

THE
INTERSECTOR
PROJECT



**THE DEVELOPMENT OF
BOSTON'S INNOVATION DISTRICT:**
A Case Study of Cross-Sector Collaboration
and Public Entrepreneurship

Foreword by Ariella Cohen

The Intersector Project

What is the Intersector?

Perhaps more than ever before, addressing common, knotty problems in our modern life requires navigating across the government, business, and non-profit sectors. Yet sectors have differing languages, cultures, and practices that make it challenging to work together.

There is a need for a new sector, the intersector, a space where collaboration among government, business, and non-profit sectors enables leaders to share expertise, resources, and authority to address problems that cannot be solved by one sector alone.

About The Intersector Project

The Intersector Project is a non-profit organization that seeks to empower practitioners in the government, business, and non-profit sectors to collaborate to solve problems that cannot be solved by one sector alone. We present real examples of collaborations in many places, across many issues and illuminate the tools that make them successful. We do this through our library of forty case studies, which profile successful intersector initiatives; our Toolkit, which draws from an extensive body of research to provide practical knowledge to practitioners; and our ongoing research aimed at providing meaningful analysis and practical insight into the growing space of intersector collaboration.

Learn more at intersector.com.

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Foreword

By Ariella Cohen

Editor-in-Chief, *Next City*

My first post-college office was a converted loft in the DUMBO section of Brooklyn. The year was 2004; the Internet was only then beginning to transform the way we live and work, yet big changes were afoot, and my boss's landlord, David Walentas, knew it.

Twenty-five years earlier the real estate developer had gambled \$12 million on 2 million square feet of industrial property underneath the Manhattan Bridge. It was a lot of money for a noisy warren of half-empty warehouses and fetid cobblestoned alleys, but Walentas hunkered down for the long haul on the intuition that the neighborhood's resident industries were soon to change. By the time I arrived on the scene with a job at an independent Brooklyn newspaper and a scrappy commuter bike, the warehouses were teeming with young computer programmers and MacBook-toting graphic designers.

I encountered my first software entrepreneur on the creaky freight elevator I rode up to my office every day and drank my first locally brewed kombucha in the overpriced grocery store on the building's first floor. Eventually, both the software guy and the local kombucha made their way into my newspaper stories.

To innovate is to disrupt the established order and introduce something new. ... The ideal end result is the increased creative production associated with the kind of spontaneous cross-sector interaction I experienced in DUMBO, not to mention new tax revenue and jobs.

Walentas didn't call DUMBO an innovation district. He didn't have to. The creative energy was palpable in the neighborhood's narrow streets – and Walentas had subsidized the rents of enough startups, artists, and media types that no one was going anywhere else anytime soon, anyhow.

Eleven years later, Walentas has been made a millionaire many times over, and DUMBO is one of the city's wealthiest (and most Instagram-ready) neighborhoods, a mix of glassy multi-million-dollar condo towers, hip offices, and posh commerce catering to residents with a median household income of \$181,684. (By comparison, the median income for the city as a whole is \$50,711.)

I still have a few artist and journalist friends who work in the neighborhood thanks to the discounted office space that Walentas continues to provide in hope of maintaining the neighborhood's buzz. Yet more and more, the neighborhood feels like a study in luxury urbanism. It's lovely to visit but not a replicable or even desirable model for most cities.

To innovate is to disrupt the established order and introduce something new. Brookings Institution researchers Bruce Katz and Julia Wagner describe innovation districts as “physically compact, transit-accessible” mixed-use areas where “leading-edge anchor institutions and companies cluster and connect with startups, business incubators, and accelerators.”¹ The ideal end result is the increased creative production associated with the kind of spontaneous cross-sector interaction I experienced in

Foreword

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These districts represent a mash-up of the development strategy that made a gritty neighborhood under a loud bridge desirable to entrepreneurs and wealthy condo-buyers, and an emerging model predicated on collaboration and government involvement. Instead of Walentas' one-man, market-driven show, they are the product of long-term planning and shared investment on the part of taxpayers, anchor institutions, and private-sector partners.

As with any public-private partnership, these collaborations carry risk but also the potential for new public benefit. Where in the past a developer like Walentas may have been held accountable for hiring locally or building a minimal number of affordable units mixed in with the luxury apartments – 58 of them in the case of DUMBO – this new model presents an opportunity to plan strategically with public needs in mind and, ultimately, create a place that reflects the interests of a diverse urban populace. In cities such as Pittsburgh, Detroit, Buffalo, St. Louis, and Boston, the model is being adapted to meet local needs with programs intended to foster a more inclusive ecosystem that will create economic opportunities not only for those already connected to the tech sector but also those who need a way in. In other words, these cities are seeking to do something truly innovative: disrupt a pattern of inequality.

With this report, The Intersector Project offers an insightful exploration of collaborations across the business, government, and non-profit sectors in the context of the Boston Innovation District, one of the earlier examples of this emerging model for 21st century economic development. Since 2010, more than 200 startups have set up shop in the area, creating hundreds of new jobs and contributing to

the city's reputation as a hotbed for tech-driven entrepreneurship. Yet as the District continues to grow, it faces new challenges of accessibility, affordability, and identity – challenges that can only be addressed through more collaboration and yes, innovation. Indeed, we are not in DUMBO anymore.

Ariella Cohen is an award-winning journalist with 11 years of experience reporting on urban change, politics, and policy. Prior to joining *Next City* – a non-profit organization with a mission to inspire social, economic, and environmental change in cities through journalism and events around the world – she co-founded New Orleans' first online investigative news outlet, *The Lens*, and worked as a staff reporter for the *Brooklyn Paper* in New York. She has reported on disaster recovery, urban development, and city politics in Port-au-Prince, Jerusalem, and in cities across the United States. Follow her @ariellacohen on Twitter.

Introduction

This study explores the relevance of intersector collaborations – collaborations across the business, government, and non-profit sectors – in the context of the Boston Innovation District.

Emerging in urban centers across the country, city-level innovation districts are geographically distinct areas intended to attract cutting-edge companies, research institutions, startups, accelerators, and other related entities, creating a dense community of innovators and entrepreneurs.² Innovation districts also tend to attract businesses that offer support services to tenants (e.g. law, accounting, and public relations firms), as well as entities that offer amenities, such as restaurants and bars.

Understanding how city-level innovation districts can harness the strengths of each sector is particularly important in an era of urbanization, limited public resources, and increased public expectations of public sector innovation. The development of the Boston Innovation District provides an outstanding example of a government-led economic development approach involving collaboration across sectors. It also demonstrates what Mitch Weiss, former Chief of Staff to Boston Mayor Thomas Menino and now a lecturer at Harvard Business School, has described as “public entrepreneurship.”³ Public entrepreneurship is an approach to public sector management that draws upon a set of “lean” startup principles, including hypothesis-based experimentation and testing, iterative learning, and speed, agility, and willingness to pivot.

Understanding how city-level innovation districts can harness the strengths of each sector is particularly important in an era of urbanization, limited public resources, and increased public expectations of public sector innovation.

Following this approach, Boston’s public sector led the development of the District, an ecosystem of innovation and entrepreneurship.⁴ This economic development strategy aimed to revitalize an underutilized parcel of land by attracting both established companies and emerging entrepreneurs, and developing infrastructure and amenities to holistically support work-life opportunities – all largely without the use of major tax incentives or costly capital investments. Within this framework, the Office of Mayor Menino (and subsequently the Office of Mayor Martin J. Walsh) and supporting agencies catalyzed investments and stakeholder engagement that brought the District to life, breeding additional cross-sector activity and partnerships along the way.

Background

Boston's distinctive concentration of higher education institutions, research and manufacturing capabilities, and venture capital firms makes it uniquely positioned to attract extraordinary talent and innovative ventures. According to *Entrepreneur* magazine, as of January 2015, Boston was the top destination for venture capital investments in the United States, after the San Francisco Bay Area.⁵ These contextual factors contribute to the city's ability to promote dynamic economic growth.⁶

The Boston Innovation District spans approximately 1,000 acres and includes five sub-districts: Fort Point, Seaport, Port, Convention Center, and 100-Acres. It is most commonly known as the South Boston Waterfront or Seaport District and has a rich history that dates back to the 19th century. It was a wetland peninsula that was annexed to Boston in 1804, when it became a hub of fast-growing industrial development.⁷ The area served as home to rail yards and manufacturing companies for Boston's working port until about 1955. The development of transportation infrastructure, including elevated highways, isolated the District, making it hardly accessible by foot.

Beginning in 1995, the extension of the Massachusetts Turnpike to Logan Airport and the opening of the Ted Williams Tunnel made the area more accessible and created opportunities for development. In 2004, the Seaport District was further integrated into downtown Boston as the result of the project known as the Big Dig that dismantled the elevated Central Artery highway and rerouted Interstate 93 through underground tunnels.⁸ Shortly after, the expansion of the Massachusetts Bay Transit Authority's Silver Line brought public transportation to the area for the first time.⁹ 2004 also marked the opening of the Boston Convention and Exhibition Center east of Fort Point,



Courtesy of the Boston Redevelopment Authority

which transformed the area and drew in thousands of new visitors. In 2005, Joe Fallon, founder of The Fallon Company, purchased 21 acres of waterfront property in the District for a massive multi-building waterfront development project to be known as the Fan Pier Development, expected to create \$3 billion worth of mixed-use development.¹⁰ The Institute of Contemporary Art relocated to the Fan Pier Development and became the cultural cornerstone and a centerpiece of Boston's new waterfront. Given the significant changes in those years, the Seaport District was dubbed a "bustling waterfront" by *The New York Times* in 2007.¹¹

The global economic downturn in 2008 disrupted the area's renaissance. While affordable rents in the District helped the neighborhood continue to grow, large-scale development slowed during this period. By 2010, the District presented a mixed landscape, with newly built, vacant Class A office buildings next to empty factories, high-end apartments and condominiums next to artist studios, and trendy bars next to vast open parking lots.

A Mayor's Vision

In January 2010, during his fifth inaugural address, Mayor Thomas M. Menino officially declared his vision to redevelop the Seaport District into the “Innovation District”:

“A new approach is called for on the waterfront – one that is both more deliberate and more experimental. Together, we should develop these thousand acres into a hub for knowledge workers and creative jobs. We’ll define innovation clusters – in green, biotech and health care, web development, and other industries. And there, we’ll experiment with alternative housing models. We will test new ideas that provide live/work opportunities to entrepreneurs and affordable co-housing for researchers. ...Years of financial engineering left us with a sub-prime crisis in housing. It’s time to get back to “engineering engineering.” We’ll give architects and developers the challenge to experiment with new designs, new floor plans, and new materials. Our mandate to all will be to invent a 21st century District that meets the needs of the innovators who live and work in Boston – to create a job magnet, an urban lab on our shore, and to harvest its lessons for the city.¹²

Mayor Menino was first elected in 1993 and was re-elected in 1997, 2001, 2005, and 2009. He was the longest-serving mayor in Boston’s history and was beloved by many, maintaining a steady approval rating of 72 percent from 2005 to 2008.¹³ He was known to be affable and accessible, equally eager to participate in a ribbon cutting ceremony for a small business or a multinational corporation.

Mayor Menino’s public declaration was a call to action

for his staff and City agencies to execute his vision of a waterfront community of innovation. The Office of the Mayor and the Boston Redevelopment Authority (BRA), the urban planning and economic development agency for the City of Boston, took the reins in carrying out the Mayor’s vision. As Weiss (the former Chief of Staff) recalls, “[The Mayor] expressed a vision, but there was no plan per se.” There was a sense of urgency, however, and a willingness to experiment by seizing opportunities for stakeholder engagement and recruitment that left no time for extensive studies or complex assessment plans. As a BRA staff member remembers, “At that point, we had the bare bones of a strategy and a slight vision for what we wanted to do. Then, we built it along the way.”

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The Mayor’s vision for the District had four main features, which set the tone for how development took shape.

Industry-Agnostic
Clusters
Experimental
City as Host

A Mayor's Vision

Industry-Agnostic

One of the main features of the District was to be open to industries of every kind. This allowed for broad inclusivity of established companies and small enterprises and provided a framework for community engagement. As Samantha Hammar, former Communications Strategist for the Boston Innovation District, notes, the message was clear: “If you identify as innovative, you are more than welcome. This is an inclusive community for innovative people.” This also allowed the District to be less dependent on the growth of a single industry for its sustainability. Weiss recalls:

“Picking winners and losers or picking [industries] just didn't sit right with us, number one. Number two, we actually had no money. This is 2010; there is no money. That ended up being actually very good, because as soon as there is money, you are deciding who to give it to. As soon as you are deciding who to give it to, you are trying to come up with some framework about who [to] pick. That takes time.

Clusters

The second feature in the creation of the District was the desire to cluster innovative entrepreneurs to increase proximity and density. This was highlighted by the District's motto “Work, Live, Play” and the notion that “people in clusters innovate at a quicker rate, sharing technologies and knowledge easier.”¹⁴ Following this model, the City also hoped to attract amenities that would entice entrepreneurs to spend more time in the District networking and socializing. After speaking with many entrepreneurs through town halls and other events, Mayor Menino presented 10 items he considered key to the District's development, one of which was “Don't treat after

work needs as an afterthought.”¹⁵ The underlying assumption was that attracting talent to work in the District was not enough for its sustainability as an innovation hub. The city needed to retain talent through a work-life environment favorable to creativity and exchange. Building physical spaces that enabled entrepreneurs to converge during and after work hours became imperative for the public sector, which led to the recruitment of accelerators, such as MassChallenge, and the development of public meet-up spaces, such as District Hall.

Experimental

The third feature was the public sector's adoption of an experimental framework characterized by expedited decision making and planning flexibility. The mayor's declaration sparked interest among the business community and created momentum for the public sector's efforts to engage developers, design and architecture firms, company CEOs, entrepreneurs, and non-profit organizations to begin to construct the fabric of a community. As Weiss notes, “Move small, move fast; be a much more nimble [public] entrepreneur. That's what we did. We never had any budget. We never had any task force. We just went and grabbed opportunistic things.”

The City as Host

A fourth feature was to position the city as the host institution instead of the host being a university or research firm, as is the case with MIT in Kendall Square, for example. As BRA Director of Planning Kairos Shen explains, “In the end, the city is the host, not the institutions.” The identification of the District with the city meant that the neighborhood would be free to develop organically, create momentum, and allow innovation to disperse across the city.

MassChallenge: A Key Turning Point

To build momentum around the Mayor's vision, Menino's team focused on identifying emerging companies looking for space that could be recruited to the District. Weiss was informed by a member of the local tech startup community that MassChallenge, a promising young Boston-area accelerator, was looking for space to expand. Founded in 2009 as a startup competition and mentorship program, MassChallenge had been using a small space in the Cambridge Innovation Center near MIT and was looking for a more permanent space to support its expected growth. Both Weiss and the Mayor personally reached out to Akhil Nigam, the co-founder and President of MassChallenge, to share their vision for the District and invite him to be a part of it. Eyeing thousands of square feet of office space that was sitting unfilled in the District after the economic downturn, Mayor Menino encouraged real estate developer Joe Fallon to provide free office space for MassChallenge. Fallon offered MassChallenge a one-year rent-free lease in his One Marina Park Drive building, which successfully lured the young non-profit to the District.¹⁶ The relationship between Fallon and the Mayor appeared to be an important factor in making this deal possible.

MassChallenge's move to the area was a milestone, signaling to the community that something new was happening in the District. MassChallenge CEO and co-founder John Harthorne notes the skepticism that surrounded the development: "Our arrival was very significant because at the time [the District] was still largely a vision, and it was still being questioned by the media and the community."¹⁷ With its 110 companies and over 200 mentors, MassChallenge helped to generate significant traffic to the District, hosting more than 100 events in the first year with thousands of participants. This flow of new traffic changed the character of the District and helped to attract

entrepreneurs who previously had very little reason to leave the entrepreneurial hub of Kendall Square.

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MassChallenge's leaders remained engaged with the Mayor and his team to help shape the development of the District. Nigam helped organize several roundtables for groups of 10-12 local entrepreneurs to meet with the Mayor and provide input about their needs. More affordable housing, places to eat, event space, and non-Class A office space were at the top of their lists. Additionally, companies were looking for well-aligned talent, funding streams, and a work-life environment that would be agreeable to their employees. The Mayor committed to the development of more affordable housing and social infrastructure – including interesting spaces and events – that would bring the community together.

Community Engagement and Communications Strategy

After MassChallenge’s move, momentum continued to build as the City engaged partners and community members to develop social infrastructure for the District. When asked how the team approached marketing the District, Weiss shared this insight into their strategy: “Not the old ways, not with a full-page ad in the newspaper or this and that. [Instead,] have somebody [from our team] down in the District, hanging out, meeting people, just being in the community.” The City also decided to avoid having a designated office in City Hall and instead engaged with the community via a social media manager who would often spend time in the District “just having coffee, walking around, meeting people ... and then doing that electronically too.”

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While the Mayor discussed his ideas for the District with business leaders, a small team from the Mayor’s Office reviewed research to understand the current climate in the District and its potential. Based on their findings, the team developed a communications campaign that was disseminated through social media and informal, volunteer “community brokers” – individuals who integrated themselves into the community and worked largely autonomously to build connections with entrepreneurs to further understand their needs. Samantha Hammar, former Communications Strategist for the District, shares her thoughts on these early stages:

“We were able to ... really quickly start to show ... these are the things that are already happening down here, these are the companies that are down here, these are all the people that are moving in, these are the small, yet really powerful companies that have moved in here ... and that ... was where the communications effort really thrived.

Community brokers played an integral role in maintaining momentum and creating buy-in from individuals already working in the District, as well as those searching for new space. For some community members and partners, community brokers were the first point of contact and served to clarify what the City was envisioning for the District.

Although the City focused on engaging with the entrepreneur community, it also built ties with other key constituencies in the District, such as the artists of Fort Point. Beginning in the 1970s, artists had converted abandoned industrial lofts in Fort Point into creative living and working spaces. By the end of the 1980s, they had formed the Fort Point Arts Community, a non-profit organization focused on promoting their work, providing studio space, and strengthening their community by organizing events in the area. In the early 2000s, before Mayor Menino articulated his vision for the District, the Boston Wharf Company, one of the key landlords for hundreds of these artists, sold its properties.¹⁸

This precipitated a series of evictions as buildings occupied by artists were sold to other property owners. These evictions challenged the artists’ sense

Community Engagement and Communications Strategy

of leadership in their community and bred resentment for the redevelopment of their area. Despite the evictions and fight for artist-controlled buildings, there continued to be an established artist presence in the Fort Point neighborhood.

The artists became aware of the City's plans for the District around the same time that the business community was first engaged. Due to the history of displacement, the City's vision for the neighborhood as a mixed-use, 24-hour community catering to entrepreneurs raised fears among the artist community of gentrification and increasing housing costs. As part of the community engagement strategy for the District, one of the community brokers engaged Friends of Fort Point Channel, a non-profit organization established in 2004 in partnership with landowners, non-profit leaders, and residents. The organization had a business committee that met every month at a different local business to network and collaborate on issues and projects. The community broker began to attend these meetings, informing neighborhood partners of planned developments in the District, answering questions, and helping to build connections between the established community members and newcomers. Every month, she asked a CEO of an incoming business to attend the committee meeting to introduce his or her business to the neighborhood. Greentown Labs, an incubator for hardware-based startups, and Trillium, a family-owned and -operated brewery, are two of the businesses that attended the committee meetings.¹⁹ This helped show the human face of the District.

Through this type of sustained engagement, community brokers helped reconcile conflicting visions and interests across sectors. While the City arguably elevated the needs of entrepreneurs in building the District, this engagement ultimately helped foster beneficial cross-sector relationships

between artists and business people, such as corporate art lending programs, through which artists receive a stipend to produce works that are displayed on a rotating basis in company office space.

The key role that community brokers played in engineering the social infrastructure of the District should be considered in future economic developments of this nature. Chris Osgood of the Mayor's Office of New Urban Mechanics (MONUM), notes:

“When we created the Innovation District, [it was] the first time we ever had a full-time evangelist ... and I think it was the most important bit of innovation infrastructure you can possibly have. The person who is literally working out of the coffee shops and, [whose] ... job is to be accessible and affable and gregarious and compassionate about helping people start or build their company in this area. I think we've seen that as [one] of the most important investments a city can make.

The District Gains Momentum: Key Developments and Entrants

Flexible housing options were a key component of the Innovation District vision from the start. For the Innovation District to become an area for entrepreneurs not only to work, but also to live and play – a core element of the clustering concept – suitable housing options would have to be developed. Affordability and networking-oriented common spaces were two key components of this “innovation housing” vision. To implement this vision, BRA approved plans for 12,000 new residential units in the District, 15 percent of which would be affordable housing and another 15 percent of which would be “micro-units” designed to offer the affordability and convenience attractive to Innovation District workers. One of the first of these buildings in the District was Factory 63, a restored former warehouse in Fort Point, with 38 affordable live-work units and attractive shared conference rooms and workspaces. Designed and developed by Gerding Edlen, this LEED Gold Certified property opened in 2012 and has provided a compelling proof of concept for similarly innovative new housing developments in the area.

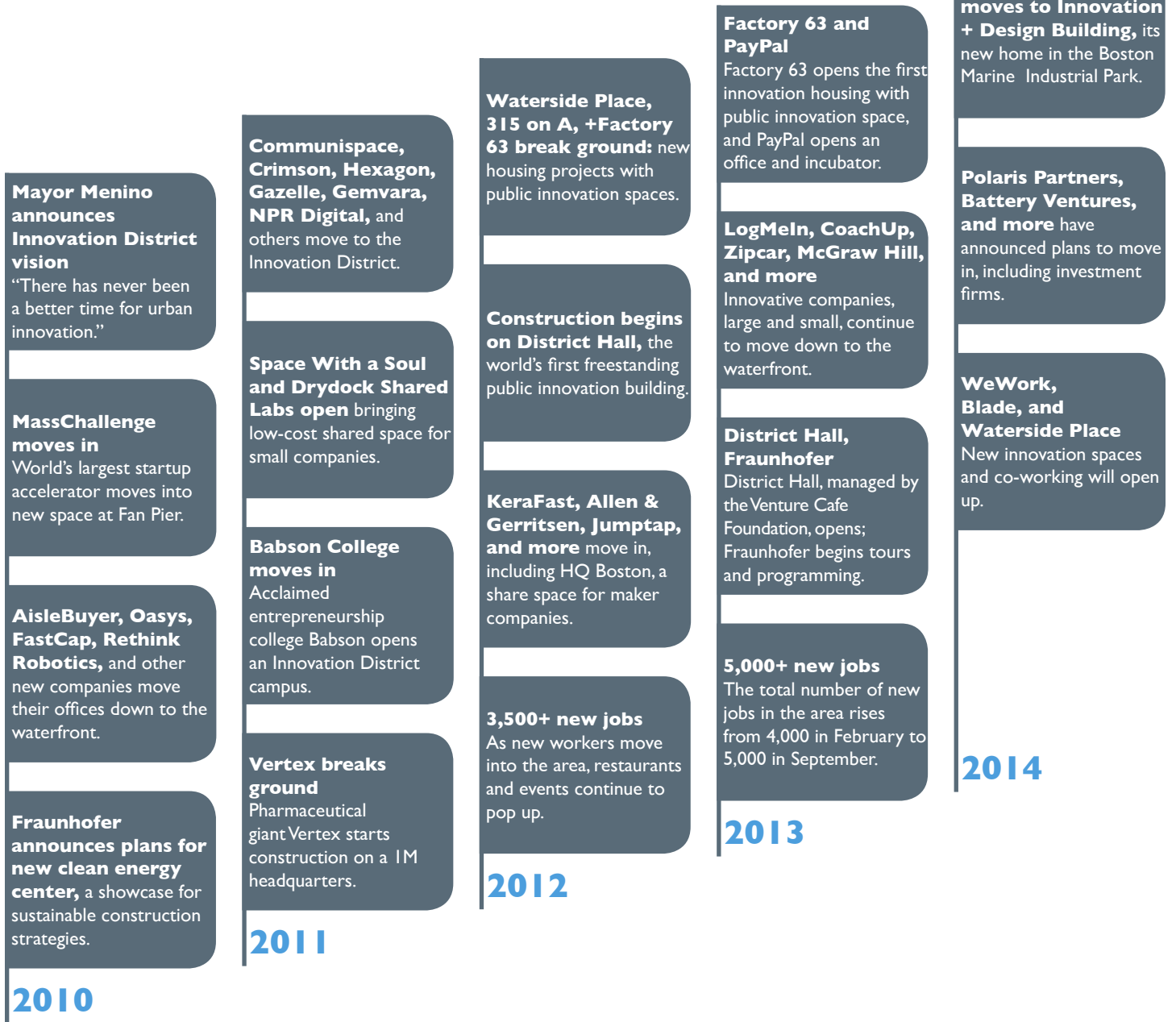
Dining and entertainment options were also essential in establishing the District as an appealing place to live and work. Mayor Menino and the BRA wanted bars and restaurants to provide a unique character and atmosphere for the District. They sought to attract new and different establishments to the area and encouraged well-known chains to use the District as a place to experiment with new ideas. Legal Seafoods, for example, used the District to try out two new restaurant concepts. In early 2012, the Mayor commented: “The restaurants at Liberty Wharf and in the Seaport/Fort Point area have been essential to the Innovation District’s success.”

Bringing **educational institutions** to the District was another top priority for the Mayor, given the critical importance of attracting high-skilled talent to the area. In 2010, the Mayor’s Office reached out to contacts at Boston’s numerous universities, and Babson College (a top ranked school for entrepreneurship education) expressed interest in exploring the opportunity. This led to a meeting between Mayor Menino and Babson’s President Len Schlesinger, and in June 2011, Babson signed a lease for 3,500 square feet of classroom space in Fort Point. The Innovation District location provided Wellesley-based Babson an opportunity to build a downtown Boston presence and establish a hub for its innovation activities. Schlesinger and Mayor Menino held a joint announcement celebrating the partnership. “An outstanding program for entrepreneurship is coming to an outstanding cluster for innovative businesses. ... Babson will help fuel Boston’s growth,” Mayor Menino said.²⁰

Another key win for the District came in May 2011, when Vertex Pharmaceuticals, a global biotechnology drug developer with 1,200 employees in Cambridge, signed a deal to locate its global headquarters in a new building in Fan Pier. The 15-year, \$72 million annual lease for 1.1 million square feet of space was the result of strong efforts by the Mayor and by real estate developer Joe Fallon to persuade Vertex that the Innovation District offered a unique set of attributes to meet its needs. To facilitate the move, which was expected to bring 1,700 jobs to the District and generate \$50 million in property tax revenues over a seven-year period, the City approved a \$12 million tax break. Meanwhile, the State approved \$50 million in investment for infrastructure improvements to the site and surrounding area.

The District Gains Momentum: Key Developments and Entrants

BOSTON INNOVATION DISTRICT Key Milestones Since 2010



Courtesy of the Boston Redevelopment Authority

District Hall: Boston's First Public Innovation Center

District Hall was the product of a cross-sector partnership that aimed to create an anchor facility that would serve as the “living room” of the District for entrepreneurs and community members alike. As with the District itself, the public sector’s vision for District Hall provided a framework that was flexible and non-prescriptive. This allowed developers and architects to experiment with different layouts and designs to achieve the goal of creating a public space, open to all, that would encourage collaborative work, help strengthen ties among entrepreneurs, and catalyze innovation.

Partnership Roles and Agreement

The City of Boston and BRA conceived of the idea for the building; Boston Global Investors in partnership with Morgan Stanley financed the construction; and Hacin & Associates designed the interior and exterior. Venture Café, a non-profit sister organization to the Cambridge Innovation Center (CIC), was asked to operate and manage all of District Hall’s programming. CIC embraced the role of community advocate by working to stitch the fabric of the community through organized networking events and to promote the needs of entrepreneurs that gathered in the space.

The City of Boston and BRA approached Boston Global Investors to include District Hall in their larger, 23-acre waterfront development plan.

District Hall was to be considered a Community Benefit Agreement²¹ under their contract, and its construction would be at no cost to the City. The City of Boston also provided a tax agreement whereby Gather, the restaurant located in the building, would be the only entity in District Hall paying property taxes because of its commercial activity. The rest of the space, operated by Venture Café, was tax-exempt.

CIC/Venture Café’s signing the lease as the anchor tenant mobilized partners to engage. CIC/Venture Café was able to fill the needs of developers to secure reliable tenants and the needs of the startup community to have access to co-working space on an ad hoc basis. CIC/Venture Café provided resources and fulfilled administrative requirements that would have been difficult for a startup, such as the ability to sign a long-term lease and maintain high credit ratings. As the anchor tenant, CIC/Venture Café then assumed the risks of having shorter, experimental leases with tenants. This arrangement aided partners in securing the necessary financing and helped convince Boston Global Investors to build in accordance with the vision set forth by the City of Boston.

Experimental Process and Execution

“The building was an experiment,” said Nicole Fichera, General Manager of District Hall. “[We said] ‘Okay, we know it’s going to be this big, and it’s going to cost this much – We can get approval for that. And it’s going to be a restaurant over here, and it needs bathrooms.’ You get the basics locked down and build those. ... That was a way of moving the process forward.”

District Hall: Boston's First Public Innovation Center

The cross-sector process that led to the construction and operations of District Hall holds many parallels to the development of the District as a whole. It required the engagement of key stakeholders from the government, business, and non-profit sectors who each played a vital role to meet the project goals. Through exploratory brainstorming sessions and trial and error, partners came to agree on a shared vision of success for the building. At times, the lack of clear standards to dictate how the space would look and feel created some unease among partners, but they remained engaged through its execution because of the potential to advance the vision of the District. Fichera recalls, "The project wasn't easy. It wasn't easy for anyone involved. There were a lot of moments [where] things weren't clear. I think the real key was that everyone stuck with it. They kept sitting at the table ... because the idea of doing something like this was compelling enough that it made everyone come back."

District Hall's Success

This unique public space has been used for a wide array of purposes. In 2014, District Hall hosted a total of 562 events ranging from hackathons and training sessions to startup networking meetings and brainstorming sessions. It held more than 30,000 meetings, and an estimated 25,000 people used its public meeting space. More than 70 percent of District Hall's space rental value has been donated for community use – a \$1 million investment in the local startup community.²²

District Hall's interior design allows for quick modifications to accommodate many different types of groups and gatherings. The core of the building was designed around flexibility to allow "the building to be what it needed to be to many different groups of people," Fichera explains.

In addition, District Hall has made space available at reduced costs (and sometimes for free) for events that help in building an inclusive and supportive innovation community; non-profit-hosted events that do not charge for access; and events open to the public at large. Additionally, in 2014, 36 percent of all events held were cross-sector and multi-industry in both planning and attendance, reflecting Mayor Menino's vision for an industry-agnostic community that collaborates and innovates. Just an exciting but undefined idea only a few years ago, District Hall now represents the most significant landmark of Innovation District.

Current State of the District: Successes and Challenges

By the summer of 2015, Boston's Seaport was in a state of transformation. Cranes dotted the skyline as numerous new buildings were constructed.

Two new residential towers set to open in 2017 at One Seaport Square, for example, featured a combined 42 stories of plush apartments and amenities, as well as 250,000 square feet of new retail space. An upscale ShowPlace ICON theatre and luxury Equinox gym are among the development's coming offerings.²³

More than 5,000 new jobs have been created in the Innovation District since 2010, as over 200 startups have set up shop in the area.²⁴ About a quarter of these firms have fewer than 10 employees, and approximately 40 percent are housed in shared workspaces or incubators.²⁵ From software and digital marketing to manufacturing and design, the Innovation District's young firms span a wide array of industries and business models. Zipcar, LogMeln, and Rethink Robotics are just a few of the more prominent startups to call the Innovation District home. The support infrastructure that these young companies need to grow, including incubators and accelerators, as well as law, design, advertising, and other professional services firms, has also moved to the District, providing a healthy ecosystem for innovative companies to thrive.

From an economic development perspective, the District is successfully coming to life as intended. At the same time, however, rising rents and capacity constraints have compelled a number of local startups to head to other parts of the city, including Downtown Crossing and the Financial District. While

the residential buildings slated for construction in the District will include a portion of micro/innovation units, rents even for these units are soaring as demand to live in the area rises. Multi-million-dollar condos in Fan Pier are seeing strong sales. In the commercial market, average rents in the Innovation District reached Back Bay levels (about \$53 per square foot) by early 2014, putting pressure on cash-strapped early stage ventures.²⁶ IdeaPaint and Leaf, for example, located their offices in the Financial District, where financial firm rightsizing has opened up office space and put downward pressure on prices.²⁷

As the area continues to be transformed by large new development projects, popular perceptions of the Innovation District are also likely to change. BetaBoston, for example, a popular startup community news source, argued in 2014 that "Innovation District, the civic branding bestowed upon the Seaport by Mayor Menino, will be a misnomer in a year or two, if it isn't already," citing rising rents and the arrival of large firms like PwC.²⁸ News coverage often refers to the area as the Seaport rather than the Innovation District, and many Boston area residents remain unaware of the Innovation District story.

The Role of the Public Sector

Recent initiatives in cities across the United States have shown that cross-sector collaborations have stronger chances of succeeding and affecting large scale change if they are aligned with mayoral priorities. Mayors can act as powerful champions for collaborative initiatives by attracting public attention, building perceptions of legitimacy and prestige, providing access to stakeholders who are key to the collaboration's goals, and mobilizing financial and/or non-financial resources. In the case of the Innovation District, Mayor Menino was the originator of the District vision, giving the City of Boston full ownership of its development. City government staff advocated from within City Hall to the greater Boston community, while the Mayor leveraged his relationships to engage key stakeholders.

Mayor Menino²⁹ declined to run for a sixth term, and in November 2013, Martin J. Walsh was elected mayor, inheriting the vision for the District. Staff turnover followed the mayoral transition, and a few key staff members and partners involved moved on to other opportunities, while others continue to strengthen the entrepreneurial community from within the District.

Traditional Public Sector Role

In the context of economic development projects, the public sector traditionally operates as the regulatory and administrative gatekeeper.³⁰ City government works to ensure that the local environment is conducive to economic growth and has the ability to attract private investments, create jobs, and enable effective service delivery. The public sector has several tools to spur and sustain economic development. Traditionally, these include zoning regulations, permitting processes, the development of physical infrastructure, and tax incentives. In the context of the District, the public sector aimed to keep development

costs to a minimum and to allow the District to flourish in accordance with market forces. Kairos Shen, the former Director of Planning at BRA, shares this view: "It was a sense of the public sector and the Mayor's Office and the BRA defining clearly the public goal ... but then not regulating it to happen. Letting the market ... figure out what was the best course of action."

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There were exceptions to the public sector's hands-off approach during both mayors' terms. Vertex's move to Fan Pier, an important milestone for the development of the District, was largely facilitated by Mayor Menino's relationships with developers and his willingness to personally engage key private-sector players. It is currently the largest commercial lease in Boston, amounting to \$1.1 billion.³¹ On May 20, 2011, the Boston City Council's Committee on Economic Development and Planning held a hearing to take testimony and consider the approval of a 15-year Tax Increment Financing (TIF) agreement regarding real estate taxes between the City of Boston, Vertex, and The Fallon Company. Staff from BRA and The Fallon Company, as well as Mayor Walsh (who at the time was the Secretary/Treasurer of the Boston Buildings Trade Council), all testified in support of the agreement sponsored by Mayor Menino. It passed on May 25, 2011, allowing Vertex to save \$12 million in real estate taxes. This was one of two instances that the public sector openly advocated for financial incentives to attract private-sector players

The Role of the Public Sector

to the District. The other more recent instance was the City Council's approval on December 10, 2014, of a 13-year TIF agreement for LogMeIn, a computer technology company, to assist it in expanding its current office space for an international headquarters.³² The agreement provided LogMeIn with \$2.5 million in tax savings.

In both cases the agreements were intended to incentivize the companies to move into the District, creating new jobs and providing tax revenues to fund public services. As legal scholar and urban governance expert Richard Briffault notes, "TIF empowers local governments ... to articulate and shape a distinct urban development vision, and to woo the particular developers and firms necessary to bring that vision to life. ... TIF can help a mayor, city manager, or planning director be a political entrepreneur as well as an economic one."³³

Non-Traditional Public Sector Role

Nigel Jacob of MONUM describes the benefits of a less traditional approach:

“ Big tax subsidies [that] encourage people to come in, I think those things can play a part, but it can often create very artificial context ... where ... after the subsidies run out, it just becomes a ghost town. I think the important lesson from the Innovation District so far ... is really to focus on the needs of people. Who are the people that live there? Who do you imagine living there? What are the needs? What are the opportunities? Start there, and cultivate relationships and connect people. It's not just physical infrastructure that builds neighborhoods. It's social infrastructure, and that's something we can do in government. We can help to build and encourage that social infrastructure.

The City's focus on directly building social infrastructure for the District was an effective though less traditional development approach. Mayor Menino aimed to develop a community that holistically met the needs of independent entrepreneurs, established companies, and new ventures alike. The approach was unique because of the absence of a pre-existing community bound by a common area of residence. As such, cross-sector interactions with companies and organizations like MassChallenge and District Hall played a crucial role in helping to strengthen community among a largely imported contingent of design and technology workers.

The Mayor's team showed a bias for action, a desire to experiment and do things differently, and a willingness to pivot or change course if circumstances beyond their control or stakeholder feedback suggested that they should do so. This public entrepreneurship approach made possible the impressive speed with which the Innovation District vision became a reality.

Another less traditional public sector approach has been the use of public entrepreneurship and prototyping in economic development agendas. Mayor Menino's team took this approach with the District project from the start. Rather than commission a lengthy consulting study to assess the merits and key implementation decisions of the District vision, the Mayor engaged with all the relevant stakeholders to test and refine his approach. The initial vision for the District that the Mayor described in his State of the City speech in 2010 provided a broad overview, which then evolved over the next several years as more concrete plans took shape. Throughout the process, the Mayor's team showed a bias for action, a desire to

The Role of the Public Sector

experiment and do things differently, and a willingness to pivot or change course if circumstances beyond their control or stakeholder feedback suggested that they should do so. This public entrepreneurship approach made possible the impressive speed with which the Innovation District vision became a reality – The District project gained significant traction just a year or so into its life. The other key benefit of this public entrepreneurship approach was the resource efficiency that it enabled. Other than the few strategic tax incentives and a good deal of the Mayor’s time, limited public resources were deployed to make this project possible. This asset-light approach increased speed and flexibility – avoiding lengthy budget approval processes, for example – and forced the Mayor’s team to be creative in aligning stakeholder interests to move the project forward.

Since the development of the District, Boston has worked to institutionalize more dynamic processes of public planning and service delivery. MONUM, for example, which was created after the inaugural speech that also launched the District, focuses on improving the quality of life for city residents through nimble testing of initiatives and strategies. Nigel Jacobs, the current Co-Chair explains their process: “We tend to work in a very iterative, experiment-driven model [in] which we’re constantly trying to learn what works and what people like and they don’t like in terms of services and experiences in the city.”

Key Issues and Lessons

One key tension related to the development of the Innovation District is between the benefits of “clustering” on one hand and the dynamic evolution of a more regional startup ecosystem on the other. Mayor Menino’s original vision for the District was predicated on the benefits of a tightly clustered innovation ecosystem. Weiss argued in 2010 that “proximity matters perhaps more than ever for invention and innovation. ... We need to make sure [we have] the open space and amenities where people can mix and mingle.”³⁴ Informal networks and relationships develop more quickly and easily in clustered settings, the argument goes, creating opportunities for innovation and growth.³⁵ The original “Work, Live, Play” conception of the District supports this notion. A more dynamic, regional startup ecosystem, on the other hand, might involve early stage startups moving from district to district in search of cheap rent, or relocating to different parts of the city as they grow and mature. In this model, the “cluster” is defined more broadly and regionally, and density of innovation activities is somewhat less important. The principal benefit of this model is its flexibility.

The sustainability of the District as a geographic hub of innovation as it was initially conceived remains in question as high-end new developments continue to crowd out early stage entrepreneurial activities. The regional ecosystem viewpoint suggests that this development may not be problematic, and from an employment and tax revenue perspective, it may in fact be very positive for the city. Kairos Shen shares this perspective:

“It’s dynamic. So long as the city continues to have different locales that can actually ... grow and change, that’s all we want. I’ve said very explicitly that if we don’t succeed in innovation but succeed in building a beautiful neighborhood, that’s success for me. The goal is to have a city that continually can transform and accommodate.”

Relative to the initial goals of the project, however, it is worth considering whether any key decisions could have been made differently to enhance the longterm sustainability of the area as a startup hub. Could a greater share of the residential and commercial space have been set aside for “innovation” uses, for example? Or could contingent contracts have been put in place with the developers such that broader innovation requirements would be triggered if certain financial or occupancy milestones were reached? Mitch Weiss reflects: “We pushed really hard ... but it was difficult to [demand builders put up a lot of] this kind of low rent innovation space. Looking back I wonder whether we could have made some contingent arrangement,” such that if certain financial conditions were met, developers would be required to “do more for innovation ... like set aside more space or commit to an [innovation investment] fund.” It is worth considering, however, whether a strategy of greater public-sector requirements would have been at odds with the “organic,” market-driven approach that the City of Boston promoted.

One factor that may have exacerbated this tension

Key Issues and Lessons

was the informal nature of the project's cross-sector collaboration. While certain decisions were codified in policies or legal agreements – the percentage of “innovation units” in certain buildings, for example, or the operating model for District Hall – much of the collaboration that took place between the Mayor's Office, BRA, real estate developers, and local firms and non-profits was informal in nature. There was no overarching agreement or strategic documentation between the parties. There was no formal team or operating budget. This flexible approach had its benefits (e.g., speed, agility) but may have also undermined the long-term sustainability of the project as political administrations and economic conditions continue to change going forward.

Questions around sustainability notwithstanding, the Innovation District project supports several key takeaways for cross-sector collaboration. First, the project provides a compelling example of savvy investments of political capital to achieve stakeholder alignment. For example, the Mayor leveraged Joe Fallon's interest in future development projects to persuade him to provide MassChallenge with the free office space that lured the young non-profit to the District. Second, the project demonstrates the importance of investing in relationship building to facilitate project success. Mayor Menino and his team devoted a significant amount of time to getting to know the key players involved, understanding their needs and constraints, and identifying opportunities for creating shared value. A core team of 10 or so individuals was the driving force behind this project. The personal relationships they took time to build were critical in bridging their cross-sector differences.

The Boston Innovation District experience also underscores the critical importance of context. One of the key factors in the success of this project was that it was designed around the unique needs and

resources of the local entrepreneur community. From the Seaport's unique needs and assets – its open warehouse space, proximity to downtown and to the airport, and need for pioneering tenants to bring the area to life – to the larger Boston community's unique capabilities and needs – its highly educated workforce, strong regional ecosystem of innovative companies and research institutions, and widespread interest post-financial crisis in refocusing on entrepreneurship – it was the thoughtful alignment of local interests that made this project possible. Finally, the Boston Innovation District story is a testament to Mayor Menino's leadership. Not only did the Mayor define a compelling vision, he also worked relentlessly and leveraged his unique reputation and relationships around the city to make his vision a reality.

Conclusion: Future Visions of the District and of Innovation in Boston

As municipal governments around the country aim to create innovation districts of their own, they would be wise to look to Boston. While the City's public entrepreneurship approach, reliance on non-traditional means of incentivizing development, and openness to loose geographic boundaries may not be applicable everywhere, Boston's experience provides a compelling case of government-led economic development that has transformed an underutilized portion of the city.

Despite mayoral and staff turnover, the City of Boston continues to be committed to the development of the District and the strengthening of the innovation community across Boston. Cross-sector partnerships that were forged during Mayor Menino's administration have continued to flourish, such as Vertex Pharmaceuticals' collaboration with Boston Public Schools, which aims to strengthen STEM education and access to laboratory space for two schools in South Boston – Boston Green Academy and Excel High School.³⁶ A few companies that relocated to the District have grown and left, moving to other greater Boston areas in search of more space at affordable rates.³⁷ From the public sector's perspective, this spillover effect is a sign of a dynamic, flexible ecosystem. From Mayor Walsh's perspective, it creates the opportunity to think strategically about a Boston-wide innovation agenda that crosses neighborhood boundaries. Nigel Jacob shares his thoughts to this effect: "Mayor Walsh has a great interest in not having just a new node of innovation in the city, but [in] figur[ing] out how we bring that sort of entrepreneurial support to broader set of communities."

While the City's public entrepreneurship approach, reliance on non-traditional means of incentivizing development, and openness to loose geographic boundaries may not be applicable everywhere, Boston's experience provides a compelling case of government-led economic development that has transformed an underutilized portion of the city.

In September 2014, Mayor Walsh created the Neighborhood Innovation District Committee, which includes more than 25 members from all sectors. The committee is tasked with identifying best practices for developing neighborhood innovation districts, making recommendations for an inclusive citywide innovation agenda, and designing a pilot for a neighborhood-based innovation district. The City is now looking to the Dudley Square area of Roxbury, a high-poverty neighborhood, as its next potential target.³⁸ While the Seaport District was considered somewhat of an "empty playground" for the public sector, imagining an innovation district in the Roxbury neighborhood will require a high degree of tailoring and a strong contextual understanding of the long-standing community there. Nigel Jacob notes:

“If what we're trying to do is get a bunch of startups to move into a particular neighborhood, that could easily result in gentrification. But, if what we're trying to do is find ways to surface the already nascent, local innovation ecosystem in a neighborhood, I think that's very different and is drawn from the local context.”

Conclusion: Future Visions of the District and of Innovation in Boston

While the Boston Innovation District offers a compelling example of a successful economic development strategy, its model may have to be adjusted in Roxbury and other locations. To minimize unintended consequences of development – increases in rent, relocation of original area tenants, etc. – and help maintain the existing neighborhood fabric, more structured, deliberate planning may be required. As the City moves to scale its Seaport model to other neighborhoods, we suggest that leveraging the existing cross-sector partnerships of the new target area and drawing upon community engagement lessons from the Boston Innovation District experience will go a long way toward enabling the City to promote innovative economic development opportunities that make sense for Boston’s culturally diverse neighborhoods – a valuable lesson for any city working to foster innovation.

Method

This report was made possible with the assistance of students from the Harvard Business School Board Fellows & Social Enterprise Consulting Club who supported all stages of the research planning, implementation, and report production processes. The research team conducted 10 interviews with 14 stakeholders that included entrepreneurs, non-profit leaders, and City officials from the Mayor's Office and the Boston Redevelopment Authority. The majority of the interviews were audio recorded and transcribed by a secure third party. All interview transcripts were coded to identify salient and recurring themes for further synthesis. In addition to interview data, the team reviewed available public hearings documents and academic articles.

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Authors

Hortencia Rodriguez
Research Analyst,
The Intersector Project

Dave Congdon
Master's Student,
Harvard Business School

Vanessa Ampelas
Master's Student,
Harvard Business School

Contributors

Jacquelyn Wax
Director of Communications,
The Intersector Project

Neil Britto
Executive Director,
The Intersector Project

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For more information about this report

Neil Britto
Executive Director, The Intersector Project
neil.britto@intersector.com