

Anatomy of a Deal

Why Did General Electric Move from Connecticut to Massachusetts?

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States often attempt to entice large firms to relocate by offering generous incentive packages, sometimes called “megadeals.” States see these packages as a way to promote economic development, and they may contain investments in business, workers, and community in addition to nongovernmental conditions that make such a move attractive. In 2016, General Electric (GE) decided to move its headquarters from Fairfield, Connecticut, to Boston, Massachusetts. Several government agencies in Massachusetts collaborated to offer GE millions of dollars in incentives to move, including special access to Logan International Airport and dedicated assistance for workers changing residences.¹

Three Types of Economic Development Investment

In addition to the normal suite of goods and services that a state government provides to all major companies in its jurisdiction, three distinct types of assistance are offered as economic development incentives. Massachusetts offered all three to GE:

1. Investments in the marketplace

Boston gave GE \$25 million in property

tax incentives, but the investment didn't stop there. The city and state also provided “concierge” services to help GE move its headquarters and people. This included promises of attention from key staff in the governor's and mayor's offices, identification of temporary office space, and establishment of a mobile office for resources for GE employees relocating to Massachusetts.



“When we heard they were looking for, possibly relocating their headquarters, I think, we simply felt that with the ecosystem we had here—and with the colleges and universities we had here—it would be a mistake for us not to at least give it a try and see what happened.”²

**—MASSACHUSETTS GOVERNOR
CHARLIE BAKER**

These business investments have no particular dollar value, but they are of economic value to relocating firms. Few other businesses in Massachusetts get preferences such as access to the airport and parking for aircraft, which were offered to GE.

2. Investments in the workforce

Part of the package included relocation assistance for GE employees as well as \$1 million for customized training. Massachusetts already offers workforce programs GE can avail itself of, and part of the offered concierge services included identifying appropriate programs. For example, GE began posting jobs on Massachusetts JobQuest, an online job board hosted by the state's

Executive Office of Labor and Workforce Development.

3. Investments in the community

Infrastructure investments, accounting for \$250 million, were the bulk of the incentive package and included improvement projects at the selected building site as well as \$125 million to renovate a bridge and upgrade transit options that will benefit the entire community. A new \$5 million Innovation Center is intended to be more of a public resource that GE manages, and it is an investment in the type of cross pollination between GE and nearby research institutions that encourages entrepreneurship and advanced industry clustering.

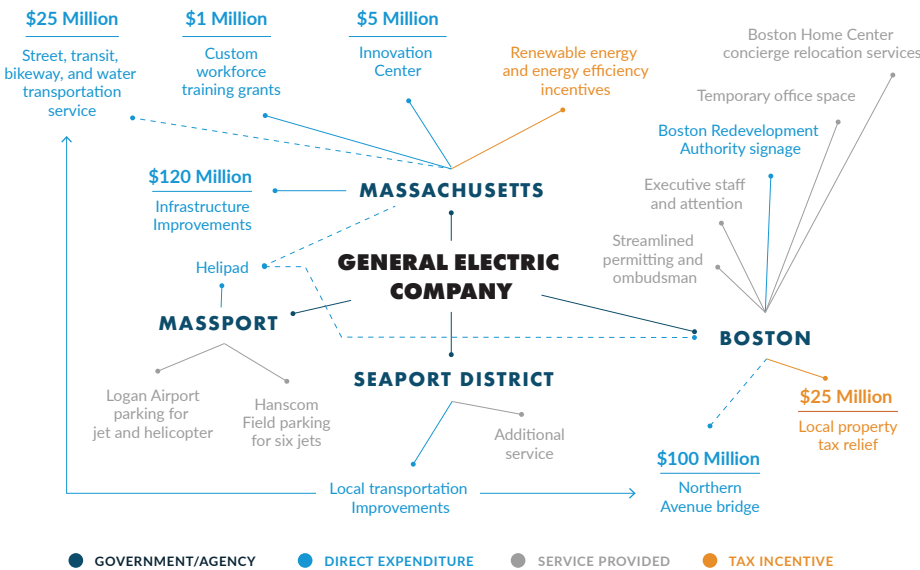
Evaluating a Deal

As with many megadeals that states offer firms, it is difficult to tell how much of the incentive was an extra reward for GE (that is, it was planning on moving anyway) and how much was necessary for it to relocate. Whether GE needed a publicly financed incentive to move to a high-technology and highly educated hub such as Boston is debatable.

To encourage accountability, the state should consider the following:

- **Evaluating which provisions influenced the location decision.** If the provisions smoothing out regulations, permitting, and employee relocation were most important, the state and city should revisit the service administration and assess how to improve the process for other businesses and new residents.
- **Identifying the incentives that benefit the broader community as well as GE.** Infrastructure and community investments can benefit the public and the firm.
- **Encouraging continued transparency.** The transparency of the agreement is commendable and may set the bar for other companies that want special airport access and specific improvements to public space.

DIAGRAM OF GENERAL ELECTRIC INCENTIVES



> This diagram shows the incentives included in the GE package, the level of government that will administer them, and, in some cases, the shared funding streams.

Source: Governor Charles Baker and Mayor Martin J. Walsh, "Summary of Incentives: General Electric Company Headquarters Relocation to the City of Boston, Massachusetts," January 13, 2016, accessed April 25, 2017. <https://assets.documentcloud.org/documents/2793595/FOIA-GE-Project-Plum-00703-pdf.pdf>

Note: Dashed lines indicates financing/coordinating agency; solid lines indicates administrative agency. The helipad promised by the city and state proved controversial, and GE has indicated it is not necessary.

²GE, "Other Corporations Shop for Best Relocation Deals," PBS NewsHour, February 11, 2017. <http://www.pbs.org/newshour/bb/ge-corporations-shop-best-relocation-deals/>

¹ For more information, see Norton Francis and Megan Randall, *State Economic Development Strategies: A Discussion Framework* (Washington, DC: Urban Institute, 2017). <http://www.urban.org/StateStrategies>.