

9-23-1994

Economic Growth Issues in Massachusetts Rural Areas and Small Cities

Nancy Goff

University of Massachusetts - Amherst

Follow this and additional works at: <http://scholarworks.umb.edu/nejpp>

 Part of the [Economic Policy Commons](#), [Growth and Development Commons](#), and the [Policy Design, Analysis, and Evaluation Commons](#)

Recommended Citation

Goff, Nancy (1994) "Economic Growth Issues in Massachusetts Rural Areas and Small Cities," *New England Journal of Public Policy*: Vol. 10: Iss. 2, Article 5.

Available at: <http://scholarworks.umb.edu/nejpp/vol10/iss2/5>

This Article is brought to you for free and open access by ScholarWorks at UMass Boston. It has been accepted for inclusion in New England Journal of Public Policy by an authorized administrator of ScholarWorks at UMass Boston. For more information, please contact library.uasc@umb.edu.

Economic Growth Issues in Massachusetts Rural Areas and Small Cities

Nancy Goff

In developing a strategy for economic development, state government must consider the special needs of its small cities and rural areas. Well-meaning policies crafted for metropolitan areas have unintended and often negative consequences when applied statewide. This article is a revision of the author's topical discussion paper for the August 6, 1992, Conference on Rural and Small City Development at Mount Wachusett Community College, Gardner. It was used by the Massachusetts Executive Office of Economic Affairs and the University of Massachusetts in developing a statewide economic development strategy.

As the “miracle” economy of the 1980s gives way to the harsh dislocations of the 1990s, Massachusetts is experiencing some of its worst economic times in more than half a century, and according to its Division of Employment and Training (DET), the worst job loss of any state since the 1930s. The boom-and-bust business cycle of the past decade has been truly extraordinary. DET analysis shows that during the 1980s, nearly 400,000 jobs were added to the Massachusetts economy; the unemployment rate dipped to 3 percent, depicting essentially a full-employment economy. However, the past three years have witnessed the complete unraveling of this growth. Virtually all the job gains have been lost, and unemployment rates have reached double-digit levels in many areas of the state. Job loss in the construction and manufacturing industries has been particularly severe, with over 100,000 jobs lost in each of these sectors alone. Since 1988, one in five manufacturing jobs has disappeared, representing a staggering 12 percent of the state's base employment.¹

It is important to note that this trend of declining employment in manufacturing did not begin in this recession. Indeed, such employment fell throughout the 1980s, although the losses were disguised in state employment statistics by the rapid rise of service-sector jobs. However, in those regions where traditional manufacturing industries such as paper, plastics, metalworking, and machining were important elements of the economic base, the impacts were severe. For example, in the small cities of the Northern Tier — Athol, Gardner, Fitchburg, and Leominster — service jobs did not

Nancy Goff, an economic development planner specializing in the issues of small towns and rural communities, is affiliated with the Massachusetts Institute of Social and Economic Research, University of Massachusetts Amherst.

replace manufacturing as a new economic base. Because manufacturing still accounts for nearly a third of all employment — almost twice the state average — the current recession has hit these communities, which lack the cushion of service-sector jobs, especially hard.

This article examines the economic difficulties faced by small cities and rural towns, highlighting both their similarities and differences. I explore the following four issues, which are integral to the formulation of a state economic strategic plan.

- How can the state address the particular problems of economic decline and dislocation in small cities and rural areas?
- How can state agencies do a better job of encouraging economic development?
- What must be done to nurture and expand the state's base industries?
- What is an appropriate role for state government in this process, given political realities and fiscal limitations?

Similarities and Differences: Rural and Small-City Massachusetts

Although Massachusetts is geographically a small state, each of its 351 cities and towns enjoys a unique character and political tradition. While some of these differences may be more apparent than real, the distinction among types of communities — major metropolitan centers, small cities, and rural towns — are more compelling.

Many changes have occurred in Massachusetts communities during the past decade. As the building boom of the 1980s brought residential growth to outlying areas of the state, many rural towns and small cities became commuter or bedroom communities for the larger metropolitan centers. The job growth and increased tax base that did occur in these small districts rarely kept pace with the influx of new residents, resulting in increased demands for additional or expanded services and altering the character of many of them.²

Changing state and national political agendas also affect small cities and rural communities. Local government must underwrite the costs of programs that state or federal laws mandate but do not fund. Reductions in state financial assistance to towns, coupled with the difficulty of raising additional local property tax revenues — because of Proposition 2½ limitations and recessionary impacts on individual incomes — have created further burdens for local government in small cities and rural towns. Some argue that the impacts of reduced state aid are more severe on rural towns, because most small cities have a broader tax base. However, all are feeling the pain, as state government, as well as private industry, downsizes its workforce and its role in supporting local government.

The character of rural towns and small cities is distinctly different from that of the commonwealth's major population centers. These smaller communities do not face the same type or level of social problems, poverty, and violence encountered daily in cities such as Boston, Worcester, Lawrence, and Springfield. On closer examination, however, the problems of rural towns and small cities differ from one another. The employment base of a rural town is often dispersed and distant, typically to a larger regional center — for example, a small city — where there are factories, a state hospi-

tal, or other major employers. Thus, many small towns have no direct influence over their economic base, whereas small cities typically have an employment base within their jurisdiction. Conversely, a small city may depend on an outer fringe of rural communities for its workforce and retail market area.

Another important difference between rural towns and small cities is in the organization of government functions. Small-town government is characterized by volunteer boards and town meeting decision making, while small cities usually have professional staff capacity, with policy decision making carried out by a city or town council.

These differences can be significant for economic development, because it is difficult and more time-consuming for a business to access a local government with no staff available during business hours to answer questions or to provide necessary permits. Further, the planning board, board of health, or conservation commission may meet only twice a month, making the permitting process frustratingly slow. These problems often combine to make economic development in rural communities an extended and cumbersome process. Developers with the resources to “wait it out” can succeed, but their projects can be large and overwhelming to local volunteer boards. This situation is not conducive to the small-scale economic development projects that might be more appropriate in a rural setting.

One way small cities and rural communities can and do succeed in their economic development strategies is by cooperating in regionally based organizational efforts. A countywide community development corporation or regional chamber of commerce can often keep abreast of economic conditions, help the business community to circumnavigate the permit process, and coordinate economic development programs on behalf of its constituent communities. In this way, small districts, where neither local government nor the business population is large enough to support economic development staff, can participate in economic development activities.

The Issues

1. Recognition of the existence of rural areas and small cities in the commonwealth of Massachusetts.

Critical to the success of the state’s economic development strategy is the recognition that the state’s economy is comprised of urban, metropolitan, suburban, and rural areas. While the cities of Boston, Worcester, and Springfield are major economic forces and population centers, the growth of smaller cities and rural towns across the commonwealth has outpaced that of the central cities over the past decade. These smaller areas are vital to the state’s economic future. Yet their needs and characteristics — different from those of the urban core — must be acknowledged and accommodated if they are to become active participants in the state’s economic recovery.

Key to the success of any statewide economic strategy must be the recognition that different tools are needed to solve the unique economic problems of rural areas, small cities, and urban centers. It is not simply a difference of magnitude, but also a difference in kind. The assumption of homogeneity among places has made ineffective many well-intentioned state and federal policies and programs.

2. Recognition of the need for a regional approach to economic development.

The commonwealth of Massachusetts is comprised of a number of diverse and unique regions that are economically, politically, and historically distinct from one another.

Strong forces link communities into economic regions. The interrelationships among businesses, communities, and institutions, financial, educational, and so forth, override the issues of rural town versus small city. The role of separate communities within an economic region may differ — one place may be a retail center, another a bedroom community — but the overall health of the economy is dependent on the existence of this regional linkage.³

These regions — identified in the structuring of the 1992 conferences throughout the state⁴ — have different economic needs that must be recognized if economic strategy is to succeed. Where Cape Cod, the Islands, and southern Berkshire County rely on tourist dollars for their economic well-being, in the rest of Berkshire County, northern Worcester County, and the Blackstone Valley, traditional industries such as plastics, paper, and machining are critical. These areas stand in marked contrast to the reliance of Metropolitan Boston on high-tech and information service industries. Many of the common problems faced by businesses within a region, relating to need for infrastructure improvements, transportation systems, technical assistance, capitalization, employee training, and so on, can be addressed in a regionally defined strategy for economic growth. Because the particular obstructions to economic growth vary among regions, each must develop its own solutions. One statewide policy or economic strategy will not “fit all.”

Further, the kinds of organizational players involved in economic development are different for the Cape, the city of Boston, and the town of Greenfield, for instance. For a regional strategy to succeed, the critical players representing public and private interests in an area must be identified and convinced to participate.

The political reality is that communities compete within and between regions for economic growth and state support. Because the property tax base is local, not regional, it can be in a community's best fiscal interest to site as much development as possible within its borders, but to shift as much of the infrastructure costs of that development onto others. For example, locating an industrial park or shopping mall on a community's border might shift some of the costs of traffic congestion to the neighboring town. Unraveling this state of mind is important, because it discourages communities from viewing their problems regionally and encourages them to compete rather than cooperate with one another.

3. State coordination of regional economic strategies.

An important obstacle to economic growth is the lack of cooperation and communication among the many economic development players within a region. The profusion of players — chamber of commerce executives, local government officials, nonprofit corporations, educational institutions, regional planning authorities, and community development corporations — often fail to communicate or coordinate their service plans adequately.

The process of developing a regional economic strategy can bring these various groups together to discuss their programs, share their visions, and work out their differences. This process is not an easy one, and the state must provide leadership as well as financial incentives — perhaps a small amount of seed money to cover the costs of organizing a process — combined with some type of sanctions for not completing a job. The state must also develop clear guidelines describing the kinds of linkages that should be forged among the players.

The benefits of a regionally based development strategy are many. First, the overall plan recognizes each community's role in its economic subregion, ensuring that no community is "left out" of the game. Second, the process brings together the business community, residents, and members of neighboring communities to discuss their common economic futures. This means that issues such as growth, quality of life, land use, and infrastructure capacities are considered in a regional, not just local, context. The region may want to consider zones for highly intensive growth, moderate growth, and no growth. The collaboration of neighboring towns is essential for this kind of approach to work. Finally, the obvious advantage of a regionally developed plan over a state-mandated one is that the regional plan is more reflective of local concerns and political realities, and thus is more likely to be implemented.

4. The need for coordination among commonwealth agencies.

Agencies dealing with economic development, educational, and regulatory functions, the quasi-public services, and local economic development groups lack an organized system of communication with their potential clients.

Massachusetts has an abundance of resources and programs to promote economic growth. The many independent quasi-public corporations that provide specialized financial and technical assistance are a tremendous resource to entrepreneurs and businesses interested in locating or expanding in the state. The public higher education system also has the capacity to provide employee training, as well as specialized management, engineering, and other technical industrial support to Massachusetts companies.

There is, however, a major problem with the system — it is not a system at all. Instead, this patchwork of programs and resources is available only to those aware of it and who know how to access it — even many economic development professionals have difficulty getting at and understanding these "alphabet soup" programs. Scattered among various addresses in the Boston metropolitan area, statewide among the college and university campuses of higher education, and in various state agencies — DET, EOCD, MOBD (Massachusetts Office of Business Development) — in regional locations, the commonwealth's economic development programs are wide-ranging — and widely misunderstood. The problem is particularly acute in the more remote areas of the state. With few staff resources in rural areas, virtually no one has the time to learn about the many and frequently changing programs offered by the state, the educational institutions, and the quasi-publics. The net result is that many of these offerings do not serve the entire state, and in many areas the clients these activities were designed to assist — entrepreneurs and companies — are not receiving the assistance they need to prosper and grow.⁵

What is necessary is a coordinated delivery system that recognizes that while each of the institutions is independent, they serve the same public. Several programs, notably the Small Business Development Center, MassPort, and the Massachusetts Land Bank, have opened regional offices in the past few years. While this is helpful, it is not enough. The agencies should join together to make it easier to access their services. More decentralization is needed so that the state can offer a coordinated effort to assist companies that might be located anywhere in the state. The essential idea is to provide "one-stop shopping" through local offices or a toll-free phone number that businesses and local economic development officials could call for current accurate information about all the business services available in the state.

Restructuring the System

1. Eliminate duplication and find the gaps in services.

Massachusetts has a poorly organized system of job education and training. Indeed, its problems have been the subject of numerous studies and commissions,⁶ so only a few issues will be touched on here.

Education and training programs cover a broad spectrum of activities, ranging from job placement and training to educating managers about organizational issues, providing technical assistance to industry, and offering entrepreneurial development to new business start-ups. Service locations vary, too, from vocational high schools and community colleges to private schools, regional skills centers, and on-site job training. Linkages need to be forged among these institutions, local primary schools, and colleges and universities, the businesses that are seeking a well-trained workforce, and the individuals who require education and training for continued employment.

The need to organize this system to make it accessible to all those who have to use it, and comprehensible to those who work within it, cannot be emphasized enough. The "system" has only weak links with other economic development efforts, so that agencies providing the services are often unaware of the economic development activities of others.⁷ Some of the institutions within it, specifically the colleges and universities, may not even recognize that they have can a significant and direct role to play. Further, there is circumstantial evidence that job training offices vary from region to region within the state in their interpretation of regulations, as well in their service offerings.

Structural problems also abound. The policy that requires a trainee to be placed in a job within three months does not provide either the agencies or their clients sufficient time to assess whether the particular job is appropriate to the client's requirements. The net result is that clients are often placed in jobs they dislike; consequently they do poorly, quit or are fired, go back to the public welfare system, and get back into line for another placement. The business community is not well served by this system either, because employee turnover is costly. Finally, it perpetuates the notion of a fragmented and inefficient government bureaucracy.

Other issues stem from the need for agencies to apply annually for funding, so a disproportionate amount of time is spent in fund-raising. Multiyear contracts would make the funding process more cost effective, allowing agencies to expend more of their efforts on service delivery.

It is most often in the area of education and training that social welfare issues intersect with economic development activities. The state can have an important role in forestalling the need for retraining programs by developing a "prevention policy" that would sustain early enrichment programs such as Head Start, support day care and after-school programs for children of working parents, maintain school breakfast and lunch programs, and work to keep children in school through the end of high school.

2. Restructure the state tax code to facilitate economic development.

Proposition 2^{1/2} severely restricts the ability of communities to raise tax money for prospective economic development. With limits placed on the total property tax levy, large and small communities are unable to raise the funds necessary to make infrastructure improvements for planned future industrial development. These communities are struggling to meet their current fiscal requirements. The political and economic climate has severely limited the availability of state and federal funds for this purpose.

One of the unexpected impacts of Proposition 2½ is that communities are accepting growth wherever they can find it, whether or not it seems appropriate for them. Because “new growth” is exempt from the levy limit, communities can raise additional property tax revenues based on the valuation of new construction. Poor planning and land-use decisions are often the result. Thus, even if a community would prefer to slow or control certain kinds of growth — for example, commercial strip development that hurts its downtown business area — it may not be in the town’s fiscal interest to do so. Moreover, even if the long-term fiscal cost of growth is greater than the short-term gain — for example, development in environmentally sensitive areas that eventually results in the need for additional sewer capacity — it may be in the town’s short-term fiscal interest to accept the development.

It is important for communities to maintain and upgrade their existing infrastructure. Older areas of a rural entity, such as the center of town, may be the only places with public sewers and water. Yet the pressure for development may come from its outlying districts. There are no economic development tools that encourage reuse of vacant buildings or reinvestment in existing infrastructure.

Various bills currently before the Massachusetts legislature would authorize communities to provide tax increment financing on specified infrastructure improvement projects for economic development. Structured as a betterment fee, tax increment financing would allow communities to fund physical betterments, perhaps in designated areas such as enterprise zones but outside the limits of Proposition 2½. The cost of the improvements would be paid by the beneficiaries, with charges phased over time.⁸

3. Structure state programs for rural areas as well as urban centers.

Too often, those who set the policies for economic development programs have only an urban perspective. Officials should make regular visits to the more remote areas of the state to experience personally the character of nonurban communities. They would become more directly aware that rural areas lack the professional staff support of cities. Rural towns are run by part-time volunteer boards. Thus information about new state initiatives, programs, and agencies may never get through to them or be difficult to obtain or understand, because no one at the local level has time to make the necessary connections or fill out the necessary application forms. Similarly, development is hampered because a business needing information has no one to call on. Local decisions are often made slowly because there is simply no professional staff to support and advise the selectmen, planning board, board of health, or conservation commission. This, too, has an impact on the business community, which has to make decisions quickly.

An example of a policy whose urban focus causes hardship in rural areas is the statewide wage-rate requirement for job placements from education and training programs.⁹ This policy does not reflect the reality of lower-paying rural jobs, making appropriate placements for employment scarce in remote areas. Changing state regulations to refer to a local or regional rather than statewide wage rate would create more employment opportunities for people in job-training programs in rural areas.

4. Provide state funding for programs that directly benefit rural communities.

The concept of several towns sharing administrative staff was popular several years ago. The Circuit Rider Program was a state initiative, funded by the Executive Office of Communities and Development, which allowed two or three communities to share the services of a professional staff person.¹⁰ It worked well, but unfortunately state funding

was cut; through subsequent fiscal crises, many communities have been unable to sustain their financial share of the administrator's salary. Restoring funding to this small program would go a long way toward helping rural communities with economic development needs.

The Agricultural Preservation Restriction Program is another state initiative whose benefits are important to rural areas. By deciding to purchase the development rights to agricultural lands, communities can help to ensure that their agricultural base is maintained. The implications for open space preservation are obvious. The farms themselves are part of the region's economic fabric, so in supporting them, other rural businesses, such as farm equipment suppliers, machinery mechanics, and local trucking companies, also benefit.

Additional Issues

1. Change the liability for sites with existing hazardous waste contamination (21E violations) to encourage the reuse of old industrial buildings.

The problem of liability for vacant old mill buildings that may be major or minor hazardous waste sites has to be addressed. The liability issue and the uncertainty of the cost of cleanup makes it very difficult to sell or rehabilitate old, vacant industrial buildings that are otherwise structurally sound. The current recession removes what little incentive there might have been during boom times to reuse these buildings, which are a blight on communities and a potential danger, since many owners do little to maintain them. Communities have been advised not to take them for tax title, because of possible of expensive cleanup costs.

One unintended impact of the hazardous waste cleanup stipulation is that development is occurring on new land which is more remote from town centers. Where an old mill may be linked to public water and sewer, a new development is increasingly costly because of the need to extend these services. There are state and federal programs to pay for these infrastructure costs.¹¹ However, it might be more in a community's interest to reuse the existing building, upgrade the existing infrastructure, and clean up the site.

2. Recognize that many types of industries will be able to grow and prosper in the state's diverse economy.

The state should not rest its economic strategy solely on the potential growth of such "new" industries as information, biotech, and high technology. Instead, a policy that also promotes innovations and expansions in the nation's "mature" industries could benefit the small cities where workers are accustomed to such jobs. Either through attraction strategies to locate expanding firms or local expansion strategies to encourage their growth in Massachusetts, it is important to recognize the strength and potential of mature industries.

3. Help business and development organization personnel to attend trade shows in this country and abroad and encourage exports to Canada and Mexico.

The implications, challenges, and opportunities arising from the North American Free Trade Agreement are as yet unknown.¹² Massachusetts can share information, foster discussion, and formulate policies to assist state businesses in dealing with foreign trade in the future.

Trade shows can be a successful means for a business to expand its market. Many small firms are unaware of how lucrative this approach can be, and they need help and encouragement to attempt it. The state should encourage such firms to attend trade shows and provide information on preparing for and selecting appropriate U.S. and foreign exhibitions. The state could also assist by coordinating firms to share space or by sponsoring a state booth. While MassPort currently helps businesses in this way, the state's role might be to ensure that the link-up occurs and that MassPort has the resources to serve the smaller firms of the state.

The nearby Canadian market, with fewer political, transportation, and language barriers to entry than overseas markets, is perhaps a good starting point for small firms seeking export opportunities.

4. Recognize the importance of tourism to the state's economy; consider it an "export industry."

The Cape, the Islands, and the Berkshires are rural regions with well-developed tourist industries. It is important that these areas have the resources to market themselves — especially to increasingly distant "customers." Many Canadian tourists visited Cape Cod in 1994, yet the state's promotional efforts to draw them seem minimal to some observers. Increasing the quality of promotional materials to more distant markets is seen as important to sustaining the tourist industry.

It is unclear whether the state's tourist regions and agencies themselves could do a better job in coordinating their institutions and businesses to attract more visitors or encourage them to prolong their stays.

5. Encourage industrial, retail, and financial businesses to develop their competitive advantage through finding and exploiting a market niche.

Some companies are successfully growing through the Massachusetts recession by targeting their efforts toward a specific market. For example, downtowns are increasingly becoming populated with retail shops that specialize in particular items or styles in response to competition from large-scale regional discount retail operations like Costco and Wal-Mart. Manufacturers can also pursue a specific market niche, for instance, the woodworking company that switched its product line from colonial- to contemporary-style furniture in response to a changing market. Software firms can specialize in educational programs for PCs or business applications for minicomputers. Finally, in the current banking crisis, one success story is a local lender that specializes in commercial loans to small companies in central Massachusetts. The important lesson is that the successful firms are those which have defined themselves in terms of their market and effectively adapted themselves to meet its demands.

6. The state should monitor the Community Reinvestment Act requirements of banks to ensure that the needs of small-city and rural-area businesses are met.

During this recession and banking crisis, some small businesses are having particular difficulty locating financing. A gap seems to exist in the \$25,000 to \$75,000 range of loans, especially for mature industries and newer companies. There is concern that banks are unable to make such medium-size loans because small manufacturers need funds for equipment and working capital. The local loan funds that operate in the state cannot service requests of this magnitude, yet the state's public financing programs need larger-scale loans to cover their transaction costs.

The reasons banks are not making these loans are not entirely clear. On one hand, the problems of risky loans gone sour in the past make bank officers shy away from writing loans that are not well secured. On the other hand, lack of capital is a significant impediment to business growth and can lead to the demise of a firm, so that in a sense the lack of available resources is creating a self-fulfilling prophecy.

In developing a strategy for economic development, state government must consider the special needs of its small cities and rural areas. Strategies crafted by policymakers from urban or metropolitan areas can cause unintended, often negative consequences when applied statewide.

Since the 1993 publication of the state's economic development strategy, "Choosing to Compete: A Statewide Strategy for Job Creation and Economic Growth," a number of positive changes have come about. The quasi-public financing agencies have increased their visibility and accessibility to businesses in western Massachusetts. The Massachusetts Office of Business Development has expanded its Springfield office to offer one-stop shopping services to new or existing businesses, providing information about all state programs available for business assistance. The University of Massachusetts is developing an enterprise development initiative to provide information on technical and management issues and financial support to young technology-based firms.

The more remote areas of western Massachusetts where economic development efforts are flourishing depend not so much on state programs as on local agency cooperation and persistence. In the northern Berkshires, for example, plans to create an arts-related economy were launched in the mid-1980s with the development of the Massachusetts Museum of Contemporary Art at the former Sprague Electric complex. Over the years, state support has fluctuated for this controversial project, but with local leaders steadfast in their resolve, it is slowly moving forward. In Franklin County, a coalition of economic development organizations have joined together to form the Franklin County Economic Development Task Force, holding conferences to discuss local opportunities for growth and working to coordinate their services. The role of Massachusetts in these places is seen as most useful when it supports local efforts, funds planning as well as implementation, and takes into account the diversity of Massachusetts communities. 🐼

Notes

1. Facts about the Massachusetts economy were presented by the Massachusetts Department of Employment and Training at the Conference on Rural and Small City Development, August 6, 1992, at Mount Wachusett Community College, Gardner.
2. The fiscal implications of residential growth on communities have been widely studied. The Center for Economic Development at the University of Massachusetts Amherst has developed a fiscal impact model for Massachusetts communities.
3. Topography, geography, and other factors such as the location of highways, airports, and rail and utility lines certainly play a role in determining a community's economic base. However, communities themselves either implicitly or explicitly encourage particular types of development by their attitudes toward business or industry, in their zoning bylaws, and in their property taxing policies.
4. The seven regions are Berkshire, Pioneer Valley, Central, Northeast, Greater Boston, Southeast, and the Cape and Islands.

5. For example, a western Massachusetts farm was unsuccessful in its attempt to locate expansion financing for its goat milk products line in 1992. Yet this type of business is appropriate for rural areas, it preserves land and a rural lifestyle, offers employment, and adds income to small local economies. Public financing programs were not interested in providing a loan because the scale and the financial return were too small, and the financial package was too large for local enterprise funds.
6. For an overview of the issues, see Joan Stoia, "Improving Education and Training for Economic Development," in this issue.
7. The situation is improving with the siting of the state's sixteen regional employment boards in Private Industry Council offices. The REBs coordinate and oversee job training and job education programming as well as programs for dislocated workers in their region. This structure helps to minimize duplication and eliminate gaps in services.
8. The Massachusetts business incentive legislation, which authorized tax increment financing, was passed by the Massachusetts legislature in March 1993. It allows real estate tax abatements that communities can use to encourage developers to improve property in economic target areas. The bill allows a declining five-year tax abatement on the value of the improvements. The legislation also includes an allowance for increasing the investment tax credit (up to 5 percent) for businesses in economic target areas that make capital purchases of machinery, equipment, or buildings.
9. The difficulties engendered by statewide wage-rate requirements were discussed at the Conference on Rural and Small City Development by Arthur Schwenger, executive director of the Franklin/Hampshire County Private Industry Council. Subsequent to the conference, the requirement was changed to wage rates based on labor market area averages. While this does not entirely solve the problem in low-income pockets of LMAs, it is an improvement over using a single statewide rate.
10. The Circuit Rider program is now a part of EOCD's Municipal Incentive Program. Towns without staff may apply funds to cover administrative salaries for a period of time, after which the town or towns pay the full share.
11. Federal and state programs for industrial infrastructure improvements include the Rural Development Administration (formerly Farmers Home Administration) of the U.S. Department of Agriculture, the Economic Development Administration of the U.S. Department of Commerce, the U.S. Department of Housing and Urban Development, and the Massachusetts Executive Office of Communities and Development.
12. The North American Free Trade Agreement, ratified in 1993, eliminates trade barriers, such as tariffs, on goods and services imported from Canada, Mexico, and the United States. It is too soon to judge the effectiveness of the treaty, whose purpose is to stimulate trade between the nations for the benefit of businesses within each country.