



The Research Bureau

Corridor 9 Chamber Economic Development Committee

I attended the Corridor 9 business after hours at the business expo last week and you could see and feel the energy and excitement in the room. That does not happen without a lot of hard work. And I congratulate you all for generating such vibrancy among the businesses in this area, in spite of job losses, which continue to affect the entire state.

Thank you for giving me the opportunity to meet a new group of people and to talk to you on two subjects about which I feel passionately; the first is the Research Bureau, which is like my third child, and the second is regional economic development. I'll start with the Research Bureau.

The Research Bureau was established in 1985 as the Worcester Municipal Research Bureau to conduct independent, non-partisan research on public policy issues in Worcester. Our immediate goal has been to focus attention on problems facing municipal government and to suggest directions toward their resolution that would ultimately contribute to greater efficiency, responsibility and accountability on the part of local government. The ultimate goal, however, is to foster a political environment in which

businesses can prosper and residents can live in a pleasant, safe community with good schools, and cultural and recreational opportunities.

In order to achieve these goals, the Research Bureau conducts research, disseminates the results, and tries to educate both public officials and citizens. The research reports have covered a wide range of topics. They present detailed analyses of issues on which both citizens and public officials can base decisions that affect the welfare of everyone in the community. The reports are designed to stimulate thought and discussion among citizens inside and outside government.

As part of our public education effort, the Research Bureau sponsors the “Francis A. Harrington Forums on Municipal Government,” a series of public forums to highlight particular issues of current concern to the community. The programs are free and open to all interested citizens and public officials. The panelists have included prominent individuals on both the state and local level who have expertise on the subject being discussed. Recent speakers included Eric Kriss, Secretary of Administration and Finance, who discussed the monopoly power of public employee unions, Adam Urbanski, President of the Rochester Teachers Association, Manuel J. Rivera, Superintendent of the Rochester Public Schools who discussed new paradigms in collective bargaining, and Governor Mitt Romney, last year’s annual meeting speaker.

The Research Bureau's budget is supported mainly by annual dues from businesses and individuals, and grants from local foundations concerned about the welfare of the region and its people.

Two significant changes have occurred in the Research Bureau's operations during the last several years. About a decade ago, we began to realize that many of Worcester's issues either could not be addressed by Worcester alone or were similar to those facing other communities such as solid waste disposal, meeting environmental mandates, public employee health insurance, and providing ambulance service. We began writing about regional issues and we were instrumental in establishing an organization called MORE, a collaboration among a number of towns in Central Massachusetts for the joint purchase of goods and services. While the organization is in a transitional stage at this time, there have been some notable successes such as the establishment of a joint purchase health insurance group. About four years ago, in keeping with this broader focus, we changed our name to the Worcester Regional Research Bureau.

The other significant change occurred about three years ago when we received a major grant from the Alfred P. Sloan Foundation in New York to benchmark municipal and community performance in Worcester. We're tracking the City's performance in five areas: economic development; public education; public safety, municipal and neighborhood services, and youth services. The data we are producing is being used by the City in setting priorities, making changes in policy and budgeting. We just received a renewal of that grant for another four years. In principle, there is no reason that, given

the resources, we could not be benchmarking performance in other communities or regionally as well.

Regional Economic Development: Opportunities and Challenges

I'd like to start with some observations about the state, which may be obvious to most of you, but it helps to put things in context. Massachusetts is quite a small state compared to most. You can traverse it in three hours east to west, and in two hours, north to south. It may be the only state apart from Rhode Island where the largest city is also the state capital. Hence, both political and economic power are located in one place. So long as manufacturing flourished in the central and western parts of the state, there was probably some modest degree of power lodged outside of the Boston area, but that hasn't been the case in many years – until the population began to move westward. I think that Governor Romney is onto something very important by establishing the Regional Competitiveness Councils. These Councils, comprised primarily of business leaders, were established to determine the economic strengths of each region and to make recommendations on how to build on those strengths. If the Commonwealth is going to grow and prosper, we must figure out how to get greater concentrations of jobs into the regions outside of Boston. With the growth in population in this area because of the relatively lower cost of housing, and I use that term advisedly, how do we build on our strengths to attract more businesses so that residents of this area are not sitting for hours in traffic jams on the MassPike or packed like sardines on the not wholly reliable commuter rail.

When I was scanning the Corridor 9 Chamber's website, I noticed that when listing institutions of higher education in this area, most of them are located in Worcester. In fact, Corridor 9 now has satellite campuses of both Clark and WPI. The RCC report (which is on the Research Bureau's website) concluded that higher education and research particularly UMass Medical School and Research Center, Clark and WPI with their work on the life sciences industry cluster are a major strength of this area and critical to the generation of new companies and jobs. The RCC report also noted that this region's economic strength is driven by diverse and strong industry clusters; it is not dependent solely on one industry. Part of this strength has to do with the diversity of educational institutions that provide both managers and technicians with skills for research and development and precision production. Plus there's a strong supply of skilled craft labor in all areas of manufacturing.

Another strength of the region is its strategic location. Unlike Boston, you can actually drive in all 4 directions without falling into the water. There's high-speed road access to Boston, Providence, and points west. It is centrally located not only in Massachusetts, but in New England. The cost of living is lower compared to greater Boston, and the quality of life is high especially for families. The health care, especially UMass Medical School and Hospital, rivals the best in Boston; the cultural venues such as Mechanics Hall and Worcester Art Museum, which are also listed on the Corridor 9 website, are not slouches either. I mention these particular institutions located in Worcester, because I think it's important for us to understand the interdependence of communities within the region. This region would not be nearly so attractive to knowledge-intensive industries

were it not for the cluster of colleges and universities that grew up here long before the high tech revolution. And the satellite campuses of Clark and WPI could not exist without the strength and quality of the main campuses. We must take advantage of, and build on these strengths of the region.

Now let us turn briefly to some of the challenges impeding economic growth in this region.

First, the state is losing population, especially our younger residents, and the RCC research found that the central region is losing 19-24 year olds at a faster pace than the state as a whole. According to recent research by MassINC, in a report titled *Mass Migration* (also on our website) over the last 12 years, the state had a net loss of 213,000 residents. Despite the economic prosperity of the late 1990's, in no year did Massachusetts attract more people than it lost. Those leaving tend to be young, well-educated workers, many of them native-born Massachusetts families. A recent MassINC survey, *The Pursuit of Happiness: A Survey on the Quality of Life in Massachusetts*, (which can also be found on our website) offers some insights to the question of why people are leaving. In this survey, one quarter of Massachusetts residents said they would like to move out of the state if they had the opportunity. Their number one reason was "to go somewhere with a lower cost of living or lower taxes." We know that the high cost of housing is the primary driver underlying the high cost of living. In addition, residents also ranked the "availability of affordable housing" as the top policy area in need of major improvement.

I have no intention of making a case for “affordable” housing; I did not come here to press hot buttons. But I am going to make an obvious case for more housing, since we know that the number of housing permits in Massachusetts relative to the state’s population is one of the lowest in the nation and lower than in most of our competitive states. It is a fundamental law of free markets that increasing the supply decreases the price. If we restrict the supply and build only McMansions for CEO’s and senior management, we will not have the housing for the rest of the workers we need to ensure that our businesses thrive and prosper. So it’s in everyone’s interest to increase the housing supply – the young, the old, and all those in between, at all income levels.

How will that happen? And here I refer you to an excellent study prepared in 2003 by the Rappaport Institute of the Kennedy School at Harvard, titled “*Getting Home: Overcoming Barriers to Housing in Greater Boston.*” I believe that the analysis and the recommendations to overcome barriers are applicable to this region as well. I have provided you with the executive summary of that report and the full report can be found on the Research Bureau’s website (www.wrrb.org).

Chapter 40B, the Community Preservation Act and stringent septic regulations are seen as a few of the barriers to housing construction. Recommendations to overcome barriers include strong incentives for greater density at strategic transportation nodes and increases in state aid when communities work with neighboring communities on housing development. For example, the new owners of the Worcester Common Outlet Mall want

to tear down the retail section and build market rate housing near Union Station. It would be in the interest of nearby communities to work with Worcester to bring that project to fruition. The housing will be geared for residents who are potential employees of not just Worcester companies, but of those in nearby towns as well. According to the report, the primary role of state and local government is to lay a basic foundation and then allow developers to build. The report found that the current regulatory scheme raises the cost of construction, which in turn restricts the production of housing. The State and local communities need to recognize that they often pose unreasonable barriers to housing development. If they want families to be housed at reasonable cost, they need to reduce the time, expense, and frustration posed by the myriad of regulations governing housing development and rehabilitation.

I encourage you all to look at Rappaport Institute's report on housing as a starting point for discussion about an issue that is integral to the economic prosperity of this region.

Thank you again for giving me this opportunity and for listening to me. Now I hope to listen and learn from you.