

In 1850, the Connecticut River fueled waterwheels for paper mills in Holyoke, MA; today, it generates clean, inexpensive hydroelectric power for a supercomputing complex. Credit: Jeffrey Byrnes

BACK TO THE FUTURE

The Working Cities Challenge Helps MA Cities Rebuild on Industrial Pasts

By Billy Hamilton

HOLYOKE, A CITY OF ABOUT 40,000 IN WESTERN MASSACHUSETTS, WAS ONE OF THE NATION'S FIRST PLANNED INDUSTRIAL COMMUNITIES. Beginning in the late 1840s, Boston investors transformed what had been a farming area into a mill town, taking advantage of its location along the Connecticut River. The investors wanted to manufacture cotton textiles. But over time an elaborate canal system was built in the city to accommodate more and more mills, and the town became known for silk, wool, and paper manufacturing as well. In time, Holyoke came to be known as the "Paper City" because of its paper mills.

As the mills developed, the city prospered. With jobs plentiful, the town attracted successive waves of Irish, French-Canadian, German, Polish, Jewish, Italian, and Puerto Rican immigrants who worked in the mills, created small businesses, raised families, and built a city that reached a population of 63,000 by 1917 (McLaughlin Green 1939).

Then it all began to come apart—slowly. From a peak in the 1920s, local industry gradually declined as companies and jobs moved overseas or migrated to the South and West to be nearer raw materials and cheaper labor. By the time of the 2000 census, Holyoke's population had shrunk to fewer than 40,000. Like other small industrial towns across the country, it was part of a fading era in the American industrial past, and the once-prosperous Paper City was fighting to keep its economic footing.

Fortunately, Holyoke had a big stroke of luck in 2009, when the city was selected as the site for what came to be known as the Massachusetts Green High Performance Computing Center (MGHPCC)—an environmentally friendly supercomputing complex intended to bolster what state officials call the Massachusetts "innovation economy." Water power was once again key to the city's success. Holyoke's location on the banks of the Connecticut River offered access to low-cost hydroelectric power, while the river and the city's many canals offered water for cooling, a major advantage in supercomputing. "Holyoke

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has struggled after losing its industry base," says Kathleen Anderson, president of the Greater Holyoke Chamber of Commerce. "We had aging infrastructure that needed to be repurposed, loss of jobs, and other changing demographics. Holyoke had to think in creative ways and recognize the assets we had. Both human talent and the wisdom of acquiring the dam and its hydropower have been foundational to our rebirth."

When the computer center opened in 2012, it represented an important first step toward improving Holyoke's fortunes, but it wasn't enough to restore its vitality. The city undertook a planning effort that produced a 20-year renewal plan to revitalize and redevelop the area where the MGHPC is located, in the center of town. An important step in realizing the plan was the creation of the Holyoke Innovation District—an investment the state made through the Massachusetts Technology Collaborative that brought together local officials, business leaders, and community organizations to encourage local and regional economic development. "The attraction of the computing center to Holyoke really started our planning process around the Holyoke Innovation District. Really, we say it spawned out from the computing center," Marcos Marrero, Holyoke director for planning and economic development and co-chair of the Holyoke Innovation District, said in a September interview (Desmarais 2015) with the *Bay State Banner*.

Leadership, Collaboration, Resurgence

That's when the Boston Federal Reserve Bank entered the picture. Since 2008, the bank's research staff had been studying older industrial

cities like Holyoke as part of an effort to help revitalize another Massachusetts city, Springfield. Like Holyoke, it had seen better days. The bank conducted a two-year study partnership with Springfield that examined the challenges facing the state's fourth-largest city, which continued to fail even as state government and nonprofits poured millions of dollars into revitalization.

One part of the study tried to glean lessons for Springfield from the fates of 25 other small industrial cities in the Northeast, Midwest, and upper South. The Boston Fed's economists found that a handful of these cities had been able to either maintain or recover much of their economic stability, as measured by income, poverty rates, population, and economic vitality. Boston Fed researchers called them "resurgent cities," and the researchers looked for common themes that explained their success. The cities, they found, faced similar challenges—poverty, changes in racial and ethnic makeup, and the loss of their manufacturing bases. But all were fighting through their challenges and shared a key driver of success: sustained leadership and collaboration among businesses, government, nonprofits, and community groups. "Time and again, our examination of the resurgent cities' histories indicated that the resurgence involved

A mixed-use commercial and residential project is reclaiming the former American Cubit Wire factory on Holyoke's Canalwalk. Credit: Rob Deza



leadership on the part of key institutions or individuals, along with collaboration among the various constituencies with an interest in economic development," bank researchers wrote in a 2009 report (Kodrzycki and Muñoz 2009).

The bank researchers noticed that the source of local leadership varied from place to place. In New Haven, Connecticut, local colleges and universities worked with government officials and private industry to provide workforce training and funding to attract companies. In Providence, a nonprofit foundation worked with business executives to develop ideas and a consensus on downtown development projects. In Evansville, Indiana, a mayor initiated the turnaround in the 1960s, and it continued, thanks to an aggressive economic development campaign by the local chamber of commerce later on. Despite their differences, all these economic redevelopment efforts spanned decades, implying solid ongoing leadership.

All the efforts demonstrated the active collaboration of numerous groups and individuals as well. According to the Fed's research, "Collaboration became necessary because economic transformation is complex, and because outsiders—such as state and national governments, foundations, and businesses that are potential sources of funding and jobs—often require proof of joint efforts in order to contribute to a city's development."

Rising to the Challenge

These findings led the Boston Fed to ask what it could do to help build the strong civic infrastructure that was critical to resurgence. The result was the Working Cities Challenge, which the bank created with the help of Living Cities, a New York-based collaboration of 22 foundations, financial institutions, and other partners.

The Challenge took the form of a competition among the smaller former industrial cities in Massachusetts. In the spring of 2013, 20 communities applied to participate. From the applicants, six cities were selected to receive a total of \$1.8 million in grants to support projects that emphasize leadership and collaboration.



Recently restored passenger rail service in Holyoke will connect riders to Northampton, Springfield, and beyond, via Amtrak. Credit: Rob Deza

Among the first six winners was Holyoke, along with Chelsea, Fitchburg, Lawrence, Salem, and Somerville. The goal was simple: to help save these struggling Massachusetts cities by supporting development of the tools they needed to help themselves.

The program was an important and unusual one for a federal reserve bank. The banks are better known for cranking out economic research than for mounting programs in the field. However, the initiative reflected Boston Fed President Eric Rosengren's commitment to applying the bank's economic research to the real world and to improving New England communities. And the concept is scalable, with nationwide potential to bolster cities and towns across the country that have struggled with 21st-century economic realities.

Tamar Kotelchuck, director of the Working Cities Challenge, says that the bank's research on resurgent cities taught them that most struggling cities can do better. "Based on what we learned from studying resurgent cities, we got together with Living Cities and came up with the idea of a competition for multiyear funding to incentivize leadership and collaboration," she says.

She says the bank decided to start with a pilot program in Massachusetts, with a focus on small and midsize cities. The target cities range in size from about 35,000 to 250,000 and share certain economic and demographic similarities, including a large number of poor families and low median incomes. "These cities had already formed a coalition to support their interests with the help of MassINC, a local think tank,"

Kotelchuck says. “They called themselves Gateway Cities and had been working together on common economic and political problems for a few years. They had learned that working together gave them a certain amount of power that none had alone,” she says (Forman et. al. 2007).

Working Cities took a singular approach in attempting to help these cities, according to Andrew Reschovsky, a fellow at the Lincoln Institute. “What is unique about the Working Cities initiative is that, unlike many other urban economic development strategies, its focus is on improving the economic well-being of each city’s current low-income residents.”

The federal reserve banks can’t use their own funding to provide grants, but a number of willing

was that it should involve the private sector, government, and other local groups working together. “We were looking for projects that promoted systemic change,” she says. “Our goal was intended to help local leaders fix things in their cities.”

An independent jury evaluated the cities’ proposals based on criteria that reflect the Working Cities Challenge goals of collaboration, community engagement, and the use of evidence to track progress. The projects had to make a lasting contribution to improving the lives of low-income residents.

In January 2014, the first awards were announced. Of the six cities selected, four received multiyear grants, and two received seed awards. All the cities were combatting high unemployment, low student achievement, and an uncertain future. However, Kotelchuck says, “All the winning cities had distinctive proposals. No two were alike. They all addressed specific local needs, just as we had hoped,” she says.

For example, Fitchburg in north-central Massachusetts received a three-year grant of \$400,000 for its eCarenomics Initiative—an effort to develop shared metrics for neighborhood health and well-being, with the goal of improving one part of town. Chelsea won a three-year grant for its Shurtleff-Bellingham Initiative, designed to reduce poverty and mobility rates by 30 percent in the struggling neighborhood. Salem received a \$100,000 seed grant for its plan to bring one low-income neighborhood’s economic indicators in line with the rest of the city by focusing on economic development, small business development, workforce development, and leadership development. Somerville also received a one-year seed grant of \$100,000 to support a workforce training program for out-of-school “youth” aged 18 to 24.

The largest single award, a \$700,000 three-year grant, went to Lawrence in the northeastern part of the state. The award was for the Lawrence Working Families Initiative, whose goal was to create a Family Resource Center designed to increase the incomes of parents of local school children by 15 percent over a 10-year period. The initiative is led by Lawrence Community Works

partners stepped forward to aid Working Cities. Kotelchuck says the Fed’s role in the initiative includes designing and implementing the model in partnership with a steering committee, providing technical assistance, and helping teams build capacity through expert assistance, networking, and best practices. The grants are funded by several donors, including the state government; Living Cities; the Massachusetts Competitive Partnership, an association of the 16 largest employers in Massachusetts, focused on promoting economic growth; and MassDevelopment, the state’s development agency.

Kotelchuck says that when the bank and its partners put together the first competition in 2013, they left it up to the cities to propose how the grant funding would be used. “We didn’t tell cities what to work on,” she says. “The challenge is designed to help build collaboration around issues that are important locally.” A major requirement for a successful project, though,

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The Connecticut River surges through the landscape outside Holyoke, MA. Credit: Jeffrey Byrnes

and the local school system, with support from several employers and nonprofits in the area. “The Lawrence school system had gone into receivership in 2011,” Kotelchuck explained, so focusing on families and schools was a logical choice.

The city also had economic characteristics that fit the Working Cities’ model. Its median household income was half the statewide median, and its poverty rate was almost triple the statewide rate. “The city’s population is 70 percent Hispanic, and unemployment was a problem,” Kotelchuck says. Many of the problems the city faced spilled over into the schools. “The goal of the Family Resource Center is to help families in as many ways as possible. It provides financial coaching, crisis support, and other services to strengthen families,” she says.

Beyond the family center, a large part of the initiative is focused on what Kotelchuck calls “authentic parent involvement” in the schools. The initiative created community education circles where parents, teachers, and students work on specific problems in the schools. “The goal is to get parent buy-in and involvement in the school system,” she says. So far, the program has involved 400 parents, hired a family coach, and placed more than 30 parents in jobs, according to Kotelchuck.

Holyoke received a \$250,000, three-year award that is being used to implement SPARK (Stimulating Potential, Accessing Resource Knowledge). This downtown “entrepreneurship and social venture development center” aims to increase business ownership, particularly among the city’s residents, including the Latino population, which accounts for 60 percent of the population. The project team that created the program is made up of representatives from the city, the chamber of commerce, the Holyoke Public Library, a one-stop employment center called CareerPoint, and the local nonprofit Nuestras Raíces.

The SPARK program is “geared toward identifying, recruiting, and stimulating Holyoke residents and organizations that have a ‘spark’ or desire to move their innovative projects or business proposals from concept to reality by emphasizing a whole-community approach to entrepreneurialism, individual learning, and leadership training,” according to the city. In short, it’s designed to help prospective business owners establish business plans and figure out how to get operating.

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Another goal is to tie members of the downtown Holyoke community into the Innovation District the city created around the supercomputing center. “The city has a big data center,” Kotelchuck says. “But that alone won’t necessarily help Holyoke’s low-income people. The question that SPARK addresses is how do you build upon the assets of Holyoke’s immigrant population and make sure people benefit from the development that’s going on around the innovation district.”

City officials agree. “This award is more great news for the future of the city’s Innovation District,” Mayor Alex Morse said when the grant was announced. “We’ve been working hard to position Holyoke to compete in the modern economy, which requires us to stimulate innovative projects and business ventures. With the collaboration of some of Holyoke’s finest organizations and community leaders, this funding will allow us to assist local residents in bringing their innovative ideas to fruition.”

Kotelchuck says that many cities try to attract young professionals and focus on tech jobs. They see other cities

succeed using that model and copy it, but not always successfully. “If we don’t help low-income residents,” she says, “all we’re doing is moving poverty from place to place, and that helps no one. The Working Cities initiative helps people where they live. It helps people who wouldn’t otherwise have jobs.”

“Many cities chase the newest, flashiest strategy to revitalize themselves, but ultimately it’s not the newest trend that revitalizes a city,” she says. “It’s the effects of many ideas over time, and it only happens in cities with community engagement and collaboration. Our advice is to look at what you have and build systematically on it.”

She says that in monitoring the Challenge, she has noted differences in how cities think about their futures. “Some cities say: We have so many problems; give us some money,” she says. “But others say: We have these resources. We have some energy. We need help realizing our potential.” She says that revitalization efforts will require a decade of effort or more. The Fed’s goal is to provide a three-year leg up on the effort.

It can also spark broader interest in the cities’ revitalization. Recently, Holyoke SPARK received an additional \$56,000 from the Massachusetts Growth Capital Corp., a quasi-public

agency that supports small businesses, to help the program offer more classes, provide mentoring for entrepreneurs, and support a micro-enterprise loan program for those who qualify. It also received additional funding from the city’s Community Development Block Grant this year.

Signs of Progress

The Fed and its partners are happy with the project’s results so far, Kotelchuck says. And the bank recently announced a second and third round of grants, for cities in Massachusetts and Rhode Island. Eventually, she thinks the idea could spread to other Federal Reserve districts. “It’s a new model for Fed involvement in these communities. Other Feds are showing interest, and we would be delighted if it takes root in other districts.” Bank President Rosengren says that the Boston Fed plans to expand the program to other New England states at the very least.

The Working Cities program shows great potential to spread farther. Small cities and towns all over the country have been battered around by changing economic fortunes in recent decades.

Holyoke City Hall rises over the banks of the Connecticut River. Credit: Rob Deza





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They deserve a chance at becoming resurgent cities too, and it's gratifying to see an organization like the Boston Fed putting its brains and influence behind improving their future. There is no silver bullet, no guarantee of success, but the Working Cities Challenge shows that good things can happen with time, commitment, elbow grease—and a little money.

This point was underscored by the Lincoln Institute's Reschovsky: "Although all the cities currently involved in Working Cities need more economic and fiscal resources, the key to the success of the initiative will be the combination of additional resources and the development and nurturing of local nonprofit, government, business, and social institutions."

That certainly seems to be the case in Holyoke. Lately, it has even developed a little national "buzz." In the February issue of *Popular Mechanics* magazine, the editors designated the nation's 14 best startup cities, saying they wanted to identify "the next wave of cities building an

Fitchburg, Massachusetts, also won money through the Boston Federal Reserve Bank's Working Cities Challenge. Credit: Federal Reserve Bank of Boston

ecosystem to turn innovators into entrepreneurs." The list features smaller cities from across the country. Holyoke made the list at number six (*Popular Mechanics* 2015).

Inevitably, the city's chief advantage is a familiar one. "We have cheap energy," Mayor Morse wrote in a description of innovation in Holyoke for the magazine. "On the city's eastern border, the Connecticut River drops 57 feet as it presses south. When the city was founded, in 1850, the river powered waterwheels for paper mills; today it generates inexpensive, clean energy." He also mentioned the brick paper mills, signs of the industrial past that have been repurposed as "attractive industrial work spaces."

"Holyoke has gone back to where we started," the Chamber's Anderson says. "Our ancestors dug a canal system to harness power, and now we are still harnessing it as green energy to power a new economy." □