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## KEYNOTE

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## KEYNOTE\*

RICHARD WALKER III†

Good afternoon, I would like to thank the Law and Business Center for Advancing Entrepreneurship for inviting me to speak today. This afternoon I would like to share some of my insights with you about the challenges and opportunities that I see in revitalizing urban and rural centers, especially communities in Western Massachusetts.

For those of you who are not familiar with the Federal Reserve, our activities go far beyond the monetary policy decisions made by the Federal Open Market Committee that affect the nation's credit conditions and interest rates. One of our core objectives is to foster economic growth in every segment of the American economy, including low- and moderate-income communities. As Vice President and Community Affairs Officer of the Public and Community Affairs Department, I am actively involved in promoting programs that foster community and economic development and fair and equal access to credit.

In the last several decades deindustrialization, suburbanization, and disinvestment have combined to destabilize the economic and fiscal health of many of the nation's communities. State and local government officials have embarked on numerous strategies to reverse this trend, attempting to revitalize local economies through improving the delivery of social services, promoting job and business growth, and working to lower the cost of living through such initiatives as increasing the supply of affordable housing. Because of budgetary shortfalls, municipal officials have found collaboration vital to their efforts. They recognize that they cannot do it alone.

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\* These remarks were delivered by Mr. Richard Walker III at the Issues in Community Economic Development symposium held at the Western New England College School of Law on March 24, 2006.

† Richard Walker III is the Vice President and Community Affairs Officer of the Public and Community Affairs Department of the Federal Reserve Bank of Boston. He has served in executive positions at the Massachusetts Housing Partnership; the Lincoln Filene Center for Citizenship and Public Affairs at Tufts University; and the Greater Roxbury Development Corporation. In September 2000, the Governor of Massachusetts appointed him to the Board of Directors of the Massachusetts Bay Transportation Authority.

Municipal officials understand the need to revitalize urban and rural centers. They are working to make these centers competitive and desirable places to live and work. The hope is that improving the quality of life can help draw residents, businesses, and investors back to those areas. Like Boston, Denver, Seattle, and Chicago are successfully doing, where old industrial sections are being redeveloped into residential areas, communities must attract the migration of empty nesters and young singles back into their cities and older suburbs.

Revitalizing these centers is not just a benefit for city dwellers. It benefits the entire regional economy. The Brookings Institution has cited studies demonstrating that successful revitalization can build wealth for an entire metropolitan area, including both areas within the city limits and suburbs. In April of 2003, the Brookings Institution released a research paper based on experiences in Washington, D.C., called "Revitalizing Washington's Neighborhoods: A Vision Takes Shape."<sup>1</sup> The researchers concluded:

1. "Improving the District's economic and fiscal viability depends on attracting and retaining more residents—especially middle-income families with children."<sup>2</sup>
2. "Focusing development resources in target neighborhoods will increase the effectiveness of revitalization efforts. Public resources for development are limited. They should be spent on a small number of neighborhoods where they can make a visible difference and attract private investment and non-profit activity."<sup>3</sup>

The Brookings researchers also made several recommendations that reflect some current trends in urban revitalization, including targeting revitalization efforts and budgets and promoting collaboration between different sectors. Specifically, the Institution recommended that:

1. "The mayor and City Council must commit to a phased targeting of their revitalization efforts, and use it to set budgetary priorities."<sup>4</sup>

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1. ALICE M. RIVLIN, THE BROOKINGS INST. GREATER WASH. RESEARCH PROGRAM, REVITALIZING WASHINGTON'S NEIGHBORHOODS: A VISION TAKES SHAPE (2003) (The Brookings Inst. Greater Washington Research Program, Washington, D.C.), available at [http://www.brookings.edu/es/urban/gwrp/publinks/2003/rivlin\\_revitalizing.pdf](http://www.brookings.edu/es/urban/gwrp/publinks/2003/rivlin_revitalizing.pdf).

2. *Id.* at iii (bold formatting omitted).

3. *Id.* (bold formatting omitted).

4. *Id.*

2. "Public, private, and nonprofit enterprises must effectively partner."<sup>5</sup>
3. "Schools must become an integral part of planning and implementation."<sup>6</sup>
4. "The District needs a citywide housing strategy that both protects low-income households and seeks to attract middle-income residents."<sup>7</sup>

These are some great tactics in revitalizing urban and rural communities. There are others. Next, I will discuss three particularly promising strategies: Main Street initiatives, Chapters 40R and 40S of the Massachusetts General Laws, and community-campus partnerships.

"The cumulative success of the *Main Street Approach*<sup>TM</sup> and Main Street programs on the local level has earned [them] a reputation as one of the most powerful economic development tools in the nation."<sup>8</sup> The Main Street program has supported local efforts in transforming anemic town centers into healthy, sustainable commercial districts. Established by the National Trust for Historic Preservation, the Main Street program has combined economic development and historic preservation to create a revitalization strategy that addresses the physical, social, and economic components of a retail district.<sup>9</sup> In 2005, "more than 1,900 communities" used the Main Street model, working to create unique downtown centers that serve the needs of local residents.<sup>10</sup>

The strategy seems to be working. For example, the National Trust for Historic Preservation Main Street Center's latest statistics on economic activity collected in 2005 show that the "[t]otal amount of reinvestment in physical improvements from public and private sources," was \$31.5 billion.<sup>11</sup> The "[a]verage investment per community" was approximately \$12.5 million.<sup>12</sup> In addition, the re-

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5. *Id.*

6. *Id.* at iv.

7. *Id.*

8. NAT'L TRUST FOR HISTORIC PRESERVATION, 2005 NATIONAL MAIN STREET REINVESTMENT STATISTICS 1 (2005), [http://mainstreet.org/MediaLibrary/2005\\_Main\\_Street\\_Reinvestment\\_Statistics.pdf](http://mainstreet.org/MediaLibrary/2005_Main_Street_Reinvestment_Statistics.pdf) [hereinafter NAT'L TRUST FOR HISTORIC PRESERVATION].

9. Nat'l Trust for Historic Preservation, Main Street, About the National Trust Main Street Center, <http://www.mainstreet.org> (follow "About the Main Street Center" hyperlink) (last visited Dec. 30, 2006).

10. NAT'L TRUST FOR HISTORIC PRESERVATION, *supra* note 8, at 1.

11. *Id.*

12. *Id.*

investment ratio, which “measures the amount of new investment that occurs, on average, for every dollar a participating community spends to support the operation of its Main Street program,” was about \$28 to 1.<sup>13</sup> The Main Street program provides many benefits to merchants, property owners, financial institutions, professionals and service businesses, chambers of commerce, residents, local governments, community partners, and schools.

The Commonwealth of Massachusetts currently has a unique opportunity to provide incentives for communities to reclaim old industrial real estate, create local jobs, and add value to existing neighborhoods through the use of Chapters 40R and 40S.<sup>14</sup> State and federal programs can leverage private-sector funds to help finance the reclamation of industrial property for new development, such as needed residential housing. Let’s look at the particulars of the two new Massachusetts laws:

1. Chapter 40R—provides financial incentives to communities that establish a state-approved smart growth zoning district (“SGZD”). Within the zone, towns are required to allow for denser residential development. Upon State approval of a SGZD, a municipality receives a one-time incentive payment ranging from \$10,000 to \$600,000, depending on the total number of new housing units planned. Chapter 40R also gives communities with approved SGZDs priority for discretionary funds from the other state agencies.<sup>15</sup>
2. Chapter 40S—addresses the potential impact on education costs by providing full reimbursement for any net new education costs resulting from housing units built under Chapter 40R.<sup>16</sup>

Darcy Rollins, a researcher at the New England Public Policy Center at the Federal Reserve, states,

If 40R and 40S have any influence at all, it will depend critically on how many communities decide to participate. It is still too early to know how many will ultimately take advantage of the policies, since regulations for 40R were promulgated only in March 2005 and the process of adopting new zoning regulations is relatively slow. As of January 2005, Department of Housing and Community Development staff reported that only one mu-

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13. *Id.*

14. MASS. GEN. LAWS ch. 40R (2004); MASS. GEN. LAWS ch. 40S (Supp. 2005).

15. ch. 40R, §§ 6, 9.

16. ch. 40S, § 2.

nicipality (Chelsea) had submitted a 40R application, though more applications are expected soon.<sup>17</sup>

Among the types of collaborations that are forming around economic and community development, some of the most impactful are university-community partnerships. These types of partnerships are on the rise. Communities recognize that academic institutions can contribute significant resources to development and revitalization efforts; while universities understand that the vitality of the local area is a key to their institutional progress.

At the Federal Reserve Bank of Boston, we take an active role in promoting university-community partnerships. Our research on the topic has helped us identify a number of elements that contribute to successful partnerships. First, effective partnerships involve collaboration from all major stakeholders. This means that campus and community leaders partner in each step of the process, from problem identification, to project implementation, to program evaluation. Second, effective partnerships involve long-term commitments between partners. Significant time is needed for the parties to learn about each other and build trust. Third, effective partnerships allow partners to advance the interests of their own institutions. Sustainable partnerships hinge upon parties achieving comparable benefits for each other.

Among the most common ways that university-community partnerships improve the economic well-being of those who live in the community is by stimulating employment and business development, encouraging new and expanded access to credit for community members, and lowering the cost of living, through such activities as increasing the supply of affordable housing. Boston has several examples of effective partnerships that are using these means to have a transformative effect on communities.

In Worcester, Massachusetts, there is a new partnership called “Worcester UniverCity Partnership.”<sup>18</sup> The vision behind the Worcester UniverCity Partnership is to bring together the institutions of higher education, the City of Worcester, and the business community in a collaborative effort to promote economic development in Worcester. This alliance amongst the city, the consortium

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17. DARCY ROLLINS, AN OVERVIEW OF CHAPTERS 40R AND 40S: MASSACHUSETTS’ NEWEST HOUSING POLICIES, Policy Brief 06-1, New England Pub. Pol’y Ctr. at the Fed. Res. Bank of Boston, at 4 (Feb. 2006), available at <http://www.bos.frb.org/economic/neppc/briefs/2006/briefs061.pdf>.

18. Worcester UniverCity Partnership, <http://www.univercitypartnership.org> (follow “About the Partnership” link for details) (last visited Dec. 30, 2006).

of ten Worcester colleges and universities, and the local business community was commissioned by Mayor Timothy P. Murray to examine best practices from cities across the country and to propose ways that the City of Worcester could utilize local colleges for economic development and community revitalization.

Now, if we examine what is happening here in the city of Springfield, Massachusetts, there are many projects on community and economic development. The City of Springfield issues monthly reports on all public and private projects underway in the city, which I have observed.<sup>19</sup> The following are a sample of some of the developments:

1. Downtown—Public and private initiatives in downtown Springfield
  - a. A new courthouse is being built adjacent to the Museum of Fine Arts and the Springfield Public Library. In addition, the State Street Corridor is being redeveloped. “The goal of this project is for State Street to continue to be a vital and proud link between residents, local businesses and area institutions.”<sup>20</sup>
  - b. The city is currently identifying development opportunities for the Federal Building located in the heart of the Central Business District.<sup>21</sup>
2. Industrial—Development of industrial park areas and job creation
  - a. The city is developing the Memorial Industrial Park located in the East Springfield neighborhood. “The park can produce a maximum build-out of 650,000 square feet of industrial, commercial, general office space, or a combination of these uses with the potential of creating 350 new jobs.”<sup>22</sup>

Local officials understand that community and economic develop-

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19. See City of Springfield: Office of Planning & Economic Development: Project Updates, <http://www.springfieldcityhall.com/projects> (last visited Dec. 30, 2006).

20. CITY OF SPRINGFIELD, MA, PROJECT, NEIGHBORHOOD DEVELOPMENTS: JULY 2006 PROJECT UPDATES 2 (2006), available at [http://www.springfieldcityhall.com/projects/reports/200607\\_neighborhoods\\_rep.pdf](http://www.springfieldcityhall.com/projects/reports/200607_neighborhoods_rep.pdf).

21. CITY OF SPRINGFIELD, MA, PROJECT, DOWNTOWN DEVELOPMENTS: JULY 2006 PROJECT UPDATES 5 (2006), available at [http://www.springfieldcityhall.com/projects/reports/200607\\_downtown\\_rep.pdf](http://www.springfieldcityhall.com/projects/reports/200607_downtown_rep.pdf).

22. CITY OF SPRINGFIELD, MA, PROJECT, INDUSTRIAL DEVELOPMENTS: JULY 2006 PROJECT UPDATES 2 (2006), available at [http://www.springfieldcityhall.com/projects/reports/200607\\_industrial\\_rep.pdf](http://www.springfieldcityhall.com/projects/reports/200607_industrial_rep.pdf).

ment is vital. Therefore, in the City of Springfield's "3-5 Year Strategic Plan," local officials focused on three core components:

1. **Human Capital:** Invest in residents to enable people at all income levels to lead healthy, productive lives. Offer support to households and build capacity of community-based organizations to better support vulnerable populations.
2. **Neighborhoods:** Enhance the quality of life in Springfield's neighborhoods including public places, infrastructures, and housing stock. Ensure neighborhoods are good places to live, work and recreate.
3. **Economic Development:** Expand economic opportunities, especially employment opportunities, for low and moderate income residents through efforts to attract, retain and expand small businesses in neighborhood business districts and larger commercial and industrial establishments throughout the City.<sup>23</sup>

In conclusion, revitalization does not happen overnight. It is a gradual process that begins with small steps, eventually building capacity to tackle larger, more complicated revitalization projects and problems. "Big fix" solutions to commercial district revitalization usually fail to bring the kind of lasting, positive change that they promise. Additionally, you cannot do it alone. Cities must adapt to the needs of their industries by investing in their knowledge infrastructure—education, training, and technology. If we do not, companies will not have the skilled workers and cutting-edge tools necessary to create higher-paying jobs and strengthen a region's economy. To achieve all this, strategic collaborations among community and business leaders are essential. This is one of the reasons this conference can be so valuable. I thank you for your participation and contribution.

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23. CITY OF SPRINGFIELD, MA, 3-5 YEAR STRATEGIC PLAN, at 1-2 (2005) (covering the period July 1, 2005, to June 30, 2010), available at <http://www.springfieldcityhall.com/COS/Services/StrategicPlan.pdf>.