



Mass Benchmarks

A JOURNAL OF THE MASSACHUSETTS ECONOMY

**Economic Currents:
Whither the Recovery?
Massachusetts at the
Economic Crossroads**

**City of Possibilities:
Lawrence on the Merrimack**

**Civic Infrastructure in the
Gateway Cities**

**Endnotes: Taking Stock
of the Gateway Cities —
Economic Conditions and
Opportunities**



MassBenchmarks

2013 | volume 15 issue 1

MassBenchmarks, published by the University of Massachusetts in cooperation with the Federal Reserve Bank of Boston, provides timely information about the Massachusetts economy, including reports, commentary, and key data about the state's regions and industry sectors that comprise them.

The editors invite queries and articles on current topics involving the Massachusetts economy, regional economic development, and key growth industries from researchers, academic or professional economists, and others. A topical outline and brief biography of the author should be sent to info@donahue.umassp.edu.

A complete list of past issues, latest news, updates, and additional research on the Massachusetts economy can be found at www.massbenchmarks.org.



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FROM THE PRESIDENT



This issue of *MassBenchmarks* explores a number of issues facing the Commonwealth of Massachusetts and its Gateway Cities, urban areas that were once founts of economic opportunity and that now face significant social and economic challenges. As always, *MassBenchmarks* focuses our attention on both current economic conditions in the Bay State and public policy issues that require closer attention from our state and regional leaders.

According to UMass Dartmouth Professor Michael Goodman and UMass Amherst Professor Robert Nakosteen, the state economy is slowing and is feeling the impact of counterproductive federal budget policies and the economic weakness that continues to plague our most important trading partners in Europe and Asia. While the state's housing market is finally beginning to show real signs of life, Professors Goodman and Nakosteen rightly warn us that the sustainability of our recovery may be stymied by archaic state land-use policies which make it difficult to develop new housing and to create much-needed construction jobs that typically accompany housing recoveries.

This issue's two feature articles highlight important regional conditions and focus our attention on the important role that civic institutions and leaders play in our urban communities. Both UMass Lowell Professor Robert Forrant and UMass Dartmouth's Colleen Dawicki, each in their own unique way, remind us that at the end of the day it is people and institutions that are the drivers of prosperity. Policymakers and local officials should take heed of their analyses and refocus their efforts on assisting our challenged urban communities in developing both the economic and civic capacity that will be needed if they are to once again become centers of economic opportunity and prosperity.

Finally, in this issue's Endnotes, the UMass Donahue Institute's Daniel Hodge reviews economic conditions in our Gateway Cities and identifies lessons that can be learned from some successful projects in Springfield and Holyoke. As he points out, "the missing ingredient thus far, in places like Springfield, Holyoke and other gateway cities is substantial private investment."

This issue of *MassBenchmarks* reminds us of the important role that public leadership plays in our everyday lives and the real impact it has on economic conditions and community prosperity. The choices our leaders make have real consequences. Whether it is our Congress shortsightedly choosing to cut investments in science and community development, or our Governor and Legislature wisely choosing to invest in public higher education, the impact of these decisions on our state's working families, businesses, and communities is profound.

Armed with the evidence in this issue of *MassBenchmarks*, one hopes that our leaders are now better positioned to make more informed choices about how best to promote the prosperity of our Commonwealth and to assist our local communities in meeting the serious challenges they will face in the months and years to come.

A handwritten signature in black ink, reading "Robert L. Caret". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert L. Caret, President

EXCERPTS FROM THE BOARD

Even as the Massachusetts economy shows some genuine signs of strength, contractionary federal government fiscal policy is manifestly slowing economic growth in Massachusetts. In the coming months, assuming these policies stay in place, a further retarding of economic growth can be expected. At the same time, the state's labor market continues to be under considerable stress and faces profound challenges that are not fully reflected in the state's headline unemployment rate.

The strengthening of the state housing market is the most prominent sign of strength in the state economy. Residential house prices, sales, and building permits are all on the rise. As a result, employment in the construction sector is increasing but it remains well below its pre-recession levels. The unemployment rate, despite a recent uptick, remains one percentage point below the national level. Strong state sales tax collections reflect the willingness of households to spend, especially for new automobiles.

But these signs of life are being undermined by federal tax and budget policies that have been implemented since the first of the year. Income tax rates were increased for upper income households on January 1st. In addition, the temporary payroll tax cut, which had been implemented during the recession, was not extended. This has a more widespread impact, with a disproportionate burden on low-income households. Had these tax increases been offset by increased federal investment, their impact would have been modest, but instead the federal government elected to adopt significant spending cuts.

Federal budget sequestration, implemented in March, has an obvious impact on the state's research-intensive enterprises and government contractors. But its impact also extends to Head Start and other educational programs, career centers and job training services, and Community Development Block Grant funds, all of which have experienced significant cuts in recent months.

The impact of these federal policies can be seen in the state's recent economic performance. According to the *MassBenchmarks* Current Economic Index, growth in state gross domestic product slowed to a one percent annualized rate of growth in April and May. Employment growth in the state has virtually stalled, and state withholding tax growth reflects this. And growing international competition and the economic challenges facing the state's major trading partners, including Canada, the European Union, and Asia, appear to be taking their toll on the Commonwealth's export activity, which declined by 11.1 percent between April 2012 and April 2013.

While labor conditions in Massachusetts appear to be better than those nationally, there are signs of considerable stress in the state labor market. Underemployment (those working part-time but wanting full-time work) has risen during the first five months of the year, and hidden unemployment (those who are out of work, have not looked for a job in the last four weeks, and would take a job if offered) is also on the rise. The plight of younger and less skilled workers is of particular concern as the extent of their disconnection from the labor market is troublingly high and the longer it lasts the more difficult it will be to remedy. For these workers, the improvement in headline unemployment is of little consolation, as their prospects for employment are being limited by a recovery that is being undermined by counter-productive federal policy choices.

Prepared by Executive Editor Robert Nakosteen, June 21, 2013.

THE STATE OF THE STATE ECONOMY

ECONOMIC CURRENTS



Whither the Recovery? Massachusetts at the Economic Crossroads

THE MASSACHUSETTS ECONOMY APPEARS TO BE SLOWING EVEN AS IT CONTINUES TO FACE CONSIDERABLE HEADWINDS, INCLUDING FEDERAL FISCAL POLICIES AND INTERNATIONAL ECONOMIC CONDITIONS, AND THE SUSTAINABILITY OF THE RECOVERY IN RESIDENTIAL REAL ESTATE MARKETS.

MICHAEL GOODMAN & ROBERT NAKOSTEEN

Introduction

As the second quarter of 2013 comes to a close, the Massachusetts economy finds itself at a turning point of sorts. On one hand, the state economy has consistently outperformed the nation for several years now even as it appears that the Bay State’s growth may track the nation’s for the balance of the year. The state economy continues to recover, but recent employment reports and other data suggest a regional economy that is experiencing steady but modest growth. There are, however, several significant challenges and opportunities confronting the state economy, each of which could have a significant influence on its future.

While the nation avoided falling off the fiscal cliff at the beginning of the year, there was no avoiding the across-the-board budget cuts that went into effect with the implementation of the federal budget sequester in March, which is expected, at a minimum, to further slow the pace of economic activity in the Bay State. At long last it appears that the Bay State’s housing market has definitively begun its recovery, though questions remain about its sustainability. Furthermore, troubling declines in state export activity remind us of how reliant we are on global economic conditions.

Once again, Massachusetts finds itself at the mercy of federal policy decisions and international economic conditions, not the most reassuring position given the recent track record of our national and international political institutions. But before we turn our attention to an exploration of some of these threats to the economic outlook, some self-inflicted, we will first review the Commonwealth’s recent economic history.

Current Conditions:
The State of the State Economy

As measured by the *MassBenchmarks* Current Economic Index, after initially bouncing back strongly from the Great Recession the state has experienced a significant

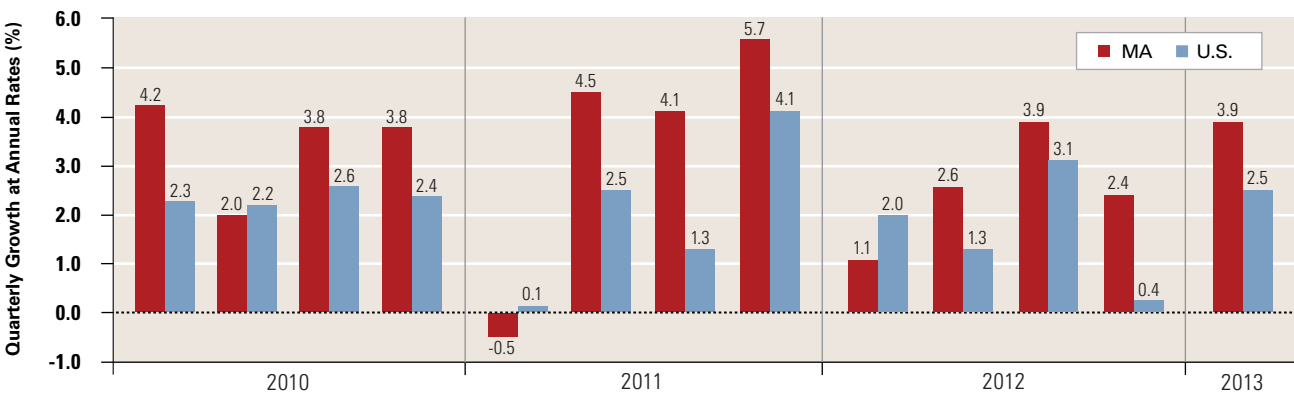
While the nation avoided falling off the fiscal cliff at the beginning of the year, there was no avoiding the across-the-board budget cuts that went into effect with the implementation of the federal budget sequester in March, which is expected, at a minimum, to further slow the pace of economic activity in the Bay State.

slowdown in economic activity. To a certain extent it was inevitable that the state economy would eventually succumb to national economic dynamics; the nation itself continues to perform well below its economic potential. The U.S. economy is still struggling to emerge fully from the Great Recession, precipitated by the bursting of a national housing bubble and exacerbated by the worst financial crisis since the Great Depression.

But midway through 2013, it appears that many of these drags on the national economy are abating. Housing markets are heating up, household balance sheet levels are shaping up, and the national labor market continues to improve, albeit far too slowly to be of much consolation to the millions of workers who remain unemployed or underemployed.

In recent months the state economy has reached a major milestone, the full recovery of pre-Great Recession

Figure 1. Growth in Real Product, Massachusetts vs. U.S.



Source: U.S. Bureau of Economic Analysis Real GDP (U.S.); *MassBenchmarks* Index (MA)

employment levels (see Figure 2). While the number of payroll jobs remains over 65,000 below their previous peak in 2001, and tens of thousands of Massachusetts workers remain unemployed, it is clear that the Massachusetts growth premium of recent years has paid off for workers with the skills and experience required by the Commonwealth’s expanding employers.

However, in recent months, employment growth and the decline in the state’s unemployment rate appear to have stalled. This is not surprising given the slowing pace of state and national growth. Despite improvement, major labor market challenges persist and continue to reflect what we have previously described as a “divergence of destinies” in Massachusetts industries, occupations, and regions.¹

As Sum and Khatiawada have pointed out,² the underutilization of labor as a result of underemployment, the growing duration of periods of unemployment for many classes of worker, and the large reserve pool of workers who wish to work but are no longer active in the labor force remain profound problems for both the Commonwealth and the nation.

The different economic experiences of the state’s regions continue to reflect a very geographically imbalanced state economic recovery. While as noted above, the state has recovered its pre-Great Recession employment level, this development may come as a surprise to some communities outside of Greater Boston, which continue to experience double-digit unemployment rates.

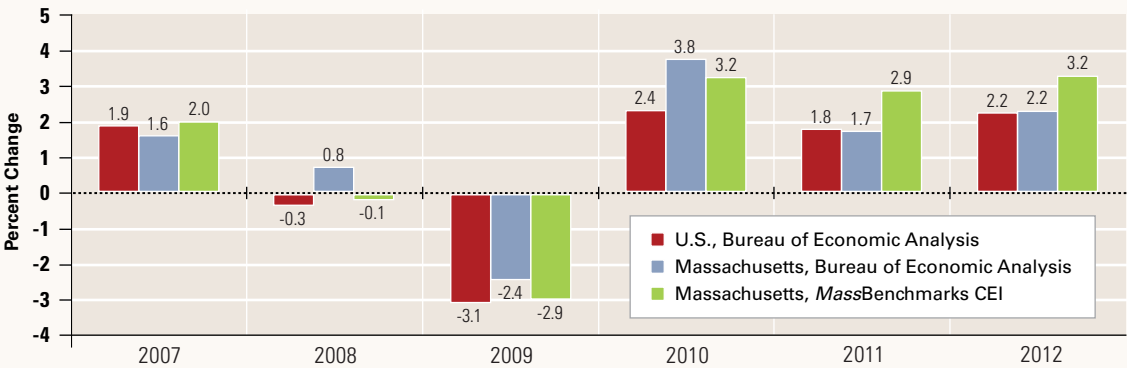
Accounting for Growth in State Output since the Great Recession

The recent release of state-level estimates of gross domestic product (GDP) by the Bureau of Economic Analysis (BEA) begs the question of how the official gross state product numbers for Massachusetts compare with those estimated by the *MassBenchmarks* Current Economic Index (CEI). The *MassBenchmarks* CEI is calibrated to track state GDP in real time. Within a multiple regression framework, the *MassBenchmarks* CEI utilizes statistical relationships between various economic indicators, informed by historical BEA estimates of Massachusetts GDP, to estimate the rate of change in state GDP. While the BEA’s GDP estimates appear with considerable lag, the *MassBenchmarks* CEI represents a real-time

estimate of state economic performance. Figure A presents a comparison of the BEA estimates for Massachusetts with those generated by the CEI. Both estimates are expressed as annual percentage change. For comparison, the annual rate of change in the U.S. GDP is also included.

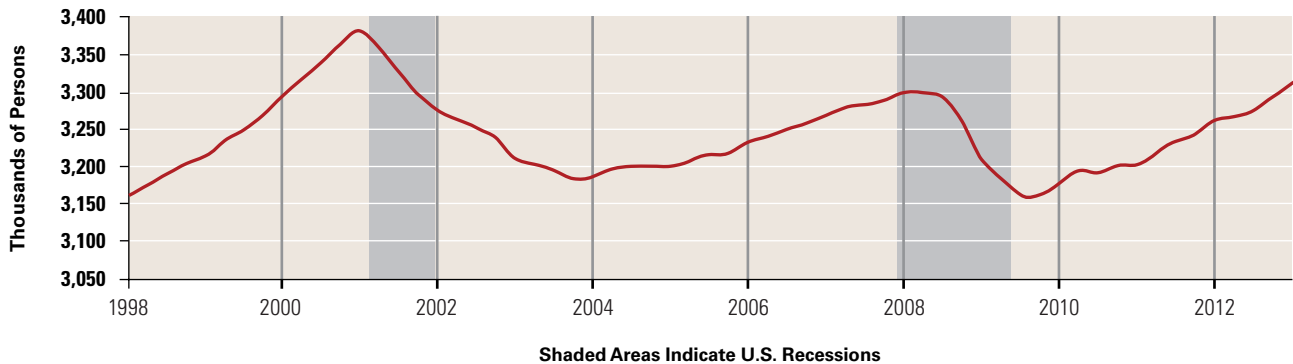
A number of patterns stand out from Figure A. In one respect, the story of how the Great Recession affected Massachusetts, as told within the pages of *MassBenchmarks* and in various releases by the journal, is reinforced by the BEA data. That is, the state experienced a milder drop in economic activity than did the nation and recovered more quickly. In fact, the

Figure A. Gross Domestic Product Annual Rates of Change, U.S., Massachusetts BEA, *MassBenchmarks* Index



Source: Bureau of Economic Analysis; Bureau of Economic Analysis Real GDP by State; *MassBenchmarks* Index

Figure 2. Employees on Nonfarm Payrolls in Massachusetts
(Seasonally adjusted)



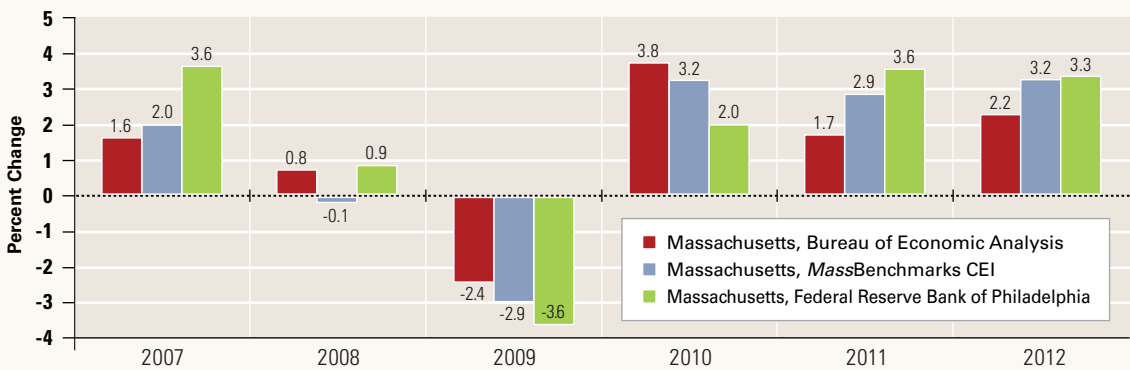
Source: Federal Reserve Bank of St. Louis; Bureau of Labor Statistics

BEA data suggest a more emphatic version of this story, portraying modest growth during 2008, a shallower decline than the nation in 2009, and faster-than-national growth in 2010. For the years 2011 and 2012, the BEA numbers describe the state as closely tracking the national pattern of GDP growth, a somewhat different pattern than that described by the *MassBenchmarks* CEI.

While the reasons for these differences are not entirely clear at this point and warrant further investigation, the devil is almost certainly in the methodological details. Figure B compares the *MassBenchmarks* CEI to both the BEA state estimates, and

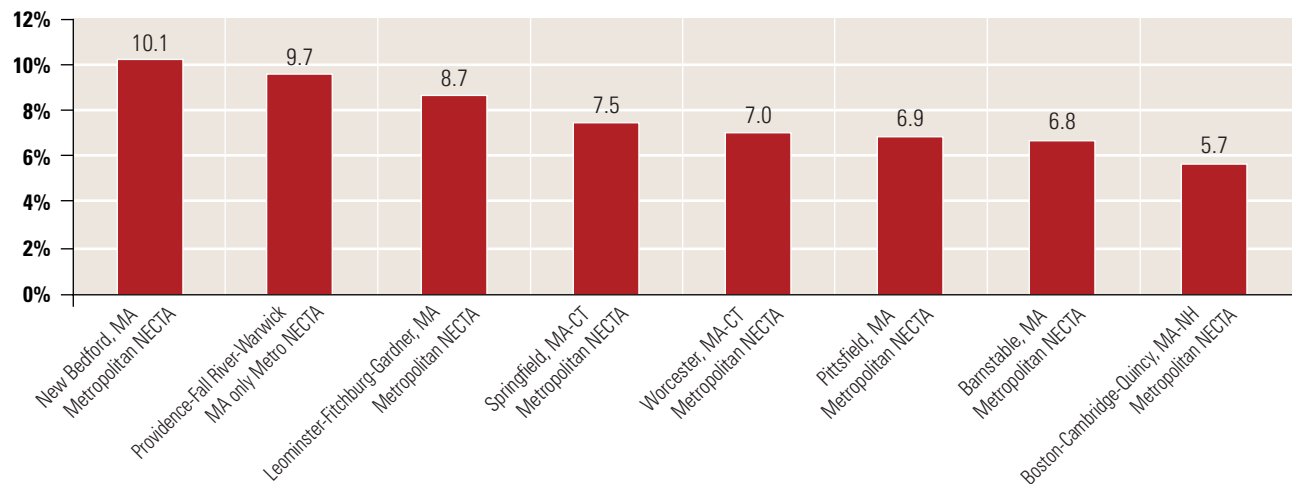
the Philadelphia Federal Reserve Bank’s coincident index for Massachusetts. The Federal Reserve Bank of Philadelphia produces current economic indexes for all 50 states using a method similar to that used by *MassBenchmarks* Senior Contributing Editor Professor Alan Clayton-Matthews when preparing the *MassBenchmarks* CEI. Significantly, each of the estimates of state GDP depicts the same general pattern. Note that in every year except 2008 the *MassBenchmarks* CEI estimates more closely track the BEA data than the Philly Fed’s index.

Figure B. Gross Domestic Product Annual Rates of Change for Massachusetts;
BEA, *MassBenchmarks* Index and Federal Reserve Bank of Philadelphia



Source: Bureau of Economic Analysis Real GDP by State; *MassBenchmarks* Index; Federal Reserve Bank of Philadelphia

Figure 3. Unemployment Rate by NECTA, April 2013
(Not seasonally adjusted)



Source: Massachusetts Labor and Workforce Development, Local Area Unemployment Statistics

As can be seen in Figure 3, economic conditions on the SouthCoast, in North-Central Massachusetts, and in the Pioneer Valley remain difficult, in part due to the relative lack of the innovation industries that have been driving state growth and a heavy reliance on state and federal spending. The relatively low regional unemployment rates in Berkshire County and on Cape Cod belie continued economic challenges in these regions and remind us that there are two ways to lower one's unemployment rate, lagging labor force growth being one of them.

Whither Fiscal Drag?

On March 1, 2001, across-the-board budget cuts of federal government expenditures were implemented under the budget sequester enacted in the Budget Control Act of 2011. Absent congressional action, over the next ten years the sequester will reduce federal expenditures by \$995 billion with associated reductions in interest payments of \$228 billion for over \$1.2 trillion in federal debt reduction. Additionally, tax rates for upper-income-bracket households increased as the year began, and at the same time the temporary two-percentage-point reduction in the FICA, or payroll tax enacted to stimulate the economy in 2009, expired.

This reduced level of national spending has imposed a serious fiscal drag on the national economy with significant implications for Massachusetts. Taken together, these changes in federal tax and budget policy are expected to reduce growth of the national economy during 2013 by 1.5 percent.³ As a relatively high income state, the increased income tax rate for upper income households will affect a larger portion of Bay State workers — about

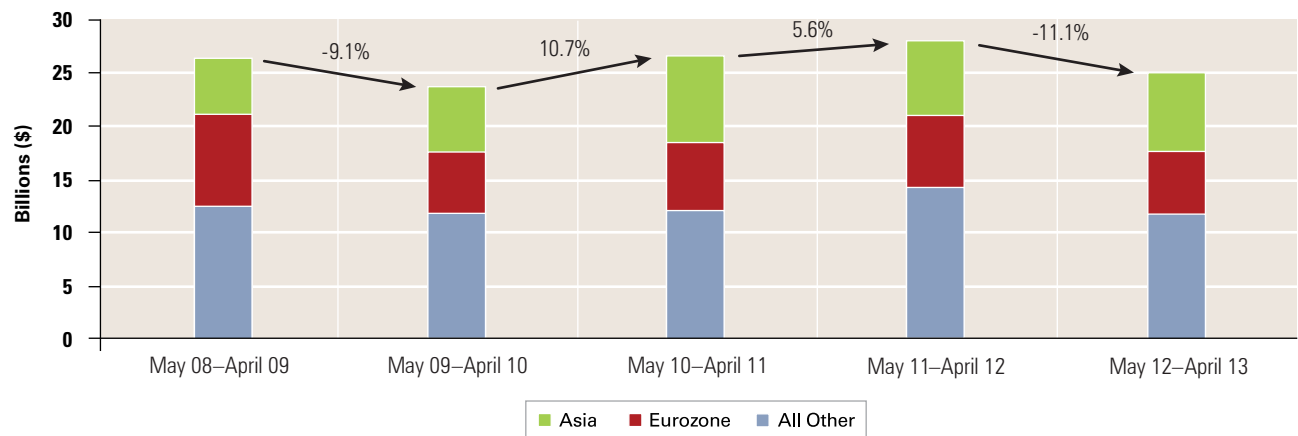
five percent of households earn over \$200,000 per year compared with three percent nationally.

The state economy includes many sectors heavily dependent on federal government spending, including defense, university research, and health-care. While the economic impact of these cuts on Massachusetts remains to be seen, there is reason to believe it will be substantial. As Nakosteen and Romitti⁴ noted last year:

The Massachusetts economy benefits greatly from the infusion of billions of dollars in direct federal government spending, nearly \$84 billion in the most recently reported Fiscal Year 2010. A large portion of these funds go directly to Massachusetts residents in the form of payments like Social Security. Other federal funds are given to the state and local governments to support different programs and efforts. The salaries for federal workers here top \$4.5 billion. Massachusetts is also the fifth highest recipient of Department of Defense expenditures, at over \$14.5 billion, and much of the state's prowess for education and innovation leadership is underwritten by an estimated \$7.7 billion in federal funding for research and development activities.

Our analysis of job losses resulting from the currently mandated federal budget cuts reaches better than 52,000 over the ten years beginning in 2013. While these job losses pale next to the state's total employment of nearly three and one-half million, they cut at the heart of the innovation economy of the state. (Nakosteen and Romitti, 2012)

Figure 4. Annual Exports Year-over-Year, Massachusetts
April 2009–April 2013



Source: WISERTrade; Calculations by authors

Whither the Global Economy?

A key issue weighing on the state economic outlook is the condition of the global economy. As noted above, the state’s ability to consistently outperform the national economy during this recovery period is largely due to the health and vitality of Massachusetts’ innovation economy. Representing a diverse array of sectors that span information technology, life sciences, advanced manufacturing, and professional and business services, the innovative firms that have been driving our growth of late have done so by exporting their products and services to other parts of the globe.

These powerful export sectors, and by extension the Massachusetts economy, are consequently highly dependent on the international economy. While they have continued to drive our growth in recent quarters despite widespread economic challenges in Europe and Asia, there is good reason to believe that ongoing difficulties in these key export markets may finally be taking their toll on the Bay State’s innovation economy.

The most recent economic forecast for Europe prepared by the Organization for Economic Cooperation and Development (OECD) indicates that the European recession can be expected to continue for at least the balance of 2013 with continued high unemployment expected through 2014. Exports to the Eurozone — a key market for Massachusetts — fell 6.1 percent between April 2011 and April 2012, and an additional 1.2 percent by April 2013. Overall state exports have declined by 11.1 percent on a year-over-year basis (see Figure 4).

Of course, Europe is also a key export market for our Asian trading partners, an important reminder of the

interconnectedness of the global economy and the continuing threat to the state, national, and international outlook presented by continuing difficulties in the Eurozone and beyond.

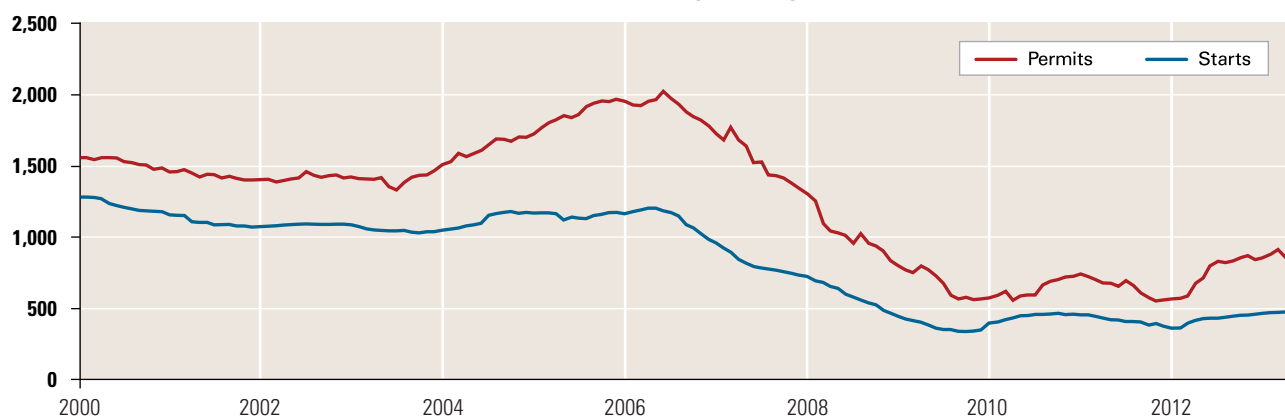
State exports to Asia, which grew by 25.1 percent between April 2010 and April 2011 have declined by 4.5 percent in the past year (between April 2012 and April 2013). While export data do not fully capture what is likely the very substantial international business activity of the Commonwealth’s numerous law practices, business consultancies, and engineering and design firms, the sustained decline in export activity is troubling, suggesting that economic conditions in key markets are having a demonstrable impact on economic activity in Massachusetts.

Whither the Housing Market?

After over seven long years of downturn, there is now every indication that residential real estate markets in Massachusetts have finally turned the corner and have begun to recover after one of the longest periods of decline since the 1930s. In recent quarters sales have increased, prices are rising in the Greater Boston area, and there are preliminary signs that the state’s long-distressed construction sector may be beginning to benefit from renewed demand for new housing construction.

The latest New England Economic Partnership (NEEP) forecast for Massachusetts strongly suggests that the recovery is strong enough to boost construction activity and employment. NEEP is predicting a return to pre-recession levels of housing permits by the end 2014 and growth in construction jobs, which declined 22 percent in Massachusetts during the recession. NEEP expects con-

**Figure 5. Privately Owned Housing Permits and Starts, Massachusetts
12-Month Moving Average**



Source: Federal Reserve Bank of St. Louis; U.S. Census Bureau Calculations by authors

struction employment growth at an average annual rate of 4.6 percent over the next five years, well in excess of the expected average annual growth in total employment of 1.5 percent during the same period. NEEP is also predicting that the state will regain its pre-recession housing price levels by the end of 2017. Considering that the downturn began in late 2005, that implies a 12-year cycle, the longest since the Great Depression.⁵

While the signs of life in the Massachusetts housing market are unequivocally good news for households that have experienced declines in their home equity and by extension their household wealth, the question of whether it will be sufficient to lift the construction sector out of the doldrums is critical, weighing on the state's economic outlook. It remains unclear whether this housing recovery is both sustainable and of sufficient strength to spark the creation of a virtuous circle of rising prices and new construction fueled by renewed demand for residential housing.

The Commonwealth's legacy zoning and land-use policies have historically made it very difficult for developers to respond nimbly to market demand for new housing units. These policies have also stymied the state's efforts to produce a sufficient supply of residential housing,⁶ to maintain an affordable price environment, and to sustain its construction and building trades. As a result, the state's construction sector is much more reliant on commercial, medical, and university building projects than its counterparts in other regions of the country. Unfortunately, much of the construction in these sectors is supported, either directly or indirectly, by federal spending.

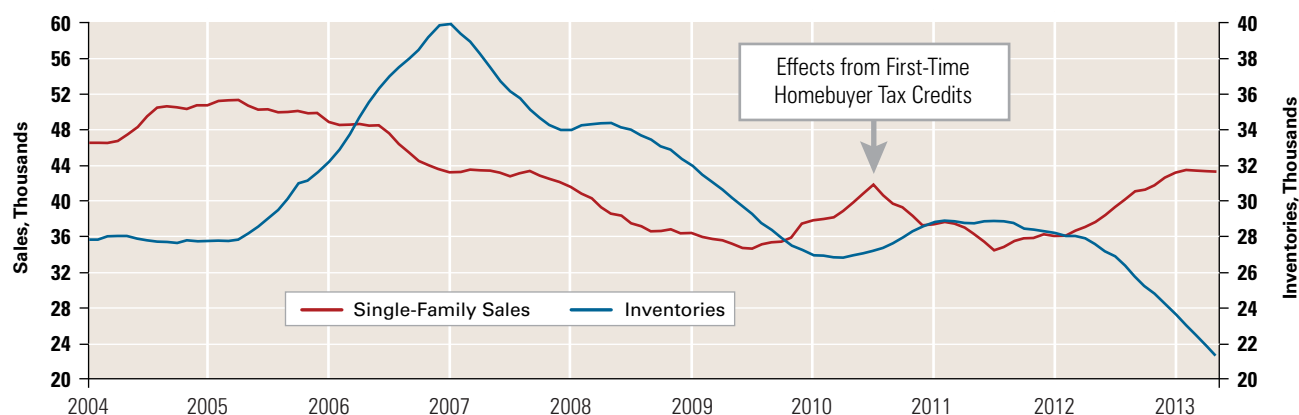
While it is clear that the housing recovery has resulted in some renewed permitting activity from very low levels (Figure 5) outside of large multi-family condominium developments currently underway in the immediate Boston area, it is not yet evident where the new units that will be required to support the expected growth of the

construction sector will be located and developed. While housing starts, which reflect the breaking of ground on new developments, appear to have bottomed, recent data suggest that a very slow recovery in construction activity is underway, at least to date.

Even if the substantial pent up demand for residential housing is not met by new construction, there is reason to believe that potential sellers of existing housing units appear to be waiting for prices to rise a bit further before placing their homes on the market (Figure 6). Thus far during the housing recovery, inventories have remained relatively low, resulting in anecdotal reports of multiple offers on existing properties in hot local markets, particularly in Eastern Massachusetts. Fueled in part by low mortgage interest rates and improving consumer finances and confidence, this renewed demand for housing has thus far helped to put some upward pressure on housing prices. Still, clear evidence of a sustainable market response remains elusive.⁷

While prices, interest rates, and indicators of housing demand suggest the makings of a robust housing recovery in Massachusetts, our optimism remains cautious in light of the regulatory restrictions and other factors that may moderate the pace and impact of this recovery of near-term economic activity in Massachusetts. That said, our public- and private-sector leaders can help to improve the chances that the Commonwealth can fully benefit from the long-awaited return of strong economic fundamentals in the housing market. To this end, they can revisit some of the state's archaic zoning laws and regulations and work to encourage the development of housing where it is needed in response to market demand.


That would help boost the state's long-suffering building trades and blue-collar sectors. It would also help improve the economic and labor-market outcomes for workers and regions that have yet to experience many

Figure 6. 12-Month Cumulative Sales and Average Inventories, Massachusetts

Source: Fred Breimyer, FDIC; Massachusetts Association of Realtors

of the benefits of the state's economic recovery. And it would help increase the chances that the improvements in housing affordability that have been a silver lining of sorts during the long housing downturn can be preserved as prices rise. This will help ensure that the rising tide does not recreate the affordability problems that were endemic during the upside of what has been a long and painful housing cycle.

Concluding Thoughts

At the midpoint of 2013, the Massachusetts economy once again finds itself at a crossroads, with its fate in the hands of national political institutions on both sides of the Atlantic and subject to the whims of the global economy. While there is cause for some optimism, in light of the continued headwinds facing the international, national, and regional economies exacerbated by shortsighted fiscal policies, our optimism remains cautious. There is good reason to believe that the Massachusetts economy may be at a turning point and remains well positioned to ride out whatever comes next. But it remains unclear whether this crossroads will be the last during this long recovery from the Great Recession. 

Endnotes

- 1.) Goodman and Nakosteen (2011). *Diverging Destinies: The Commonwealth's Relatively Robust but Imbalanced Economic Recovery*, *MassBenchmarks*, Volume 13, issue 2. pp. 8-9.
- 2.) Sum and Khataiwada (2012). *Going Beyond the Unemployment Statistics: The Case for Multiple Measures of Labor Utilization*, *MassBenchmarks*, Volume 14, issue 2.
- 3.) Congressional Budget Office, <http://www.cbo.gov/publication/43961>, February 2013.
- 4.) Nakosteen and Romitti (2012). An Era of Economic Recovery amid High Risk, *MassBenchmarks*, Volume 14, issue 1.
- 5.) According to NEEP, the housing downturn of the late 1980s, during which prices declined between 1988 and 1993, lasted 9 years. The cycle during the Great Depression lasted 20 years.
- 6.) Glaeser et al. (2006). *Regulation and the Rise of Housing Prices in Greater Boston*. Accessed at http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-programs/centers/rappaport/policybriefs/brief_housingregs.pdf, June 1, 2013.
- 7.) Special thanks to *MassBenchmarks* Editorial Board member (and FDIC economist) Frederick Breimyer for his insightful feedback and willingness to share the data that he tracks on the Massachusetts housing market.

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ROBERT NAKOSTEEN is a professor of Economics at the Isenberg School of Management at UMass Amherst and Executive Editor of this journal.



Ceremony celebrates spiffed-up Den Rock Park

BY YVONNE BROWN

Staff Writer

LAWRENCE — When Michael J. Sullivan and others cut a red ribbon in a ceremony recently, celebrating improvements at the park, Sullivan was one of the young men who showed up as a member of the Green Team at Grandview Lawrence.

Sullivan, 18, and others cut a red ribbon in a ceremony recently, celebrating improvements at the park. Sullivan was one of the young men who showed up as a member of the Green Team at Grandview Lawrence. Sullivan, 18, and others cut a red ribbon in a ceremony recently, celebrating improvements at the park. Sullivan was one of the young men who showed up as a member of the Green Team at Grandview Lawrence.

ABOUT DEN ROCK PARK

The park is a 10-acre wooded grove with walking trails, a picnic area, and a playground. It was first bought in 1917 for a cemetery and was designated as a city park in 1936. The park is owned by Lawrence, North Andover and the Merrimack Valley Waterfront Council.

When the park was first bought in 1917 for a cemetery and was designated as a city park in 1936. The park is owned by Lawrence, North Andover and the Merrimack Valley Waterfront Council. When the park was first bought in 1917 for a cemetery and was designated as a city park in 1936. The park is owned by Lawrence, North Andover and the Merrimack Valley Waterfront Council.



Children of the Lawrence Conservation Commission, Lawrence Mayor Michael J. Sullivan and his daughter, are ready to cut the ribbon during the Den Rock Park Trail Improvements ceremony on one of the young people who helped clean up the park this summer as part of the Green Team.



City of Possibilities: Lawrence on the Merrimack

ROBERT FORRANT

A CASE FOR THE ECONOMIC RECOVERY OF LAWRENCE NOTES ITS GROWING INVESTMENT IN HEALTHCARE AND SOCIAL SERVICES, MANUFACTURING, EDUCATION, AND CIVIC INFRASTRUCTURE. THE CITY'S HISTORY LENDS ITSELF TO A NARRATIVE OF URBAN VIBRANCY AND GROWTH, WITH RECENT SUBSTANTIAL PUBLIC AND PRIVATE SECTOR DEVELOPMENT INITIATIVES.

Introduction

In February 2012, *Boston Magazine* published “Lawrence, MA: City of the Damned.”¹ It touched off discussions and protests across Lawrence for its narrow and mean-spirited focus on a bad news story arc, the kind that predominates when most outside observers write about the city of 76,000, located 25 miles north of Boston on the Merrimack River. Easily accessible by Interstates 495 and 93 and commuter rail to Boston’s North Station, Lawrence has a history that lends itself to a narrative of a vibrant and growing city, one with recent public and private sector social and economic development initiatives reaching into the hundreds of millions of dollars.

Early History

During the 1830s, Daniel Saunders, called the *Founder of Lawrence*, purchased strips of land on either side of the Merrimack River to gain control of waterpower rights. In 1843 he and others formed the Merrimack Water Power Association and accelerated land purchases along the Merrimack, including 7 1/2 square miles from Methuen and Andover, which would eventually become the city of Lawrence. Boston-based investors, the so-called Boston Associates, had already developed nearby Lowell as one of the nation’s first planned industrial cities. They sought to rep-

licate their success twenty miles downriver in Lawrence at the confluence of the Merrimack, Shawsheen, and Spicket rivers. Securing ample capital, in March of 1845, the Essex Company was chartered to build a dam and canals on the Merrimack River to provide waterpower for textile mills. The Great Stone Dam created the foundation for the city’s growth and from it two canals were constructed to the north and south of the Merrimack to carry water to the mills. The nearly mile-long North Canal provided greater space for manufacturers to position their mills parallel to the river. Historian Orra Stone said this about the city: “The influx of Boston capital created a mill city almost overnight and for nearly a mile on both banks of the stately Merrimack there tower the red brick walls of manufacturing establishment.”²

Lawrence eventually became powerful and highly profitable, graced by blocks of residential neighborhoods, vast expanses of industrial space, long commercial boulevards, and a meticulously planned park. Roadways out of the neighborhoods led workers over North Canal bridges and into the mills. Fewer than 40 years after the Essex Company’s incorporation, 338,100 spindles, 9,057 looms, and 10,200 employees wove two million yards of worsted wool a week. The Lawrence Machine Shop constructed most of the machinery used in the mills and for a

time also built railroad locomotives. In addition, “The city manufactures a wider variety of paper-making machinery than any other one center; a larger total volume than any other city in the United States.”³

In 1900, Lawrence produced nearly 25 percent of all the woolen cloth in the United States. The Pacific Mills had mechanical equipment capable of producing 800 miles of finished textile fabrics every working day of the year. Sixty-five percent of manufacturing output, 67 percent of all the capital invested in the city, and 52 percent of the city’s wages came from the woolen mills. After 75 years, the city led the world in the production of worsted wool cloth. In 1910, the Pacific Mills generated \$10 million in sales. Adjusted for inflation, and as a measure of 2010 purchasing power, this translates into \$237 million in sales. The phrase, “We Weave the World’s Worsteds,” was a source of pride for city residents.

Journalist Mary Heaton Vorse, in the city in 1912 to cover the Bread and Roses Strike, said this about the mills: “The mills are Lawrence; you cannot escape them; the smoke of them fills the sky. The great mills of Lawrence make the Lawrence skyline; they dominate and dwarf the churches. From Union Street to Broadway along the canal the mills stretch, a solid wall of brick and wide-paned glass, imposing by their vastness and almost beautiful, as is everything that without pretense is adapted absolutely to its own end.”⁴

A Bad Turn

By the 1940s the city suffered as its woolen mills grappled with the rise of synthetic fiber and the steady migration of work—by 1950 some 20,000 jobs were gone. The city’s population dropped from a peak of nearly 100,000 at the end of the First World War to about 63,000 in 1980 (see Figure 1). However, since then there has been a steady population increase fueled by the growth of the city’s Latino population, primarily from the Dominican Republic and Puerto Rico (see Figure 2). Lawrence is now one of the youngest communities in the state.

When work disappeared, some twelve million square feet of massive red brick mill buildings remained, providing numerous challenges to a community struggling to create new jobs and provide economic opportunity for thousands of newcomers, just as the city had done in the late 19th and early 20th centuries. According to Kate O’Brien and Heather McMann, the city’s poorest neighborhoods confronted a host of environmental justice issues including “vacant, contaminated, underutilized, derelict, and illegally dumped-upon land...”⁵ Adding to the problems associated with several hundred vacant and underutilized lots, according to Lawrence Community Works’ Jess Andors, the city wrestled with many foreclosed or abandoned buildings.⁶

Today

Lawrence was and is a city of immigrants. Three years after incorporation, the city’s population was 8,358. It more than doubled by 1860, with 42 percent of its residents foreign born, mostly the result of Irish immigration. In 1880 some 39,000 people lived in the growing city. Irish, Scots, and French Canadians accounted for 77 percent of the city’s foreign-born population. Reflecting the growth of woolen mills and numerous supporting industries and commercial establishments, the population approached 45,000 in 1890; 45 percent of its residents were foreign born, attracted by the possibilities of finding a mill job. In 1910, 85,892 people lived in Lawrence; 48 percent were foreign born. By the middle of the twentieth century, families from Puerto Rico and the Dominican Republic started arriving in the city just as those once easy-to-find mill jobs were heading south and overseas.

Today, the nearly 75 percent Latino city grapples with 15 percent unemployment and the lowest median household income in Massachusetts. That figure was \$31,631 in 2010, compared with Holyoke, \$31,948, Springfield, \$34,628, and Chelsea, \$40,487. But just as early twentieth century newcomers formed a variety of community organizations and churches and lived in vibrant neighborhoods, today’s newcomers have impressively regenerated the city’s economy and social fabric.

Referring to the Bread and Roses Strike of 1912, which was led largely by immigrant workers, *Rumbo* reporter Melvyn Colon noted that one hundred years later the city is still a gateway for immigrants and migrants. “The struggle is no longer to wrest from the mill owners’ concessions on hours, pay and an end to discrimination against foreign born workers. Ironically, the goal is to return the underutilized mills to productive use so that they contribute to the economic vitality of the city. The struggle for Bread and Roses is not waged by unions but by community activists, many of them women, who are organizing community members to press for affordable housing, jobs and improvements to open spaces and waterways that will raise the quality of life of Lawrence residents.”⁷

The North Canal, dug in the 1840s to help power the city’s mills, today offers an important green pick-me-up for a city intent on reclaiming its built environment. According to the Urban Land Institute, “Although in various states of disrepair, it maintains a real, if dilapidated beauty and serves as a reminder of the City’s storied past. The City and State have invested significant resources to improve the infrastructure that provides access across the canal. A significant cluster of established organizations, leased up buildings, and successful projects continues to take shape east of Union Street, maintaining the promise that a mix of people — workers and residents — will spend

Figure 1. Lawrence and Massachusetts Population, 1850–2010

Year	Lawrence	Percent Change	Massachusetts	Percent Change
1850	8,282		994,514	
1860	17,639	113%	1,231,066	24%
1870	28,921	64%	1,457,351	18%
1880	39,151	35%	1,783,085	22%
1890	44,654	14%	2,238,947	26%
1900	62,559	40%	2,805,346	25%
1910	85,892	37%	3,366,416	20%
1920	94,270	10%	3,852,356	14%
1930	85,068	-10%	4,249,614	10%
1940	84,323	-1%	4,316,721	2%
1950	80,536	-4%	4,690,514	9%
1960	70,933	-12%	5,148,578	10%
1970	66,915	-6%	5,689,170	10%
1980	63,175*	-6%	5,737,037	1%
1990	70,207	11%	6,016,425	5%
2000	72,062	3%	6,349,119	6%
2010	76,377	6%	6,547,629	3%

Source: U.S. Census Bureau
* Parts of North Andover town were annexed and detached by the city of Lawrence.

large portions of their days in the vicinity of the Canal and could see it as an amenity.”⁸

Private Investment and Employment Growth

The industry mix in Lawrence differs starkly from that of the state in ways that are both a legacy of its past and an indicator of its present. The largest sector in the city, as measured by employment, is Health and Social Assistance, comprising nearly 30% of all the city’s jobs (see Figure 3). In a city characterized by high unemployment and poverty, this sector supplies obvious demand. The second

largest sector, Manufacturing, reflects Lawrence’s history as one of the earliest centers of textile production. One marker of the impact of the recession is the decline since 2005 of Professional and Technical Services employment. This bellwether sector for high technology and higher-paying jobs declined by 16.1% from 2005 to 2011, resulting in 2.1% of all jobs in the City compared to 8.2% statewide. And the small size of the Information as well as the Finance and Insurance sectors provides further commentary on the dramatic differences between Lawrence and the state as a whole.

Lawrence’s 2011 and 2012 *Economic Development Reports* highlight several private sector initiatives. These include: JSB Muffin Town’s opening of a \$12 million bakery; continued investment by Lupoli Companies, including a new \$65

million mill renovation project; and New Balance’s outlet store, sneaker manufacturing plant, and Sports Research Lab in a renovated Lawrence mill building. The Lab’s 3,000 square foot facility includes state-of-the-art biomechanics equipment, office space, and a 120-foot running track. New Balance maintains a research relationship with the University of Massachusetts Amherst Department of Kinesiology.⁹

WinnDevelopment purchased two properties on the 29-acre site of the Malden Mills complex last year for \$3.15 million. Winn turned Malden Mills’ burned-

Figure 2. Lawrence and Massachusetts Nativity, Citizenship and Place of Birth, 2007–2011

	Lawrence		Massachusetts	
	Estimate	Percent of Total	Estimate	Percent of Total
Total:	75,761	100.0%	6,512,227	100.0%
Native:	48,381	63.9%	5,554,813	85.3%
Born in Massachusetts	32,159	42.4%	4,105,546	63.0%
Born in other state in the U.S.	7,413	9.8%	1,289,804	19.8%
Born in U.S. Territories or Abroad:	8,809	11.6%	159,463	2.4%
Puerto Rico	7,860	10.4%	106,074	1.6%
U.S. Island Areas	50	0.1%	1,706	0.0%
Born Abroad of American parent(s)	899	1.2%	51,683	0.8%
Foreign born:*	27,380	36.1%	957,414	14.7%
Dominican Republic	19,826	26.2%	64,850	1.0%
Guatemala	1,775	2.3%	25,896	0.4%
Cambodia	704	0.9%	15,612	0.2%
Naturalized U.S. citizen	11,871	15.7%	470,913	7.2%
Not a U.S. citizen	15,509	20.5%	486,501	7.5%

Source: U.S. Census Bureau, American Community Survey 5-Year Estimate, 2007–2011
* Top three foreign-born nationalities for Lawrence
Data are based on a sample and have some associated error.

out buildings, vacant for ten years, into loft-style, low- and moderate-income apartments. The \$30 million Loft Five50 project was funded with a mix of public and private dollars, including \$9.7 million of state and federal historic tax credits and \$4.8 million of state and federal low-income housing tax credits. The rest came from private financing and equity investments.

For Lawrence Curtis, president of WinnDevelopment, “It is almost sport to criticize Gateway Cities, but the highway access and existing historic buildings, coupled with welcoming city administrations, makes these attractive places to work for a developer.” Loft Five50 took a decade of planning. “All cities want to snap their fingers and see vacant mills rehabilitated,” he said. “But Lawrence recognizes that cities do not develop overnight.” The company has an agreement to buy two more buildings at a cost of about \$1 million where another 55 units could be built.¹⁰

Gary Sidell of Bell Tower Management LLC has been in Lawrence since the early 1990s, first running an apparel firm with his dad and, since 2001, in real estate. According to Sidell, close to 1,850,000 square feet of mill space have been brought back into use for nearly 400 dwelling units, artist and film maker working spaces, classrooms and offices for Cambridge College, offices for social service agencies, and light manufacturing. One large building his firm handles has seventy-five organizations and companies in it and has been over 90 percent occupied since 2007. Additionally, an 80,000 square foot space envisioned as a

medical building is rapidly filling up with doctors’ offices, a large pharmacy, and an oncology laboratory.

Along with private sector investment, there are notable positives in the labor market. Lawrence’s average annual employment fell 7.2 percent in 2002, made a slow recovery between 2003 and 2008, fell in 2008 and 2009, but recovered in 2010 with 5.2 percent growth. There’s been modest growth since. Over the same period, Holyoke, Springfield, Lowell, and New Bedford haven’t matched Lawrence’s average annual employment growth. Average annual percentage growth in employment in Lawrence has exceeded the state’s average since 2008. Even as Lawrence shows signs of economic recovery, its unemployment rate has consistently exceeded the state’s. During 2012, Lawrence experienced a rate over 14%, while the state rate was less than 7%.

Business establishments in the city totaled 1,184 in 2001 and climbed to nearly 2000 at the start of 2013. Total compensation paid out in 2001 was \$794 million. In 2010 this figure reached nearly \$1.1 billion, including outlays in the fast-growing Health Care and Social Assistance category, which accounted for 5,215 jobs in 2001 and nearly 7,000 by the start of 2013.

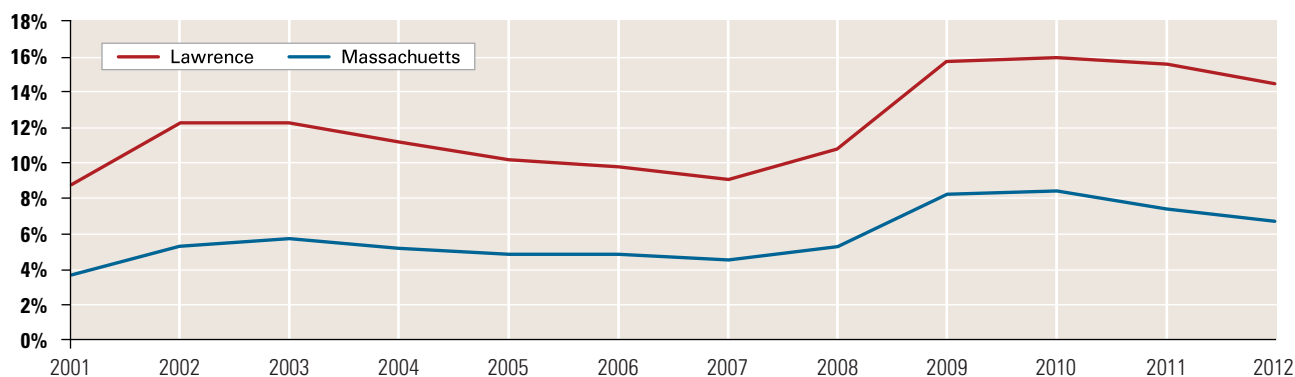
Northern Essex Community College’s Urban Commitment

Some 1,200 new jobs in what can be described as nascent business clusters in food preparation, medicine, and geriatric care were created in the last five years. Adding to the

Figure 3. Lawrence and Massachusetts Employment by Industry, 2005–2011

Industry	Percent Change, 2005–2011 Lawrence	Share of 2011 Employment Lawrence	Share of 2011 Employment Massachusetts
Health Care and Social Assistance	27.7%	29.7%	16.7%
Manufacturing	-3.4%	20.1%	8.0%
Administrative and Waste Services	43.3%	10.9%	5.1%
Other Services, Excluding Public Admin	57.2%	8.0%	4.3%
Retail Trade	-5.2%	6.6%	10.8%
Public Administration	3.7%	6.2%	4.2%
Accommodation and Food Services	23.9%	4.2%	8.3%
Wholesale Trade	-22.3%	2.9%	3.9%
Construction	-4.5%	2.6%	3.8%
Transportation and Warehousing	5.5%	2.3%	3.0%
Professional and Technical Services	-16.1%	2.1%	8.2%
Information	-4.5%	1.4%	2.8%
Finance and Insurance	11.8%	1.2%	5.3%
Real Estate and Rental and Leasing	2.3%	1.0%	1.3%
Management of Companies and Enterprises	-4.9%	0.9%	1.8%
Arts, Entertainment, and Recreation	-57.1%	0.1%	1.7%
Educational Services	n/a	0.0%	10.2%
Utilities	n/a	0.0%	0.4%
Agriculture, Forestry, Fishing & Hunting	n/a	0.0%	0.2%
Total	12.7%	100.0%	100.0%

Source: MA Labor and Workforce Development, Labor Market Information, ES-202
* Mining sector (zero percent share in Lawrence and Massachusetts) was excluded from this table.

Figure 4. Lawrence & Massachusetts Unemployment Rates, 2001–2012

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS)

growth, Northern Essex Community College has begun construction in downtown Lawrence to expand its Criminal Justice, Ophthalmic Assistant, and Medical Laboratory Technology programs.

The Registry of Deeds Building in Lawrence — owned by the Northern Essex Community College Foundation — was recently demolished, making room for green space connecting two of the college’s downtown Lawrence buildings. The site provides a vital connection between the college’s Dr. Ibrahim El Hefni Allied Health & Technology Center on Common Street — scheduled to open in the fall of 2013 — and the Louise Haffner Education Center on Amesbury Street. When the redeveloped site is completed, said Lane Glenn, president of Northern Essex, and the Allied Health & Technology Center opens, “we will be closer to accomplishing the college’s goal of a complete urban campus in downtown Lawrence. This will be a great advantage for the city, providing additional educational opportunities for local residents and a larger pool of workers for area employers.”¹¹ When President Glenn was asked about the *Boston Magazine* article, he replied: “It’s not that the article wasn’t true; they are also only part of the story. Lawrence is not a City of the Damned, and clearly it is not a Garden of Eden. It is a community of people with challenges and with tremendous strengths.”¹²

Land Use, Community, and Cultural Initiatives

Considering all that is taking place across Lawrence, it is difficult to state that any single aspect of development is more critical than any other. The private and public sector efforts discussed here are reinforcing; their momentum points to sustainable positive change.

Groundwork Lawrence and the Spicket River Greenway

A string of parks, some on reclaimed brownfields, is reconnecting Lawrence’s poorest neighborhoods to its riverfront. Through Groundwork Lawrence’s (GWL) environ-

mental and open space improvements, healthy food access programs, youth education, employment initiatives, community programming and events, GWL creates the building blocks of a healthy community and empowers Lawrence residents to improve their quality of life. Today, the city’s burgeoning green movement includes public gardens, greenways and parks, and solar panels on historic mill building roofs.

For years the Spicket River, which runs through the city’s poorest neighborhoods, suffered from neglect and dumping and was bordered by vacant lots and brownfield sites. In 2000, Lawrence CommunityWorks and Groundwork Lawrence launched a neighborhood planning process that became the Reviviendo Gateway Initiative. With help from neighborhood residents, a former industrial laundry site was converted into a riverfront park. Next, Groundwork Lawrence, along with residents and the city, developed a vision for a greenway across the city of parks and trees along the river, linked by recreational trails. Funding from the state’s Urban Self-Help Fund helped bring about new parks along the Spicket, including a skate park that local youth helped create. A \$2.6 million Commonwealth Gateway City Parks grant made possible the final design and construction of the three-mile greenway. The multi-year effort involved a diverse group of stakeholders who championed reclamation of the river with direct action, including thousands of residents who have cleared over 115 tons of debris and tires from the river’s banks since 2002.¹³

Lawrence Community Works

Founded in the mid-1980s, Lawrence CommunityWorks (LCW) has a membership of thousands of Lawrence families and has generated over \$70 million in new neighborhood investment. Its real estate development mission is to “improve the physical condition of Lawrence neighborhoods by transforming derelict, contaminated or underutilized real property into the positive, valuable and beautiful

community assets called for by residents.” Over the past ten years hundreds of units of rental and home ownership housing, almost three acres of open space on over 30 vacant and abandoned properties, a new community center, three new playgrounds and a range of family asset building and youth development efforts have been completed.

LCW is nearly finished with the development of over 400,000 square feet of historic mill space called Union Crossing. The nearly \$70 million project includes family and workforce housing, a daycare facility, commercial office, retail, and community facilities, as well as new green space and public access to the Merrimack River. Union Crossing is a partnership between LCW — a non-profit Development Corporation — and two of Lawrence’s most successful commercial developers, the Yezpe brothers and the Sidell family. The project utilizes innovative green building techniques, asset-building strategies for residents, educational and entrepreneurship opportunities for local businesses, and creative partnerships. The commercial portion of the project will include business incubator space with a focus on clean technology, incentives for university partnerships, and a commitment to supporting local businesses.

LCW established creative programs to help newcomers to the city create small businesses and families figure out ways to save for their children’s college education. The new United Way Lawrence Financial Stability Center will adapt and develop the United Way model to the city’s pressing needs; LCW’s Lawrence Saves, a resident-driven awareness campaign to foster financial literacy, preceded it. The Center will cultivate partnerships across various community service organizations, financial and other institutions and leverage resources to create the greatest impact. And the recently launched Lawrence Financial Stability Center at 50 Island Street will likewise serve residents of Greater Lawrence.

United Way of Massachusetts Bay and Merrimack Valley

United Way has committed \$600,000 to Community-Works over the next three years to run the center. Officials anticipate that the center in its first year will bring assistance to more than 500 people. “We’ve done asset and financial education work for a long time, but we’ve only been able to help between 500 to 1,000 people,” observed Jessica Anders, Co-Executive Director of LCW. “This will help expand our services and help more families.”¹⁴

Lawrence’s Cultural Economy

Lawrence’s numerous arts and cultural organizations are important contributors in creating a sense of place and identity for residents and visitors. Organizations such as the Lawrence Heritage State Park, the Lawrence Public Library, the Lawrence History Center, and Essex Art

Center highlight the community’s strengths, vitality and unique history. Since the early 1990s, the Essex Art Center has occupied nearly 14,000 square feet of galleries and classrooms in the Mill District.


Throughout 2012, the Lawrence History Center, along with the Lawrence Heritage State Park, the Lawrence Public Library, and the University of Massachusetts Lowell led a citywide effort to commemorate the centennial anniversary of the Bread and Roses Strike of 1912. From January through September, the center hosted 71 meetings, school groups, and events (e.g., theatrical performances, a vintage fashion show and exhibit, and an academic symposium) in the exhibit space and engaged over 5,000 people from 28 states.

Everett Mills Real Estate owner Marianne Paley Nadel has since offered the 6th floor to the Lawrence History Center as permanent exhibit, educational, and event space for cultural opportunities to her tenants and the greater community. Capitalizing on local assets often strengthens economic outcomes. Local assets, in this case, are Paley Nadel’s historic mill building and the History Center’s ability to tell the story of the history and heritage of Lawrence and its people. Overall, arts and cultural activities help to improve the community’s competitive edge, attract visitors to the city and, in turn, stimulate the local economy when visitors attend events, dine, and shop at businesses. These opportunities strengthen the downtown core and help improve external perceptions of the city.

What Lies Ahead?

Remembering what workers sought during the 1912 mill strike is useful when considering where Lawrence stands a century later. What mattered then to the largely immigrant city was employment and opportunity. Lawrence’s built environment, its vast mill spaces and wool-producing technology, its rivers and canals offered hope. That combination, minus the old machinery, provides the possibility of moving ahead for today’s residents. Just as innovation and environment sparked one of the richest cities in the country, those very factors, marshaled by a growing number of public and private sector partners, are crafting a new kind of city on the Merrimack. As *Rumbo*’s Melvyn Colon summarized: “Smart growth is particularly important to the Latino community because it promotes the importance of creating employment opportunities that are accessible to community residents. For Latinos in Lawrence, the Bread issues are affordable housing and accessible jobs; two things that remain in critically short supply. The Roses are equally important to the Latino community as they are closely associated with the health, well-being and vitality of our community.”¹⁵

Indeed, the city’s future is closely tied to its housing market and the creation of well-paying jobs. The slow,

steady turnaround of the public education system is essential to attracting first-time home buyers and employers looking for the mill spaces. The example of New Balance is indicative here. And, started in early 2010 when a small group of college graduates returned to the area, members of The Greater Lawrence Young Professionals Network are investing their time and energy in their home town by mentoring school children, buying and fixing up houses and apartment blocks and starting new businesses. Considering what is occurring now in Lawrence, research by Yolanda Kodrzycki and Ana Muñoz into how distressed cities can begin to turn around is encouraging. They found “Having a strong civic infrastructure, leadership, and cross-sector collaboration” are important ingredients as former industrial cities remake themselves. Far from being the city of the damned, Lawrence is in fact a city of possibilities.¹⁶ 

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Civic Infrastructure in Gateway Cities

COLLEEN DAWICKI

A COMPARATIVE SURVEY OF 20 GATEWAY CITIES IN MASSACHUSETTS FOCUSES ON CIVIC INFRASTRUCTURE: THE PEOPLE, ORGANIZATIONS, MUNICIPALITIES, AND NETWORKS THAT PROMOTE THE HEALTHY FUNCTIONING AND MOBILIZATION OF THE COMMUNITY. CITIES THAT BUILD THEIR CIVIC INFRASTRUCTURES IMPROVE THEIR ABILITY TO IMPLEMENT INTERVENTIONS, SOLVE PROBLEMS, SET GOALS, AND ENHANCE THE HEALTH AND ECONOMIC OUTCOMES FOR THEIR RESIDENTS.

Over the past five years, the UMass Dartmouth Urban Initiative has worked with dozens of municipal, organizational, and resident partners in Fall River, New Bedford, and several other Gateway Cities on projects spanning the breadth of challenges that such cities face: unemployment, low educational attainment, underperforming schools, deteriorating housing, and sluggish economic development.

Since the state began formally recognizing Gateway Cities in 2008, we have seen an unprecedented number of interventions target these challenges head-on. But we have also seen that resources alone aren't the key to revitalization; instead, success is dependent upon the people, organizations, municipalities, and networks that promote the healthy functioning of the community and stand ready to mobilize in the face of crisis or opportunity. These elements — collectively defined as a city's civic infrastructure — are rarely accounted for; never mind the recipients of direct investments.¹

Yet, evidence suggests that the role of civic infrastructure is not to be overlooked: cities with robust, collaborative, multidisciplinary networks have shown stronger

economic resilience than their peers² and their residents enjoy better outcomes where employment, safety, and health are concerned. Furthermore, the trend toward outcome-driven social innovation financing indicates that the proposal-driven, "spray and pay" approach to community problem solving is becoming a thing of the past.

In order for Gateway Cities to compete for resources and effect change, it is essential that they strengthen and nurture their civic infrastructures. But first they must know where they stand. To help them do so, the Urban Initiative has attempted to quantify these cities' civic infrastructures using existing data on organizations, resources, and citizen engagement.³ In Fall River and New Bedford, we had the unique opportunity to validate and contextualize these data by surveying 800 residents on their perceptions of civic infrastructure.

Our findings suggest some clear leaders where quantifiable measures of civic infrastructure are concerned, and it probably won't come as a surprise to learn which cities outperform their peers. But as our survey findings highlight, the existence of something does not necessarily attest to its perceived efficacy. More research is needed to fully develop

the picture of civic infrastructure in Gateway Cities, which in turn can help these cities — as well as the State of Massachusetts — develop strategies for leveraging and mobilizing available resources and meeting those challenges.

CIVIC INFRASTRUCTURE ILLUSTRATED

One state investment offers a timely example of the role that civic infrastructure plays in determining the success of these cities. In May 2011, Governor Deval Patrick launched the Safe and Successful Youth Initiative with grants to eleven cities. Aimed at combating youth violence in high-risk communities, the program provides services and employment to young men identified as high impact, meaning they are likely to perpetrate or become victims of gun violence.

By the end of the program's first year, it was apparent that its impact would vary considerably across participating cities. In Worcester, the state's investment helped launch the Straight Up Café, a coffee shop run by the neighborhood's court-involved, high impact youth. The police sergeant coordinating the program emphasized the impact of strong community partnerships on the city's early success; for example, Polar Beverages supplies the drinks that Straight Up Café sells.⁴ In New Bedford, the story is much different. A lead article in the city paper depicted a program struggling with conflict among partners, limited capacity, and minimal impact on high impact youth.⁵ Instead of learning to run a small business, some New Bedford youth in this program performed maintenance at the city's jail.

Why the stark contrast? Funding can probably be ruled out: New Bedford received \$882,923, while Worcester, almost twice as large, got just \$710,065. Instead, the evidence suggests that the difference lies in the ability of each city to implement a complex, ambitious program whose success depends on trust, cooperation, and stakeholder investment — elements at the foundation of civic infrastructure. As the state continues to channel investments to Gateway Cities, it becomes increasingly apparent that a city's ability to achieve a true impact is just as important — if not more so — than the financial investment.

CIVIC INFRASTRUCTURE DEFINED

The Urban Initiative defines civic infrastructure as the network of organizations, resources, and engaged citizens who not only help a community function, but mobilize in times of crisis or opportunity. Civic infrastructure matters: communities with dense networks of institutions and organizations prove to be more resilient in times of crisis,⁶

and the economic opportunities that result from these networks translate to lower rates of violence and better health outcomes for their citizens.⁷

Post-Katrina New Orleans offers an example of what happens when civic infrastructure is weak. When rebuilding efforts began sputtering almost immediately, the Rockefeller Foundation cited a lack of coordination between organizations and agencies and limited citizen participation. (The foundation responded by targeting resources that enhanced community engagement and built relationships within and across sectors.)⁸

Building a strong civic infrastructure is critical for cities that seek systemic, sustainable change, but it is not an end in itself. The ultimate outcome should be true civic capacity: the ability of a community's decision makers and stakeholders — not just its civic infrastructure, but also its leaders — to influence policy and drive change.⁹

MEASURING CIVIC INFRASTRUCTURE

The Urban Initiative began its assessment of civic infrastructure by aggregating relevant data from sources including the U.S. Census, the Urban Institute's National Center for Charitable Statistics (NCCS), and municipalities' own websites and records.

To better understand the intangibles of civic infrastructure, we adapted a survey from the National Civic League's Civic Index, a tool for measuring civic infrastructure.¹⁰ This 19-question phone survey was administered to 400 residents each of Fall River and New Bedford in the fall of 2012. Findings across both cities are presented alongside secondary data to provide context for these measures and are organized into the following categories:

1) Organizational networks

NCCS data were used to measure the density and size of non-governmental organizations (based on revenue and/or assets per capita). These include nonprofits, foundations, and civic organizations, all of which represent mechanisms for mustering human capital and collaborating across sectors.¹¹ Survey findings illustrate the degree to which these entities are perceived to collaborate.

2) Resources

The ability to mobilize resources in crisis or opportunity is critical to the strength of a city's infrastructure. Fund generation is measured across nonprofits (grants awarded), foundations (grants made), and individuals (percentage of income contributed to charitable causes).

3) Community engagement

The indicators of voter participation and newspaper read-

ership reflect the ways that citizens deliberately engage in the democratic process by staying informed and exerting their influence. There are no data with which to gauge the inclusivity of community decision making; instead, survey responses inform our understanding of citizens’ perceptions about whether and how they are engaged.

LIMITATIONS

Grant awards sometimes reflect need more than an ability to mobilize resources. Foundation giving is measured by assuming that every dollar stays within the city. In some communities, uncharacteristically large entities may skew results. Nevertheless, not only are many of these indicators well-tested in other research; they also represent an asset-based approach that is too infrequently applied in analyses of Gateway Cities.

Case in point: Lawrence, last year dubbed “the most godforsaken place in Massachusetts,”¹² consistently grabs headlines for underperformance and charges of corruption among city officials. But though its challenges make for captivating news, its civic infrastructure paints a brighter picture. Lawrence ranks second in this selection of cities in the ability of its nonprofit community to mobilize resources, and evidence suggests this is due to efficacy just as much as need. Indeed, Lawrence Community Works is nationally acclaimed for its ability to engage residents, and a cross-sector collaboration secured an ultra-competitive Promise Neighborhoods grant of \$500,000 from the U.S. Department of Education in 2010.

As for limitations with our survey data, note that this was the first time that such questions had been asked of Fall River and New Bedford residents, so there is nothing against which to compare results. The Urban Initiative hopes to identify funding sources to support repeating this survey in the future and including residents of more Gateway Cities.

HOW DO MASSACHUSETTS’ GATEWAY CITIES COMPARE?

1) Organizational networks

a. Nonprofits

As municipal budgets and staff sizes continue to shrink, nonprofits are increasingly relied upon for delivering even the most essential services to cities and their residents. In addition, nonprofits in many Gateway Cities play an important role in resident engagement and empowerment. Lawrence Community Works, for example, plays

such a role with its Leadership Institute, which builds the networks and skills of city residents to enact and sustain change. Finally, nonprofit status confers the ability to harness financial resources that are unavailable to municipalities or private citizens, making the nonprofits critical in both resource mobilization and collaboration. To characterize each city’s nonprofit landscape, the Urban Initiative measured the density of 501(c) (3)-designated organizations and the size of their budgets and assets to illustrate organizational size and financial capacity.¹³ On average, 11 nonprofits serve every 10,000 residents in our selection of cities. (Statewide, the ratio is 18 per 10,000.) Pittsfield outranks its peers with 113 nonprofit organizations. Pittsfield’s nonprofits appear to have depth as well as breadth: the city ranks high in both budget size (revenue per capita) and financial stability (assets per capita).

b. Foundations

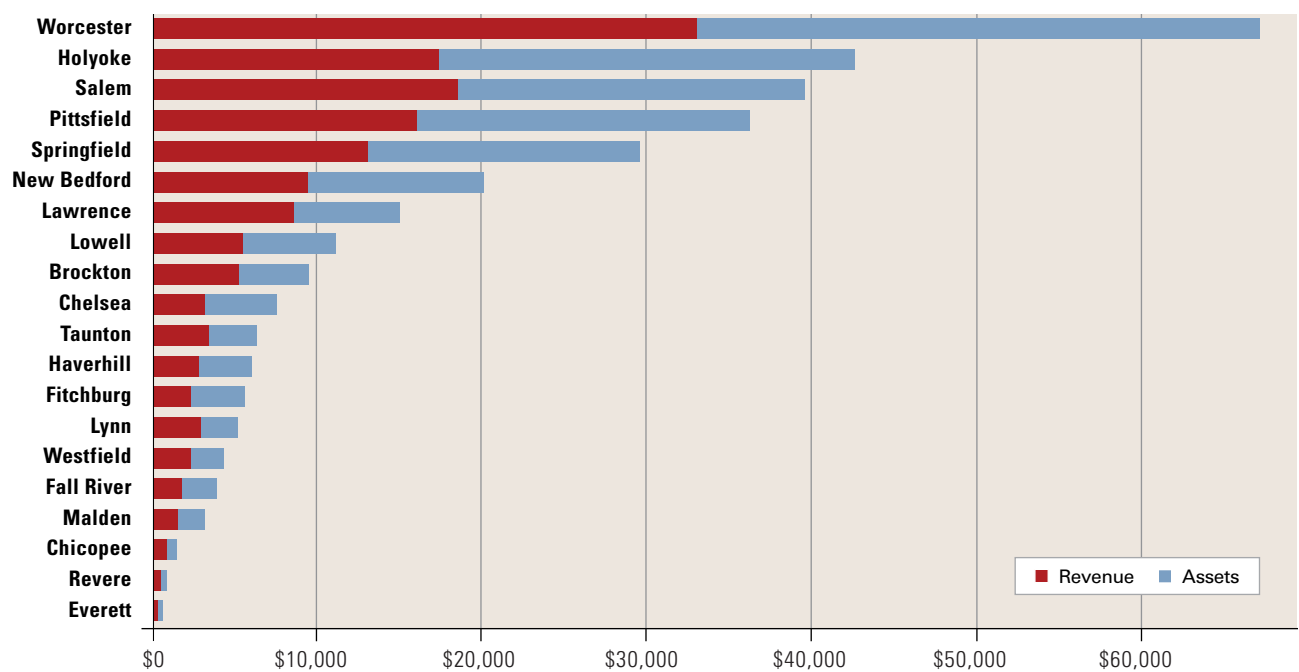
While Massachusetts has almost 6 foundations per 10,000 residents, the average rate for Gateway Cities is just 1.8. Worcester tops the rankings for both density and size with a rate of 5.1 (Pittsfield is tied) and assets of over \$3,000 per capita (the median across all cities is just \$350). Clearly, cities like Worcester, Lynn, Salem, and Pittsfield — all of which have foundation assets per capita exceeding \$1,000 — have far greater capacity to meet the financial needs of their communities than cities like Holyoke and Revere.

Figure 1. Nonprofit Density

Rank	City	Nonprofits per 10,000 (2010)
1	Pittsfield	25.3
2	Holyoke	19.6
3	Salem	18.9
4	Worcester	14.8
5	Springfield	14.4
6	Fitchburg	12.4
7	Chelsea	11.4
8	Lawrence	11.3
9	Lowell	11.0
10	Haverhill	10.5
11	New Bedford	10.5
12	Westfield	9.7
13	Fall River	9.3
14	Lynn	8.6
15	Brockton	8.4
16	Taunton	7.2
17	Malden	7.1
18	Chicopee	4.2
19	Everett	3.4
20	Revere	2.9

Source: The National Center for Charitable Statistics
Based on 2010 numbers, the most recent available.

Figure 2. Nonprofit Revenue & Assets Per Capita



Source: The National Center for Charitable Statistics
Based on 2010 numbers, the most recent available.

Foundations do more than provide financial resources; they also act as civic brokers that can use their position to nurture and coordinate civic capacity.¹⁴ The Boston Foundation does this most prominently in Massachusetts, providing stakeholders with data, research, and forums with which to build knowledge and skills. Local foundations can also build capacity for regional and national grant seeking by setting a high bar for their grantees where collaboration and evaluation are concerned. Foundations can also implement their own programming to solve city problems. Like Worcester’s United Way of Central Massachusetts did with the Main South Promise Neighborhood Partnership, they can collaborate with organizations, institutions, and residents to secure federal dollars to directly impact a neighborhood. They can also collaborate with other foundations to promote measurable change by strategically aligning their dollars toward the achievement of common goals. A great example of strategic grant-making in a Gateway City is Springfield’s Funder Collaborative for Reading Success, which collectively targets dollars toward evidence-based programs that build early literacy skills.

c. Civic and social organizations

Civic and social organizations foster collective agency and civic participation, regardless of individual-level engagement (which relates more closely to social capital). Civic organizations are ranked based on density and scale (assets per capita). Once again, Pittsfield leads with 7.4 civic organizations per capita (the median for all cit-

ies is 3.5). In assets, Haverhill outranks even Pittsfield with \$319 per capita.

Survey findings:

The presence and size of such organizations does not guarantee a contribution to a city’s civic infrastructure.

Figure 3. Foundation Density

Rank	City	Number per 10,000
1	Pittsfield	5.1
2	Worcester	5.1
3	Salem	4.8
4	New Bedford	2.4
5	Lowell	2.3
6	Fitchburg	2.0
7	Fall River	1.8
8	Springfield	1.5
9	Brockton	1.4
10	Haverhill	1.3
11	Lynn	1.2
12	Malden	1.2
13	Taunton	1.1
14	Lawrence	0.9
15	Holyoke	0.8
16	Westfield	0.7
17	Everett	0.7
18	Chelsea	0.6
19	Chicopee	0.4
20	Revere	0.2

Source: The National Center for Charitable Statistics
Based on 2010 numbers, the most recent available.

Survey questions help gauge whether city residents actually participate in such groups and the extent to which neighborhood and civic organizations influence decisions. Collectively, 23 percent of Fall River and New Bedford residents reported that most residents of their city participate in a neighborhood or civic organization. Twice as many feel that such organizations have a meaningful impact on their city’s decision-making process.

d. Municipal government

Municipal government is a necessary component of civic infrastructure, but existing data do not reveal the capacity of city governments to respond to crises, engage stakeholders, and serve as agents of progress.

Survey findings:

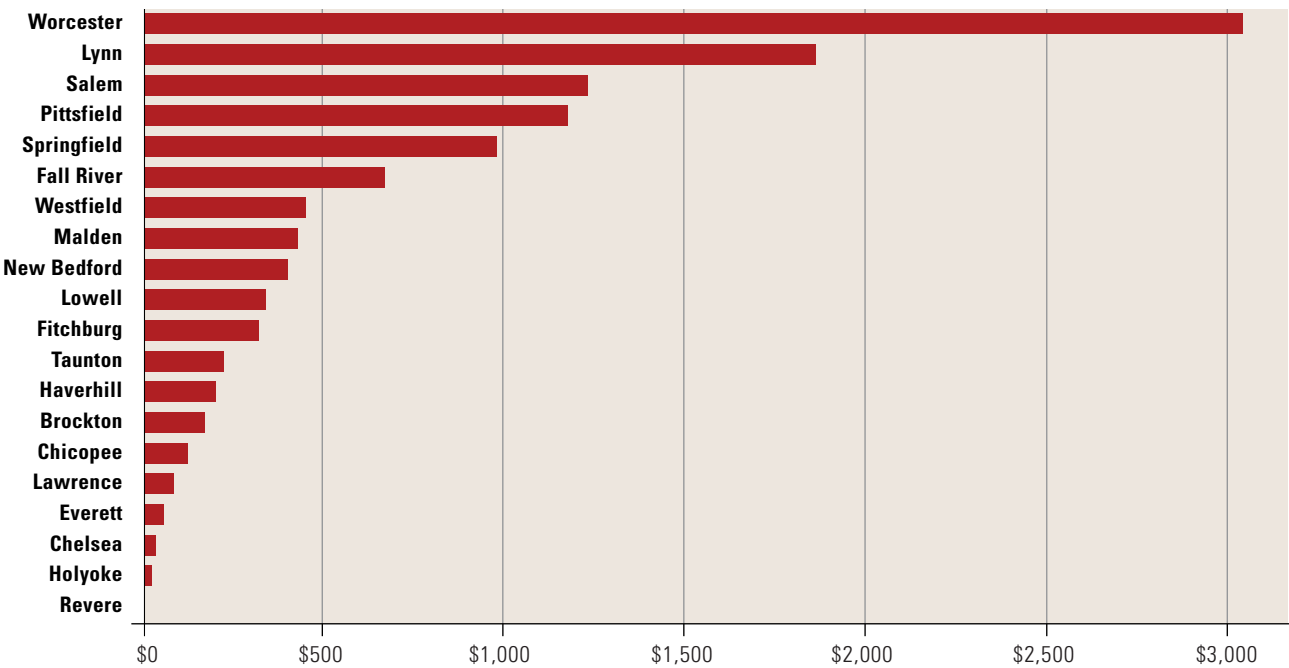
Because residents’ perceptions can help fill this gap, two survey questions were included to ascertain whether

people in Fall River and New Bedford respect public officials — 54 percent of residents across both cities believe they do — and whether they perceive city government as responsible and accountable to the citizens (57 percent agree that it is).

e. Cross-sector collaboration

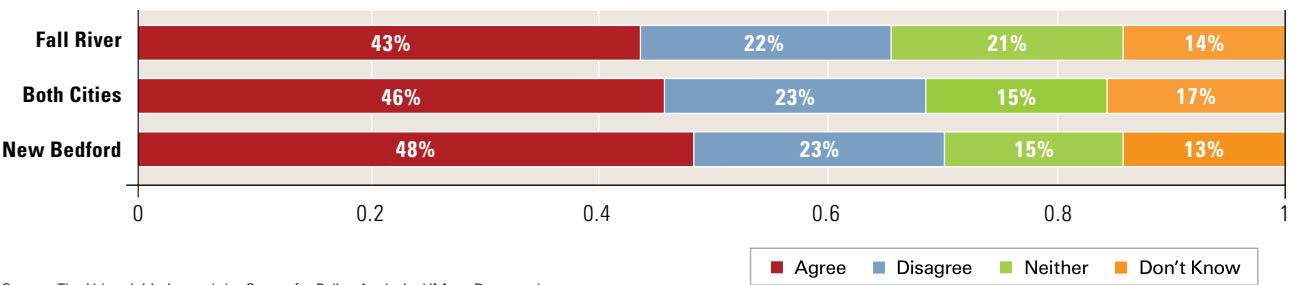
In an era of shrinking resources, collaboration is essential within and across sectors, especially in smaller cities. Research by the Federal Reserve Bank of Boston in Springfield studied peer cities considered resurgent for their ability to reverse years of economic and population decline.¹⁵ A key finding was that collaborative leadership was essential to a city’s turnaround. Collaborative leadership was necessary for long-term change, and also in demonstrating capacity to outside investors like state and federal government agencies, the philanthropic community, and businesses considering relocation.¹⁶

Figure 4. Foundation Assets Per Capita



Source: The National Center for Charitable Statistics
Based on 2010 numbers, the most recent available.

Figure 5. Neighborhood or civic organizations have a meaningful impact on decision making in <city>*



Source: The Urban Initiative and the Center for Policy Analysis, UMass Dartmouth
*Note: For all tables related to the resident survey, those surveyed were asked to answer questions about their individual city – New Bedford or Fall River.

Figure 6. Residents of <city> believe it is honorable to serve in public office and respect those who do

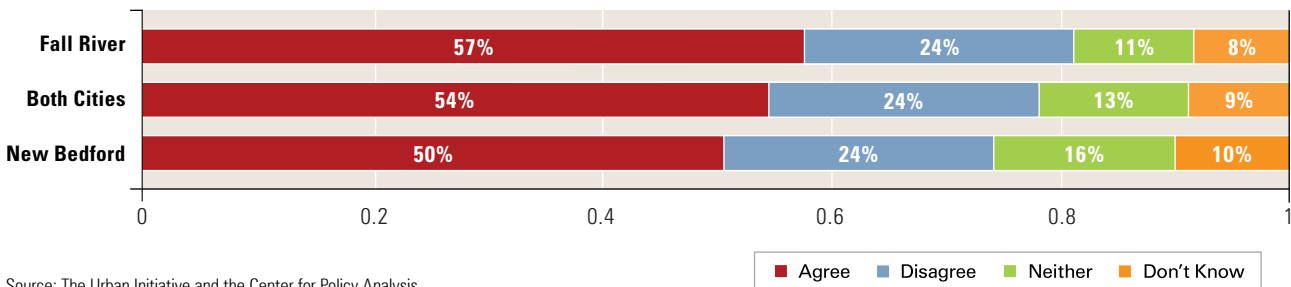


Figure 7. "<City>'s government is responsible and accountable to its citizens."

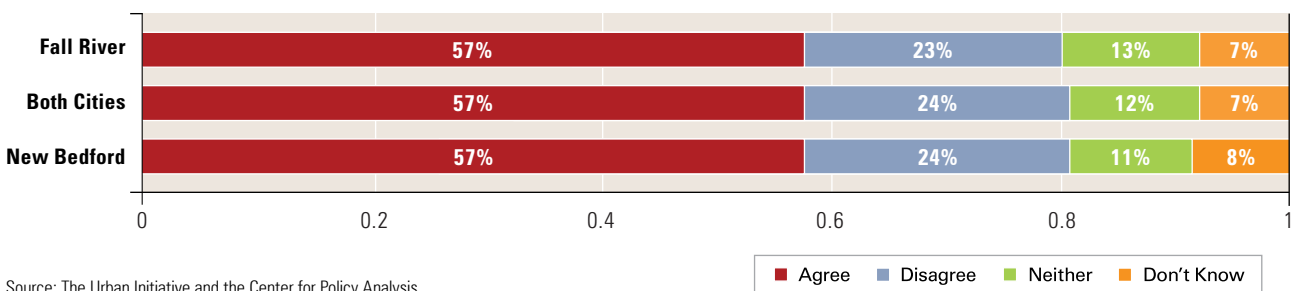
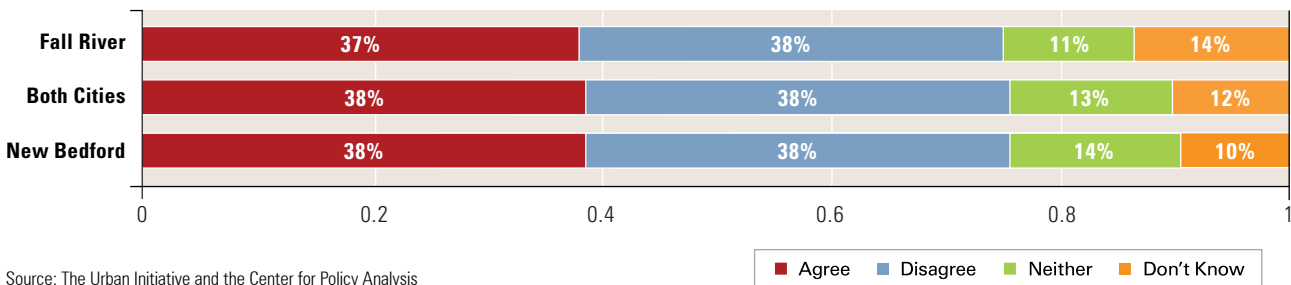


Figure 8. "Citizens, government, private companies, and nonprofits in <city> all work together to solve community problems."



Survey findings:
Survey data are helpful in measuring the presence and authenticity of collaboration. Residents of both cities are split on whether citizens, government, private companies, and nonprofits work together to solve community problems: collectively, 38 percent agree and 38 percent disagree that collaboration takes place. There is greater consensus around the degree to which city government collaborates with other sectors in the city as well as other municipalities in the region.

2) Resource mobilization

a. Nonprofits

The ability of a city’s nonprofit sector to secure resources is indicated by contributions and grants per capita in 2010.

Salem’s nonprofits bested their peers with \$3,494 per capita; seven other cities recorded amounts greater than \$1,000. Across Massachusetts, nonprofit-contributed revenue in the same year was \$3,543 per capita.

Survey findings:
To what extent do these figures represent grants or contributions that one nonprofit received at the expense of another? In smaller cities, does the quest for funding undermine the need to collaborate? Survey results from Fall River and New Bedford suggest that this is a very real threat — and also an area where otherwise similar communities can differ significantly. Overall, 39 percent agree that nonprofits collaborate, while another 25 percent disagree. In Fall River, the level of agreement reaches 42 percent, while just 35 percent of New Bedford residents concur.

Figure 9. Nonprofit Grants & Contributions Per Capita

Rank	City	Dollars Per Capita
1	Salem	\$3,494
2	Lawrence	\$2,274
3	Springfield	\$2,195
4	Worcester	\$1,465
5	Lowell	\$1,272
6	Chelsea	\$1,231
7	Fitchburg	\$1,175
8	Brockton	\$1,042
9	Haverhill	\$893
10	New Bedford	\$890
11	Pittsfield	\$871
12	Holyoke	\$841
13	Fall River	\$792
14	Taunton	\$655
15	Lynn	\$484
16	Malden	\$248
17	Westfield	\$154
18	Chicopee	\$141
19	Revere	\$73
20	Everett	\$24

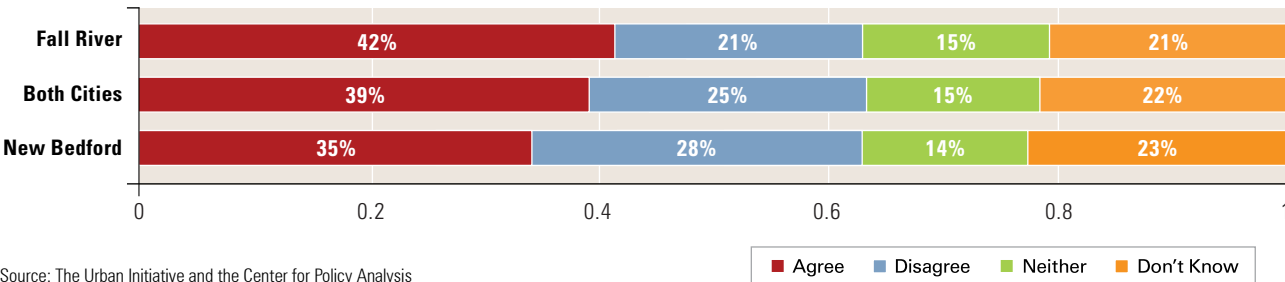
Source: The National Center for Charitable Statistics
Based on 2010 numbers, the most recent available.

Figure 10. Foundation Grant Dollars Per Capita

Rank	City	Dollars Per Capita
1	Worcester	\$156
2	Lynn	\$78
3	Pittsfield	\$56
4	New Bedford	\$53
5	Springfield	\$49
6	Salem	\$26
7	Fall River	\$24
8	Lowell	\$20
9	Fitchburg	\$18
	Malden	\$18
	Taunton	\$18
10	Holyoke	\$6
11	Brockton	\$5
	Chicopee	\$5
12	Haverhill	\$4
13	Everett	\$2
	Lawrence	\$2
14	Westfield	\$1
15	Chelsea	\$0
	Revere	\$0

Source: The National Center for Charitable Statistics
Based on 2010 numbers, the most recent available.

Figure 11. Nonprofits in <city> work with one another to secure needed resources rather than compete for them.



Source: The Urban Initiative and the Center for Policy Analysis

b. Philanthropy

Unsurprisingly, Worcester’s many foundations grant significantly more dollars per capita — \$156 — versus the median for all Massachusetts cities in our survey of \$18. We also analyzed 2010 grants per capita as a proportion of total assets per capita. As a group, foundations in these cities grant a slightly smaller portion of their assets than foundations statewide (5 percent versus 7 percent). This suggests that foundations in these cities have the potential to direct more dollars toward their host cities’ needs.

c. Individuals

Residents in eight of twenty Gateway Cities donate more of their income to charity than Massachusetts residents, who collectively donate 2.8 percent. Springfield residents

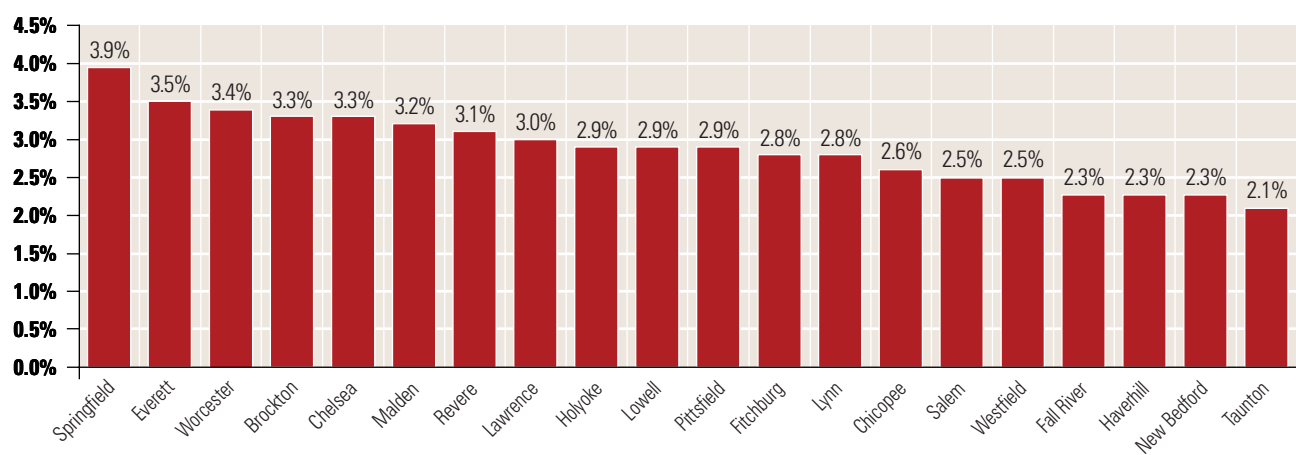
are the most philanthropic of this group: their median charitable contribution is \$1,520, 3.9 percent of their income. Conversely, low levels of individual giving are evident in southeastern Massachusetts cities: Fall River, New Bedford, and Taunton residents make median contributions of less than \$1,000 and donate less than 2.3 percent of their incomes.

3) Community engagement and participation

a) Voting

Voter turnout indicates the degree to which a city’s residents assert their role in the decision-making process. To a lesser extent, it also suggests respect for and trust in elected office. Turnout rates reflect each city’s most recent mayoral elec-

Figure 12. Percent of Income Given to Charity



Source: Chronicle of Philanthropy, How America Gives Database

tion (or municipal election in cities without a mayor). Rates ranged from 42 percent in Pittsfield to 15 percent in Brockton, with an average turnout rate of 29 percent.

Survey findings:

In surveying Fall River and New Bedford residents, the Urban Initiative asked how frequently they read the newspaper and whether people in their city have access to the information needed to make good decisions. Overall, just over 60 percent of the respondents report reading the

newspaper at least several times per week, while 15 percent never read it. The same proportion of residents across both cities — 60 percent — agrees that their fellow residents have sufficient access to information.

b) Information

Engaging citizens in decision making and other collective action also requires informing them of both issues and opportunities. Daily newspaper circulation indicates access to that information across the Gateway Cities. Eleven of the twenty selected cities publish a daily newspaper. To determine the degree to which a city’s paper is available to and supported by the community, we divided weekday circulation figures by the 2010 population.¹⁷

Among the selected cities that are home to a daily newspaper (this excludes nine), Salem, Lawrence, and Worcester have the highest per capita newspaper circulations. It is particularly noteworthy that in the past year, Worcester was the only city in which circulation actually increased.

c) Planning and decision making

No existing data can shed light on the degree to which a city’s decision-making process meaningfully engages its citizens, so this is another area where we turned to the survey to gauge perceptions in our two target cities. First, we sought to learn if there was a consensus about the city’s vision for the future. Half of all respondents agree, while one-quarter disagree. There is some difference between the cities: 55 percent of respondents from New Bedford agree, compared with just 44 percent of Fall River residents.

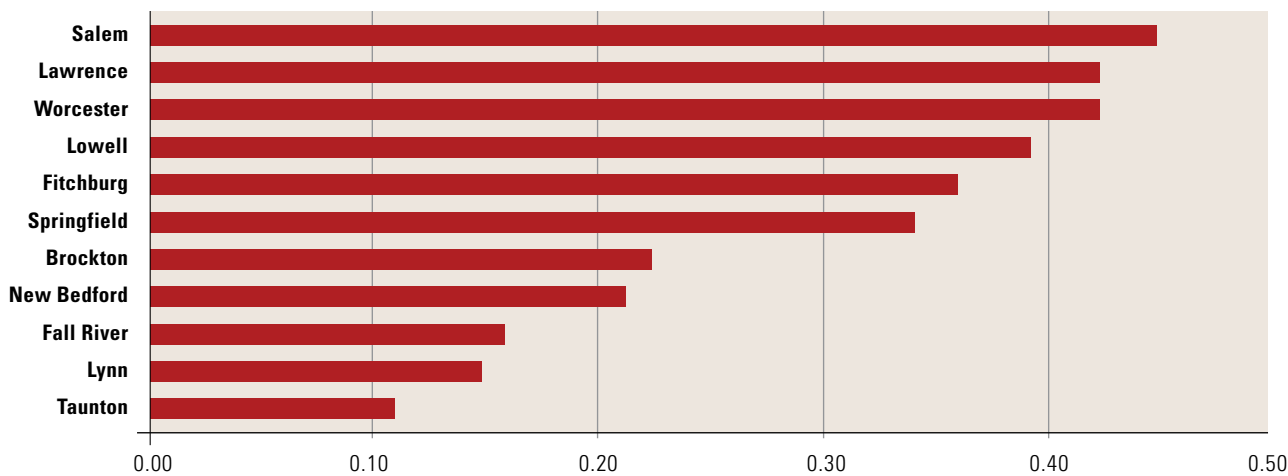
Next, we found that 47 percent of respondents feel that if they participate in their city’s decision-making process, their input will be given consideration (27 percent disagree). There is less agreement over whether cities ask residents to engage in the process.

Figure 13. Voter Turnout

Rank	City	Percent
1	Pittsfield	42%
2	Revere	39%
3	Holyoke	38%
	New Bedford	38%
	Fitchburg	38%
4	Everett	35%
	Fall River	35%
5	Lynn	33%
6	Malden	32%
7	Chicopee	29%
	Taunton	29%
8	Salem	27%
9	Haverhill	23%
10	Springfield	22%
11	Lawrence	21%
12	Chelsea*	20%
	Worcester*	20%
	Lowell*	20%
	Westfield	20%
13	Brockton	15%

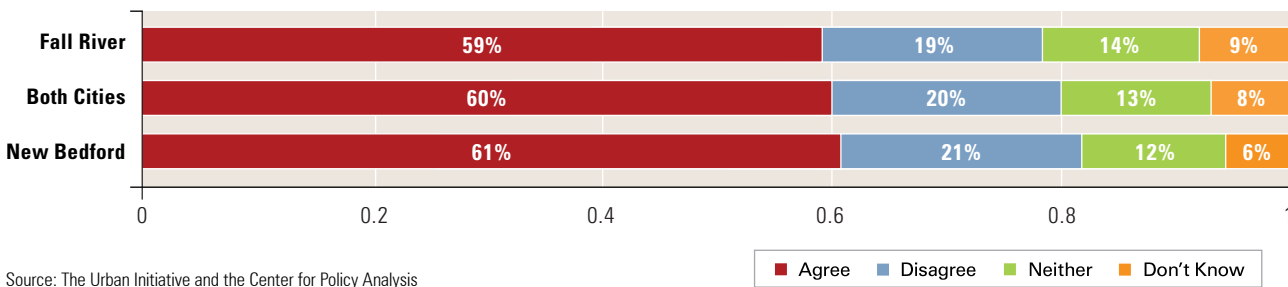
Source: Local newspaper reports as well as municipal elections offices
*City governed by manager

Figure 14. Newspaper Circulation Per Capita



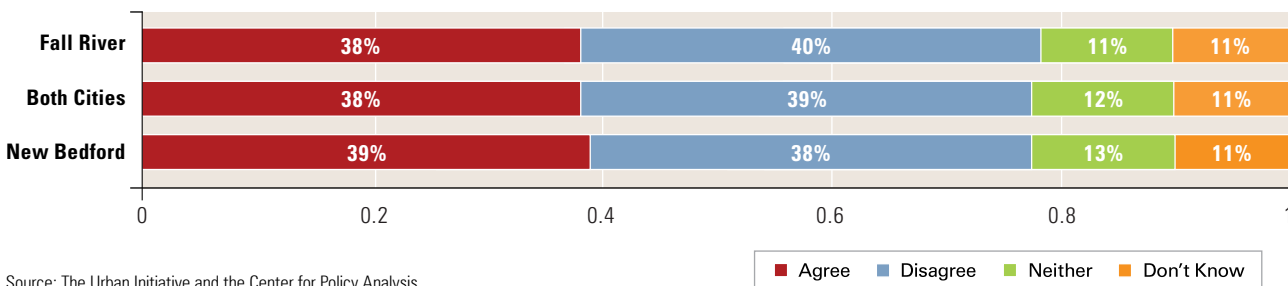
Source: Audit Bureau of Circulations, 2013; Calculations by author

Figure 15. People in <city> have access to the information they need to make good decisions



Source: The Urban Initiative and the Center for Policy Analysis

Figure 16. <City's> government asks residents to help with decision-making



Source: The Urban Initiative and the Center for Policy Analysis

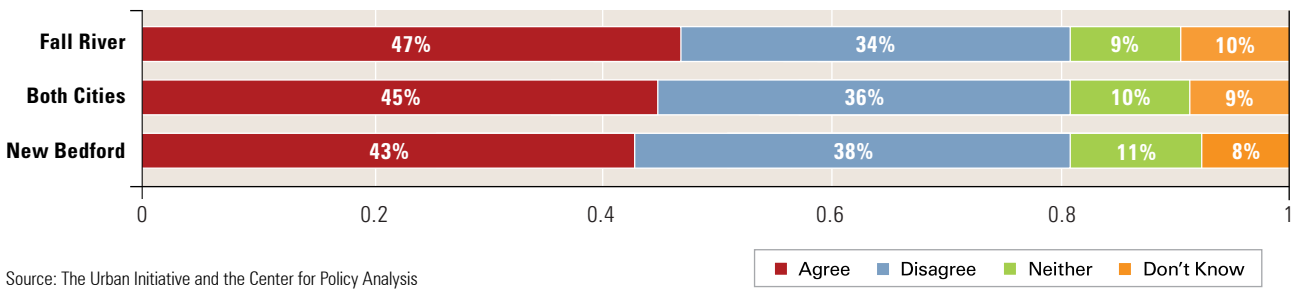
d) Diversity/inclusivity

The degree to which a city’s decision-making process is accessible to all residents reflects and influences the vitality of its civic infrastructure. When asked if city leadership reflects the diversity of city residents, 53 percent concur while 27 percent do not. Less agreement was found over access to the decision-making process: 45 percent feel that people from all neighborhoods, ethnicities, and income levels have an opportunity to participate (36 percent disagree). Still fewer respondents feel that people in their city communicate well across ethnic and cultural lines (43 percent).

CONNECTION BETWEEN CIVIC INFRASTRUCTURE AND SATISFACTION, OPTIMISM

In general, residents of each city responded to most survey questions almost identically, even within subgroups defined by respondent characteristics. Notably, perceptions of strong civic infrastructure proved more prevalent among those who are satisfied with living in their city. The same holds true among those who reported that their city

Figure 17. People from all neighborhoods, ethnicities, and income levels have equal opportunities to participate in <city's> decision-making process



Source: The Urban Initiative and the Center for Policy Analysis

is becoming a better place in which to live. For many indicators of civic infrastructure, newspaper readers and those who voted in the last mayoral election also answered most questions in a way that suggests they perceive a healthier civic infrastructure in their city than respondents as a whole.

IMPLICATIONS

Worcester and Pittsfield are clear leaders — at least on paper — when it comes to civic infrastructure in Gateway Cities. Data also suggest that these cities are faring better than their peers where quality of life indicators are concerned: for example, their unemployment rates are below the Gateway Cities average¹⁸; more than one-quarter of residents in each city hold a bachelor’s degree (the Gateway Cities average is 19.2 percent) and both have above-average four-year high school graduation rates.¹⁹ For reasons like these, the aforementioned Federal Reserve Bank of Boston study of older industrial cities designated Worcester as a “resurgent city” for its resilience in the face of manufacturing’s decline. Its dense network of universities was cited as playing a role in that resurgence; this network likely contributes to the strength of its civic infrastructure.

While civic infrastructures look robust in some cities and weak in others, our survey findings indicate that perceptions of collaboration and efficacy play an important role in telling the full story. At least in Fall River and New Bedford, there is much room for growth in these areas. Not only do residents perceive limited levels of civic infrastructure, many of them do not know how to characterize their cities based on these measures.

The timing is ripe for Gateway Cities to evaluate and improve the capacity of their civic infrastructures. In so doing, these cities will become more competitive for philanthropic and government funding, particularly funding that promotes and rewards collaboration. But even more importantly, Gateway Cities that build their civic infra-

structures will be better positioned to implement interventions, solve problems, set goals, and ultimately enhance the health and economic outcomes for their residents.

COLLEEN DAWICKI is Project Manager of the UMass Dartmouth Urban Initiative.

Endnotes

- 1.) A recent and noteworthy exception is the Federal Reserve Bank of Boston’s Working Cities Challenge, developed to promote collaborative leadership in Gateway Cities.
- 2.) Kodrzycki and Munoz. *Lessons from Resurgent Cities*. Federal Reserve Bank of Boston, 2009.
- 3.) Edmondson and Zimpher. “The new civic infrastructure: the ‘how to’ of collective impact and getting a better social return on investment.” *Community Investments*, Summer 2012 – Volume 24, No. 2. Federal Reserve Bank of San Francisco.
- 4.) Shalyn Hopley. “Straight-Up Café opens doors.” *Worcester Magazine*. June 20, 2012. Accessed at <http://www.worcestermag.com/city-desk/top-news/Straight-Up-Cafe-opens-doors-159763605.html>
- 5.) Natalie Sherman. “A work in progress.” *The Standard Times*. August 19, 2012. Accessed at <http://www.southcoasttoday.com/apps/pbcs.dll/article?AID=/20120819/NEWS/208190321>
- 6.) “Resilience Capacity Index – Civic Infrastructure.” *Building Resilient Regions*, University of California Berkeley Institute of Governmental Studies.
- 7.) M. Lee. “The protective effects of civic communities against all-cause mortality.” *Social Science and Medicine*, 70 (2010) 1840-1846.
- 8.) J. Rodin. “Social innovation, civic infrastructure, and rebuilding New Orleans from the inside out.” *Innovations*, Volume 5, Issue 2 – Spring 2010.
- 9.) Auspos, Brown, Sutton, and Kubisch. *Living Cities and Civic Capacity: Leadership, Leverage, and Legitimacy*. The Aspen Institute Roundtable on Community Change, March 2008.
- 10.) Learn about the Civic Index at: http://www.ncl.org/index.php?option=com_content&view=article&id=142&Itemid=212

11.) Unless otherwise noted, all data were generated through the National Center for Charitable Statistics (NCCS), a project of the Urban Institute. NCCS nonprofit and foundation data are from 2010; data on civic organizations are from 2012. The Urban Initiative calculated organizational density using 2010 Census population figures.

12.) Jay Atkinson. "Lawrence, Mass: City of the damned." *Boston Magazine*, February 2012. Accessed at <http://www.bostonmagazine.com/2012/02/city-of-the-damned-lawrence-massachusetts/>

13.) Source: National Center for Charitable Statistics; 2010.

14.) Xavier de Souza Briggs. *Democracy as Problem Solving: Civic Capacity in Communities Across the Globe*. Boston: MIT Press, 2008.

15.) *Toward a More Prosperous Springfield: A Federal Reserve Bank of Boston Initiative*. Publications, presentations, data, and resources available at: <http://www.bostonfed.org/commdev/springfield/index.htm>

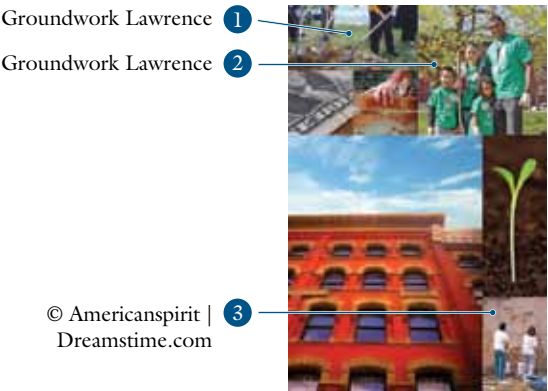
16.) Kodrzycki and Munoz. *Lessons from Resurgent Cities*. Federal Reserve Bank of Boston.

17.) Source: Audit Bureau of Circulation, March 2013.

18.) Unemployment rates in April 2013: average of select Gateway Cities – 8.4 percent; Pittsfield – 7.2 percent; Worcester – 7.2 percent.

19.) Pittsfield ranks second with 79.8 percent of students graduating on time, while Worcester has a rate of 72.5 percent.

Photo Credits





Taking Stock of the Gateway Cities — Economic Conditions and Opportunities

DANIEL HODGE

INCREASED ECONOMIC DEVELOPMENT FOCUS AND INVESTMENT IN THE FIVE YEARS SINCE GATEWAY CITIES WERE IDENTIFIED IN MASSACHUSETTS HAS NOT YET STARTED TO CLOSE THE ECONOMIC PERFORMANCE GAP WITH GREATER BOSTON. BUT AS THE STATE CONTINUES TO RECOVER FROM THE RECESSION, THE INITIATIVES UNDERWAY AND THE INFRASTRUCTURE BUILDING BLOCKS UNDER CONSTRUCTION IN GATEWAY CITIES SHOULD SET THE STAGE FOR MORE PRIVATE INVESTMENT AND A BRIGHTER ECONOMIC FUTURE.

Introduction and Background

In February 2007, MassINC and the Brookings Institution released a highly influential report entitled “Reconnecting Massachusetts Gateway Cities: Lessons Learned and An Agenda for Renewal.” It presented compelling evidence across numerous economic, educational and quality of life measures that a group of cities outside the Greater Boston area has experienced significant levels of economic distress and considerably less economic growth. For example, the report found that Greater Boston contains 40 percent of the state’s population but generated 60 percent of the state’s wages (payroll). Conversely, the eleven identified Gateway Cities contained 15 percent of the population, but generated less than 10 percent of the

state’s payroll. The Gateway Cities also trailed Greater Boston by a substantial margin in terms of job growth, educational attainment, and housing value, with much higher rates of poverty and unemployment.

In simple terms, the strength of the Massachusetts economy was not due to consistently strong performance throughout the Commonwealth, but rather to an exceptionally robust Greater Boston area economy with world-class levels of innovation, research, and knowledge-based jobs. This finding was consistent with economic research conducted over a number of years for *MassBenchmarks*, and it helped elevate the issue of regional disparities such that it became a priority of the Patrick Administration. Gateway Cities have now been formally recognized by the

Executive Office of Housing and Economic Development since 2008, with a series of supporting redevelopment programs, expedited permitting, housing incentives, and targeted state-level investments prioritized for the Gateway Cities.¹ In addition, MassINC has created a Gateway Cities Innovation Institute to further the research and policy development for these cities.

As shown in this Gateway City-themed issue of *MassBenchmarks*:

- The economic performance of Greater Boston continues to outpace the other metropolitan areas of the Commonwealth (see Goodman and Nakosteen, pp 4-11);
- Individual Gateway Cities (like Lawrence) are starting to benefit from a wide-range of public and private initiatives, investments and programs but still have a long way to go to realize economic revitalization (see Forrant, pp 13-19); and
- The success of revitalization efforts can depend as much on local leadership (civic infrastructure) as it does on new programs and targeted investment dollars (see Dawicki, pp 21-31), an idea that is driving the current Working Cities Challenge initiative facilitated by the Boston Federal Reserve Bank.²

This version of Endnotes focuses on two Gateway Cities topics. First, by examining a few key measures of economic growth and vibrancy, what are the current conditions in the Gateway Cities and to what extent have they started to demonstrate progress and improvement? Second, what are the next steps for redevelopment and some preliminary thoughts on the economic outlook for

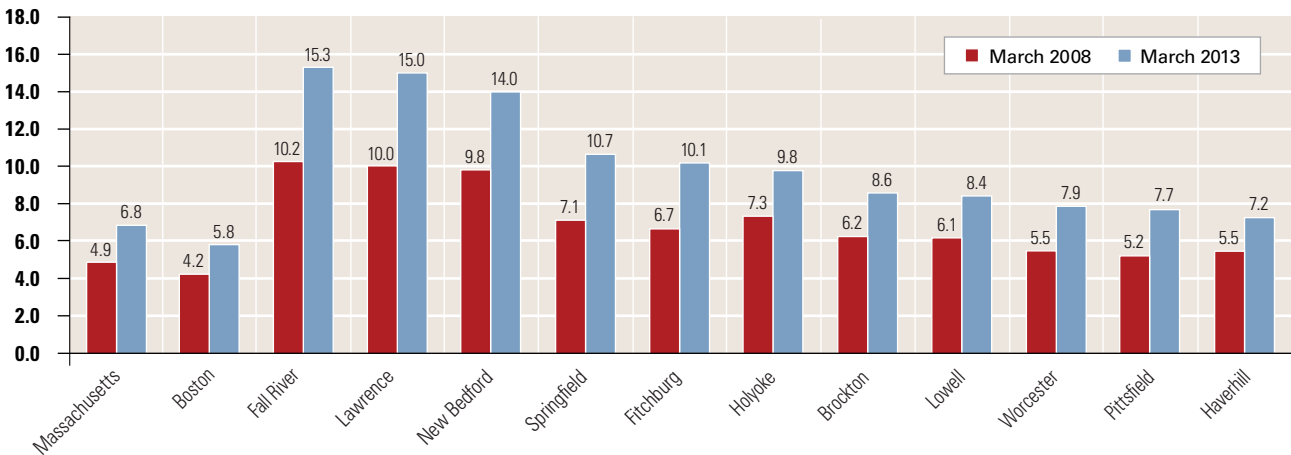
the Gateway Cities as they strive to achieve more sustained economic recovery?

Current Economic Conditions and Recent Trends in the Gateway Cities

The success of the Gateway Cities initiatives and prioritization of investments will ultimately be judged based on improvement in economic metrics over time. So, the following data present an updated snapshot of a few key economic data measures across the original eleven Gateway Cities with comparisons to Massachusetts and the City of Boston.³ Two caveats are worth mentioning before presenting the data. First, there are still just four to five years of data experience since the Commonwealth began implementing Gateway Cities programs. Similar to other long-term urban issues (e.g., the performance of public K-12 schools), it is difficult to “turn a ship” around quickly and see sudden improvement. Second, the Gateway Cities were first recognized just as the country’s largest recession since the Great Depression was underway. Consequently, 2008 to 2013 was a challenging time period to demonstrate economic improvement in virtually any area of the country, let alone the Gateway Cities, with Massachusetts just recently recovering the jobs lost during the recession.

This fact is demonstrated in stark terms when comparing unemployment rates in March 2008 and March 2013 for Massachusetts, Boston and the Gateway Cities. In all instances, the more current unemployment rate is substantially higher than it was in 2008. Unfortunately, the unemployment rate is higher than Massachusetts or Boston in all of the Gateway Cities. Six of the eleven Gateway Cities have rates near or above 10.0, with Fall River, Lawrence and New Bedford at or above 14.0 percent of its labor force, which contrasts with unemployment rates of 5.8 percent in Boston and 6.8 percent statewide.

Figure 1. Unemployment Rates, March 2008 and 2013
(Seasonally unadjusted)



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

The Gateway Cities track record for job growth from the third quarter of 2008 to the third quarter of 2012 (latest data available) is a bit more encouraging. With Massachusetts state-level job growth flat over this time period and modest (0.6 percent growth) for Boston, seven of the eleven Gateway Cities experienced positive job growth, led by Lawrence, Haverhill, Lowell, Holyoke and New Bedford. Why would job growth measures look better than unemployment rates? One possible reason is related to how the data concepts are measured — unemployment rates are based on the residents living in each city, while job growth is based on the location of employment (regardless of where the employee resides). This provides a preliminary indication that the Gateway Cities may be doing slightly better at attracting business growth than connecting their own residents to job opportunities.

Median household income is another critical metric that relates to educational attainment, jobs in knowledge-based sectors, and per capita income. As shown in Figure 3, median household income varies greatly across the Gateway Cities from a low of \$30,664 in Holyoke to a high of over \$58,000 in Haverhill.⁴ Still, all of the Gateway Cities are below the statewide average of approximately \$64,500. Not surprisingly, many of the same cities with the highest unemployment rates also have the lowest median household income, with slightly higher income levels in cities more closely tied to the Boston metro area with commuter rail connections (Haverhill, Lowell, Brockton, Worcester, and Fitchburg).

Figure 2. Employment, Q3 2008 and Q3 2012
(Seasonally unadjusted)

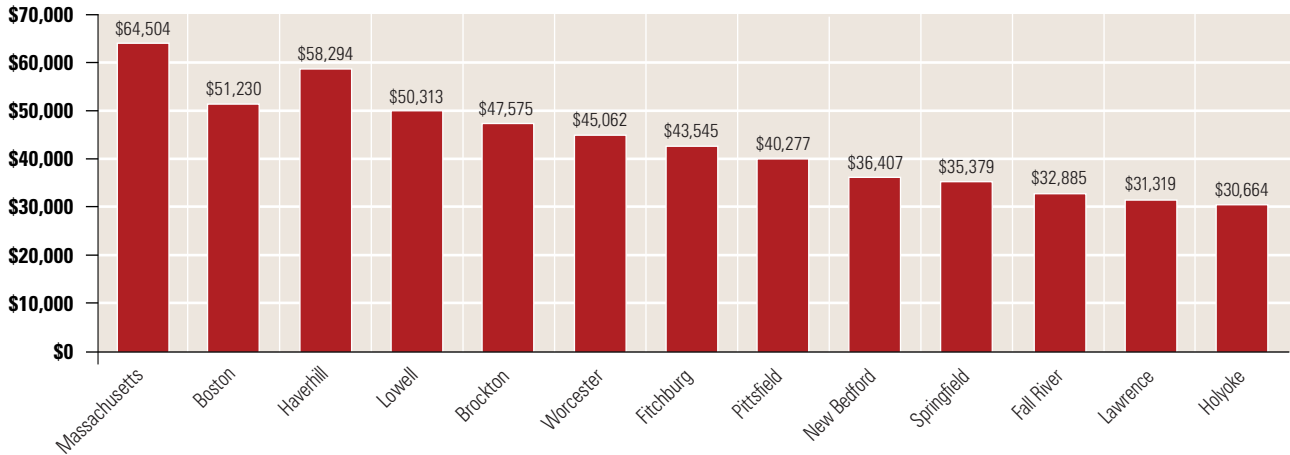
Area	Q3 2008	Q3 2012	Percent Change
Massachusetts	3,251,799	3,253,187	0.0%
Boston	569,771	573,199	0.6%
Lawrence	22,976	24,991	8.8%
Haverhill	18,216	19,028	4.5%
Lowell	33,224	34,484	3.8%
Holyoke	21,223	21,754	2.5%
New Bedford	35,804	36,621	2.3%
Fitchburg	12,252	12,340	0.7%
Brockton	37,568	37,758	0.5%
Worcester	97,382	97,338	0.0%
Springfield	74,261	73,574	-0.9%
Pittsfield	26,213	25,684	-2.0%
Fall River	35,228	33,164	-5.9%

Source: Massachusetts Labor and Workforce Development, ES-202

Average weekly wages is a different income-related indicator tied to the actual wages earned by employees in each city. Because this concept is establishment-based, Boston is highest on this metric at over \$1,400 per week. Again, all Gateway Cities were below the Massachusetts statewide average of \$1,102, with all cities less than \$1,000 except for Lowell. Holyoke, Fitchburg, Haverhill, and Fall River have average weekly wages below \$800.

Additional data presented in the 2012 State of the Gateway Cities publication demonstrate that Gateway Cities: a) have not made progress yet to close the gap on unemployment and poverty rates; b) lag behind in terms of the percentage of the population with a bachelor’s degree; c) saw steeper declines in home values than the state overall; and d) experienced a slightly larger drop in state aid in recent years.⁵ Based on this economic data analysis, it appears that Worcester and Lowell, two cities that have

Figure 3. Median Household Income, 2009–2011



Source: U.S. Census American Community Survey 3-Year Estimates, 2009-2011

been engaging in redevelopment efforts for many years, tend to perform at the higher end of the Gateway Cities alongside more mixed or lower performance in the remaining cities.

Next Steps and Economic Outlook for the Gateway Cities

Having worked directly in multiple Gateway Cities, I’ve been a part of strategic planning initiatives and infrastructure investment planning projects.⁶ Similar to the planning efforts, early seeds of private investment, and public funding described in the article on Lawrence, many of the Gateway Cities are positioning themselves for economic improvement. As a colleague in economic development calls it, these can be considered “table stakes” — the types of investments, plans and physical infrastructure improvements (rail stations, roadways/streetscapes, data centers, parks, telecommunications) that are needed to play the game and be a viable contender for business location decisions. With more and more of these foundational building blocks in place, and the economic recovery steadily continuing, the next five years will be a critical time for Gateway Cities to try to transition to attracting higher levels of private investment, and seeing more businesses choose to expand or locate in their cities.

With some similarities and differences, this is particularly evident in Springfield and Holyoke. Each city continues to struggle with high unemployment and poverty rates, but it’s also easy to check off a number of targeted improvements that should set the stage for more private investment and job growth. In Springfield, this includes:

- A multi-year effort to revitalize the State Street Corridor, including linkages to the Springfield Technical Community College (STCC);
- Secured funding and construction for a completely modernized Union Station as a bus-rail transit hub in the downtown area;
- Related, significant passenger rail service enhancements underway (the New Haven-Hartford-Springfield commuter rail) and planned (improved service to Boston);
- A world-class back-up state data center located in the downtown area expected to provide approximately 100 jobs;⁷ and
- A range of redevelopment plans for residential and mixed use projects from a number of small-medium scale opportunities facilitated by DevelopSpringfield to the potential for a major downtown casino resort.

The list of projects in Holyoke is equally impressive:


- Construction and operation of an \$165 million Massachusetts Green High Performance Computing Center in downtown Holyoke;⁸
- Funding to create a new rail station in Holyoke as the Amtrak service north of Springfield relocates to the Connecticut River rail line;
- Completion of multiple canal walk, parks and streetscape projects in downtown;
- Expanded fiber optic infrastructure by Holyoke Gas & Electric that allows the entire downtown area to access high-speed internet connections; and
- Noteworthy business-led redevelopment projects in old mill buildings, including multiple artist spaces, IT and graphic design companies, and residential developments.

As pointed out in a MassINC publication on Transformative Redevelopment,⁹ the missing ingredient thus far, in places like Springfield, Holyoke and other Gateway Cities is substantial private investment. In some cases, that is largely due to construction and building rehabilitation costs that outweigh expected lease rates from office users and residents. In other cases, such as in Holyoke, a major stumbling block is providing quality, market-ready development sites as many buildings and sites require an expensive mix of environmental remediation, demolition, and rehabilitation. Lacking market ready sites that can be shown to developers, site selectors, and businesses can be a real impediment to unlocking the redevelopment potential of Gateway Cities and needs to be a focus of local, regional and state leaders.

Looking forward, some of the key questions and issues to track over the next five years for Gateway Cities are:

1. Can these cities demonstrate positive economic growth and improvement that starts to close the gap with the Greater Boston area and Massachusetts overall?
2. To what extent will the various infrastructure and private investment initiatives lead to improved economic conditions and opportunities for the residents of Gateway Cities? Evidence suggests that more work is needed to connect the residents to jobs and small business start-up opportunities via a mix of education, workforce training and small business support.

3. With fiscal resources tight, how much additional public funding and incentives are needed to spur higher levels of private investment?
4. Can the public infrastructure investments in transportation and technology in Gateway Cities act as a catalyst for economic development?

Efforts to date in the Gateway Cities have been aimed at creating much stronger eco-systems for a range of development opportunities. The increased attention on these cities and the investments and programs are setting the table for economic success. The next five years will really help us determine how well this strategy is working as the future does look much brighter today than it did in the past. 

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Endnotes

- 1.) See <http://www.mass.gov/hed/community/planning/gateway.html>. Of note, this definition of Gateway Cities expanded the list of cities to 26 based on criteria for city size, household income, and educational attainment.
- 2.) <http://www.bos.frb.org/WorkingCities/index.htm>
- 3.) For a more consistent unit of geography, we chose the City of Boston as a point of comparison rather than Greater Boston. A similar analysis could be conducted for the regions of the state.
- 4.) Interestingly, the Boston median household income is below the statewide average (and below Haverhill). This is likely due to a combination of the city's diverse population and the presence of a large number of college students (even when excluding those in group quarters) who tend to have relatively lower incomes.
- 5.) http://www.massinc.org/Programs/Gateway-Cities/~media/Files/State%20of%20the%20Gateway%20Cities_2012%20final%20v3.ashx
- 6.) The author was project manager for the Innovation-Based Economic Development Strategy for Holyoke and the Pioneer Valley among other projects in Springfield, Brockton, New Bedford and Holyoke.
- 7.) See <https://wiki.state.ma.us/confluence/pages/viewpage.action?pageId=8388641> and http://www.masslive.com/business-news/index.ssf/2013/06/state_data_center_nears_opening_on_sprin.html
- 8.) http://www.bostonglobe.com/business/2013/06/16/data-center/14wkiDu1bZPSWuUjr6ceIN/story.html?s_campaign=8315
- 9.) <http://www.massinc.org/Research/Transformative-redevelopment.aspx>

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