

THE **BOSTON** ECONOMY

TURNING THE CORNER
2004



CITY OF BOSTON
THOMAS M. MENINO, MAYOR

BOSTON REDEVELOPMENT AUTHORITY
MARK MALONEY, DIRECTOR

The Boston Economy 2004

Turning the Corner



THOMAS M. MENINO, *MAYOR*
CITY OF BOSTON

Boston Redevelopment Authority
Mark Maloney, *Director*

Clarence J. Jones, *Chairman*
Consuelo Gonzales Thornell, *Treasurer*
Joseph W. Nigro, Jr., *Co-Vice Chairman*
Michael Taylor, *Co-Vice Chairman*
Christopher J. Supple, *Member*
Harry R. Collings, *Secretary*

Report prepared by
Paul Leonard
Dominic Modicamore
Gregory W. Perkins

Research Division
Gregory W. Perkins, *Interim Director*

Report #599
September, 2004

TABLE OF CONTENTS

TABLE OF CONTENTS	1
A NOTE ABOUT THIS REPORT	1
EXECUTIVE SUMMARY	2
INTRODUCTION	7
OVERVIEW OF CURRENT ECONOMIC CONDITIONS	7
STATISTICAL DATA	8
NEW ENGLAND, MASSACHUSETTS AND METROPOLITAN BOSTON ECONOMIES	8
EMPLOYMENT STRUCTURE, EMPLOYMENT TRENDS AND OCCUPATIONAL CHANGES	9
UNEMPLOYMENT	13
LARGEST EMPLOYERS	14
LABOR FORCE AND EDUCATION	15
INCOME, WAGES, AND COST OF LIVING	16
POPULATION	17
MEDICAL AND HIGHER EDUCATIONAL INSTITUTIONS	18
TOURISM	20
HOTEL MARKET	21
TRANSPORTATION	22
SEAPORT AND AIRPORT	24
CONSTRUCTION ACTIVITY	25
LARGE PUBLIC SECTOR PROJECTS	26
EMPOWERMENT ZONE DESIGNATION	28
OFFICE MARKET AND NEW DEVELOPMENT	30
RETAIL MARKET	31
INDUSTRIAL MARKET AND RECENT DEVELOPMENTS	32
HOUSING STOCK, HOUSING VALUES, AND DEVELOPMENT	34
THE LINKAGE PROGRAM	40

A NOTE ABOUT THIS REPORT

The following report was been prepared by the Boston Redevelopment Authority (the “BRA”) Research Division in the Spring and Summer of 2004. The report describes the principal components of the economy of the City of Boston (the “City”) and presents major economic, demographic and market indicators, and historical, statistical and other information. The information contained herein has been furnished by the City and certain information has been obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness.

EXECUTIVE SUMMARY

Boston's economy is showing signs of a turnaround after the lingering effects of a regional economic recession that lasted longer than the official U.S. economic recession which spanned from March 2001 through November 2001. Boston's economic downturn as measured by a loss of employment was evident for three years 2001 through 2003 while the U.S. economy experienced a recession in 2001 and a very slow economic turnaround from 2002 through 2003.

Boston is the economic hub of both the Commonwealth of Massachusetts 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, Boston 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 Boston and its suburbs.

The following report presents the major economic and demographic indicators of the last ten years and more that demonstrate the continuing strength of the city's economy despite challenging times. Boston's is the engine of the state and regional economy.

OVERVIEW OF CURRENT ECONOMIC CONDITIONS

The current regional economic recession is in its fourth year, lasting from 2001 through early 2004. Economic indicators reveal a loss of employment, higher unemployment rates, weakened office and hotel markets over the past three plus years. Positive signs are the remaining strong sales and prices in residential real estate, over \$2 billion in private development construction investment in housing hotel and retail space particularly, and the continued stimulative effects of several large public sector projects which are improving the infrastructure capacity of the city and laying the groundwork for future economic growth.

Over 54,000 jobs were lost between the high

point of 2000 and year-end 2003 in Boston. Unemployment moved upwards from a very strong 2.9% in 2000 to a higher, but tolerable level of 6.0% in 2003.

The commercial real estate markets have showed weakness since early 2000 and the effects of September 11, 2001 compounded problems in the economy and the tourism market. The office market has shown vacancies of over 12% although Boston remains positive in relation to many other cities. Hotels had several years of weakness although the last year has shown some strength even as new rooms are added. Residential real estate has remained strong even through the weak economy as increasing sales volume and steadily rising values have been bolstered by record low interest rates.

From the most recent data of late 2003 and early 2004 it appears that the worst of the economic downturn is over, that the upward climb is beginning in Boston, and that the economy is turning the corner.

POPULATION

Boston's population reached 589,141 according to the 2000 U.S. Census, registering its second gain in the past two decades as testimony to Boston's economic and social strengths and its physical attractiveness. Boston's population has grown again by attracting young professionals from all over the country and by its role as a gateway city for new immigrants from all over the world.

Boston is the center of a metropolitan area of more than 3.2 million persons, and is the capital of the Commonwealth, which has over 6.3 million residents. Boston is also the center of the nation's seventh largest Consolidated Metropolitan Statistical Area, which stretches from Maine and New Hampshire down to Southeastern Massachusetts and Connecticut and contains 5.8 million people.

The population of Boston is young, in large part because of the high concentration of younger adults who come to the city to attend school or

to work. Another characteristic of Boston's population is shown by the racial and ethnic diversity of its residents: the racial composition is 49.5% white and 50.5% minority.

EMPLOYMENT

The number of jobs in Boston was 633,668 in 2003. Although this represents a loss of 54,409 jobs compared to the all-time peak in 2000, it still represents a gain of 55,048 over the low reached in 1992. The 2000-2003 employment record showed losses in construction, manufacturing, transportation, government, and professional and business services but did show gains in educational services and health care services, two of Boston's major specialities.

In 2003, Boston's unemployment rate rose to an average of 6.0% for the year. This was a slight increase from the 5.8% average unemployment rate in 2002. Although this was the third year in a row that Boston's unemployment rate has increased, it is still well below the recessionary peak of 9.5% in July 1991. In 2003, Boston's unemployment rate was slightly higher than the state's rate of 5.8%, but equal to the national rate of 6.0%. Boston's unemployment rate had dropped to 4.5% in May 2004 compared to 5.8% in May of the previous year.

COMMERCIAL MARKETS

HOTEL MARKET. Boston's hotel market continues to stimulate considerable new development. Since 1980, the number of hotel rooms in the city has more than doubled, rising from 6,907 to 16,191 by July 2004. In 2004, four new hotels representing 1,454 new rooms were under construction. Nine more hotels have been approved by the Boston Redevelopment Authority (BRA) but have not yet started.

A slowing economy combined with the events of September 11th 2001 has brought a more challenging environment for the hospitality industry. In 2001 Boston's hotel occupancy, according to Pinnacle Advisory Group, stood at 69.6% and the average room rate was \$182.52. For 2002, although Boston's hotel occupancy rose 72.2%, the average daily room rate registered \$163.39. Pinnacle reported a 4.2% increase in Boston hotel demand for the year 2003, but with room supply growing even more than demand, the annual occupancy rate slid to

70.9% and Average Daily Room Rate declined further, to \$154.43. Through the first four months of 2004 there has been a 7.9% increase in room demand and an increase in the occupancy rate to 64.5%, up from 60.9% for the first four months of 2003.

OFFICE MARKET. The City currently has approximately 66.3 million square feet of office space. By the first quarter of 2004 (April 30th) Boston's overall vacancy rate according to CB Richard Ellis was 12.3% (16.0% when including space to sub-let). Another realty firm, Spaulding & Slye, places the City's office vacancy rate at 11.9% (availability 17.4%). Certainly, given the economic slowdown office vacancies have risen substantially from early 2001 through late 2003. Net absorption (rental) through April 2004 according to CB Richard Ellis was 144,361 square feet.

In 2003, four office buildings were completed: 131 Dartmouth Street (365,000 s.f.) in the Back Bay district; One Lincoln Street (1,020,000 s.f.) an office tower at the former Kingston-Bedford garage site in the Financial District; two buildings in the City Square section of Charlestown (156,000 s.f.); and One Brigham Circle (177,000 s.f.) in the Mission Hill neighborhood.

In 2004, four major downtown office projects with 1.5 million square feet of new office space were nearing completion: ManuLife Financial (470,000 s.f.) in the South Boston Waterfront area; 33 Arch Street (533,197 s.f.); 100 Cambridge Street (278,849 s.f.) a renovation of the former State Saltonstall building; and a renovation at 226 Causeway Street (171,610 s.f.) in the North Station district. In the neighborhoods, two large office projects with about 1.1 million square feet of new and renovated office space are under construction: Crosstown Center (282,000 s.f.) in Roxbury; and a renovation at Hood Business Park (775,000 s.f.) in Charlestown.

RETAIL MARKET. As of 1997, the date of the last U.S. Economic Census, Boston's metropolitan regional retail market was the ninth largest in the nation. Over 2,200 retail establishments were located in the city, containing approximately 15 million square feet, and enjoying estimated total sales of \$5.6 billion. 2002 figures on sales are close to \$6.5 billion.

Recent major retail store openings in downtown Boston over the last three years include: TJ Maxx and H&M in 33 Arch Street; Eddie Bauer's and

Citizen's Bank in the Lafayette Corporate Center in Downtown Crossing; a CVS at 55 Summer Street; a Walgreen's at Winthrop Square; and a Sports Club/LA and Loews Boston Common movie theaters at the new Ritz Carlton Towers at Millennium Place. In the Back Bay, recent new stores include a new Ralph Lauren store at 93 Newbury Street, the site of the former Kakas Furriers; an addition to Prudential mall (60,000 s.f.) at the 111 Huntington Avenue building; and, an Eastern Mountain Sports store opened on Boylston Street. Also in the Back Bay a new Shaw's grocery store opened in 2001 on Huntington Avenue.

In the neighborhoods, the South Bay Center Mall open 24 hours a day, was completed in the 1990s containing The Home Depot, the first inner-city store for the company, as well as K-Mart, Toys-R-U's, a supermarket and other stores. Target announced plans in 2003 to replace the K-Mart store, following bankruptcy plans that have closed 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.

There are now 21 neighborhood business districts operating within the Main Streets program following the addition of ones in West Roxbury and Jamaica Plain. Ten new neighborhood supermarkets have opened in the past six years, while two have been expanded.

The Main Streets program is a public-private initiative of the City of Boston established in 1995 to revitalize neighborhood commercial districts through locally established organizations. The program, from its inception through the end of December 2003, has generated 444 net new and expanded businesses, created more than 3,000 net new jobs, assisted in 3,057 storefront improvement projects, and given design assistance to 506 businesses. Through December 2002, the Main Streets program had leveraged more than \$7.9 million in private investment. The Grove Hall Mecca, and inner-city shopping mall has opened as part of a major Blue Hill Avenue redevelopment, and major efforts to redevelop retail business districts in Dudley Square and Grove Hall are showing building activity with completion of a Super Stop & Shop. A major retail development under construction is Crosstown commercial complex in the South End, which will have 60,000 square feet of retail space. The two new office buildings recently completed in City Square Charlestown have added 44,000 square feet of store space. These are all solid signs of investment in the inner-city neighborhoods.

HOUSING MARKET. The U.S. Bureau of the Census reported in April of 2000 that the total number of housing units in Boston had grown to 250,863 units, 1,072 more than the number in 1990, the date of the previous decennial census.

After nearly five years of relative stability, 1992-1995, 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 \$415,525 for 2003, a 4.6% increase over the 2002 median sales price. The 2002 price of \$397,200 was 12% higher than the price for 2001. Between 1996 and 2003 the median price increased by 120%. Within the city, residential sales prices increased steadily from the beginning of 1998 through the end of 2003. The median sales price for a single-family home in Boston increased from \$270,000 in the first quarter of 2002 to \$330,500 in the fourth quarter of 2003, 22% rise over twenty-one months. Condominium prices also increased from \$285,000 in the first quarter of 2002 to \$326,000 in the fourth quarter of 2003, a 14% rise in twenty-one months.

Banker & Tradesman, a local trade journal, reported that during the full year 2003 there were 1% more total residential sales in the city than there were in the full year 2002 (8,960 versus 8,893). Sales of single-family homes remained roughly the same and sales of condominiums and multi-family non-condominiums rose slightly in 2003 compared with 2002.

PRIVATE DEVELOPMENT

Since 1960, the public and private sectors have carried out a major expansion of capital construction and investment activities in Boston. Revenue from building permit activity fees through fiscal 2003 represented \$2.37 billion of total construction activity. Data from January through July 2004 showed projected building permit revenues at an estimated annualized sum of 19.3 million, resulting in a preliminary fiscal 2004 potential construction estimate of \$2.27 billion.

Development is presently centered on three major new office projects with nearly 1.3 million square feet under construction, in addition to three major renovations with over 1.2 million square feet of space. The hotel sector is now experiencing continued growth with four projects under construction, and nine others in the approval process. Retail development is also moving

forward downtown with a retail component included in the recently-opened Ritz Carlton Towers at Millennium and 33 Arch Street in the neighborhoods, 12 new or expanded supermarkets have opened since 1992, and the revival of many neighborhood retail districts is taking place through the Main Streets program. Residential housing development is also taking place, of both “affordable” and “market rate” units, in both downtown and the neighborhoods.

Boston’s medical and higher education institutional sectors also continue to invest in new facilities, with eight projects under construction or set to begin. In the Longwood area, Children’s Hospital has two buildings totalling 440,000 square feet of new clinical and research facilities under construction. Emmanuel College is also constructing two buildings, a 300,000 square foot building to be occupied by the Merck pharmaceutical company, and a medical research building of 166,000 square feet. Harvard Dental School is constructing a 40,000 square foot building for medical research and educational space. Elsewhere, Boston University is constructing a sciences building with 187,000 square feet of medical research space. Massachusetts General Hospital has begun work on a new 640,000 square foot ambulatory care facility with an outpatient clinic and a 725-car garage. Massachusetts General Hospital is also participating in the redevelopment of the Charles River Plaza expansion that will add an additional 387,000 square feet of space part of which has been designated for medical research. In addition, there are four medical projects recently approved by the BRA board including: Joslin Diabetes Center’s proposed expansion (490,000 s.f.); Boston University Medical Center’s Moakley Cancer Care Center (105,000 s.f.); the Blackfan Research Center (575,000 s.f.) in the Longwood area; and a medical research and educational building for Harvard University.

Development of dormitory and academic facilities is also taking place or planned by Boston’s colleges and universities. In 2002 four developments were completed: Northeastern University finished the Behrakis Health Science Building (120,000 s.f.); Tufts University completed a Biomedical Research and Nutrition complex (146,800 s.f.); Simmons College finished a new Graduate Center; and Harvard Business School completed Hawes Hall (47,000 s.f.). There are six academic facilities currently under construction: Boston College’s new residence hall

on St. Thomas Moore Drive (104,000 s.f.); a 24,000 square foot facility for Harvard’s Dental School; a 93,300 square foot addition to the White Building at the Massachusetts College of Pharmacy; modifications at Northeastern University’s West Village (294,000 s.f.); also at Northeastern the Judge Baker Children’s Center facility (63,000 s.f.); and Emerson College’s Performing Arts Center (80,000 s.f.).

In dormitory development Boston’s colleges and universities have made steady progress with 16,324 new beds added since 1990 with Boston University and Northeastern building the most. In addition to helping students to be housed on campus this development also lessens the effects of student housing pressures in the neighborhoods

Elsewhere in the city, housing development of new market-rate and affordable housing continues apace. The City’s “Leading the Way II” housing strategy was released in May 2004 with goals of over 10,000 units of housing in five years and public financial subsidies to meet those goals. Currently several thousand housing units are in construction or in the planning stages.

New private development is expected to continue during the next several years as several large commercial and residential developments are planned.

EMPOWERMENT ZONE DESIGNATION

In January, 1999, part of the City of Boston was designated an Empowerment Zone (EZ) community by the U.S. Department of Housing and Urban Development. The ten-year EZ designation brings with it \$130 million in tax-exempt bonding authority for qualified projects, and \$100 million in grants to support job creation, business development, home ownership opportunities, affordable housing creation, transit system improvements, computer technology training, and job training and educational efforts. The Empowerment Zone, wholly in Boston, is a 5.8 square mile area that includes parts of the neighborhoods of South Boston, Downtown, the South End, Roxbury, Jamaica Plain, and Mattapan, containing 57,640 residents – roughly 10% of the city’s population.

LARGE PUBLIC SECTOR PROJECTS

Through 2004 the Boston metropolitan area will continue to be the site of several major

public sector projects which will significantly improve the infrastructure and increase the city's ability to attract and accommodate visitors.

NEW CONVENTION CENTER. The new 1.6 million square-foot Boston Convention and Exhibition Center (the BCEC Project) which was built on a 60-acre site in South Boston through the joint efforts of the City of Boston, the Commonwealth of Massachusetts, the BRA, and the Massachusetts Convention Center Authority (MCCA) was recently completed in June of 2004. The facility includes approximately 516,000 square feet of contiguous exhibition space on one level, 160,000 square feet of meeting space and a 40,000 square foot ballroom, as well as banquet and lecture halls and indoor underground parking.

Adjacent to the BCEC, a convention center hotel on the northeast corner of the site is now in construction. 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 hotel's financing was finalized and construction began in June of 2004.

CENTRAL ARTERY AND TUNNEL. As of July 31, 2003, the depression of the Central Artery, the section of U.S. 93 that runs through downtown Boston, and the construction of the four-lane Ted Williams Tunnel under Boston Harbor were, together, estimated to cost up to \$14.63 billion. The tunnel portion of the project with its connection to the U.S. 90 extension under the Fort Point Channel was completed in January 2003. The northbound Central Artery and Leonard P. Zakim Bunker Hill Bridge opened in March 2003; and the southbound Central Artery had an initial opening in December 2003 with a complete opening scheduled between March and July 2005. The demolition of the old elevated structure is almost complete and surface roads, parks, and development are beginning.

MWRA. The Massachusetts Water Resources Authority (MWRA) has completed construction of one of the largest wastewater treatment facilities in the nation, a \$3.8 billion project which is bringing wastewater discharge in Boston Harbor

into compliance with federal and state requirements. The MWRA has also spent approximately \$680 million of Wastewater System Improvements and approximately \$1.4 billion on Waterworks System Improvements. The MWRA is planning to spend approximately \$1.6 billion on additional water and wastewater system improvements over the next ten years. While relatively small portions of these improvements are located in Boston, they should nonetheless provide major improvements in the system infrastructure that serves the city.

MASSPORT. The Massachusetts Port Authority (Massport) has developed a long-range capital program of approximately \$1.25 billion for improvements at its facilities, most of which are located in the city, during the 2003-2007 time frame. Included are capital improvements to Hanscom field, Logan Airport, the Tobin Bridge, port facilities, and improvements to other properties. The current schedule is for about \$250 million of work annually.

BOSTON HOUSING AUTHORITY. The 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 received two HOPE VI grants from the Department of Housing and Urban Development, totaling \$80 million, to implement these initiatives, designed to revitalize not only the BHA sites, but the surrounding neighborhoods as well. Construction is underway at Maverick Gardens, the BHA's latest Hope VI site. Also, the BHA is commencing a Hope VI planning process for the Franklin Hill site.

All of these major infrastructure projects increase development investment, resident jobs and wages, and spin-off spending throughout the local economy. In addition, these large public projects, by providing new and improved housing, transportation, convention, and water treatment facilities, lay the groundwork for enlarged capacity, which will provide for more private sector development well into the 21st century.

Introduction

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 2004, signs of a slow but improving economy in Massachusetts, metropolitan Boston and the City were still evident dating from spring of 2001. Evidence of a turnaround, however, began showing up in the U.S. and Massachusetts in late 2003 and early 2004. 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 November 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 had persisted into 2003, except for residential sales, which have increased. The latest data, however, are showing improvements in the labor market as well, as the economy is beginning to grow (noted above). Initial and continuing unemployment claims have fallen and the unemployment rate has stabilized and is beginning to decline as shown by data from the state, Boston metropolitan area, and City of Boston.

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 that 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 12%), rising availability rates (16%) 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. The total number of residential home sales, however, has been strong, with steady volume through mid-year 2003, due to low interest rates, while sales prices are still holding firm and even rising in most cases.

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 March 2004 still show effects of the lingering economic slowdown but also show signs of improvements.

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 and the 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 2004. In addition, some monthly and quarterly data are available through November 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 2003 are the most recent annual data available; the most recent monthly data are for April 2004.

The U.S. Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures (2002) 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 June 2004 Regional Economic Information System ("REIS"). The most recent quarterly statistics are for the Fourth 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. The 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 the 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 2002 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 are available, from fourth quarter 2002 through fourth quarter 2003, personal income in New England grew at a rate of 3.7%, which was below the national rate of 4.3%. Employment in New England, grew by 897,020 from 1990 through 2002, an annual average of 0.9%.

The Massachusetts economy, with 6.4 million people and 4.1 million jobs in 2002 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 fourth quarter 2002 through fourth quarter 2003, personal

income grew by 3.4%, a bit lower than the 4.3% national average. Massachusetts also gained 445,608 jobs between 1990 and 2002, an annual average of 1.0%

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 2002, 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 287,084 jobs for the 1990-2002 period, an annual gain of 0.9%. The following table shows the 1990 and 1998-2002 trends for the U.S., 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.

**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)	\$4,861,963,000	\$7,415,709,000	\$7,796,137,000	\$8,422,074,000	\$8,703,023,000	\$8,900,007,000
Per Capita Income (\$)	\$19,477	\$26,883	\$27,939	\$29,847	\$30,527	\$30,906
Population	249,622,814	275,854,104	279,040,168	282,177,754	285,093,813	287,973,924
Employment	139,380,900	159,628,200	162,955,300	166,758,800	166,908,200	167,033,500
New England						
Total Personal Income (\$000)	\$300,473,808	\$435,052,180	\$458,386,577	\$503,960,765	\$522,351,673	\$528,805,207
Per Capita Income (\$)	\$22,712	\$31,677	\$33,126	\$36,121	\$37,183	\$37,413
Population	13,229,502	13,733,828	13,837,653	13,952,174	14,047,999	14,134,420
Employment	7,918,098	8,402,199	8,562,455	8,775,891	8,838,328	8,815,118
Massachusetts						
Total Personal Income (\$000)	\$138,781,619	\$203,986,701	\$216,220,842	\$240,208,628	\$249,243,450	\$250,993,700
Per Capita Income (\$)	\$23,043	\$32,524	\$34,227	\$37,756	\$38,945	\$39,085
Population	6,022,639	6,271,838	6,317,345	6,362,076	6,399,869	6,421,800
Employment	3,646,584	3,917,356	3,988,554	4,096,551	4,132,208	4,092,192
Metropolitan Boston ⁽¹⁾						
Total Personal Income (\$000)	\$94,864,882	\$141,319,784	\$150,501,209	\$168,596,617	\$174,197,071	174,078,658
Per Capita Income (\$)	\$25,055	\$35,708	\$37,768	\$42,042	\$43,181	43,128
Population	3,786,229	3,957,661	3,984,862	4,010,205	4,034,074	4,036,321
Employment	2,506,464	2,687,224	2,735,585	2,813,030	2,837,950	2,793,548

(1) This metropolitan area only includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) but excludes the two counties in New Hampshire (Rockingham and Strafford), which together comprises the Boston-Cambridge-Quincy MA-NH MSA.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, June, 2004. 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 2000, 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, 1990-2000, With Percent Share, Absolute Change, and Percent Change.” Over the decade of the 1990s, the City’s economy gained over 68,000 jobs with an increase of 11%. Service industries, including transportation/communication/public utilities, finance/insurance/real estate and the full range of professional specialty services, expanded their share of the City’s total employment from 63% in 1990 to 68% in 2000. However, the share of total employment in manufacturing and trade declined from 5% to 4%, and from 13% to 12%, respectively.

**City of Boston Employment, 1990-2000, With Percent Share, Absolute Change, and Percent Change
SIC (Standard Industry Classification)**

<u>Industry</u>	<u>1990</u>	<u>Share</u>	<u>1995</u>	<u>Share</u>	<u>2000</u>	<u>Share</u>	<u>Employ. Change</u>	<u>Percent Change</u>
Fishing/Mining/Agriculture	1,316	0.2%	1,136	0.2%	1,697	0.3%	381	29%
Construction	13,835	2	13,162	2	19,809	3	5,974	43
Manufacturing	32,274	5	29,014	5	27,978	4	-4,296	-13
Transportation/Communication/Utilities	36,795	6	36,389	6	38,298	6	1,502	4
Wholesale Trade.....	19,369	3	16,366	3	16,862	2	-2,507	-13
Retail Trade	61,593	10	60,826	10	66,600	10	5,008	8
Finance/Insurance/Real Estate	93,264	15	93,730	15	109,087	16	15,823	17
Banking	24,540	4	23,347	4	26,224	4	1,683	7
Securities	23,029	4	31,824	5	45,079	7	22,050	96
Insurance	31,357	5	25,325	4	21,720	3	-9,637	-31
Real Estate and Other.....	14,338	2	13,234	2	16,065	2	1,728	12
Services	261,854	42	273,815	44	314,441	46	52,587	20
Hotel.....	13,441	2	11,384	2	12,959	2	-482	-4
Health	78,615	13	88,202	14	94,721	14	16,106	21
Educational.....	31,431	5	31,752	5	32,343	5	912	3
Cultural	9,657	2	8,935	1	10,387	2	730	8
Social and Non-profit.....	23,843	4	23,334	4	25,989	4	2,146	9
Professional.....	63,621	10	63,115	10	80,768	12	17,147	27
Non-Professional Business ...	29,540	5	35,983	6	43,319	6	13,779	47
Personal and Repair	11,706	2	11,110	2	13,957	2	2,250	19
Government	98,924	16	92,040	15	93,306	14	-5,619	-6
Total	619,223	100	616,478	100	688,077	100	68,853	11

Source: 1990-2000 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 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 for 2001, 2002, and 2003. The industry categories are in the new North American Industrial Classification System (NAICS) format, which the BEA began using in 2001. From employment in 2000 (shown in the previous table) to 2003 (a preliminary estimate) an estimated 54,409 jobs have been lost, representing about 7.9% of total employment. Employment for 2003 in the following table is based upon data for all months of the year from the Department of Employment and Training, and final 2002 data from BEA, projected for 2003. Preliminary data for the first three months of 2004, only available at the state and metropolitan level, are suggesting that 2003 may be the bottom of the employment trough and that 2004 likely will see a return to employment growth, although growth in employment may be slow.

City of Boston Employment 2001 – 2003
NAICS (North American Industry Classification System)

<u>Industry</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Absolute Change</u>	<u>Percent Change</u>
Fishing/Mining/Agriculture.....	123	382	316	192	156.0%
Utilities	2,703	2,420	2,197	-505	-18.7
Construction	19,501	18,841	17,047	-2,454	-12.6
Manufacturing.....	18,655	16,450	14,470	-4,185	-22.4
Wholesale Trade.....	11,007	10,489	9,472	-1,535	-13.9
Retail Trade (excludes food service)	31,080	30,597	30,277	-803	-2.6
Transportation and Warehousing.....	24,903	22,941	21,796	-3,107	-12.5
Transportation.....	23,373	21,377	20,085	-3,287	-14.1
Information	22,330	21,025	17,842	-4,408	-20.1
Finance and Insurance	86,824	83,007	76,876	-9,947	-11.5
Banking.....	19,972	19,301	19,625	-345	-1.7
Securities and other Financial Investment Activities..	47,949	44,928	39,350	-8,599	-17.9
Insurance Carriers and Related Activities.....	18,903	18,778	17,902	-1,001	-5.3
Real Estate and Rental and Leasing	18,620	19,763	18,305	-314	-1.7
Professional, Scientific, and Technical Services.....	74,919	70,300	66,963	-7,955	-10.6
Legal Services	20,970	20,956	20,067	-903	-4.3
Accounting, Tax Preparation, Bookkeeping.....	10,540	9,353	8,312	-2,191	-20.9
Architectural, Engineering, Design, and Related.....	12,230	11,452	10,360	-1,870	-15.3
Computer Systems Design and Related Services.....	6,485	5,156	5,145	-1,339	-20.7
Management, Scientific, and Technical.....	10,936	10,497	10,663	-273	-2.5
Scientific Research and Development Services.....	6,599	6,716	6,548	-51	-0.8
Other Professional, Scientific and Technical Serv.	7,195	6,170	5,867	-1,328	-18.5
Management of Companies and Enterprises.....	10,445	9,786	9,117	-1,329	-12.7
Admin. & Support and Waste Mgmt and Remediation Services.....	40,282	37,445	38,012	-2,270	-5.6
Educational Services.....	42,942	44,998	45,610	2,668	6.2
Colleges and Universities.....	36,777	38,733	39,160	2,383	6.5
Health Care and Social Assistance.....	100,403	102,259	103,810	3,406	3.4
Hospitals.....	65,414	68,987	69,976	4,562	7.0
Arts, Entertainment, and Recreation.....	12,408	13,043	13,062	654	5.3
Accommodation and Food Services.....	44,299	42,736	42,302	-1,997	-4.5
Accommodation	10,962	9,505	9,756	-1,206	-11.0
Food Service and Drinking Places.....	33,337	33,231	32,545	-791	-2.4
Other Services (except public administration).....	26,346	26,852	26,975	629	2.4
Government	<u>90,013</u>	<u>84,390</u>	<u>79,220</u>	<u>-10,793</u>	<u>-12.0</u>
Total.....	<u>677,801</u>	<u>657,725</u>	<u>633,668</u>	<u>-44,133</u>	<u>-6.5</u>

- Notes: 1. 2003 employment is an estimate based upon four quarters of data from DET and an estimate for BEA.
2. Other Services includes repair and maintenance, personal and laundry services, and religious, grant-making, civic, professional, and similar organizations.

Source: 2001-2002 figures are mathematically derived from U.S. Bureau of Economic Analysis Series for Suffolk County, prorated to Boston geography. Due to use of pro-rating factors, minor discrepancies of 1 to 3 units between totals and employment categories may result. 2003 figures are based upon DET data for the four quarters of the year and then expressed in a form consistent with the previous years.

A more recent picture of employment trends for the Commonwealth and the Boston metropolitan area is available from the Bureau of Labor Statistics (Current Employment Series or CES 790 series) non-agricultural employment data. As of early June 2004 these data were available through the month of April 2004, and are presented in the following tables for the Boston metropolitan area.

Data from the two following tables show that employment declined in the Boston metropolitan area throughout 2002 and 2003 and through April of 2004 for all months compared to the same month of the previous year. As of April (a preliminary figure) a total decline of 23,200 jobs in the metropolitan area was evident over the previous year, and the drop from January 2002 was 60,900 jobs, or 3.2%. It should be noted, however, that there has been two consecutive months (March and April) of increases in employment.

The industry composition of employment comparing April 2003 with April 2004 shows that the most severe job losses were evident in information, professional and business services, financial activities trade/transportation/utilities, government, and durable manufacturing. Gains were evident in leisure and hospitality and education and health services. Only small losses were apparent in all other sectors except for natural resources and mining and construction where there was no change.

**Boston Metropolitan Area Total Non-Agricultural Employment
Monthly, 2002-2004
(not seasonally adjusted, employment in 000's)**

<u>Month</u>	<u>2002</u>		<u>2003</u>		<u>2004</u>	
	<u>Employment</u>	<u>Change from Same month of Previous Year</u>	<u>Employment</u>	<u>Change from same month of Previous Year</u>	<u>Employment</u>	<u>Change from same month of Previous Year</u>
January	1,970.8	-3.5%	1,924.3	-2.4%	1,888.1	-1.9%
February	1,962.2	-3.9	1,911.2	-2.6	1,883.4	-1.5
March	1,972.3	-3.5	1,917.0	-2.8	1,890.4	-1.4
April	1,980.1	-3.5	1,933.1	-2.4	1,909.9(p)	-1.2
May	1,989.4	-3.3	1,942.7	-2.3	NA	NA
June	2,000.9	-3.4	1,954.6	-2.3	NA	NA
July	1,980.0	-2.9	1,931.4	-2.5	NA	NA
August	1,974.0	-2.9	1,921.0	-2.7	NA	NA
September	1,977.7	-2.5	1,927.3	-2.5	NA	NA
October	1,979.4	-2.3	1,935.1	-2.2	NA	NA
November	1,985.1	-2.0	1,935.8	-2.5	NA	NA
December	1,986.5	-2.1	1,934.0	-2.6	NA	NA
ANNUAL	1,979.9	-3.0	1,930.6	-2.5	NA	NA

Source: U.S. Department of Labor, bureau of Labor Statistics, 790 series of non-agricultural employment. June, 2004.

P: Preliminary

**Non-Agricultural Wage and Salary Employment by Industry
April 2003 and April 2004
Boston, Massachusetts – New Hampshire PMSA
(seasonally unadjusted, employment in 000's)**

<u>Industry</u>	<u>2003</u>	<u>2004</u>	<u>Change</u>	<u>Percent</u>
Non-Agricultural Total	1,933.1	1,909.9	-23.2	-1.2%
Natural Economic Resources	0.7	0.7	0.0	0.0
Construction	77.6	77.6	0.0	0.0
Manufacturing	159.8	158.1	-1.7	-1.1
Durable Goods	110.2	108.7	-1.5	-1.4
Non-Durable Goods	49.6	49.4	-0.2	-0.4
Trade, Transportation & Utilities	322.8	317.5	-5.3	-1.6
Wholesale Trade	81.1	78.6	-2.5	-3.1
Retail Trade	191.7	190.8	-0.9	-0.5
Transport, Warehousing & Utilities	50.0	48.1	-1.9	-3.8
Information	64.5	61.6	-2.9	-4.5
Financial Activities	165.9	162.0	-3.9	-2.4
Professional and Business Services	312.6	303.7	-8.9	-2.8
Education and Health Services	366.5	368.8	2.3	0.6
Leisure & Hospitality	161.8	163.9	2.1	1.3
Other Services	66.8	66.0	-0.8	-1.2
Government	234.1	230.6	-3.5	-1.5

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. June, 2004.

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.

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 2003, the annual average unemployment rate for the City was 6.0%, slightly above that of Massachusetts at 5.8% and also above that for the metropolitan rate at 5.2%, but equal to the national rate of 6.0%. All of these rates were above the lows reached in the year 2000. The average annual number of people unemployed in the City for 2003, was 18,710, a slight increase from the 18,034 annual average for 2002 and above the 8,706 unemployed in 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.

Annual Unemployment Rates, 1993-2003

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
City of Boston	6.6%	5.8%	5.4%	4.4%	4.2%	3.4%	3.3%	2.9%	4.1%	5.8%	6.0%
Boston PMSA	6.0%	5.2%	4.7%	3.7%	3.4%	2.8%	2.7%	2.2%	3.3%	4.8%	5.2%
Massachusetts	6.9%	6.0%	5.4%	4.3%	4.0%	3.3%	3.2%	2.6%	3.7%	5.3%	5.8%
New England	6.8%	5.9%	5.4%	4.8%	4.4%	3.5%	3.3%	2.8%	3.7%	4.9%	5.4%
United States	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.7%	5.8%	6.0%

(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.

As the following table illustrates, monthly data for 2004, through four months, show a decrease over 2003 data for all areas. In April 2004, Boston's unemployment rate registered 4.5% compared with the 5.8% mark one year earlier in April 2003 and the 5.6% rate two years earlier in April 2002. The number of unemployed in April 2004 was 13,782 having fallen from the 17,889 unemployed in April of 2003.

**Monthly Unemployment Rates for Boston, Boston PMSA, Massachusetts,
New England and the United States for 2002, 2003 and 2004⁽¹⁾**

	City of Boston			Boston PMSA ⁽²⁾			Massachusetts			New England			United States		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Jan.	5.7%	5.9%	5.6%	4.8%	5.4%	5.2%	5.5%	6.2%	6.2%	5.2%	5.9%	5.7%	6.3	6.5%	6.3%
Feb.	5.5	5.7	5.1	4.7	5.3	4.8	5.4	6.2	5.8	5.2	5.9	5.5	6.1	6.4	6.0
Mar.	5.7	6.1	5.1	4.9	5.5	4.7	5.5	6.4	5.6	5.1	6.0	5.3	6.1	6.2	6.0
Apr.	5.6	5.8	4.5	4.6	5.1	4.0	5.1	5.7	4.6	4.7	5.5	4.6	5.7	5.8	5.4
May.....	5.6	6.0	NA	4.5	5.1	NA	4.9	5.6	NA	4.6	5.3	NA	5.5	5.8	5.3
Jun.	6.1	6.5	NA	5.0	5.4	NA	5.4	5.9	NA	4.9	5.5	NA	6.0	6.5	NA
Jul.	6.3	6.7	NA	5.2	5.5	NA	5.6	6.0	NA	4.9	5.5	NA	5.9	6.3	NA
Aug.....	6.1	6.7	NA	5.0	5.4	NA	5.4	5.8	NA	4.8	5.3	NA	5.7	6.0	NA
Sep.....	6.3	6.6	NA	5.2	5.5	NA	5.5	5.9	NA	4.8	5.2	NA	5.4	5.8	NA
Oct.....	5.7	5.8	NA	4.8	4.9	NA	5.2	5.4	NA	4.7	5.0	NA	5.3	5.6	NA
Nov.....	5.6	5.5	NA	4.7	4.7	NA	5.1	5.3	NA	4.7	5.0	NA	5.6	5.6	NA
Dec.....	5.3	5.2	NA	4.6	4.7	NA	5.1	5.4	NA	4.8	5.1	NA	5.7	5.4	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 (June 2004).

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.

**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, UNICCO 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 an estimated 81,861 federal state and local government workers in Boston in 2003, a reduction of 17,063, or -17.2% 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.

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

	1970		1980		1990		2000	
	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>	<u>Persons</u>	<u>Percent</u>
Fewer 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

Note: GED stands for General Equivalency Diploma, which is equivalent to regular high school diploma and is earned by someone for completing work for graduation after having left high school.

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

Income, Wages, and Cost of Living

Per capita personal income for Suffolk County was \$41,227 in 2002, 33% above the national per capita personal income of \$30,906, 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.

**Per Capita Personal Income Comparisons, 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.....	19,447	22,712	23,043	24,702	24,641
1991.....	19,892	22,969	23,423	25,142	24,983
1992.....	20,854	24,172	24,538	26,451	25,936
1993.....	21,346	24,752	25,176	27,138	26,415
1994.....	22,172	25,687	26,303	28,336	27,648
1995.....	23,076	26,832	27,457	29,621	28,232
1996.....	24,175	28,194	28,933	31,280	29,810
1997.....	25,334	29,687	30,498	32,877	30,990
1998.....	26,883	31,677	32,524	35,211	33,529
1999.....	27,939	33,126	34,227	37,219	35,030
2000.....	29,847	36,121	37,756	41,435	38,134
2001.....	30,527	37,183	38,945	42,501	40,644
2002.....	30,906	37,413	39,085	42,501	41,227

(1) Metropolitan Boston denotes the Boston-Cambridge-Quincy, MA-NH (MSA). The Boston-Cambridge-Quincy, MA-NH (MSA) consists of five Massachusetts counties and Rockingham and Strafford County in New Hampshire.

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

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, June 2004.

Data for 2000 from the U.S. Bureau of Economic Analysis indicate that the average annual wage per job for 2002, 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 (\$56,945) was 21% greater than that in the Boston metropolitan area (\$47,421) and 30% greater than the average state earnings level (\$43,865). The average annual wage per job reflects the combined income earned by individuals at their place of work for all industries combined.

**Average Wage Per Job Comparison, 1970, 1980, 1990, 2000-2002
(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.....	\$ 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.....	34,718	39,918	43,218	47,042	55,522
2001.....	35,604	40,833	43,849	47,651	57,601
2002.....	36,167	41,036	43,865	47,421	56,945

(3) Metropolitan Boston denotes the Boston-Cambridge-Quincy, MA-NH (MSA). The Boston-Cambridge-Quincy, MA-NH (MSA) consists of five Massachusetts counties and Rockingham and Strafford County in New Hampshire.

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

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, June 2004.

During the years 1991-2003, based on the U.S. Bureau of Labor Statistics Consumer Price Index, the cost of living index rose at an annual average rate of 2.89% in the Boston metropolitan area, while the national index increased at a 2.56% annual rate. In 2003 the index for Boston rose at 3.8% while the national rate grew by 2.3%. From November 2003 to November 2004, the cost of living in the Boston metropolitan (Boston PMSA) area rose 3.2%, compared to a 3.1% rate rise for the nation.

**Consumer Price Index for All Urban Consumers
For 1991 through May 2004
(CPI-U)**

	<u>United States</u>	<u>Percent</u>	<u>Metro Boston</u>	<u>Percent</u>
	<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
2003.....	184.0	2.3	203.9	3.8
2003 (May).....	183.5	-0.3	202.3	-0.8
2004 (May).....	189.1	3.1	208.7	3.2

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 2003 have been released for states. The latest estimates for cities are for 2002. The population estimate for Massachusetts as of July 1, 2003 was 6,433,422, a gain of 1.3% over April of 2000. The population estimate for Boston as of July 1, 2002 was 589,281, a marginal gain.

**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>	
					<u>Population</u>	<u>Percent</u>	<u>Population</u>	<u>Percent</u>	<u>Population</u>	<u>Percent</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)	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.

Although, data from the 2000 Census has been reported to Boston since 2001, only but not all information regarding the demographic and housing characteristics of Boston's resident population is 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 edged only 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 2003, there were an estimated 106,989 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 6 jobs within the City. Growth in the health services sector has been stable, despite varying economic conditions. Data from this employment series showed that the number of hospital employees in Boston between 2001 and 2003 grew from 65,414 to an estimated 73,514.

According to the BRA, the City’s hospital and medical school community invested over \$1.5 billion in new facilities from 1984 to 2003. Large new hospital expansion projects completed over the 1984-1996 period included: 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 Shriners’ Burns Institute’s new building and the Franciscan Hospital gymnasium were finished. A new South End Health Center with 121,661 square-feet of space was opened in 2001. 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. In 2003, Building 114 in the Charlestown Navy Yard with 90,000 square-feet of medical research space for Massachusetts General Hospital was renovated and opened.

As of January 2004, 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. At Harvard Dental

School in the Longwood section of Boston, a new building with 24,000 square-feet of educational space and 16,000 square-feet of medical research space is now in construction. At Boston University a new \$80 million sciences building with 187,000 square-feet of medical research space is ongoing. Massachusetts General Hospital also has begun work on a \$125 million new 420,000 square foot ambulatory care facility with a 220,000 square foot outpatient clinic and a 725-car garage. Mass. General Hospital is also participating in the redevelopment of the Charles River Plaza expansion that will provide 387,000 square-feet of medical research space and some ancillary retail space to the West End. Several BRA Board-approved medical projects include: the Joslin Diabetes Center's proposed 490,000 square-foot expansion project; the 105,000 square-foot Boston University Medical Center's Moakley Cancer Care Center; the 575,000 square-foot Blackfan Research Center in the Longwood area; and a medical research and educational building for Harvard University.

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 2002-2003, the New England Board of Higher Education reported 74 colleges and universities in the Boston metropolitan area (PMSA), at which over 275,000 students were enrolled. The City's 34 universities, colleges and community colleges had a combined enrollment in fall 2002 of approximately 136,536, a 7.2% gain from fall of 1990. These numbers include the medical schools of Harvard and Tufts Universities, whose principal campuses are in Cambridge and Medford, respectively, which had 1,495 students in the City in 2002. 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 2002, with 28,982 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. In 2002 four developments were completed: Northeastern University finished the Behrakis Health science Building with 120,000 square-feet; Tufts University completed a Biomedical Research and Nutrition complex, a building of 146,800 square-feet; Simmons College finished a new Graduate Center; and Harvard Business School completed

the 47,000 square-foot Hawes Hall. In 2003 Boston College added a Faculty Administration building with 156,000 square feet of space.

Between 1990 and 2002, Boston's colleges and universities added 10,511 dormitory beds, the equivalent of approximately 2,600 apartment units. 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 dormitory in July of 2002.

A number of dormitory and academic facilities are currently being constructed, or have recently been approved. Boston College, is building a new Residence Hall on St. Thomas More Drive with 104,000 square feet of space. Harvard is building a new 24,000 square-foot Dental school that also houses medical research uses. The Massachusetts College of Pharmacy is constructing a 93,300 square-foot addition to the White building. Northeastern University is making modifications to the 294,000 square-foot West Village. Also, the Judge Baker Children's Center began construction on a 63,000 square-foot facility. 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. Educational projects that are approved by the BRA Board include the 72,000 square-foot Boston College Yawkey Athletic Center, a 60,000 square-foot addition to BC High School, and a new \$60 million dormitory for Emerson College. Harvard University continues its planning for future academic uses in the Allston neighborhood on land it owns near the Business School Campus and the athletic fields.

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 \$7.3 billion for hotel accommodations, meals, entertainment, shopping, transportation and other services during 2002. The latest data for Suffolk County indicates that in the county alone the total domestic direct traveler impact in 2002 was \$4.4 billion, supporting 41,050 jobs and a payroll of \$1.1 billion, while generating \$123 million in state tax receipts and \$78 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 2003 Boston's 106th 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 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, 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 and the Huntington Theatre Company are working together on two new theaters now under construction that will open in the fall of 2004. Clear Channel, Inc. will complete its \$37 million renovation of The Boston Opera House on Washington Street in the summer of 2004. For the long-term, the Massachusetts Horticultural Society continues its effort to build a "Garden Under Glass" on a parcel atop the Central Artery, see "Large Public Sector Projects," below. The Institute for Contemporary Art (the "ICA") is completing its designs for a new facility on the Boston Waterfront. Over 100 new permanent artist studios will be under construction in the Fort Point Channel area and in Jamaica Plain. The City has also selected a developer to create 54 more artist studios in the South End. In April 2004, Artists for Humanities, a non-profit organization that helps Boston's youth explore careers in the fields of arts and design by working with professionals in those fields, completed a 23,500 square-foot building in South Boston containing an art gallery, a performance studio, a function hall, a photography studio, a darkroom, graphic design printing studios, and office space.

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 2004 eighteen new hotels and five expansion projects were completed, adding a total of 4,055 rooms. During 2003 and the first six months of 2004, the following hotels were completed: Embassy Suites, a 273 room hotel in East Boston near Logan International Airport; Commonwealth Hotel, a 149-room new hotel in Kenmore Square; the Marriott Residence Inn at Tudor Wharf, a 168-room new hotel in Charlestown; a 81-room Courtyard by Marriott at 88 Exeter Street in the Back Bay; the Hotel Onyx, a 112-room Kimpton new hotel near North Station; the Hampton Inn at Crosstown, a 175-room new hotel that is part of a mixed-use development of office, hotel, and retail space in Roxbury; and Jurys Boston, a 220-room Jurys Doyle establishment in the Back Bay created through the adaptive re-use of a former police headquarters building..

Four other hotels are now under construction in Boston. The Bulfinch Hotel, an 80-room adaptive re-use development near North Station is scheduled to open during the summer of 2004. A 164-room Courtyard by Marriott in the South Bay/ Roxbury district will open in 2005. An Intercontinental Hotel is under construction in downtown Boston at 500 Atlantic Avenue and will also contain 130 residential

condominiums, due to open in late Summer 2006. The 790-room Westin Headquarters hotel is under construction at the site of the new Boston Convention and Exhibition Center (BCEC). This phase of the Westin hotel is scheduled to open in 2006; a second phase of 320 additional rooms has been approved but not scheduled. Nine more hotels have BRA Board approvals but are not yet started.

Between 1991 and 2000, average annual occupancy rates grew steadily from 70.1% to 78.4% and average daily room rates rose steadily from \$118.17 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 2001 the occupancy rate fell to 69.6% and the room rate to \$182.52. For 2002, though, Boston's hotel occupancy, according to Pinnacle Advisory Group, an independent hospitality industry consultant, stood at 72.2% and the average daily room rate registered \$164.39. Pinnacle reported a 4.2% increase in Boston hotel demand for the year 2003, but with room supply growing even more than demand, the annual occupancy rate slid to 70.9% and Average Daily room Rate declined further, to \$154.43. The combined effect was a 7.7% reduction in Revenue Per Available Room (RevPAR) in 2003 compared to 2002. The first four months of 2004 have seen a 7.9% increase in room demand, an increase in the occupancy rate to 64.5%, up from 60.9% for the first four months of 2003, a 3.2% increase in Average Daily Rate, and a 9.3% jump in RevPAR.

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. The Massachusetts Bay Transportation Authority ("MBTA") provides commuter rail, subway, local bus and express bus services to 175 cities and towns in eastern Massachusetts, which includes a population of 2.8 million people in an area of 1,038 square miles. The MBTA, the fifth largest mass transit system in the nation as determined by ridership, currently serves about 1.2 million persons per day. The draft capital plan for 2004-2008 is not yet approved but is currently under review.

The capital program of the MBTA (Capital Investment Program) totals approximately \$2.8 billion over fiscal years 2003-2008, averaging about \$529 million per year. Approximately \$1.76 billion of bonds will be issued to fund capital expenditures, approximately \$1.1 billion of capital expenditures is expected to 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 for fiscal years 2003-2008 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; 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 spaces 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 2003-2008 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 2004. 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 2003 exceeded \$2.93 billion, consisting of \$2.36 billion invested in airports and \$566 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. Since 1998 the Port of Boston has ranked as the 12th largest container port on the U.S. Atlantic Coast by container volume and for the past 20 years, the Port has handled between 1.2% and 1.8% of all U.S. Atlantic Coast port volume. During fiscal 2003 the Port activity of 86,149 boxed containers increased 18.8% over fiscal 2002, primarily as a result of new far-east service provided by COSCO, while the 29,559 automobiles handled in fiscal 2003 decreased by 63% from fiscal 2002 (reflecting the relocation of Volkswagen’s importing business from Moran Terminal to Rhode Island) and the 162,824 in bulk tonnage for fiscal 2003 decreased by 21.6% from fiscal 2002’s bulk tonnage.

The Port of Boston is now a major cruise port. The total number (207,245) of cruise passengers decreased in fiscal 2003 by 15.9% compared to fiscal 2002 but grew 11.4% compared to fiscal 2001, reflecting both a trend of continued growth as well as a large one-time increase in fiscal 2002 due to passengers diverted from New York City following the September 11, 2001 incident. 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 2003, Logan Airport served a total of 22.6 million passengers, an increase from the 22.1 million passengers served in 2002. Through November, fiscal 2003 passenger volume was off by 1.7% to 10.2 million from 10.0 million for the same eleven months of fiscal 2002. A report on calendar year 2002 prepared by Airports Council International (“ACI”) showed that Logan was the most active airport in New England, the 20th most active in the United States and the 37th 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 17th in the nation in total air cargo volume in 2002. In fiscal 2003 total combined cargo and mail volume was 817.8 million pounds a 2.9% increase from the 842.2 million pounds in fiscal 2002.

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. Data on building permit revenues for fiscal 2004 is available for the first six months of the twelve month period and shows that permit revenues would be \$19.3 million for the full year (annualized) and that estimated potential construction activity for the full year would total \$2.27 billion.

**Boston Building Permit Revenues and Estimated Potential Construction Activity
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	2,241,781,647
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>\$18,901,198,406</u>
Annual Average 1994-2003.....	\$14,812,410	\$1,742,636,519	\$1,890,119,841

NOTE: The estimated building permit revenue for fiscal 2004, annualized based upon the last two quarters of data for calendar 2003 is \$19,349,872. Based on these permit revenues the estimated potential construction activity for full fiscal 2004 would be \$2,276,455,529 in November 2003 dollars.

- (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 Boston).

Source: City of Boston, Auditing Department and City of Boston Annual Reports. Compiled by Boston Redevelopment Authority’s Policy Development and Research Department (January 2004).

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 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. The 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. An initial opening of the southbound Central Artery segment occurred in December 2003 with a complete opening scheduled between March and July 2005. Demolition of the existing elevated structure is currently progressing rapidly. Construction on the development parcels including landscaping and parks will begin after the Transportation Projects are finished.

On July 31, 2003, the Turnpike Authority finalized its annual comprehensive cost and schedule review ("CSU Rev. 10") 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 project's annual finance plan submitted to the Federal Highway Administration on September 26, 2003. (The "September 2003 Finance Plan"). The Turnpike Authority estimated total project costs to be \$14.63 billion, with no increase over the October 2002 Finance Plan.

The CSU 10 included a contingency account budgeted at \$334.9 million, of which approximately \$62.0 million was allocated for unanticipated risks. In July 30, 2003 the Federal Highway Administration submitted to the Turnpike Authority the results of its annual budget review of the CA/T project. The Federal Highway Administration estimates that the total cost of the project to be \$14.52 billion, as compared to the 2002 estimate of \$14.46 billion.

The Commonwealth's Executive Office for Administration and Finance engaged an independent auditor to review and evaluate CSU 10, as required for the U.S. DOT's approval of the September 2003 Finance Plan. The independent auditor has filed its draft final report on CSU Rev. 10. The final report concluded that the total cost estimate of the CA/T Project in the amount of \$14.63 billion set forth in CSU10 was aggressive but did not recommend that the estimate be increased.

The Claims and Changes Department of the CA/T Project is responsible for administering the commercial aspects of the CA/T Project's construction contracts. In the fall of 2002, the Turnpike Authority Chairman directed the Claims and Changes Department to establish a "close-out" plan to resolve the pending backlog of contractor claims on the CA/T Project (at that time there were nearly 5,000 outstanding change order issues and claims with an average age of over 300 days). In February 2003, the National Academy of Engineering and the National Research Council (NRC) issued a report to the Turnpike Authority that identified as a major priority the resolution of outstanding CA/T Project contractor claims by July 2004. The Turnpike Authority Chairman has approved a Claims and Changes Department claim resolution plan with the objective of meeting the National Academy's recommended target date of July 2004.

In general, the claim resolution plan provides for (1) targeting complete or nearly complete contracts that have a large number and magnitude of claims; (2) establishing a dedicated negotiation team comprised of a Team Leader with technical support from other CA/T personnel (estimators, schedulers, auditors, etc.); and (3) entering into structured negotiation agreements with contractors that provide for, among other things, scheduled claim submissions, negotiations, and, if necessary, mediation. Consistent with the NRC recommendation, a significant budget commitment has been made to enhance the in-house staff and consultant resources necessary to support the claim resolution program. In addition, the Turnpike Authority is in the process of retaining nationally recognized claims and audit experts to assist the CA/T Project staff

in analyzing, negotiating, and documenting prompt and equitable resolutions of all open matters with CA/T Project construction contractors.

The outstanding claim from Honeywell Technology Solutions, Inc. is currently being handled by the Claims and Changes Department with assistance from other departments of the CA/T Project. Due to the advanced state of construction on the CA/T Project and previous completion of certain CA/T Project milestones, management of the CA/T Project believes that risks associated with nonperformance of accelerated work by Honeywell on its contract have been substantially mitigated.

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 costing approximately \$3.5 billion (1999 dollars) and brought wastewater discharges in Boston Harbor into compliance with federal and state requirements.

The MWRA has also spent approximately \$680 million of Wastewater System Improvements and approximately \$1.4 billion on Waterworks System Improvements. The largest expenditures have been for the Walnut Hill Treatment Plant, improved water storage facilities and reduction of combined sewer overflow.

The MWRA is planning to spend approximately \$1.6 billion on additional water and wastewater system improvements over the next ten years. The largest expenditures will be to rehabilitate large sewer interceptors and pump stations, combined sewer overflow projects, and water treatment and distribution system improvements. 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 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 Boston Water and Sewer Commission (the “BWSC”), which pays approximately 31% 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 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. Construction is underway at Maverick Gardens, the BHA’s latest Hope VI site. Also, the BHA is commencing a Hope VI planning process for the Franklin Hill site. In Jamaica Plain, 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 located at 80-90 Bickford Street, which 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 and its role in the project is essentially completed. The MCCA is responsible for the design and construction of the BCEC project, and its operation upon completion. The construction of the BCEC was completed in June of 2004.

To date, the BRA has been reimbursed \$164.5 million by the City and \$53.9 by the Commonwealth for the site acquisition and preparation costs. Additional cost for site acquisition and preparation 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-tenth of the site acreage). The City estimates that the potential liability for site acquisition and preparation costs will not exceed the total amount authorized in the Convention Center Act.

All cost 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. A guaranteed maximum price 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.

In addition to the BCEC Project, the MCCA is involved in 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 Resorts Worldwide 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 an agreement with Starwood Hotels to join the development team. Preliminary work on the hotel project, such as design and permitting, is proceeding. Construction has been delayed as the developer sought financing for the project. The development team was selected to receive a \$15 million HUD loan from the City of Boston. The hotel’s financing was finalized and construction began in the June of 2004.

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 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 Hotel in Newmarket, Katsiroubas Brothers also in Newmarket, Blue Hill Commons on Blue Hill Avenue and Crosstown Center in Crosstown have all utilized bonds to spearhead investment in the EZ. The bonds have been issued through the City of Boston's Industrial Development Financing Authority, as a collaborative partner.

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 a 175-room hotel, 60,000 square feet of retail space, and a 650-space parking garage. This Phase I will create approximately 1,100 permanent jobs. All jobs will include a benefits package. Crosstown Associates, LLC has been working with BCI, local community-based organizations, and neighborhood residents of the EZ to prepare Zone residents for employment opportunities arising from the Crosstown Center Project. Crosstown Associates, LLC is further committed to hiring residents of the EZ. This phase of the project will open by June 2004 at the corner of Massachusetts Avenue and Melnea Cass Boulevard. Phase II will include offices and additional parking. 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 has invested \$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 child care 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 cross-cutting goals of EZs 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, including 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 1999, Boston received a HUD Enhanced Enterprise Community ("EEC") designation in December 1994. 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 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 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 whom have been trained by EZ funding. The use of wage credits has also facilitated the hiring of Zone residents and affected businesses’ bottom line.

Office Market and New Development

The City and its neighborhoods currently have approximately 66.3 million square feet of office space. By the first quarter of 2004 (April 30th) Boston’s overall vacancy rate according to CB Richard Ellis was 12.3% (16.0% availability when including space to sub-let). Another realty firm, Spaulding & Slye, places the City’s office vacancy rate at 11.9%. (availability 17.4%) There is no accepted standard accounting for office vacancy rates so private realty firm 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 late-2003. Absorption through April 2004 according to CB Richard Ellis was 144,361 square feet. In the first quarter of 2004, CB Richard Ellis pegged Boston’s office vacancy rate at 12.3%, which, despite being high, still ranked Boston as the fifth best downtown office market out of the nations twenty largest downtowns.

From 2000 through 2002, thirteen office projects were completed. In 2000 there were three: 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 2003 construction was completed at four developments: 131 Dartmouth Street, a \$60 million, 11-story, 365,000 square foot building in the Back Bay district; One Lincoln Street, a \$350 million, 1,020,000 square foot office tower at the former Kingston-Bedford garage site in the Financial District which is 100% leased to State Street Financial; two buildings in the City Square section of Charlestown containing 156,000 square feet of office space; and One Brigham Circle (The Ledge Site) in the Mission Hill neighborhood with 177,000 square feet of space. As of June 2004, four major downtown office projects with 1.5 million square feet of new office space were nearing completion: ManuLife Financial, a 14-story, 470,000 square foot building in the South Boston Waterfront area; 33 Arch Street a \$240 million, 936,000 square foot building (533,197 sf of office space and a 880 car garage); 100 Cambridge Street (The former State Saltonstall building), a 278,849 square foot renovation of an existing building (half of which will now be State offices and the other half rented to private sector tenants); and the 226 Causeway Street

renovation with 171,610 square feet in the North Station district. In the neighborhoods two large office projects with about 1.1 million square feet of new and renovated office space under construction: Crosstown Center in Roxbury with 282,000 square feet of office space; and Hood Business Park in Charlestown, a 775,000 square foot renovation.

For completion beyond 2005, several large office developments are in the planning stages. Projects that are BRA Board approved but not started include: Two Financial Center, a 176,838 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 more 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 2007 at the earliest. The largest one of these is the South Station Air Rights with 1.2 million square feet of office space

Boston Office Market—April 30, 2004

<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.....	34,625,200	18.4%	13.0%	-81,826	\$35.69
Back Bay.....	13,276,087	14.8	12.0	-65,159	\$33.67
South Boston Seaport District.....	4,392,217	19.1	18.3	-46,655	\$26.29
Charlestown/East Boston.....	2,848,796	9.9	9.3	-11,530	\$22.49
North Station/Waterfront.....	2,772,313	14.5	13.3	-20,553	\$24.39
Midtown.....	2,662,772	4.1	3.9	16,274	\$22.63
South Station.....	1,370,407	15.3	11.3	64,311	\$23.97
Dorchester/South Boston.....	860,987	10.0	10.0	26,100	\$26.26
Allston/Brighton/Longwood Medical..	1,613,936	10.4	8.8	-54,047	\$21.96
Fenway/Kenmore Square.....	1,929,639	8.1	7.9	28,724	\$22.84
Total Boston Office Market.....	66,352,354	16.0	12.3	-144,361	\$33.20

* Columns may not add due to rounding.

Source: CB Richard Ellis, First Quarter 2004. Total figures calculated by BRA from CB Richard Ellis figures on each market.

Comparative Office Vacancy Rates 20 Largest Downtown Office Markets as of April 30, 2004

<u>City</u>	<u>Vacancy Rate</u>	<u>City</u>	<u>Vacancy Rate</u>
Washington DC.....	8.0%	Oakland.....	17.3%
San Diego.....	9.0	Baltimore.....	17.4
Manhattan (Midtown).....	9.2	San Francisco.....	18.2
Philadelphia.....	11.3	Minneapolis-St. Paul.....	19.1
Boston.....	12.3	Atlanta.....	21.0
Chicago.....	13.4	Phoenix.....	21.3
Seattle.....	15.4	Houston.....	22.4
Manhattan (Downtown).....	15.6	Dallas.....	24.5
Los Angeles.....	16.9	Detroit.....	24.9
Denver.....	16.9	Kansas City.....	25.1

National Average⁽¹⁾ 14.7%

(1) National Average is based on 52 U.S. cities (44 downtowns) from the CB Richard Ellis Office Vacancy Index.

Source: CB Richard Ellis Office Vacancy Index, First Quarter 2004.

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 15 million square feet of retail space in the City, approximately 7.25 million square feet are located in downtown Boston and Back Bay and almost 8 million square feet in the neighborhoods. For 2003 it is estimated that there are about 63,000 employees in retail stores consisting of about 30,000 in retail and 33,000 in food and beverage establishments. 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. 2002 figures on sales are close to \$6.5 billion. In addition to retail there are about 16,000 employees in personal services businesses that range from laundry, dry cleaning, and beauty and barbering services to travel, rental copying, and banking services that handle retail customers. These businesses do over \$1.0 billion in sales annually in Boston.

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 CVS at 55 Summer Street; a Walgreen's at Winthrop Square; and a Sports Club/LA and Loews 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 square feet) 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. 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, was completed in the 1990s containing The Home Depot, the first inner-city store for the company, as well as K-Mart, Toys-R-U's, a supermarket and other stores. Target announced plans in 2003 to replace the K-Mart store, following bankruptcy plans that have closed 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 completion of 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 recently completed in City Square Charlestown (CANA Parcels 2 and 4) have added 44,000-square feet of store space. These are all solid signs of investment in the inner-city neighborhoods.

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, from its inception through the end of December 2003, has generated 444 net new and expanded businesses, created more than 3,000 net new jobs, assisted in 3,057 storefront improvement projects, and given design assistance to 506 businesses. Through December 2002, the Main Streets Program had leveraged more than \$7.9 million in private investment.

Also of importance are the supermarket developments that have taken place throughout Boston's neighborhood. Twenty-one new or expanded supermarkets have opened in Boston's neighborhoods since 1992. Ten of these have opened in the past six years while two have been expanded. Shaw's Supermarkets recently opened a 57,000 square foot store at the Prudential Center in the Back Bay and also has a 55,000 square foot store under construction in Dorchester's Lower Mills.

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 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.

In 2003 Pilot Sea Food completed a 65,999 square foot processing plant while Legal Sea Food completed a 75,000 square foot building, both near the South Boston waterfront. In Dorchester, the Dutch Maid Bakery expansion of 38,000 square feet and a graphics services office at 65 Bay Street with 76,000 square feet of space were completed in 2003. In Brighton, the New Balance (athletic shoe manufacturing) building was completed.

Other industrial projects are also in motion in 2004 around the City. A public storage facility in South Boston with 88,464 square feet of space is under construction. R & R Sales is BRA Board approved to build a 30,000 square foot building with manufacturing uses in Roxbury at 174 Hampden Street.

Mayor Menino announced the Back Streets Initiative in November of 2002, a plan to support and strengthen neighborhood industrial uses. The goal of the Back Streets Initiative is to foster commercial and industrial business growth and thereby stimulate the economy, strengthen neighborhoods, and create jobs. Areas of the city designated as Back Streets areas, which combined have existing businesses with 4,000 companies and 100,000 jobs, are eligible for loan financing.

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 38,000 in 2000. Public and publicly assisted housing presently total 49,868 units constituting over 19% 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.

An April 2004 study done by the Department of Neighborhood Development showed that the median rent for an apartment in Boston in 2003 as advertised in the newspapers was \$1,400 per month for a two-bedroom apartment. Median rents for a two bedroom apartment ranged from a high of \$2,250 in the Back Bay to a low of \$1,150 in East Boston.

**Median Advertised Asking Monthly Rent in Boston Neighborhoods
and the Volume of Advertised Two-Bedroom Apartments
For 2001 and 2003**

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>2002</u>	<u>2003</u>	<u>Percent</u>	<u>2002</u>	<u>2003</u>	<u>Percent</u>
Allston/Brighton	\$1,450	\$1,350	-7%	449	462	2.9%
Back Bay/Beacon Hill	2,100	2,250	7	492	556	13.0
Central	1,998	2,100	5	280	242	-13.6
Charlestown.....	1,800	1,700	-6	187	164	-12.3
Dorchester	1,300	1,250	-4	83	115	38.6
East Boston.....	1,200	1,150	-4	53	43	-18.9
Fenway/Kenmore	1,613	1,650	2	48	66	37.5
Hyde Park.....	1,250	1,325	6	23	50	117.4
Jamaica Plain.....	1,500	1,400	-7	180	220	22.2
Mattapan.....	**	1,350	***	6	16	***
Roslindale.....	1,300	1,250	-4	95	124	30.5
Roxbury.....	1,398	1,350	-4	20	23	15.0
South Boston	1,450	1,400	-4	228	245	7.5
South End	1,800	1,900	5	131	148	13.0
West Roxbury.....	1,300	1,300	0	92	109	18.5
<u>Citywide</u>	<u>1,550</u>	<u>1,400</u>	<u>-11</u>	<u>2,367</u>	<u>2,583</u>	<u>17.6</u>

** 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, Annual Report 2003." 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 (April 2004).

After nearly five years of relative stability from 1992 through 1995, 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 \$415,525 for 2003, a 4.6% increase over the 2002 median sales price. The 2002 price of \$397,200 was 12% higher than the price for 2001. Between 1996 and 2003 the median price increased by 120%.

**Greater Boston Annual Median Sales Prices for Existing Homes, 1992-2003
(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	397,200	12.0
<u>2003.....</u>	<u>413,500</u>	<u>409,100</u>	<u>432,700</u>	<u>406,800</u>	<u>415,525</u>	<u>4.6</u>

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 (May 2004).

Within the City, residential sales prices increased steadily from the beginning of 1998 through the end of 2003. The median sales price for a single-family home in Boston increased from \$270,000 in the first quarter of 2002 to \$330,500 in the fourth quarter of 2002, a 22% rise over twenty-one months. Condominium prices also increased from \$285,000 in the first quarter of 2002 to \$326,000 in the fourth quarter of 2003, a 14% rise in twenty-one months.

**Median Residential Sales Prices for Boston
First Quarter 2001 Through Fourth 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>
2002	First	\$270,000	\$310,000	\$336,250	\$285,000
	Second	287,500	342,500	360,000	305,000
	Third	320,000	375,000	400,000	300,000
	Fourth	300,000	364,000	417,000	295,000
2003	First	\$319,500	\$375,000	\$424,000	\$294,000
	Second	338,950	386,000	430,000	319,000
	Third	335,000	430,000	460,000	302,250
	Fourth	330,500	434,000	466,000	326,000

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data (June 2004).

Banker & Tradesman, a local trade journal, reported that during the full year 2003 there were 1% more total residential sales in the City than there were in the full year 2002 (8,960 versus 8,893). Sales of single-family homes remained roughly the same and sales of condominiums and multi-family non-condominiums rose slightly in 2003 compared with 2002.

**Annual Residential and Condominium Sales in Boston
1991-2002 and First Four Months of 2003**

<u>Year</u>	<u>Single Family Sales</u>	<u>Percent Change</u>	<u>Multi-Fam. Residential Sales ⁽¹⁾</u>	<u>Percent Change</u>	<u>Total Condominium Sales</u>	<u>Percent Change</u>	<u>Residential and Condo Sales ⁽²⁾</u>	<u>Percent Change</u>
1991	906	1%	1,662	-15%	2,028	-9%	4,596	-10%
1992	1,114	23	1,720	4	2,432	20	5,266	15
1993	1,264	13	2,059	20	2,827	16	6,150	17
1994	1,596	26	2,619	27	3,024	7	7,239	18
1995	1,564	-2	2,696	3	2,925	-3	7,185	-1
1996	1,578	1	2,743	2	3,566	22	7,887	10
1997	1,616	2	2,854	4	4,017	13	8,487	8
1998	1,505	-7	3,032	6	4,431	10	8,968	6
1999	1,569	4	3,242	8	5,089	15	9,901	10
2000	1,335	-15	2,919	-10	4,757	-7	9,011	-9
2001	1,281	-4	2,407	-18	4,266	-10	7,954	-12
2002	1,372	7	2,410	0	5,111	20	8,893	12
2003	1,369	0	2,433	0	5,158	1	8,960	1

(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 (June 2004).

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 \$242,000 in East Boston to \$2.275 million in the Back Bay with the median at \$333,000 and the typical house going for \$360,000 in West Roxbury, the most suburban-style single family neighborhood within the City limits. The median sales price was up 13% and the sales volume was down 9% between 2002 and 2003.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, 2002 and 2003
(Not inflation adjusted)

<u>Neighborhood</u>	<u>2002 Single Family Price</u>	<u>2003 Single Family Price</u>	<u>Percent Change</u>	<u>2002 Sales Volume</u>	<u>2003 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$364,000	\$380,000	4%	63	73	16%
Back Bay/Beacon Hill ...	1,600,000	2,275,000	42%	19	29	53
Central	**	**	***	1	4	***
Charlestown.....	446,200	463,000	4	72	60	-17
Dorchester	265,000	315,000	19	185	185	0
East Boston.....	187,500	242,000	29	53	44	-17
Fenway/Kenmore	**	**	***	1	1	***
Hyde Park.....	255,000	295,000	16	227	161	-29
Jamaica Plain.....	442,250	510,000	15	80	63	-21
Mattapan.....	205,000	255,000	24	84	83	-1
Roslindale.....	309,000	333,000	8	133	164	23
Roxbury.....	228,000	293,500	29	56	44	-21
South Boston	312,500	325,000	4	74	63	-15
South End	717,250	1,000,000	39	18	19	6
West Roxbury.....	340,000	360,000	6	295	241	-18
Citywide	295,000	333,000	13	1,361	1,235	-9

** 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 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, April 2004, Real Estate Trends, Annual Report 2003”.

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, the South End, and Charlestown neighborhoods, which are the core residential pockets of the City. Five neighborhoods still had condominiums with the median price of \$250,000 or below: Dorchester, East Boston, Hyde Park, Roxbury, and West Roxbury. The median citywide condominium price as of year-end 2003 was \$312,500, up 5% from the \$299,000 price for year-end 2002. Sales volume was down by 9%.

**Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, 2002 and 2003
(Not inflation adjusted)**

<u>Neighborhood</u>	<u>2002 Condominium Price</u>	<u>2003 Condominium Price</u>	<u>Percent Change</u>	<u>2002 Sales Volume</u>	<u>2003 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$209,000	\$237,000	13%	581	601	3%
Back Bay/Beacon Hill	400,000	435,000	9	893	677	-24
Central	409,000	439,000	7	511	413	-19
Charlestown.....	381,500	377,400	-1	373	258	-31
Dorchester	186,750	233,000	25	220	292	33
East Boston.....	156,000	173,875	11	82	52	-37
Fenway/Kenmore	250,000	263,000	5	264	241	-9
Hyde Park	120,000	231,500	93	43	61	42
Jamaica Plain.....	260,000	290,000	12	311	320	3
Mattapan.....	187,000	253,000	35	25	18	-28
Roslindale.....	229,500	269,000	17	170	131	-23
Roxbury.....	219,950	250,000	14	96	98	2
South Boston	273,250	305,000	12	466	436	-6
South End	400,000	395,000	-1	761	802	5
West Roxbury.....	190,000	217,750	15	171	140	-18
Citywide	299,000	312,500	5	4,967	4,540	-9

Note 1: These prices exempt all sales of properties of less than \$25,000 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., April 2004, “Real Estate Trends, Annual Report 2003.”.

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 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 14,744 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 2000 and 2003 with the first Leading The Way housing strategy. The City of Boston has counted 7,900 housing units added from 2000 through 2002 including more than 2,200 affordable new units. Another 5,000 households were protected from displacement through City efforts to prevent their subsidized apartments from becoming market-rate. Virtually all of the Boston Housing Authority’s vacant units are now being reclaimed to create new housing, particularly for the homeless.

The Leading the Way II housing strategy for 2004 through 2007 was released in May of 2004. The plan of action calls for: renovation of 2,000 buildings in visible disrepair; production of 10,000 new units of housing of which 2,100 will be below-market affordable ones; preserve 3,000 units of affordable rental housing; convert 300 units of unregulated rental housing into new, long-term affordable housing; launch a

\$10 program to expand housing opportunities for the homeless; and raise \$25 million in new resources for the construction of affordable housing.

Downtown and the Back Bay experienced significant residential building in 2000-2003 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 (21-stories, 102 units); Colonnade Residences (99 market rate units); 226 Causeway Street in North Station (108 total units, 20 affordable); and The Belvedere (11-stories, 65 units). Large housing developments under construction include: 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); and Parcel C/Oak Plaza in Chinatown (251 total units, 115 affordable). Major new residential projects approved in the Downtown area, among others, include: Battery Wharf in the North End (100 market rate units); 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); Liberty Place in Chinatown (440 units, 66 affordable); Kensington Place near Chinatown (346 units with 61 affordable); 500 Atlantic Avenue (141 market rate units); 140 Clarendon Street (the renovation of the former YWCA building into 188 units with 82 affordable); 80 Broad Street in the Financial District (95 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 now in construction with the redevelopment of the former St. John of God Hospital site (200 total units of which 58 are affordable) and B'nai Brith is building an addition with 42 housing units onto its existing Covenant House Elderly project. In Roxbury, Nazing Court Apartments (with 151 units, 100% affordable); 10 Coventry Street (63 units); and the Sister Clara Muhammad building on Magnolia Street (25 affordable units) are under construction. Also in Roxbury several larger developments are permitted or BRA Board approved: Hotel Dartmouth (65 units of mixed-income housing including 6 artists lofts); Washington Commons (50 units, 28 affordable); and Egleston Crossing (with 64 affordable units, all affordable). In Mattapan, the Foley Building (with 98 total units, 74 affordable) and the Harvard Commons development (with 98 total units, 74 affordable) are now in construction and three other larger developments with 161 units are BRA Board approved. In the South End and Bay Village, nine housing developments are under construction. The largest ones include: Rollins Square with 184 units (110 affordable); Parcel 8 - BCA (103 market rate units); Haley House Interfaith Residences (74 affordable units); 485-497 Harrison Avenue (39 units, 3 affordable); and 70-72 Northampton Street (32 units, 6 affordable). In Dorchester, three developments—Trinity Terrace (62 total units, all affordable); Talbot Bernard Homes and Talbot Bernard Senior Homes (75 affordable units); and the Howard Dacia Cooperative (26 affordable units) are all under construction. In the Fenway 580 Commonwealth Avenue (with 220 units) and three mid-sized developments with 73 units) are all under construction. In Jamaica Plain, JP CoHousing on Cornwall Street (with 30 units, 3 affordable) is under construction. In Roslindale, Sophia Snow House with 102 affordable units is BRA Board approved. In Charlestown the Charlestown Navy Yard parcel 4 Harborview Point development (with 215 units, 22 affordable) and the Little Neck Lofts (with 146 units, 15 affordable) are both BRA Board approved while the Mishawum Park Assisted Living Facility on West School Street (66 units of which 33 are affordable) is now under construction. In South Boston, a few of the larger developments are now in construction are: the Court Square Press Building (132 market-rate units); Channel Center (164 units); 3 Dorchester Street (54 units, 29 affordable); and 45 West Broadway (44 units, 8 affordable). Three large developments are approved—Massport Parcels F2, G and J (with 450 units, 12 affordable); D Street Residences (695 total units, 130 affordable); Midway/Channel Center (89 total units, 36 affordable); Channel Wharf (45 units, 5 affordable); and the redevelopment of 152 units (133 affordable units) at West Broadway. More developments in the neighborhoods are under review.

Clearly, the tight housing market has led to the substantial number of housing efforts underway in downtown Boston and in the neighborhoods, with many including "affordable" (below market rate) 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 has the authority to approve linkage grants to selected projects, except for the housing creation option, which require the additional approval by the BRA. Since the inception of the linkage program through January 6, 2003, \$77.7 million has been awarded to various affordable housing projects.

Based on data through 2003, this funding allowed the construction or renovation of 7,341 housing units in 89 projects in the City’s neighborhoods. Affordable housing units for low and moderate-income residents comprise 81% (5,968 units) of this total. Of these 89 housing developments created, linkage funds, for the most part, accounted for fewer than 7.5% of the total development costs of the projects. Only in one instance, in 1989, did linkage funds almost completely fund a project; it is no longer the policy of the NHT to be the sole source of funding for a project. Linkage money 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 fiscal year 1988-2003 time period \$13.6 million of funds had been committed and \$10 million of funds have been awarded resulting in the creation of 113 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 \$10 million awarded, approximately \$950,000 has been spent on administration, bringing total expenditures from the NJT to nearly \$11 million.

