



CITY OF CAMBRIDGE
COMMUNITY DEVELOPMENT DEPARTMENT

SUSAN B. SCHLESINGER
Assistant City Manager for
Community Development

BETH RUBENSTEIN
Deputy Director for
Community Development

TO: Robert W. Healy, City Manager

FROM: ^{YBR} Beth Rubenstein, Acting Assistant City Manager for
Community Development

DATE: December 1, 1998

SUBJECT: Response to Council Order 004, dated 11/12/98 regarding
structuring an economic development department

In response to a Council Order in 1997, CDD conducted a survey of other economic development programs in eight cities comparable to Cambridge. All of the cities surveyed but one locate their economic development offices in the community development/planning department. Based on that survey and our experience in Cambridge, we recommend that the economic development function remain in the CDD to retain the benefits of taking a multi-disciplinary approach to development in the city. In Cambridge, where balancing development with concerns about neighborhood impacts is a major focus, locating economic development in the planning department facilitates good communication on land use planning, zoning, urban design and transportation issues. It also provides an efficient use of resources and reflects the public/ private nature of the economic development activities undertaken, as well as the fact that these activities do not involve developing public land. The text below summarizes the issues and the appendix provides details from the survey.

**I. COMPARISON OF ADVANTAGES AND DISADVANTAGES OF DIFFERENT
TYPES OF ORGANIZATION**

OVERVIEW

Staff interviewed eight other cities to understand the ways economic development is organized in each location. The cities in the metro Boston area were selected because they are similar to Cambridge in size and many of them share a City Manager form of governance. The cities outside the metro area were selected because they are college

communities of small to moderate size that have a significant market niche in commercialization of technologies developed at academic research centers, and thus have many similarities to Cambridge. Each economic development office surveyed had a somewhat different focus, organizational structure, and level of resource, reflecting differences in community preferences and economies. Only one of them, Palo Alto, located its economic development office in the City Manager's office, believing that this location would lend stature to a small office with 2 staff and would give them influence in dealing with other city departments. This comparison of programs across communities revealed two areas which appear to be key in decision making: organizational focus and resources.

ORGANIZATIONAL FOCUS

Economic development offices have a variety of mandates, all of which provide public benefit through the creation of jobs and tax revenues and the production of goods and services. However, activities can be conceptualized as having two broad focuses: those that relate directly to a private sector client, such as site assistance, business development assistance, ombudsperson services obtaining municipal permits; and those activities with a more public character, such as planning for the revitalization of commercial and industrial districts, improving infrastructure, and working to improve the employment and training system. Organizations which focus mainly on providing services to private clients can most easily be carved out as a separate office, apart from planning/community development departments. Those departments which include a major public focus are most easily integrated into community development/planning departments.

In Cambridge, the Economic Development Division integrates both private focus activities and public focus activities. Communities which split this focus tend to take a more aggressive approach to real estate development and are frequently communities in economic distress and/or which have a great deal of vacant real estate, where the impacts of development are felt less by the residential community and eliminating blight may be of major concern. In Cambridge, where balanced development is a priority, the integration of economic development functions into the Community Development Department improves coordination with zoning and land use planning, urban design, traffic and infrastructure development. The ability to balance all the concerns is enhanced by having all the disciplines under one roof.

RESOURCES

Another reason that many smaller communities incorporate economic development organizations into their planning/community development department is that it enables them to maximize resources. Graphic design services, development of maps, and access to zoning and urban design staffs are most efficiently facilitated under one umbrella. For example, the Cambridge Street planning process which has been ongoing since 1997, although led by the Economic Development Division, has relied on expertise from the zoning, urban design, environment and transportation, and housing staffs.

Larger communities, where more than one organization may have these resources in house, are more likely to have a separate economic development office. In addition, communities that own or control significant amounts of land often center their economic development programs around these redevelopment efforts. The redevelopment of publicly owned land is often handled by a redevelopment authority or an economic development and industrial corporation, public authorities that can act more independently than a municipal agency. For example, in Cambridge, the Cambridge Redevelopment Authority is responsible for the redevelopment of the Kendall Square area.

CONCLUSION

The structure of the City's economic development effort should reflect overall economic development policy. In Cambridge, the business and residential communities are intertwined, because of both historic land use patterns and their common interest in quality of life issues. Cambridge's dense pattern of development sometimes leads to conflicts between the residential and business communities. When these conflicts occur, they are best mediated in an organizational structure where the City's economic development goals are integrated with its land use planning goals. Including economic development within the CDD also provides more efficient use of resources including graphics, GIS, and support functions. It is also better suited to the mix of activities undertaken by the economic development office, which serves both the public and private sectors, and it is not required to facilitate the management of large tracts of land owned by the private sector, a common function in more devastated communities than Cambridge. In conclusion, the placement of the economic development function in the Community Development Department is the structure best suited to Cambridge.

APPENDIX: SURVEY OF SMALL CITY ECONOMIC DEVELOPMENT PROGRAMS

CAMBRIDGE, MA

Community Profile:	Economic Development Staff:
Unemployment Rate: 1.9%	5 Professional FTE
Commercial Vacancy Rate: 4.5%	.5 Shared Administrative FTE
Population: 95,800	Economic Development Organization:
Total Land Area: 6.5 Square Miles	Located in Community Development Department, which also has divisions of community planning, housing, environment and transportation.

LOWELL, MA

Community Profile:	Economic Development Staff:
Unemployment Rate: 5.5%	4 Professional FTE
Commercial Vacancy Rate: Over 40%	.5 Administrative FTE
Population: 105,000	Economic Development Organization:
Total Land Area: 14.5 square miles	Division of the Planning and Development Department

Lowell has federal designation and funding as an Enterprise Community. Staff work with the University of Massachusetts at Lowell to develop an entrepreneurial climate and market the City. Staff maintain a real estate referral service and market Lowell's substantial vacant space and low rents to growing firms from other communities, including Cambridge. They hope to develop a business assistance center and are considering an additional staff person to manage downtown development.

NEWTON, MA

Community Profile:	Economic Development Staff:
Unemployment Rate: 4%	3 Professional FTE
Commercial Vacancy Rate: N/A but very low	Shared Administrative Staff with CDD
Population: 83,100	Economic Development Organization:
	Located in Planning and Development Department, which has four divisions: Current Planning, Economic Development, Housing Development, and Community Development
Total Land Area: 18 square miles	

Activities include assistance with business permits, assistance finding locations, micro-loans and referrals to financing, and providing demographic and other statistical information.

SOMERVILLE, MA

Community Profile:	Economic Development Staff:
Unemployment Rate: 3.4%	3.5 Professional FTE
Commercial Vacancy Rate: 8.9%	3 shared administrative with OHCD
Population: 76,200	Economic Development Organization:
Total Land Area: 4.2 square miles; approximately 50 acres of undeveloped land	Economic Development division located in Office of Housing and Community Development, which has three additional divisions: housing, planning and open space, and transportation.

Somerville has a very active citywide facade improvement program in neighborhood commercial districts and a CDBG small business loan fund. They purchased the Boynton Yards with a HUD 108 loan and completed substantial site preparation and infrastructure work; currently they are trying to lease the space. To do this, they direct marketing to neighboring communities, notably Cambridge.

WORCESTER, MA

Community Profile:	Economic Development Staff:
Unemployment Rate: 3.8%	15 Professional FTE (Includes total staff in the three offices described below.) Multiple administrative staff, some dedicated, others shared
Commercial Vacancy Rate: NA, but central business district 19.7%	Economic Development Organization: Economic Development Officer and Deputy Economic Development Officer oversee Office of Planning and Worcester Redevelopment Authority.
Population: 169,000	
Total Land Area: 37 square miles	

Office of Planning: Small business assistance, micro-loan program, state ETA program, Section 108 loan program, involved in relocating businesses impacted by reconstruction of Mass Pike Interchange and in planning the new interchange, recruit businesses for Worcester Airport Industrial Park. Worcester Redevelopment Authority: active in planning for 24 acre hospital and medical office building project to be built on land taken

by the WRA by eminent domain and sold to a developer and rehabilitation of Union Station, an 86,000 square foot train station, bought by the WRA out of bankruptcy.

BERKELEY, CA

Community Profile:	Economic Development Staff:
Unemployment Rate: 5%	6 Professional FTE
Commercial Vacancy Rate: Downtown Retail: 5% Downtown Office: 10%; Industrial: 10+%	1.5 Administrative FTE
Population: 104,000	1 Professional FTE Arts Coordinator to be added!
Total Land Area: 10 square miles	Organizational Structure:
	Economic development office founded in 1985, originally in City Manager's Office, moved to CD Department (CDBG program and affordable housing), just moved to new planning and development department, which will consist of codes, zoning, area planning, economic development and the arts.

Programs include managing three small business loan pools, facade improvements grants, site searches, permit ombudsperson, business retention surveys, Main Streets, and working with businesses that want to expand in or move to Berkeley. They don't do much marketing because they are a popular location with lots of entrepreneurial growth. Berkeley has a very small redevelopment agency, which is about to expire and may not be renewed, as it controls very little land. Adult job training is currently in human services but may be moved back to economic development.

PALO ALTO

Community Profile:	Economic Development Staff:
Unemployment Rate: <1%	2 Professional FTE
Commercial Vacancy Rate: 0%	.5 Administrative FTE
Population: 75,000	Economic Development Organization:
Total Land Area: 16 square miles	Office located in City Manager's Office

The Stanford Research Park is the major development district for R&D, pharmaceuticals, software and Internet firms. The city has three retail districts. Palo Alto does not market because its economy generates its own growth, but it does work with specific firms meeting their goals who express an interest in coming to Palo Alto. The office works mainly to assist local firms seeking to expand who need to locate real estate or need assistance with permitting and licensing.

EVANSTON, IL.

Community Profile:	Economic Development Staff:
Unemployment Rate: 4.5%	2 Professional FTE, including .5 Assistant City Manager and .5 Planning director
Commercial Vacancy Rate: 4%	1 Administrative FTE
Population: 73,000	Economic Development Organization:
Total Land Area: 8 square miles	Located in Planning Division of Community Development Department. Community Development Department consists of Zoning, Planning, Building, and Housing Rehab.
	Also fund positions in two non-profit economic development organizations: .5 staff in downtown commercial district and 2 staff in an incubator in a collaborative research park with Northwestern University. The research park also maintains a small business loan fund and a venture capital fund.

Tax revenue is a very big issue in this community, where commercial property taxes are substantially higher than those of surrounding communities. Activities include redeveloping a 24 story downtown office building as housing and referring growing firms to the research park. Like most college towns with entrepreneurial economies, Evanston does not focus on marketing to try to attract firms from outside the area, but uses its resources to help grow the local economy. They are considering helping retailers in their downtown put together a promotional campaign to encourage residents to shop downtown.

MADISON, WIS.

Community Profile:	Economic Development Staff:
Unemployment Rate: 1.5%	1 Professional FTE
Commercial Vacancy Rate: 8%	1 Administrative FTE
Population: 200,000	Economic Development Organization:
Total Land Area: 62 square miles	Economic Development is located in the Planning Department, which consists of four divisions: housing, inspection, planning and economic development.

Major activities include helping local firms that are growing locate real estate and obtain the necessary permits and licenses for build out. The City has recently purchased 160 acres of industrial land and is in the process of purchasing 265 additional acres of industrial land, because they are concerned that high real estate prices will drive out

manufacturing, especially the high tech manufacturing they are trying to encourage. This real estate will be developed as two industrial parks to be managed by the City or an entity the City sets up to develop and manage the real estate.



CITY OF CAMBRIDGE
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EXECUTIVE DEPARTMENT
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City Manager

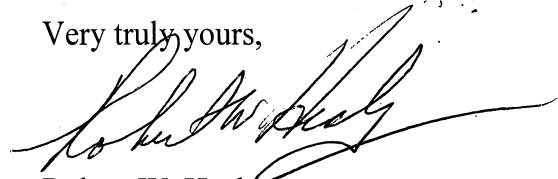
RICHARD C. ROSSI
Deputy City Manager

December 7, 1998

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 16, regarding a report on the structuring of an Economic Development Department, received from Acting Assistant City Manager for Community Development Beth Rubenstein.

Very truly yours,



Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #4

Cal. 2

Relative to AW Repotr #16, regarding
a report on the structuring of an
Economic Development Department.

12/15/98

sent to. C. Sullivan

In City Council December 7, 1998

CHARTER RIGHT
BY Councillor Trantafillon

12/14/98

Referred to
Finance Committee on motion
of C. Sullivan

Ms. Rubenstein asked how can the city encourage people to be good corporate citizens. In the traffic realm, subsidizing "T" passes is an encouragement, she said.

Councillor Sullivan asked Ms. Rubenstein for her definition of economic development. Ms. Rubenstein emphasized that economic development encourages small businesses and entrepreneurs and invited Ms. Jean Strain, Economic Development Director, to provide an in depth description of what economic development entails. Ms. Strain stated that it encompasses all of the following activities:

- Support entrepreneurs
- Work with and promote small businesses
- Provide information for starting a business
- Conduct market planning
- Help with financial aspects such as how much money is needed to start a business
- Make referrals
- Help businesses from incubation through growth phase
- Critique business plans
- Help solve business problems when they come up along the way.

Councillor Sullivan inquired how many businesses were involved in the first phase. Ms. Strain responded that there were 248 businesses in fiscal year 1998.

City Manager Healy stated that small businesses are the core of the community. He further stated that the city tries to be an asset to the smaller, fledgling businesses. Ms. Strain stated that the economic development division monitors the real estate market, trends, developers, brokers and investors in property. She stated that there is a shortage of space for smaller businesses in the city.

Councillor Sullivan asked Ms. Strain how many meetings she conducts per year on economic development matters. Ms. Strain stated that she conducts 70-80 meetings per year.

Councillor Sullivan asked what part is economic development and what part is community development of the Cambridge Street project. Ms. Rubenstein responded that economic development division is the lead on the project.

Councillor Russell asked whether the Community Development Department conducts marketing for a business after it starts. Ms. Strain responded that it is up to the business to market themselves.

Councillor Sullivan asked Ms. Strain if economic development remains in the Community Development Department what expansion does she see for the department. Ms. Strain responded:

- Employment
- Regulating business climate
- Revamping of the licensing and permit process.

Councillor Sullivan asked Ms. Strain if economic development was a separate agency, what would she do? Ms. Strain responded that there would be an issue of resources such as GIS, graphic design and secretarial support. She further explained that to pull the economic development division out of the Community Development Department is very expensive. There would also be an increase in expectations with less support, she said.

Councillor Sullivan asked Ms. Strain what more she would do. Ms. Strain responded that the economic development division could be doing more. If we had more employees we could do more, she said. She informed the committee that her division does not have the resources to explore alternatives.

Councillor Sullivan asked Ms. Strain how her division ranks within her department. Ms. Strain stated that Cambridge is in good shape and is not able to compete for federal money. She stated the big resource issue is that the economy remains good.

Councillor Davis stated that she would rather see economic development remain at the Community Development Department. She stated that there were 200 people in attendance at a meeting where the consensus was that development should be part of the whole picture and that economic development be part of the development plans for the city. She further stated that economic development needs to be part of the goals of the city.

Councillor Sullivan stated that he feels the Community Development Department is too large. Planning, economic development, housing, transportation and the way the department is designed all add to the burn out of the Assistant City Manager for Community Development. There should be an aspect of the department that is always focussed on the effects of various other activities on the economic development of the city, he said. The IPOP, he said, caught the public and the administration by surprise. Councillor Sullivan stated that he is tired of hearing the department being referred to as "The Community Destructive Department." Perception, he said, becomes reality.

Mr. Rossi stated that tension around development is traffic issues.

Councillor Sullivan stated that economic development gets waylaid behind housing and planning issues.

Councillor Davis asked how many employees work in the Community Development Department. Ms. Rubenstein responded with the following information:

- 5 employees in economic development
- 10 employees in transportation
- 8 employees in lead safety
- 10-12 employees in planning and GIS
- 7-8 employees in housing; plus the support staff.

Ms. Strain asked Councillor Sullivan about the term of "Community Destructive Department." In reference to what project was this remark made. Councillor Sullivan responded that he has heard it as general comment referring to all projects. There is an issue of people coming from the suburbs and thinking Cambridge is a suburb.

Councillor Davis stated that University Park is not seen as an improvement. The size of the buildings in relation to the surrounding buildings, the density, major industrial park and the threat to Central Square are some of the reasons that this project is not seen as an improvement.

Mr. Rossi pointed to One Kendall Square versus Boston Woven Hose, and said that the only businesses that thrived in this area were the bars before the area was developed.

Councillor Davis stated that she attended an EPA conference which fostered balance in development. She said the city has gone too far.

Mr. Healy stated that in 1972-1974 the economic development was located in the City Manager's Office. In 1974 there was an unemployment rate of 14 ½ %.

Councillor Russell stated that the Strawberry Hill Neighborhood Report did not contain one Italian on the neighborhood study committee when the community was largely Italian.

Councillor Sullivan asked what is the role of economic development in relation to Polaroid? Ms. Strain stated that MIT purchased the Osborn Triangle. Polaroid, she

said, is too involved and does not have time to sell the buildings. Mr. Healy stated that there is a lack of desire of Polaroid to deal with Cambridge.

At the conclusion of the meeting, Councillor Sullivan made a motion that this matter remain in committee. The motion carried on a voice vote.

The meeting adjourned at five o'clock and forty minutes p.m.

For the Committee

A handwritten signature in black ink, appearing to read 'Michael A. Sullivan', written over the printed name.

Councillor Michael A. Sullivan
Chair

City of Cambridge

In City Council February 22, 1999

The Finance Committee conducted a public meeting on Thursday, February 4, 1999 at four o'clock and thirty-five minutes p.m. in the Ackermann Room.

Present at the meeting were Councillor Michael A. Sullivan, Chair of the Committee, Councillors Henrietta Davis, Sheila Russell and Kenneth Reeves; City Manager Robert W. Healy, Deputy City Manager Richard Rossi, Acting Assistant City Manager for Community Development Beth Rubenstein, Economic Development Director Jean Strain and Deputy City Clerk Donna P. Lopez.

Councillor Sullivan opened the meeting by requesting Ms. Rubenstein, Acting Assistant City Manager for Community Development, to outline the report received from the City Manager dated December 7, 1998 on the structure of an Economic Development Department.

Ms. Rubenstein stated that it makes sense to keep the functions of the Economic Development Department in the Community Development Department which is also responsible for transportation, community planning and housing and environment issues, all of which affect economic development. There is a large focus on the public functions, she said. The model of a separate Economic Development Department makes sense, she said, in cases such as the Boston Redevelopment Authority, which markets its own property.

City Manager Robert W. Healy stated that if Cambridge was a community struggling to do a lot of economic development it might be a different matter. He stated that he prepared a proposed ordinance amendment to establish an Economic Development Department because of the request of the City Council (Attachment A), but he does not recommend a separate department. He further stated that the separation would create a potential problem between the Community Development Department Head and the Economic Development Department Head. A separate department is not necessary at this time.

Councillor Sullivan stated that the issue is who is the customer at the counter at the time. This is the person who will be responded to whether it is a resident, a developer or a neighborhood.

Councillor Sullivan stated that Amgen decided to locate in Cambridge. He stated that some massaging of businesses helps.

Committee Report #4

S-1388

A report from Councillor Michael A. Sullivan, Chair of the Finance Committee, for a meeting held on February 4, 1999 to outline the report received from the City Manager dated December 7, 1998 on the structure of an Economic Development Department.

In City Council February 22, 1999

Report Accepted

PLACED ON FILE