



New Study Assesses Key Business Location Factors

Construction of General Electric's future headquarters on the Boston waterfront underscores the draw of Massachusetts' high-quality workforce, with its deep labor pools in technology, life sciences, clean energy and other clusters. Business incentives appear to have been important in the location decision, but were not the pivotal factor, because other states reportedly offered larger inducements.

The commonwealth makes a compelling case for attracting and retaining businesses, and more than three-quarters of companies that have relocated to or expanded in Massachusetts in the past decade say they would do so again. That's one of several findings by MassEcon, a

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nonprofit economic development organization that teamed with the UMass Donahue Institute in an 18-month study. A recent report on that study, "Choosing Massachusetts for Business: Key Factors in Location Decision-Making," offers this key take-away: Massachusetts, like many markets, wrestles with transportation challenges, rising housing costs and other difficulties. Despite those issues, the commonwealth's pro-business qualities continue to win over employers.

Workforce Is Paramount

Researchers reviewed 10 years of expansion and relocation project data and surveyed 75 companies, with in-depth interviews of 15 corporate leaders. More than 90 percent

Housing and transportation in Greater Boston are key challenges to overcome. But talent always wins.

Mayor Martin J. Walsh and Kimberly Sherman Stamler, president of developer Related Beal, in May unveiled The Beverly, Boston's first 100-percent affordable and workforce housing development to be built in more than 25 years. Mayor Walsh's "Changing City: Boston 2030" housing plan calls for the creation of 53,000 new residential units by 2030 — 44,000 specifically for workforce units.

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of respondents cited workforce quality and availability as top factors in their location decisions.

Closely related to that point (and cited nearly as often) is the opportunity to participate in world-class industry clusters. This is especially true for innovation-driven businesses in Greater Boston, where firms benefit from R&D partnerships with area universities and can find venture capital firms with experience in key industries such as life sciences or robotics.

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Strong industry clusters also play a part in the rest of the state, especially where a cluster affords access to a skilled workforce. A manufacturing company with its first US location in Western Massachusetts expressly valued the precision-machining cluster there, and had confidence that the local workforce and training providers could generate a steady flow of trained workers. Similarly, a hardware technology company near I-495 expanded there because it could attract skilled workers from the surrounding region.

Transportation and Housing Concerns

Companies in some parts of the state view Interstate connectivity as a real strength that allows firms to access customers and suppliers throughout the Northeast, for example. Another frequently cited asset is Boston's Logan International Airport, which offers hundreds of domestic flights, helps to connect multinational companies with European offices, and is growing the number of direct flights to global locations.

In Greater Boston, however, highway congestion, a lack of competitive public transit outside of the urban core, and reliability problems with Massachusetts Bay Transportation Authority services are making commutes more difficult and could eventually compromise the ability of area employers to attract and retain talent.

Transportation challenges exacerbate a housing pinch by limiting workers' access to housing within a reasonable commute time. Companies statewide cited the availability and affordability

of housing as a challenge in their efforts to retain and attract workers. Housing costs limit the living options for low- to middle-income workers in many areas; in Greater Boston, where costs are the highest in the state, that limitation extends to some skilled workers.

Creating links between housing and transportation is still a work in progress. That makes it more difficult for companies in outlying areas along the I-495 corridor to attract young workers, who typically prefer to live in the urban, walkable neighborhoods near the metro area's center. One major employer in the Berkshires related that the lack of walkable, mixed-use projects in that region is hampering its recruiting of younger talent, and it is looking for ways to encourage live-work-play development.

'High Cost' Is Subjective

Conventional wisdom holds that Massachusetts is a relatively expensive state for doing business, from labor to healthcare and energy costs. Yet businesses in some sectors were more sensitive to those costs than others. Companies that conducted multi-state searches were less likely than firms already in the state to see cost as a major factor in location decisions. This was particularly true of knowledge-based industries, which were more focused on access to Greater Boston's talent, university partnerships and sector clusters.

Health care and energy costs were more often a major challenge for businesses outside of Greater Boston. And manufacturing firms throughout the state expressed much more sensitivity to business cost challenges than companies in other industries. Outside the metro, companies are more often concerned about available labor and energy costs, and less sensitive to transportation proximity.

By studying recent moves and expansions, Massachusetts has confirmed which of its core strengths to promote most in attracting and growing businesses. In the process, it has identified challenges that will threaten the state's prowess over time if it fails to tackle issues such as traffic congestion, housing, and public transportation that falls short of employers' requirements for continued growth. ▼

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