

THE **BOSTON** ECONOMY

MOVING FORWARD

2005

604



CITY OF BOSTON
THOMAS M. MENINO, MAYOR

BOSTON REDEVELOPMENT AUTHORITY
MARK MALONEY, DIRECTOR

The Boston Economy 2005

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Report #604
October, 2005

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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 2005. 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.

THE BOSTON ECONOMY 2005 MOVING FORWARD

Executive summary and update of Boston's most recent economic conditions.

Boston's economy is once more showing signs of steady growth and of recovery from a regional economic recession after four years of a slow economy. The U.S. economic recession spanned from January 2001 through November 2001 and slow growth followed but Boston's regional economic recession lasted until late 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 a center for transportation, communications, export, cultural and entertainment activities. In government, 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 but are more specialties in its suburbs.

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

OVERVIEW OF CURRENT ECONOMIC CONDITIONS

The current regional economic recovery began in late 2003. Economic indicators reveal lower unemployment rates, and strengthened office and hotel markets since that time. Other positive signs include continued strong sales and prices of 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 have helped sustain economic growth.

Prior to the recent turnaround, over 56,000 jobs were lost between the high point of 2000 and year-end 2004 in Boston. Unemployment moved upwards from a very strong 3.0% in 2000 to 6.4% in 2003, before dropping to 5.5% in 2004.

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 have rebounded after several years of weakness, with occupancy rates increasing even as new rooms are added. Residential real estate has remained strong. Although sales volume has slowed slightly, steadily rising values have been bolstered by the continued low interest rates.

From the most recent data of late 2004 and early 2005 it appears that Boston's economy is moving forward and is growing again.

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 heart 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 2000 racial composition is 49.5% white and 50.5% minority.

EMPLOYMENT

The number of jobs in Boston was 631,321 in 2004. Although this represents a loss of 56,756 jobs compared to the all-time peak in 2000, it still represents a gain of 52,701 over the low reached in 1992. The 2000-2004 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 specialties.

In 2004, Boston's unemployment rate rose to an average of 5.5% for the year. This was a slight decrease from the 5.9% average unemployment rate in 2002. In 2004, Boston's unemployment rate was slightly higher than the state's rate of 5.1%, but equal to the national rate of 5.5%. Boston's unemployment rate registered 4.7% in August 2005 compared to 5.7% in August 2004.

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 15,896 by October 2005. Since 1997, twenty-five new hotels and five expansions have been completed in Boston adding 4,423 new rooms. Four more hotels, with 1,672 new rooms are under construction. Eight more hotels have been approved by the Boston Redevelopment Authority (BRA) but have not yet started.

Since 2001, when Boston's hotel occupancy rate dropped to 69.9%, according to Pinnacle Advisory Group, the occupancy rate for the Boston hotel market has climbed back up to 71.1% in 2003, and reached 73.7% through July of 2005. With room supply growing even more than demand, the average room rate has decreased from \$182.52 in 2001 to \$167.49 in 2004, and \$167.17 through July 2005.

OFFICE MARKET. The City currently has approximately 66.2 million square feet of office space. By the second quarter of 2005 (June 30th) Boston's overall vacancy rate according to CB Richard Ellis was 12.6% (15.5% availability when including space to sub-let). Another realty firm, Spaulding & Slye, placed the City's office vacancy

rate at 11.1% (availability 16.6%). Certainly, given the economic slowdown office vacancies have risen substantially from early 2001. Annual net absorption (rental) through June 2005 according to CB Richard Ellis was 63,725 square feet. In the second quarter of 2005, CB Richard Ellis ranked Boston's downtown office market with the 5th lowest vacancy rate among the 20 largest downtown office markets in the U.S.

In 2004, four major downtown office projects with 1.5 million square feet of new office space were completed: 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.); 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 completed: Crosstown Center (282,000 s.f.) in Roxbury; and a renovation at Hood Business Park (775,000 s.f.) in Charlestown.

As of October 2005, only one major office project is under construction; Lincoln Plaza, a large mixed use project with 119,000 square feet of office space. There are also several other office developments approved by the BRA Board and/or are proposed.

RETAIL MARKET. As of 2002, the date of the last U.S. Economic Census, Boston's metropolitan regional market was the ninth largest in the nation. Over 4,086 retail and eating and drinking establishments were located in the city, containing approximately 15 million square feet, and enjoying estimated total sales of \$7.2 billion.

Recent major retail store openings in downtown Boston over the last four 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. A major new retail development (97,464 s.f.) at 501 Boylston Street is also under construction with Swedish value retailer H & M committed to a 20,000 square foot lease.

In the neighborhoods, the South Bay Center Mall, a 24 hour location, was completed in the 1990s containing The Home Depot, the first inner-city store for the company, as well as K-Mart, Toys-R-Us, a supermarket and other stores. Target 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 19 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 2004, has generated 540 net new and expanded businesses, created more than 3,643 net new jobs, assisted in 443 storefront improvement projects, and given design assistance to 591 businesses. Through December 2003, the Main Streets program had leveraged more than \$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 just being completed is Crosstown commercial complex in the South End, which has 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.

INSTITUTIONAL DEVELOPMENT

Boston's medical and higher education institutional

sectors also continue to invest in new facilities. In 2003 there were three significant completions: the biomedical research and nutrition complex at Tufts University, the Children's Hospital Karp Family Research Laboratory, and the Harvard Institutes of Medicine's renovation of the former Boston English High School into a biomedical research center. In 2004 the 440,000 square foot Yawkey Center for Outpatient Care at Massachusetts General Hospital and the Charles River Plaza MGH research space were completed. In early 2005 the Children's Hospital Clinical Building expansion project and the Harvard Dental School's renovation projects were done. As of October 2005, there were four hospital or medical research building projects approved or in construction for completion between 2006 and 2008. These include: Boston University Medical Center's Moakley Cancer Center (105,000 s.f.); Spaulding & Slye's new 160,000 s.f. medical research development at Biosquare, Parcel D, in the South End; the Lyme Properties' Blackfan Research Center (575,000 s.f.) in the Longwood Medical Area; Brigham and Women's Center for Advanced Medicine (350,000 s.f.); The BRA Board has also approved several other hospital or medical research projects that are awaiting future construction beyond 2008.

Development of dormitory, academic or support facilities is also taking place by Boston's colleges and universities. In 2004 Boston College added a Faculty Administration building (156,000 s.f.); Emerson College completed a new Cutler Majestic Theater \$40 Million Performing Arts Center (80,000 s.f.); and the Massachusetts College of Pharmacy finished an addition to the White building dormitory with 270 beds. Also in 2004 Emerson completed a dormitory renovation, Suffolk University finished the new Somerset dormitory, Northeastern University completed dormitories G and H, Boston College completed a dormitory, and Boston University renovated 580 Commonwealth Avenue into a dormitory.

In 2005, a number of new educational facilities are currently being constructed. These include Northeastern University's Building F and the John D. O'Bryant African American Institute, a combined educational and residential facility, and Simmons College's new library. Soon to start are Boston University's continuing dormitory project at West Student Village and a renovation and expansion of a Boston College dormitory.

Since 1998, Boston's colleges and universities added 5,093 dormitory beds for undergraduate

students, 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.

THE 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 \$389,700 for 2004, a 16.2% increase over the 2002 median sales price. Within the city, residential sales prices have increased steadily. The median sales price for a single-family home in Boston increased from \$319,500 in the first quarter of 2003 to \$370,000 in the fourth quarter of 2004, a 16% rise. Condominium prices also increased from \$294,000 in the first quarter of 2003 to \$345,000 in the fourth quarter of 2004, a

17% rise over twenty-one months.

Banker & Tradesman, a local trade journal, reported that during the full year 2004 there were 34% more total residential sales in the city than there were in the full year 2003 (11,994 versus 8,965). Sales of single-family homes rose 21% and sales of condominiums and multi-family non-condominiums rose by 39% and 29% respectively in 2004 compared with 2003.

Around 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, as of August 2005, in Downtown and Back Bay there are 22 residential projects under construction or approved with 3,682 housing units to be added while in the neighborhoods there are about 50 major (10+ unit) multi-family residential projects under construction or approved to start soon with 3,772 units to be added. several thousand housing units are in construction or in the planning stages. These 7,300 units are almost three quarters of the housing to be added over the next five years.

THE BOSTON ECONOMY

General

The City is the economic hub of the Commonwealth of Massachusetts (the “Commonwealth”) and the New England region. It is a center for professional, business, financial, governmental, higher educational and medical services, as well as for 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 regional 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 680,174 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 Recent Economic Conditions

This report presents the major economic, demographic, and market indicators for the Boston economy. For the most part, these indicators demonstrate that the City’s economy was very strong through the 1990s and into 2000. By early 2001, however, an economic slowdown was moving toward a national recession. The events of September 11th compounded matters. Recent economic data, through July, 2005, indicate an improving, and in most cases, growing economy.

The Boston economy peaked most recently during 1999-2000, as Boston’s office, hotel, and housing markets were among the strongest in the nation by mid-year 2000 and into early 2001. Signs of economic slowing in the national and state economies first became notable commencing in January 2001. Boston’s slowing economic growth in 2001 was clear given 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. Unemployment rates, which had declined to a low of 2.5%, 2.7%, and 3.0% in the Boston metropolitan area, the Commonwealth, and in the City, respectively, by the end of 2000, rose to levels of 4.9%, 5.1% and 5.5%, respectively for full-year 2004. Boston’s office market weakened with rising vacancy rates (over 12%), rising availability rates (16%) and negative absorption for three consecutive years, as has been the case for most other major office markets in the country, before strengthening again in 2005. Hotel occupancy fell to 70% in 2001 and has risen slightly to 71% in 2003 and 75% in 2004 after being 78% in the year 2000. The total number of residential home sales, however, has been strong, with steady volume through year-end 2004 and the first two quarters of 2005, due to low interest rates, while sales prices are still holding firm and even rising in most cases. Evidence of a turnaround in the U.S. and Massachusetts economies first became apparent in late 2003 and persisted through 2004 and into 2005.

In Boston, as of the end of the first three quarters of 2005, signs of an improving economy in Massachusetts, metropolitan Boston and the City remained evident. The latest data, shows a vastly improved labor market, with falling initial and continuing unemployment claims and a stabilized to slowly falling unemployment rate, as shown by data from the state, Boston metropolitan area, and City of Boston.

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. All data from the 2000 Decennial Census of Population and Housing are now available. In addition, some monthly and quarterly data are available through June 2005 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 2004 are the most recent annual data available; the most recent monthly data are for July 2005.

The U.S. Bureau of Economic Analysis publishes quarterly and annual statistics on income and employment. The most recent annual figures for the nation, New England, and Massachusetts are for 2003. The most recent annual data for the county and the metropolitan area are also for 2003. The most recent quarterly statistics are for the first quarter of 2005. 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 from both the public and private sectors on such topics as employment and occupation, large employers, City schools, universities and colleges, medical institutions, tourism and lodging, transportation, office and industrial markets, housing, building activity and urban redevelopment and infrastructure projects.

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

New England, Massachusetts and Metropolitan Boston Economies

New England comprises a six-state region that had a combined population of 14.2 million persons and 8.8 million jobs in 2003 according to the Bureau of Economic Analysis annual data. Total personal income in New England grew at an annual average compound rate of 5.7% from 1990 through 2003, just below the 6.3% national rate for the same period. In the most recent period for which data are available, from first quarter 2004 through first quarter 2005, personal income in New England grew at a rate of 6.0%, which was below the national rate of 6.8%. Employment in New England grew by 832,780 from 1990 through 2003, an annual average of 0.7%.

The Massachusetts economy, with 6.4 million people and 4.0 million jobs in 2003, showed substantial growth in the 1990s. Total personal income in Massachusetts grew at a 5.9% annual average rate from 1990 through 2003, slightly higher than the 5.7% rate of increase for New England, but still below the national rate of 6.3%. From first quarter 2004 through first quarter 2005, personal income grew by 6.1%, a bit lower than the 6.8% national average for the same period. Massachusetts also gained 381,504 jobs between 1990 and 2003, an annual average of 0.7%.

The Boston-Cambridge-Quincy metropolitan area, as defined by the BEA (consisting of Essex, Middlesex, Norfolk, Plymouth, and Suffolk counties in Massachusetts, and Rockingham and Strafford counties in New Hampshire) had 4.4 million people and 3.0 million jobs in 2003, and has shown economic trends similar to those for the Commonwealth. Total personal income from 1990 through 2003 grew at an annual average rate of 6.5%, just above the national mark of 6.3%. The most recent employment data show a gain of 282,615 jobs for the 1990-2003 period, an annual gain of 1.0%. The following table shows the 1990 and 1999-2003 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 1998-2003
(Income in current year dollars)**

	<u>1990</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
United States						
Total Personal Income (\$000)	\$4,861,963,000	\$7,796,137,000	\$8,422,074,000	\$8,716,992,000	\$8,869,809,000	\$9,151,694,000
Per Capita Income (\$)	\$19,477	\$27,939	\$29,847	\$30,575	\$30,804	\$31,472
Population	249,622,814	279,040,168	282,177,754	285,102,075	287,941,220	290,788,976
Employment	139,380,900	162,955,300	166,758,800	167,014,700	166,699,000	167,174,400
New England						
Total Personal Income (\$000)	\$300,473,808	\$458,386,577	\$503,960,765	\$524,401,681	\$529,215,743	\$540,548,544
Per Capita Income (\$)	\$22,712	\$33,126	\$36,121	\$37,334	\$37,453	\$38,065
Population	13,229,502	13,837,653	13,952,174	14,046,041	14,130,314	14,200,654
Employment	7,918,098	8,562,455	8,775,891	8,835,470	8,781,497	8,750,878
Massachusetts						
Total Personal Income (\$000)	\$138,781,619	\$216,220,842	\$240,208,628	\$249,094,962	\$249,918,793	\$253,632,340
Per Capita Income (\$)	\$23,043	\$34,227	\$37,756	\$38,949	\$38,973	\$39,504
Population	6,022,639	6,317,345	6,362,076	6,395,414	6,412,554	6,420,357
Employment	3,646,584	3,988,554	4,096,551	4,125,438	4,069,520	4,028,088
Metropolitan Boston ⁽¹⁾						
Total Personal Income (\$000)	\$102,200,006	\$162,637,319	\$182,380,414	\$188,442,089	\$188,595,475	\$191,107,288
Per Capita Income (\$)	\$24,702	\$37,219	\$41,435	\$42,552	\$42,546	\$43,135
Population	4,137,302	4,369,743	4,401,595	4,428,542	4,432,698	4,430,430
Employment	2,689,049	2,960,960	3,046,389	3,070,248	3,014,706	2,971,664

(1) This metropolitan area includes five counties in Massachusetts (Essex, Middlesex, Norfolk, Plymouth and Suffolk) and 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, August 2005. 2000 population figures for all of the above are from the U.S. Census Bureau, except for Metropolitan Boston, which is from the BEA.

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 61,000 jobs with an increase of 10%. 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 42% in 1990 to 46% in 2000. The share of total employment in manufacturing and trade declined, however, 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>2000</u>	<u>Share</u>	<u>Employ. Change</u>	<u>Percent Change</u>
Fishing/Mining/Agriculture	1,317	0.2%	1,790	0.3%	473	36%
Construction	13,837	2	19,316	3	5,479	40
Manufacturing	32,281	5	28,005	4	-4,276	-13
Transportation/Communication/Utilities	36,741	6	37,832	6	1,091	3
Wholesale Trade.....	19,396	3	16,875	2	-2,521	-13
Retail Trade	61,492	10	66,101	10	4,609	8
Finance/Insurance/Real Estate	93,369	15	106,343	16	12,974	14
Banking	24,750	4	24,179	4	-571	-2
Securities	27,929	4	47,526	7	19,597	70
Insurance	30,677	5	21,416	3	-9,261	-30
Real Estate and Other.....	12,013	2	13,222	2	1,209	10
Services	261,931	42	311,448	46	49,517	19
Hotel.....	12,527	2	12,057	2	-470	-4
Health	71,887	12	87,370	13	15,548	22
Educational.....	41,354	7	42,779	6	1,425	3
Cultural	8,783	1	9,580	2	797	9
Social and Non-profit.....	27,643	4	29,907	4	2,264	9
Professional.....	59,338	10	75,937	12	16,599	28
Non-Professional Business ...	26,283	5	39,093	6	12,810	49
Personal and Repair	14,115	2	14,724	2	609	4
Government	98,914	16	93,209	14	-5,705	-6
Total	619,277	100	680,918	100	61,641	10

Source: 1990-2000 figures are mathematically derived from U.S. Bureau of Economic Analysis Series for Suffolk County ("BEA Regional Economic Information System 1969-2003, May 2005") 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 2002, 2003, and 2004. 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 2004 (a preliminary estimate) an estimated 49,597 jobs have been lost, representing about 7.3% of total employment. Employment for 2004 in the following table is based upon four quarters of data from the Division of Unemployment Assistance and final 2003 data from BEA, projected for 2004.

City of Boston Employment 2002 – 2004
NAICS (North American Industry Classification System)

<u>Industry</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Absolute Change</u>	<u>Percent Change</u>
Fishing/Mining/Agriculture.....	225	217	200	-25	11.0%
Utilities	2,403	2,179	2,132	-271	-11.3
Construction	18,663	17,286	15,838	-2,825	-15.1
Manufacturing.....	16,199	14,296	13,873	-2,326	-14.3
Wholesale Trade.....	10,438	9,579	9,337	-1,101	-10.5
Retail Trade (excludes food service)	30,779	31,264	31,555	776	-2.5
Transportation and Warehousing.....	22,272	21,374	19,612	-2,660	-11.9
Transportation.....	20,753	19,699	17,902	-2,851	-13.7
Information	20,826	17,646	16,239	-4,587	-22.0
Finance and Insurance	82,794	77,115	75,567	-7,227	-8.7
Banking.....	19,251	19,720	20,401	1,150	6.0
Securities and other Financial Investment Activities.....	44,813	39,405	37,530	-7,283	-16.3
Insurance Carriers and Related Activities.....	18,730	17,990	17,637	-1,093	-5.8
Real Estate and Rental and Leasing	18,454	17,795	18,165	-289	-1.6
Professional, Scientific, and Technical Services.....	70,382	68,083	67,802	-2,580	-3.7
Legal Services	20,980	20,384	20,088	-892	-4.3
Accounting, Tax Preparation, Bookkeeping.....	9,363	8,459	8,606	-757	-8.1
Architectural, Engineering, Design, and Related.....	11,465	10,504	9,753	-1,712	-14.9
Computer Systems Design and Related Services.....	5,162	5,214	5,099	-63	-1.2
Management, Scientific, and Technical.....	10,509	10,930	11,256	747	7.1
Scientific Research and Development Services.....	6,723	6,654	6,866	143	2.1
Other Professional, Scientific and Technical Serv.	6,178	5,939	6,106	-72	-1.2
Management of Companies and Enterprises.....	9,737	8,999	7,819	-1,918	-19.7
Admin. & Support and Waste Mgmt and Remediation Services.....	37,677	38,411	40,502	2,825	7.5
Educational Services.....	45,908	47,216	47,750	1,842	4.0
Colleges and Universities.....	39,516	40,535	40,926	1,410	3.6
Health Care and Social Assistance.....	102,114	103,899	106,622	4,508	4.4
Hospitals.....	68,880	70,021	72,142	3,262	4.7
Arts, Entertainment, and Recreation.....	13,076	13,195	13,017	-59	-0.5
Accommodation and Food Services.....	42,781	42,550	43,129	348	0.8
Accommodation.....	9,515	9,646	9,844	329	3.5
Food Service and Drinking Places.....	33,266	32,742	33,286	20	-0.1
Other Services (except public administration).....	26,872	26,986	26,431	-441	1.6
Government	84,784	78,499	75,730	-9,054	-10.7
Total.....	656,350	636,590	631,321	-25,119	-3.8

Notes: 1. 2004 employment is an estimate based upon four quarters of data from the Commonwealth's Division of unemployment Assistance (DUA) 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: 2002-2004 figures are mathematically derived from U.S. Bureau of Economic Analysis Series for Suffolk County, 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.

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 August these data were available through the month of June 2005, and are presented in the following tables for the Boston-Cambridge-Quincy metropolitan area.

Data from the two following tables show that employment was lower than the mark for the same month of the previous year in the Boston metropolitan area from January 2003 through June of 2005. Every month since August 2004 has shown an increase in employment. As of June (a preliminary figure) a total increase of 17,600 jobs in the metropolitan area was now evident over the previous year. From January 2004, the month where employment reached its low point, there has been an increase of 88,900 jobs in the metro area. From the peak metro employment of 2,605,000 in December 2000 to the latest month available, June 2005, the total job loss has been reduced to 166,200 or -6.6%.

**Boston-Cambridge-Quincy, MA-NH NECTA
Total Non-Agricultural Employment
Monthly, 2003-2005
(Not seasonally adjusted, employment in 000's)**

<u>Month</u>	2003		2004		2005	
	<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	2,390.6	-2.3%	2,349.9	-1.7%	2,373.8	+1.0%
February	2,380.0	-2.5	2,354.6	-1.1	2,379.1	+1.0
March	2,388.1	-2.7	2,369.0	-0.8	2,388.0	+0.8
April	2,409.2	-2.4	2,397.0	-0.5	2,414.7	+0.7
May	2,419.3	-2.3	2,408.2	-0.5	2,425.8	+0.7
June.....	2,427.8	-1.6	2,421.2	-0.3	2,438.8(P)	+0.7(P)
July	2,398.8	-2.0	2,394.9	-0.2	NA	NA
August	2,388.4	-2.2	2,384.4	-0.2	NA	NA
September	2,410.0	-2.1	2,412.8	+0.1	NA	NA
October.....	2,415.4	-2.1	2,425.1	+0.4	NA	NA
November.....	2,425.1	-2.0	2,432.4	+0.3	NA	NA
December.....	2,422.2	-2.3	2,437.7	+0.6	NA	NA
ANNUAL.....	2,406.2	-2.3	2,398.9	-0.3	NA	NA

Source: U.S. Department of Labor, bureau of Labor Statistics, 790 series of non-agricultural employment, August 2005.

P: Preliminary

The industry composition of employment comparing June 2004 with June 2005 shows that most job losses occurred in information and transportation/warehousing/utilities. Gains were evident in construction, wholesale trade, retail trade, professional and business services, education and health services, and leisure and hospitality. Very small losses or gains were apparent in all other sectors except for government, which was unchanged.

**Non-Agricultural Wage and Salary Employment by Industry
June 2004 and June 2005
Boston-Cambridge-Quincy, MA-NH NECTA
(Seasonally unadjusted, employment in 000's)**

<u>Industry</u>	<u>2004</u>	<u>2005</u>	<u>Change</u>	<u>Percent</u>
Non-Agricultural Total	2,421.2	2,438.8	+17.6	+0.7%
Natural Economic Resources.....	1.3	1.2	0.1	-7.7
Construction	106.0	107.3	+1.3	+1.2
Manufacturing.....	232.9	233.1	+0.2	+0.1
Durable Goods	165.6	165.5	-0.1	-0.1
Non-Durable Goods.....	67.3	67.6	+0.3	+0.4
Trade, Transportation & Utilities	426.3	428.6	+2.3	+0.5
Wholesale Trade	104.2	106.2	+2.0	+1.9
Retail Trade.....	257.5	259.9	+2.4	+0.9
Transport. Warehousing & Utilities	64.6	62.5	-2.1	-3.3
Information.....	73.3	71.0	-2.3	-3.1
Financial Activities.....	184.8	184.7	-0.1	-0.1
Professional and Business Services.....	378.9	384.9	+6.0	+1.6
Education and Health Services	420.3	426.1	+5.8	+1.4
Leisure & Hospitality.....	217.4	222.1	+4.7	+2.2
Other Services	86.5	86.3	-0.2	-0.2
Government.....	293.5	293.5	0	0

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

Source: U.S. Department of Labor, bureau of Labor Statistics, 790 series of non-agricultural employment, August 2005.

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

	<u>1960</u>		<u>1970</u>		<u>1980</u>		<u>1990</u>		<u>2000</u>	
	<u>Number</u>	<u>%</u>								
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.....	<u>27,115</u>	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
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 2004 the annual average unemployment rate for the City equaled the national rate of 5.5%, which was slightly above that of Massachusetts at 5.1% and also above that for the metropolitan rate of 4.9%. All of these rates were above the rates reached in the year 2000, a historic low point. The average annual number of people unemployed in the City during 2004 equaled 16,410, a decrease from the 18,715 annual average for 2003 and above the 8,994 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 equaled 7.2%, the rate for whites equaled 5.1%, the rate for all minority groups combined equaled 10.2%. This pattern is typical of many of the nation's urban centers.

Annual Unemployment Rates, 1996-2004

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City of Boston	4.7%	4.3%	3.5%	3.4%	3.0%	4.1%	5.9%	6.4%	5.5%
Boston NECTA ⁽¹⁾	4.1	3.7	3.1	3.0	2.5	3.6	5.3	5.7	4.9
Massachusetts	4.6	4.1	3.4	3.3	2.7	3.7	5.3	5.8	5.1
New England	4.8	4.4	3.5	3.2	2.8	3.6	4.8	5.4	4.8
United States	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5

(1) New England City and Town Area, as defined by the U.S. Office of Management and Budget in 2003.

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 2005, through August, show an improvement over 2004 and 2003 data for all areas. In August 2005, Boston's unemployment rate registered 4.7% compared with the 5.7% mark one year earlier in August 2004 and the 7.0% rate two years earlier in August 2003. The number of unemployed in August 2005 equaled 14,044 having improved from the 17,035 unemployed in August 2004.

**Monthly Unemployment Rates for Boston, Boston NECTA, Massachusetts,
New England and the United States for 2003, 2004 and 2005⁽¹⁾**

	<u>City of Boston</u>			<u>Boston Metro NECTA⁽²⁾</u>			<u>Massachusetts</u>			<u>New England</u>			<u>United States</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Jan.	6.4%	6.2%	5.3%	6.0%	5.8%	4.9%	6.3%	6.2%	5.4%	5.9%	5.9%	5.2%	6.5	6.3%	5.7%
Feb.	6.2	5.8	5.2	5.8	5.5	4.9	6.1	5.8	5.4	5.8	5.6	5.2	6.4	6.0	5.8
Mar.	6.4	5.9	5.2	5.9	5.5	4.9	6.1	5.9	5.3	5.8	5.6	5.1	6.2	6.0	5.4
Apr.	6.1	5.4	4.7	5.5	4.9	4.2	5.6	5.1	4.5	5.4	4.9	4.5	5.8	5.4	4.9
May.....	6.5	5.7	5.0	5.6	5.0	4.3	5.7	5.1	4.5	5.3	4.8	4.5	5.8	5.3	4.9
Jun.	7.2	6.2	5.5	6.2	5.3	4.6	6.2	5.4	4.8	5.8	5.1	4.7	6.5	5.8	5.2
Jul.	7.1	6.2	5.6	6.0	5.2	4.6	6.1	5.3	4.9	5.6	5.0	4.8	6.3	5.7	5.2
Aug.	7.0	5.7	4.7	5.9	4.8	4.0	5.9	4.9	4.1	5.4	4.6	4.4	6.0	5.4	4.9
Sep.....	6.9	5.4	5.3	5.9	4.6	NA	5.9	4.8	4.7	5.3	4.3	4.6	5.8	5.1	4.8
Oct.	6.1	4.9	NA	5.4	4.2	NA	5.4	4.3	NA	5.0	4.1	NA	5.6	5.1	NA
Nov.....	5.9	4.7	NA	5.2	4.1	NA	5.3	4.3	NA	5.1	4.1	NA	5.6	5.2	NA
Dec.....	5.5	4.4	NA	5.0	4.0	NA	5.2	4.2	NA	4.9	4.0	NA	5.4	5.1	NA

(1) Unemployment rates are not seasonally adjusted. Most recent data are preliminary and subject to revision.

(2) New England City and Town Area, as defined by the U.S. Office of Management and Budget in 2003.

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 NECTA (October 2005).

The following table lists the fifty-two 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 2004.

Largest Private Employers in Boston, January 1, 2005
(With 1,000+ employees, listed alphabetically)

Adecco Staffing	John Hancock
American Cleaning Company, Inc.	KPMG, LLP
American Employers Insurance Co.	Liberty Mutual
Arnold Advertising	McDonalds Restaurants
Arthur Anderson, LLP	Massachusetts Electric Construction Co.
Bain and Co., Inc.	Massachusetts Eye and Ear Infirmary
Bank of America	Massachusetts Financial Services Co.
Beth Israel Deaconess Medical Center	Massachusetts General Hospital
Blue Cross Blue Shield of Massachusetts	New England Baptist Hospital
Boston College	New England Financial
Boston Company, Inc.	New England Medical Center
Boston Globe Newspaper	Northeastern University
Boston Medical Center	PricewaterhouseCoopers, LLP
Boston Safe Deposit and Trust Co., Inc.	Putnam Investments
Boston University	Scudder Investments
Brigham and Women's Hospital	Shattuck Hospital
Carney Hospital	Shaws Supermarkets
Children's Hospital	Spaulding Rehabilitation Hospital
CVS Pharmacies	St. Elizabeth's Medical Center
Dana-Farber Cancer Institute	State Street Bank and Trust Co.
Faulkner Hospital	Stop and Shop Supermarkets
Fidelity Investments	Suffolk University
Gillette Company	Teradyne, Inc
Harvard University (graduate schools)	Thomson Corporation
Hebrew Rehabilitation Center for the Aged	Verizon Communications
Investors Financial Services Corp	WGBH

Note: This list does not include large public sector agencies or non-profit firms except for some hospitals, colleges, and media companies.

Source: Dun and Bradstreet, InfoUSA, and BRA.

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 75,730 federal state and local government workers in Boston in 2004, a reduction of 23,184, or -23.4% 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	
	Persons	Percent	Persons	Percent	Persons	Percent	Persons	Percent
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 \$42,215 in 2003, 34% above the national per capita personal income of \$31,459, 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 Comparison, 1970, 1980, and 1990-2003
(In current year dollars not adjusted for inflation)

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metro Boston</u> ⁽¹⁾	<u>Suffolk County</u> ⁽²⁾
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.....	30,580	37,328	38,944	42,501	40,644
2002.....	30,795	37,420	39,913	42,436	41,227
2003.....	31,459	38,018	39,408	43,135	42,215

(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, December 2004.

Data from the U.S. Bureau of Economic Analysis indicate that the average annual wage per job for 1970 through 2003 by place of work, have been consistently higher over time in Suffolk County than in the Boston metropolitan area and the Commonwealth. In 2003, Suffolk County's average wage per job (\$58,476) was 20% greater than that in the Boston metropolitan area (\$48,808) and 29% greater than the average state earnings level (\$45,174). 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, 2000-2003
(In current year dollars not adjusted for inflation)

	<u>United States</u>	<u>New England</u>	<u>Massachusetts</u>	<u>Metro Boston</u> ⁽¹⁾	<u>Suffolk County</u> ⁽²⁾
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.....	35,582	40,827	43,842	47,646	57,602
2002.....	36,102	40,995	43,808	47,361	56,887
2003.....	37,130	42,299	45,174	48,808	58,476

(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, December 2004.

During the years 1991-2004, 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 2004 the index for Boston and the U.S. both rose at 2.7%. From July 2004 to July 2005, the cost of living in the Boston metropolitan (Boston PMSA) area rose 4.0%, compared to a 3.2% rate rise for the nation.

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

	<u>United States</u> <u>Index</u>	<u>Percent</u> <u>Change</u>	<u>Metro Boston</u> <u>Index</u>	<u>Percent</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
2004.....	188.9	2.7	209.5	2.7
2004 (July).....	189.4	-	208.9	-
2005 (July).....	195.4	3.2	217.2	4.0

Note: Index based upon 1982-1984=100.0. Monthly data not seasonally adjusted. Change for monthly data is based on the index from the same month as the previous year.

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 2004 have been released for states. The population estimate for Massachusetts as of July 1, 2004 was 6,416,505, a gain of 1.1% over that for April 2000. The latest estimates for cities are for 2003. The population estimate for Boston as of July 1, 2004 was 569,165, a 3.4% drop from the population total in April 2000.

**Population of Massachusetts, Metropolitan Boston,
and the City of Boston 1970, 1980, 1990 and 2000**

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

Changes in racial patterns from the 2000 Census 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 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 5,909 beds in 2004. In 2004 the hospitals admitted 238,711 in-patients, and had nearly 5.1 million outpatient visits, 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 2004, there were an estimated 110,437 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 one out of every six 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 2000 and 2004 grew from 64,851 to 74,715.

In 2003 and 2004 several large medical buildings were completed. In 2003, 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. Also in 2003, Children’s Hospital finished the Karp Research Laboratory a medical research building with 295,000 square feet and Tufts University completed its biomedical research and nutrition complex. In 2004 Emmanuel College finished a 300,000 square foot medical research building for Merck pharmaceutical company. 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 was completed. In October 2004, Massachusetts General Hospital opened a new \$125 million 440,000 square feet Yawkey Center for Outpatient Care, In early 2005 the Childrens Hospital Clinical Building expansion project was done.

As of October 2005, there were four hospital or medical research building projects approved or in construction for completion between 2006 and 2008: the 105,000 square-foot Boston University Medical Center’s Moakley Cancer Care Center; Spaulding and Slye’s new \$80 million sciences building with 160,000 square-feet of medical research space ongoing at BioSquare, Parcel D, in the South End; the Lyme Properties’ 575,000 square-foot Blackfan Research Center in the Longwood Medical area; the Brigham and Women’s 350,000 square foot Center for Advanced Medicine. The BRA Board has also approved several other hospital or medical projects; among them are the Joslin Diabetes Center’s proposed 490,000 square-

foot expansion project, Boston University's BioSquare phase two in the South End, and the 440,000 square foot Longwood North medical research building in the Longwood section.

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.

Greater Boston has the nation's largest cluster of life sciences industries including medical science, pharmaceuticals, medical devices and biotechnology (chemical, biochemical, material research, and production). According to a June 2004 report by the Milken Institute, entitled "America's Biotech and Life Sciences Clusters," Boston ranks first among the top 12 metropolitan regions in those specialties with 42,855 jobs (18,741 in bio-tech, 18,901 in medical devices, and 5,214 in pharmaceuticals. While Cambridge is the center for those industries in Greater Boston, the city itself is seeing significant industry growth in these fields with real estate development such as the Bio-Square project and the BioSafety Level 4 Research Facility both in the South End.

As of academic year 2003-2004, the New England Board of Higher Education reported 127 colleges and universities in the Commonwealth of Massachusetts, at which over 435,996 students were enrolled. The City's 35 universities, colleges, and community colleges had a combined enrollment in fall 2003 of 137,190, a 7.7% gain from fall of 1990. These numbers include some of the professional and graduate schools of Harvard and Tufts Universities, whose principal campuses are in Cambridge and Medford, respectively. Based on total graduate and undergraduate enrollment, Boston University was the largest university in Boston in fall of 2003, with 29,049 students. Boston, with only 10% of the state's population has 31% of the statewide college student enrollment.

In 2003 and 2004 three higher education building projects were completed. Boston College added a Faculty Administration building with 156,000 square feet of space. Emerson College has completed construction of its new \$40 million, 11-story, 80,000 square-foot Performing Arts Center on Allen's Alley adjacent to the Emerson Majestic Theater on Tremont Street, and the Baker Library at Harvard Business School was expanded. Now underway is a new and expanded library at Simmons College. Boston College High School is completing a 60,000 square-foot addition. Harvard University continues to plan for future academic uses in the Allston neighborhood on land it owns near the Business School Campus and the athletic fields.

Between 1990 and 1998, Boston's colleges and universities added 10,511 undergraduate dormitory beds. Since 1998 another 5,093 dormitory beds have opened to Boston's undergraduate students: Boston College opened one dorm with 322 beds; Boston University opened two dorms with 1,018 beds; Emmanuel College added one dorm with 225 beds; Mass College of Art finished one dorm with 310 beds; Mass. College of Pharmacy completed one dorm with 270 beds; Northeastern opened five dorms with 2,017 beds; Suffolk University built one dormitory with 368 beds; and Wentworth Institute added one dorm with 563 beds. The total of 15,604 new beds since 1990 in undergraduate dorms plus three graduate dorms with 720 beds totals 16,324 total new dormitory beds is the equivalent of nearly 4,100 new housing units. The recent addition means that Boston's colleges and universities now accommodate 33,475 students with on-campus housing. The only two undergraduate dormitories under construction as of October 2005 are the 230--bed dorm at West Student Village Building F and a new \$60 million, 540-bed dormitory for Emerson College on Boylston Street. In addition graduate housing recently has been constructed for 720 students at Boston University and Harvard University. While college enrollment remains stable, new student housing is pulling students out of the neighborhood housing stock, easing housing prices and ameliorating tight vacancies.

Tourism

According to the Greater Boston Convention and Visitors Bureau ("CVB"), an estimated 16.3 million people visited the Boston metropolitan area in 2004, up by 2.5% from the 15.9 million visitors in 2003.

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 greater Boston, visitors spent an estimated \$7.89 billion for hotel accommodations, meals, entertainment, shopping, transportation and other services during 2004. 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.

Boston continues to be the venue for large tourist events. In 2000, the City held a large celebration, Millennium 2000, lasting several days, and Sail Boston 2000, which attracted over four 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 2004 Boston's 107th Marathon drew an estimated 1 million visitors and the Head of the Charles Regatta drew an estimated half-million attendees. Also, in the summer of 2004, Boston hosted two successful national events: the annual MacWorld convention (after a five year hiatus in New York City) and the 2004 Democratic Party's political nominating convention (for the first time ever). In addition to such special events, there are a wide variety of regular events in Boston every year 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 2004 World Champion Boston Red Sox baseball team, the Boston Bruins hockey team and the Boston Celtics basketball team. The world champion New England Patriots (professional football) play in Gillette Stadium in nearby Foxboro, Massachusetts. The City also provides venues for concerts, ice shows, circuses, theater, and other entertainment performances and amateur 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. The new ownership of Boston Red Sox baseball franchise has canceled the previous owner's plans for a new ballpark. The new owners have undertaken renovations of the existing Fenway Park instead, including the addition of new seating and modernizing facilities, and have also proposed additional changes to the existing structure and also in the surrounding neighborhood.

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 have completed a new 1.6 million square-foot convention and exhibition center in Boston that can host large national conventions. In 2004 Boston was projected to host over 350 total events—meetings, conventions and expositions—which included 100 large events and a total of 17 "citywide" conventions; defined as events that would each use over 2,000 hotel rooms on the peak night, which usually requires at least three hotels.

Since 2000 several new cultural facilities have opened. The New England Aquarium completed an expansion plan including opening the new Simons IMAX Theater. The Boston Center for the Arts and the Huntington Theatre combined to complete joint development of two new theaters next to the Boston Center for the Arts in the South End in the fall of 2004 – the first new live stage theaters in Boston in 75 years. Downtown, Clear Channel, Inc. completed its \$37 million renovation of The Boston Opera House on Washington Street in the summer of 2004 and embarked on a very successful engagement of "The Lion King."

Several cultural institutions are pursuing development plans that are either currently proposed, approved, or under construction. 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 currently under construction. As part of the Rose Kennedy Greenway (which is the largely parks-related project on top of the Central Artery project in downtown Boston there will be a Boston Cultural Museum and possibly a greenhouse/botanical garden (the Darwin Project) or a Boston History Museum—see "Large Public Sector Projects," below. The Institute for Contemporary Art (the "ICA") is completing its designs for a new facility on the South 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.

Hotel Market

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%. Boston's favorable hotel market over the 1992-1997 period and the decision to build the new Boston Convention and Exposition Center stimulated considerable new development. From the beginning of 2003 through the third quarter of 2005 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; an 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; Jurys Boston, a 220-room Jurys Doyle establishment in the Back Bay created through the adaptive re-use of a former police headquarters building; the Bulfinch Clarion Hotel, an 80-room adaptive reuse development near North Station; and a 164-room Courtyard by Marriott in the South Bay/Roxbury district. Between July 1997 and September 2005, twenty-five new hotels and five expansion projects were completed, adding a total of 4,423 rooms. As of September 2005 there were a total of 15,896 hotel rooms in Boston.

Four other hotels with 1,672 rooms are now under construction in Boston. An Intercontinental Hotel is under construction in downtown Boston at 500 Atlantic Avenue (the Boston Edison site) that will contain 424 hotel rooms and 130 residential condominiums, and which is due to open in late summer 2006. The 790-room Westin Headquarters hotel is under construction adjacent to 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 for development. The old Charles Street Jail is undergoing significant renovation that will create 308 hotel rooms. The Mandarin Oriental, which is a large mixed-use project, is currently under construction and will contain 150 luxury hotel rooms. Eight more hotels have BRA Board approvals but have 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 combined 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, 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 71.1% and Average Daily Room Rate declined further, to \$155.52. The combined effect was a 7.7% reduction in Revenue per Available Room ("RevPAR") in 2003 compared to 2002. Year end 2004 data shows a 6.4% increase in room demand between 2003 and 2004 and increase in the occupancy rate to 74.7%. The 2004 Average Daily Room Rate reached \$167.49 a 7.7% gain over the same period in 2003 while RevPAR rose to \$125.17 or 13.2%. The latest data, through September 2005, continues to show an improving hotel market. The occupancy rate for 2005, through September, was 75.8% (a slight increase from the same period in 2004 when it was 75.2%). The average daily room rate for January through September 2005 was \$172.41, an increase of 4.7% over the same period last year. Revenue per available room has also improved in 2005 (through September) to \$130.66, an increase of 5.5% over the same period in 2004.

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, offering public transit alternatives to a population of 4.7 million people in an area of 3,200 square miles. The MBTA, the fifth largest mass transit system in the nation as determined by ridership, currently serves about 1.1 million persons per day.

The capital program of the MBTA (Capital Investment Program) totals approximately \$2.39 billion over fiscal years 2006-2010, averaging about \$478 million per year. Approximately \$1.42 billion of bonds will be issued to fund capital expenditures, approximately \$1.31 billion of capital expenditures will be funded through federal grants, and the balance 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 2006-2010 consists of four major programmatic areas: (i) reinvestment in the infrastructure (\$1.73 billion); (ii) accessibility improvements (\$124 million); (iii) enhancement of existing service (\$197 million); and (iv) system expansion efforts (\$343 million). Capital Investment Program spending by transportation mode is as follows: subway, \$935 million; commuter rail, \$406 million; Silver Line, \$118 million; bus, \$258 million; and system wide, \$677 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 (\$580 million); station modernization (\$282 million); rail signaling systems (\$147 million); maintenance facilities, including rail car houses and bus garages (\$139 million); track/right-of-way (\$86 million); fare equipment (\$147 million), communications (25.9), power (\$32 million), and bridges (\$27 million).

Several specific system enhancement projects are underway. The most significant efforts in the city are devoted towards the North Station Superstation project and the Fairmount Corridor Improvements project. The North Station project will reconstruct and reconfigure the Green and Orange Line stations at North Station with underground access the commuter rail system that connects communities north of Boston with the city. The Fairmount Corridor Improvements project will improve and revitalize an underutilized route through the neighborhoods of Dorchester, Mattapan, and Hyde Park. To date, \$251 million has been spent on the North Station project (on phases one, two, and three) out of an authorized budget of \$262.1 million. The remaining amount will be spent on a portion of phase three and four, until project completion in fiscal year 2007. The Fairmount Corridor Improvement project is currently in phase one, which has a budget of \$37.3 million and is scheduled for completion in fiscal year 2008. Two other system enhancements anticipated for the future are the following: (i) an effort to restore light-rail vehicle service along the Arborway corridor, and (ii) adding auto vehicle identifier technology to green line vehicles to allow the Operation Control Center to have more control over the spacing, flow, and speed of green line trains. The current plan has also expended \$61.2 million on parking facilities. The most significant efforts are the planned expansion of the North Quincy Garage with 1,200 spaces for park-and-ride passengers on the Red Line subway, the Lawrence Station multi-modal facility improvements, which would provide 900 parking spaces, and a new 500 space parking garage at Woodland Station. 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 2006-2010 capital plan programs \$216.0 million toward the expansion of the commuter rail system, or 63% of expansion expenditures overall. The majority of the funding is devoted to the rehabilitation of the Old Colony Greenbush Branch with \$209.6 million planned for future expenditures over five years (\$269.5 million has already been spent on this project). The Greenbush project consists of the construction of 17.1 miles of track, seven 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. This project will proceed when all permits are issued, the necessary rights-of-way are purchased, and state funds are made available. Other efforts include the completion of three projects that include the Newburyport 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. The current 2006-2010 capital program includes \$118.3 million for the Silver Line project, or 35% of the MBTA's system-wide expansion effort. The MBTA is constructing the Silver Line in three phases to operate as part of its core downtown transit system. Phase I provides bus rapid transit services along Washington Street (through the Downtown, Chinatown, the South End, and Roxbury neighborhoods). Phase II provides bus rapid transit services along the South Boston Piers Transitway, which is located on the South Boston waterfront. Phase III of the Silver Line project includes the planning, design and eventual construction that will lead to the connection of Washington Street to South Station and Logan Airport via a tunnel that will connect the Phase I and Phase II segments. In July 2002 Phase I of the Silver Line began servicing 14 new stations along Washington Street. Phase II was mostly completed in 2004, with the addition of three additional Silver Line stations opened in the South Boston Seaport District: South Station, Courthouse Station, and World Trade Center Station. Currently, there are two major projects underway currently related to the Silver Line: the final completion of Phase II, and conceptual planning and design for Phase III.

Since 1991, Amtrak has spent \$1.8 billion on 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 of 20 new Acela Express high-speed trains, and 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 2004 Amtrak carried 827,000 passengers between New York and Boston—an increase of 20% over the pre-Acela year of 2001. The new Boston—Portland, Maine passenger rail service (the “Downeaster”) commenced December 15, 2001. The 200-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 Woburn and Haverhill (Massachusetts), Exeter, Durham, and Dover (New Hampshire), and Wells, Saco, and Old Orchard Beach (Maine). The roundtrip fare from Boston to Portland, Maine is \$42.

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 2004 exceeded \$3.18 billion, consisting of \$2.53 billion invested in airports and \$655 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 containerized 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 2004 the Port activity of 93,627 boxed containers increased 8.7% over fiscal 2003, primarily as a result of new far-east service provided by COSCO, while the 12,198 automobiles handled in fiscal 2004 decreased by 59% from fiscal 2003 (reflecting the relocation of Volkswagen's importing business from Moran Terminal to Rhode Island) and the 144,304 tons (in bulk tonnage) for fiscal 2004 decreased by 11.4% from fiscal 2003's bulk tonnage.

The Port of Boston is now a major cruise port. The total number of cruise passengers in fiscal 2004 (200,836) decreased by 3.1% compared to fiscal 2003, but grew 7.9% compared to fiscal 2002, reflecting a trend of continued growth in cruise traffic. The cruise port mainly operates in the months of 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 2004, Logan Airport served a total of 26.0 million passengers, a 14.0% increase from the 22.8 million passengers served in 2003. A report on calendar year 2003 prepared by Airports Council International ("ACI") showed that Logan was the most active airport in New England, the 18th most active in the United States and the 35th 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 19th in the nation in total air cargo volume in 2003. In fiscal 2004 total combined cargo and mail volume was 809.2 million pounds: a 1.1% decrease from the 817.8 million pounds in fiscal 2003.

In January 2003, Massport projected that it would spend about \$1.14 billion during fiscal years 2004-2008 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 currently equals approximately \$240 million per year. The plan to add a new runway at Logan airport was approved by state and federal authorities and has cleared all challenges 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 1994-2005, 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 2005 indicated that the estimate of total potential construction activity was \$2.73 billion. Revenue from building permit fees increased in all but four of the fiscal years between 1994 and 2005. Between fiscal years 2004 and 2005, building permit revenue increased slightly, from \$22.72 million to \$23.21 million.

**Boston Building Permit Revenues and Estimated Potential Construction Activity
Ten Fiscal Years, 1994-2005**

	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	\$1,485,886,554
1995.....	7,629,395	897,575,882	1,219,112,559
1996.....	11,777,653	1,385,606,235	1,833,237,350
1997.....	9,199,877	1,082,338,471	1,385,031,817
1998.....	14,757,703	1,736,200,395	2,176,335,309
1999.....	11,404,006	1,341,647,713	1,653,748,416
2000.....	17,922,648	2,108,546,846	2,511,066,333
2001.....	27,191,839	3,199,039,882	3,632,348,988
2002.....	19,055,144	2,241,781,647	2,493,967,556
2003.....	20,145,888	2,370,104,471	2,538,046,005
2004.....	22,724,810	2,673,507,019	2,778,375,817
2005.....	23,213,600	2,731,011,765	2,731,011,765
Total	\$194,062,514	\$22,830,883,973	\$23,707,156,703
Annual Average 1994-2005	\$16,171,876	\$1,902,573,664	\$2,155,196,064

- (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 May, 2005 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 (August 2005).

Large Public Sector Projects

Through 2005 the Boston metropolitan area will continue to be the site of several major public sector projects. Two large projects that are mostly complete and operable are the Boston Convention and Exposition Center ("BCEC") Project and 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; (which together with the completed Ted Williams tunnel under Boston Harbor, are called the "Central Artery/Tunnel Project or CA/T"). The CA/T Project, which is intended to improve traffic flow, is under the control of the Massachusetts Turnpike Authority.

The first major milestone achieved by the CA/T 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 98,000 vehicles per day in 2010. 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 2003. A fifth major milestone, the opening of the southbound side of the Central Artery has also been completed, marking the end of the majority of highway related construction. Demolition of the existing elevated structure is now complete and

construction on the development parcels including landscaping and parks has begun. The CA/T Project, with an estimated total cost of \$14.63 billion, will be nearly half funded by the federal government while the remainder is the responsibility of the Commonwealth of Massachusetts.

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 has proposed the construction of 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 successfully sought the lifting of a previous court injunction prohibiting construction of the runway. As of the start of 2005, there is no longer any pending state or federal court challenges to 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 \$3.2 billion (1999 dollars) and brought wastewater discharges in Boston Harbor into compliance with federal and state requirements.

The MWRA has also spent approximately \$756 million on 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-approved FY05 Capital Improvement Program anticipates the spending of 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 32% 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. Currently owned by the Boston Housing Authority, the Maverick redevelopment will result in 396 new apartments, both affordable and market rate, along the East Boston waterfront. The new housing units will consist of townhouse style units and two mid-rise apartment buildings. Seventy-seven percent or 305 apartments will remain available for public housing residents. The remainder, 91 apartments, will be rented at market rate. The project also includes a Citywide Homeownership Initiative that will provide 50 homeownership opportunities for public housing residents and other eligible applicants. The project got its start with the award of a \$35 million HOPE VI grant from the federal government. Funding for the \$105 million project is also being provided by a number of public/private partners including the City of Boston (Neighborhood Housing Trust and

Department of Neighborhood Development), state funded low-income tax credit equity, the Boston Housing Authority, the Massachusetts Housing Finance Authority, and the Department of Housing and Community Development. Developing the project with the BHA are Trinity East Boston Partners, which is collaboration between Trinity Financial and the East Boston Community Development Corporation. The BHA chose Trinity East Boston Partners as its development team after a formal competitive process was initiated last year. Phase one and two of the project are expected to occur simultaneously and consist of 230 apartments. Phase three will consist of 166 apartments and was expected to begin in early 2005 and be completed during the summer of 2006. The total unit mix will be 103 one-bedroom units, 147 two-bedroom units, 118 three-bedroom units and 28 four-bedroom units. While the footprint for phases one and three sits on the existing site, phase two of the project will be built on a vacant parcel of land across Sumner Street. The BHA is now commencing a HOPE VI process for the Franklin Hill site in Dorchester.

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, which is now complete, includes 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 completed. The MCCA is the owner and operator of the BCEC. The construction of the BCEC was completed in June 2004 and the first convention was held on July 12-15, 2004.

As of January 2005, the BRA has been reimbursed \$173.4 million by the City and \$62.9 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 were 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 was \$621.5 million plus \$30 million in transportation-related infrastructure improvements.

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 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, subsequently entered into an agreement with Starwood Hotels to join the development team. 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 June 2004. Construction of the project is well underway.

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 opened in 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 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 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 are 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 are 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. Labourer 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 66.2 million square feet of office space. By the second quarter of 2005 (June 30th) Boston’s overall vacancy rate according to CB Richard Ellis was 12.6% (15.5% availability when including space to sublet). Another realty firm, Spaulding & Slye, places the City’s office vacancy rate at 11.1%. (availability 16.6%). 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 raised substantially from early 2001 through late-2004, but now have stabilized and even improved slightly. Absorption for the second quarter of 2005, according to CB Richard Ellis, was - 63,725 square feet. In the second quarter of 2005, CB Richard Ellis ranked Boston’s downtown office market with 5th lowest vacancy rate among the twenty largest downtown office markets in the U.S., with a rate of 12.6%.

Among the larger concerns in Boston’s office market, in the third quarter of 2004, were the projected personnel downsizing and real estate consolidations surrounding the mergers of Manulife Financial and John Hancock and Bank of America and Fleet Boston. According to CB Richard Ellis, the above entities have contributed 720,000 square feet and 460,000 square feet of sublease space, respectively. Also, further inflating these availability statistics, according to CB Richard Ellis, were large concurrent contributions of space by Deutsche Bank (346,000 square feet at 2 International Place); State Street Bank (325,000 square feet at 1 Lincoln and One Federal Street); and Massachusetts Financial Services (135,000 square feet at 500 Washington Street). The overall result has been almost 2 million square feet of office space coming to the market, inflating sublease space by 25% of total availability: a gain of almost 1000 basis points over second quarter statistics.

In 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.

In 2004, four major downtown office projects with 1.5 million square feet of new office space were completed: 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 square feet of office space and a 880 car garage); 100 Cambridge Street (The former Saltonstall state office building), a 278,849 square foot renovation of an existing building (half of which will be occupied by state offices, with 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 Roxbury and Charlestown neighborhoods two large office projects with about 1.1 million square feet of new and renovated office space are under construction. These are the Crosstown Center in Roxbury with 282,000 square feet of office space, and Hood Business Park in Charlestown, a 775,000 square foot renovation.

As of October 2005, only one major downtown office project is under construction; Lincoln Plaza, a large mixed use project with 119,000 square feet of office space. There are also several other downtown office developments approved by the BRA Board and/or are proposed.

Boston Office Market—June 30, 2005

<u>Market</u>	<u>Total (SF)</u>	<u>Available (%)</u>	<u>Vacancy (%)</u>	<u>2nd Quarter Net Absorption*</u>	<u>Average Asking Rent</u>
Central Business District.....	34,820,685	17.7%	13.5%	-281,921	\$35.40
Back Bay.....	13,020,270	13.5	11.4	+44,427	\$31.94
South Boston Seaport District.....	4,503,419	16.7	16.5	+82,452	\$25.84
Charlestown/East Boston.....	2,833,332	17.9	16.7	+25,961	\$18.86
North Station/Waterfront.....	2,774,930	16.6	15.8	+58,704	\$24.28
Midtown.....	2,634,772	4.9	3.9	-51	\$23.48
South Station.....	1,240,839	13.9	10.8	+5,403	\$24.01
Dorchester/South Boston.....	860,987	10.6	10.1	-8,203	\$20.00
Allston/Brighton/Longwood Medical.....	1,613,936	8.0	8.0	+7,103	\$21.60
Fenway/Kenmore Square.....	1,929,639	5.3	5.3	+2,400	\$22.69
Total Boston Office Market.....	66,232,809	15.5%	12.6%	-63,725	\$32.30

* Columns may not add due to rounding.

Source: CB Richard Ellis, Second Quarter 2005.

Comparative Office Vacancy Rates 20 Largest Downtown Office Markets as of June 30, 2005

<u>City</u>	<u>Vacancy Rate</u>	<u>City</u>	<u>Vacancy Rate</u>
Manhattan (Midtown).....	7.7%	Chicago.....	15.5%
Washington DC.....	7.7	Los Angeles.....	15.5
San Diego.....	8.3	Phoenix.....	16.7
Manhattan (Downtown).....	12.2	Baltimore.....	18.3
Boston.....	12.6	Minneapolis-St. Paul.....	19.0
Philadelphia.....	12.6	Kansas City.....	19.5
San Francisco.....	12.6	Dallas.....	19.6
Denver.....	13.5	Houston.....	19.7
Oakland.....	13.8	Atlanta.....	21.1
Seattle.....	14.0	Detroit.....	24.1

National Average ⁽¹⁾ 13.4%

(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, Second Quarter 2005.

Retail Market

For 2004 it is estimated that there are about 64,681 employees in retail stores and food service and eating and drinking establishments, consisting of about 31,555 in retail and 32,286 in food service and eating and drinking. In 2002, according to the Census of Retail Trade, about 2,228 retail establishments were located in the City in and they had estimated total sales of \$5.4 billion. The food service and eating and drinking establishment industry in Boston (restaurants and bars) consists of an additional 1,858 establishments and \$1.7 billion in sales. In addition to these establishments there are about 14,000 employees in personal services businesses that range from repair and maintenance services, to hair and nail care, to laundry and dry cleaning services, that handle retail customers.

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. In the Back Bay an addition to Prudential mall (60,000 square feet) at the 111 Huntington Avenue building has been completed and a major new retail development at 501 Boylston Street is under construction containing 97,464 square feet with H & M leasing 20,000 of the footage.

In the neighborhoods, the South Bay Center Mall was completed in the 1990s and includes The Home Depot, the first inner-city store for the company, as well as K-Mart, Toys-R-Us, a supermarket and other stores. Target, replacing the K-Mart store, opened a new store, in summer of 2004. In the Fenway district the new Landmark Center, containing roughly 200,000 square feet of retail and theater space, was completed in 2003. 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 supermarket. A major retail development just being completed is the Crosstown commercial complex in the South End, which has 60,000 square feet of retail space serving the neighborhoods. One Brigham Circle in the Mission Hill/Jamaica Plain neighborhoods has 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 retail store space. These are all solid signs of investment in the inner-city neighborhoods.

There are now 19 neighborhood business districts operating within The Main Streets Program. 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 2004, has generated 540 net new and expanded businesses, created more than 3,643 net new jobs, assisted in 443 storefront improvement projects, and given design assistance to 591 businesses. Through December 2003, the Main Streets Program had leveraged more than \$9 million in private investment.

Also of importance are the supermarket developments that have taken place throughout Boston's neighborhoods. Twenty-three new or expanded supermarkets have opened in Boston's neighborhoods since 1992. Eight of these have opened in the past five years.

Massachusetts, Metropolitan Boston, and Boston Retail Sales, 1992-2002 (In thousands, not adjusted for inflation)

	<u>Massachusetts</u>	<u>Metropolitan Boston</u>	<u>City of Boston</u>
1992	\$47,663,248	\$33,798,207	\$4,180,888
1997	\$65,859,804	\$48,348,686	\$5,608,411
2002	\$83,220,180	\$59,918,502	\$7,163,717
<u>Annual rate</u>	6.88%	7.07%	6.64%

(1) Metropolitan Boston in this usage is the Boston-Cambridge-Quincy MSA as defined in 2003.

(2) Total retail sales includes the 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). 2002 data from the 2002 Economic Census for Retail trade for retail) and for the 2002 Census for Accommodations and Foodservices (for foodservices and drinking places).

Industrial Market and Recent Developments

According to surveys by the BRA, Boston has just over 25 million square feet of industrial space within the City limits. As of January 2000, 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 maintained by 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.

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 Boston Marine Industrial Park; 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.

In 2004 several significant industrial projects were completed in the neighborhoods. In East Boston Belle Steel, a self-storage facility was recently completed. Diamond Windows moved its facility from Allston to Dorchester and renovated a building. Food Pack Express finished a complete renovation of warehousing and refrigeration space on South Hampton Street. In Jamaica Plain a sound recording studio, Squid Hell, is underway. In the Newmarket district several projects were completed: R&R sales, a lumber company, expanded their Newmarket location; the Katsiroubas Brothers warehouse building (17,000 square feet); and The New Boston Foodmarket by B&B Trading completed a \$500,000 renovation of its facility on Food Mart Road. As of October 2005, the only industrial project under construction is the Nolan Brothers self-storage facility in Brighton.

Mayor Menino announced the Back Streets Initiative in November 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 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 2000 Census that the median value of an owner-occupied unit was \$190,603 in 2000, the median monthly mortgage payment was \$1,370, and the median gross rent in the City was \$802 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 City's Department of Neighborhood Development showed that the median rent for an apartment in Boston in 2004 as advertised in the newspapers was \$1,450 per month for a two-bedroom apartment. Rents are down slightly city-wide from 2003, when the average was \$1,500. Median rents for a two-bedroom apartment ranged from a high of \$2,250 in the Back Bay to a low of \$1,100 in East Boston.

**Median Advertised Asking Monthly Rent in Boston Neighborhoods
And the Volume of Advertised Two-Bedroom Apartments
For 2003 and 2004**

<u>Neighborhood</u>	<u>Median Rent</u>			<u>Volume of Apartments</u>		
	<u>2003</u>	<u>2004</u>	<u>Percent</u>	<u>2003</u>	<u>2004</u>	<u>Percent</u>
Allston/Brighton	\$1,350	\$1,300	-4%	463	257	-45%
Back Bay/Beacon Hill	2,250	2,250	0	556	371	-33
Central	2,100	2,200	5	242	228	-6
Charlestown	1,700	1,650	-3	164	154	-6
Dorchester	1,250	1,300	4	115	153	33
East Boston	1,150	1,100	-4	43	28	-35
Fenway/Kenmore	1,650	1,498	-9	66	46	-30
Hyde Park	1,300	1,250	-4	53	43	-19
Jamaica Plain	1,400	1,325	-5	230	165	-28
Mattapan	1,350	1,200	-11	16	15	-6
Roslindale	1,250	1,225	-2	124	109	-12
Roxbury	1,350	1,250	-7	23	29	26
South Boston	1,400	1,400	0	245	163	-34
South End	1,900	1,950	3	148	115	-22
West Roxbury	1,300	1,225	-6	109	89	-18
<u>Citywide</u>	<u>1,500</u>	<u>1,450</u>	<u>-3</u>	<u>2,597</u>	<u>1,965</u>	<u>-24</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 2004." 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 2005).

In recent years, home prices have risen at a very fast pace. The National Association of Realtors reported that the median sale price of existing homes in the Boston metropolitan area was \$389,700 for 2004, a 16.2% increase over the 2002 median sales price. Data for 2005 is only available for the first two quarters, both of which are higher than the same quarters of the previous year. The median sale price of existing homes in the Boston metropolitan area in the 2nd quarter of 2005 was \$418,500. The median price, not adjusted for inflation has more than doubled over the last decade.

**Greater Boston Annual Median Sales Prices for Existing Homes, 2002-2005
(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>
2002	296,100	335,700	353,500	342,400	335,400	NA
2003	337,600	359,100	366,900	361,600	358,500	6.9%
2004	358,700	392,700	407,200	390,500	389,700	8.7%
2005	396,200	418,500	NA	NA	NA	NA

Note: The data series previously used in this table ended in the year 2000. The series beginning in 2003 uses different source data so medians from the two series are not comparable. A completely revised unified series that was made available in 2005 replaces this table from previous years' versions of the Boston Economy report.

Source: National Association of Realtors (October 2005).

Within the City, residential sales prices have been increasing steadily. The median sales price for a single-family home in Boston increased from \$319,500 in the first quarter of 2003 to \$370,000 in the fourth quarter of 2004, a 16% rise over a two year period. Condominium prices also increased from \$294,000 in the first quarter of 2003 to \$345,000 in the fourth quarter of 2004, a 17% rise.

**Median Residential Sales Prices for Boston
First Quarter 2003 through Fourth Quarter 2004
(Current Year Dollars)**

<u>Year</u>	<u>Quarter</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Three Family</u>	<u>Condominium</u>
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	302,500
	Fourth	331,750	434,000	466,500	326,000
2004	First	\$340,000	\$420,000	\$500,000	\$339,500
	Second	377,500	458,500	516,220	350,000
	Third	375,000	460,000	518,000	354,950
	Fourth	370,000	469,500	515,000	345,000

Source: City of Boston, Department of Neighborhood Development using Banker & Tradesman data (June 2005).

Banker & Tradesman, a local trade journal, reported that during the full year 2004 there were 34% more total residential sales in the City than there were in the full year 2003 (11,994 versus 8,965). Sales of single-family homes rose 21% and sales of condominiums and multi-family non-condominiums rose by 39% and 29% respectively compared with 2003 sales.

**Annual Residential and Condominium Sales in Boston
1991-2004**

<u>Year</u>	<u>Single Family Sales</u>	<u>Percent Change</u>	<u>Multi-Fam. Residential Sales</u> ⁽¹⁾	<u>Percent Change</u>	<u>Total Condominium Sales</u>	<u>Percent Change</u>	<u>Residential and Condo Sales</u> ⁽²⁾	<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	1,423	4	2,276	-6	5,266	3	8,965	1
2004	1,718	21	2,934	29	7,342	39	11,994	34

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

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

Note: Data for 2003 has been revised since the publication of last year's report.

Source: Banker and Tradesman (January 2005).

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, Hyde Park, Dorchester, and Roslindale. Single family prices ranged from \$280,000 in East Boston to \$1.8 million in the Back Bay with the city-wide median at \$370,000 and the typical house going for \$419,900 in West Roxbury, the most suburban-style single family neighborhood within the City limits. The median sales price was up 10% and the sales volume was up by 40% between 2003 and 2004.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Single Family Homes
In Boston's Neighborhoods, 2003 and 2004
(Not inflation adjusted)

<u>Neighborhood</u>	<u>2003 Single Family Price</u>	<u>2004 Single Family Price</u>	<u>Percent Change</u>	<u>2003 Sales Volume</u>	<u>2004 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$380,000	\$439,000	13%	73	90	23%
Back Bay/Beacon Hill ...	2,262,500	1,837,500	-23	28	33	18
Central	**	**	***	4	5	***
Charlestown.....	463,000	546,500	15	60	67	12
Dorchester	315,000	350,000	10	186	233	25
East Boston.....	242,000	280,000	14	44	67	52
Fenway/Kenmore	**	**	***	1	6	***
Hyde Park.....	295,000	323,250	9	162	292	80
Jamaica Plain.....	510,000	520,000	2	63	103	64
Mattapan.....	255,000	295,000	14	83	103	24
Roslindale.....	333,000	370,000	10	163	203	25
Roxbury.....	300,000	301,250	0	43	64	49
South Boston	325,000	380,000	15	63	109	73
South End	1,025,000	1,043,750	2	20	24	20
West Roxbury.....	360,000	419,900	14	242	335	38
Citywide	333,000	370,000	10	1,235	1,734	40

** 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 2005, Real Estate Trends, Annual Report 2004".

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 South End ,the Back Bay/Beacon Hill, and Charlestown neighborhoods, which are the core residential pockets closest to downtown. Five neighborhoods still had condominiums with the median price of \$250,000 or below: Dorchester, East Boston, Mattapan, Roxbury, and West Roxbury. The median citywide condominium price as of year-end 2004 was \$349,025, up 12% from the \$312,500 price for year-end 2003. Sales volume was up by 61%.

Short Term Trends in Housing Prices
Median Sales Prices and Sales Volume of Condominiums
In Boston's Neighborhoods, 2003 and 2004
(Not inflation adjusted)

<u>Neighborhood</u>	<u>2003 Condominium Price</u>	<u>2004 Condominium Price</u>	<u>Percent Change</u>	<u>2003 Sales Volume</u>	<u>2004 Sales Volume</u>	<u>Percent Change</u>
Allston/Brighton	\$236,000	\$253,000	7%	602	878	46%
Back Bay/Beacon Hill	435,000	480,000	9	682	979	44
Central	439,000	515,000	15	415	927	123
Charlestown.....	377,400	405,000	7	258	556	116
Dorchester	233,000	250,000	7	292	444	52
East Boston.....	173,875	219,000	21	52	85	64
Fenway/Kenmore	260,000	297,750	13	233	362	55
Hyde Park	231,750	256,000	10	64	60	-6
Jamaica Plain	290,000	323,000	10	315	424	35
Mattapan	266,000	220,000	-21	19	67	253
Roslindale	269,000	293,000	8	129	287	123
Roxbury	246,750	250,000	1	96	199	107
South Boston	305,000	346,000	12	442	920	108
South End	395,000	495,000	20	809	934	16
West Roxbury.....	218,000	238,500	9	141	214	52
Citywide	312,500	349,025	11	4,549	7,336	61

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 2005, "Real Estate Trends, Annual Report 2004."

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 2004 with the first Leading The Way housing strategy. The City 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 2004. The plan of action calls for goals to: renovate 2,000 buildings in visible disrepair; produce 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 2000-2004 with nine large developments completed, totaling 1,364 new housing units. Also in the Downtown and Back Bay nine large housing developments are underway and thirteen more are approved for a total of 3,682 new units to be added.

**Downtown and Back Bay Housing
Completed 2000 – 2004**

Project	Area	Total			Status
		Units	Afford. Units	Market Units	
The Belvedere	Back Bay	65	0	65	Complete
Strada 234 (226 Causeway Street)	North Station	108	20	88	Complete
Colonnade Residences	Back Bay	99	0	99	Complete
Millennium Place	Midtown	350	0	350	Complete
The Metropolitan/1 Nassau Street	Chinatown	251	115	136	Complete
One Charles (Park Plaza Parcel)	Park Plaza	225	0	225	Complete
Saltonstall/100 Cambridge St.	Beacon Hill	75	19	56	Complete
Tremont Towers Condominiums	Midtown	89	0	89	Complete
Trinity Place/25 Huntington Avenue	Back Bay	102	0	102	Complete
TOTAL		1,364	154	1,210	

Source: Boston Redevelopment Authority, January 2005.

**Downtown and Back Bay Housing
Under Construction or Approved as of August 2005**

Project	Area	Total			Status
		Units	Afford. Units	Market Units	
44 Prince Street	North End	57	6	51	Underway
500 Atlantic Avenue	Waterfront	359	47	312	Underway
Battery Wharf	North End	100	0	100	Underway
140 Clarendon Street (YWCA)	Back Bay	188	82	106	Approved
Fan Pier	Waterfront	675	130	545	Approved
Kensington Place	Midtown	346	61	285	Approved
Liberty Place	Midtown	468	70	398	Underway
40-44 Harrison Avenue	Chinatown	32	3	29	Underway
80 Broad Street	Downtown	95	0	95	Underway
Boylston Street Mixed Use Project	Back Bay	105	10	95	Underway
Lafayette Lofts	Downtown	42	4	38	Underway
Lincoln Plaza	Leather District	85	11	74	Underway
111 Beach Street	Chinatown	36	3	33	Approved
296 Cambridge Street	West End	16	1	15	Approved
360 Newbury Street	Back Bay	54	5	49	Approved
99-105 Broad Street	Downtown	48	1	47	Approved
Copley Residences, 441 Stuart Street	Back Bay	111	7	104	Approved
Emerson Place, Charles River Park	West End	320	48	272	Approved
Purchase Street Residences	Downtown	18	0	18	Approved
Russia Wharf	Downtown	50	5	45	Approved
The Clarendon	Back Bay	400	54	346	Approved
Two Financial Center	Downtown	162	11	151	Approved
TOTAL		3,682	559	3,208	

Source: Boston Redevelopment Authority

In the neighborhoods a variety of projects are complete or under construction. Between 2000 and 2004 there were 20 large projects (comprising 10 or more units) completed, adding 962 units. There are also 50 additional developments that are currently underway or in pre-construction, representing 3,772 units.

**Neighborhood Housing
Completed 2000 – 2004
(Only projects of 10 or more units, not including dormitories)
(Listed alphabetically by neighborhoods)**

Project	Neighborhood	Total Units	Afford. Market		Status
			Units	Unit	
Nautica	Charlestown	117	12	105	Complete
Walter Baker Lofts	Dorchester	13	13	0	Complete
90 Westland Avenue	Fenway/Kenmore	20	2	18	Complete
183-185 Mass. Avenue	Fenway/Kenmore	31	2	29	Complete
23-25 & 33-35 Grantley Street	Hyde Park	16	2	14	Complete
NEBH Redevelopment	Jamaica Plain	79	15	64	Complete
Roslindale Commons Condos	Roslindale	12	1	11	Complete
80-82 A Street	South Boston	12	1	11	Complete
120 West 7 th Street	South Boston	24	1	23	Complete
Court Square Press	South Boston	132	0	132	Complete
St. Vincent DePaul rehabilitation	South End	13	0	13	Complete
Dover Lofts (SE-98B)	South End	16	2	14	Complete
Wareham Lofts	South End	28	3	25	Complete
Northampton Street	South End	32	6	26	Complete
Ming's Restaurant, 160 E. Berkeley	South End	38	1	37	Complete
Minot Hall	South End	44	3	41	Complete
10 Coventry Street	South End	63	0	63	Complete
Parcel 8/BCA Site	South End	103	0	103	Complete
Wilkes Passage	South End	152	19	133	Complete
Lamplighter	West Roxbury	17	0	17	Complete
TOTAL		962	83	879	

Source: Boston Redevelopment Authority, January 2005.

**Neighborhood Housing
Underway or Pre-Construction as of August 2005
(Only projects of 10 or more units, not including dormitories)
(Listed alphabetically by neighborhoods)**

Project	Neighborhood	Total Units	Afford. Market		Status
			Units	Unit	
163-165 Chestnut Hill Ave. (I)	Allston/Brighton	12	1	11	Underway
163-165 Chestnut Hill Ave. (II)	Allston/Brighton	24	3	21	Underway
Chestnut Hill Park	Allston/Brighton	47	2	45	Underway
Everett-Hano Street Project	Allston/Brighton	62	62	0	Underway
St. John of God	Allston/Brighton	200	58	142	Underway
35-45 Coffey Street	Dorchester	46	5	41	Underway
Mt. Vernon Street Project	Dorchester	333	34	299	Underway
Atrium Lofts	East Boston	217	32	185	Underway
Barnes School	East Boston	74	74	0	Underway
29 Peterborough Street	Fenway/Kenmore	11	1	10	Underway
Buckminster Hotel	Fenway/Kenmore	22	2	20	Underway
120 Mountfort Street	Fenway/Kenmore	37	4	33	Underway
645 Beacon Street	Fenway/Kenmore	22	2	20	Underway
Fenway Mixed Use	Fenway/Kenmore	540	54	486	Underway

Morville House	Fenway/Kenmore	30	30	0	Underway
Glenwood Avenue	Hyde Park	20	2	18	Underway
25 Alpine St. (residential conversion)	Hyde Park	44	5	39	Underway
Village at Cleary Square	Hyde Park	59	6	53	Underway
39 Maple Street	Hyde Park	122	NA	NA	Underway
Hillside Homes at Franklin Park	Jamaica Plain	12	2	10	Underway
JP Cohousing	Jamaica Plain	30	3	27	Underway
319-329 Centre Street	Jamaica Plain	18	1	17	Underway
Amory Street Residences	Jamaica Plain	64	64	0	Underway
Franklin Field South	Mattapan	23	23	0	Underway
Harvard Commons Phase I	Mattapan	45	45	0	Underway
Mission Hill Phase II	Mission Hill	34	34	0	Underway
Mission Hill Phase III	Mission Hill	24	24	0	Underway
4040 Washington Street	Roslindale	30	3	27	Underway
Dartmouth Hotel	Roxbury	65	65	0	Underway
Egleston Crossing	Roxbury	64	64	0	Underway
Kittredge Square	Roxbury	14	3	11	Underway
Washington Commons	Roxbury	49	28	21	Underway
525-527 East 2 nd Street	South Boston	13	1	12	Underway
Trolley House Condos	South Boston	24	2	22	Underway
St. Peter & Paul Church and Rectory	South Boston	44	8	36	Underway
Midway Phase 1	South Boston	44	6	38	Underway
3 Dorchester Street	South Boston	54	29	25	Underway
Channel Center (Midway) – Ph. 1 Pc. 6	South Boston	76	0	76	Underway
Channel Center – Phase 1	South Boston	89	36	53	Underway
Massport Parcels F2, G, and J	South Boston	465	15	450	Underway
Costello Homes	South Boston	15	8	7	Underway
422-424 Massachusetts Ave.	South End	10	2	8	Underway
601 Albany Street	South End	30	3	27	Pre-Construction
Gateway Terrace – Dover Residences	South End	133	13	120	Underway
Harrison Commons	South End	136	13	123	Underway
731 Harrison Avenue	South End	54	26	28	Underway
D-4 Police Station	South End	26	3	23	Underway
5168-5178 Washington Street	West Roxbury	48	5	43	Underway
Sophia Snow House	West Roxbury	102	102	0	Pre-Construction
1522 VFW Parkway	West Roxbury	15	1	14	Underway
TOTAL		3,772	640	1,289	

Source: Boston Redevelopment Authority, August 2005.

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, through the Neighborhood Housing Trust (NHT), and job training for City residents, through the Neighborhood Jobs Trust (NJT). Under the program, which was 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 pay exactions 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. The fee was last adjusted as of November 30, 2001.

Linkage payments to the NHT are amortized over a period of either seven or twelve years, depending on the date of the initial agreement. Under NHT policy, current agreements provide for a seven-year payment period. The seven-member NHT board holds public hearings and has the authority to approve linkage grants to selected projects, except for a separate “housing creation” option, which require the additional approval by the BRA. Since the inception of the linkage program through January 22, 2004, the NHT has awarded \$80.7 million in grant funds to various affordable housing projects.

Based on data through 2004, NHT funding contributed to the construction or renovation of 7,604 housing units in 89 projects in the City's neighborhoods. Affordable housing units for low and moderate-income residents comprise 81% (6,116 units) of this total. Of these 114 housing developments created, linkage funds, for the most part, accounted for fewer than 8.2% of the total development costs of the projects. NHT grant awards are 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 units, such as housing for pregnant, homeless women and alcohol recovery programs; condominiums; housing cooperatives; and home ownership.

Funds for the NJT come from the jobs exaction of \$1.44 for every square foot that a development project exceeds 100,000 square-feet. The job training component of the linkage program was established by 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. Between fiscal years 1988 and 2004 \$15.1 million of funds had been committed, and nearly \$11 million of funds had been awarded, resulting in the creation of 116 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 nearly \$11 million awarded, approximately \$950,000 has been spent on administration, bringing total expenditures from the NJT to nearly \$12 million.