

# The Creative Class and Incentives

11.438 Economic Development Planning

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# “The Creative Class”

- Concept builds on earlier ideas of what succeeds in advanced economies
- Named and studied extensively by Richard Florida in The Rise of the Creative Class (2002) and later books
- Lauded and criticized, revised, still evolving
- Important for economic development planners because involves different tools
- Has won the war of ideas in many ways but little evidence what the best ways to encourage are

# “The Creative Class”

- Not just artists and entertainers
- Includes scientists, engineers, educators, architects, and a broader *creative professionals* group in more conventional fields
- “These people engage in complex problem solving that involves a great deal of independent judgement and requires high levels of education or human capital.”
- Paid to “use their minds” rather than routine work

# “Scientific Management”

- Frederick Winslow Taylor (1911)
- Management can analyze the process of production and improve it, for the benefit of all
- Management and labor should enjoy a close relationship
- Management takes a share of the work directly via hands-on actions

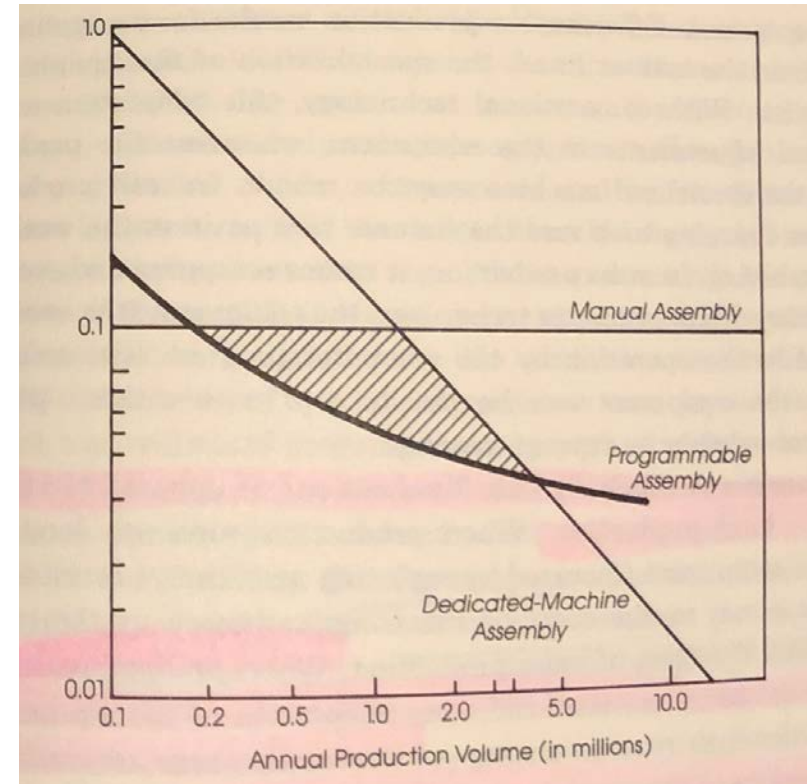
# Fordism

1. Standardized product
2. Specialized tasks
3. Labor compensated at levels that allow consumption

*Associated with capitalism but also embraced by communist countries in the 20<sup>th</sup> Century*

# Flexible Specialization

- Japan “miracle” of 1980’s
- Utilize technology to rapidly update production
- Empower labor to innovate
- Responds rapidly to changes in market but uses some aspects of Fordism for scale



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# To the Creative Class

- Sheds mass production entirely
- Value comes in each individual's creativity
- Attract the Creative Class – if you can – and your economy will thrive
- Attractions are quality of life and tolerance
- Next step – the “gig economy”

# Do we want them?

- The three 'T's:
  1. Talent (a highly talented/educated/skilled population),
  2. Tolerance (a diverse community, which has a 'live and let live' ethos), and
  3. Technology (the technological infrastructure necessary to fuel an entrepreneurial culture).
- The Creative Class values meritocracy, diversity and individuality, & look for these characteristics when they relocate



# The Challenge of Success

- Lack of human capital
- Lack of equity
- In The New Urban Crisis, Florida triangulates the creative class model:

*“It became increasingly clear to me that the same clustering of talent and economic assets generates a lopsided, unequal urbanism in which a relative handful of superstar cities, and a few elite neighborhoods within them, benefit while many other places stagnate or fall behind. Ultimately, the very same force that drives the growth of our cities and economy broadly also generates the divides that separate us and the contradictions that hold us back.”*

# Field Observations

- The model assumed that only large metropolitan areas can benefit
- Smaller cities have been able to use the model – and faced the same challenges
- Perhaps in part because of its success in larger cities?

# Where do they go?

## Venture Capital Investments

### Even more by zip code

1	San Francisco, CA	25.26%
2	Silicon Valley, CA	14.51%
3	New York, NY	9.95%
4	Boston-Cambridge, MA	9.54%
5	Los Angeles, CA	5.06%
6	Washington, DC	3.78%
7	San Diego, CA	2.82%
8	Seattle, WA	2.61%
9	Dallas, TX	2.19%
10	Chicago, IL	1.94%
11	Atlanta, GA	1.53%
12	Philadelphia, PA	1.48%
13	Austin, TX	1.42%
14	Denver, CO	1.13%
15	Miami, FL	0.98%
16	Minneapolis-St. Paul, MN	0.92%
17	Raleigh-Cary, NC	0.84%
18	Houston, TX	0.75%
19	Santa Barbara, CA	0.75%
20	Baltimore, MD	0.71%

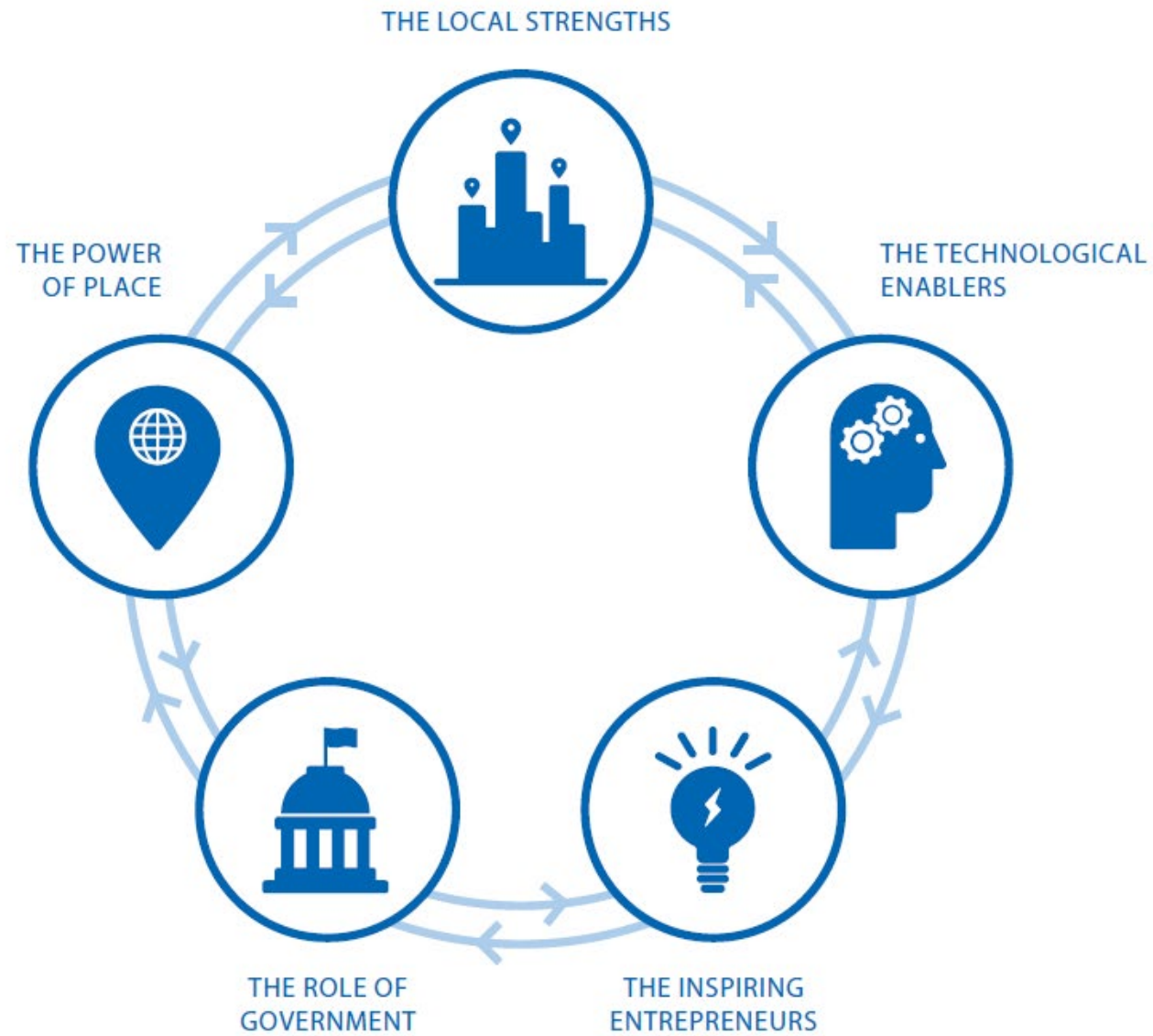
table data from "SPIKY VENTURE CAPITAL," Martin Prosperity Institute, 2016

## EXHIBIT 1 | Government Interventions Across the Value Chain



Source: BCG analysis.

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# Government Tools to Match the Lens

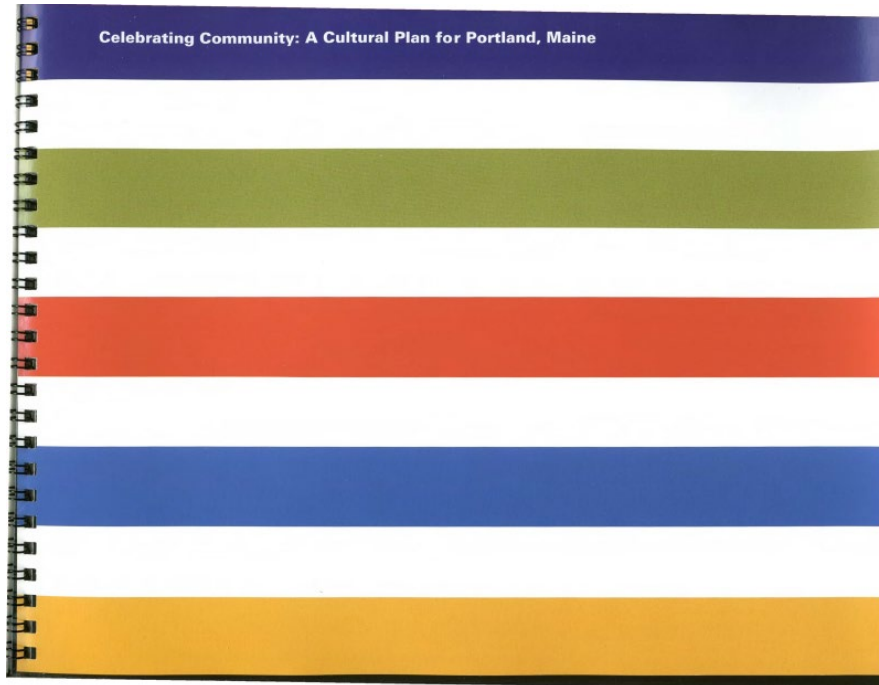
- Cultural planning activities
- Financing through TIF or BID districts
- Regulatory leverage to incentivize creative economies

*How wide is your lens?*

*Arts or the “Creative Class”*

# Arts & Cultural Planning

Sometimes funded by the state



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# Zoning Leverage: Kendall Square

- K2C2 Plan (2013): *“In response to this strong need, the Plan recommends the requirement of 5% of new office development to be designated as innovation space as part of the rezoning process.”*
- *Cambridge Zoning 14.32.5*

*Innovation Space: A Concept Plan proposing more than 100,000 square feet of GFA for Office and Biotechnology Manufacturing Uses shall include a plan for Innovation Space meeting the requirements below. Innovation Space within the District must occupy GFA equal to, or in excess of, ten percent (10%) of the Infill GFA used for Office and Biotechnology Manufacturing Uses. Existing GFA within the District may be converted to meet this requirement.*



# Zoning Leverage: Union Square

At least 5 percent of floor area in developments must meet requirements of “Arts & Creative Enterprise Use”:

## 9.2 USE DEFINITIONS & STANDARDS

### 1. General

- a. This section provides definitions for use categories and individual uses and identifies standards applicable to either all uses within a category or specifically to an individual use.
- b. In some cases, a PRINCIPAL USE may include ANCILLARY activities that are subordinate, customary, and incidental to the day-to-day operations of the PRINCIPAL USE. Such ANCILLARY activities do not require separate approval, but must comply with any standards applicable to the PRINCIPAL USE.

### 2. Arts & Creative Enterprise Use Categories

#### a. ARTISANAL PRODUCTION

The on-site production of hand-fabricated or hand-manufactured parts and custom or craft CONSUMER GOODS based on the skill and knowledge of the artisan and the use of hand tools or small-scale, light mechanical equipment. The ARTISANAL PRODUCTION category includes apparel MANUFACTURING, breweries, cabinetry, chocolatiers, confectionery, furniture making, glass working, jewelry making, metal working, pottery, sculpture, wood working, and their substantial equivalents. Showrooms and the ANCILLARY sales of goods produced on-site are permitted. The following standards apply:

- i. The production of offensive noise, vibration, smoke, dust or other PARTICULATE matter, heat, humidity, glare, or other objectionable effect is prohibited, except in the Fabrication and Commercial Industry districts.
- ii. In addition to the review criteria for all Special Permits specified in §15.2.1.e. Review Criteria, the review board shall make findings considering the following in its discretion to approve or deny a special permit authorizing an ARTISANAL PRODUCTION PRINCIPAL USE:
  - a. Appreciable methods to mitigate noise for ABUTTING residential properties.
  - b. Location of loading, trash and recycling storage, and the procedure for drop-off and pickup.
  - c. The limitation of visitors and ANCILLARY retail sales to between the hours of 7:00am to 9:00pm.
- b. ARTS EXHIBITION  
The production, rehearsal, or live performance of cultural entertainment or artistic expression such as singing, dancing, comedy, literary readings, performance art, musical theater, live plays, and concerts. The ARTS EXHIBITION category includes venues such as assembly halls, auditoriums, cinemas, concert

halls, dinner theaters, gallery space, performance halls, rehearsal & preproduction studios, live theaters, and their substantial equivalents along with the administrative offices, booking agencies, and ticket sales of performing arts organizations.

#### c. ARTS SALES OR SERVICES

The display and retail sale, lease, or rental of finished artwork, art supplies, musical instruments, multi-media, or publications and activities that provide various arts related services to individuals, groups, or businesses including galleries, supply stores, printing shops, set design studios, and their substantial equivalents. The following standards apply:

- i. OUTDOOR DISPLAY of products and merchandise is permitted according to the following:
  - a. OUTDOOR DISPLAY is permitted in any storefront frontage or on a public sidewalk subject to all City Ordinances as an ANCILLARY activity.
  - b. OUTDOOR DISPLAY must be removed and placed inside a fully-enclosed BUILDING at the end of each business day.
  - c. Display areas extending more than eight feet from the FACADE are prohibited.
  - d. A minimum four (4) foot wide clear path of ACCESS must be maintained to the PRINCIPAL ENTRANCE.
  - e. Display areas are permitted to occupy up to thirty percent (30%) of the FRONTAGE AREA.
  - f. Display areas must comply with the sidewalk standards of Article 8: PUBLIC REALM.
- ii. In addition to the review criteria for all Special Permits specified in §15.2.1.e. Review Criteria, the review board shall make findings considering the following in its discretion to approve or deny a special permit authorizing an arts sales & service PRINCIPAL USE:
  - a. Appreciable methods to mitigate noise for ABUTTING residential properties.
  - b. Location of loading, trash and recycling storage, and the procedure for drop-off and pickup.
  - c. The limitation of visitors and ANCILLARY retail sales to between the hours of 7:00am to 9:00pm.
- d. Co-WORKING  
A commercial or non-profit organization providing multiple individuals and small firms ACCESS to workplace facilities, including but not limited to, artist studios, office suites, for-rent 'hot-desks', dedicated workstations, conference rooms, meeting rooms, event space, resource libraries, and business or administrative support services.
- e. Design SERVICES

Individuals and firms that provide design SERVICES to individuals, groups, or businesses including architectural design, fashion design, graphic design, interior design, industrial design, landscape architecture, product DEVELOPMENT, software DEVELOPMENT, urban design, and their substantial equivalents:

- i. In addition to the review criteria for all Special Permits specified in §15.2.1.e. Review Criteria, the review board shall make findings considering the following in its discretion to approve or deny a special permit authorizing a design SERVICES PRINCIPAL USE:
  - a. Appreciable methods to mitigate noise for ABUTTING residential properties.
  - b. Location of loading, trash and recycling storage, and the procedure for drop-off and pickup.
  - c. The limitation of visitors to between the hours of 7:00am to 9:00pm.
- f. Shared Workspaces or Arts Education  
The transfer of knowledge or skills related to the creative enterprises through teaching, training, or research; organizations providing collaborative workplace facilities and business planning, finance, mentoring, and other business or administrative support services to creative enterprises; and multi-purpose facilities dedicated to providing space for multiple creative enterprises. The shared workspace & arts education category includes arts centers, CREATIVE INCUBATORS, CULINARY INCUBATORS, design & FABRICATION CENTERS, FABRICATION LABORATORIES, and their substantial equivalents:
  - i. In addition to the review criteria for all Special Permits specified in §15.2.1.e. Review Criteria, the review board shall make findings considering the following in its discretion to approve or deny a special permit authorizing a shared workspace & arts education PRINCIPAL USE:
    - a. Appreciable methods to mitigate noise for ABUTTING residential properties.
    - b. Location of loading, trash and recycling storage, and the procedure for drop-off and pickup.
    - c. The limitation of visitors to between the hours of 7:00am to 9:00pm.
- g. Work/Live CREATIVE STUDIO  
CREATIVE STUDIO space consisting of up to one (1) room, including an area for ACCESSORY living, where the work needs of creative industry activities within the same BUILDING take precedence over any "quiet expectations" of the residents and neighbors residing in work/live CREATIVE STUDIOS within the same BUILDING. The following standards apply:

- i. Kitchen, dining, and bathroom facilities, excluding work sinks, must be shared between the tenants of each floor.
- ii. Floor area for ACCESSORY living space is limited to 200 sq. ft. or 30% of the total floor space of a Work/Live Studio, whichever is less.
- iii. The occupant(s) of the Work/Live CREATIVE STUDIO must be a certified Artist with the Somerville Arts Council.
- iv. In addition to the review criteria for all Special Permits specified in §15.2.1.e. Review Criteria, the review board shall make findings considering the following in its discretion to approve or deny a special permit authorizing a work/live CREATIVE STUDIO PRINCIPAL USE:
  - a. Width of doorways and hallways to accommodate the moving of large objects.
  - b. Weight capacity of elevators to accommodate heavy equipment.
  - c. Access to natural light within each studio with a preference towards northern exposure.
  - d. Sound transmission co-efficients to prevent the transmission of sounds from equipment or repetitive tasks.
  - e. Ventilation and air handling techniques to ensure the safety and health of residents, visitors, and neighbors.
  - f. Ceiling heights that allow for the creation of large works and equipment, including machinery and lighting.
  - g. Weight-bearing capacity of the floor.
  - h. Ability to install flooring for specific users such as dancers or performers.

### 3. Auto-Oriented Use Categories

- a. Commercial Vehicle Repair or Maintenance  
Repair, installation, or maintenance of the mechanical components or the bodies of large trucks, mass transit vehicles, large construction equipment, or commercial boats.
  - i. In addition to the review criteria for all Special Permits specified in §15.2.1.e. Review Criteria, the review board shall make findings considering the following in its discretion to approve or deny a special permit authorizing a Vehicle Repair or Maintenance PRINCIPAL USE:
    - a. Location of driveways entrances and ACCESS points in relation to the safety of pedestrians, bicyclists, and motor vehicles.
    - b. Visual impact and quality of screening of vehicles.
- b. DISPATCH SERVICE  
The storage and dispatch of ambulances, taxis, limousines, armored cars, tow trucks, buses, and



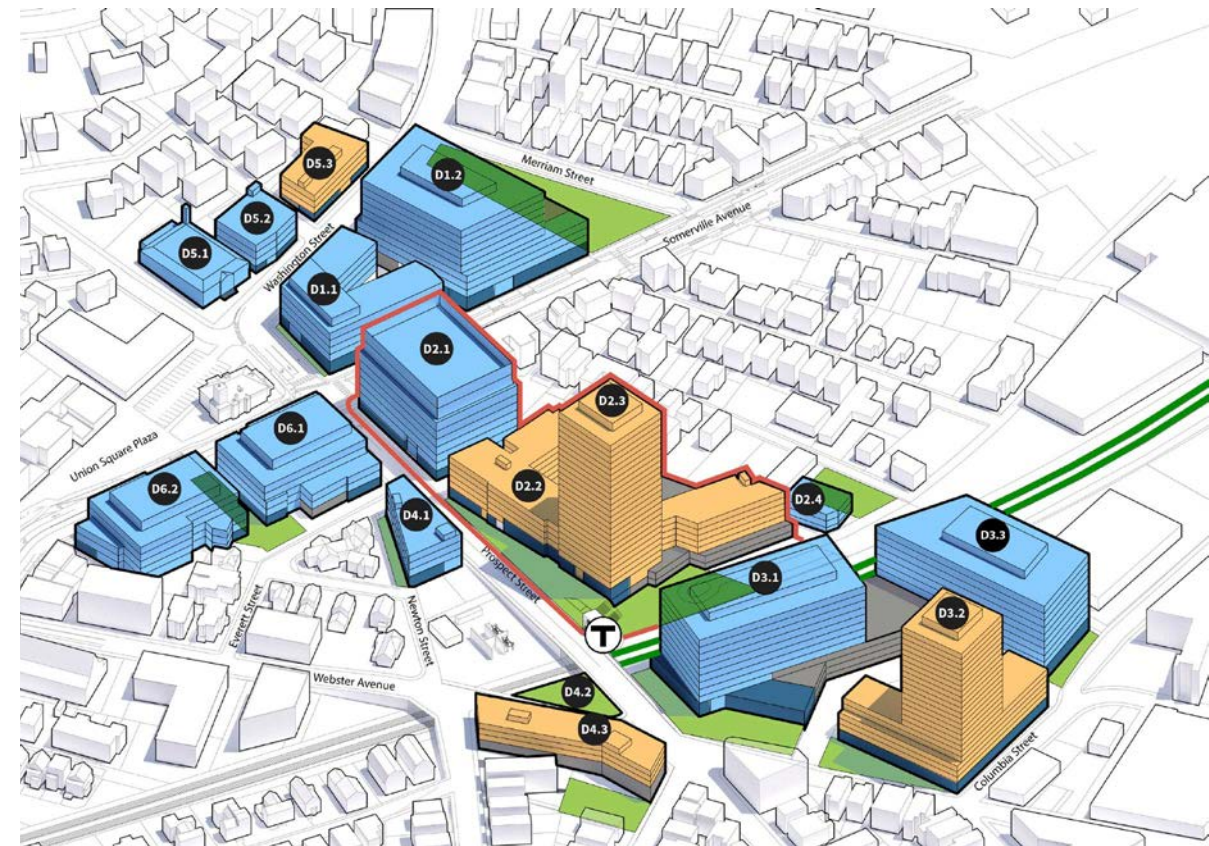
# Community Benefits Agreement: US2 Union Square

## Arts & Creative Economy:

US2 shares USNC's commitment to fostering the arts and creative economy in Union Square. The US2 Project will add more than 70,000 square feet of arts and creative enterprise space to the neighborhood that will serve a variety of users.

- 1) US2 will include public arts framework infrastructure within four (4) USQ civic space locations to be selected in cooperation with USNC and the Somerville Arts Council.
- 2) For 10 years, US2 will commit to funding \$25,000 per year to underwrite public art installation and performances within the Union Square neighborhood, of which 70% shall be in the form of grants directly to Somerville artists, awarded through a process determined by the Somerville Arts Council. The balance may be allocated to the Somerville Arts Council to support events and festivals occurring within the bounds of Union Square.
- 3) US2 will provide 10% of project-wide inclusionary affordable housing units as artist and creative live-work units that will be restricted to artists certified in accordance with the Somerville Arts Council standard. These units will have appropriate ventilation (but shall not include ventilation hoods, kilns or other specialty equipment), electricity, and water and shall be located in clusters of 4 or more units.
- 4) In the D2 residential development, US2 will designate a prominent indoor common space as a rotating gallery wall for the purpose of displaying the art of Somerville artists.

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# Funding: HyArts District

- Hyannis, MA downtown art district
- Artists “shanty” program: Seven artist shanties were constructed in 2005 on the harbor front. These shanties offer local artists an affordable location to create and sell their work in a beautiful and highly visible location.
- HyArts campus of buildings: Two homes were purchased in 2007 on Pearl Street, adjacent to Main Street, and renovated by the Town into artist live/work and shared studio/gallery space.



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# What if you Succeed? Housing

## Plan ahead for success

- Require a variety of housing types and an inclusionary development policy
- Finance acquisition of units for rental or sale below market
- Think carefully before designating units for “artists”
- Utilize Tax Increment Financing to capture revenue from new units and invest in housing diversity

# What if you Succeed? Diversity and Equity

Enormously challenging issue

- TIF agreements can include job training and local hiring preferences
- Balance desire to attract “creatives” with retaining existing employment opportunities through zoning and other policies
- “Creative” does not have an income or racial test, revisit what you think of when you think of “creative” (surviving racism and poverty inherently involves creativity)

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