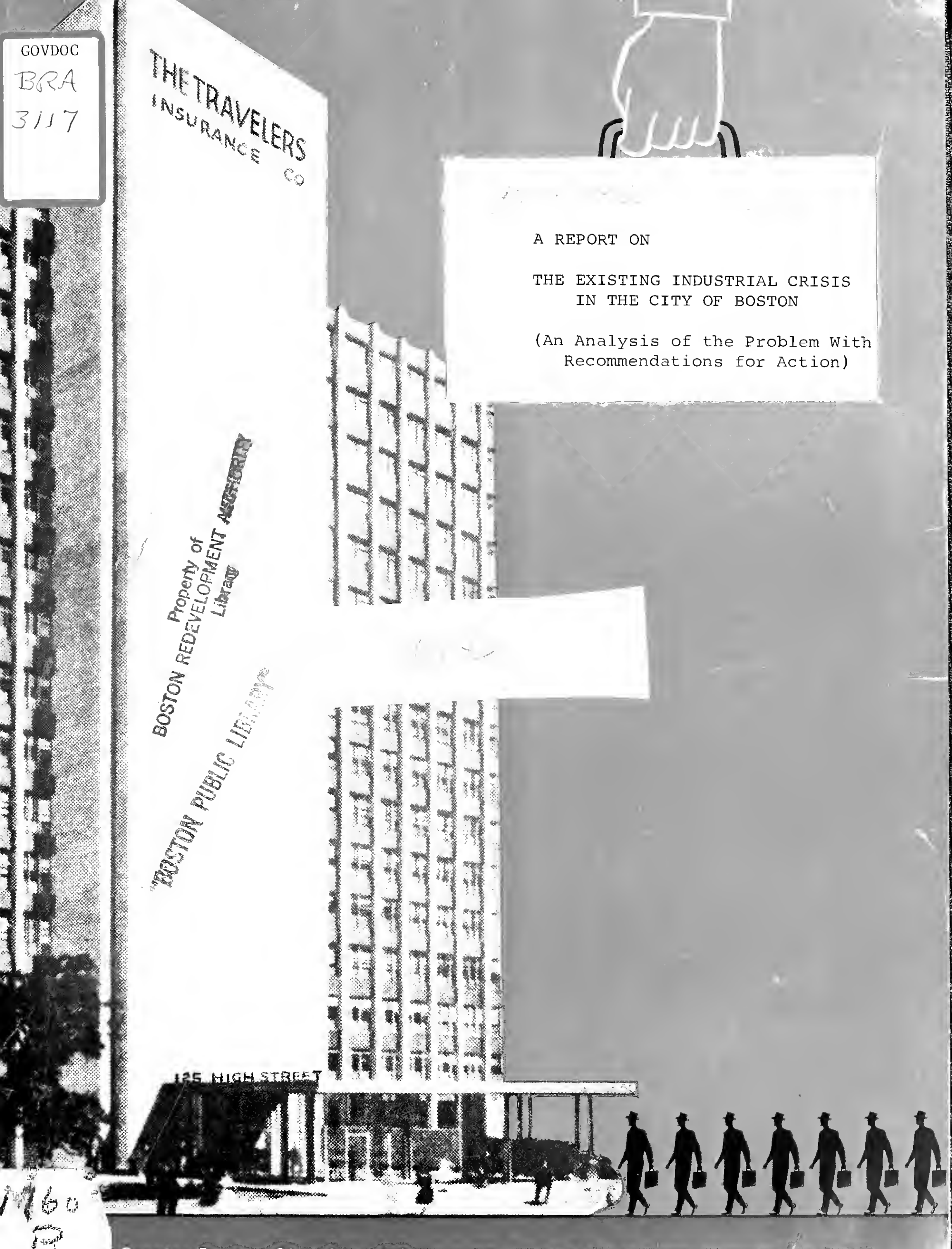

A REPORT ON

THE EXISTING INDUSTRIAL CRISIS IN THE CITY OF BOSTON

(An Analysis of the Problem With Recommendations for Action)

Greater Boston Chamber of Commerce 125 High Street, Boston, Massachusetts 02110

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Prepared for:
The City of Boston

By the:
Research & Development Department
Greater Boston Chamber of Commerce
125 High Street
Boston, Mass. 02110

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INTRODUCTION

National attention is being directed to the relocation of manufacturing and other types of job-producing industries from urban to suburban areas. This trend has reached alarming proportions in many major cities including New York and Boston.

Rather than considering the loss of industry as a critical problem requiring counter-measures of equal magnitude, the response to this situation over the past decade has been generally to consider industrial relocation from the urban centers as evolutionary.

The popular vision of a major city today is that of a Cultural-Service-Entertainment Center supporting the needs of its own population and those of the surrounding environs. Significant attention is also given to establishing major cities as tourist centers and to the attraction of national conventions to downtown meeting facilities. Support for these new roles for the city has been provided by City Planning Boards who determine the future characteristics of their urban areas.

Industrial displacements have been precipitated on a large scale by state and federal highway programs with no alternate city locations being offered although the required planning time has been available.

The industrial problems of large cities have been aggra-

vated by the growth of cities and towns in suburban areas which, unlike many major cities, do actively solicit new industries under well-conceived and conducted programs. For example, there are 61 industrial development commissions within the Greater Boston Area. In this process, suburban industrial development programs look to the neglected and seemingly unwelcome companies in the major city as their principal source for industrial prospects. The motivation behind the suburban industrial interest is twofold: First, is the need to acquire new jobs for their expanding labor forces and Second, to balance the local tax burden. These two objectives of the suburban programs should also apply to a much greater extent to the City of Boston. To date, such recognition has not been forthcoming.

The report will analyze some of the more critical effects of Boston's industrial decline, highlight the approaches taken by other major cities to combat the relocation of industry and finally will recommend course of action for the City of Boston to consider.

LIST OF TABLES

SUMMARY

As is the case with every major industrial city in the United States today, Boston is losing its basic industries at an alarming rate, 50 companies and 2,000 jobs annually, while at the same time the need for the jobs represented by these industries is increasing. Consequently the growth of industrial payrolls has leveled off from its previous experience locally.

Urban renewal and highway programs earmarked for Boston will continue to increase the rate of industrial loss in the years ahead producing a critical employment situation for the Boston resident labor force.

Competition in the form of professional industrial development agencies both within and from outside Massachusetts also will increase the loss of industry in Boston. If current trends persist, the City will no longer be serving the metropolitan area and the State to the same extent as an incubator for the new and emerging companies which could become the large industries of tomorrow in this area. Such companies initially seek city locations.

The direct loss of companies and jobs that support the semi-skilled and unskilled members of the labor force will increase the City's social burden costs which are growing at increased rates.

Over the past five years, some 1,027 industrial and

commercial structures have been demolished by the City without a corresponding investment for new plant space or provisions for same.

The 1964 New Business Development Report, published by the Chamber, states that of the total new business development in the City for 1964, only one per cent or $1.7 million was designated for new plant. This sum was invested for a new utility generator plant in South Boston.

The industrial experience and trends evident in the City of Boston can be altered by a well-conceived industrial development program. This conclusion is supported by the activities and achievements of other major cities throughout the United States. Boston presents some unique problems that can only be dealt with directly rather than the City relying on the industrial development activities of others who have programs designed for their particular interests.

The New Boston concept should include an industrial development program that provides for:

1. The resident labor force.
2. A balanced and diversified local economy.
3. The support of municipal government through the more productive use of available land and facilities.
4. The re-introduction of Boston as an industrial center which will improve its faltering image as a City that pays little attention to its industrial environment.

RECOMMENDATIONS

As set forth in Chapter VI, it is recommended that the City of Boston take initial steps to reduce its current volume of industrial relocations. The City has a recognized responsibility to its resident labor force, to its citizens, and to its public role as the guiding force for the current and future vitality of the City. Since Boston is also the Capital City of Massachusetts, it has an additional responsibility to initiate plans and programs which can have beneficial influences on its immediate surrounding areas and which can stand as models for the entire state.

Therefore, it is recommended that the City of Boston establish an Industrial Liaison Office in City Hall to begin a major City effort on behalf of the retention of industry currently within its borders.

At this time, it is also recommended that the City of Boston create a Boston Industrial Development Study Committee to more closely define the current and future industrial problems facing the City. From this effort a program considering the special features and needs of Boston should be inaugurated.

The third recommendation offered is an alternative to the preceding Study Committee and involves the establishment of a Boston Committee for Industrial and Commercial Development which would be a permanent committee and charged with both the study and implementation phases of an industrial development program for the City.

CHAPTER I

THE INDUSTRIAL CHARACTERISTICS OF THE CITY OF BOSTON

As the Capital City of the eighth leading industrial state and the "Core" City for the seventh ranking metropolitan area nationally in terms of manufacturing output, Boston must be classified as a major industrial city. Currently Boston accounts for better than 11 per cent of all manufacturing employment in the State. Within its boundaries are located some 2,089 manufacturing establishments. This number of firms constitutes 23 per cent of the total number of manufacturing companies located in Massachusetts.

For the City of Boston, manufacturing employment, with over 78,000 workers or 22 per cent of total employment in the City, ranks second to the wholesale and retail trade. This sector is larger than such other private employment categories as finance, insurance and real estate and the other service industries by a margin of better than 30,000 jobs in each case.

The significance of manufacturing activities in Boston has been submerged amidst many more dramatic accomplishments of the New Boston over the past few years. By its very nature, manufacturing does not lend itself to widespread public attention or concern for its welfare. Although some of its earlier images still persist, manufacturing has kept up with the times. This is exemplified by the many eye-appealing

plants seen throughout Greater Boston, including the recently constructed Gillette Company facility in the City.

Boston is particularly recognized as a manufacturing center for apparel and other finished products, printing, publishing, and allied products, fabricated metal products, leather and leather products as well as for machinery (SIC groups 23, 27, 34, and 35). These industries are particularly suited for central city locations because of proximity to markets, labor force and to a lesser extent available facilities. The latter characteristic of the City, however, has been and will continue to be undergoing a declining phase. This is caused primarily by the processes of urban renewal and highway construction.

The availability of manufacturing facilities and industrially zoned land is a prime requisite for the industrial welfare of Boston. Studies show that 20 to 25 per cent of the companies displaced by renewal projects or highways go out-of-business. During the past five years, over 1,000 industrial and commercial facilities have been demolished in the City of Boston. Table I provides a summary of this activity. This has had a restricting influence on locations available for industry in the City. Recognizing that the majority of the structures removed did not serve a recent productive purpose, however the ultimate use of this land area has not been specified for industrial development

TABLE I

DEMOLITION ACTIVITY

City of Boston
Total Buildings
by Type
1960-1964

Type	1960	1961	1962	1963	1964	5 Yr. Cumu-lative Total
Warehouse-Storage	20	36	58	48	30	192
Plant	1	2	6	13	3	25
Shop (repair service, etc.)	9	3	5	8	7	32
All Other Commercial	106	119	127	247	179	778
Total	136	160	196	316	219	1,027

Source: Building Department Records
City of Boston

in any City plans or programs.

Since World War II, Boston's industrial environment has also served as an incubator for company growth and expansion beyond their original City facilities. The list of such companies which prospered originally in the lofts and old industrial structures in the City and have since moved to larger suburban locations, reads like a Who's Who in industrial circles. This list includes: Raytheon, Itek, Laboratory for Electronics, and Edgerton, Germeshausen & Grier, Inc. to sample an extensive list. Boston, therefore has provided the suburban area with a distinct service by producing a spawning ground for home-grown new industries.

Industrial development experts in Massachusetts and Greater Boston contend that between 80 and 90 per cent of the area's industrial growth can be attributed to the expansion of existing industries rather than the acquisition of new industries. The likelihood of attracting major new industries is remote. According to a 1963 Fortune Survey of Locating Plants, Warehouses, and Laboratories, a net addition of only 648 plants was added to the United States industrial base between 1960 and 1962 by the 500 leading industrial corporations. This survey also reported that New England ranked eighth in regional preference for the location of such new

plants by these same leading companies.

What is now happending to Boston's role as an Industrial Center? Table II presents a comparison of manufacturing activities in the City for the period 1958-1963 by the number of firms in operation and employment. The Table depicts a shrinking industrial base in the City. During the five-year period set forth, 378 manufacturing operations ceased to exist or relocated from Boston, resulting in a total job loss of 11,729 jobs. This figure is partially offset by a gain of 1,106 jobs in certain other employment categories. In particular, the industrial losses are substantial in those standard industrial classifications having the larger numbers of firms. These classifications are typically a major city's traditional industries.

Similar industrial losses in other large Massachusetts cities have prompted "industrial redevelopment" programs. These programs were outlined in a series of articles published in August of 1964, by the Boston Globe under the caption, "Jobless Cities Fight Back". Particular attention was given to the industrial comebacks being made by such cities as Lawrence, Lowell, North Adams, Haverhill and to this list now can be added Worcester.

Although the City of Boston accounts for nearly 50 per cent of the total New Business Developments for the Boston Metropolitan Area, these developments have emphasized commercial office

TABLE II

MANUFACTURING
City of Boston
By Number & Employment
1958-1963

SIC	GROUP	No. Firms 1958	No. Firms 1963	No. Firms +/-	No. Employees 1958	No. Employees 1963	No. Employees +/-
19	Ordnance & Accessories	---	---	---	----	----	----
20	Food & Kindred Products	212	160	- 52	17,014	13,869	- 3,145
21	Tobacco Manufacturing	4	2	- 2	(Misc.	Group)	
22	Textile Mill Products	66	54	- 12	1,351	1,168	- 183
23	Apparel & Other Finished Prod.	603	532	- 71	18,894	15,855	- 3,039
24	Lumber & Wood Prod.	28	22	- 6	314	296	- 18
25	Furniture & Fixtures	108	86	- 22	1,614	1,533	- 81
26	Paper & Allied Prod.	63	52	- 11	2,063	1,789	- 274
27	Printing, Publishing & Allied	461	405	- 56	14,187	13,379	- 808
28	Chemicals & Allied	93	74	- 19	1,062	983	- 79
29	Petroleum & Coal Products	(Misc.	Grouping)				
30	Rubber Products	34	18	- 16	935	552	- 383
31	Leather & Leather Prod.	129	106	- 23	5,898	4,119	- 1,779
32	Stone, Clay, & Glass Prod.	42	34	- 8	559	700	+ 141
33	Primary Metal Ind.	40	28	- 12	1,926	1,579	- 347
34	Fabricated Metal Prod.	195	156	- 39	6,342	6,164	- 178
35	Machinery (Ex. Electrical)	128	119	- 9	3,832	4,041	+ 209
36	Electrical Machinery	71	70	- 1	5,825	6,318	+ 493
37	Transportation Equip.	23	18	- 5	1,005	1,107	+ 102
38	Prof. Scientific & Controlling Instru., Clocks, Photo.	59	48	- 11	3,942	2,527	- 1,415
39	Misc. Mfg.	108	105	- 3	1,875	2,036	+ 161
	Total	2,467	2,089	-378	88,638	78,015	-11,729
							+ 1,106
							-10,623 Net Loss

Source: Massachusetts Commerce & Development Department
&
Massachusetts Division of Employment Security

buildings, both new as well as additions and renovations to existing facilities, new hotels and motels and other miscellaneous categories, including amusement facilities. New business development in the City of Boston for 1964 amounted to $117.0 million. Only 1.0 per cent or $1.7 million was for new plant. Manufacturing and its various classifications constitutes what is commonly referred to as basic industry on which the economic life of any area depends. To consider any area, be it a city or a metropolitan area, as predominantly a Service-Cultural-Entertainment or other type of Center, will ultimately lead it to extreme vulnerability. Recent examples of certain areas' dependency on military installations bear out the desirability of a balanced economy which, from this definition, includes a strong basic industries (manufacturing) sector.

The manufacturers located in Boston, as is the case in many other major cities, are typically small operations in terms of employment and space required. However, the total manufacturing payroll in the City annually reaches $450 million, second only to the payroll for the Retail and Wholesale Trade. Another indication of the decline of manufacturing in the City, is the fact that total manufacturing payroll in Boston increased by $34 million between 1958 and 1961, from $408 million to $442 million. However, between 1961 and 1963, total manufacturing payrolls

increased by only $7 million or $442 million to $449 million.

The significance of this economic input to the City tends to be overlooked because of this industry's diverse activities and interests which do not lend themselves to unified leadership. A large number of small firms also presents a communications problem with the City and impairs the industrial company's effectiveness in impressing the administration with the gravity of their problems.

Due to the highly competitive nature of the manufacturing industries located in Boston, the cost of space is an important consideration to their success. In many cases the types of facilities used have outgrown their usefulness and as companies leave the City or cease to do business, these structures become a blighting influence on the immediate area.

The loss of industry also has an impact on those companies that service them. The significant movement of industry to the suburban area has been followed by other supporting functions particularly in the warehousing and distribution fields. The traffic congestion in urban areas is having a serious effect on industry, especially where a heavy reliance is placed on trucking services.

In summary, the industrial characteristics of Boston seem to be:

1. Over 2,000 typically small manufacturers are located in Boston and constitutes the second largest employer and payroll-producing group.

2. The Boston manufacturing sector is in a declining period with a net loss of some 378 companies from 1958-1963 along with a corresponding net employment loss of 10,600 jobs.

3. The city is an incubator for new manufacturing businesses which has benefitted the entire Boston Metropolitan Area. Little attention or support has been given to these small growing operations by the city.

4. Over 1,000 industrial and commercial facilities have been demolished without a corresponding provision for displaced industries.

5. Little private investment is being made currently for new or additional plant facilities in Boston and no encouragement is given to do so.

CHAPTER II

EMPLOYMENT IMPACT OF RECENT INDUSTRIAL TRENDS IN BOSTON

As described on Table II, manufacturing employment in the City of Boston has declined by some 10,623 jobs during the period 1958-1963 (or by some 2,000 jobs annually). This category, however, still retains its second position in terms of employment in the City. In Chapter I, the analysis of the types of firms that have declined in numbers also described the job losses sustained during that period. (See Table II). Of particular consequence are the losses attributable to Food and Kindred Products, Apparel, and Other Finished Products, Printing, Publishing and Allied Products and Leather and Leather Products. These categories account for nearly 83 per cent of the total manufacturing job losses. Due to the character of these industries, this experience is nearly universal among large cities in the North.

Table III describes employment trends in the City of Boston and compares them with the United States experience.

While employment growth in the United States advanced by 8.8 per cent for the period measured, the Boston figures described an employment decline of 4.0 per cent. Other significant comparisons show that:

1. For those industrial classifications showing the greatest employment expansion in the United States, the Boston gains were less than 50 per cent as great.

TABLE III

GROWTH OF EMPLOYMENT
By Industry
U.S. vs. City of Boston
1958-1963

Industry	U.S. (000's)[2]			City of Boston (Units)[3]		
	1958	1963	+/-%	1958	1963	+/-%
Construction	2,991	3,121	+ 4.3	18,487	17,635	- 4.6
Manufacturing	16,311	17,193	+ 5.4	88,638	78,015	-12.0
Trans., Comm., & Utilities	3,972	3,948	- .6	39,076	36,463	- 6.7
Wholesale & Retail Trade	11,056	12,110	+ 9.5	126,804	117,775	- 7.1
Finance, Insurance, Real Estate	2,521	2,884	+14.4	52,321	56,625	+ 8.2
Service & Misc.	6,865	8,327	+21.3	51,342	55,776	+ 8.6
Total Non-Agricultural Employment[1]	43,716	47,583	+ 8.8	376,668	362,289	- 4.0

1. Excluding mining, government

2. Source: Employment and Earnings
U.S. Department of Labor
November, 1958
November, 1963

3. Source: Massachusetts Commerce & Development Department
&
Massachusetts Division of Employment Security

2. While manufacturing employment in the United States increased by 5.4 per cent, for Boston the corresponding total showed a decline of 12 per cent.

3. Five of the six major employment sectors for the United States recorded increases ranging from 4.3 per cent to 21.3 per cent while for Boston only two of the six sectors recorded increases of relatively nominal amounts.

4. For Boston, considered by many to be predominantly a service center, the employment gains in these categories failed to expand at the national rate.

It should be noted that the Boston employment experience is similar to the trend in other major cities such as New York, Philadelphia, and Chicago.

Table III describes a shrinking overall employment base for Boston while the dependency on the City for such employment is and will continue to be significant as evidenced by its expanding school population. The relationship between the employment market and the labor force of the City highlights some of the major problems deserving consideration.

Table IV sets forth the occupational characteristics of Boston residents and describes their dependency on manufacturing and other so-called "Blue Collar" job activities.

This table indicated the need for balanced industrial activity to provide job opportunities for a wide range of resident skills and abilities. The relationship between Blue and White Collar resident Boston workers is 1 Blue for each 1.3 White Collar jobs. Within the Blue Collar employment category,

TABLE IV

OCCUPATIONAL CHARACTERISTICS
Of Employed City Residents
1960

OCCUPATION	1960 Total Employed City Residents	1960 Total Employed City Residents Working In The City
White Collar	126,471	94,605
Professional & Technical	33,476	25,055
Mgrs., Officials, Proprietors,	15,604	11,664
Clerical	58,990	44,063
Sales	18,401	13,824
Blue Collar	96,576	72,142
Craftsmen, Foremen,	32,398	24,191
Operatives	52,175	39,095
Laborers	12,003	8,556
Service	38,084	28,511
All Other	27,115	20,736
Total City Employment	288,246	215,994

Note: According to 1960 Census, there were 288,246 residents of Boston who were employed; 75% or 215,994 worked in the City

1. Source - Census Tracts, Boston, Massachusetts PHC (1) - 18 Labor Force Characteristics of Population, Bureau of the Census, U.S. Department of Commerce

Operatives account for nearly 40,000 jobs and ranks second in the City to the White Collar Clerical total of 44,000 workers.

Employment patterns throughout the United States show semi-skilled and unskilled workers tend to be immobile due to such factors as available low-cost housing and transportation. Such workers normally reside in large cities where their needs can be most likely met. The evidence also indicates the major cities' labor forces have higher rates of unemployment which adds another burden to the city. Such employment and social dependency on Boston is revealed in the footnote accompanying Table IV. Of the 288,246 employed residents of Boston, only 72,252 leave the City for their employment, while 215,994 live and work in the City.

Currently job opportunities are being sought for large numbers of retrained workers, minority groups, school drop-outs, and other less privileged people. At the same time job losses are being reported in many categories where such people formerly found employment. A continuation of this pattern is seen unless both aspects of this trend, namely: people and jobs in significant numbers can be matched.

The loss of manufacturing employment in the central city must therefore be reduced where possible.

CHAPTER III

ECONOMIC EFFECTS OF BOSTON'S INDUSTRIAL DECLINE

So far, this discussion has considered the direct loss of companies and jobs in Boston. Other deep-seated consequences are also generated from such experiences and have adverse effects on the social and economic health of a major city. The impact of job losses introduces the need for public financial support which is provided in part by industry through the unemployment compensation tax, and also by welfare payments involving municipal contributions. Table V describes the recent experience of these two programs.

Welfare payments in the City for the period 1960-1964 increased 48.0 per cent while the number of recipients increased by 41.0 per cent. The implications of these figures suggest that a significant amount of this assistance is the result of job and income losses in manufacturing.

Unemployment compensation has experienced a similar situation. In 1964, the average employment seeker received unemployment compensation payments for 19.2 weeks. Total payments of $17.4 million were made in 1964 which was higher than those in the preceding years with the exception of 1961. Unemployment compensation is provided by a payroll tax and the prevailing pay-out rate is a significant cost of doing business for industry

TABLE V

WELFARE & UNEMPLOYMENT
Recipients & Payments
City of Boston
1960-1964

	WELFARE[2]		UNEMPLOYMENT COMP.[3]			Average Duration of Unemployment
Years	Recipients[1]	Payments	Recipients	Payments	Average Payment	
1964	54,138	$52.9 mill.	23,993	$17.4 mill.	$37.75	19.2 weeks
1963	48,699	$46.5 mill.	31,345	$15.8 mill.	$36.09	15.8 weeks
1962	44,399	$43.9 mill.	30,774	$15.9 mill.	$35.37	14.6 weeks
1961	39,881	$39.9 mill	32,652	$18.7 mill.	$35.39	16.2 weeks
1960	38,387	$35.8 mill.	30,948	$15.8 mill.	$34.58	14.7 weeks

1. Average per month receiving
OAA, MAA, ADC, DA, GR

2. City of Boston, Welfare Department

3. Massachusetts Division of Employment Security

in Massachusetts. This factor is detrimental for the acquisition of new and the retention of existing industries.

The loss of industry also results in the abandonment of facilities in the City which no longer efficiently serve their needs. These vacant properties are non-revenue producing and become a part of the declining assessment share contributed by industry. Industrial losses also compound the employment problem because of their various job multiplier ratios ranging as high as 3 other jobs for 1 production-type job. Typically, the experience is in the vicinity of 1.5 other jobs for 1 industrial job created or lost. In summary, the causes and economic implications of the declining industrial base of Boston are as follows:

CAUSES:

1. Changing characteristics of manufacturing industries.
2. Transportation needs.
3. Obsolescence of current plant.
4. High cost of renovation or replacement in major cities.

EFFECTS:

1. Blighted plant sites and industrial areas.
2. A declining assessment potential.
3. The loss of supporting companies servicing the industrial sector.

4. A reduction in the state and City's taxing ability which is reflected in the revenues provided to the city.

5. A rapidly increasing human factor cost borne by the city.

6. Unrealized gain in payrolls which benefits every local business activity.

CHAPTER IV

RECOGNITION OF THE INDUSTRIAL PROBLEM BY OTHER MAJOR CITIES

To ascertain the interest of major cities for industrial redevelopment, direct contacts with authoritative sources in twenty large cities were made to:

1. Determine the degree of industrial interest by each city.

2. Gather information on the various industrial development programs sponsored or participated in by these cities.

3. Seek information on the relationship between urban renewal and industrial development.

4. Survey some of the special techniques used by cities to further their industrial interests (e.g., financial inducements).

The results of the survey showed that fifteen of the twenty major cities specified a "Very Interested" attitude for industrial development and in each case some kind of program is conducted officially by the city. The remaining five cities classified themselves as "Passively Interested" in such activities. San Francisco, although classified as "Passively Interested", reported a movement underway for an industrial development program to be conducted by a Local Development Foundation. The remaining "Passively Interested" cities rely on private interests such as Utilities, Banks, and Railroads to conduct their programs.

On item 2 of the survey's objectives, those fifteen cities reporting significant interest in industrial development also

reported a wide-range of programs falling into eight different categories; Table VI describes these programs by caption for the reporting cities.

As indicated on the accompanying Table, the most popular form of city industrial development activity is a Division of Economic Development attached to the Mayor's office. To this group could be added the Detroit program which has officers and staff in city government facilities and operates under the guidance of a Committee appointed by the Mayor.

The second major grouping is related to the use of the Private Development Corporation vehicle in various forms including the Cleveland Foundation concept which is closely allied. Although this method is termed private in some cases the sponsoring cities contribute substantially to the Corporation's capitalization.

Urban Renewal Departments follow in third position as the primary responsible city department for conducting industrial development programs. It should be noted that all city industrial development programs operate through or in conjunction with their urban renewal departments from necessity. In the cases of Buffalo and Cincinnati, the responsibility for such city programs rests exclusively with these departments.

Beyond this point, various other programs are used which

TABLE VI

TYPES OF CITY-SPONSORED INDUSTRIAL DEVELOPMENT PROGRAMS

1. Division of Economic Development -- Mayor's Office
   - Baltimore
   - Los Angeles
   - Milwaukee
   - San Diego

2. Urban Renewal Department Sponsored Industrial Development Activities
   - Buffalo
   - Cincinnati

3. Mayor's Committee for Industrial and Commercial Development
   - Detroit

4a. Private Development Corp. -- partially financed by City
   - El Paso
   - Philadlephia

4b. (Private) Industrial Development Corporation
   - New York

5. Industrial Development Foundation
   - Cleveland
   - San Francisco[1]

6. County Development
   - Miami-Dade County (Miami)

7. "Committee of 50" (City Participation)
   - New Orleans

8. Other Programs Financially Sponsored by City
   - San Antonio

9. None
   - Atlanta
   - Dallas
   - Houston
   - Miami
   - Minneapolis

1. Being proposed

Source: Questionnaire Survey, February, 1965

tend to be less significant.

Special attention will be given to Philadelphia and Milwaukee because of their respective "Land Bank" programs in following Chapters.

Department of Economic Development-Mayor's Office

Four major cities use this format for conducting industrial development programs. Many similarities were noted among these activities such as:

1. In three of the four cases, a Board of Directors is used ranging between 8 and 11 members and are appointed by the Mayor. In the fourth case, the Department serves as a unit of the Mayor's office. In all four instances, reports are made directly to the Mayor.

2. Main tasks are to expedite the problems of local industries and to work closely with companies desiring city locations.

3. Budgets range from $50,000 to $835,999 annually.

4. Consultants and staffs are generally supported by a Board or Committee composed of city department directors.

5. In each case the Boards oversee the industrial park activities of their respective cities.

Private and Quasi-Public Development Corporations

Such corporations are privately supported by individuals and businesses in the communities to provide assistance to industry. Capital is used primarily to buy or build facilities for

manufacturers, and is provided by issuing stocks, bonds, or notes. These corporations have in some cases, become quasi-public due to their acceptance of funds from local government. Local development corporations also provide an avenue for state financial assistance. This relationship is noted in New York where the New York Job Development Authority offers financial assistance to the New York City Industrial Development Corporation which was formed specifically for this purpose.

The best example of the Quasi-Public Corporation is that existing in the City of Philadelphia (PIDC) which is jointly sponsored by the City and the Chamber of Commerce of Greater Philadelphia. Its Board of Directors, includes business leaders, city officials, and representatives of the public.

The purpose of PIDC is to provide low-cost financing for space to industry desiring to locate or relocate in the City. This process includes purchasing sites and renovating buildings in older industrial areas, the PIDC sells or leases the space at low rents to clients. Land is also acquired through the Redevelopment Authority for industrial needs and a "Land Bank" program has been established. This vehicle provides 100% financing of project's costs at rates below conventional sources. Most of PIDC's activity has centered around manufacturers and their welfare in the City.

The Milwaukee case involves a Division of Economic Development

which is the city government's official agency for industrial development. It has a staff of 10 and an annual budget of $126,000. This division conducts a Municipal Land Bank program which provides large fully-improved industrial sites "at cost".

The program is primarily designed for displaced firms by urban renewal or expressway developments. Special provisions are involved with the program including assessment freezes for displaced firms qualifying. This technique is also used for private redevelopment, namely an area must be blighted with a minimum of 25,000 square feet. Property tax assessments on proposed new developments are "frozen" at the pre-redevelopment level for a period of up to 30 years, depending on the degree of "public benefit".

Milwaukee pays particular attention to retaining its existing industry to insure a balanced economy. The City has a full time field agent who systematically pays courtesy calls on local firms to detect expansion plans and problems where the City can be helpful.

Other Programs

The reporting Southern cities described their industrial development programs in terms of a community effort involving large numbers of businessmen and public officials functioning as if on a crusade. The Committee of 50, 100 and even larger numbers

represent many Southern cities and form the official industrial development bodies. The rallying point and support for these efforts are usually provided by Chambers of Commerce who also work closely with the political leadership. This approach to industrial development was and in many cases is still necessary to establish the South and its major cities as desirable locations for industry. It is therefore not by accident that the extensive usage of financial inducements originated in the South.

Today, 27 states have authorized the use of industrial development bonds, which enjoy a tax-exempt status. Of this total, 19 states have used this vehicle since 1951. A total of 590 issues have been made of which 560 or 90 per cent have originated from 6 Southern states: Alabama, Arkansas, Kentucky, Louisiana, Mississippi, and Tennessee. Other forms of financial inducements, including loans and loan guarantees are commonplace and widely used in the South.

Each of the recognized major industrial cities surveyed conduct an officially-sponsored industrial development program while those emerging Southern industrial cities rely heavily on financial inducements provided by the state in conjunction with a large local body of interested citizens dedicated to the industrial growth of their cities.

AN EVALUATION OF SUCCESSFUL CITY PROGRAMS FOR INDUSTRIAL DEVELOPMENT

As previously mentioned, one of the prime deterrents for the industrial growth of major cities is the need for space at competitive prices, that is both land and plant facilities. To meet this challenge two representative cities -- Milwaukee and Philadelphia instituted specially-designed programs to insure an adequate supply of such space for industry and to counteract the flight of industry to suburban areas.

The Milwaukee program originates in a Division of Economic Development, a unit of the Mayor's office which:

a) Determines problem areas and conducts program research.

b) Expedites solutions for local industrial problems.

c) Researches the potentials for new industrial developments.

d) Handles assignments as directed by the Mayor and his Council.

A major project of this Division is to conduct a Municipal Land Bank program to provide large, fully-improved industrial sites "at cost" to any industrial firm. Particular attention is given to firms desiring to expand at their present sites and firms that will be displaced by urban renewal or expressways.

The activities of the Land Bank program for 1964 and 1965 include:

1964 Acquired 183 acres	$718,000
1964 Improvements	300,000
1965 Acquisitions (budgeted)	1,000,000
1965 Improvements planned	300,000

Other features of the Milwaukee plan offer industry:

1. Assessment Freeze for Displaced Businesses who were displaced by public action. The company must own property taken and must own property acquired to replace it. Such property must be in the city and at least 30,000 square feet of land or 200,000 cubic feet of building. The new facilities receive a 50 per cent reduction in new property assessment for a five-year period.

2. Private Redevelopment Assessment Freeze. Under this category, the company must be located in a "blighted" area and own a minimum of 25,000 square feet of space. The property tax assessment on the proposed new development will be frozen at the pre-redevelopment assessment level for a period of up to 30 years depending upon the degree of "public benefit". Their recent program experience includes a new $3.0 million office and research building (employing 1,000) for Cutler-Hammer, Inc. and a $400,000 addition to an existing facility of the company. Both structures replace buildings taken for expressway construction.

The reporting Milwaukee source states that the City was advised to retain its existing industry from which a normal business expansion could be anticipated. The City's economic development emphasis, therefore, is being placed primarily on the health and welfare of its existing industries.

The Philadelphia story involves the use of a quasi-public non-profit corporation which is able to provide low-cost financing

to provide space for industry wishing to locate, or relocate in the City.

PIDC[1] has the where-with-all to purchase sites, renovate buildings and then it sells or leases space to industry at a low monthly rent. Companies wishing to expand can approach PIDC who, with the Philadelphia Redevelopment Authority, can acquire land in redevelopment areas for this purpose.

A land bank program was established with a $19 million industrial development revolving fund by the City to assure a continuing supply of prime industrial land. Proceeds from all sales are deposited with the fund. The goal of this program is to have 700-800 acres of fully-prepared industrial land available at all times in various sections of the City.

PIDC can build a new plant on privately-owned or PIDC controlled land and can lease or sell to a company. PIDC can acquire existing buildings for companies, modernize them or lease or sell them to the company. Also, it will facilitate on-site expansion, including the acquisition of adjoining ground for building extension, off-street loading and parking.

In five years of operation, 1958-1963, PIDC completed 127 real estate transactions involving the construction of 8.4 million square feet of plant space, $64 million in project costs, and

1. Philadelphia Industrial Development Corporation, 1958.

20,177 jobs of which 14,245 were retained and 5,932 were new.

Both those cases indicate the type of imaginative planning required to forestall the flight of industry, and its consequences from major cities.

CHAPTER VI

THE BOSTON CRISIS AND POTENTIAL SOLUTIONS

The loss of basic industries in Boston is a gradual process that at any given moment does not seem to be critical. However, when an analysis is made over a period of time such as 1958 to 1963, the results can be classified as critical. A continuation of the loss of basic industries in Boston will have a tendency to increase in direct proportion to increasing urban renewal and highway construction anticipated over the next five to ten years. As noted in the first Chapter, studies show that between twenty and twenty-five per cent of the companies displaced by such activities go out of business. Also, industrial losses will be precipitated by the industrial development activities of other cities and towns inside and outside of the state.

Table VII describes the relocation characteristics of fifteen sample companies for 1964.

In terms of relocation distance from Boston, less than half of the situations would allow for the retention of their former employees, especially those residing in Boston. The Greater Boston Area fortunately retained all but three of these sample cases, however, a 20 per cent loss rate is considered serious for this metropolitan area. The adverse Boston industrial experience therefore has an unfavorable impact both on its metropolitan area and the state when industry relocates beyond each perimeter.

TABLE VII

Industrial Firms Relocating
From the City of Boston
1964

Date Announced	Company	Employment	Present Location	Relocating to	Sq. Ft.	Type
2/64	Bolita Ballets, Inc.	110	44 Farnsworth St., Boston	Methuen	41,000	Plt.
2/64	Electronic Systems, Inc.	20	Boston	Acton	10,000	Plt.
4/64	Arnold Box Co.	15	22 Bowdoin St., Boston	Braintree	100,000	Pl/W
7/64	Stern Can Co., Inc.	125	71 Von Hillern St., Boston	Peabody	110,000	Plt.
8/64	Eddie Goodman Co., Inc.	25	186 Lincoln St., Boston	N. Andover	20,000	Plt.
8/64	Atlantic Instru. & Elec., Inc.	20	103 N. Beacon St., Boston	Newton	7,500	Plt.
9/64	Samuel Kurr & Company	10	25 Lewis Wharf, Boston	Westwood	20,000	Plt.
10/64	Pastoriza Electronics, Inc.	25	285 Columbus Ave., Boston	Newton	6,000	Plt.
11/64	C.S. Walsh Transportation, Inc.	15*	736 Dudley St., Boston	Braintree	11,100	W/Of.
11/64	N.E. Metallurgical Corp.	25	475 Dorchester Ave., Boston	Berlin, Conn.	14,000	Plt.
12/64	Universal Fixture Co.	50*	1 Appleton St., Boston	Quincy	64,000	Plt.
12/64	United Corrugated Box Co.	10	116 W. Brookline St., Boston	Quincy	121,158	Plt.
12/64	Spaulding-Moss Co.	200	415 Summer St., Boston	Braintree	40,000*	Pl/W.
12/64	Ward Steel Co.	45	60 Old Colony Ave., Boston	Randolph	65,000	Plt.
12/64	Formaid Co.	120	690 Harrison Ave., Boston	within 20 miles of Boston	100,000	Plt.
	15 Companies	815 Employees			730,000 Sq. Ft.	12 Pl 2 Pl-Whse. 1 W/Off.

*Estimated

Source: Sales Prospector

Since industrial development programs necessitate planning, the first place of consequence to investigate is the Master Plan under which most municipalities operate. The recently released 1965-1975 plan for the City of Boston has provisions for industry and states the need for more basic jobs for the labor force. The plan recognizes that manufacturing employment is still a major contributor to the City's job needs. Recognition is also given to land area for industry in amounts ranging upwards of an additional 1,000 acres by 1975.

Reference is made in the plan for a reorganization and more intensive use of existing industrial acreage. The City, as stated in the report, has an excellent chance to accommodate not only its centrally located industries, but also to capture new industries for intermediate and outlying city sites. The report also states that the ability to attract science-based and other types of industries will depend in large measure on the City's ability to coordinate its industrial site development. Also, the plan suggests that Boston is well suited to the development of industrial parks or sites for particular industries.

Significant evidence is presented in the 1965-1975 plan on behalf of industrial and commercial expansion within the City. In some detail, the plan enumerated four particular areas for industrial development in conjunction with a rehabilitation program

for structurally sound facilities to accommodate more industry.

The next step usually followed by a municipality is to formally institute a group of interested parties and charge them with the responsibility of devising a program of action. This phase requires the complete cooperation of municipal officials in order to make available all the support information required in the preparation of a program. Such a group or committee is usually drawn from the professional elements familiar with industrial development activities and does include representatives from the Utilities, Railroads, Banks and Industrial Realtors.

The Greater Boston Chamber of Commerce has such a team of professional experts serving on its Industrial Planning Committee. This Committee serves in an advisory capacity for the local industrial development programs conducted by 61 of the 78 cities and towns in the Boston Metropolitan Area. Other responsibilities include legislative activities in this field and guiding the Chamber's overall program for the entire area. The primary responsibility of such a Committee is to devise and conduct an industrial development program designed to meet the need of the area it is concerned with.

A Recommended Program for the City of Boston

--Recommendation I

Based on significant experience with Boston-based industry,

an immediate need exists for an Industrial Liaison Office and Officer in the City Administration to which industry may turn to for assistance on problems relating to industry-government relations. This office should be extensively publicized so that industry will know of its availability. City government can be very confusing to industry especially a large number of relatively small companies.

The program for such an office should include:

1. Provide for industry a centralized point of communication with the city administration.

2. To offer industry advice on where and how to approach the city on matters of importance.

3. To provide industry, where possible, with a one-stop office in their relations with city government.

4. To promote the city's industrial interests through its existing industry and to establish a centralized responsible source for city information to service inquiries from potentially new industries.

5. To establish records on particular problem areas in which the city administration can become responsive.

--Recommendation II

That an initial Boston Industrial Development Study Committee be appointed by the Mayor to more closely investigate and define the current and future industrial problems facing the City.

The Committee should be composed of members drawn from the professional ranks of industrial development who are familiar with

the Boston industrial environment. Participation also should include city officials responsible for city planning and the conduct of the 1965-1975 General Plan for the City of Boston. Membership should also include any official designated for the proposed Industrial Liaison Office suggested in Recommendation I. The Study Committee would be responsible for:

1. Reviewing all the recent studies and other evidence available on the industrial environment of Boston.

2. Devise a workable industrial development program that considers the special features of the Boston industrial community and is in harmony with the long-term objectives of the 1965-1975 plan.

3. To originate, in conjunction with a recommended plan, other industrial and commercial activities which will attract to the city business activity and organizations to insure the ultimate success of those new phases of the urban renewal plans.

4. Upon completion of the aforementioned tasks which should take approximately six to eight months, the Committee should then become responsible for the implementation of the programs recommended with the approval of the Mayor.

--Recommendation III

As an alternative to Recommendation II, the proposed Study Committee could take the form of a Mayor's Committee for Industrial and Commercial Development. The same objectives would be held, however, and it would not necessitatve the reappointment of a new Committee after the study and recommendation period involved

with item II.

Ultimately more sophisticated industrial development programs could be introduced in Boston such as:

1. A Department for Economic Development -- Mayor's Office.

2. A Boston Industrial Development Corporation (Quasi-Public).

3. A land bank program (similar to Philadelphia and Milwaukee).

4. Industrial Division under Urban Renewal.

At this time it is recommended that the City take only two preliminary steps:

1. Establish an Industrial Liaison Office (with an officer) at City Hall.

2. Upon the Mayor's direction, form a Boston Industrial Development Study Committee.

or

3. Establish a Boston Committee for Industrial and Commercial Development (also at the Mayor's direction).

Boston Chamber of Commerce
The Existing Industrial Crisis in the City of Boston.
Boston, 1964.

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