

# Rebuilding Gateway Cities Is



**“Gateway Cities” like Lowell, New Bedford, and Worcester are legacies** of the industrial past, yet they are also central to the Commonwealth’s economic future. They educate a disproportionately large share of the state’s workforce, they house colleges and other important regional institutions, they have significant infrastructure with excess capacity, and they possess authentic urban form that many residents find desirable. Unfortunately,

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for far too long, these very real assets and opportunities have been overshadowed by well-known challenges. Over the past five years, Gateway City leaders have united to draw attention to their unique value proposition and make a case for the strategic state investments needed to unlock it.

Among all of the compelling arguments for a distinct public policy focus on Gateway Cities, balancing uneven economic growth is perhaps the strongest. Many of the roughly two dozen Gateway Cities serve as true economic centers in regions of the Commonwealth where growth has been anemic. Empiri-

cal research shows that the success of a regional economy is tightly tied to the health of its urban core. A declining central city creates a drag on income growth across an entire region.

This is precisely why scholars at the Federal Reserve Bank of Boston have issued repeated warnings about the long-term implications of weak Gateway Cities on the overall Massachusetts economy. The state’s painfully slow recovery gives credence to their concerns. Five years after the start of the recession, job growth is stalling and unemployment is back over 7 percent, a rate that places Massachusetts among the bottom half

# Key to State's Economic Future

By BENJAMIN FORMAN



MEGHAN MOORE PHOTO

*The Merrimack River, which flows through Lawrence, once provided power for a thriving mill industry there.*

of states. As Suffolk Construction CEO John Fish and other well-respected business leaders have argued, Massachusetts can't fly long distances with Greater Boston as its single economic engine.

Even when Gateway Cities are not regional economic centers, their artificially weak condition can slow growth in their larger metropolitan economy. Groundbreaking new research by Sean Reardon at Stanford University shows that rising income inequality has led to greater income segregation, leaving low-income families in communities with very high rates of poverty. Living in cities where poverty is highly concen-

trated reduces economic mobility, further widening the gap between rich and poor. As Gateway Cities have declined over the past few decades, Massachusetts has gone from having one of the most equal income distributions among U.S. states to one of the most unequal. Ample evidence suggests that the high degree of inequality in Massachusetts has become a hindrance to economic growth in and of itself.

As the name implies, Gateway Cities were historically launching pads for families climbing the economic ladder. Revitalizing Gateway Cities across our Commonwealth is paramount to renew-

ing the promise of the American Dream in Massachusetts. It's an ambitious undertaking, but restoring the health and vitality of Gateway Cities is possible with a strategic three-pronged approach: education, transportation, and transformative redevelopment.

## Education

Gateway Cities have a lot riding on education. Improving student performance is key to building a skilled workforce and increasing the economic competitiveness of their regions. Education is also central to the health of their neighborhoods. These communities are primarily residential cities

## REBUILDING GATEWAY CITIES IS KEY TO STATE'S ECONOMIC FUTURE

with a lot of housing built for families, so their revitalization will be heavily contingent on school quality.

Fortunately, Gateway Cities can draw on significant educational assets. In almost all of them, you'll find clusters of universities, hospitals, companies, cultural institutions, vocational schools, and economic development organizations. With state support, together with these partners, Gateway Cities can create exceptional learning systems.

There are two reasons why investing in these systems should pay off for taxpayers in the long run.

First, Massachusetts desperately needs Gateway City students to reach their full potential in order to replace hundreds of thousands of older workers aging out of the workforce. Together, the state's 26 Gateway Cities educate one-quarter of

all public school students in the Commonwealth. It's clear that these students aren't getting the preparation they need: 70 percent of all jobs in Massachusetts will soon require a degree or credential beyond a high school diploma, yet fewer than one in four Gateway City students are completing a post-secondary program.

Second, building stronger education systems will improve the fiscal health of these communities, which is a serious long-range concern for the state. Even with increases in the use of split rates, residential property still accounts for about two-thirds of the tax base in most Gateway Cities. As long as school quality deters middle-class families from purchasing homes in their neighborhoods, thereby depressing values, Gateway Cities will require large amounts of local aid from state taxpayers.

Preparing Gateway City youth to fill the shoes of retiring boomers and increasing the value of residential property in Gateway Cities will require a two-dimensional education policy: strategies that give disadvantaged students additional support, and helping Gateway Cities leverage their significant educational assets to draw middle-class families back into their neighborhoods.

With the right investments, there are real opportunities to accomplish both goals simultaneously. For instance, offering universal preschool in Gateway Cities would help to ensure that low-income students enter kindergarten ready for a rigorous curriculum, while giving middle-class families saddled with student loan debt some much needed relief from daycare fees. Another example is offering high school students more opportunities

### What Is a Gateway City?

"Gateway Cities" is the name commonly used to describe the small to midsize mill towns that have historically been the engines of regional economies across Massachusetts. In 2010, the Legislature codified the term "Gateway Municipality" with a formula that includes demographic and economic factors. Chapter 240, Section 17, of the Acts of 2010 defines Gateway Municipality as a community with a population greater than 35,000 and less than 250,000, a median household income below the state average, and a rate of educational attainment of a bachelor's degree or above that is below the state average.

While "gateway" connotes many themes, including gateway to regional economies and gateway to the middle class, the notion that these communities have historically served as gateways for new immigrants is important to its use as a descriptor. The significance of immigrants to Gateway Cities continues to be strong. Between 2000 and 2012, the state's 26 Gateway Cities gained approximately 100,000 foreign-born residents. Without this influx of immigrants, the population of these communities would have declined by 3 percent; instead, their combined population grew by 3 percent. People born in other countries or in Puerto Rico represent one in four Gateway City residents, but this figure understates the true influence of immigrants in Gateway Cities because they don't include the household members; U.S. Census figures show that one-third of Gateway City youth under age 18 have at least one immigrant parent.

Gateway Cities remain significant employment centers, with more than one-fifth of all Massachusetts jobs and more than one-quarter of the state's manufacturing employment. Just over 10 percent of jobs in Gateway Cities are in manufacturing industries, though this is down from 15 percent in 2002. Manufacturing job loss has drawn higher-value employment from these communities. While Gateway City jobs account for 21 percent of all jobs in the state, they create just 16 percent of the state's private sector payroll.

The loss of manufacturing employment in low- to middle-skill industries with decent pay contributes to the economic insecurity of Gateway City residents. These communities are home to just more than one-quarter of the state's population, but account for 44 percent of all Massachusetts residents living below the federal poverty threshold. While a large number of the poor are working, there is no question that the ongoing recovery from the recent recession has been slower to reach these communities. Gateway Cities are home to 25 percent of the state's labor force, but 32 percent of the state's unemployed.

The concentration of poverty in these communities creates a major challenge for educating the next generation. The share of students enrolled in Gateway City schools who are low-income has risen from 42 percent in 1993 to two-thirds in 2013. Ensuring that these disadvantaged students are able to gain the skills to compete in the state's knowledge economy is critical to both maintaining the promise of economic mobility in Massachusetts and ensuring that we have an adequate supply of workers prepared to replace aging baby boomers.

– Ben Forman

to dual-enroll in courses at a local public college. This is one of the most effective models to boost college completion for disadvantaged students, but it's also an appealing option for middle-class families. If their children can earn transferable college credits for free while living at home, the escalating burden of higher education becomes more manageable.

## Transportation

Investing in transportation in Gateway Cities is also a two-part strategy. Enhancements to public transit service could have an immediate impact by improving the economic prospects of residents. Over the long term, stronger service will also support the higher intensity development patterns that these communities aspire to achieve in their urban cores.

Gateway City residents clearly need better service to get to jobs in surrounding communities. Analysis by the Brookings Institution shows that the movement of jobs out of Gateway Cities and into neighboring suburbs has been strong and continues at a particularly fast pace. Between 1998 and 2006, Springfield and Worcester exhibited some of the most decentralized patterns of employment growth among smaller U.S. metro areas. Figures from the Brookings Institution show less than one-quarter of jobs in these regions are accessible by transit.

The great difficulty Gateway City residents face getting to work by public transit undoubtedly contributes to reduced participation in the labor force. On average, Gateway City labor force participation rates are 2.5 percentage points below the overall Massachusetts rate of 68 percent. Exclude Gateway Cities in the core MBTA service area and the picture looks much worse. For example, Holyoke's labor force participation rate is 12 points below the state average. If all Gateway City residents engaged in the labor force at the overall statewide rate, Massachusetts would be home to nearly 50,000 more workers. If these additional workers held only minimum wage jobs, their pay would amount to more than \$780 million circulating throughout the economy.

While access to public transit is certainly not the only factor here, it is one of the easier employment barriers to address. Rigorous research on midsize cities in the U.S. shows that those with

strong public transit service have higher population and employment growth and a lower uptake of public assistance. Particularly compelling, these studies demonstrate that better public transit greatly improves the job prospects of youth. More so now than perhaps ever before, Gateway City teens are struggling to get early work experiences so critical to their lifelong career prospects.

The transportation finance package passed by the Legislature last summer included a provision requiring regional transportation authorities to complete comprehensive service plans. These plans will provide a much clearer understanding of how investments in additional service could contribute to the economic development of Gateway Cities and their regions.

## Transformative Redevelopment

Rebuilding Gateway Cities for a new economy will require repairs to their physical fabric. Blighted industrial buildings that have sat vacant and underutilized for decades must be replaced with attractive mixed-use developments that capitalize on the potential of the existing infrastructure and the basic urban form of these communities.

Unfortunately, the economics of artificially weak real estate markets in these cities make it difficult for even the best-conceived redevelopment projects to capture this value. Projects simply cannot generate enough rental or sales income to cover the cost of complex redevelopment, which includes planning, property acquisition, environmental remediation, historic rehabilitation, vertical construction, and infrastructure upgrades. The disparity between these costs and the potential return under current market conditions creates a market gap. For both residential and commercial construction in Gateway Cities, the market gap is often as large as two-thirds of the cost of redevelopment.

The answer to this problem is targeting public investment to projects that have both the scale and the quality to demonstrate value, so that others can follow in their path, building with private financing. Currently, the state lacks the tools to support these "transformative projects." Subsidies that cities rely on to support redevelopment are often restricted to historic structures. When the development that might generate the most

## Gateway Cities

- Attleboro
- Barnstable
- Brockton
- Chelsea
- Chicopee
- Everett
- Fall River
- Fitchburg
- Haverhill
- Holyoke
- Lawrence
- Leominster
- Lowell
- Lynn
- Malden
- Methuen
- New Bedford
- Peabody
- Pittsfield
- Quincy
- Revere
- Salem
- Springfield
- Taunton
- Westfield
- Worcester



revitalization is a vacant lot, there are few options. Communities can use tools that work well for building industrial parks to subsidize sidewalks and traffic lights, but they have great difficulty spurring retail and commercial development needed to make a mixed-use urban district successful.

Because the essential tools to build the kind of projects that create real value in a city are missing, the significant state and local investments being made in Gateway Cities are underperforming. State funds get spread too thinly to have much impact. Cities don't put enough local dollars into planning and economic development functions because at the end of the day these professionals don't have the resources to make things happen. Lacking confidence that they will have the required partners in state and local government, private developers are hesitant to kick the tires and uncover projects with the potential to be transformative.

A bill currently before the Legislature (H. 311) would go a long way toward providing tools to pursue transformative projects. Equally important, MassDevelopment and other key Gateway City partners are beginning to target their support to projects that can make a compelling argument for their potential to be transformative. 🌟