



Driving the New Urban Agenda

Desired Outcomes for the Middle Cities Initiative

by *Jim Stergios and Maria Ortiz Perez*

As national discussions continue on the future of cities across the country, an array of stimulus strategies are being offered. These included downsizing older industrialized cities or engaging in large-scale urban renewal projects. Whatever path is taken, Pioneer urges elected officials and policymakers not to fall into old habits of things tried that failed. The challenges our cities face are not new and while stimulus can be helpful, it will not turn back generations of economic change to which cities have not adapted.

That said, stimulus and incentives can be used profitably, as U.S. Education Secretary Arne Duncan has demonstrated in prompting reform in Chicago, Tennessee and Rhode Island. A similar model of using fiscal incentives to spur reform can be used to address the two core issues in our older industrialized cities: the need to support leaders who will take the hard steps to ensure high-quality, affordable essential services such as education and public safety; and the need to make it easier and more affordable to do business in our cities.

The Middle Cities

Brockton
Chicopee
Fall River
Fitchburg
Holyoke
Lawrence
Leominster
Lowell
Lynn
New Bedford
Pittsfield
Springfield
Taunton
Worcester

Pioneer's Middle Cities Initiative supports greater civic engagement in Massachusetts' historic industrial centers. The Initiative works with mayors, city managers, and citizens to create and disseminate clear information on city performance in education, economic development, public safety, and fiscal management.

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As Governor Deval Patrick and Housing and Economic Development Secretary Greg Bialecki consider elements of a comprehensive urban policy strategy, Pioneer offers the following recommendations in three key areas relating to that strategy: the governance of the state's urban policy, the "value proposition" that the state can offer to cities, and what the state should expect in return from cities that want to receive funding.

GOVERNANCE

The General Contractor (GC): Gubernatorial Designees

There is currently little cohesion in state policy toward municipalities. On the one hand, in addition to local aid and Chapter 70 school funding, the state funnels tens of millions of dollars in project grants to the various Middle Cities. These grants are mostly uncoordinated, too widely distributed location-wise, and unrelated to larger strategic goals. On the other hand, the state, as the creditor of last resort, has an interest in advancing prudent management of its cities. Only with good management can cities make progress in advancing the state's economic goals.

To improve coordination across state agencies and between those agencies and the Middle Cities, as well as to encourage virtuous municipal reforms, the state needs a focused management team, what we call the "GC Team" (the general contractor team). The composition of this team must be able to manage political, financial and economic development matters intensively and with fast response times.

With these considerations in mind, the GC Team should include designees from the governor's office, the Executive Office for Administration

Sources

The recommendations in this report stem from a year's work with 13 mayors and city managers, as well as the following publications on urban policy as part of Pioneer Institute's Middle Cities Initiative.

- *Learning from Springfield: An Asset Management Approach to Tax Title Collection* (February 2009) by David Panagore http://www.pioneerinstitute.org/pdf/090216_pb_panagore_taxtitle.pdf
- *GIC Consolidation* (June 2008) by Steve Poftak http://www.pioneerinstitute.org/pdf/0806_pb_poftak_gic.pdf
- *Learning from Springfield: Lessons in Effective Fiscal Management* (April 2008) by Steve Poftak http://www.pioneerinstitute.org/pdf/0804_mci_springfield.pdf
- *Rehabbing Urban Redevelopment* (February 2007) by Jim Stergios http://www.pioneerinstitute.org/pdf/07_urban_development.pdf
- *Navigating Regulations Guides for Urban Entrepreneurs*, now available for 10 cities. http://www.pioneerinstitute.org/programs_guides.php

and Finance (EOAF), and the Executive Office of Housing and Economic Development (EOHED). The GC Team would oversee the "value proposition" from the state by:

- Selecting *anchor neighborhoods* in each of the Middle Cities.
- Leading the development of targeted *anchor neighborhood* plans.
- Coordinating grants and funds.
- Ensuring delivery of key state (technical) assistance through the undersecretaries of relevant agencies.
- Following up on other opportunities and coordinating actions with the Massachusetts Congressional delegation.

They would also ensure reform and accountability by:

- Clearly communicating expectations for reform to the Middle Cities.
- Monitoring the delivery of local reforms.

External Board of Economic Advisors

In order for the Governor’s urban strategy to be successful, it is imperative that there is support that goes beyond non-profit organizations to include private sector investors. The Governor’s effort must be seen as a profitable economic development initiative for the state. Initially, the GC Team and the Middle Cities would reach out to major employers, large non-profit institutions, retail associations, small business representatives, and community groups with an eye to taking an inventory of citywide and neighborhood-specific issues as well as neighborhood capacity.

THE STATE’S VALUE PROPOSITION: THE OFFER

Money

Annually, the state provides \$50-70 million in grants to the Middle Cities from a dozen agencies. The funding from the various executive agency grant programs should be bundled and coordinated, with multi-million dollar “block-style” grants provided to cities for improvements in “anchor neighborhoods”. Anchor neighborhoods are neighborhoods where a large investment can make a significant difference for the city. (Please see Figure 1 on p.8 for a list of preferences when selecting anchor neighborhoods.) The grants would be made through the GC Team in exchange for comprehensive reforms that will improve the quality of core local services (education, public safety, economic development and fiscal management) and the city’s long-term fiscal sustainability.

Convening Power

With Mayors and City Managers, as well as think tank resources, the GC team will identify existing best practices in our cities on the basis of data on public service delivery. The team will discuss practices in each of the cities on education, public safety, business development, and fiscal management. The idea would be to share the policies and practices that have led to good outcomes in some cities and less effective outcomes in others.

State Reforms

Overall: The state would ease the burden of unfunded state mandates and mitigate other issues that increase the cost of governing a city, in order to empower local leaders to provide great services and develop locally grown solutions.

Educational Opportunity: In Middle City school districts where at least 60% of students score below proficiency on the MCAS test, the state would give parents access to educational opportunities and get them further involved in their children’s school life by significantly augmenting parental choice across public schools. Specifically, the state would:

- Lift the three caps on Commonwealth and Horace Mann charter schools.
- Require the establishment of a certain percentage of pilot schools.
- Expand Metropolitan Council for Education Opportunity, Inc. (METCO) programs as appropriate.

Public Safety:

- Maintain and strengthen the competitive application process for the Charles Shannon Community Safety Initiative so that grant

funding is targeted at communities based on need.

- Coordinate federal program funding based on best practices in community policing and regional efforts.

Economic Development:

- Expedite the collection of delinquent taxes by shortening the period during which owners can redeem property with liens on them.
- Create a mechanism to foster cooperation between city treasurers and the Land Court to reduce the completion of the foreclosure process, or consider creating a special session of the court for tax lien-foreclosure cases in Middle Cities in order to expedite dispositions.
- Expand the scope of tax increment financing (TIF) to include, when conditions require, market rate housing and, with sufficient controls, retail projects.
- Enable housing programs to fulfill Middle Cities' potential by relaxing deed restriction requirements on housing funds, so that funds can be used for housing demolition and rehabilitation costs associated with the development of workforce housing. Also, reduce the time the restrictions are in place.
- Strengthen housing code violation enforcement and coordinate action between state delegations from the Middle Cities and city housing officials to recognize the breadth of housing code violations (e.g., overcrowding) and to enforce penalties. Housing court jurisdictions should be expanded or special housing code sessions established, as penalties are only half of an effective enforcement program.
- Encourage tenants to deposit a significant portion of their rent in an escrow account when

there are complaints filed against landlords regarding building and other code violations.

Fiscal Management:

- Place Middle City healthcare benefits under the umbrella of the Group Insurance Commission (or achieve similar savings by granting the cities direct control over plan design outside of collective bargaining).
- Place locally managed pension funds underperforming the Public Retirement Investment Trust (PRIT) over a ten-year period into PRIT.
- Make resources within the Department of Revenue available to support developing a comprehensive set of financial management tools for the cities.

Targeted Technical Assistance

The state would provide targeted technical assistance – not in the usual piecemeal fashion, but coordinated through the GC Team, which would be the point of contact for interactions with the cities.

Education: The Department of Elementary and Secondary Education (DESE) would use current reporting mechanisms to craft technical assistance plans supporting superintendents, school committees, district-level administrators and principals. This would require a shift in DESE's culture, which since the late 1980s, when its regional offices were centralized in Quincy/Malden, has done little to provide statewide technical assistance to schools or districts.

- DESE's district-level technical assistance would be driven by Accountability office reports.
- DESE's school-level technical assistance would be driven by the Program Quality

Assurance's Coordinated Program Reviews (CPRs).

- DESE would also focus on aligning urban district curricula with the state's curriculum frameworks.

Public Safety: The Executive Office of Public Safety (EOPS) would fund a working group on crime prevention in the Middle Cities involving outside consultants and local officials to develop a single platform of benchmark measures, a uniform reporting methodology, a unified CitiStat-style database, and recommendations for improvements in departmental command structures.

Economic Development: The GC Team would direct transportation, environmental, housing, and economic development staff to provide technical assistance to market the cities (articulating their appeal as places to live and do business), and implement high density by-right zoning, Brownfields redevelopment, and local permitting. Specific measures would include:

- Developing detailed information on the labor force, the cost of labor, energy, utilities, land, and taxation to market the cities and their neighborhoods to business entrepreneurs and investors through a partnership between EOHEd and the cities and relevant regions, and produce a market study with funding from EOHEd.
- Providing sector-specific technical assistance, including TIF and DIF opportunities, through EOHEd and the Office for Technical Assistance (EOEEA). Because TIFs are tied by law to job creation, they are presently of limited use to Middle Cities, being neither applicable to vacant or abandoned property nor to retail. The state should consider pilot programs that expand the scope of TIFs

to include market rate housing and, with the appropriate controls in place, retail development.

- Streamlining permits through Chapter 43D and consolidation of municipal functions into a single permit board. With or without the adoption of Chapter 43D, Middle Cities should be encouraged to abandon sequential permitting processes.

Fiscal Management: Designees from EOAF, the Division of Local Services (DLS), the Department of Revenue (DOR), the Treasurer's Office, and the Land Court would form a team to advise the cities on fiscal management. Two specific recommendations are:

- EOAF staff would advise municipal officials on reasonable targets for debt management, tax delinquency, health care, pension and negotiations with city employees, and establishing enterprise accounts. DOR would determine sustainable levels of salary and benefit increases during collective bargaining.
- Streamline the tax lien-foreclosure-disposition process through a coordinated effort from the placement of a tax lien to foreclosure/disposition, including a "front end" municipal reform and a "back end" (disposition) reform to the process employed by the Treasurer and Land Court. These would include:
 - Advising the city to hire outside counsel (more cost effective than generalist practices employed by most city law departments), and implementing strict and timely enforcement, filing, and foreclosure.
 - Developing criteria, upon foreclosure, for auctions and requests for proposal, depending on the condition, revenue potential, and redevelopment goals.
 - Ensuring that filings with the Treasurer

and the Land Court do not get backed up by advising city lawyers and providing essential information that will allow them to move the cases more quickly. The Treasurer would work with the Land Court to reduce the time it takes to complete the foreclosure process by expediting cases from target Middle Cities. It is also worth considering a special session for tax lien-foreclosure cases in Middle Cities.

CITY REFORMS: CRITERIA TO ACCESS “ANCHOR NEIGHBORHOOD” FUNDING

The state cannot fund every project desired by localities, nor should it. Rather, it should engage city, neighborhood, and private concerns to *secure sustained commitment from local leadership to undertake significant reforms* in education, public safety, economic development, and fiscal management as a foundation, and in exchange, for targeted state investments in “anchor neighborhoods.” The following are suggested “threshold” commitments for cities seeking funding of a state-regional-local investment plan.

Education threshold

Middle Cities seeking funding would undertake immediate action to address failing schools. For all schools failing to achieve a 60 percent passing rate on the 10th grade MCAS, the state would allow immediate use of METCO, pilot school, and Commonwealth and Horace Mann charter schools.

Public Safety threshold

Middle Cities seeking funding would participate in a Middle Cities working group on crime and public order that focuses on performance

measures beyond simple crime data and that leads to a uniform reporting methodology, a unified CitiStat-style database, and improvements to departmental command structures.

Economic Development threshold

Middle Cities seeking funding would:

- Streamline permitting or adopt Chapter 43D, including streamlined permitting for Brownfield sites.
- Implement high-density by-right zoning to facilitate new development.
- Create a viable redevelopment agency and participating local chamber of commerce.
- Simplify regulations for 25 “neighborhood” (quality of life and amenity) businesses so that they are easier for new citizens to start.

Fiscal thresholds

Middle Cities seeking funding would:

Plan for the Basics

- Demonstrate the existence of or cooperate with DOR to develop basic budget and forecasting tools, including a comprehensive capital investment plan, a five-year financial forecast, and key enterprise accounts.
- Ensure strong financial management and payroll systems.
- Implement a multi-year financial planning process.
- Include strong control on all expenditures (including those based on transfers and grants) in the budget.
- Assess long-term (pension and retiree health care benefits) liability.

Capture Long-Term Cost Certainty and Savings

- Purchase health benefits through the Group Insurance Commission or achieve comparable savings through changes in plan design.
- Out-perform the Pension Retirement Investment Trust (PRIT) over 10 years or transfer local pension system into PRIT.
- Transfer all eligible retirees to Medicare.
- Remove ineligible participants from health and pension benefits. Particular scrutiny should be paid to grant-funded and part-time employees.
- Settle workers compensation claims.
- Enter into sustainable collective bargaining agreements.
- Examine energy costs for savings.

Rationalize Fiscal Management

- Collect back taxes.
- Systematize budgeting and payroll, adopting MUNIS (or a similar financial budget management software package) and ADP automatic payroll service (or similar).
- Budget for expected expenses.
- Account for collection issues.
- Segregate funds, such as a health care trust fund, to protect employee contributions.
- Avoid short-term borrowing.
- Reconcile accounts.
- Avoid liabilities to the IRS for tax filing and withholding problems by paying taxes.

Create Transparency

- Provide regular, actionable reports, i.e. weekly and monthly financial statements.
- Systematize and plan for capital needs, with management structures to identify needs,

oversee projects and protect assets that are built. This would involve a capital committee, budgeting by capital department, and the prioritization of maintenance.

- Implement work order systems, increasing the number of building maintenance work orders completed.

Reorganize Operations

- Streamline executive reporting.
- Rationalize the physical location of related departments to encourage cross-function communication and ease application processes.
- Scrutinize allocation of employees and organization of departments.

Embed Accountability

- Develop performance-based contracts for certain employees, such as teachers and principals.
- Use technology to track assets and performance; e.g. GPS and/or cameras in certain city vehicles.
- Enact drug/alcohol policies, including conditional drug testing.
- Implement CitiStat to provide continuous review of the quality of municipal operations.
- Build 311 capability.

Figure 1
Rehabbing Urban Redevelopment (2007)

Measuring neighborhoods and preferences for the selection of anchor neighborhoods

Measure	Data Source	Anchor preferences
School buildings	SBA Program	Renovation or construction underway or recently completed, or relatively small dollar new project
Educational attainment	DOE	Willingness of superintendent to make significant changes in neighborhood school(s)
Crime and delinquency	City, Bureau of multi-pronged Crime Statistics, EOPS; neighborhoods, and EOPS GIS	Solvable crime issues (community policing > crime and gang-related activities)
Small streetscape improvements, including repair of hazardous sidewalks, crosswalk painting, traffic calming needs, street lighting, etc.	City, Neighborhood	Interesting and solvable traffic issues (speeding, connectivity deficiencies, etc.) rather than capital-intensive projects such as redirecting highways
The location, ownership, housing type, and number of tax lien properties. Existence of market rate versus subsidized/affordable housing.	City	Proximity to employment, significant number of low expenditure fixes, etc.
The location, ownership, and housing type of housing in blighted condition, abandoned, boarded-up, or in need of demolition	City, Neighborhood	Housing stock that does not have unsolvable issues (not all abandoned high-rises with asbestos, Brownfields, etc.)
Nuisance sites (illegal dumping, businesses violating environmental regulations, etc.)	City, Neighborhood	Numerous issues may represent an opportunity for coordination with DEP
Parks and public infrastructure requiring repair	City, Neighborhood	Significant resources (rivers, parks, historic sites) that need investment and additional access
Employers willing to partner with the state and federal officials in homebuyer assistance for their employees in the target neighborhoods	Businesses	Necessary
Issues slowing business in retail districts	Businesses	More easily resolved issues; for example, not involving the wholesale removal of a homeless shelter or a bridge
Presence and ownership of neighborhood serving retailers such as groceries and supermarkets, drug and convenience stores, shoe repair, dry cleaners, barber and hair product shops.	City, Neighborhood	Retail spines that are degraded
Cultural or other branding of retail spines/areas	City, Businesses, Neighborhood	Strength and direction of retail association
Zoning flexibility	City, Businesses, Neighborhood	Necessary
Neighborhood capacity to be effective supporters and partners	City, Businesses, Neighborhood	Neighborhood (community) capacity—neighborhood associations that are effective and not prone to in-fighting and political grandstanding