



CITY OF SOMERVILLE, MASSACHUSETTS
MAYOR'S OFFICE OF STRATEGIC PLANNING & COMMUNITY DEVELOPMENT
JOSEPH A. CURTATONE
MAYOR

MICHAEL F. GLAVIN
EXECUTIVE DIRECTOR

MEMORANDUM

To: Mayor Joseph A. Curtatone

From: Thomas F. Galligani, Jr., Director of Economic Development

CC: Michael F. Glavin, OSPCD Executive Director

RE: RECOMMENDATIONS OF THE MAYOR'S ADVISORY COMMITTEE ON JOBS LINKAGE

Date: November 17, 2017

In advance of a proposal to amend Somerville's zoning ordinance to institute the Somerville Municipal Job Creation and Retention Trust (MJCRT), the Mayor's Advisory Committee on Jobs Linkage was formed to provide recommendations to the Mayor on the structure of the Trust operations and a jobs linkage fee. This memo outlines the recommendations formulated by the Committee.

Background

Chapter 199 of the Special Acts of 2016 established the Somerville Municipal Job Creation and Retention Trust, which enables the City of Somerville to create the Trust in order to assist in the creation and maintenance of employment opportunities within the City of Somerville. It also authorizes the City to establish an ordinance to require payment of job creation and retention linkage fees.

Earlier this year, the OSPCD commissioned the Somerville Linkage Nexus Study in order to quantify the impact of future non-residential development on the demand for employment and training services in Somerville (and also for affordable housing need). The Report calculates a range of jobs linkage fee rates to mitigate these impacts. This study provided a guide and context for the Committee as they evaluated potential linkage fee rates and options for establishment of the Somerville Municipal Job Creation and Retention Trust Fund.

The Mayor's Advisory Committee on Jobs Linkage met five times between March and September and was composed of the following members:

- Katjana Ballantyne - Vice President, Somerville Board of Aldermen
- Tom Bent – President, Bent Electric



- Meridith Levy – Deputy Director, Somerville Community Corporation
- Matt Ehrie – General Manager, Assembly Row/Federal Realty Investment Trust
- Sunny Schwartz – Executive Director, Metro North Regional Employment Board
- Thomas Galligani – Economic Development Director, City of Somerville
- Van Hardy – Jobs for Somerville
- Alex Lessin – SomerStat Analyst, City of Somerville

Ben Sommer, Economic Development Specialist, coordinated the meetings and attended all five.

The recommendations contained herein are the result of an informed and engaged membership that carefully considered the impacts of commercial development on workforce needs in the City. Recommendations are clearly outlined, below, and in the case where member opinions differed, a brief description of the discussion is included to provide context.

Recommendations Regarding Trust Operations

- **Membership:** It is recommended that the Municipal Job Creation and Retention Trust Board would be composed of the following representatives:
 - Mayor of Somerville or designee;
 - Board of Aldermen President or designee;
 - Representatives of two local businesses (Somerville-based small business or real estate developer, no size or industry restriction);
 - Representatives of two workforce development non-profits (one local, one regional in service area);
 - Two Somerville residents (One “general” resident, one “workforce development system-user”); and
 - Superintendent of Schools or designee;

There was discussion about whether a developer member would receive voting rights. But, it was decided that they should. As with all members, if there is a conflict of interest, the member would be expected to recuse themselves. A developer member, as with any business representative, must be an employer in Somerville.
- **Application/Nomination Process:** It is recommended that the nomination of Trust members would follow a transparent approach similar to what is used to nominate members of the Community Preservation Committee. A publicly-advertised application process will be established, with a review committee created to screen and review applications. Recommendations will then be forwarded to the Mayor for appointment and to the Board of Aldermen for approval.
- **Terms:** Trust terms should mirror the Affordable Housing Trust Fund structure of two-year terms.

- **Staff Support:** The City of Somerville OSPCD will provide program staff to the MJCRT, as is outlined in the enabling legislation.
- **Allocation of Training Funds:** It is recommended that Linkage fees should be disbursed in two phases:
 - *Phase 1:* Good faith attempts will be made to tailor a training program specifically to the tenants of the development project that is paying the fees. The developer and tenants will participate as partners in the training program and provide input on occupations and skills needed. The City of Somerville will choose a training provider through a public procurement process. This approach requires strong developer and tenant engagement.
 - *Phase 2:* If a developer and tenant are unable or uninterested in participating as a partner in a training program the MJCRT will develop an RFP for a city-wide training program targeting the demographics and industries of its choosing.

Funded programs should require integrated services including ESOL/ABE, occupational skills, job readiness support, and career-ladder training, whenever feasible.

Recommendations Regarding Jobs Linkage Fee Structure

The following determinations were based on Figure 1, below, which is modified from page 79 in the Somerville Linkage Nexus Study.

- **Fee:** The Committee recommends setting Jobs Linkage fee range of **\$2.00 to \$2.46**. Evaluation of the recommended fee range was made keeping in mind a combination of the legally justified fee range and the consultant's recommended fee range.

Several members suggested the jobs linkage fee rate at the high end of the range, \$2.46, justified by the current lack of funding for job training. Others suggested setting the fee the low end, at \$2.00. There was one suggestion to set the jobs linkage fee at \$2.23, between the two. Tom Bent, upon review, gave a dissenting opinion based on the range being too high due to the fact that Somerville is in competition for commercial tenants that are not only looking at Boston and Cambridge but Watertown, Waltham, Lexington and others around us that have much lower fees, permit and acquisition costs and other requirements.

As a whole, the committee recognized that their recommended jobs linkage fee range is made with imperfect market information on construction costs, acquisition costs, and additional fees in neighboring municipalities. The Nexus Study recommends a fee that is between Boston and Cambridge's linkage fee (including housing) in order to not price Somerville out of the urban market. It is important that the Mayor and Board of Alderman take into account all of the current fees and costs that a developer has to pay and how this and any other future increases in costs or fees have on our competitiveness for commercial development.

- Exemptions:** It is recommended that the first 15,000 square feet of commercial development should be exempt from paying a jobs linkage fee. This will have the effect of increasing the overall jobs linkage fee for those that are subject to jobs linkage. While the Somerville Nexus Linkage study recommends no square foot exemption for jobs linkage. However, the Committee recommends an exemption so as not to negatively impact small commercial developments, mostly infill, mixed-use housing projects that include ground floor retail. Table 1, below summarizes the impact that various exemption would have on the legally justified and recommended jobs linkage fee

Table 1: Impact of Exemption Alternatives on Jobs Linkage Fee

Fee Type	No Exemption	15,000 Sq. Ft. Exemption	30,000 Sq. Ft. Exemption
Projected Commercial Sq. Ft.	2,210,000	2,210,000	2,210,000
Projected Exempt Commercial Sq. Ft.	0	165,000	330,000
Commercial Sq. Ft. Eligible for Jobs Linkage	2,210,000	2,045,000	1,880,000
Legally Justified Linkage Amount	\$4.58M - \$5.05M		
Legally Justified Linkage Fee (per 1,000 sq. ft.)	\$2.07 - \$2.28	\$2.23 - 2.46	\$2.44 - \$2.69
Recommended Linkage Amount	\$2.76M - \$4.70M		
Recommended Linkage Fee (per 1,000 sq. ft.)	\$1.70 - \$2.13	\$1.84 - \$2.30	\$2.00 - \$2.50

- Linkage fee payment schedule:** It is recommended that jobs linkage fee payments must be collected either in a short payment period or a lump sum upon a project receiving permits. A short payment period is preferred due to the construction and hiring process of a development project, which would need trained candidates in advance or at the opening of the project.
- Inflation:** Linkage fee should be tied to annual inflation as measured by Boston area Consumer Price Index.