Written Testimony Submitted by Ben Forman to the
House Committee on Bonding, Capital Expenditures and State Assets

June 12, 2013

Chairman Cabral, Vice Chair Golden, and members of the committee, thank you for the opportunity to offer testimony today. My name is Ben Forman and I am the director of MassINC's recently formed Gateway Cities Innovation Institute. MassINC has spent seven years focused on Gateway Cities research. The considerable attention we have devoted to this effort is rooted in our conviction that these regional centers are critical to the economic success of our entire Commonwealth. For generations, they have been places where residents found economic opportunity leading to upward mobility.

After several decades of suburbanization and manufacturing decline, Gateway Cities face a common set of accumulated challenges. These trends have reduced their thrust as engines in the state's regional economy, but we're starting to see these adverse forces reverse direction. Living in urban environments has new appeal for many segments of our population. Some new economy employers have a unique attraction to vibrant urban environments, the manufacturing industries in and around these industrial centers are primed to expand, and most of these communities also have concentrations in the traditional high growth health care and education sectors.

With Gateway Cities positioned to make the most of these positive trends, I appear before the committee today to make a general appeal to you as stewards of the state's resources: To the greatest extent possible, work to align the capital investments we make in Gateway Cities with the explicit goal of achieving maximum economic development impact.[*]

In Gateway Cities, the economic development opportunity is in physical assets – public infrastructure, housing stock, urban form, and firmly rooted institutions (museums, universities, large employers). Investments that tie all of these assets together to leverage their potential are needed to address contaminated and blighted buildings and land, which artificially depress real estate markets and inhibit renewal. The weak real estate markets these conditions create mean developers can't rely on private capital to be first to the game.

If we use state capital funds strategically, we can enable projects that transform these areas, restoring the healthy function of the market and the flow of private investment. This approach would benefit taxpayers across the state in a variety of ways.

- First, the state can't meet the housing production targets that must be achieved to support continued economic expansion without significant new construction in pro-growth Gateway Cities. However, as Paul McMorrow wrote in last week's *Boston Globe*, demand for new housing in these areas will only come with transformative investments that correct deficiencies in their urban neighborhoods.

- Over the long term, these transformative investments will increase the fiscal capacity of Gateway Cities, reducing reliance on state aid. The investments will also provide positive fiscal

[*] MassINC has described this concept of "transformative redevelopment" in a report released in January 2013. Transformative redevelopment is defined as public and private financial support for projects that catalyze significant follow-on private investment, leading over time to the transformation of an entire downtown or urban neighborhood.

returns for taxpayers to the extent they channel growth to already developed areas where we can make more efficient use of existing infrastructure.

- Finally, transformative investments will help restore the role of Gateway Cities as regional economic engines. Gateway City residents will have higher incomes, pay more taxes over their lifetimes. The state's businesses will be more competitive if they are able to concentrate in highly productive urban areas.

We recognize the challenge that coordinating capital funds dispersed by many secretariats and intended for a variety of purposes creates. However, given the state's limited ability to make these investments, sharp reductions in federal programs to support urban redevelopment, and the severely constrained ability of municipalities to generate local resources for these projects, we feel that without a concerted attempt, the window of opportunity Gateway Cities have to take advantage of favorable redevelopment trends could be lost.

Providing the public with greater transparency would be a first and very meaningful step toward strategically coordinating resources. At present it is extremely difficult to determine where, how much, when, and for what purpose state money is spent in our Gateway Cities. For instance, the state's FY12 five-year capital plan outlines $275 million in investments in Gateway Cities. Tracking which of these projects will ultimately receive state support is extremely difficult.

Gauging the impact of state investment is all the more challenging because capital-like spending often occurs through tax credits programs, administered by different branches of government with varying reporting standards.

We have started to piece together all of the funding streams in our Gateway Cities to look more closely at how they contribute to revitalization. We have more work to do, but at this early stage, I feel that it is fair and accurate to predict that we will ultimately find very few instances of state funds, from a diverse variety of programs, invested in a community in a targeted way with the goal of achieving transformative change. While the Patrick administration has been wholeheartedly committed to Gateway Cities, and they have supported several exceptionally large projects, I think we will see that there was opportunity to have still more impact through tighter coordination.

MassINC has argued Gateway Cities merit a unique commitment from the state due to their role in regional economies and their untapped potential. We appreciate that this unique commitment means that tax dollars from residents all around the Commonwealth will be placed in these cities. With this comes an obligation to show that the hard-earned dollars taxpayers are investing have produced real, demonstrable returns. When we are clear about the outcomes we expect, and we are more transparent about where public funds are invested, we believe that more coordinated and strategic investment patterns will follow.