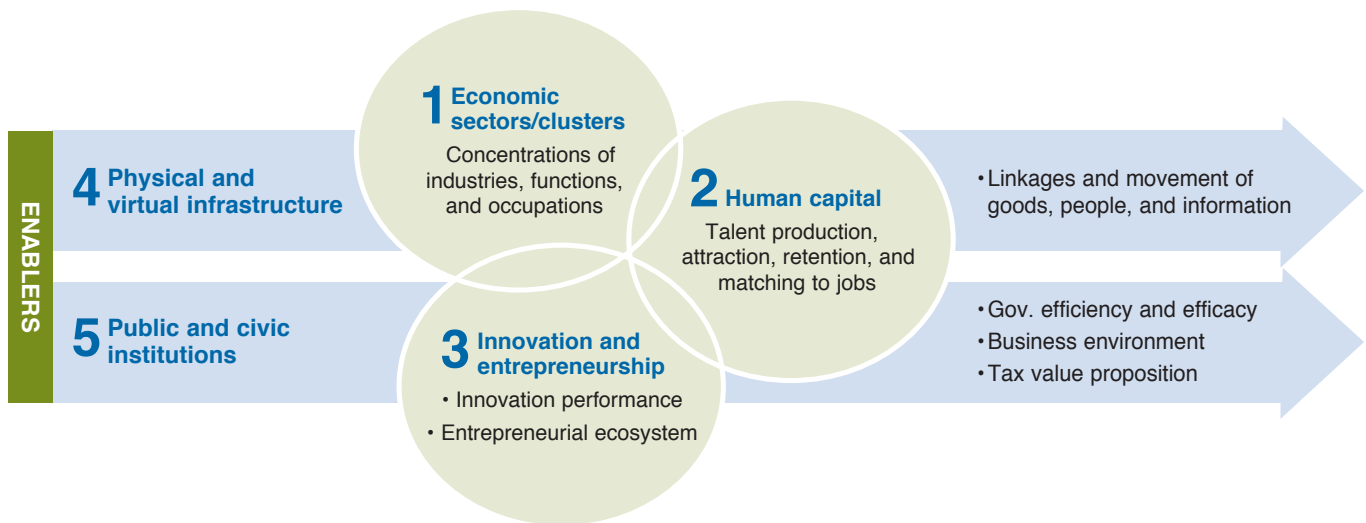
From Springfield to Plymouth, Fall River to Lowell, it is important to note that not all roads lead to Boston as the sole indicator for growth and success. Ensuring that all three facets of Housing, Transportation and Workforce Development are considered will drive innovation for the entire Commonwealth of Massachusetts.

Conclusion

According to the McKinsey Global Institute, the business and economics research arm of McKinsey & Company, public sector leaders have five primary levers at their disposal, as shown below, to increase economic growth. The Commonwealth has a competitive advantage in the strength and diversity of its economic sectors, extremely high quality of its human capital, the cutting edge nature of its booming innovation economy, and the effectiveness of its public institutions. In order to maximize economic growth and increase talent retention, the Commonwealth needs to continue to develop and enhance public policies to improve its transportation infrastructure and the affordability of housing as these key factors influence the retention of talented workers in Massachusetts.

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Five Levers Provide a Common Architecture to Identify Opportunities for Economic Growth



Content derived from McKinsey Global Institute—Urban America: US cities in the global economy, April 2012

SOURCE: World Business Chicago, *A Plan for Economic Growth and Jobs*, March 2012; *Metropolitan Policy Program*, Brookings Institution

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