

## 5. ECONOMIC DEVELOPMENT

A community’s economy is influenced by its location, the types of industries it attracts, the education and skills of its working-age population, and the uses of its land. Each community is part of an economic region, or larger areas connected by employment, trade, and transportation characteristics. The boundaries of economic regions usually correspond to land use patterns, utilities, and transportation systems that support the movement of goods and people. For economic statistical purposes, Arlington is part of the Boston-Cambridge-Quincy, MA New England City and Town Area (NECTA) Division, an area that includes Boston and ninety-two communities with employment ties to Greater Boston and the Route 128/I-95 suburbs.

### Economic Development Goals

- *Improve access to public transit and parking.*
- *Support conditions that benefit small, independent businesses.*
- *Maximize the buildout potential of commercial and industrial properties.*
- *Promote Arlington’s historic and cultural assets as leverage for economic development.*

Economic development improves the quality of life for people in a community by creating good jobs, expanding a community’s tax base, improving public services, and strengthening the local economy. Since local governments depend on property taxes to fund town services, they often pay more attention to the size and make-up of their tax base than the health of their employment base. In Arlington, many people say the town needs more businesses in order to expand the tax base and shoulder more of the cost of local government services. Arlington has very little developable land left, so retaining and expanding its employment base will depend on redevelopment opportunities, mainly in the established commercial areas along Massachusetts Avenue.

#### A. Arlington’s Labor Force

A community’s **labor force** includes all residents 16 years of age and older, employed or looking for work. In Arlington, the labor force includes 24,984 people, which represents a 72.3 percent **labor force participation rate**. As Table 5.1 indicates, Arlington has a relatively high labor force participation rate, surpassed only by that of Somerville.

**Table 5.1. Labor Force Characteristics (2011)**

	Labor Force	Labor Force Participation Rate	Civilian Employed	Unemployment Rate
ARLINGTON	24,984	72.3%	23,747	4.8%
Belmont	13,097	67.5%	12,552	4.1%
Cambridge	63,071	68.3%	59,018	6.0%
Lexington	15,512	64.2%	14,835	4.3%
Medford	33,504	69.8%	31,003	7.4%
Somerville	50,435	75.2%	47,073	6.5%
Winchester	10,076	63.3%	9,408	6.4%

Source: ACS 2007-2011, DP-03.

Note: Table 5.1 omits military employment. For these seven communities, the combined total of Armed Forces employment is 473 people.

### 1. Occupations

As an indicator of the economic differences that separate the Boston Metro area from the state as a whole, residents of Arlington and other close-in suburbs are far more likely to have management, science, technology, and arts occupations than their counterparts throughout Massachusetts. In federal census terms, an **occupation** describes the kind of work the person does, which is not the same as the **industry** a person works in or whether the person’s employer is a public agency or private company. Table 5.2 shows that 64 percent of Arlington residents have management, science, technology, or arts occupations, compared with 43 percent statewide, while only 3 percent have manufacturing or transportation jobs compared with 9 percent statewide.

**Table 5.2. Employed Civilian Labor Force by Occupation (2011)**

Geography	Employed Civilian Labor Force	Percent in Occupational Groups				
		Management, Science, Arts	Service	Sales and Office	Construction, Maintenance, Mining	Production, Transportation
Massachusetts	3,280,503	43.1%	16.8%	23.9%	7.2%	9.0%
Middlesex	791,260	51.8%	14.2%	21.5%	6.0%	6.6%
ARLINGTON	23,747	64.1%	8.9%	20.8%	3.7%	2.6%
Belmont	12,552	66.7%	10.5%	17.0%	3.1%	2.7%
Cambridge	59,018	69.6%	10.5%	15.5%	1.7%	2.7%
Lexington	14,835	74.6%	6.7%	15.6%	0.8%	2.4%
Medford	31,003	48.4%	15.2%	24.7%	6.0%	5.6%
Somerville	47,073	53.4%	16.8%	19.9%	5.3%	4.6%
Winchester	9,408	69.2%	7.6%	18.8%	2.1%	2.3%

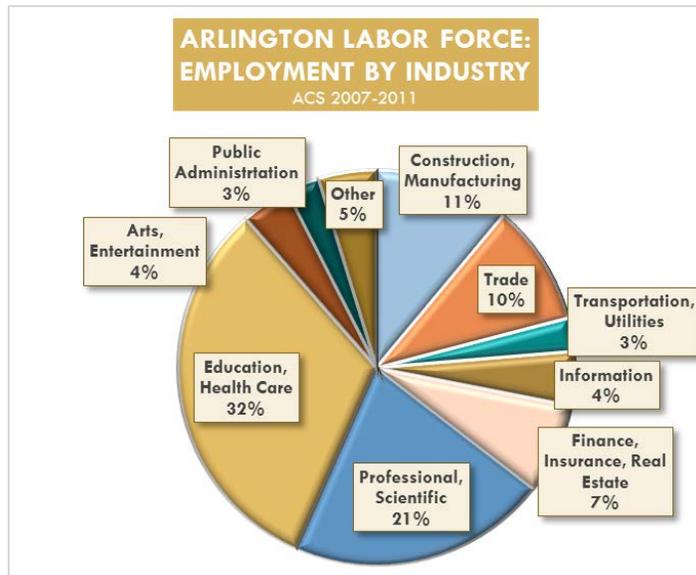
Source: ACS 2007-2011, DP3, and RKG Associates.

Brief Definitions:

- a) Service occupations include a variety of occupations, from protective service workers to bartenders and wait staff in restaurants and personal services such as barbers and flight attendants.
- b) Sales and Office occupations include retail sales, wholesale representatives, travel agents, real estate agents and brokers, telemarketers, and others.
- c) Construction, Maintenance, Mining occupations include all of the construction trades and allied occupations, installation and repair workers,
- d) Production occupations include manufacturing, assembly, machinists, printers,
- e) Transportation occupations include trucking, bus drivers, taxi drivers, ambulance drivers, railroad operators, parking lot attendants, boat captains, material moving workers, truck and tractor operators, and so on.

### 2. Labor Force by Industry

Residents of Arlington and all of the surrounding communities are well represented in the information, professional and scientific services, and education, health care, and social service sectors: strong suits in the Boston Metro area economy. Approximately 68 percent of Arlington’s employed civilian labor force works in the information sector or the professional/scientific or education, health care, and social



service sectors, which include industries that often require considerable expertise and training. These are also among the top growth sectors in Eastern Massachusetts and in many cases, they involve industries offering fairly high-wage employment. On average, Arlington residents are 1.5 to 1.7 times more likely to work in one of these industries than residents elsewhere in the state, which largely reflects the fairly high educational attainment of the Town’s population.<sup>1</sup> Not surprisingly, Cambridge and Somerville surpass Arlington and other nearby communities for labor force percent employed in education, and Somerville also has a larger-than-average share of its residents working in the arts, entertainment, accommodations, and recreation industries as well.

### 3. Class of Worker

Arlington’s labor force is similar to that of the state and Middlesex County in terms of employment type. Over 80 percent of Arlington residents have a wage or salary job with a private-sector business, and about 7 percent are self-employed. Residents working for a government employer at the federal, state, or local level represent 11 percent of Arlington’s labor force. These statistics generally hold true in the neighboring cities and towns, with some exceptions. For example, Belmont tends to have more residents in public-sector employment, and Belmont and Lexington residents are more likely to be self-employed business owners.

### 4. Earnings

For most households, their primary source of income is wage and salary earnings, i.e., income from employment. Despite Arlington’s high labor force participation rate, it has a relatively small percentage of households with wage and salary income. Arlington women with full-time, year-round jobs earn about 81 percent the annual earnings of Arlington men. While low, several communities around Arlington have an even lower **gender wage ratio**, such as Lexington, at .757, and Winchester, at .637. The median annual earnings of women in Lexington and Winchester exceeds that of women in Arlington, but the more significant difference lies with the earnings of males in these communities. For example, Arlington males with full-time, year-round employment earn just 63 percent of the median earnings for males in Winchester and 68 percent in Lexington.

**Table 5.3. Labor Force and Annual Earnings from Wage and Salary Income (2011)**

Geography	Households with Earnings	% Households	Mean Household Income from Earnings	Full-Time Workers		Gender Wage Ratios	
				Per Capita Income	Male Median Earnings		Female Median Earnings
Massachusetts	2,004,109	79.5%	\$92,195	\$35,051	\$59,411	\$46,231	.778
Middlesex	478,725	82.9%	\$107,220	\$41,453	\$67,037	\$52,080	.777
ARLINGTON	15,541	81.8%	\$109,468	\$47,571	\$78,820	\$64,143	.814
Belmont	7,811	82.5%	\$136,886	\$54,361	\$83,314	\$64,853	.778
Cambridge	38,084	83.9%	\$100,344	\$46,242	\$64,128	\$52,784	.823
Lexington	9,437	82.7%	\$179,033	\$67,584	\$116,673	\$88,327	.757
Medford	18,348	81.7%	\$87,695	\$34,615	\$60,171	\$51,403	.854
Somerville	26,748	85.0%	\$80,285	\$32,785	\$47,839	\$45,439	.950
Winchester	6,251	82.1%	\$179,206	\$65,172	\$124,934	\$79,632	.637

Source: ACS 2007-2011, RKG Associates.

<sup>1</sup> See Section 1, Demographic Characteristics; and *Economic Development Self-Assessment Tool Results for the Town of Arlington* (EDSAT) (June 2012), 5.

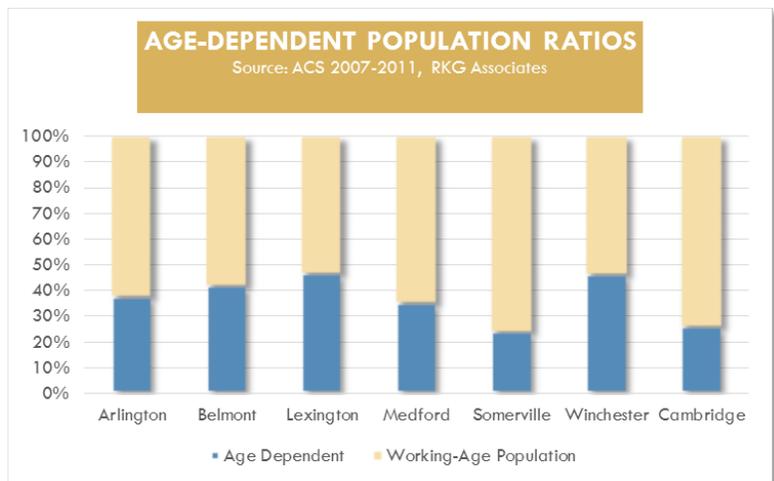
### 5. Place of Work

As a residential suburb with a fairly small employment base, Arlington does not offer many options for its own population to work locally. In fact, most residents commute to jobs outside of town. Almost 40 percent commute to Boston or Cambridge, and 15.7 percent work in Arlington. Another 11.3 percent have jobs in neighboring Belmont, Lexington, Medford, Somerville, or Winchester. Of the remaining 33 percent, the overwhelming majority commute to Burlington, Waltham, or another major employment center along Route 128/I-95.<sup>2</sup> Arlington has a smaller percentage of locally employed residents than any of the adjacent cities and towns.<sup>3</sup>

Almost 6 percent of Arlington’s employed labor force works at home, whether as the owner of a home-based business or a telecommuter. Though a larger share of Arlington’s labor force works at home than that of Middlesex County or the state, several surrounding communities have even larger shares, notably Lexington, at 8.5 percent, and Belmont, at 7.8 percent.

### 6. Age Dependency

Arlington’s high labor force participation rate indicates the presence of a relatively large working-age population. Accordingly, it makes sense that Arlington also has a fairly low **age dependency ratio**, that is, the relationship between the number of “dependent” persons – mainly children and senior citizens – and the labor force. In Arlington, the age dependency ratio is .604, which means 0.60 children and seniors for every one working-age resident.



The age dependency ratios in Cambridge, Somerville, and Medford are conspicuously low due to the sheer size of their college and graduate student populations. By contrast, Lexington and Winchester – affluent suburbs with many families and large populations of school-age children – have much higher age dependency ratios of 0.864 and 0.869, respectively.

### B. Employment Base

A community’s **employment base** includes all payroll jobs reported by for-profit, non-profit and public employers. Arlington’s employment base includes 8,432 jobs, 87 percent of which are in industries that provide some type of professional, technical, financial, personal, or other service. Since 2001, the local employment base has declined by 4 percent, measured in jobs, and grown

<sup>2</sup> See also, Section 3: Transportation.

<sup>3</sup> Source: U.S. Census Bureau, ACS 2006-2010 5-Year Estimates, Journey to Work and Migration Statistics, Table 2. Commuter-Adjusted Daytime Population: Minor Civil Divisions (July 24, 2012).

almost 9 percent if measured by number of businesses. Arlington has more employer establishments today, but on average, fewer jobs per employer. The limited number of jobs in Arlington explains why so many residents commute to out-of-town places of employment. Under existing conditions, the **jobs-to-housing ratio** in Arlington is only 0.41, i.e., 0.41 jobs for every one housing unit – far from the standard planning range of 1.3 to 1.7 jobs per unit.<sup>4</sup>

### 1. Location Quotients

**Location quotients** compare employment by industry in two or more geographic areas. The quotient is a ratio of the percentage of an industry's employment in one area to that of a larger comparison area. If the location quotient for a given industry's employment falls between 0.90 and 1.10, the industry's proportion of jobs is virtually equal in both places. A location quotient of less than 0.90 identifies an industry that is under-represented in the local economy, and one that is more than 1.10 identifies an industry with a disproportionately large percentage of local employment. For planning purposes, location quotients can indicate opportunities for industries to claim a larger share of employment or danger of over-dependence on a single industry. Sometimes a high location quotient signals unique regional conditions, however, such as hospitality and tourism businesses in seasonal resort areas.

A location quotient analysis of Arlington's employment base indicates that some industries are thriving and others have a comparatively small local presence. Compared with the structure of the state's economy, Arlington's strongest industries include construction, information services, real estate, education and health care, personal services, and public administration. In some cases, these industries make up a small share of Arlington's employment base, but they also make up a fraction of the state's employment base, too.

**Table 5.4. Analysis of Location Quotations for Arlington's Employment Base (2012)**

Industry	Location Quotient	Industry	Location Quotient
Construction	2.875	Finance and Insurance	0.849
Other Services	1.887	Trade, Transportation and Utilities	0.791
Real Estate, Rental and Leasing	1.311	Professional and Business Services	0.622
Public Administration	1.294	Transportation and Warehousing	0.578
Information	1.170	Wholesale Trade	0.407
Educational Services	1.149	Non-Durable Goods Manufacturing	0.399
Health Care and Social Assistance	1.127	Manufacturing	0.166
Retail Trade	1.018	Durable Goods Manufacturing	0.044
Accommodations and Food Service	1.016	Public Administration	1.290
Arts, Entertainment, Recreation	0.991		

Sources: Mass. Executive Office of Labor and Workforce Development, ES-202; and RKG Associates.

### 2. Local Wages

The average wage in Arlington, \$844, is quite low compared with statewide wages. Table 5.5 shows that in some cases, Arlington has a relatively small number of jobs in the higher-wage employment

<sup>4</sup> Jerry Weitz, *The Jobs-Housing Balance*, Planning Advisory Service No. 516, American Planning Association (November 2003), 4

industries such as wholesale trade, with an average weekly wage of \$1,247 and a location quotient of only 0.407. By contrast, an industry with a high location quotient such as “other services” at 1.887 pays very low weekly wages – too low to support a households in Arlington’s housing market.

### 3. Markets Served by Arlington’s Employment Base

Another way to think about Arlington’s local economy is whether any of the existing employment serves markets outside the town itself. **Basic employment** includes industries that depend on external demand, e.g., manufacturing,

which ships goods to non-local markets. Employment in manufacturing, farming, and mining is inherently basic, and almost any industry with a location quotient greater than 1.00 involves some basic employment. **Non-basic** or **local market-serving employment** depends almost entirely on local demand and usually employs local residents, e.g., grocery stores and small personal service establishments. Since an economy with a large percentage of basic employment is usually more resilient during an economic downturn, the division of basic and non-basic employment is important. About 20 percent of Arlington’s economy consists of basic employment, which is fairly small but consistent with the overall profile of industries, jobs, and wages in Arlington today. Arlington’s many restaurants provide some basic employment, as suggested by the location quotient of 1.016. Together, the arts, entertainment, and food services industries operate as a “bundle” that draws people to Arlington from other communities.<sup>5</sup>

### C. Business Districts

Arlington has three linear commercial districts, all located on Massachusetts Avenue, with neighborhood-scale business activity on Broadway, Chestnut, and Mystic Streets and a mix of older commercial and industrial uses in pockets along Summer Street. Development in these areas is controlled by six business districts and one industrial zone, the latter with five industrial nodes

Industry	Total Jobs	Weekly Wage	Location Quotient
Finance and Insurance	367	\$1,561	0.849
Information	281	\$1,380	1.170
Wholesale Trade	129	\$1,247	0.407
Professional and Business Services	805	\$1,220	0.622
Public Administration	452	\$1,133	1.294
Construction	946	\$1,122	2.875
Transportation and Warehousing	146	\$1,009	0.578
Durable Goods Manufacturing	19	\$966	0.166
Real Estate, Rental and Leasing	140	\$963	1.311
Educational Services	990	\$780	1.149
Health Care and Social Assistance	1,585	\$690	1.127
Manufacturing	109	\$606	0.166
Retail Trade	916	\$586	1.018
Non-Durable Goods Manufacturing	90	\$530	0.044
Other Services	695	\$503	1.887
Arts, Entertainment, and Recreation	144	\$436	0.991
Accommodation and Food Services	728	\$376	1.016
Source: ES-202, RKG Associates.			

<sup>5</sup> See also, Margaret Collins, Cambridge Economic Research, *Economic Impact of Arlington’s Theatres* (September 2013), prepared for Arlington Planning Department.

along the Mill Brook and the abandoned rail tracks. Together, the business and industrial districts contain 184.2 acres of land and approximately 2.6 million sq. ft. of floor space.<sup>6</sup>

In 2010, the Town conducted a vision and revitalization study of the commercial areas. Arlington wanted an assessment of each district’s advantages and needs, and realistic strategies to carry out the plan’s recommendations. The plan focused on Arlington Center but promoted several ideas for Arlington Heights and East Arlington as well.

**Table 5.6. Commercial Center Findings, Vision and Action Plan (2010)**

Commercial Area	Retail Mix	Issues
Arlington Heights	Home improvement, sports, hobby stores	Business retention, organization
East Arlington	Capitol Theatre, arts and crafts, cinema, galleries, boutiques and eateries, local convenience shopping; thriving businesses, collaborative efforts.	Issues: poor physical condition (signs, commercial storefronts, public infrastructure), parking
Arlington Center	Civic, social, cultural heart of the Town; restaurants, stores, religious institutions, schools	Physically disorganized, visually incoherent; infrastructure, streetscape, public works, parking, marketing

Source: Koff & Associates (2010).

The plan contains numerous proposals to improve the appearance, operations, and economy of all three areas, from streetscapes and parking management to business promotions, wayfinding strategies, better connections between open spaces along the Mill Brook, and effective use of an economic development coordinator in business center revitalization.

The desirability of all three commercial nodes matters to residents and town officials. Of the 4,400 respondents to Arlington’s 2012 Vision 2020 survey, 67 percent rated “distinctive commercial centers” as important or very important to the town. In addition, many long-time residents say that over time, the business districts have changed considerably as old family-owned car dealerships gradually gave way to restaurants. As one town official said, “We’re no longer known as the town with nothing but banks and pizza parlors.” Still, just about everyone who participated in the initial interview series for this master plan said economic development, opportunities for start-up businesses, and the future of Arlington’s business districts are critically important issues. Some people think the Town has developed an “anti-business” reputation and that its zoning is antiquated, unresponsive to changing market forces, and procedurally difficult. A recent study of Arlington’s economic development strengths and weaknesses encourages the Town to streamline its permitting requirements in order to reduce costs and provide predictability for applicants.<sup>7</sup>

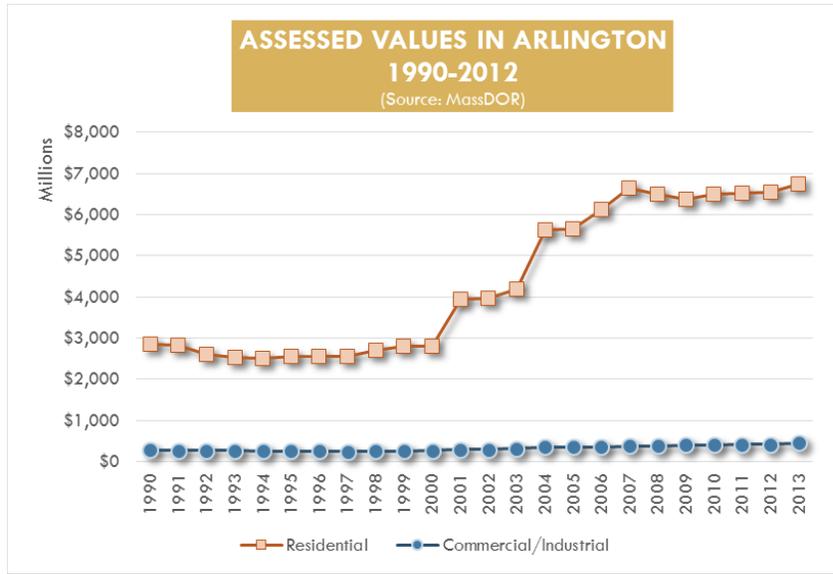
**D. Economic Development and Arlington’s Fiscal Health**

Arlington residents have concerns about the future of the business districts on Mass. Ave. and the older industrial areas, many of which are underutilized and seemingly ripe for redevelopment.

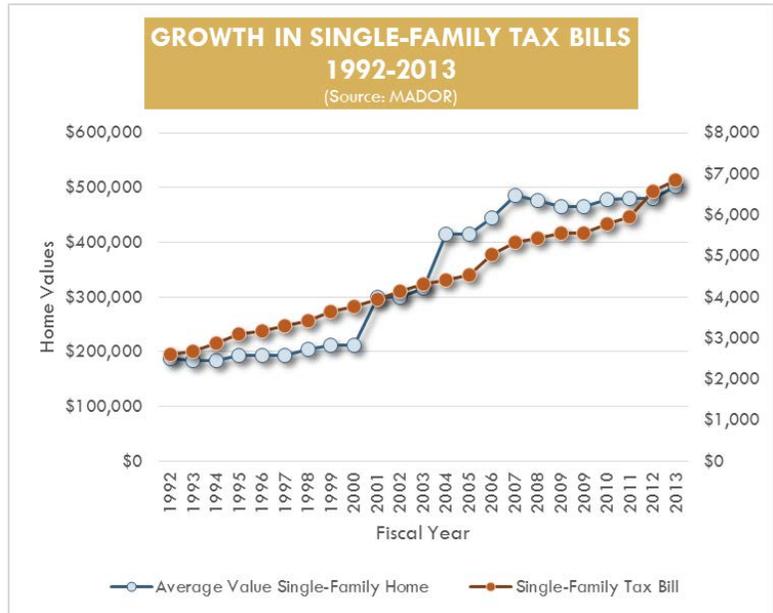
<sup>6</sup> Arlington GIS, RKG Associates. Note: floor space is an estimate based on incomplete data from property record cards.

<sup>7</sup> EDSAT, 6.

They also say the Town has allowed too much residential development in non-residentially zoned areas and as a result, the commercial tax base has decreased, placing an ever-greater share of the cost of government on residents. However, the tax burden shift that has occurred in Arlington has roots that pre-date the conversion of old commercial space to multifamily dwellings.



After the recession of the early 1990s, Arlington’s commercial and industrial property values dropped significantly. They did not recover for more than a decade even though the inventory of commercially taxed parcels increased. Meanwhile, the housing market boom that began at the end of the 1990s in the Boston Metro led to skyrocketing housing values in Arlington – value growth that was exacerbated but entirely caused by new development.



As values rose, the tax rate fell, yet between 2000 and 2013, Arlington’s single-family tax bill was almost always in the top fifty for the state as a whole. By 2013, the portion of the tax base attributable to commercial, industrial, and personal property (CIP) was just 6 percent, down from 9 percent in the late 1980s.<sup>8</sup> To restore the CIP to pre-recession levels today would require major land use and density changes in Arlington’s commercial and industrial districts. For example, achieving a CIP share of 8 percent would require about twice the amount of commercial floor space that currently exists in Arlington.

<sup>8</sup> Massachusetts Department of Revenue (DOR), Division of Local Services (DLS), Municipal Data Bank.