Economy Working Group: Session 1
May 4, 2017

ENVISION CAMBRIDGE

Agenda

Process Overview

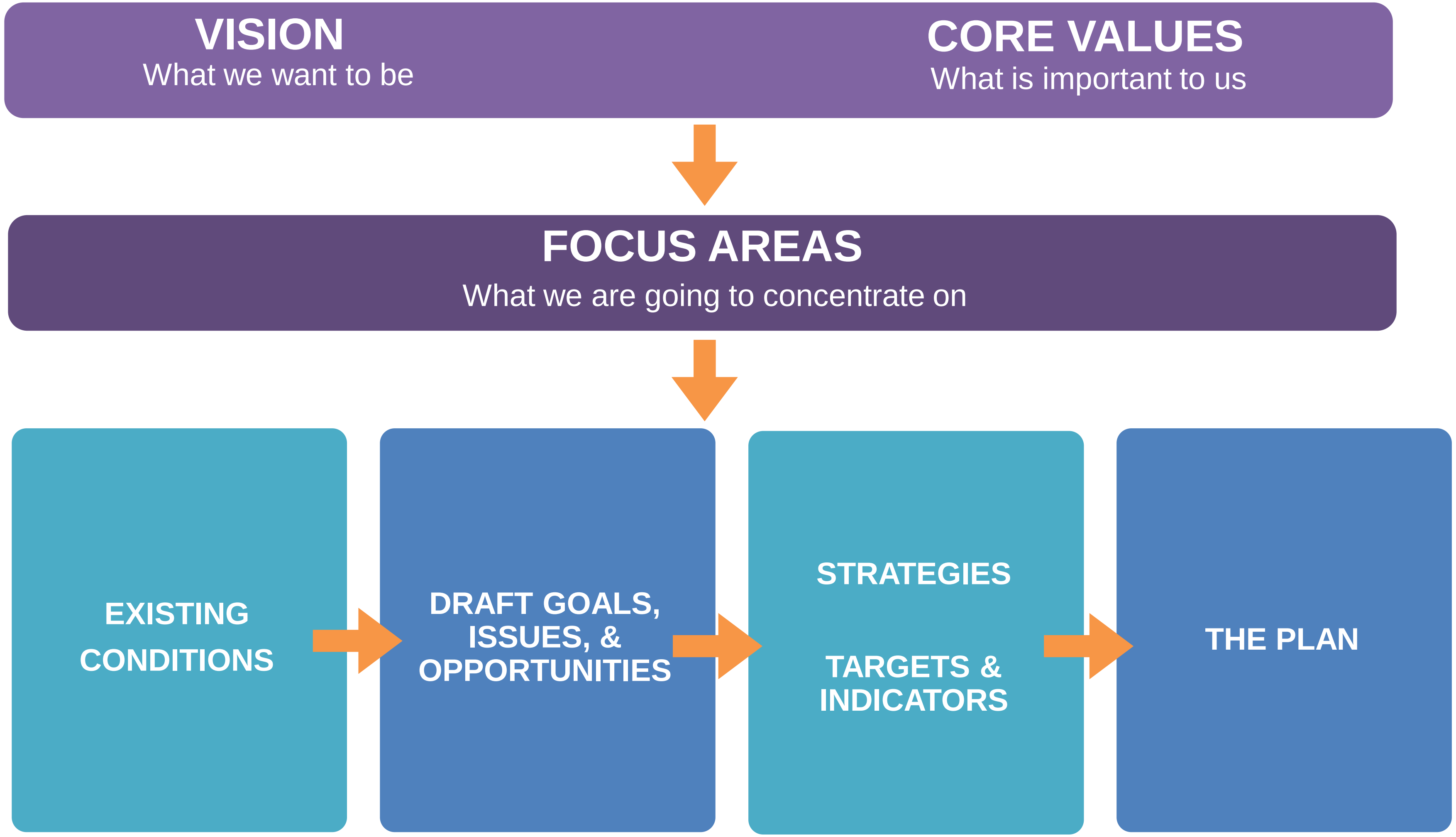
Existing Conditions

Issues, Goals, and Opportunities

Process Overview

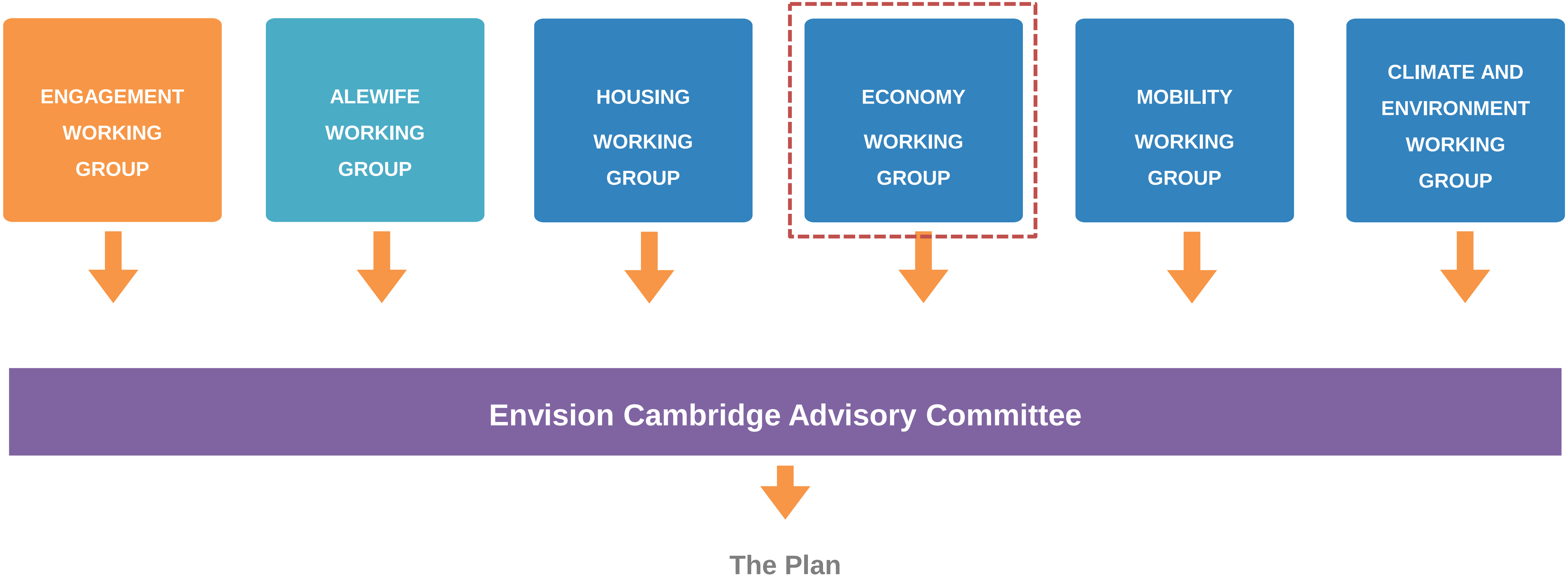
Project Framework

For definitions of key terms, please refer to the provided glossary.

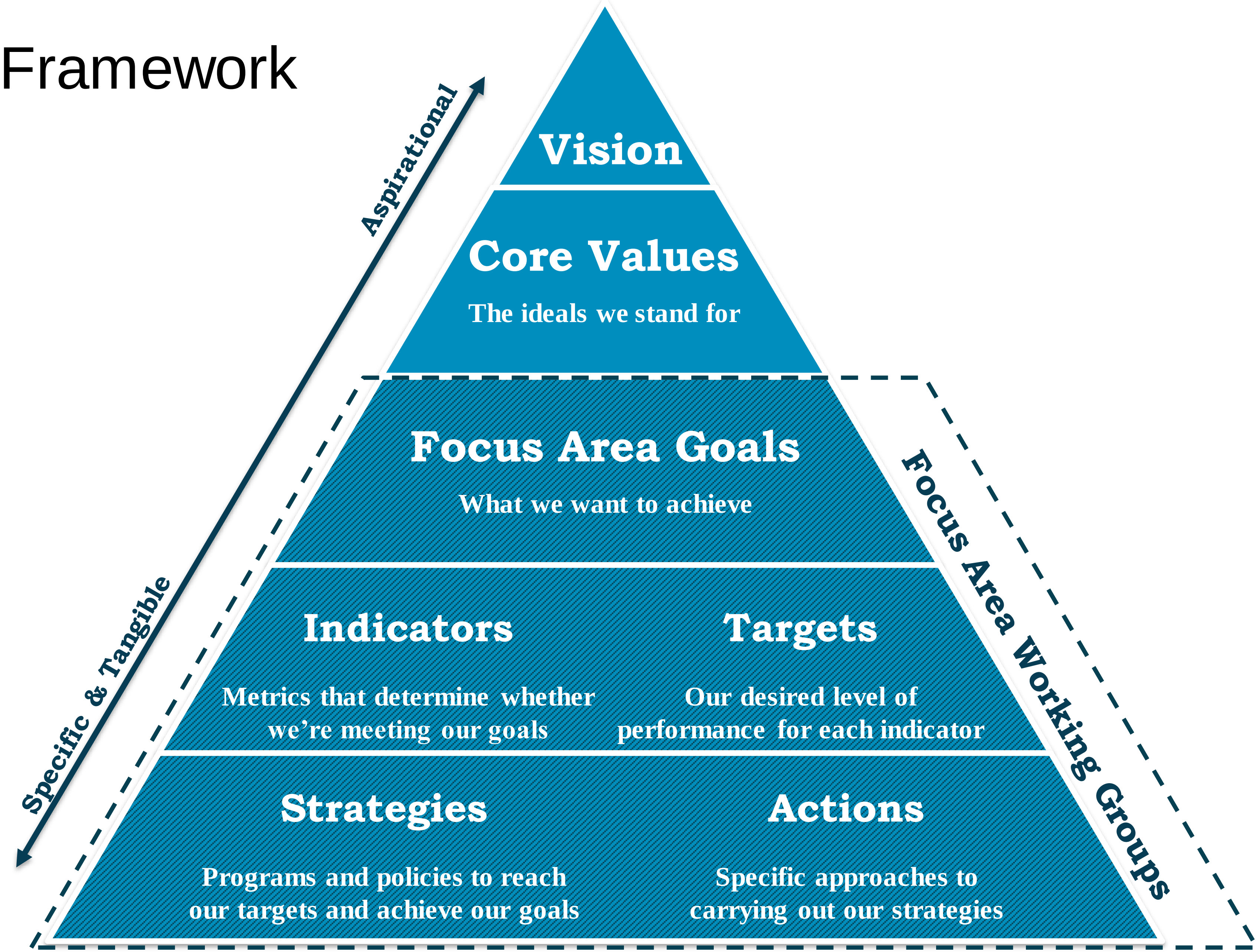


Economy Working Group’s Role

***Six working groups** will provide input to the Envision Cambridge Advisory Committee for plan development.*



Planning Framework



Spring 2017 Working Group Schedule

Meeting #1 (May)

Discuss existing conditions, issues and opportunities, and draft goals.

Refined goals

Meeting #2 (June)

Discuss current City programs and policies and preliminary strategies to achieve goals.

Preliminary strategies

Meeting #3 (July)

Further refine strategies and begin to identify targets.

Refined strategies and preliminary targets

Vision & Core Values

"Cambridge is a forward-thinking, welcoming, and diverse city. We enjoy a high quality of life and thrive in a sustainable, inclusive, and connected community."

Existing Conditions

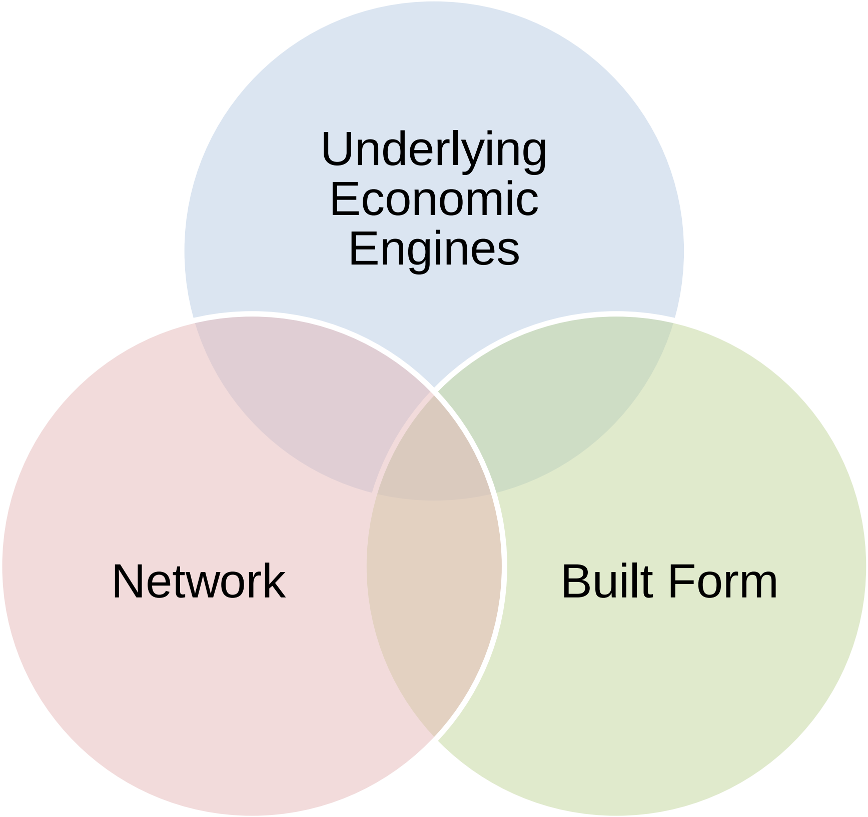
Cambridge as an employment center

Primary Data Sources

American Community Survey 5-Year Estimates (2010-2014)	Ongoing survey conducted by the U.S. Census Bureau that is based on a sample of responses. The 5-year estimates summarize responses received in 2010, 2011, 2012, 2013, and 2014.
Massachusetts Dept. of Labor Employment and Wage Data (2015)	Provide employment and wage data overall and by sector, based on reports filed by all employers subject to state and federal unemployment compensation laws.
CoStar	Subscription-based real estate data service that provides inventory, delivery, absorption, rent, and vacancy data for commercial real estate markets/

Defining the Knowledge Economy

Factors That Support Knowledge Economy Success



As defined by the UK Economic and Social Research Council, the knowledge economy is an emerging economic system in which "**economic success is increasingly based on the effective utilization of intangible assets such as knowledge, skills, and innovative potential** as the key resource for competitive advantage."

The life sciences and high tech industry clusters are key components of the knowledge economy.

Source: UK Economic and Social Research Council, 2005. https://www.brookings.edu/wp-content/uploads/2016/06/09_qatar_bunglawala.pdf

In terms of aggregate economic and tax revenue growth, Cambridge has benefitted from its status as a central node of the global knowledge economy.

Underlying Economic Engines

University Anchors, Research Institutions, & Private Firms

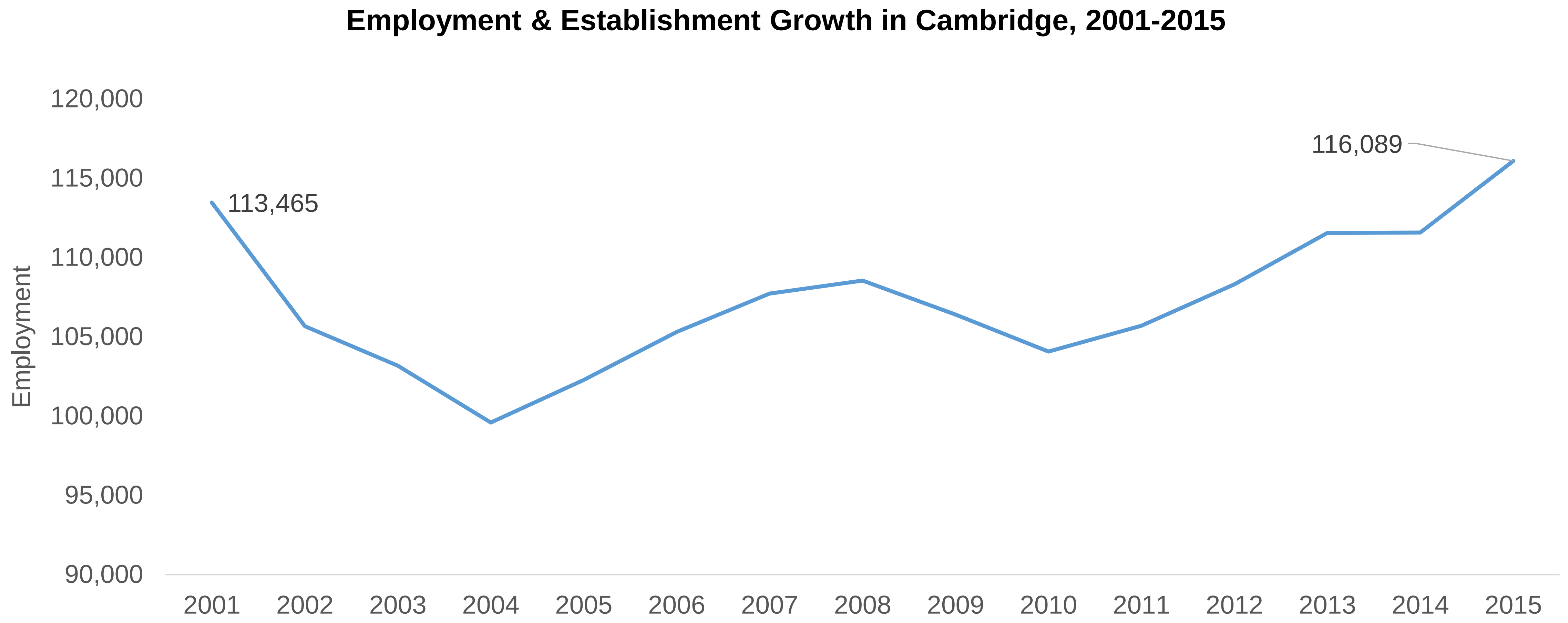
Built Form

Attractive Public Realm, Mixed Use Neighborhoods, Transit Connections, & Quality of Life

Network

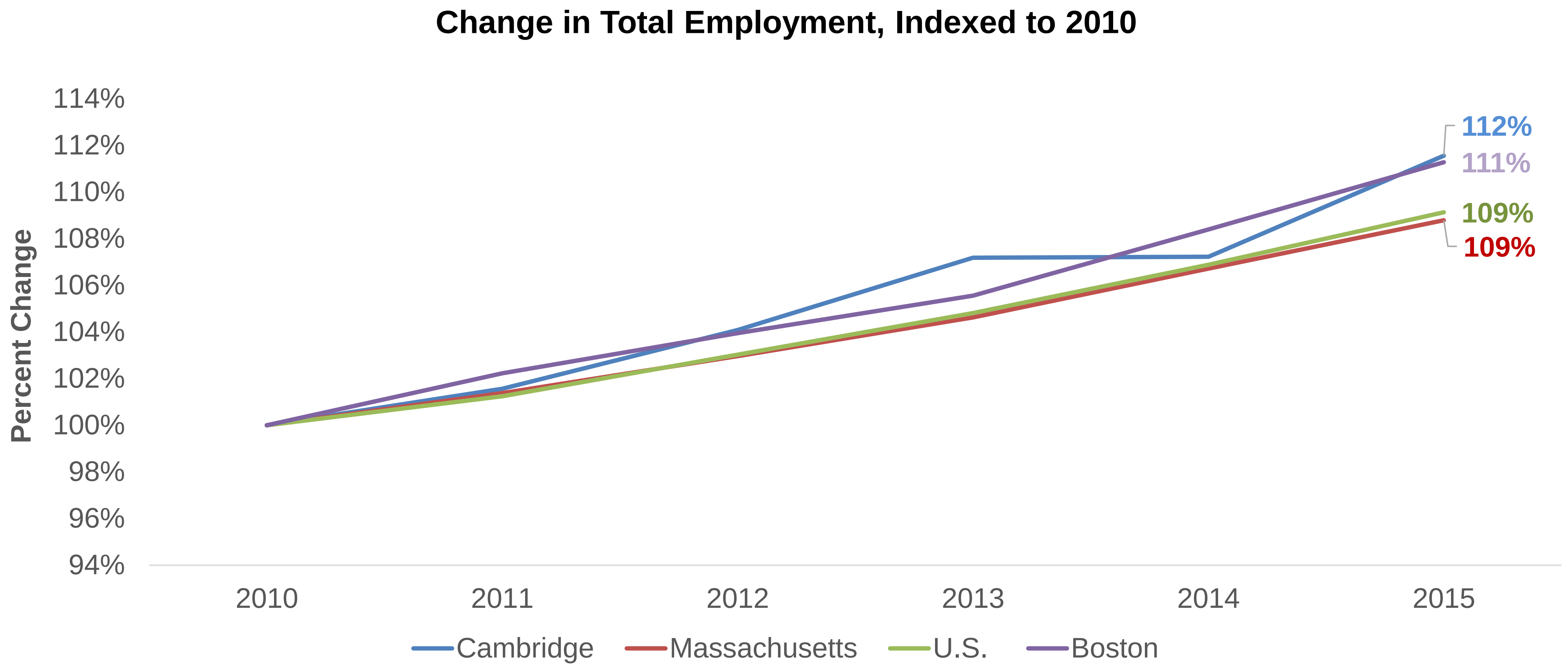
Formal & Informal Gathering Spaces, Incubator & Coworking Spaces, Business Support, & Workforce Development

In 2015, total Cambridge employment exceeded peak 2001 levels, reflecting recovery from the dot-com bust and the Great Recession on the strength of Cambridge's knowledge economy.



Source: Massachusetts Executive Office of Labor and Workforce Development

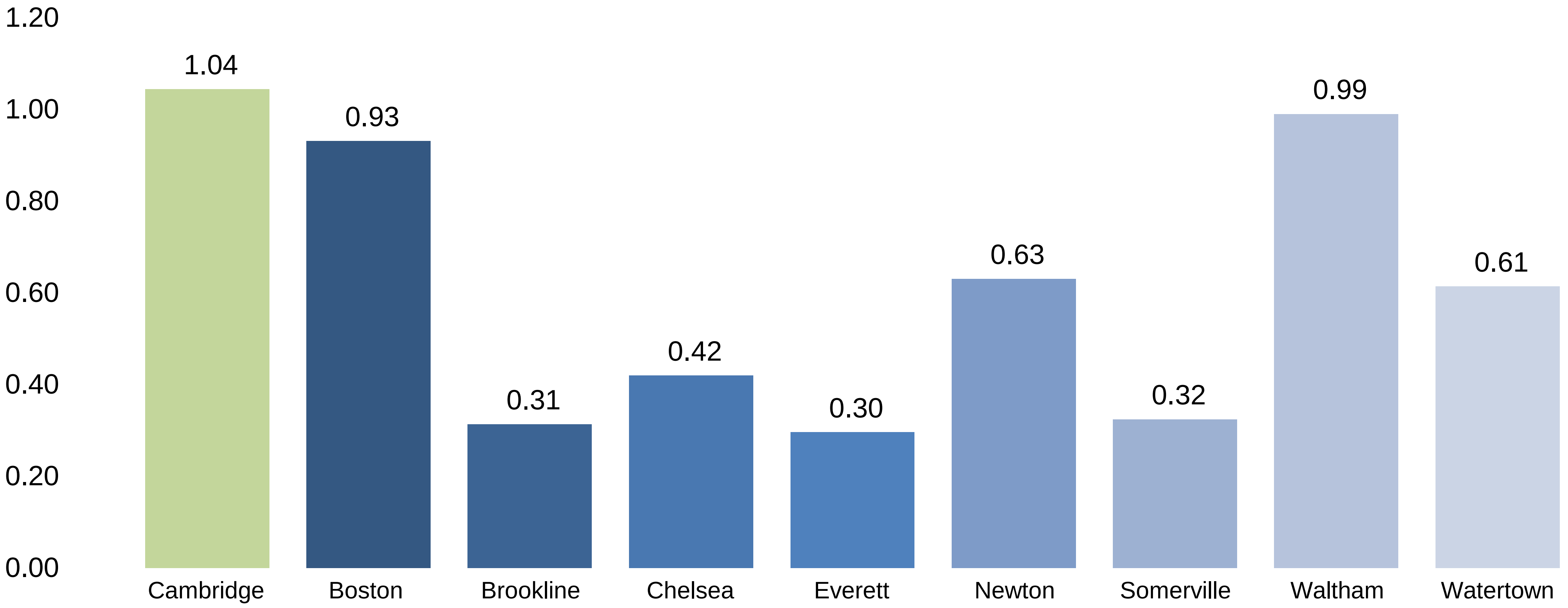
Since 2010, Cambridge has experienced employment growth faster than Massachusetts and the United States, and comparable to the growth of Boston.



Source: Massachusetts Executive Office of Labor and Workforce Development

Demonstrating its status as a major employment hub, Cambridge is the only community among its local peer group where the number of workers exceeds the number of residents.

Jobs Per Resident, 2014



Source: Massachusetts Executive Office of Labor and Workforce Development; US Census Bureau

The City exhibits sound fiscal health, reflecting its strong economic performance.

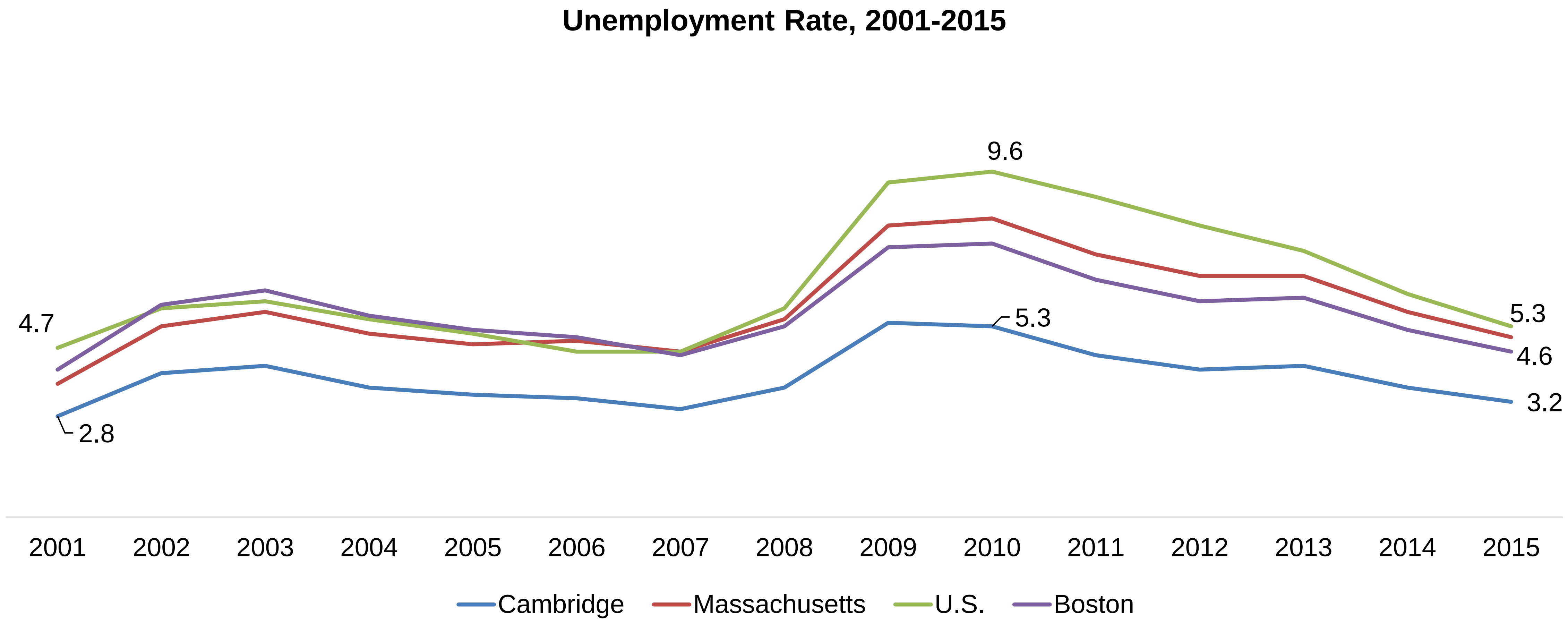
Low residential tax rate

In FY2017, Cambridge's robust commercial tax base enabled it to have **one of the lowest residential tax rates** in the state, at $6.49 per $1,000 in assessed value.

High bond rating

For the last 17 years, Cambridge has a AAA bond rating from all three ratings agencies (Standard & Poor's, Moody's, and Fitch Group).

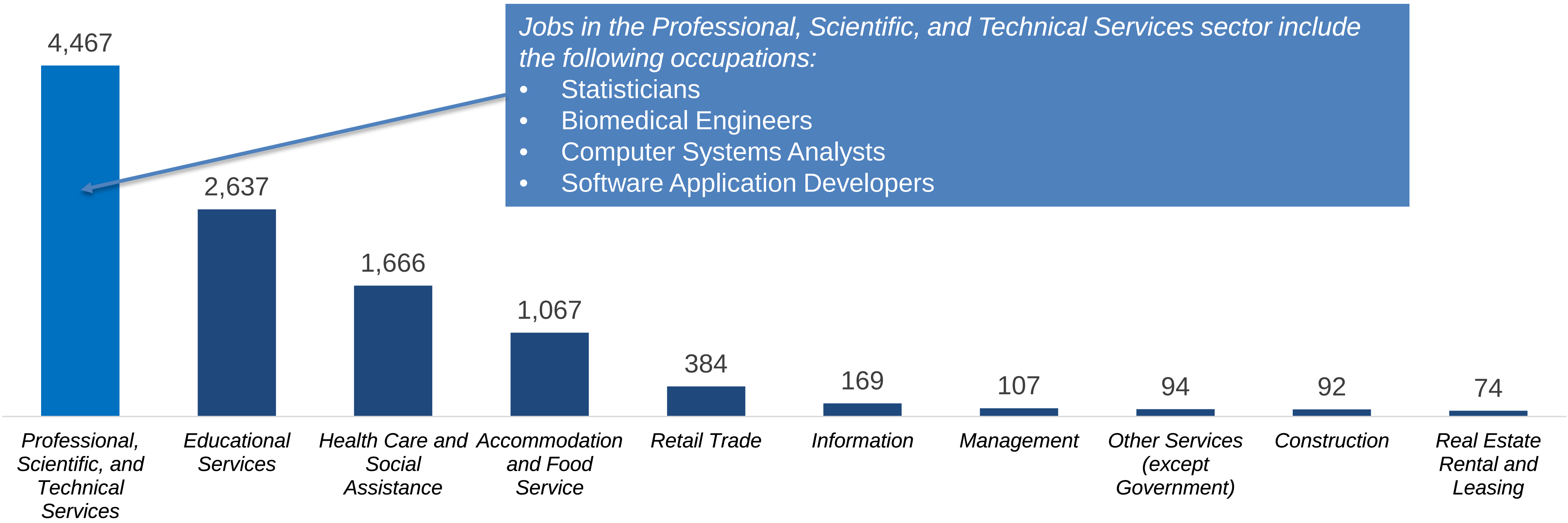
Cambridge consistently has had a lower unemployment rate than Boston, Massachusetts, and the United States.



Source: Massachusetts Executive Office of Labor and Workforce Development; US Bureau of Labor Statistics

Continued job growth is projected in Cambridge's knowledge-economy sectors, such as Professional, Scientific, and Technical Services and Educational Services.

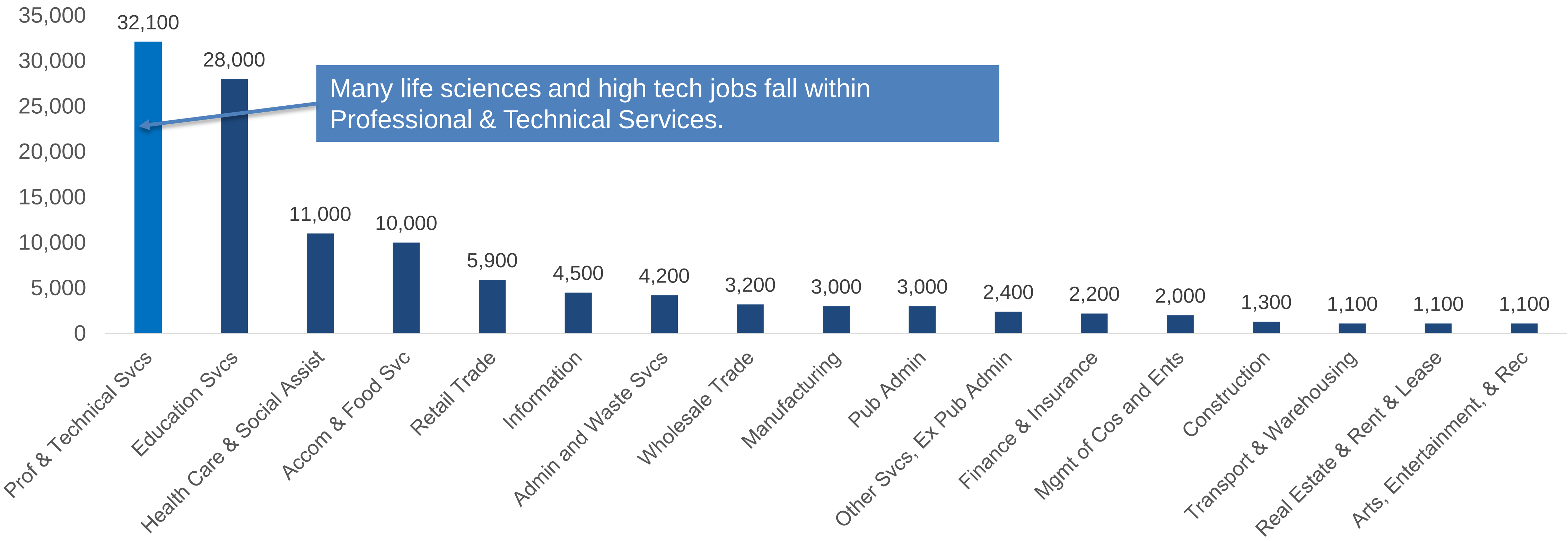
Projected Absolute Job Growth 2014-2030, Growth Sectors



Source: Jobs projections from the University of Massachusetts Donahue Institute.

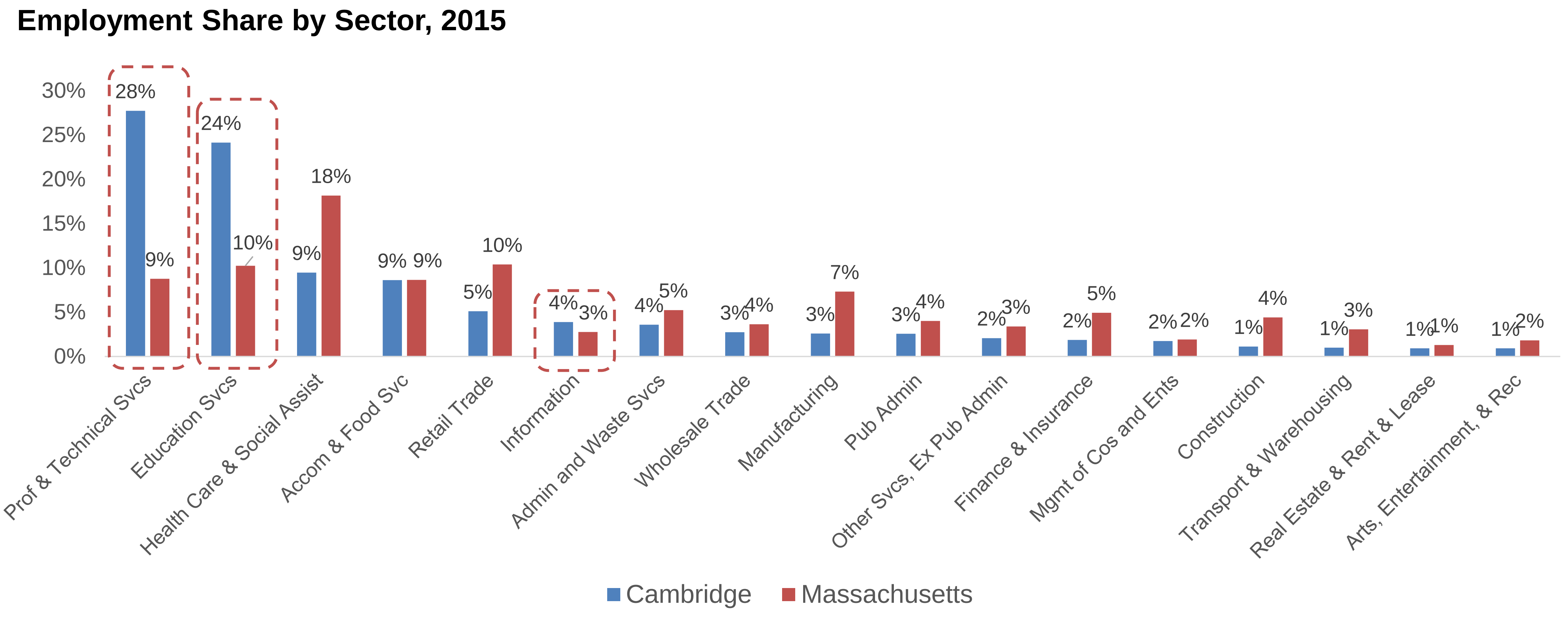
Cambridge's economy is service-focused, with Professional and Technical Services as the largest sector, followed by Educational Services, Health Care, and Accommodation and Food Services.

Employment by Sector, 2015



Source: Massachusetts Executive Office of Labor and Workforce Development

Compared to Massachusetts as a whole, Cambridge's economy is concentrated in Professional and Technical Services, Educational Services, and Information.



Source: Massachusetts Executive Office of Labor and Workforce Development

Life sciences, High tech, and Education are industry clusters within Cambridge that represent sources of ongoing competitive advantage for the City.

Life sciences

Includes pharmaceutical and medical device manufacturing, plus research and development.

Cluster crosses Professional Services and Manufacturing sectors.

18x more concentrated in Cambridge than in US

High tech

Includes computer and electronic manufacturing, software publishing, Internet search, data processing, computer systems design, and architectural & engineering services.

Cluster crosses Professional Services, Information, and Manufacturing sectors.

4x more concentrated in Cambridge than in US

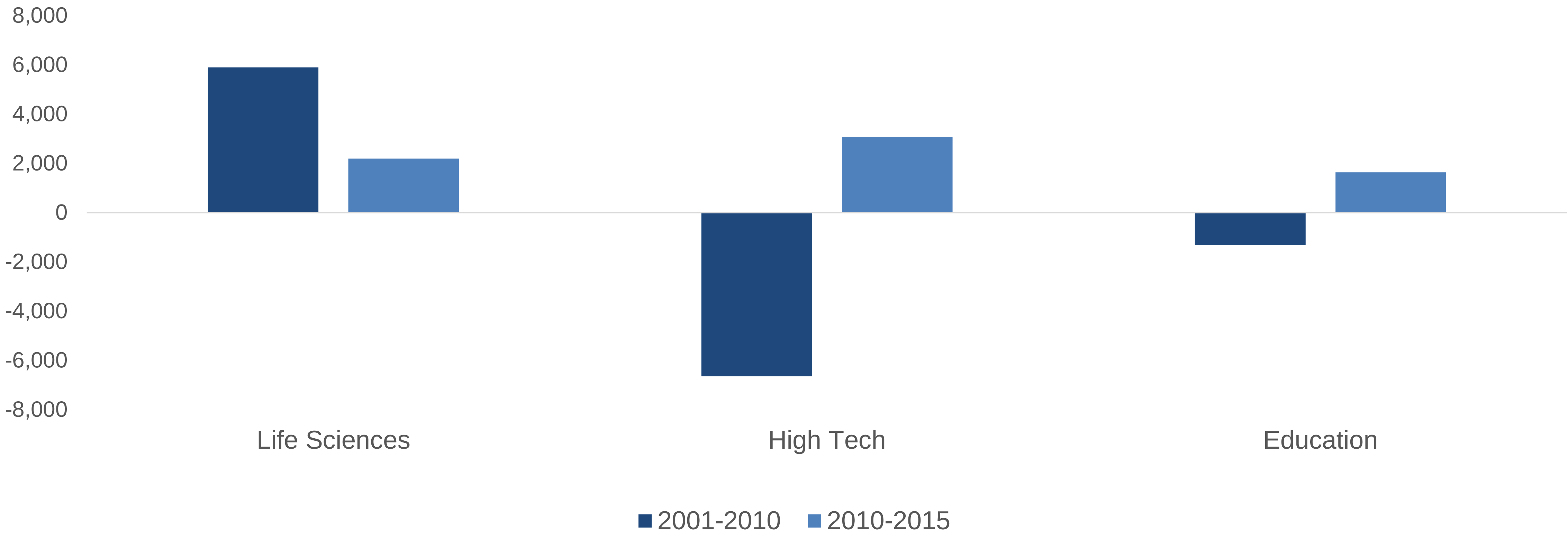
Education

Includes elementary and secondary schools, colleges, universities, and professional schools.

4x more concentrated in Cambridge than in US

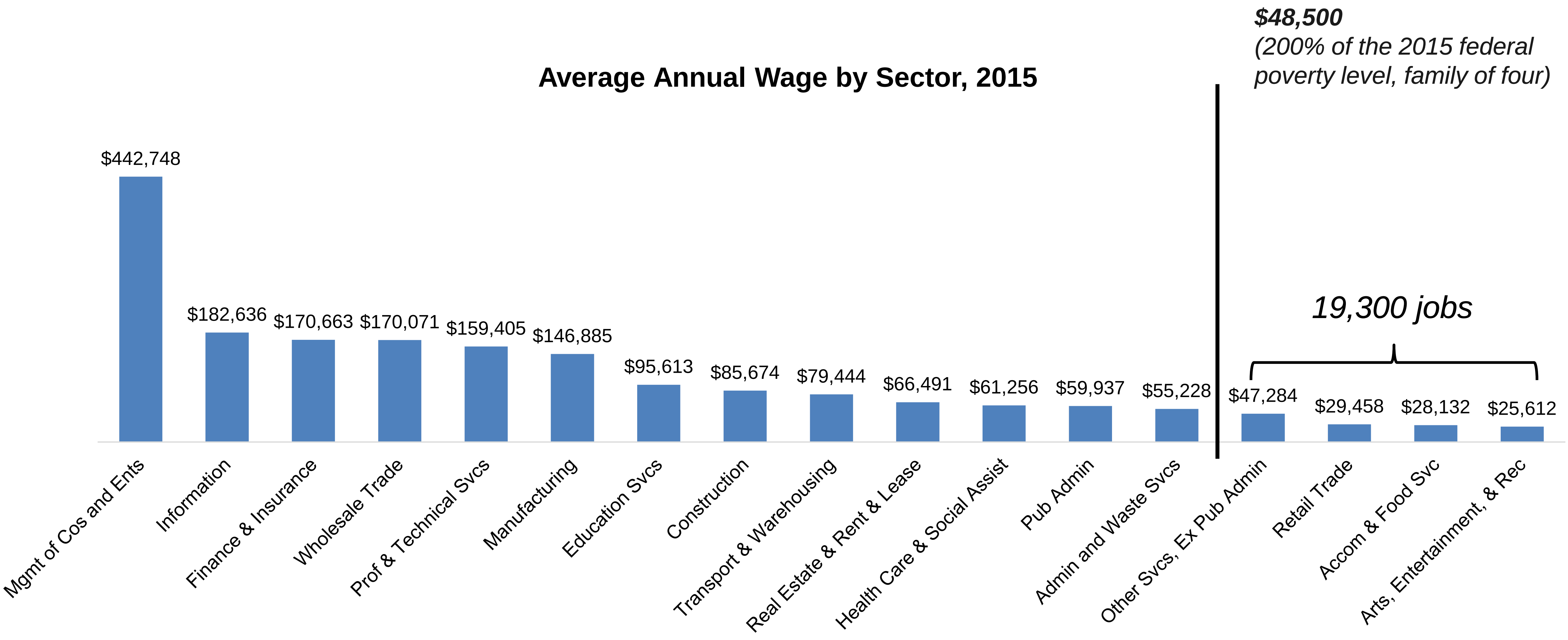
While Life Sciences growth stabilized the city's economy coming out of the 2001 Recession, High Tech job growth has outpaced Life Sciences since 2010.

Net Job Growth in Industry Clusters, 2001-2010 & 2010-2015



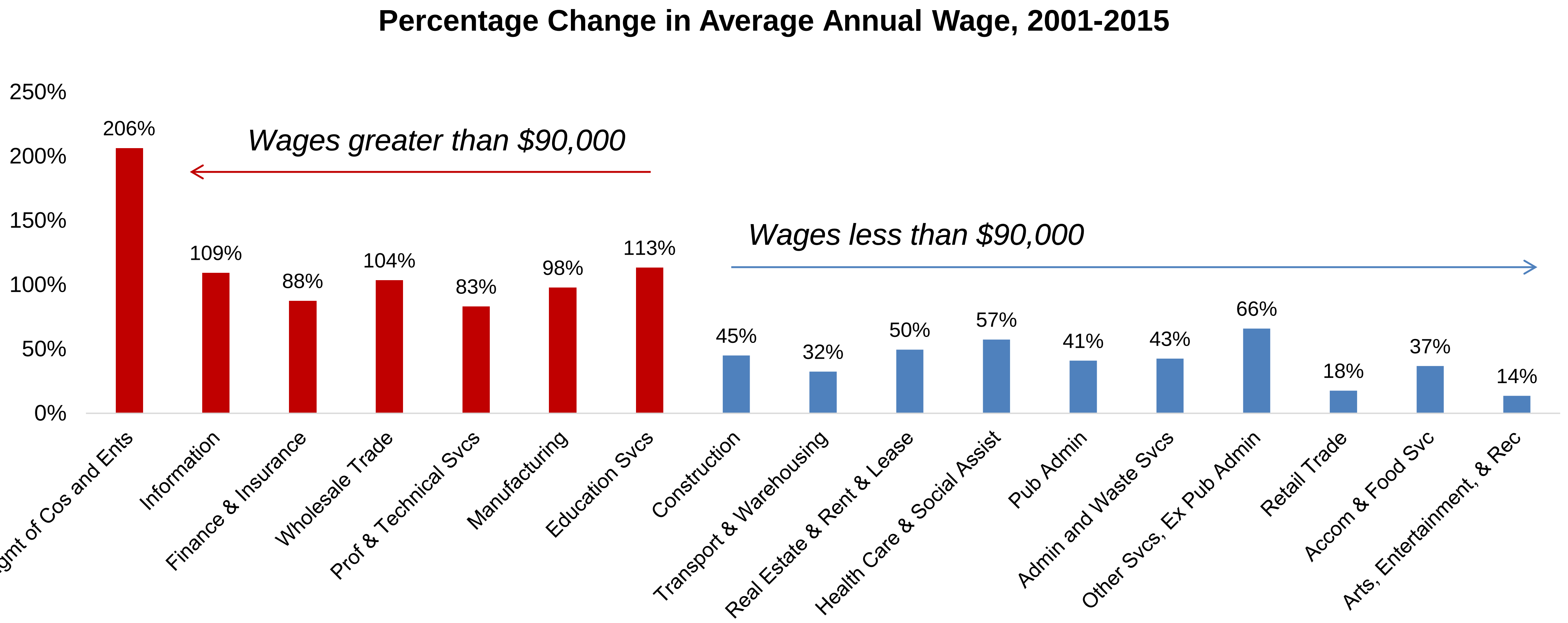
Source: Massachusetts Executive Office of Labor and Workforce Development

Cambridge has seven sectors with average annual wages above $90,000, but 19,300 jobs in the City are in sectors where the average wage is below 200% of the federal poverty rate for a family of four.



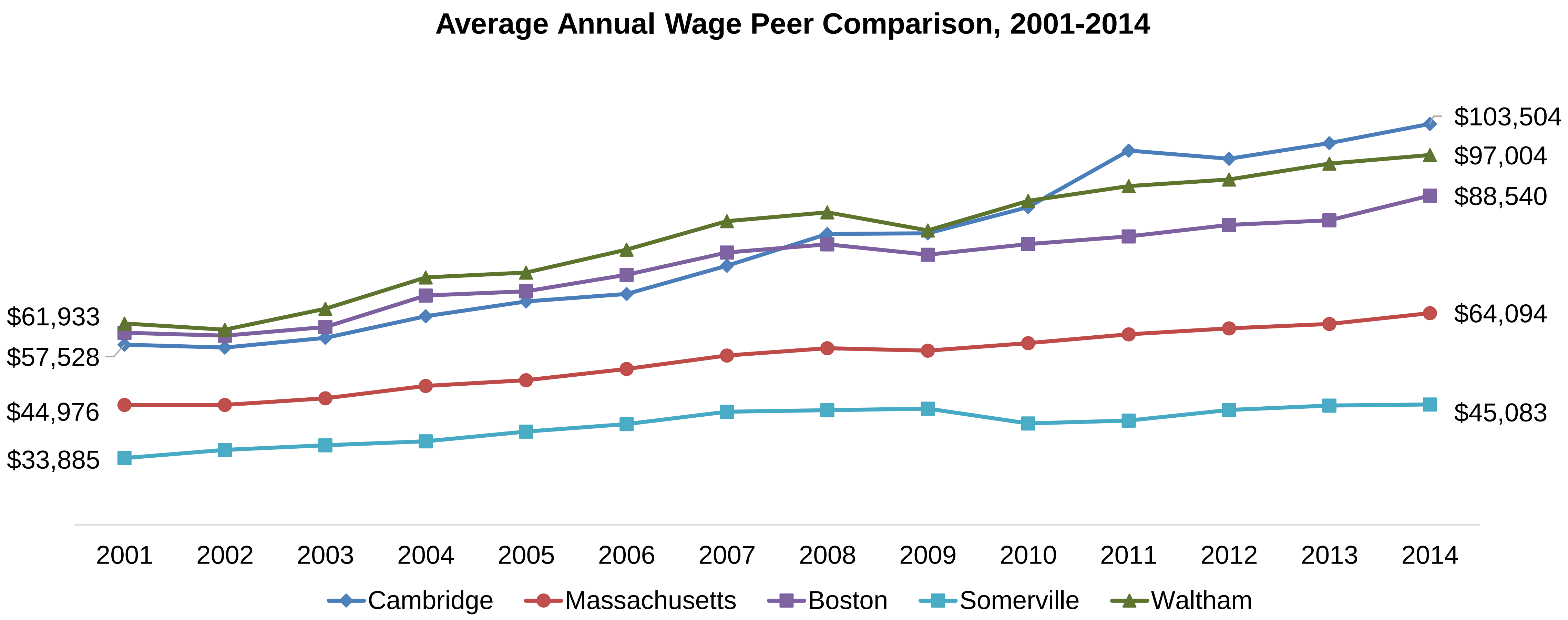
Source: Massachusetts Executive Office of Labor and Workforce Development

Since 2000, wage growth in Cambridge has been concentrated among its highest-wage sectors.



Source: Massachusetts Executive Office of Labor and Workforce Development

Cambridge's average annual wage is higher than that of local peer communities, reflecting strong wage growth over time.



Source: Massachusetts Executive Office of Labor and Workforce Development

Existing Conditions

Cambridge as a place for residents

Cambridge residents do not participate equally in the benefits of the knowledge economy.

Approximately ***12%*** *of all jobs in Cambridge are held by Cambridge residents.*

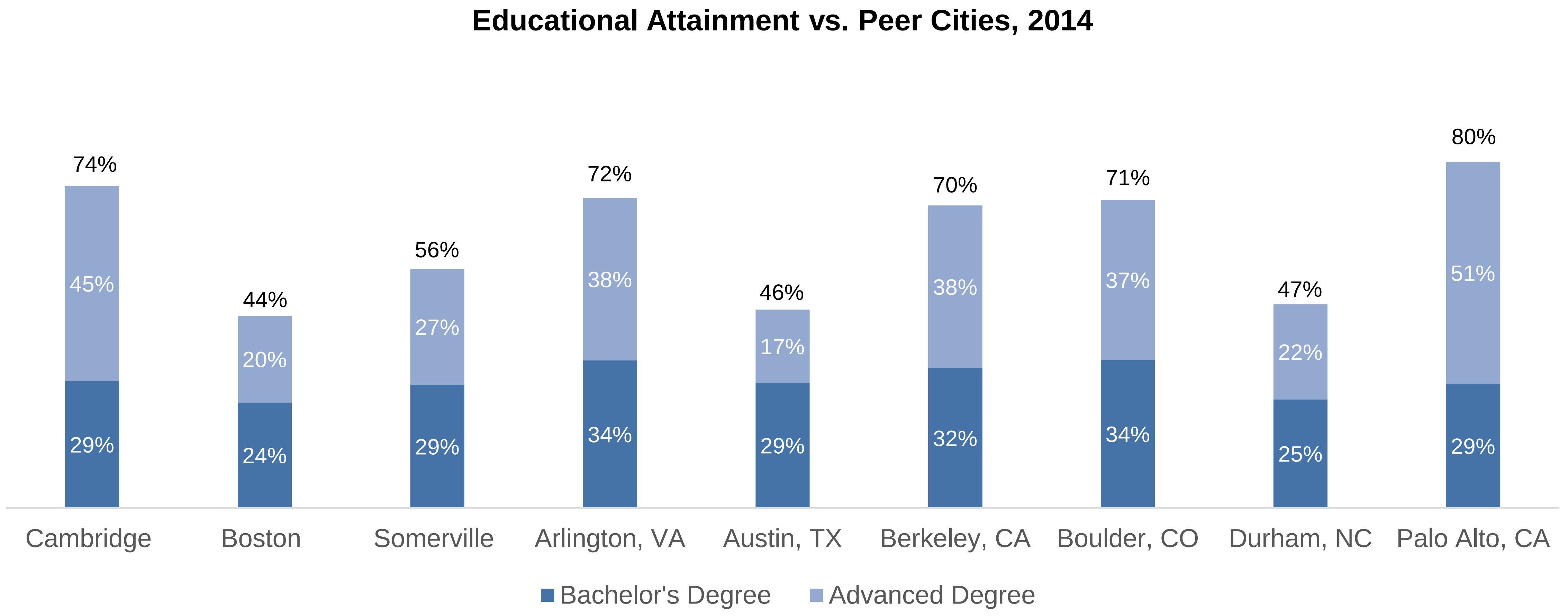
The Professional and Technical Services sector accounts for:

28% *of Cambridge workers*

19% *of Cambridge residents*

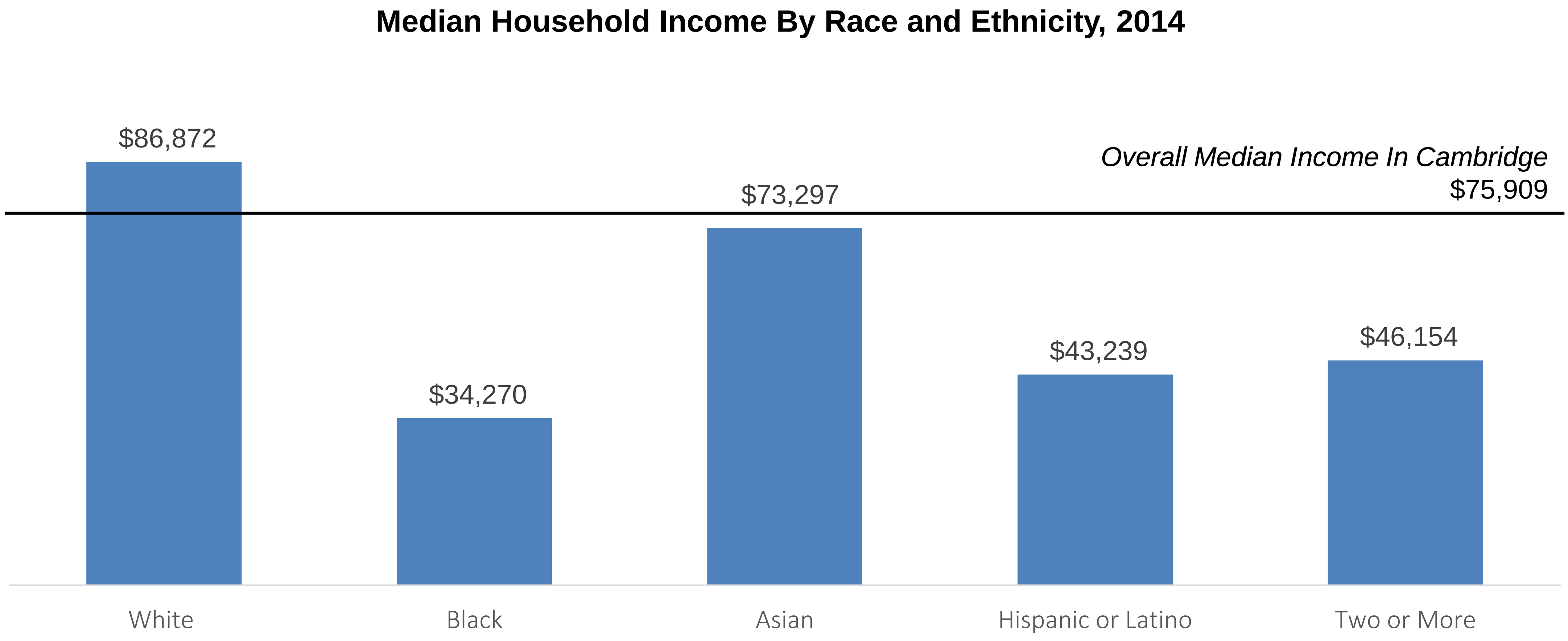
Source: LEHD On the Map, 2014; Massachusetts Executive Office of Labor and Workforce Development, 2015; and 2011-2015 American Community Survey, 5-Year Estimates

Cambridge has high educational attainment relative to peer communities across the nation, trailing only Palo Alto in the percentage of its population with at least a bachelor's degree.



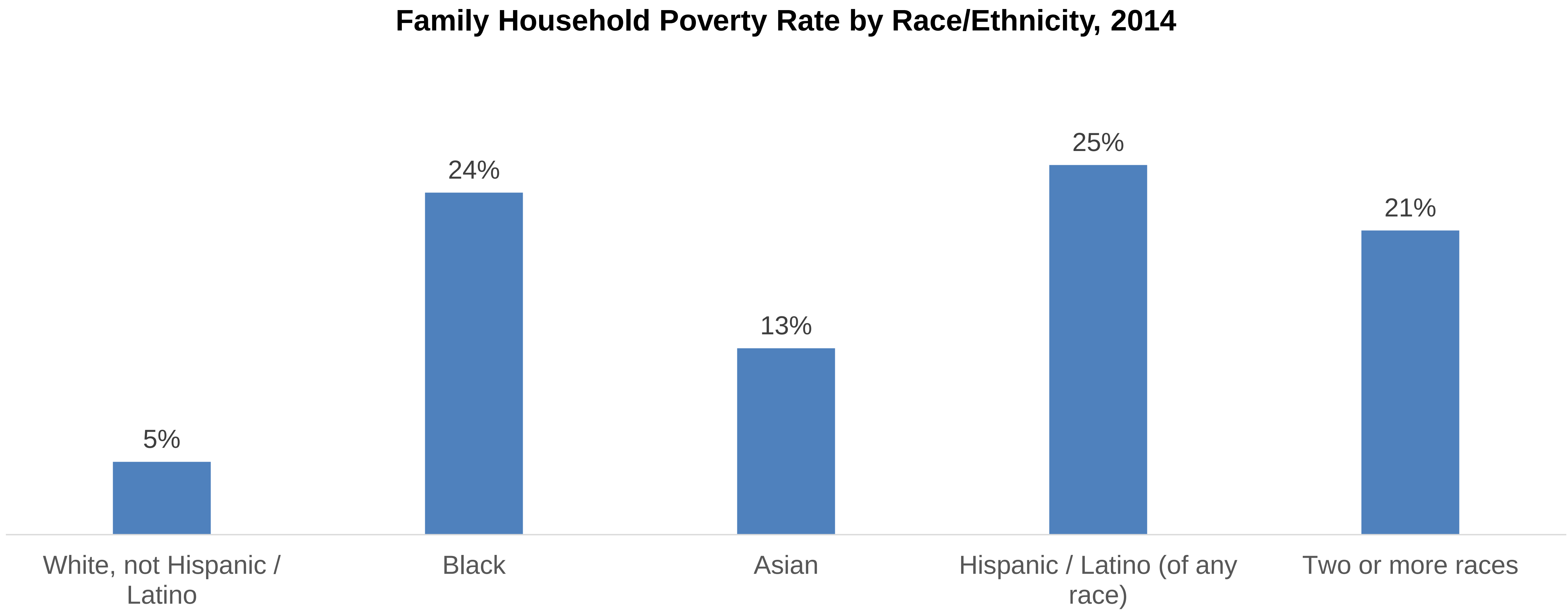
Source: 2010-2014 American Community Survey, 5-Year Estimates

Incomes for Cambridge residents are unequal across racial and ethnic groups, with Black and Hispanic or Latino households in Cambridge earning much less than White or Asian households.



Source: 2010-2014 American Community Survey, 5-Year Estimates

In Cambridge, poverty rates vary across race and ethnicity, with roughly 24% of Black families and 25% of Hispanic/Latino families living in poverty, compared to only 5% of non-Latino White families.



Source: 2010-2014 American Community Survey, 5-Year Estimates

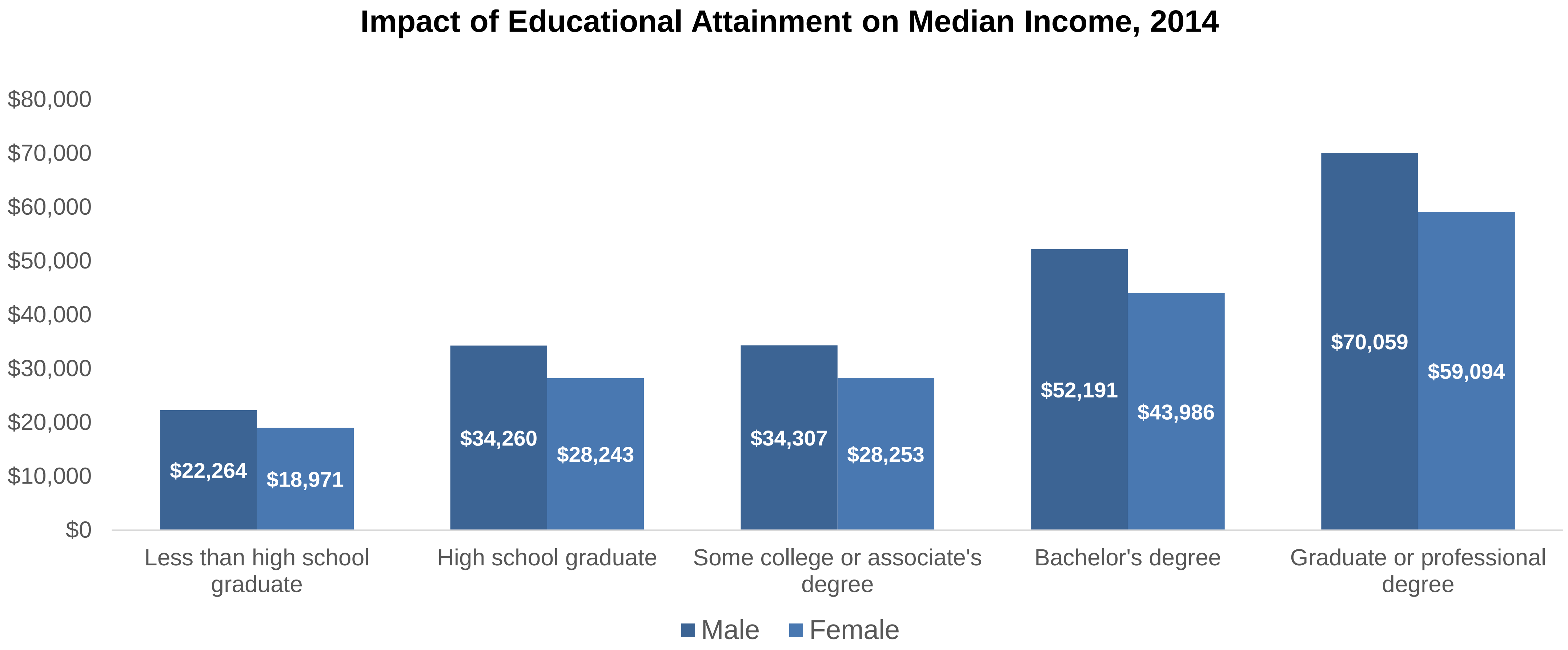
Poverty is concentrated among households headed by single females.

Single female-headed households represent **20%** of all households in Cambridge, but **57%** of all Cambridge households in poverty.

Source: 2010-2014 American Community Survey, 5-Year Estimates

*Based on family households.

While increased education tends to lead to greater incomes, a substantial gap in this payoff exists between men and women.

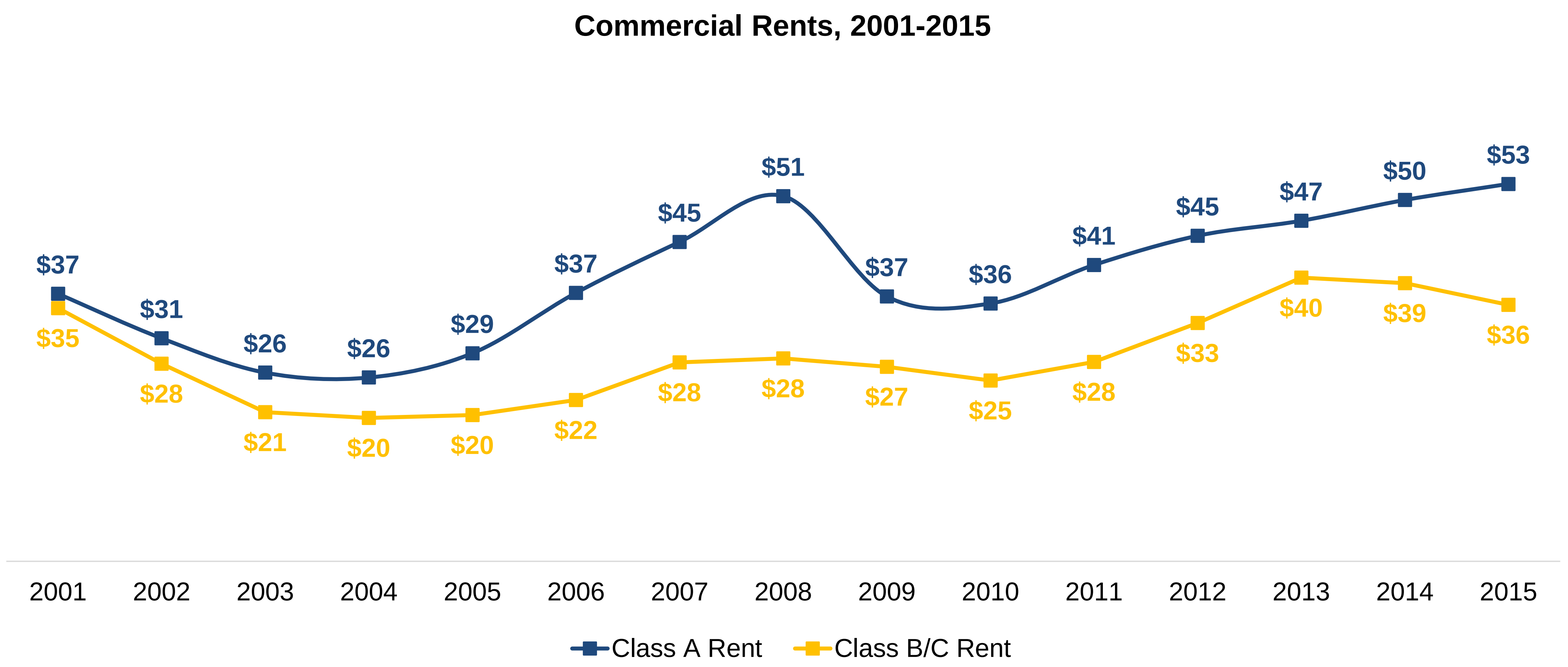


Source: 2010-2014 American Community Survey, 5-Year Estimates

Existing Conditions

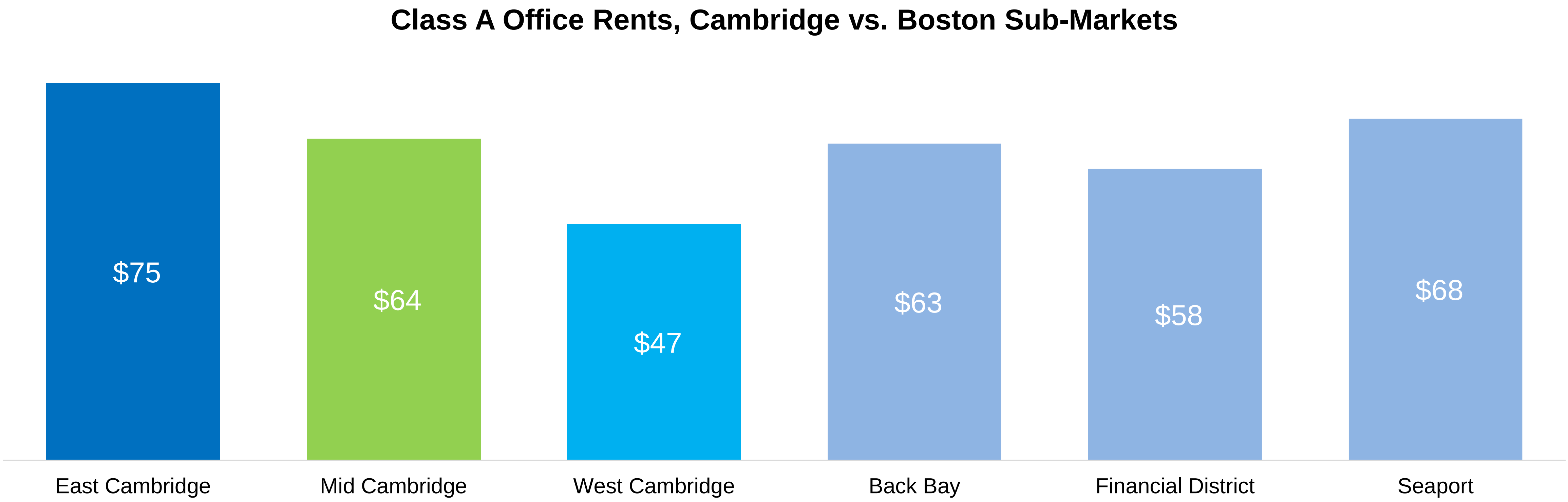
Cambridge's commercial real estate market

Rents in Cambridge are cresting, reflecting strong demand for lab and office space from life science and tech tenants that are willing to pay a premium to be in Cambridge.



Source: Costar. “Commercial space” includes traditional office, flex, and lab/R&D space.

Today, the East Cambridge submarket, home to Kendall Square, leads all Cambridge and Boston sub-markets in Class A office asking rents.



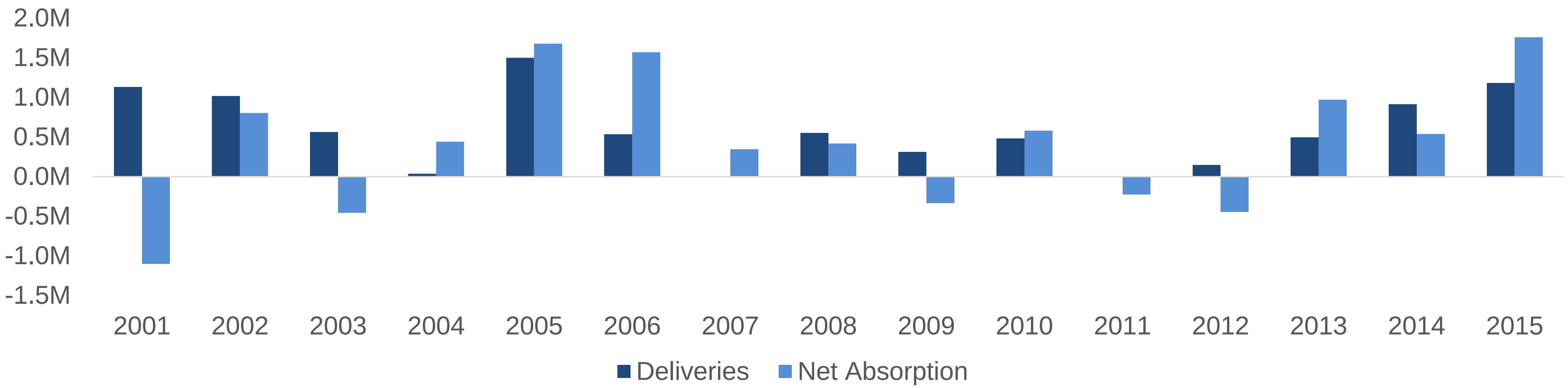
Source: Lincoln Property Company, 2016 Q2

Responding to high demand, developers are producing new commercial space, but absorption of new space is outpacing deliveries. Since 2006, lab has been the majority of commercial space produced.

6.6M, net SF commercial space added 2001-2015

84%, lab share of net commercial inventory increase, 2006-2014*

Commercial Deliveries and Net Absorption 2001-2015



Source: Graph uses Costar data, where "commercial space" includes traditional office, flex, and lab/R&D space.
2006-2014 office/lab breakdown uses Jones Lang LaSalle data, sourced from the Cambridge Incentive Nexus Study (Karl F. Seidman Consulting Services, 2015).

Since 2010, private and nonprofit actors have added substantial incubator and co-working space to meet demand from start-ups and small firms for affordable space.

East Cambridge	
Cambridge Innovation Center	*First incubator in Cambridge, launched in 1999. Office space for 450+ companies.*
Cambridge Coworking Collaborative (C3)	*Office space for 300+ co-working members, with shared 3D printer and workbench.*
Cambridge BioLabs	*Lab space for early-stage biotech start-ups.*
Charles River Accelerator & Development Lab	*Lab space for biotech start-ups that includes animal research facilities.*
Mass Innovation Labs	*Lab space for 10+ biotech start-ups.*
Cambridge Medspace	*Office space for healthcare start-ups.*
IBM Innovation Center	*Office space for technology start-ups.*
NGIN Workplace	*Office space targeted to internationally-focused start-ups.*
Cove	*Co-working space that offers coffee-shop amenities.*
Plug	*First U.S. location of a co-working business that started in Brazil.*
Mid-Cambridge	
Science Hotel	*Lab for biotech start-ups.*
Geek Offices	*Office co-working space in Inman Square.*
inTeaHouse	*Application-only office space for start-ups sponsored by a network of investors.*
Koa Labs	*Office space for 20+ entrepreneurs in Harvard Square.*
Workbar	*Office co-working space in Central Square.*
WeWork	*550-desks in Central Square by one of the largest national co-working providers.*
Lab Central	*Lab space for 25+ start-ups, with funding from MA Life Sciences Ctr.*
Industry Lab	*Combination office and maker-space, with a shared machine shop.*
West Cambridge	
Vecna Technologies	*Office space in Alewife for robotics start-ups.*

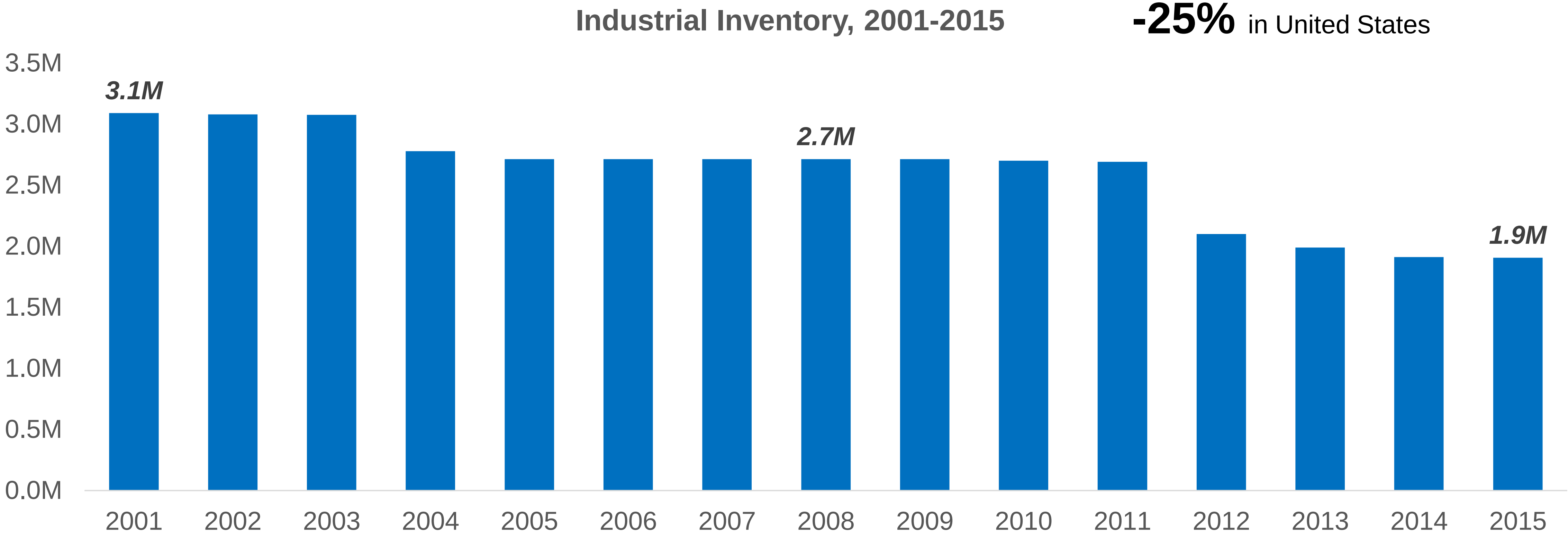
Industrial areas in Cambridge have been steadily converted to residential and office/lab uses, and manufacturing jobs have declined faster in Cambridge than in the US as a whole.

Change in Manufacturing jobs, 2001-2015

-35% in Cambridge

-36% in Massachusetts

-25% in United States



Source: Costar; Massachusetts Executive Office of Labor and Workforce Development; US Bureau of Labor Statistics. Manufacturing jobs are defined as those in NAICS sector 31-33.

In recent years, Cambridge has experienced shifts in its retail landscape, reflecting both national and local trends.

Growth and declines in specific retail types, reflecting changing shopping patterns with the rise of online shopping

Total Establishments, Cambridge	***2001***	***2015***	***Raw Change***
Sporting Goods, Hobby, Book, Music Stores	72	40	-32
Clothing & Accessories Stores	103	87	-16
Electronics & Appliance Stores	34	18	-16
Motor Vehicle & Parts Dealers	6	3	-3
General Merchandise Stores	5	10	5
Non-store Retailers	10	17	7
Food & Beverage Stores	83	91	8
Food Services and Drinking Places	356	396	40

Change in Retail jobs, 2001-2015

-3% in Cambridge

9% In Massachusetts

13% in United States

Conversion of ground-floor retail to other types of uses that are less active at street level, such as daycares and banks

From 2001-2015, **consumer banks** in Cambridge increased by *14%*.

Source: Massachusetts Executive Office of Labor and Workforce Development; US Bureau of Labor Statistics. Retail is defined as retail trade (NAICS 44-45), which comprises establishments engaged in retailing merchandise and rendering services related to the sale of merchandise, and food services and drinking places, which comprise establishments engaged in preparing meals, snacks, and beverages to customer order for immediate on-premises and off-premises consumption (NAICS 772).

Issues, Goals, and Opportunities

Methodology

To help generate a baseline set of issues, draft goals, and opportunities for the working group to discuss, in addition to drawing on the existing conditions analysis, the team synthesized takeaways from community engagement conducted to date.

Listening Phase (March-June 2016)	*Mobile engagement station, 1 online and in-person survey, community workshops, & targeted focus groups.*	*Community members voiced on opportunities and challenges for Cambridge across multiple topic areas.*
Visioning Phase (April-July 2016)	*Mobile engagement station, 3 online and in-person surveys, 2 community visioning workshops, & 2 pop-up events.*	*Community members voiced their opinion on the core values and vision for Cambridge.*

Issues

1. *Income Inequality, with Poverty and Unemployment Concentrated Among Specific Populations*

2. *Uneven Wage Growth Focused Among High-Wage Sectors and Lack of Low Barrier-to-Entry Jobs*

3. *Intense Competition for Office and Lab Space, Placing Pressure on Smaller Firms, Start-Ups, Nonprofits, and Traditional Businesses That Cannot Afford to Pay High Rents*

4. *Strong Sectoral Concentration in Life Science and High Tech, Which Leaves Cambridge Vulnerable to Disruptions in These Industries*

5. *Concerns About Preserving Active Ground Floor Uses*

Draft Goals

Base Goal
Goal 1 | Shared Prosperity: Provide opportunities for Cambridge residents of all educational backgrounds and skill levels to access jobs that pay a living wage so that they can share in the City's prosperity.
Goal 2 | Economic Security: Provide Cambridge's most vulnerable residents with the tools and resources they need to achieve economic security and thrive.
Goal 3 | Economic Diversification: Continue to support Cambridge as a center of the global knowledge economy, while balancing the need for economic diversification.
Goal 4 | Diverse Real Estate Options: Support a range of diverse real estate options that enable Cambridge to attract and retain businesses of different types, sizes, and growth stages.
Goal 5 | Thriving Commercial Districts: Preserve the distinctive identity of Cambridge's mixed-use districts, while also helping them build or maintain the customer base that they need to succeed.

For Each Goal:

Does this goal adequately respond to the issues facing Cambridge? How could it be improved or enhanced?

Do you see this as a goal in and of itself or a means to an end in achieving other goals?

Jointly Revised Draft Goals

Base Goal	Revised Goal
Goal 1 | Shared Prosperity: Provide opportunities for Cambridge residents of all educational backgrounds and skill levels to access jobs that pay a living wage so that they can share in the City's prosperity.	
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Confirming Goal Alignment with Values

Core Values	Livability	Diversity and Equity	Economic Opportunity	Sustainability & Resilience	Community Health & Wellbeing	Learning
Goal 1. Shared Prosperity						
Goal 2. Economic Security for All Residents						
Goal 3. Balanced Diversification						
Goal 4. Diverse Commercial Real Estate Landscape						
Goal 5. Thriving Commercial Districts						

Next Steps: Work Session 2 in May

- Review the City's existing economic development **programs and policies** in light of goals.
- Identify **preliminary strategies** to supplement the City's existing tools and advance goals.

Meeting #1 (May)	**Meeting #2 (June)**	**Meeting #3 (July)**
Discuss existing conditions, issues and opportunities, and draft goals.	Discuss current City programs and policies and preliminary strategies to achieve goals.	Further refine strategies and begin to identify targets.
Refined goals	***Preliminary strategies***	***Refined strategies and preliminary targets***

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May 4, 2017

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