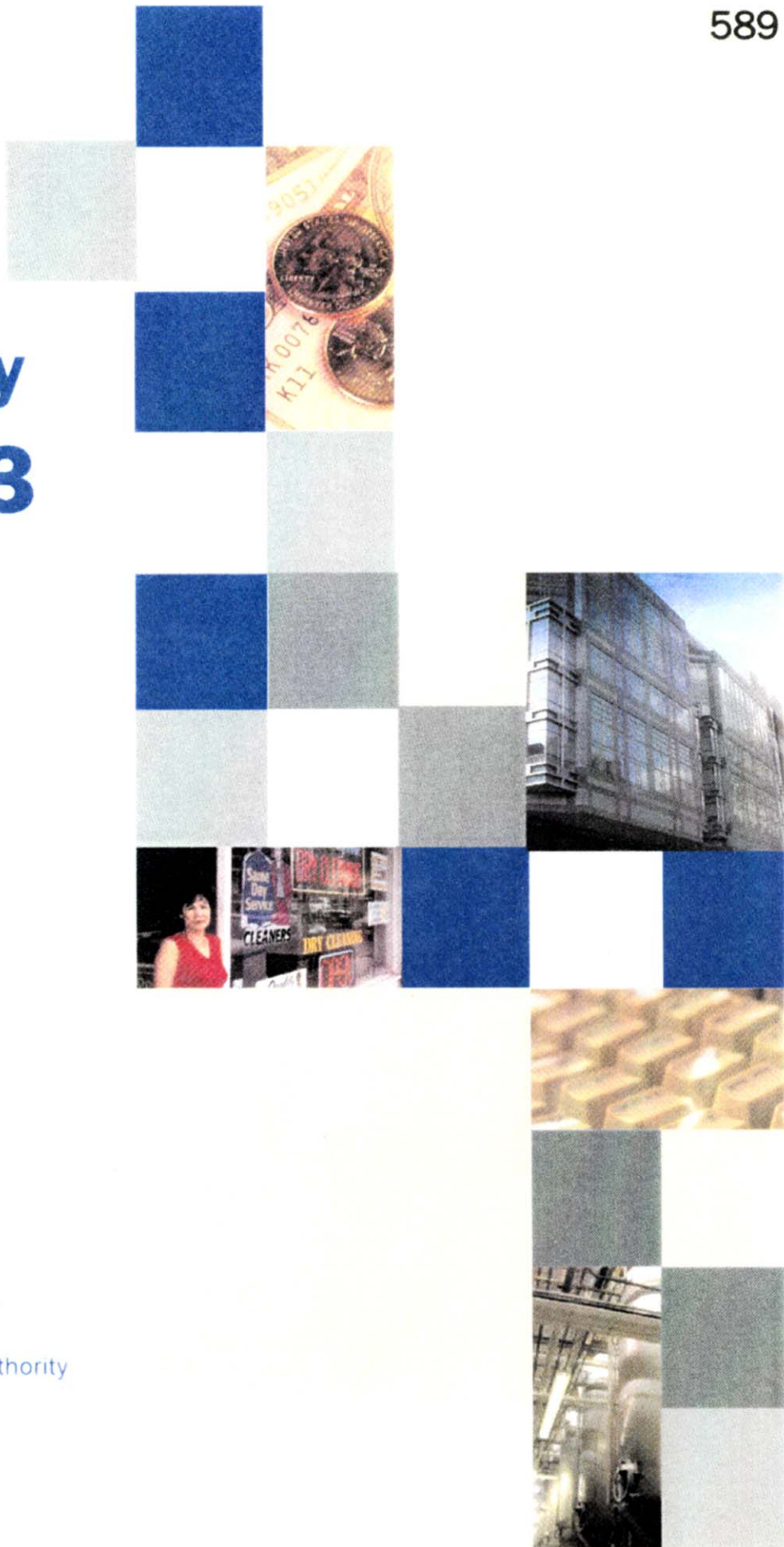


The Boston Economy 2003



City of Boston
Thomas M. Menino, *Mayor*

Boston Redevelopment Authority
Mark Maloney, *Director*

The Boston Economy - 2003



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CITY OF BOSTON

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THE BOSTON ECONOMY

General

The City is the economic hub of the Commonwealth of Massachusetts (the "Commonwealth") and the New England region. It is a center for professional, business, financial, governmental, higher educational and medical services, as well as transportation, communications, export, cultural and entertainment activities. As a government center, the City is the capital of the Commonwealth and is host to several federal offices. High technology, research and development, manufacturing, and wholesale distribution also contribute to the economy of the City and its suburbs.

The City is the twentieth largest city in the United States and the center of the seventh largest Consolidated Metropolitan Statistical Area ("CMSA") in the nation, consisting of the Boston Primary Metropolitan Statistical Area ("PMSA") plus the contiguous PMSAs of Brockton, Fitchburg-Leominster, Lawrence, Lowell, Manchester (New Hampshire), Nashua (New Hampshire), New Bedford, Portsmouth-Rochester (New Hampshire-Maine), and Worcester (Massachusetts-Connecticut). The Boston CMSA had a population of 5,819,100 in 2000, as reported by the U.S. Department of Commerce, Bureau of the Census (the "Bureau of the Census"). In 2000, the City had a population of 589,141, as reported by the Bureau of the Census, and had 688,077 jobs as reported by the U.S. Bureau of Economic Analysis from data of the Massachusetts Division of Employment and Training. The ratio of jobs to population indicates that the City provides a direct source of employment and income for an area that extends well beyond its borders. Measured in terms of jobs, the City's economy comprises approximately 18% of the Massachusetts economy and 10% of that of the six New England states.

Overview of Current Economic Conditions

In Boston, as of Summer 2003, signs of a slow economy in Massachusetts, metropolitan Boston and the City were still evident dating from Spring of 2001. The Boston economy peaked in the 1999-2000 time period as Boston's office, hotel, and housing markets were among the strongest in the nation by mid-year 2000 and into early 2001. From about January of 2001 signs of economic slowing have been notable and have persisted through July of 2003. Boston's slowing economic growth in 2001 was clear given existing information, including: an increasing unemployment rate, a growing number of initial unemployment claims, a higher level of continuing unemployment claims, a falling hotel occupancy rate and lower average daily hotel room rate, a growing office vacancy rate, and a slowing in residential sales. These trends have persisted into 2002 and 2003, except for residential sales, which have increased.

Many indicators of Boston's economic performance in 2001 registered weakness given the twin factors of a burgeoning economic recession which was evident in the Summer of 2001 plus the tragic events of September 11th which compounded the slow-down. Unemployment rates, which had declined to a low of 2.2%, 2.6%, and 2.9% in the Boston metropolitan area, the Commonwealth, and in the City, respectively, by the end of 2000, rose to levels of 3.3%, 5.3% and 5.8%, respectively for full-year 2002. Boston's office market has weakened with rising vacancy rates (over 10%), rising availability rates (over 17%) and negative absorption for two consecutive years, as has been the case for most other major office markets in the country. Hotel occupancy fell to 70% in 2001 and rose slightly to 72% in 2002 after being 78% in the year 2000. However, the total number of residential sales have been strong with steady volume through mid-year 2003, due to low interest rates, while sales prices are still holding firm.

This report presents the major economic, demographic, and market indicators for the Boston economy. For the most part, they demonstrate that the City's economy was very strong through the 1990s and into 2000. By early 2001 the economic slowdown was moving toward a national recession and then the events of September 11th compounded matters. Economic data through July 2003 still show the lingering economic slowdown.

Statistical Data

Statistical data relating to population, employment and income are derived primarily from five separate sources: the U.S. Bureau of the Census, the U.S. Bureau of Labor Statistics, the U.S. Bureau of Economic Analysis (the "BEA"), and the City of Boston/Boston Redevelopment Authority (the "BRA"), each of which is described below.

The U.S. Bureau of the Census publishes information about population, housing and the economy. Data from the 2000 Decennial Census of Population and Housing are now available in part, with more data to be released in late 2003. In addition, some monthly and quarterly data are available through July 2003 on certain topics for the region, Massachusetts, and the Boston metropolitan area. The U.S. Bureau of the Census does not publish such interim data for the City.

The U.S. Bureau of Labor Statistics publishes data and reports about the workforce and related subjects including unemployment rates, area wages, and cost-of-living adjustments. Final data for 2002 are the most recent annual data available; the most recent monthly data are for July 2003.

The U.S. Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures for the nation, New England, Massachusetts, the metropolitan counties, and Suffolk county, which consists of the City plus the municipalities of Revere, Chelsea and Winthrop, are from the May 2003 Regional Economic Information System ("REIS"). The most recent quarterly statistics are for the first quarter of 2003. The City comprises approximately 87% of Suffolk County's population and approximately 96% of its employment.

The City and the BRA prepare reports and compile data on the population and economy of the City and its neighborhoods. BRA also provides data and trends from various local, regional, state and national sources on such topics as employment and occupation, large employers, City schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity and urban redevelopment and infrastructure projects.

Statistical data do not necessarily reflect current activity because of delays resulting from the time required to collect, tabulate and publish such data. While the City believes that it has used the most recent data readily available to it in the discussion in this section, because of such necessary delays, the data contained herein may not reflect current conditions or trends. Moreover, statistical data are approximations and generalizations subject to various sources of error inherent in the statistical process, and may be revised on the basis of additional data. Within such limits, the statistical data contained herein describe past activity and are not presented with a view toward predicting future economic activity either in particular categories or in general.

New England, Massachusetts and Metropolitan Boston Economies

New England comprises a six-state region that had a combined population of 14.1 million persons and 8.8 million jobs in 2001 according to the Bureau of Economic Analysis annual data. Total personal income in New England grew at an annual average compound rate of 4.8% from 1990 through 2002, just below the 5.1% national rate for the same period. In the most recent period for which data is available, from first quarter 2002 through first quarter 2003, personal income in New England grew at a rate of 2.5%, which was below the national rate of 3.4%. Employment in New England, grew by 897,370 from 1990 through 2001, an annual average of 1.0%.

The Massachusetts economy, with 6.4 million people and 4.1 million jobs in 2001 showed substantial growth in the 1990s. Total personal income grew at a 5.0% annual average rate from 1990 through 2002, nearly matching the national rate of 5.1%. From first quarter 2002 through first quarter 2003, personal income grew by 2.4%, lower than the 3.4% national average. Massachusetts also gained 470,410 jobs between 1990 and 2001, an annual average of 1.2%

The five-county Boston metropolitan area (consisting of Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties) had 4.0 million people and 2.8 million jobs in 2001, and has shown economic trends similar to those for the Commonwealth. Total personal income from 1990 through 2001 grew at an annual average rate of 5.7%, just above the national mark of 5.4%. The most recent employment data show a gain of 323,839 jobs for the 1990-2001 period, an annual gain of 1.2%. The following table shows the 1990 and 1998-2002 trends for the US, New England, Massachusetts, and Metropolitan Boston; employment data for the City are set forth under "Employment Structure, Employment Trends and Occupational Changes" and its accompanying table.

**Table 1. Population, Income and Employment
1990, and 1998-2002
(Income in current year dollars)**

	<u>1990</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
United States						
Total Personal Income (\$000)	\$4,885,525,000	\$7,418,497,000	\$7,779,521,000	\$8,398,871,000	\$8,677,490,000	\$8,891,093,018
Per Capita Income (\$)	\$19,572	\$26,893	\$27,880	\$29,760	\$30,413	\$30,832
Population	249,622,814	275,854,104	279,040,168	282,421,906	285,317,559	288,368,698
Employment	139,426,900	160,256,200	163,348,300	167,283,800	167,535,600	NA
New England						
Total Personal Income (\$000)	\$302,738,643	\$437,134,240	\$459,781,637	\$505,000,652	\$521,283,005	\$530,314,607
Per Capita Income (\$)	\$22,884	\$31,829	\$33,227	\$36,195	\$37,096	\$37,494
Population	13,229,502	13,733,828	13,837,653	13,922,517	14,052,232	14,144,141
Employment	7,919,825	8,423,723	8,568,315	8,787,541	8,817,195	NA
Massachusetts						
Total Personal Income (\$000)	\$139,772,372	\$205,176,386	\$217,065,716	\$241,963,032	\$248,777,745	\$250,965,602
Per Capita Income (\$)	\$23,208	\$32,714	\$34,360	\$38,034	\$38,864	\$39,044
Population	6,022,639	6,271,838	6,317,345	6,349,097	6,401,164	6,427,801
Employment	3,647,410	3,928,603	3,992,754	4,104,314	4,117,820	NA
Metropolitan Boston ⁽¹⁾						
Total Personal Income (\$000)	\$95,511,040	\$142,731,282	\$151,834,352	\$170,648,926	\$175,076,638	NA
Per Capita Income (\$)	\$25,226	\$36,065	\$38,103	\$42,567	\$43,393	NA
Population	3,786,229	3,957,661	3,984,862	4,001,752	4,034,633	NA
Employment	2,507,009	2,695,596	2,739,452	2,819,543	2,830,848	NA

(1) This metropolitan area only includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) but excludes the one county in New Hampshire (Hillsborough) which together comprises the NECMA (New England Counties Metropolitan Area).

Source: U.S. Department of Commerce, Bureau of Economic Analysis, May, 2003, except 2002 data is from August 2003. 2000 population figures for all of the above are from the U.S. Census Bureau.

Employment Structure, Employment Trends and Occupational Changes

Between 1990 and 2002, the City's employment structure continued to shift from traditional labor intensive manufacturing jobs to technology and service jobs, as shown in the table below, "City of Boston Employment, 1990, and 1998-2002 Selected Years by Industry." Over the past 12 years, the City's service industries, including transportation, communication, public utilities, finance, insurance and the full range of services, expanded their share of the City's total employment from 63.3% in 1990 to 69.6% in 2002, while the total employment in manufacturing and trade declined from 5.2% to 3.3%, and from 13.1% to 11.3%, respectively.

The economy of the Boston metropolitan area primarily rests on high technology, finance, professional and business services, defense, and educational and medical institutions. The City's economy is more specialized in the financial, governmental, business and professional services and educational and medical sectors than the suburban economy, which is more specialized in high technology and the defense industry. As used in this section, "professional services" includes business and professional services such as data processing, bookkeeping, news syndicates, law, accounting, engineering, advertising, and architecture. "Non-professional business services" includes building maintenance, security guards, duplicating services, etc.

The following table shows Boston's employment growth by industry category over the twelve-year period 1990-2002. Significant gains by industry are noted in the Construction, Securities, Health, Social and Non-Profit, Personal and Repair, Cultural, and Non-Professional Business and Professional services sectors, while sizable losses are evident in Manufacturing, Wholesale Trade, Insurance, and Government.

Table 2. City of Boston Employment, 1990, and 1998-2002 Selected Years by Industry

<u>Industry</u>	<u>1990</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Fishing/Mining/Agriculture	1,316	1,299	1,545	1,697	1,652	1,830
Construction	13,835	15,811	18,982	19,809	18,418	18,521
Manufacturing	32,274	29,502	28,308	27,978	26,091	22,119
Transportation/Communication/Utilities.....	36,795	36,800	36,938	38,298	38,452	37,241
Wholesale Trade.....	19,369	16,585	17,152	16,862	13,805	15,611
Retail Trade	61,593	64,856	66,056	66,600	65,348	59,807
Finance/Insurance/Real Estate	93,264	104,352	108,157	109,087	111,329	111,056
Banking	24,540	22,586	22,932	26,224	25,536	24,571
Securities	23,029	44,994	47,150	45,079	47,867	48,054
Insurance	31,357	22,175	22,903	21,720	21,557	24,178
Real Estate and Other.....	14,338	14,595	15,172	16,065	16,367	14,227
Services	261,854	296,767	312,534	314,441	318,382	314,544
Hotel	13,441	11,937	12,632	12,959	13,126	11,020
Health	78,615	93,544	95,883	94,721	97,000	98,965
Educational.....	31,431	31,950	32,144	32,343	33,754	35,984
Cultural	9,657	10,417	10,127	10,387	10,644	12,312
Social and Non-profit.....	23,843	24,517	25,425	25,989	26,675	25,980
Professional.....	63,621	75,851	80,714	80,768	82,565	78,707
Non-Professional Business	29,540	36,283	42,291	43,319	40,341	37,343
Personal and Repair	11,706	12,271	13,318	13,957	14,277	14,260
Government	<u>98,924</u>	<u>90,857</u>	<u>93,527</u>	<u>93,306</u>	<u>90,107</u>	<u>84,580</u>
Total	619,223	656,829	683,200	688,077	683,584	665,307

Note: 2001 is an estimate based on final data from DET and estimates for BEA. 2002 is an estimate based on only first, second, and third quarter data from DET and estimates from BEA.

Source: 1990-2002 figures are mathematically derived from U.S. Bureau of Economic Analysis Series for Suffolk County ("BEA Regional Economic Information System 1969-2001, May 2003") pro-rated to Boston geography. Due to use of pro-rating factors, minor discrepancies of 1 to 3 units between totals and employment categories may result.

The most current data (August 2003) on employment for Boston (the ES-202 employment series kept under the unemployment insurance system) is through December 2002. A more recent picture of employment trends for the Commonwealth and the Boston metropolitan area is available, however, from the Bureau of Labor Statistics (Current Employment Series or CES 790 series) non-agricultural employment data. As of early August 2003 these data were available through the month of July 2003, and are presented in the following tables for the Boston metropolitan area.

**Table 3. Boston Metropolitan Area Total Non-Agricultural Employment
Monthly, 2001-2003
(not seasonally adjusted, employment in 000's)**

<u>Month</u>	<u>2001 Employment</u>	<u>Change from Same month of Previous</u>	<u>2002 Employment</u>	<u>Change from same month of Previous</u>	<u>2003 Employment</u>	<u>Change from same month of Previous</u>
		<u>Year</u>		<u>Year</u>		<u>Year</u>
January	2,041.7	2.9%	1,970.9	-3.5%	1,936.0	-1.8%
February	2,041.1	2.6	1,962.6	-3.8	1,930.0	-1.7
March	2,044.4	2.1	1,972.3	-3.5	1,930.2	-2.1
April	2,051.8	1.6	1,980.6	-3.5	1,944.4	-1.8
May.....	2,057.3	1.2	1,990.7	-3.2	1,951.4	-2.0
June.....	2,070.7	0.6	2,002.9	-3.3	1,960.2	-2.1
July	2,038.3	-0.4	1,976.6	-3.0	1,940.3	-1.8
August	2,032.6	-0.5	1,973.4	-2.9	NA	NA
September	2,028.3	-1.4	1,975.4	-2.6	NA	NA
October.....	2,025.1	-2.3	1,984.0	-2.0	NA	NA
November.....	2,025.2	-3.0	1,985.6	-2.0	NA	NA
December.....	2,028.4	-3.3	1,985.5	-2.1	NA	NA
ANNUAL.....	2,040.4	0.0	1,980.0	-3.0	NA	NA

Source: U.S. Department of Labor, bureau of Labor Statistics, 790 series of non-agricultural employment. August, 2003.

**Table 4. Non-Agricultural Wage and Salary Employment by Industry
July 2002 and July 2003
Boston, Massachusetts – New Hampshire PMSA**

(seasonally unadjusted, employment in 000's)

<u>Industry</u>	<u>2001</u>	<u>2002</u>	<u>Change</u>	<u>Percent</u>
Non-Agricultural Total	1,976.6	1,940.3	-36.3	-1.8%
Natural Economic Resources.....	0.7	0.7	0.0	0.0
Construction.....	86.2	79.1	-7.1	-8.2
Manufacturing.....	165.1	156.6	-8.5	-5.1
Durable Goods	115.5	106.9	-8.6	-7.4
Non-Durable Goods.....	49.6	49.7	0.1	0.2
Trade, Transportation & Utilities.....	331.5	329.2	-2.3	-0.7
Wholesale Trade	83.3	82.5	-0.8	-1.0
Retail Trade.....	197.0	197.7	0.7	0.4
Transp., Warehousing & Utilities.....	51.2	49.0	-2.2	-4.3
Information.....	69.7	66.4	-3.3	-4.7
Financial Activities	172.9	171.2	-1.7	-1.0
Professional and Business Services.....	326.3	315.0	-11.3	-3.5
Education and Health Services	355.2	357.7	2.5	0.7
Leisure & Hospitality.....	173.9	175.8	1.9	1.1
Other Services	69.0	67.9	-1.1	-1.6
Government.....	226.1	220.7	-5.4	-2.4

Note: Some of the sub-categories do not add to totals because in some cases these are not the full list of sub-categories.

Source: U.S. Department of Labor, Bureau of Labor Statistics, 790 series of non-agricultural employment. August, 2003.

Data from the two preceding tables show that employment softened in the Boston metropolitan area during early 2001 with no change during the Summer compared to the previous year, then turning into declines for each of the following months except December 2001. As of July a total decline of 36,300 jobs in the metropolitan area was evident over the previous year and the drop from the high in June 2001 was 130,400 jobs, or 6.3%.

The industry composition of employment comparing July 2003 with July of 2002 shows that the most severe job losses were evident in Professional and Business services, Durables Manufacturing, Information and Construction. Gains were evident in Non-Durables Manufacturing, Retail Trade, Education and Health care services, and Leisure and Hospitality services. Only small or moderate losses were apparent in Transportation and Utilities, Financial activities, Other services, and Government

The following table below indicates that, as of 2000, 69% of City residents were White-Collar workers and 31% were Blue-Collar and Service workers, as compared to 1960 when 44% were White-Collar workers and 46% were Blue-Collar and Service workers. As shown in the following table, this trend among City residents away from Blue-Collar and Service occupations and toward White-Collar occupations was evident between 1960 and 1990. During the decade of the 1990s this trend showed some change. White-collar occupations continued to grow but at a slower pace, with Managerial, Professional, and Technical jobs gaining but Sales and Office workers declining. At the same time, Blue-collar and Services occupations continued to decline, with the exception of Production, and Transportation workers who showed a modest increase between 1990 and 2000.

Table 5. Occupational Change in the City's Resident Labor Force

	1960		1970		1980		1990		2000	
	Number	%	Number	%	Number	%	Number	%	Number	%
White-Collar	126,471	44	146,657	55	154,456	60	191,251	67	197,049	69
Manag'l., Profess'l & Relat'd	49,080	17	59,929	23	77,217	30	107,206	38	123,850	43
Sales and Office	77,391	27	86,728	33	77,239	30	84,045	29	73,199	26
Blue-Collar and Service	134,610	46	119,848	45	101,561	40	97,453	33	88,810	31
Constr'n, Extract'n, Maint.	32,398	11	27,157	10	19,772	8	18,453	6	14,118	5
Product'n, Transp'n., and Rel.	52,175	18	36,695	14	24,825	10	19,971	7	23,630	8
Service and Farm & Fishing	50,037	17	55,996	21	56,964	22	59,029	20	51,062	18
Not Reported	27,115	9	—	—	—	—	—	—	—	—
Total	288,196	100	266,505	100	256,017	100	288,704	100	285,859	100

Source: U.S. Department of Commerce, Bureau of the Census.

Percentages may not add due to rounding.

Unemployment

In 2002, the annual average unemployment rate for the City was 5.8%, slightly above that of Massachusetts at 5.3% and also above that for the metropolitan rate at 4.8%, but equal to the national rate of 5.8%. All of these rates were above the lows reached in the year 2000. The average annual number of people unemployed in the City for 2002, was 18,141, an increase from the 8,495 annual average for 2000. The 2000 Census data for Boston, which differ from the Bureau of Labor Statistics rates shown below due to sample size, accuracy of defining persons in the labor force and over-counting the officially unemployed, showed that when Boston's total unemployment rate was 7.2%, the rate for whites was 5.1%, the rate for all minority groups combined was 10.2%. This pattern is typical of many of the nation's urban centers.

Table 6. Annual Unemployment Rates

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
City of Boston	6.6%	5.8%	5.4%	4.4%	4.2%	3.4%	3.3%	2.9%	4.1%	5.8%
Boston PMSA ⁽¹⁾	6.0	5.2	4.7	3.7	3.4	2.8	2.7	2.2	3.3	4.8
Massachusetts	6.9	6.0	5.4	4.3	4.0	3.3	3.2	2.6	3.7	5.3
New England	6.8	5.9	5.4	4.8	4.4	3.5	3.3	2.8	3.7	4.9
United States	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8

(1) Primary Metropolitan Statistical Area, consisting of the City and 129 contiguous municipalities, with a population of approximately 3.4 million in 2000 according to U.S. Census data.

Sources: U.S. Bureau of Labor Statistics for United States, New England and Massachusetts and Massachusetts Division of Employment and Training for the City and Boston PMSA

Table 7. Monthly Unemployment Rates for Boston, Boston PMSA, Massachusetts, New England and the United States for 2000, 2001 and 2002⁽¹⁾

	City of Boston			Boston PMSA ⁽²⁾			Massachusetts			New England			United States		
	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003	2001	2002	2003
Jan.	3.2%	5.7%	5.7%	2.6%	4.8%	5.1%	3.3%	5.5%	5.8%	3.5%	5.2%	5.6%	4.7	6.3%	6.5%
Feb.	3.0	5.5	5.4	2.5	4.7	4.9	3.2	5.4	5.7	3.5	5.2	5.5	4.6	6.1	6.4
Mar.	3.3	5.7	5.9	2.8	4.9	5.3	3.5	5.5	6.1	3.6	5.1	5.6	4.5	6.1	6.2
Apr.	3.2	5.6	5.5	2.6	4.6	4.7	3.0	5.1	5.3	3.3	4.7	5.1	4.2	5.7	5.8
May.....	3.6	5.6	5.8	2.8	4.5	4.9	3.2	4.9	5.3	3.3	4.6	4.9	4.1	5.5	5.8
Jun.	4.3	6.1	6.4	3.3	5.0	5.2	3.7	5.4	5.7	3.7	4.9	5.2	4.7	6.0	6.5
Jul.	4.7	6.3	NA	3.6	5.2	NA	4.0	5.6	NA	3.8	4.9	NA	4.7	5.9	6.3
Aug.	4.5	6.1	NA	3.5	5.0	NA	3.8	5.4	NA	3.7	4.8	NA	4.9	5.7	NA
Sep.	4.9	6.3	NA	3.8	5.2	NA	4.1	5.5	NA	3.8	4.8	NA	4.7	5.4	NA
Oct.	4.7	5.7	NA	3.8	4.8	NA	4.0	5.2	NA	3.8	4.7	NA	5.0	5.3	NA
Nov.	4.8	5.6	NA	3.9	4.7	NA	4.2	5.1	NA	4.0	4.7	NA	5.3	5.6	NA
Dec.....	4.7	5.3	NA	3.9	4.6	NA	4.2	5.1	NA	4.0	4.8	NA	5.4	5.7	NA

- (1) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.
(2) Primary Metropolitan Statistical Area, consisting of the City and 129 contiguous municipalities, with a population of approximately 3.4 million in 2000 according to U.S. Census data.
Sources: U.S. Bureau of Labor Statistics for United States, New England and Massachusetts and Massachusetts Division of Employment and Training for the City and Boston PMSA.

As the above table illustrates, 2002 monthly unemployment data showed a general increase over the same months in 2001. Similarly, monthly data for 2003, through six months, shows an increase over 2002 data. In June 2003, Boston’s unemployment rate registered 6.4% compared with the 6.1% mark one year earlier in June 2002 and the 4.3% rate two years earlier in June 2001. The number of unemployed in June 2003 was 19,868 having risen from the 19,426 unemployed in June of 2002 and the 13,264 unemployed in June of 2001.

Largest Employers

The following table lists the thirty-six largest private employers in Boston, the total list of organizations with more than 1,000 employees, which had an aggregate of approximately 21% of private sector employment in 2001.

**Table 8. Largest Private Employers In Boston, 2001
(listed alphabetically)**

Beth Israel Deaconess Medical Center	Liberty Mutual
Boston College	Massachusetts Eye and Ear Infirmary
Boston Medical Center	Massachusetts Financial Services
Boston University	Massachusetts General Hospital
Brigham and Women's Hospital	New England Baptist Hospital
Brown Brothers Harriman	New England Financial
Carney Hospital	New England Medical Center
Children's Hospital	Northeastern University
Dana Farber Cancer Institute	Northwest Airlines
Delta Airlines	Nstar (formerly Boston Edison)
Faulkner Hospital	Putnam Investments
Federal Reserve Bank of Boston	St. Elizabeth's Medical Center
Fidelity Investments	Shaw's
Filene's	State Street Corporation
Fleet Boston Financial	Stop & Shop Supermarkets
Gillette Company	Thompson Financial Services
Harvard University (Business and Medical)	US Air
John Hancock	WGBH

Note: The following large Boston companies were surveyed but did not respond and likely have over 1,000 employees: Boston Consulting Group, the Boston Globe, Citizen's Bank, Commercial Union Insurance, Liberty Financial Companies, Inc, Macy's, Pricewaterhouse Coopers LLP, Teradyne, UNNICO Services, and Verizon (formerly Bell Atlantic).

Source: Survey by BRA/EDIC, conducted in 2001.

In addition, the public sector has large numbers of employees in the City. According to the BRA, using a series consistent with the Bureau of Economic Analysis, there were 84,580 government workers in the City in 2002, a reduction of 14,344, or -14.5% from 1990. Certain State government offices, Federal regional offices, U.S. Postal Service facilities, State-chartered authorities and commissions, (such as the Massachusetts Port Authority and the Massachusetts Bay Transportation Authority), and the City's local government are all located within the City.

Labor Force and Education

According to U.S. Department of Commerce, Bureau of the Census, the City's resident labor force declined during the 1970s but increased during the 1980s. In contrast to the 12% decline in population between 1970 and 1980, the City's labor force (those residents aged 16 and over, available to work) declined by only 4%. The difference in these rates of decline was attributable to the fact that the decline in population was concentrated in the under-16 age group. Since 1980, the increase in the number and age of the population have combined with the rising labor force participation of women, minorities, youth and the elderly to produce a larger labor force overall. By 1990, the City's population had increased by 2% over 1980 levels, while the City's labor force increased by 12.8% in the same period, according to data from the U.S. Bureau of the Census. During the 1990's Boston's population continued to rise, posting a 2.6% increase between 1990 and 2000. During the same time period the City's labor force decreased by 4%, according to the Massachusetts Department of Employment and Training.

General improvement in educational attainment of residents aged 25 and over continued throughout the 1970-2000 period. The percentage of this population that had completed four or more years of college almost quadrupled during this period from 10% to 36%. This change, in part, reflected the trend for an increasing percentage of Boston public school system graduates to seek higher education. This percentage increased from 25% in 1960 to 36% in 1970, 76% in 2001, and 78% in 2002, based upon Boston School Department figures. Improving educational attainment levels and shifting occupational patterns suggest a concurrent transformation of the City's work force as the City's economy has moved to a service-dominated employment base.

The City supports entry-level and advanced job training programs, including the following: English-as-a-Second Language training, pre-vocational and vocational training, adult literacy training, and support counseling. In addition, linkage contributions paid into the Neighborhood Jobs Trust provide a supplemental source of funding for job training programs. For a full discussion of the City's housing and jobs linkage program see "The Linkage Program," below.

Table 9. Years of School Completed for Boston Residents Age 25 and Over, 1970-2000

	1970		1980		1990		2000	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
Less than nine years	91,582	26.1%	54,932	16.6%	37,824	10.3%	34,321	9.1%
9 to 12 years, no diploma	71,511	20.4	49,407	14.9	51,051	14.0	45,308	12.0
High school grad. (or GED) .	120,350	34.3	115,787	35.0	97,233	26.6	90,568	24.0
Some college or Associates ..	30,876	8.8	43,451	13.2	69,889	19.1	73,125	19.4
Bachelors, Masters, or Prof. .	<u>36,245</u>	<u>10.4</u>	<u>67,073</u>	<u>20.3</u>	<u>109,711</u>	<u>30.0</u>	<u>134,252</u>	<u>35.5</u>
Total.....	350,564	100.0	330,650	100.0	365,708	100.0	377,574	100.0

Source: U.S. Department of Commerce, Bureau of the Census.

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$42,766 in 2001, 41% above the national per capita personal income of \$30,413, according to the U.S. Bureau of Economic Analysis. An historical summary of per capita income shows that from 1980 to 1990 Suffolk County's per capita income grew at a rate greater than that for the nation, in contrast to the 1970-1980 period when it rose at a slower rate. Suffolk County's per capita income grew at a faster rate than the per capita income growth rates for the United States, New England, and Massachusetts and just barely below the rate of growth for Metropolitan Boston (as defined in the table below) between 1990 and 1997. The City's median household income (in current year dollars), based on U.S. Census data, rose from \$7,835 in 1970, to \$12,530 in 1980, \$29,180 in 1990 and \$39,629 in 2000. The figures in this paragraph and the chart directly below reflect earned income of persons residing in the named areas plus rents, interest and other unearned income and transfer payments from governmental entities. As such, these figures take into account certain income sources not included in the survey of average annual wages in the following paragraph, which reflects earned income of persons who work (but do not necessarily reside) in the named areas.

**Table 10. Per Capita Personal Income Comparison, 1970, 1980, and 1990-2002
(in current year dollars not adjusted for inflation)**

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metro Boston⁽¹⁾</u>	<u>Suffolk County⁽²⁾</u>
1970.....	\$ 4,095	\$ 4,453	\$ 4,486	\$ 4,515	\$ 4,652
1980.....	10,183	10,701	10,673	10,806	10,477
1990.....	19,572	22,884	23,208	23,545	24,826
1991.....	20,023	23,175	23,671	24,003	25,655
1992.....	20,960	24,299	24,731	25,135	27,152
1993.....	21,539	24,984	25,453	25,835	27,912
1994.....	22,340	25,928	26,559	26,994	29,303
1995.....	23,255	27,040	27,689	28,192	30,127
1996.....	24,270	28,340	29,166	29,688	31,808
1997.....	25,412	29,924	30,773	31,368	33,260
1998.....	26,893	31,829	32,714	33,411	36,044
1999.....	27,880	33,227	34,360	35,178	37,950
2000.....	29,760	36,195	38,034	39,125	42,069
2001.....	30,413	37,096	38,864	39,873	42,766
2002.....	30,832	37,494	39,044	NA	NA

(1) Metropolitan Boston denotes the New England County Metropolitan Area (NECMA), which is larger than the Primary Metropolitan Statistical Area (PMSA). The NECMA consists of five Massachusetts counties and Hillsborough County in New Hampshire. Known as Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH (NECMA).

(2) City residents constitute approximately 87% of Suffolk County's population.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, May 2003 revised series, Regional Economic Information System.

December 2002 data from the U.S. Bureau of Economic Analysis indicate that the average annual wage per job for 2001, by place of work, have been consistently higher over time in Suffolk County than in the Boston metropolitan area and the Commonwealth. Suffolk County's average wage per job (\$57,692) was 28% greater than that in the Boston metropolitan area (\$45,009) and 31% greater than the average state earnings level (\$43,943). The average annual wage per job reflects the combined income earned by individuals at their place of work for all industries combined.

**Table 11. Average Wage Per Job Comparison, 1970, 1980, 1990, 2000 and 2001
(in current year dollars not adjusted for inflation)**

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metro Boston⁽¹⁾</u>	<u>Suffolk County⁽²⁾</u>
1970.....	\$ 6,922	\$ 6,897	\$ 7,038	\$ 7,051	\$ 7,789
1980.....	13,997	13,356	13,524	13,643	15,468
1990.....	23,322	25,403	26,289	26,681	31,266
2000.....	34,647	39,952	43,261	44,382	55,576
2001.....	35,550	40,891	43,943	45,009	57,692

(1) Metropolitan Boston denotes the New England County Metropolitan Area (NECMA), which is larger than the Primary Metropolitan Statistical Area (PMSA). The NECMA consists of five Massachusetts counties and Hillsborough County in New Hampshire. Known as Boston-Worcester-Lawrence-Lowell-Brockton, MA-NH (NECMA).

(2) City residents constitute approximately 87% of Suffolk County's population.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, December 30, 2002 revised series, Regional Economic Information System

During the years 1991-2000, based on the U.S. Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 2.66% in the Boston metropolitan area, while the national index increased at a 2.64% annual rate. In 2002 the index for Boston rose at 2.6% while the national rate grew by 1.6%. From July 2002 to July 2003, the cost of living in the Boston metropolitan (Boston PMSA) area rose 3.7%, compared to a 2.1% rate rise for the nation.

Table 12. Consumer Price Index for All Urban Consumers (CPI-U)

	United States	Percent	Metro Boston	Percent
	<u>Index</u>	<u>Change</u>	<u>Index</u>	<u>Change</u>
1991.....	136.2	NA	145.0	NA
1992.....	140.3	3.0%	148.6	2.5%
1993.....	144.5	3.0	152.9	2.9
1994.....	148.2	2.6	154.9	1.3
1995.....	152.4	2.8	158.6	2.4
1996.....	156.9	3.0	163.3	3.0
1997.....	160.5	2.3	167.9	2.8
1998.....	163.0	1.6	171.7	2.3
1999.....	166.6	2.2	176.0	2.5
2000.....	172.2	3.4	183.6	4.3
2001.....	177.1	2.8	191.5	4.3
2002.....	179.9	1.6	196.5	2.6
2002 (July).....	180.1	NA	195.7	NA
2003 (July).....	183.9	2.1	203.0	3.7

Note: Index based upon 1982-1984=100.0. Monthly data not seasonally adjusted.

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Population

The U.S. Bureau of the Census reported the City's population as 589,141 in 2000, a 2.6% increase over 1990 and building on the 2.0% increase in the 1980s. The number of households in the City increased from 217,622 in 1970, to 218,457 in 1980, to 228,464 in 1990, and to 239,528 in 2000, while household size fell from 2.8 to 2.3 persons per household from 1970 to 2000. The U.S. Bureau of the Census population for Massachusetts in 2000 was 6,349,097, or an increase of 332,672 persons (5.5%) from the 1990 census. The population of metropolitan Boston rose to 3,398,051 in 2000, a rise of 170,344 persons or 5.3% over the decade. Estimates from the U.S. Census for population in 2002 have been released for states and cities. The population estimate for Massachusetts as of July 1, 2002 was 6,427,801, a gain of 1.2% over April of 2000. The population estimate for Boston as of July 1, 2002 was 589,281, a marginal gain.

Table 13. Population of Massachusetts, Metropolitan Boston, and the City of Boston 1970, 1980, 1990 and 2000

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>1970-80</u>		<u>1980-90</u>		<u>1990-00</u>	
					Population	Percent	Population	Percent	Population	Percent
					<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>
Massachusetts	5,689,170	5,737,037	6,016,425	6,349,097	47,867	0.8%	279,388	4.9%	332,672	5.5%
Metropolitan Boston ⁽¹⁾	2,899,101	3,149,000	3,227,707	3,398,051	- ⁽²⁾	- ⁽²⁾	78,707	2.5	170,344	5.3
City of Boston	641,071	562,994	574,283	589,141	(78,077)	(12.2)	11,289	2.0	14,858	2.6

(1) Boston PMSA.

(2) Because of a metropolitan area boundary change from Standard Metropolitan Statistical Area ("SMSA") to PMSA, the 1970-1980 change is not shown

Source: U.S. Department of Commerce, Bureau of the Census.

Data from the 2000 Census were reported to Boston since 2001 and some but not all information regarding the demographic and housing characteristics of Boston's resident population are available. Changes in racial patterns showed that Boston's racial composition was: White, Non-Hispanic 49.5%; Black, Non-Hispanic 23.8%; Hispanic 14.4%; Asian/Pacific Islander 7.5%; Multi-racial 3.1%; other single race 1.4%; and Native American 0.3%. Within the Asian/Pacific Islander classification, the largest growing groups were the Vietnamese, Chinese, Asian Indian, and Korean groups. Within the Hispanic classification the fastest growing groups were the Central and South Americans with a small but fast-growing Mexican community. Boston continues to be a city of young adults due to the large number of students and young adults living and working in the city. One out of every three persons in Boston is between 20 and 34 years old. The baby boom population (aged 35 to 54 years) increased significantly, to 20%, as that cohort aged and continued to show a preference for city living. The city saw a decline in the elderly population (aged 65 and over) between 1990 and 2000 as that segment declined by nearly 5,000

people to 10% of the population. Boston showed a general rise in the number of children as that population (aged 18 and under) increased by over 6,700 persons to 20% of the population. The trend toward fewer families of related people living together to more non-family households comprised of single persons and roommates, continued in Boston in the 1990s. There was also a trend toward more “non-traditional” families as the data showed more relatives and non-relatives other than the householder and spouse living in families. Overall, the total number of households rose. Single person households continued to grow. Families with children under 18 also grew, although married couples with young children fell because of the continued trend toward single-parent families with children. Children over 18 living with their families showed an upward trend as college students commuted in increasing numbers, and the cost of housing kept older children at home longer. Group quarters population continued to increase both for the institutionalized and non-institutionalized populations, the vast majority of which is the student dormitory population. Household size has only fallen by 2.5%, going from 2.37 persons to 2.31 despite the large growth in single person households. Average family size only edged marginally lower from 3.19 to 3.17 persons.

Medical and Higher Educational Institutions

Boston’s medical and educational institutions are an important component of its economy, providing employment opportunities for residents of the City and the Boston metropolitan area. Expenditures by the institutions’ patients, students and visitors are important to the City’s trade and service sectors.

Twenty-two inpatient hospitals are located within the City, including Massachusetts General Hospital, Brigham and Women’s Hospital, Beth Israel/Deaconess Hospital, Children’s Hospital, the New England Medical Center and Boston Medical Center. These hospitals had a combined total of 5,888 beds in 2000 with total expenses of over \$5 billion. In 2000 the hospitals saw 217,000 in-patients, had over 3.8 million outpatient visits, and witnessed over 22,000 births according to data from the American Hospital Association. The City is also the home of the medical and dental schools of Harvard, Tufts and Boston Universities, and of twenty-five public neighborhood health clinics, not including health maintenance organizations and membership clinics.

In 2002, there were an estimated 98,965 persons employed in health services in the City, based on a series consistent with U.S. Bureau of Economic Analysis data. Health services represent over 1 out of every 7 jobs within the City. Growth in the health services sector has been stable, despite varying economic conditions. Data from the Massachusetts Department of Employment and Training showed that the number of hospital employees in Boston between 2000 and 2001 grew from 56,519 to an estimated 58,145.

According to the BRA, the City’s hospital and medical school community invested close to \$1.1 billion in new facilities from 1984 to 1999. Large new projects were completed over the 1984-1996 period at the following City hospitals: Massachusetts General Hospital, Beth Israel/Deaconess Hospital, Brigham and Women’s Hospital, Boston Medical Center, St. Elizabeth’s and New England Medical Center. In 1996-1997 several hospital projects were completed including a Dana Farber research building and a Beth Israel ambulatory care facility. In 1999 the Shriner’s Burns Institute’s new building and the Franciscan Hospital gymnasium were completed. Tufts University completed a \$40 million biomedical research building and nutrition center of 146,800 square feet in 2002. Also in 2002 the Harvard Institutes of Medicine completed the redevelopment of the former English High School into medical research space with a \$120 million, 435,000 square-foot building

As of January 2003, there were five hospital/medical center projects and three medical research projects under construction or set to begin. In the Longwood medical area, Children’s Hospital has two buildings under construction, a medical research building and a clinical building totaling 440,000 square feet. In addition, Emmanuel College has two medical research buildings scheduled: a building of 300,000 square feet to be occupied by the Merck pharmaceutical company has begun construction, and another research building of 166,000 square feet is

expected to start construction in 2003. Massachusetts General Hospital also has begun work on a \$320 million new 420,000 square foot ambulatory care facility with a 220,000 square foot outpatient clinic and a 725-car garage. Also under review are Brigham and Women's Hospital's proposed 350,000 square-foot Center for Advanced Medicine, the Joslin Diabetes Center's proposed 246,300 square-foot expansion project, and a medical research building proposed for 420 Rutherford Avenue.

For the eighth straight year, Boston emerged as the highest-ranking city in the United States for National Institutes of Health (NIH) grant awards, more than doubling receipts over the decade and edging away from its closest competitors. Boston received 3,269 awards totaling more than \$1.2 billion in fiscal 2001. Of that total, 2,858 were research grants amounting to more than \$1.1 billion and 152 were training grants adding up to about \$42 million. Boston's hospitals continue to attract funding, comprising the top five independent hospitals in the nation in terms of receiving NIH awards, and seven out of the top fourteen. In addition to public monies for medical research the Boston institutions also have private funding sources through agreements with private sector firms.

Boston is one of the nation's largest centers of medical research activities and biotechnology industries. In Massachusetts, one of the leading biotechnology centers in the United States, there were over 215 companies engaged in research and development and manufacturing of biotechnology products as well as scientific, equipment, supplies and support services to the industry according to the Massachusetts Biotechnology Council. The Ernst & Young annual biotechnology industry report, "Convergence, Millennium Edition, 2000," showed the New England Region as the nation's second largest center for biotechnology by number of publicly-traded companies (53), total assets (\$7.3 billion), and R&D spending (\$1.5 billion), as well as the nation's third largest center as ranked by product sales (\$2.3 billion), and total revenues (\$3.2 billion) and the nation's fourth largest center as ranked by employees (18,395).

As of academic year 2001-2002, the New England Board of Higher Education reported 74 colleges and universities in the Boston metropolitan area (PMSA), at which approximately 270,000 students were enrolled. The City's 34 universities, colleges and community colleges had a combined enrollment in fall 2001 of approximately 132,812, a 6.1% gain from fall of 1990. These numbers include some the medical schools of Harvard and Tufts Universities, whose principal campuses are in Cambridge and Medford, respectively, which had 1,418 students in the City in 2001. However, several graduate schools of Harvard and Tufts which are in Boston are not counted in this total which may add another 3,000 or so students. Based on total graduate and undergraduate enrollment, Boston University was the largest university in Boston in fall of 2001, with 29,558 students.

Educational institutions are a source of new highly skilled professionals for the City's labor force. For example, according to the Massachusetts Institute of Technology, although only 10% of its enrollees over the decade of the 1980s were from the Boston area, 24% remained in the area after graduation.

From 1991 through 1998, according to the BRA, large projects at educational institutions in the City accounted for approximately \$300 million of investment. These included new construction at Boston University, Northeastern University, Tufts University, Boston College, the Massachusetts College of Pharmacy, and Harvard University, as well as major renovations by Emerson College and Suffolk University. Projects completed in the last decade include: the Boston University School of Management and the Boston University Photonics Center; Emerson College dormitory and administration space in renovated buildings; Suffolk University dormitory space; and, at Northeastern University, the Marino Recreation Center and an Engineering and Science building. In 1999 Suffolk University completed its new \$65 million Law School on Tremont Street in downtown Boston.

Since 1990, Boston's colleges and universities have added 10,511 dormitory beds, the equivalent of approximately 2,600 apartment units. A number of dormitory and academic facilities also planned for development, are currently being constructed, or have recently been completed.

In 2000 Boston University completed an 819-bed dormitory, and Northeastern University completed two smaller dormitories that added 470-beds. Subsequently, Boston University completed a renovation of 575 Commonwealth Avenue that added 221 rooms, and Northeastern completed several additional projects: a new dormitory with 630 beds; 15-unit Shawmut estates; the \$51 million Davenport Commons with 538-beds, 60 affordable condominiums, and 2,100 square feet of retail space; and 780 Columbus Avenue, with 114 beds. Wentworth Institute opened a new 475-bed dormitory at 610 Huntington Avenue in 2001. Mass. College of Art completed a 9-story, 600-bed in July of 2002. Boston College, in its recently submitted master plan, is proposing to add almost 1,000 dormitory beds. Boston University's master plan for the site of the former Commonwealth Armory includes an additional 1,200 dormitory beds as well as a new sports arena and recreational center. Northeastern University has broken ground for the new \$33 million, 120,000 square-foot Behrakis health sciences complex. Emerson College has undertaken construction of its new \$40 million, 11-story, 80,000 square-foot Performing Arts Center on Allen's Alley adjacent to the Emerson Majestic Theater on Tremont Street, and also plans to build a 14-story dormitory and student center on Boylston Street at Piano Row. Umass-Boston has a new \$75 million, 360,000 square-foot Campus Center under construction, and is also planning new on-campus housing for 2,000 students. Several other projects are also planned: Simmons College has proposed a 60,000 square foot Graduate Center; Suffolk University has announced that it plans to build more student housing; and at Boston University a surgical teaching facility is under construction, and a new sciences building is under review. A five-year expansion and retrofit program is underway at the Harvard University Business School in Allston, and new executive student housing and a new student center that are part of that program have already been completed.

Tourism

According to the Greater Boston Convention and Visitors Bureau ("CVB"), an estimated 12.9 million people visited the Boston metropolitan area in 2002, up by 3% from the 12.6 million visitors in 2001. These data represent visitors, measured as tourists, business travelers and convention and meeting delegates who traveled at least 100 miles to get to the City. The latest data on the economic impact of tourism from the CVB show that, for the five county region of greater Boston, visitors spent an estimated \$7.5 billion for hotel accommodations, meals, entertainment, shopping, transportation and other services during 2001. The latest data for Suffolk County indicates that in the county alone the total domestic direct traveler impact in 2000 was \$5.6 billion, supporting 55,520 jobs and a payroll of \$1.6 billion, while generating \$139 million in state tax receipts and \$92 million of local tax receipts.

In recent years several large tourist events have taken place in Boston. In July 1992, Sail Boston, the tall ships flotilla, drew an estimated 6 million attendees, including visitors (as defined above) and local residents. During the summer of 1994, greater Boston was a regional host of the World Cup soccer championship. In April 1996, the 100th anniversary of the Boston Marathon attracted a record field of 38,708 runners and an estimated 750,000 spectators along the route, with 150,000 of them at the Copley Square finishing line. In August 1998, the 200th Anniversary of the refurbished frigate USS Constitution, "Old Ironsides," was celebrated with a gala three-day event with other tall ships from around the world in attendance. Also in 1998, the "Monet in the 20th Century" exhibition at the Museum of Fine Arts, the only showing in the United States, topped all museum exhibits in the United States with almost 566,000 visitors. In 1999 Boston was the site of Major League Baseball's All Star game. In 2000, the City held a large celebration, Millennium 2000, lasting several days, and Sail Boston 2000, which attracted over 4 million people to the waterfront for a parade of Tall Ships. In January 2001, Boston's Fleet Center hosted the US Figure Skating Championships and attracted 108,000 visitors. During 2002 Boston's 105th Marathon drew an estimated 1 million visitors and the Head of the Charles Regatta drew an estimated half-million attendees. In addition, every year there are a wide variety of special events in Boston including food, cultural, and musical events, ethnic celebrations, harbor, seaport and river festivals, parades, and collegiate and professional sporting contests that attract many visitors.

The City of Boston is home to three major professional sports teams—the Boston Red Sox baseball team, the Boston Bruins hockey team and the Boston Celtics basketball team. The City provides venues for concerts, ice shows, circuses, plays, and other entertainment performances and sports events. The Fleet Center, a new privately-financed, multi-purpose arena in Boston's North Station District constructed by the New Boston Garden Corporation, a subsidiary of Delaware North, owner of the existing Boston Garden/North Station, opened on September 30, 1995. In the fall of 2002 the Democratic National Committee signed an agreement to host the 2004 Democratic Party Convention at the Fleet Center in Boston in July of 2004. Also, after a five year term in New York City the annual east coast Mac World computer show has agreed to return to Boston beginning in the summer of 2004.

Boston is an attractive destination for conventions, meetings, and trade-and-gate shows. Currently Boston has three small and medium convention sites: the John B. Hynes Veterans Memorial Convention Center, the World Trade Center and the Bayside Exposition Center. Together, these facilities have a combined capacity of over one million people per year. In addition, as more fully described in the Official Statement, the Massachusetts Convention Center Authority ("MCCA") and the City are developing a new 1.6 million square-foot convention and exhibition center in Boston that will provide facilities suitable for large national conventions. In 2003 Boston was projected to host over 300 events—meetings, conventions and expositions—including a total of 15 citywide conventions; these are defined as events that would each use over 2,000 hotel rooms on the peak night, which usually requires at least three hotels.

Several cultural institutions are pursuing development plans that are either currently proposed, approved, or under construction. The New England Aquarium is in the midst of an expansion plan and some of the project has been completed, including the new Simons IMAX Theater. The Museum of Fine Arts is planning a 462,400 square-foot expansion and this is currently under review. An Islamic Cultural Center in the Roxbury neighborhood is BRA Board-approved. The Boston Center for the Arts is now constructing an \$18 million, 37,000-squarefoot addition to its South End facility. Clear Channel, Inc. is seeking to gain approval for its plan to renovate The Boston Opera House on Washington Street, the 106,000 square foot theater in the Downtown district. For the long- term, the Massachusetts Horticultural Society is attempting to obtain funding to build a "Garden Under Glass" on a parcel atop the Central Artery. For a description of the depression of the Central Artery see "Large Public Sector Projects," below. Also, the Fan Pier development approved for the Fort Point Channel area will include a new Institute for Contemporary Art.

In lieu of the recent sale of the Boston Red Sox baseball franchise, the previous owner's plans for a new ballpark are now defunct. This paves the way for the current owners to develop a new proposal for renovation of the existing Fenway Park or a new park. Such developments would require approval by the State and City.

Hotel Market

Boston's favorable hotel market over the 1992-2000 period stimulated considerable new development. The number of hotel rooms in the City increased from 6,907 in 1980 to 12,136 as of July 1, 1997----an increase of 76%. Between July 1997 and July 2003 nine new hotels and eight expansion projects were completed, adding a total of 3,348 rooms. During 2002 and the first seven months of 2003, the following hotels were completed: the Charlesmark Hotel, a 33-room hotel (reuse) on Boylston Street; the Nine Zero, a new luxury 190-room hotel on Tremont Street; the Commonwealth Hotel, a 149-room new hotel in Kenmore Square; Embassy Suites, a 272-room hotel in East Boston; and Marriott Residences, a 168-room new hotel on Tudor Wharf in Charlestown. An additional 597 rooms will be added with the completion of four new (and two "reuse") hotels under construction as of August 2003: 88 Exeter Street with 90 rooms, Jurys Doyle on Berkeley Street with 220 rooms; Hotel Onyx on Portland Street with 112 rooms; and the Crosstown Hampton Inn with 175 rooms.

Between 1991 and 2000, average annual occupancy rates grew steadily from 65.4% to 78.2% and average daily room rates rose steadily from \$108.29 to \$198.00. 2001 brought a more

challenging environment for the hospitality industry as a slowing economy combined with the events of September 11th to dampen hotel market performance in Boston. In 2002 the occupancy rate fell to 70.0% and the room rate to \$180.58. For 2002, through, Boston's hotel occupancy, according to Pinnacle Advisory Group, stood at 72.3% and the average daily room rate registered \$165.61. The first two months of 2003 saw occupancy improving over January and February 2002, with a 5.6% increase in room nights lifting the occupancy rate to 56.1% for those traditionally slow months. The Average Daily Rate slipped 5.6% to \$139.14.

Transportation

The City is a major national and international air terminus, a seaport, and the center of New England's rail, truck and bus service. The City is served by three limited-access interstate highways which connect it to the national highway system: U.S. 90 (the "Massachusetts Turnpike"), which leads westward from downtown Boston 138 miles to the New York State border; U.S. 95, the East Coast's principal north-south highway, which connects Boston to Portland, Maine to the north and New York City and Washington, D.C. to the south; and U.S. 93, another north-south interstate highway, that extends from just south of the City north to New Hampshire and Maine. The City is also served by two national railroads, Amtrak and Conrail, a regional rail carrier, Boston and Maine (a subsidiary of Guilford Transportation Industries), and Bay Colony, a local carrier.

Transportation planning includes both major highway and mass transit programs. Federal transportation legislation has enabled the Massachusetts Bay Transportation Authority ("MBTA"), which provides commuter rail, subway, local bus and express bus services to 175 cities and towns in eastern Massachusetts, to provide transit alternatives to a population of 2.8 million people in an area of 1,038 square miles. The MBTA, the fourth largest mass transit system in the nation as determined by ridership, currently serves about 1.2 million persons per day.

The capital program of the MBTA (Capital Investment Program) totals approximately \$3.2 billion over fiscal years 2003-2008, averaging about \$529 million per year. Approximately \$1.79 billion of revenue bonds will be issued to fund MBTA capital expenditures, approximately \$132 billion of capital expenditures will be funded through federal grants, and approximately \$62 million of capital expenditures will be funded with pay-as-you-go capital funding, state reimbursement and other project financing.

The five-year Capital Investment Program consists of four major programmatic areas: (i) reinvestment in the infrastructure (\$2.07 billion); (ii) accessibility improvements (\$156 million); (iii) enhancement of existing service (\$266 million); and (iv) system expansion efforts (\$683 million). Capital Investment Program spending by transportation mode is as follows: subway, \$1.17 billion; commuter rail, \$574 million; Silver Line, \$302 million; d) bus, \$378 million; and systemwide, \$752 million.

Infrastructure improvements refer to vehicles, track/right-of-way, signals, communication, power, maintenance facilities, stations, facilities, bridges, and fare equipment. The major infrastructure spending will take place on revenue vehicles (\$707 million); station modernization primarily on the Red and Blue lines (\$325 million); rail signaling systems (\$197 million); maintenance facilities, including rail car houses and bus garages (\$171 million); track/right-of-way (\$142 million); and fare equipment (\$124 million).

Several specific system enhancement projects are underway. Current efforts are devoted towards the North Station Transportation Center, serving the Orange Line and Green Line subways, where an enhancement of the Green Line/Orange Line transfer station is underway. To date, \$145 million has been spent on this project in Phases one and two while the next two phases are expected to require \$107 million until project completion in fiscal year 2007. Another system enhancement project is a \$10 million effort to support community planning and design efforts necessary to light-rail vehicle service along the Arborway corridor. The current plan has expended \$36 million in parking facilities and devotes another \$66 million toward parking over the next six fiscal years. The most significant efforts are the construction (nearly complete) of a new

station with over 2,400 space in Woburn and the planned expansion of the North Quincy Garage with 1,189 spaces for park-and-ride passengers on the Red Line subway, while the majority of the other parking projects are located at commuter rail stations.

Since 1985 the MBTA has pursued large-scale commuter rail system expansion projects, including new rail service to Worcester, Middleborough, Plymouth, and Newburyport. The current plan programs \$421 million toward the expansion of the commuter rail system, 66% of expansion expenditures overall. The majority of the funding is devoted to the rehabilitation of the Old Colony Greenbush Branch with \$44 million expended and \$351 million planned for future expenditures over six years. This project consists of the construction of 17.1 miles of track, 7 stations, a layover facility, a tunnel through historic Hingham Square, and the purchase of rolling stock. The New Bedford/Fall River Extension (Phase 1) includes design and construction to support extension of MBTA services to New Bedford and Fall River. To date, \$24 million has been spent, and \$16 million of additional work is planned. Current efforts include rehabilitation of bridges in New Bedford and Fall River. Other efforts include the completion of three projects that include the Newburyport/Rockport extension, the Worcester Commuter Rail extension, and the Old Colony rehabilitation on the Middleborough and Plymouth lines.

Finally, the major MBTA subway enhancement project is the Silver Line development. The MBTA is constructing the Silver Line to operate as part of its core downtown transit system. This Silver Line will combine bus rapid transit services along Washington Street (through the Downtown, Chinatown, the South End, and Roxbury neighborhoods) and bus rapid transit services along the South Boston Piers Transitway (on the South Boston waterfront) into a single line. There are four projects currently related to the Silver Line. One project (a joint project with the Massachusetts Highway Department (MHD) for the design and reconstruction of Washington Street from Dudley Square to Downtown, and includes 14 new stations that opened in July 2002. Two projects are related to the South Boston Piers Transitway, a one-mile long tunnel extending from South Station to the pier area with three stations – South Station, Courthouse Station, and World Trade Center Station –scheduled to open in 2003. The remaining project involves conceptual planning and design to eventually connect Washington Street and the South Boston Piers Transitway with neighborhoods and job centers in the Financial District and the new South Boston waterfront. So far a total of \$443 million has been spent on these four Silver Line projects. The current six-year spending program for this Silver Line project is \$248.7 million, 36% of the MBTA system-wide expansion effort.

Since 1991, Amtrak has spent \$1.8 billion towards a multi-year high-speed rail infrastructure project intended to provide better ride quality, permit faster train speeds, and increase capacity for passengers on the rail corridor between Boston and New York. A key component of infrastructure upgrades was electrification of the remaining segment of the Northeast Corridor rail line between New Haven and Boston, which became operational in 2000. Amtrak has taken delivery on 19 of 20 new Acela Express high-speed trains, and all 15 high-horsepower electric locomotives. The new rolling stock reduces rail travel time from downtown Boston to downtown New York City to three hours and twenty-five minutes-- which is competitive with air travel. When combined with all other planned infrastructure improvements over the next five years, the new high-speed trains will further reduce travel time to approximately three hours and fifteen minutes. The equipment contract also included construction of three new maintenance facilities servicing the trains and locomotives. One of these maintenance facilities, completed in 1999, is located in Boston at Southampton Yard. Ridership between New York and Boston has grown significantly as a result of the new high-speed service, despite the general downturn in the economy and regional travel. In fiscal year 2002, Amtrak carried 832,500 passengers between New York and Boston, up 20% over the previous year. The new Boston – Portland, Maine passenger rail service (the “Downeaster”) commenced December 15, 2001. The 250-passenger train runs four times a day in each direction between North Station and Portland. The trip takes 2 hours and 45 minutes, and makes intermediate stops in Haverhill (Massachusetts), Exeter, Durham, and Dover (New Hampshire), and Saco, Wells, and Old Orchard Beach (Maine). The roundtrip fare from Boston to Portland, Maine is \$35.

Water transportation has also become a significant factor in transportation with the Boston Harbor. Currently seven operators provide water transit services to approximately 1.5 million riders annually with ambitious plans for future expansion.

For a description of the depression of the Central Artery and the construction of a third tunnel under Boston Harbor, two other significant transportation projects in the City, see "Large Public Sector Projects," below.

Seaport and Airport

The Massachusetts Port Authority ("Massport") was created by the state legislature to develop and manage the City's major air and sea transportation centers and the Tobin Memorial Bridge over the Mystic River. Massport is financially independent, and the City is not responsible for any debt or other obligations incurred by Massport. Heavy use of Boston Logan International Airport ("Logan Airport") and the Port of Boston has compelled significant expansion of both facilities. Massport's net investment in its facilities through June 2002 exceeded \$2.24 billion, consisting of \$1.69 billion invested in airports and \$550 million invested in the Tobin Bridge, maritime development and other capital projects.

The Port of Boston serves the six-state New England region as a natural deep-water berth, and provides access to world ports as well as feeder service several times weekly to Halifax, Canada and the Port of New York. The City's port activity includes handling bulk and general cargo, providing ship repair supply services, offering customs and international trading services, providing storage facilities and other commercial maritime services.

The City's port tonnage fell from the 1950s through the 1990s as a result of changes in transportation technology and in the regional economy. In 2001, according to the U.S. Army Corps of Engineers, the Port of Boston ranked as the 28th largest American coastal seaport by total tonnage shipped and as the 27th largest American coastal seaport by foreign tonnage shipped. During fiscal 2002 the Port of Boston handled 201 container vessels with 939,913 metric tons of cargo and 85 auto vessels with 89,202 automobiles. In addition, 16.4 million tons of total bulk cargo were handled. From January through April 2003 container tonnage totaled 373,053 short tons, up by 22.7% from the same period in 2002; automobiles handled were down by 87.1% for the four-month span.

The Port of Boston is now a major cruise port that in fiscal 2002 hosted ships carrying 248,790 passengers, a gain of 34% over the 186,070 passengers in fiscal 2001. Cruise vessel calls also rose by 16% to 149 from 129. The cruise port mainly runs from May through October.

In 1996, the BRA and Massport produced a Seaport Economic Development Plan for Boston Harbor which provides policies and guidelines for future development planning along Boston's waterfront. The plan is currently being implemented.

In calendar 2002, Logan Airport served a total of 22.7 million passengers, a decline from the 24.5 million passengers served in 2001. Through May 2003 passenger volume was off by 1% to 8.7 million from 8.8 million for the same five months of 2002. A 2001 report prepared by Airports Council International ("ACI") showed that Logan was the most active airport in New England, the 19th most active in the United States and the 32nd most active in the world.

Logan Airport also plays an important role as a center for processing domestic and international air cargo. According to ACI, Logan Airport ranked 18th in the nation and 41st in the world in total air cargo volume in 2001. Between calendar 1999 and 2001 the total volume of air cargo (combined express/freight volume) handled at Logan Airport grew by 4%. In calendar 2002 total combined cargo and mail volume was 789.6 million pounds a 6% increase from the 744.8 million pounds in 2001. Through May 2003 combined air cargo and mail is down by 7% over the first five months of calendar 2002 from 323.6 million pounds to 301.8 million pounds.

In January 2003, Massport projected that it would spend about \$1.25 billion during fiscal years 2003-2007 for ongoing capital improvements to Hanscom Field, Logan Airport, the Tobin Memorial Bridge and the port facilities and for improvements and major maintenance at various

other Massport properties. Massport currently expects to finance these projects with a combination of bond proceeds, passenger facility charges, federal grants and internally generated funds. The capital program is currently at about \$250 million per year. The plan to add a new runway at Logan airport was approved by state and federal authorities but is being challenged in court. See “Large Public Sector Projects,” below.

Construction Activity

Since 1960 the public and private sectors have carried out a major expansion of capital construction and investment activity. Private commercial development investment has added approximately 30 million square feet of office space to the physical inventory of the City since 1960—eight times the amount built in the previous 35 years.

The following table sets forth the estimated potential construction activity in the City from fiscal years 1994-2003, estimated as indicated in the notes to the table. It should be noted that the issuance of a building permit and payment of a fee do not necessarily result in construction activity.

Revenue from building permit fees during fiscal 2003 indicated that the estimate of total potential construction activity was \$2.37 billion. Revenue from building permit fees increased in all but four of the fiscal years between 1993 and 2003.

**Table 14. Boston Building Permit Revenues and Estimated Potential Construction Activity
Last Ten Fiscal Years, 1994-2003**

	Building Permit Revenues⁽¹⁾	Estimated Potential Construction Activity⁽²⁾	Estimated Potential Construction Activity Adjusted For Inflation⁽³⁾
1994.....	9,039,951	1,063,523,647	1,335,636,143
1995.....	7,629,395	897,575,882	1,095,837,897
1996.....	11,777,653	1,385,606,235	1,647,863,396
1997.....	9,199,877	1,082,338,471	1,244,979,672
1998.....	14,757,703	1,736,200,395	1,956,267,852
1999.....	11,404,006	1,341,647,713	1,486,524,089
2000.....	17,922,648	2,108,546,846	2,257,151,424
2001.....	27,191,839	3,199,039,882	3,265,051,816
2002.....	19,055,144	2,241,781,647	2,328,942,675
2003.....	20,145,888	2,370,104,471	2,370,104,471
Total.....	<u>\$148,124,104</u>	<u>\$17,426,365,189</u>	<u>\$19,543,931,451</u>
Annual Average 1994-2003.....	\$14,812,410	\$1,742,636,519	\$1,954,393,145

(1) Building permit revenues in current dollars. Columns may not add due to rounding.

(2) Potential construction activity estimated by dividing permit revenues by 0.85%, which is the midpoint between permit fees calculated at 0.7% of the first \$100,000 estimated value of development cost, and 1% for the remainder of development cost.

(3) Estimated potential construction activity adjusted to January 2003 constant dollars (CPI-U).

Source: City of Boston Auditing Department and Boston Redevelopment Authority’s Policy Development and Research Department.

Large Public Sector Projects

Through 2004 the Boston metropolitan area will continue to be the site of several major public sector projects. In addition to the Boston Convention and Exposition Center (“BCEC”) Project, two large transportation projects—the depression of the Central Artery, the elevated section of U.S. 93 that runs through downtown Boston and serves as the principle six-lane highway carrying traffic through the City; and the construction of a four-lane Ted Williams tunnel under Boston Harbor (together, the “Transportation Projects”)—are under construction. The Transportation Projects, which are intended to improve traffic flow, are under the control of the Commonwealth of Massachusetts Turnpike Authority.

The first major milestone achieved by the Transportation Projects was the completion of the Ted Williams Tunnel, in late 1995, which initially opened for limited use, and was open to all traffic in January 2003 when the U.S. 90 extension under Fort Point Channel was completed. The second major milestone, the Leverett Circle Connector Bridge, opened a week ahead of schedule in October 1999. The four-lane bridge over the Charles River carries traffic between Leverett Circle in downtown Boston and U.S. 93 in Charlestown. The third major milestone was achieved in January 2003 with the completion of the extension of U.S. 90 under Fort Point Channel to South Boston connecting with the highway with the Ted Williams Tunnel and Logan Airport in East Boston. This major interchange in South Boston now provides direct access from the western suburbs to Logan Airport, as well as to development in the South Boston Waterfront including the new BCEC Project. The Ted Williams Tunnel is expected to carry 88,000 vehicles per day, and this traffic is projected to grow to 94,000 vehicles per day in 2004. Prior to the Transportation Projects the Central Artery's only connection with Logan Airport was via the existing two-lane Sumner and Callahan tunnels, which handled traffic from north, west and south of the City. A fourth major milestone was the completion of the Northbound Central Artery and the opening of the Leonard P. Zakim Bunker Hill Bridge over the Charles River in March of 2003. The southbound Central Artery segment is scheduled for completion next, and total project completion, including demolition of the existing elevated structure is slated to occur after that although demolition on the closed northbound segment of the existing elevated highway has begun already. Construction on the development parcels including landscaping and parks will begin after the Transportation Projects are finished.

In late August 2002, the Turnpike Authority finalized its annual comprehensive cost and schedule review ("CSU Rev. 9") as stipulated in the Project Partnership Agreement with the Commonwealth and Federal Highway Administration (the "FWHA"). The results of this bottom-to-top review of project costs were incorporated into the Turnpike Authority's annual finance plan submitted to the Federal Highway Administration on August 31, 2002 (the "October 2002 Finance Plan"). The Turnpike Authority estimated total project costs to be \$14.63 billion, with no increase over the October 2001 Finance Plan. The Project and the Commonwealth have identified this additional \$400 million in funding from primarily existing revenue sources: \$175 million from the Transportation Infrastructure Fund (TIF); \$150 million from the proceeds of Commonwealth bonds under existing authority; \$68 million from the sale of Authority real estate; and, \$7 million from the proceeds of Commonwealth bonds issued pursuant to unutilized bond authorizations from other Commonwealth projects.

The CSU 9 included a contingency account budgeted at \$334.9 million, of which approximately \$62.0 million was allocated for unanticipated risks. As of January 24, 2003, Federal approval of the October 2002 Finance Plan had not been attained. As a result, commencing October 1, 2002, the U.S. Department of Transportation (the "U.S. DOT") is withholding future obligation of federal funds for the Transportation Projects. This withholding is not expected to adversely affect cash flow for the Transportation Projects, assuming that federal approval is obtained by August 31, 2003.

The Commonwealth's Executive Office for Administration and Finance engaged an independent auditor to review and evaluate CSU 9, as required for the U.S. DOT's approval of the October 2002 Finance Plan. In its final report dated September 30, 2002, the independent auditor did not recommend an increase to the overall \$14.63 billion budget for the Transportation Projects. The auditor found that a U.S. 90 opening of January 2004, a U.S. 93 northbound opening of March 2003, and U.S. 93 southbound opening of May 2003, are more likely than the projected opening dates stated by the Turnpike Authority in CSU 9.

On July 26, 2002, in connection with its annual budget review, the FHWA announced its estimate for the total cost for the Transportation Projects to be \$14.46 billion. On July 22, 2002, the Massachusetts State Auditor issued an interim report concluding the CSU 9 projected budget of \$14.63 billion is over funded by approximately \$88.0 million.

The U.S. DOT Office of the Inspector General and the U.S. General Accounting Office have taken a position that monies realized from the resale of property originally purchased with federal funds should retain their federal character and not become state funds. FHWA, which has responsibility for issuing and interpreting regulations on the subject, disagrees with that interpretation, and has taken a position that such monies become state funds upon resale of such property.

Massport has developed a long-range capital program of approximately \$3.0 billion for improvements at its facilities, most of which are located in the City. The capital program includes a major modernization of Logan Airport, over half of which is completed, that will include a new double-decked roadway system, a new 3,150 space parking garage, a new public transit terminal, improved walkways, major terminal renovations, a new 600-room hotel, and a new sign system. This capital program also includes non-Logan improvements and privately financed investments at Massport facilities. Massport is currently proposing to build a new runway at Logan Airport to enhance the efficiency of operations and to relieve reported flight delays. This proposal has received both state and federal environmental approval. Massport is seeking in state court to lift an existing injunction prohibiting construction of the runway. There is also pending legislation in federal court challenging the environmental approval of the project. In the New England region, capital and operating improvements at the five other regional airports have resulted in capacity upgrading and more efficient usage of air traffic operations.

The Massachusetts Water Resources Authority ("MWRA"), an independent state authority, has recently completed construction of one of the largest wastewater treatment facilities in the nation. This project, which was undertaken pursuant to a federal district court order, was part of MWRA's capital improvement program with a cost of approximately \$3.8 billion (1999 dollars). The project is intended to bring wastewater discharges in Boston Harbor into compliance with federal and state requirements.

The MWRA is planning to spend approximately \$1.4 billion on water and wastewater system improvements over the next ten years. The largest expenditures will be for the Walnut Hill Water Treatment Plant, improved water storage facilities, and reductions in combined sewer overflows. Relatively small portions of these improvements are located within the City, but they should nonetheless provide major improvements in the system infrastructure that serves the City. Projects are funded through state grants and loans and the issuance by MWRA of revenue bonds backed by rates and charges paid by system users. Such rates and charges are expected to continue to increase each year, dictated in large part by increased debt service costs in connection with financing its capital program.

The City is not directly responsible for the costs of any of the above-described projects, although the BWSC, which pays approximately 30% of all MWRA rates and charges, is expected to bear a portion of the cost of the MWRA capital program through increased user fees. The City is currently negotiating with the Commonwealth to receive mitigation payments for any City services (such as fire and police) which may be required to support the Transportation Projects. No such services are expected to be required for MWRA projects.

The Boston Housing Authority ("BHA") recently completed major revitalization initiatives at two of its public housing developments: Mission Main, in the Mission Hill neighborhood of Boston, and Orchard Park, in Roxbury. The BHA was able to initiate the revitalization of these developments when it was awarded two HOPE VI grants from the U.S. Department of Housing and Urban Development ("HUD"). The grants, totaling \$80 million, were used to implement a new approach to public housing financing, incorporating innovative partnerships with public and private entities that leveraged additional development funds. The initiatives not only revitalized the BHA sites, but the surrounding neighborhoods as well. Moreover, in September 2001, HUD awarded the BHA a \$35 million HOPE VI grant to redevelop the Maverick Gardens housing development in East Boston. The Maverick Gardens HOPE VI award will be supplemented by other public and private financial sources for a total project cost of \$145 million. Trinity East Boston Partners has been tentatively designated the developer of the BHA's Maverick Gardens housing development in East Boston. The designation came after an extensive public process in

which three development teams submitted proposals. The selection committee consisted of two Maverick residents and five BHA staff members. The decision of the selection committee to choose Trinity was unanimous. A grant of \$5 million from the U.S. Department of Housing and Urban Development will allow the redevelopment of a long-time vacant public housing building in Jamaica Plain. The building, located at 80-90 Bickford Street, will become 56 one-bedroom apartments for frail elderly residents. A joint venture between Haley House and the Madison Park Development Corporation submitted the winning proposal to assume ownership, management and renovation of four BHA properties in the South End. The BHA tentatively designated the partnership as developer and future owner of its properties at 282 Columbus Avenue, 68 West Concord Avenue and 564 and 688 Massachusetts Avenue.

Chapter 152 of the Acts of 1997 ("The Convention Center Act") authorized the development of the BCEC Project on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the BRA, and the MCCA. The 1.6 million square foot facility will include approximately 516,000 square feet of contiguous exhibition space on one level, approximately 160,000 square feet of meeting space and a 40,000 square foot ballroom, as well as banquet and lecture halls. The BRA was authorized by the Convention Center Act to acquire and prepare the site for the BCEC Project. The acquisition of the site is complete, and the required site preparation, including tenant relocation, demolition, and environmental remediation, is also substantially completed. The MCCA is responsible for the design and construction of the BCEC project, and its operation upon completion. In addition to the BCEC project, the MCCA is undertaking the development of a large convention center hotel on the northeast corner of the BCEC Project site.

Under the Convention Center Act, all costs of site acquisition and preparation incurred by the BRA for the BCEC Project have been borne by the City up to an initial ceiling of \$157.8 million. All such costs in excess of \$157.8 million and up to \$205 million are being borne by the Commonwealth. If the costs of site acquisition and preparation exceed \$205 million, the Convention Center Act provides that the City and the Commonwealth will share the excess equally up to a maximum of \$50 million (i.e., an additional \$25 million each). All costs of design and construction of the BCEC Project is being funded by the Commonwealth out of bond proceeds supported by the Convention Center Fund established pursuant to the Convention Center Act. The MCCA's construction budget for the BCEC Project is \$620.5 million (\$607.0 million plus an additional \$13.5 million in interest earnings on the Convention Center Fund balances authorized under Chapter 88 of the Acts of 2001.) The additional funds have been used to fund scope add back/ enhancements to the BCEC project. A guaranteed maximum price (GMP) has been negotiated between the MCCA and the construction manager that includes a deadline for the construction manager that is structured both by financial incentives and penalties, and clearly defines the circumstances under which the financial burden of cost overruns shall be shifted from the MCCA to the construction manager. The BCEC Project is on schedule to be completed in the spring of 2004.

Funding for the BRA's portion of the project was authorized by the City in March 1998. Over a four- year period, the BRA has expended \$202.3 million on site acquisition and preparation, with the bulk of the expenditures occurring during fiscal 1999 and fiscal 2000, and with site acquisition the largest cost. As required by the Convention Center Act, the state has reimbursed the BRA for \$44.5 million of this cost. Another \$2.7 million in state funding is available prior to the City sharing in any additional cost. How much the total cost for site acquisition and preparation will exceed \$205 million is primarily dependent on the outcome of eminent domain court cases for those parcels for which a final settlement has not been reached (less than one-quarter of the site acreage). However, the City estimates that the potential liability of the Commonwealth and the City for project costs will not exceed the total amount authorized for site acquisition and preparation in the Convention Center Act.

In addition to the BCEC Project, the MCCA is undertaking the development of a convention center hotel on the northeast corner of the BCEC Project site. After a public bidding process, a team composed of Starwood Hotels and Carpenter & Company was selected in November 1999 to be the operator and developer of the on-site hotel. The developer has signed a development

agreement with the MCCA and made a substantial deposit as part of the agreement. A trio of local developers, Stephen Karp, Joseph O'Donnell and Joseph Fallon, have entered into discussions with Starwood Hotels regarding becoming members of the development team. While preliminary work on the hotel project, such as design and permitting, has proceeded, construction was delayed as the developer sought financing for the project. The hotel's financing is expected to be finalized in 2003.

Empowerment Zone Designation

In January 1999, part of the City was designated an Empowerment Zone ("EZ") by the U.S. Department of Housing and Urban Development (HUD). The EZ, wholly within Boston, encompasses 5.8 square miles, running north to south right through the center of the City, including parts of the neighborhoods of South Boston, Downtown, the Seaport District, Chinatown, the South End, Mission Hill, Roxbury, Jamaica Plain, and Dorchester. The EZ contains 57,640 residents, roughly 10% of the City's population and contains a variety of businesses from internationally known financial firms and retail stores to industrial uses to neighborhood businesses.

This EZ designation makes Boston eligible to share in proposed federal grants and tax-exempt bonding authority to finance revitalization and job creation programs for 10 years. The ten-year EZ designation brings with it \$130 million in tax-exempt bonding authority for qualified projects. In addition, Boston is eligible to receive \$10 million a year, subject to annual appropriation by Congress, to further the goals of Boston's Strategic Plan which include: economic opportunity and job creation; health and well-being, education and job readiness; community capacity building and technology.

Boston Connects, Inc. (BCI) was established in November 1999 to oversee and implement the Strategic Plan. A 501 (c) 3 organization, BCI has a Board of 24 members, 12 appointed by the Mayor and 12 elected from the Zone.

As an Empowerment Zone, a total of \$130.0 million in facility bonds can be issued by the City to support economic development initiatives within the EZ. Pilot Seafood in the Seaport District, The Best Western Roundhouse in Newmarket and the Crosstown Center in Crosstown have all utilized bonds to spearhead investment in the EZ. As a collaborative partner, the bonds have been issued through the City of Boston's Industrial Development Financing Authority.

One example of BCI's commitment to human and economic development has been its investment in Crosstown. BCI loaned \$7.0 million to Crosstown Associates, LLC to assist in the development of a mixed-use commercial development comprised of an approximately 96,500 square feet 175-room hotel, an approximately 60,000 square feet of retail space, and a 650 space parking garage. The project will create approximately 1,100 permanent jobs and 225 construction jobs. Of the estimated 1,100 jobs, approximately 1,000 will be full-time positions. All jobs will include a benefits package. Crosstown Associates, LLC has committed to working with BCI, local community-based organizations, and neighborhood and residents of the EZ to prepare Zone residents for employment opportunities arising from the Crosstown Center Project through support of training. Crosstown Associates, LLC is further committed to hiring residents of the EZ. This multi-use complex will begin construction in mid-2003 at the corner of Massachusetts Avenue and Melnea Cass Boulevard. Phase I will include a 190-room hotel, over 15,000 feet of ground-level retail space, and a parking structure. Phase II will include offices and additional parking. The building construction phase will employ approximately 380 workers. When the Center is complete, there will be 1,500 workers in permanent jobs ranging from hospitality to office work. The BCI board has voted to support the use of \$5 million in HUD 108/EDI loans and grants and \$48 million in bonds to the Crosstown Center. In addition the BCI board will invest \$7 million as equity toward the construction of the hotel and garage. The Total Development Cost of the project will be \$70.4 million.

Achievements in human development initiatives are evident. The EZ has invested heavily in providing a continuum of adult education opportunities: English for Speakers of Other Languages (ESOL), Adult Basic Education (ABE), pre Graduate Equivalency Diplomas (GED), GED, work

readiness and skills training. Investments have also been made in improving the quality of childcare programs; providing affordable after school seats; funding youth summer employment; and increasing access of Zone residents to technology. These human services' goals benefit a wide spectrum of EZ residents.

Businesses in the EZ can access a variety of Tax Credits. The federal government has made both wage and other business tax credits available to EZ companies. Businesses can save money each year in salaries, property and business expenses and use monies to expand operations and increase profits. Businesses interested in locating to the EZ are encouraged to contact BCI offices and the City's Office of Business Development. One of the crosscutting goals of EZ is to increase the number of job opportunities for EZ residents and these tax incentives work towards achieving this goal. Employee-Related Tax Credits include EZ Employment Wage Credit, Work Opportunity Tax Credit, and Welfare-to-Work Wage Credit. Business expense related tax incentives are also provided, included accelerated depreciation on purchase of equipment and machinery, reduced capital gains taxes, EZ tax-exempt facility bonds, new markets tax credits, and environmental cleanup cost deduction (Brownfields expensing). Other tax credits include Qualified Zone Academy Bonds (QZABs), Low-Income Housing Tax Credit (LIHTC), and Indian Employment Credit.

Prior to its designation as an EZ in December 1994, Boston received a HUD Enhanced Enterprise Community ("EEC") designation. As an EEC, Boston could access a total of \$44.0 million in Economic Development Initiative ("EDI") grants and Section 108 loan guarantees. EDI grants may be used to write down interest rates on Section 108 loans and to establish a loan loss reserve. The EDI funding makes the City eligible for matching Section 108 funds. Section 108 funds can be used (i) as capital improvement loans for commercial or industrial projects that produce jobs, 60% of which are for low and moderate-income residents; or (ii) aid in the prevention or elimination of slums or blight; or meet urgent community needs.

EDI and 108 funds have been instrumental in helping to revitalize neighborhoods and create job opportunities for City residents. Dudley Square has seen the revitalization of Palladio Hall and Fairfield Center. Grove Hall Mecca and La Cocina/Merengue have enlivened Blue Hill Avenue. The South End Health Center provides services to both City and Zone residents. Laboure Center which strengthens and enhances the stability of families, has recently expanded its services in South Boston. New Boston Seafood and Pilot Seafood and North Coast Seafood have both expanded their operations in the Seaport District. The Roxbury/Crosstown Corridor has seen the construction of Harry Miller Company and the expansion of the Harrison Supply company.

The EEC was also awarded \$3.0 million from Title XX Social Service Block Grant (SSBG) funding to conduct human service programs connecting residents to jobs. Programs included: adult job skills training; adult education, including ESOL, GED, ABE; alternative education for "youth at risk"; and expansion of Day Care availability. Finally, EEC designation enables development projects or human service programs impacting the EEC to take advantage of certain tax benefits and priority in other Federal funding programs.

In November 1995, the Boston Empowerment Center ("BEC") was created as a mechanism to provide small businesses with a comprehensive array of financial and technical assistance to help them start and stay in business. The BEC/One Stop Capital Shop, now known as the Business Assistance Center and managed by the City's Department of Neighborhood Development, provides information and services to support business development. Services include start-up assistance, acquisition, loan packaging assistance, help with business plan development. Access to a wide-range of capital resources, and as assistance with marketing plans, government procurement, international trade, technology transfer, market diversification, and language translation.

BCI's investment in human development is greatly facilitated by the investment in economic development. Construction projects financed through EEC or EZ funds have been instrumental in hiring EZ residents, some of who have been trained by EZ funding. The use of tax incentives has also been instrumental in the hiring of Zone residents and is supportive of Zone businesses.

Office Market and New Development

The City and its neighborhoods currently have approximately 66.5 million square feet of office space. By the second quarter of 2003 (June 30th) Boston's overall vacancy rate according to CB Richard Ellis was 13.1% (17.1% availability when including space to sub-let). Another realty firm, Spaulding & Slye, places the City's office vacancy rate at 10.1%. (availability 18.4%) There is no accepted standard accounting for office vacancy rates so private realty firms surveys vary based upon the amount of office space covered, geographical coverage, and inclusion of new or old office space. Certainly, given the economic slowdown office vacancies have risen substantially from early 2001 through mid-2003. Net absorption (rental) of office space in 2002 was -851,933 square feet. Absorption through mid-year 2003 according to CB Richard Ellis was -572,285 square feet. In the first quarter, CB Richard Ellis pegged Boston's office vacancy rate at 11.1%, which, despite being high, still ranked Boston as the fourth best downtown office market out of the nations twenty largest downtowns.

In 2000, three office projects were completed: the Seaport Center East office tower, a 475,000 square foot building on the South Boston waterfront; the Renaissance Center, a renovation of a 200,000 square-foot office building near the Ruggles Stop on the Orange Line in Roxbury; and, the Landmark Center reuse project in the Fenway which includes 600,000 square feet of office space. In 2001 and 2002 ten office projects were completed: 10 St. James at the former Greyhound bus terminal site, a 570,000 square-foot building; 111 Huntington Avenue at the Prudential complex, an 874,000 square-foot tower; 303 Congress Street, a 72,000 square-foot renovation; 326 Cambridge Street, a 70,000 square foot building; Independence Wharf, a 14-story 370,000 square foot renovation project; 25 Thompson Place, a 94,500 square foot building, Brighton Landing, a 1 million square foot mixed use building; 321 Summer Street (88,000 square feet); Seaport Center West, a 575,000 square foot tower on the South Boston waterfront; and Millennium Place, a 1.4 million square foot mixed use project between Washington and Tremont Streets that includes offices, hotel, condominiums, and retail.

In early 2002 construction was completed at 131 Dartmouth Street, a \$60 million, 11-story, 365,000 square foot building. As of August 2003, five major downtown office projects with 2.5 million square feet of new office space are under construction, and scheduled for completion from late 2003 through the 2004 time period: ManuLife Financial, a 14-story, 470,000 square foot building in the South Boston Waterfront area; One Lincoln Street, a \$350 million, 950,000 square foot tower at the former Kingston-Bedford garage site in the financial district; 33 Arch Street a \$240 million, 936,000 square foot building (600,000 s.f of office space and a 800 car garage); 100 Cambridge Street, a 278,849 square foot renovation of an existing building; and 226 Causeway Street renovation with 171,610 square feet in the North Station district. In addition, there are four large neighborhood office projects with about 1.4 million square feet of new and renovated office space now under construction: two buildings in City Square in Charlestown, containing 156,000 square feet of office space; Crosstown Center in Roxbury with 282,000 square feet of office space; One Brigham Circle (The Ledge Site) in the Mission Hill section with 117,000 square feet; and Hood Business Park in Charlestown, a 775,000 square foot renovation.

For completion in 2005 beyond, several large office projects are in the planning stages. Projects that are BRA Board approved but not started include: Two Financial Center, a 200,000 square foot building behind the One Financial Center tower; the Fan Pier project containing 1.2 million square feet of office space; and Midway (Channel Center) a 866,500-square foot development in South Boston. Beyond that there are now seven pending office developments under review in the Downtown, South Boston, and Charlestown districts with over 3 million square feet of space that will likely become available, if approved, after 2006 at the earliest. The largest one of these is the South Station Air Rights with 1.2 million square feet of office space.

Table 15. Boston Office Market—June 30, 2003

<u>Market</u>	<u>Total (SF)</u>	<u>Available (%)</u>	<u>Vacancy (%)</u>	<u>YTD Absorption*</u>	<u>Average Asking Rent</u>
Central Business District.....	34,596,213	18.3%	12.3%	68,684	\$38.58
Back Bay.....	13,314,668	19.2	16.4	-518,666	\$36.60
South Boston Seaport District.....	4,400,634	19.4	17.3	114,498	\$27.21
Charlestown/East Boston.....	2,901,796	11.0	11.0	-128,715	\$26.02
North Station/Waterfront.....	2,744,513	15.5	15.3	-5,643	\$24.82
Midtown.....	2,647,279	5.3	4.7	-22,609	\$22.13
South Station.....	1,485,199	26.2	21.4	-123,062	\$25.74
Dorchester/South Boston.....	860,987	11.1	11.1	6,988	\$25.00
Allston/Brighton/Longwood Medical.....	3,514,290	7.1	7.1	36,043	\$20.29
Total Boston Office Market.....	66,465,579	17.1	13.1	-572,285	\$35.72

* Columns may not add due to rounding.

Source: CB Richard Ellis, Second Quarter 2003.

**Table 16. Comparative Office Vacancy Rates
20 Largest Downtown Office Markets as of March 31, 2003**

<u>City</u>	<u>Vacancy Rate</u>	<u>City</u>	<u>Vacancy Rate</u>
Washington DC.....	6.2%	Minneapolis-St. Paul.....	16.9%
Manhattan (Midtown).....	9.6	Houston.....	17.1
Philadelphia.....	11.1	Oakland.....	17.2
Boston.....	11.6	San Francisco.....	18.7
Chicago.....	12.9	Los Angeles.....	18.8
Manhattan (Downtown).....	13.7	Atlanta.....	19.0
Pittsburgh.....	14.9	Phoenix.....	19.4
Denver.....	15.0	Kansas City.....	22.4
Baltimore.....	15.9	Dallas.....	25.7
Seattle.....	16.1	Detroit.....	28.0
National Average ⁽¹⁾ 14.1%			

(1) National Average is based on 51 U.S. cities (43 downtowns) from the CB Richard Ellis Office Vacancy Index.

Source: CB Richard Ellis Office Vacancy Index, First Quarter 2003.

Retail Market

As of 1997, the date of the last U.S. Economic Census, Boston was within the ninth largest metropolitan retail market in the nation, consisting of the City plus the Massachusetts metro areas of Lowell, Lawrence, Salem and Brockton. Of the approximately 10 million square feet of retail space in the City, approximately six million square feet are located in downtown Boston and Back Bay. About 2,262 retail establishments were located in the City in 1997 and had estimated total sales of \$5.6 billion according to the U.S. Census of Retail Trade. According to the U.S. Economic Census for 1992 and 1997 sales increased in Massachusetts, Metro. Boston, and the City of Boston. See the table below.

Recent major retail projects in downtown Boston include: TJ Maxx and H&M in the first phase of 33 Arch Street; Eddie Bauer's and Citizen's Bank in the Lafayette Corporate Center in Downtown Crossing; a new CVS at 55 Summer Street; a Walgreen's at Winthrop Square; and a Sports Club/LA and Loew's Boston Common movie theaters at the new Ritz Carlton Towers at Millennium Place. As part of the office and mixed-use projects downtown several new developments such as 33 Arch Street (100,000) and Fan Pier (135,000 sf) will have substantial new retail space. In the Back Bay, projects include: renovation work on a new Ralph Lauren store at 93 Newbury Street, the site of the former Kakas Furriers; an addition to Prudential mall (60,000 sf) at the 111 Huntington Avenue building; and, an Eastern Mountain Sports Store opened on Boylston Street. A variety of smaller retail projects in planned developments downtown are under review. In the Back Bay, the landmark FAO Schwarz Toy Store at 222 Berkeley Street announced

an intent to close pending company reorganization but the news is preliminary. However, the Lord and Taylor's Department Store on Boylston Street signed a new long-term lease. Also in the Back Bay a new Shaw's grocery store opened recently on Huntington Avenue.

In the neighborhoods, the South Bay Center Mall open 24 hours a day, contains The Home Depot, the first inner-city store for the company, as well as K-Mart, Toys-R-Us, a supermarket and other stores. Target has announced plans to replace the K-Mart store, following bankruptcy plans to close the South Bay store. In the Fenway, the new Landmark Center has been completed, containing roughly 200,000 square feet of retail and theater space. In other neighborhood developments, the Grove Hall Mecca, an inner-city shopping mall has opened as part of a major Blue Hill Avenue redevelopment. In Roxbury and Dorchester major efforts to redevelop retail business districts in Dudley Square and Grove Hall are showing building activity with a super Stop & Shop. A major retail development in the planning stages is Crosstown commercial complex in the South End, which will have 60,000 square feet of retail space serving the neighborhoods. One Brigham Circle in the Mission Hill/Jamaica Plain neighborhoods will have 60,000 square feet of retail space. The two new office buildings in City Square Charlestown (CANA Parcels 2 and 4) will have 44,000-square feet of store space. These are all solid signs of investment in the inner city.

There are now 21 neighborhood business districts operating within The Main Streets Program following the addition of ones in West Roxbury and Jamaica Plain. This program is a public-private initiative of the City established in 1995 to revitalize neighborhood commercial districts through locally established organizations. The program had generated, as of the end of December 2001, 386 net new and expanded businesses, created 2,761 net new jobs, and included 227 storefront improvement projects. Through December 2001, the Main Streets Program has also generated \$638,797 in public sector investment, in the form of physical improvement grants, which has leveraged an additional \$2.02 million in private investment. Also of importance are the supermarket developments that have taken place throughout Boston's neighborhoods—nine new neighborhood supermarkets have opened in the past five years while two have been expanded. Now under construction are two new Shaw's supermarkets: a 57,000-square foot store at the Prudential Center and a 55,000 square foot store in Dorchester Lower Mills.

Table 17. Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-1997
(In thousands, not adjusted for inflation)

	<u>Massachusetts</u>		<u>Metropolitan Boston</u>		<u>City of Boston</u>	
	<u>Retail Sales</u>	<u>Change</u>	<u>Retail Sales</u>	<u>Change</u>	<u>Retail Sales</u>	<u>Change</u>
1992	\$47,663,248		\$27,058,734		\$4,180,888	
1997	\$65,847,179		\$39,400,608		\$5,607,981	
	5-Year Change	38.2%	5-Year Change	45.6%	5-Year Change	34.1%

(1) Metropolitan Boston in this usage is the Boston PMSA as defined in 1992

(2) Total retail sales includes the new census definition of retail sales (NAICS) from the series of Retail trade plus the "foodservices and drinking places" category from the series of Accommodation and Food Services.

Source: 1992 data from the 1992 Economic Census for Retail Trade. 1997 data from the 1997 Economic Census for Retail trade for retail) and for the 1997 Census for Accommodations and Foodservices (for foodservices and drinking places)

Industrial Market and Recent Developments

According to surveys by the Boston Redevelopment Authority (BRA), Boston has just over 25 million square feet of industrial space within the City limits. As of January 2000, according to the BRA, over 5.6 million square feet of industrial space was surveyed and the vacancy rate was found to be 22.5%, with almost 1 million square feet unoccupied. The average rent for quality industrial space was estimated to range from \$2.50 to \$19.00 per square foot (triple net). According to records from the City's Assessing Department, there were 48.3 million square feet of industrial space in 2000, which consisted of manufacturing, warehouse, and research and development.

From 1992–1995, a Cambridge-based biotechnology firm, Genzyme Corporation, constructed an \$85 million biopharmaceutical manufacturing plant in Allston. Genzyme has plans to build further manufacturing, research and development and headquarters facilities on the site during the 2000s.

Certain companies were forced to lay off employees in the mid-1990s because of business strategies and downsizing efforts. For example, Digital Equipment Corporation (“DEC”) closed its Roxbury plant in late 1993 and Stride Rite Corporation closed its plant in Roxbury in 1997. These plant closings will have eliminated a total of 350 manufacturing jobs, representing about 1.0% of the City's industrial jobs. In 1995, H.P. Hood decided to consolidate its operations in the suburbs and closed its Charlestown Plant.

The City purchased the former DEC building in Roxbury in late December 1994. The facility houses the Boston Technology Development Center (“BTDC”). The BTDC opened an Innovation Center operated by the Massachusetts Biotech Research Institute (“MBRI”). The Innovation Center can be thought of as a “super incubator” which includes four major components: a physical incubator with shared conference and reception facilities; a relationship with venture capital funding; a technology transfer office which helps locate technologies with commercial potential; and a comprehensive education and training program. The MBRI incubator space is currently fully occupied with spin-off firms. The BTDC is providing many benefits to the neighborhood and citywide including construction jobs, permanent jobs, education and training programs, public school seminars, youth education, and neighborhood workforce development programs. Over \$20 million in venture capital funding is supporting the new companies that are housed at the BTDC—\$5 million in Federal funds awarded to the project leveraged these private funds. Full occupancy of BTDC was achieved in 1998 with the tenancy of HiQ Computers, which took the final 30,000 square feet for the assembly and repair of computer systems. In 1999 the Crosstown site was planned to be developed into a shopping center and theater complex. HiQ Computers has been relocated, to Boston Marine Industrial Park (“BMIP”). The Boston Empowerment Center (BEC) office and MBRI have been relocated.

There were seven projects completed in the 1995-1997 period: the Advanced Electronics expansion to 110,000 square feet; the expansion of the Boston Freight Terminal in Marine Industrial Park; the American Engineered Components move from Cambridge to Boston; the Zoom Telephonics building doubling in size to 150,000 square feet; Boston Ship Repair's expanded business in Dry-Dock 3 at BMIP; The Harry Miller Company development of 36,000 square feet of space with assistance in Boston's EEC; and, the completion of the New Boston Seafood Center, housing seven seafood companies in a 70,000 square-foot state-of-the-art facility in the BMIP

In 2000 there were three major industrial projects completed on the waterfront in South Boston: the International Cargo Port, a 400,000 square foot warehouse, freight forwarding, and office facility on the South Boston waterfront; North Coast Seafood, a 60,000 square foot seafood processing facility in the BMIP; and the new Boston Seafood Center, a \$20 million, 150,000 square foot facility with seven companies as tenants. Also, as of 2003 Pilot Sea Food has a 60,000 square foot processing plant under construction while Legal Sea Food is also building a 75,000 square foot building.

Other industrial projects are also in motion in 2003 around the City. Mayor Menino announced the Back Streets Initiative, a plan to support and strengthen neighborhood industrial uses. Sprint Corporation recently opened a new 70,000 square foot data center in Fenway. A development of Spire Printing and Graphics Company, of \$13.5 million and 78,000 square feet, in the Savin Hill section of Dorchester is complete. In November of 2002, EDIC selected Highland Marine Limited Partnership to redevelop a 150,000 square foot building in BMIP of multi-tenanted industrial use. The renovation of the J. Baker facility in Hyde Park, to include 400,000 square feet of industrial space for lease, is underway. In Dorchester, the Dutch Maid Bakery expansion of 38,000 square feet is nearing completion while a graphics office at 65 Bay Street with 76,000 square feet of space is under construction. In addition two public storage facilities, one in South Boston and one at 150 McClellan Highway in East Boston are BRA Board approved.

Cabot, Cabot & Forbes temporarily halted construction of Internet City, a 450,000 square feet project, in Allston and is actively pursuing alternate uses including biotech manufacturing. According to a recent study, by Lehman Brothers and Cushman & Wakefield, only 25% of the telecommunications space in the Boston area was actually leased and over 1.1 million square feet of the area's 2.8 million square feet was not being used. The Boston area ranked with Los Angeles and Miami as the three cities with the most surplus capacity in the telecommunications sector.

Housing Stock, Housing Values, and Development

The U.S. Bureau of the Census reported on some characteristics of the City's housing stock in April of 2000. The total of 250,863 units grew by 1,072 from 1990, the date of the previous decennial census. The composition of occupied housing has been changing. The number of occupied rental apartments increased between 1990 and 2000, going from 157,920 to 162,302, a gain of 4,382 or 2.8%. The number of owner-occupied units also increased between 1990 and 2000, going from 70,544 to 77,226, a gain of 6,682 or 9.5%. The percentage of owner to renter occupied units between 1990 and 2000 went from 30.9%/69.1% to 32.2%/67.8%. With the small addition of new units and the large gain in occupied units the number of vacant units dropped from 22,399 in 1990 to 12,407 in 2000 while the vacancy rate for owner and renter housing fell from 2.6% and 7.8%, respectively, in 1990 to 1.0% and 3.0%, respectively, in 2000. As of late 2001, the housing vacancy rate was rising slightly.

Condominium units have increased from about 4,500 in 1980 to over 36,000 in 2000. Public and publicly assisted housing presently constitutes over 17% of the City's housing stock.

Within the City, the U.S. Bureau of the Census reported from the Special Survey in 2000 (C2SS) that the median value of a single-family home was \$216,563 in 2000, the median monthly mortgage payment was \$1,312, and the median contract rent in the City was \$875 per month in 2000. The reason these costs appear to be lower than the rent and sales figures in tables below is that the Census numbers track what people with existing housing are paying, not including any subsidies which might be involved (for rental housing) and the owner costs are what existing owners are paying. The tables below show what new owners would pay for sales prices and what new renters would pay in rent.

A 2001 study done by the Department of Neighborhood Development showed that the median rent for an apartment in Boston as advertised in the newspapers was \$1,700 per month for a two-bedroom apartment.

**Table 18. Median Advertised Asking Monthly Rent In Boston Neighborhoods
And The Volume Of Advertised Two-Bedroom Apartments
For 2000 And 2001**

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>2000</u>	<u>2001</u>	<u>Percent</u>	<u>2000</u>	<u>2001</u>	<u>Percent</u>
Allston/Brighton	\$1,400	\$1,500	7%	267	340	27%
Back Bay/Beacon Hill	2,200	2,400	9	404	565	40
Central	1,800	1,875	4	128	198	55
Charlestown.....	1,600	1,925	20	74	144	95
Dorchester	1,200	1,275	8	33	72	113
East Boston.....	1,100	1,200	9	15	25	67
Fenway/Kenmore	1,600	1,900	19	29	53	83
Hyde Park.....	1,200	1,275	6	12	24	100
Jamaica Plain.....	1,300	1,400	8	85	123	45
Mattapan.....	**	1,250	***	3	10	***
Roslindale.....	1,200	1,300	8	43	49	14
Roxbury.....	1,400	1,300	-7	21	31	48
South Boston	1,350	1,500	11	119	151	27
South End	2,200	2,000	-9	135	176	30
West Roxbury.....	1,275	1,400	-9	54	67	24
Citywide	1,600	1,700	6	1,422	2,028	43

** Less than ten sales so data are not deemed to be reliable.

*** Not meaningful.

Source: City of Boston, Department of Neighborhood Development, "Real Estate Trends, Mid-Year 2002 Report". Uses the Boston Sunday Globe, from apartment listings for the first Sunday of the month. Apartments that include utilities or parking in the monthly rent are not represented in this survey. February, 2003.

After nearly five years of relative stability, 1992-1996, home prices have risen at a fast pace since the first quarter of 1996. The National Association of Realtors reported that the median sale price of existing homes in the Boston metropolitan area was \$314,200 for 2000, an 8.3% increase over the 1999 median sales price. The 2001 price of \$356,600 was 13.5% higher than the price for 2000. Between 1996 and 2001 the median price increased by 88%. In 2002, the first two quarters continue to show prices increasing.

**Table 19. Greater Boston Annual Median Sales Prices For Existing Homes, 1992-2002
(Current Year Dollars)**

<u>Year</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Annual Median</u>	<u>Annual % Change</u>
1992.....	\$168,200	\$173,300	\$175,100	\$165,200	\$171,100	0.6
1993.....	160,500	175,600	176,900	172,700	173,200	1.2
1994.....	170,600	181,300	187,300	176,600	179,300	3.5
1995.....	175,100	179,000	183,200	177,400	179,000	(0.2)
1996.....	197,300	195,300	195,300	177,100	189,300	13.0
1997.....	NA	NA	NA	NA	229,000	21.0
1998.....	NA	NA	NA	NA	258,400	12.8
1999.....	265,000	294,000	301,000	291,000	290,000	12.2
2000.....	303,000	330,300	356,000	329,500	329,700	13.7
2001.....	345,100	356,200	367,300	350,400	354,750	7.6
2002.....	358,000	397,700	415,800	386,300	389,450	9.8

Note: Data for the quarters of 1997 and 1998 were not available from the National Association of Realtors or the Greater Boston Real Estate Board.

Source: National Association of Realtors and the Greater Boston Real Estate Board.

Within the City, residential sales prices increased steadily from the beginning of 1998 through the end of 2002. The median sales price for a single-family home in Boston increased from \$215,250 in the second quarter of 2000 to \$285,000 in the second quarter of 2002, a 32% rise over two years. Condominium prices have also increased from \$225,000 in the second quarter of 2000 to \$298,760 in the second quarter of 2002, a 33% rise in two years.

**Table 20. Median Residential Sales Prices for Boston
First Quarter 2000 Through Second Quarter 2002
(Current Year Dollars)**

<u>Year</u>	<u>Quarter</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Three Family</u>	<u>Condominium</u>
2000	First	\$195,850	\$213,000	\$225,000	\$210,000
	Second	215,250	240,000	237,500	225,000
	Third	221,250	270,000	254,500	225,000
	Fourth	229,000	258,500	267,000	252,000
2001	First	237,500	269,950	279,000	240,000
	Second	248,750	287,750	283,500	245,500
	Third	270,000	304,750	300,000	247,000
	Fourth	250,000	294,500	317,500	255,000
2002	First	270,000	310,000	336,000	275,000
	Second	285,000	340,000	360,000	298,760

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data, February 2003.

Banker & Tradesman, a local trade journal, reported that during the full year 2001 there were 10.4% less total residential sales in the City than there were in the full year 1999 (7,996 versus 8,862). Sales of single-family homes, multi-family houses, and condominiums all fell in 2001 compared with 2000 for the second consecutive year. Also, for full-year 2001, single-family home sales fell by 3.7% while condominium sales dropped by 7.9% over sales for 2000. Sales of single family homes and condominiums in 2002, however, increased again as indicated by data for the first eleven months. This may be due to declining mortgage interest rates which have made purchasing a home more attractive.

**Table 21. Annual Residential and Condominium Sales in Boston
1991-2002**

<u>Year</u>	<u>Single Family Sales</u>	<u>Percent Change</u>	<u>Multi-Fam. Residential</u>		<u>Total Condominium</u>		<u>Residential and Condo</u>	
	<u>Sales</u>		<u>Sales ⁽¹⁾</u>	<u>Percent Change</u>	<u>Sales</u>	<u>Percent Change</u>	<u>Sales ⁽²⁾</u>	<u>Percent Change</u>
1991	908	2.0	1,660	(14.9)	1,995	(8.5)	4,534	(9.1)
1992	1,114	22.7	1,732	4.3	2,479	24.4	5,296	16.8
1993	1,257	12.8	2,129	22.9	2,748	10.9	6,094	15.1
1994	1,602	27.4	2,731	28.3	2,921	6.3	7,180	17.8
1995	1,554	(3.0)	2,775	1.6	2,845	(2.6)	7,110	(1.0)
1996	1,566	0.8	2,875	3.6	3,448	21.2	7,820	10.0
1997	1,623	3.6	3,001	4.4	3,909	13.4	8,460	8.2
1998	1,512	(6.8)	3,046	1.5	4,434	13.4	8,891	5.1
1999	1,573	4.0	3,289	8.0	5,060	14.1	9,849	10.8
2000	1,308	(16.8)	2,956	(10.1)	4,663	(7.8)	8,862	(10.0)
2001	1,260	(3.7)	2,442	(17.4)	4,294	(7.9)	7,996	(10.4)
2001 (11 mo.)	1,183	NA	1,471	NA	3,999	NA	7,417	NA
2002 (11 mo.)	1,267	7.1	1,464	(0.4)	4,754	18.9	8,255	11.3

(1) Does not include single-family homes or condominiums.

(2) Equals single-family, multiple-family residential sales plus total condominium sales.

Source: Banker and Tradesman, July, 2003.

Prices and sales volumes for single family homes and for condominiums show strength and remarkable diversity across the neighborhoods of Boston. Areas of the City with the largest numbers of single family home sales included West Roxbury, Dorchester, Hyde Park and Roslindale. Single family prices ranged from \$170,000 in East Boston to \$767,000 in the South End with the median at \$252,000 and the typical house going for \$295,000 in West Roxbury, the most suburban-style single family neighborhood within the City limits. Sales were down 10% between 2000 and 2001.

**Table 22. Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, 2000/2001 and 2001/2002
(Not adjusted for inflation)**

<u>Neighborhood</u>	<u>2000/2001 Single Family Price</u>	<u>2001/2002 Single Family Price</u>	<u>Percent Change</u>	<u>2000/2001 Sales Volume</u>	<u>2001/2002 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$215,350	\$330,000	53%	54	50	-7%
Back Bay/Beacon Hill ...	**	**	***	5	5	***
Central	**	**	***	3	2	***
Charlestown.....	395,000	401,000	2	57	54	-5
Dorchester	176,750	225,000	27	178	162	-9
East Boston.....	138,500	170,000	23	46	46	0
Fenway/Kenmore	**	**	***	0	1	***
Hyde Park.....	189,000	225,000	19	185	153	-17
Jamaica Plain.....	385,000	472,500	23	77	75	-3
Mattapan.....	160,000	188,250	18	76	68	-11
Roslindale.....	222,500	257,000	16	157	145	-8
Roxbury.....	135,000	184,200	36	69	35	-44
South Boston	240,000	236,250	-2	39	70	1
South End	690,000	767,000	11	15	10	-33
West Roxbury.....	265,000	295,000	11	276	253	-5
Citywide	216,000	252,000	17	1,261	1,129	-10

** Less than ten sales so data are not deemed to be reliable.

*** Not meaningful.

Note 1: These prices exempt all sales of properties of less than \$25,000 and greater than \$1,000,000 because the low price sales are not considered to be "arms-length" transactions and the high price sales can distort averages.

Note 2: These are not "paired-sales" so the size, quality and type of houses sold vary from year-to-year.

Note 3: Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately "geo-coded" for location so actual neighborhood and city wide totals are higher.

Source: City of Boston, Department of Neighborhood Development, February 2003, Real Estate Trends, Mid-Year 2002 Report".

Condominium sales volume and prices also showed strength and diversity across the neighborhoods of Boston. The most expensive neighborhoods for condominiums were Central (downtown, including the North End, the West End, and the waterfront), the Back Bay/Beacon Hill, Charlestown, and South End neighborhoods which are the core residential pockets of the City. Three neighborhoods still had "affordable" condominiums with the median price below \$150,000. The median citywide condominium price as of year-end 2001 was \$247,000, up 8% from the \$229,000 price of the same period in 2000. Sales volume was down by 15%.

**Table 23. Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, 2000/2001 and 2001/2002
(Not inflation adjusted)**

<u>Neighborhood</u>	2000/2001	2001/2002	<u>Percent Change</u>	2000/2001	2001/2002	<u>Percent Change</u>
	<u>Condominium Price</u>	<u>Condominium Price</u>		<u>Sales Volume</u>	<u>Sales Volume</u>	
Allston/Brighton	\$141,000	\$181,450	29%	639	574	-10%
Back Bay/Beacon Hill	360,000	371,000	3	753	560	-26
Central	320,000	412,869	29	415	316	-24
Charlestown.....	308,000	370,000	20	260	305	17
Dorchester	125,000	164,000	31	204	211	3
East Boston.....	92,000	125,500	36	49	76	55
Fenway/Kenmore	175,000	216,000	23	277	195	-30
Hyde Park	94,750	99,700	5	36	35	-3
Jamaica Plain.....	189,250	227,000	20	342	279	-18
Mattapan.....	97,500	147,000	51	22	18	-18
Roslindale.....	157,500	185,000	17	123	135	10
Roxbury.....	140,000	194,630	39	81	75	-7
South Boston	243,000	235,000	-3	441	336	-24
South End	320,000	355,000	11	671	537	-20
West Roxbury.....	135,000	165,900	23	158	145	-8
Citywide	229,000	247,000	8	4,479	3,797	-15

Note 1: These prices exempt all sales of properties of less than \$25,000 and greater than \$1,000,000 because the low price sales are not considered to be "arms-length" transactions and the high price sales can distort averages.

Note 2: These are not "paired-sales" so the size, quality and type of houses sold vary from year-to-year.

Note 3: Sales volume eliminates those sales mentioned in note 1 and also eliminate sales for properties that were not able to be accurately "geo-coded" for location so actual neighborhood and city wide totals are higher.

Source: City of Boston, Department of Neighborhood Development., February 2003, "Real Estate Trends, Mid-year 2002 Report."

The Boston Housing Authority ("BHA") is a public agency that provides subsidized housing to low and moderate income individuals and families. The Authority administers two distinct housing programs. First, the Authority manages a conventional public housing within the City of Boston. The Authority manages 64 developments, a few of which have both state and federal components. The BHA owns and manages some scattered site properties throughout the City of Boston as well. Of the 64 developments, 37 are designated as elderly/disabled developments and 27 are designated as family developments. Three of the 27 family developments have elderly/disabled housing on site and one of the elderly developments has designated units for families. The BHA currently owns approximately 14,000 units of housing in Boston and houses about 27,000 people under the public housing program. In addition, the Authority administers approximately 11,000 rental assistance vouchers that allow families to rent in the private market and apply a subsidy to their rent. With this assistance, residents are able to pay approximately 30-40 percent of their income toward rent and the BHA pays the remainder. The BHA helps provide housing to approximately 25,000 people under this program. See "Large Public Sector Projects" for BHA development activity

Housing construction accelerated between 1998 and 2000 and slowed somewhat in 2001 when Boston permitted 888, 2,008, 2,957, and 2,383 units of new and renovated housing. For the four years, within the total were 381, 651, 1,028, and 919 "affordable" units. The rest are considered "market-rate" housing.

Downtown and the Back Bay have seen significant residential building in 2000-2002 with several large developments completed, several nearing completion and others still in the planning stages. Major residential projects recently completed include: Millennium Place (350 units); Trinity Place/25 Huntington Avenue (\$53 million, 21-stories, 102 units); and The Belvedere (11-stories,

65 units). Large housing developments under construction include: 226 Causeway Street in North Station (108 total units, 20 affordable); Colonnade Residences (99 market rate units); 100 Cambridge Street/Saltonstall Building (75 total units, 19 affordable); Tremont Tower Condominiums (89 market-rate units); Park Plaza Parcel 2 (255 market-rate units); Parcel C/Oak Square in Chinatown (251 total units, 115 affordable); and Battery Wharf in the North End (100 market rate units). Major new residential projects approved in the Downtown area, among others, include: Fan Pier (675 total residential units, with 130 being affordable); Liberty Place on Washington Street near Chinatown (468 total units, with 70 being affordable); 500 Atlantic Avenue (359 total units, 47 affordable); ; 80 Broad Street in the Financial District (82 units); and Boylston Street in the Back Bay (105 total units, 10 affordable). More in the Downtown and Back Bay are under review.

In addition, residential developments are also occurring in Boston's neighborhoods. Some of the larger or most notable projects are summarized here. In Allston-Brighton, the Archdiocese of Boston is redeveloping the former St. John of God Hospital site 200 total units of which 58 are affordable. Also in Brighton, B'nai Brith is permitted to build an addition with 42 housing units onto its existing Covenant House Elderly Complex and two other developments with 93 units are approved by the BRA Board. In Roxbury, Nazing Court Apartments with 151 units (100% affordable) and three smaller developments with 106 units are under construction. In addition, Nuestra Comunidad is approved to convert the former Hotel Dartmouth into 65 units of mixed-income housing including 6 artists lofts. In Mattapan the Foley Building (with 98 total units, 74 affordable) is under construction while the Harvard Commons development (with 99 total units, 89 affordable) has been approved. In the South End and Bay Village, nine housing developments are under construction. The largest ones include: Rollins Square with 184 units (120 affordable); Parcel 8 (103 market rate units), Parcel 6/Assisted Living (82 units, 54 affordable); Haley House Interfaith Residences (74 affordable units); and Minot Hall (44 total units). In Dorchester, two developments—Trinity Terrace (62 total units, 59 affordable) and Coffey Street (46 total units, 5 affordable)—are BRA approved. In the Fenway, a mixed-use project with 540 units (54 affordable) is BRA Board approved. In Jamaica Plain 131 Morton Street with 62 affordable units is in under construction. In Roslindale, Sophia Snow House with 102 affordable units is BRA Board approved. In Chrlstown the Nancy Sales development with 124 affordable units is permitted while the Little Neck Lofts with 146 units is BRA Board approved. In South Boston, a few developments are in motion: the Court Square Press Building (132 market-rate units) and 45 West Broadway (44 units, 8 affordable) are under construction. Three large developments are approved—D Street Residences (695 total units, 130 affordable); Midway/Channel Center (359 total units, 47 affordable); and the redevelopment of 133 affordable units at West Broadway. More developments in the neighborhoods are under review.

Clearly, the tight housing market of the previous several years has led to the substantial number of housing efforts underway in downtown Boston and in the neighborhoods, with many including "affordable" components.

The Linkage Program

The City implemented its development linkage program in December 1983, in order to direct some of the benefits of downtown investment to the building of affordable housing in its neighborhoods. Under the program, amended in 1986 and again in 2001, real estate developers seeking approval of large scale commercial or institutional developments are required to enter into agreements obligating them to make "linkage payments" in the amount of \$8.62 per square foot of construction over 100,000 square feet, of which \$1.44 per square foot goes to a job training fund and \$7.18 per square foot goes for affordable housing purposes, as of November 30, 2001.

Linkage payments into the Neighborhood Housing Trust are amortized over a period of either seven or twelve years, depending on the date of the initial agreement. Under Trust policy, current agreements provide for a seven-year payment period. The seven-member Neighborhood Housing Trust ("NHT") holds public hearings and approves linkage grants to selected projects, except for the housing creation option, which requires approval by the BRA. Since the inception

of the linkage program through June 2000, \$58.2 million has been awarded to various affordable housing projects.

Based on data through 1999, this funding allowed the construction or renovation of 5,979 housing units in 89 projects in the City's neighborhoods. Affordable housing units for low and moderate-income residents comprise 80% (4,812 units) of this total. Of these 89 housing developments created, linkage funds, for the most part, accounted for fewer than 30% of the total development costs of the projects. Only in one instance did linkage funds almost completely fund the project. Linkage money generally is allocated to fund low and moderate income housing through the renovation of old buildings and schools as well as to assist in the creation of new housing. Projects have included rental units; single room occupancy such as housing for pregnant, homeless women and alcohol recovery programs; condominiums; housing cooperatives and home ownership.

Funds for the Neighborhood Jobs Trust ("NJT") come from Jobs' Linkage Fees of \$1.44 per square foot for every foot in excess of the 100,000 square-foot threshold. This component of Linkage came from the 1986 amendment to the legislation and was followed by the creation of the NJT in 1987. Payments are made in two parts, with one half due at the point a building permit is issued, and the balance due one year later, or upon the issuance of an occupancy permit for the building. Over the 1988-20002 time period \$11.9 million of funds had been committed and \$8.2 million of funds have been awarded resulting in the creation of 93 programs. Services funded under this program include: model program designs for entry-level jobs training, school-to-work transition, family literacy, workplace-based education, private sector involvement in the design and delivery of services, and capacity building in impacted communities. The NJT is particularly interested in supporting new and innovative education and training activities which result in high wage employment, new or non-traditional employment opportunities, and community based projects that respond to specific communities' documented education and training needs. The NJT is committed to providing appropriate services to the residents of neighborhoods where (or adjacent to where) a given development project is located, while ensuring that residents throughout the City have access to new jobs resulting from development. In addition to the \$8.2 million awarded, approximately \$660,000 has been spent on administration, bringing total expenditures from the NJT to nearly \$8.9 million. ●

