Leading TOGETHER

Building Private Nonprofit Economic Development Organizations for Gateway City Growth & Renewal

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Rising to the challenges Gateway Cities face in the 21st century requires new structures to engage the private sector. In addition to financial resources, private sector partners can offer local economic development initiatives the talent of high-level executives with independent perspective, a long-term results-oriented approach, and implementation expertise. Corporate participation also provides additional backing and credibility to help projects win state and federal funding and secure private financing.

Much has been written about the struggles that major cities now face finding new paradigms to engage business leaders. In an era defined by multinational corporations with little attachment to place, there are simply fewer high-level executives with the commitment and authority to contribute to local initiatives in a concerted way. CEOs running local startups have little time, and often they have not been groomed to engage in civic life to the same extent as the previous generation of business leaders. With limited resources and the challenges of the day often calling for a regional response, central city initiatives no longer take precedent for executives in larger metro areas, particularly with so many corporations headquartered in suburban office parks.

Gateway Cities face these same struggles only more intensely because of their smaller scale. They are also in even greater need of private sector assistance. Gateway Cities have yet to see the transformative physical investments that private sector groups often played a key role fashioning in major US cities in the 1980s and 1990s. These smaller communities also bear the brunt of a geographic concentration of poverty driven by rising income inequality. Finally, Gateway Cities lack the resources to help disadvantaged residents reach their potential and participate fully in the state’s knowledge economy. This last issue cries out for attention from business leaders, as Gateway City residents makeup a large and growing share of the workforce in most regions of the state.

Many Gateway Cities have established private nonprofit economic development organizations as a strategy to better engage the private sector in efforts to grow the local economy. Through these entities, businesses work collaboratively to help fashion and lead economic development projects, initiatives, and policy advocacy. While these groups are generally created with similar missions, their organizational and funding structures vary, and the differences influence their effectiveness.
As cities undergo leadership transitions and shifting priorities, they often reassess their economic development capacity in both public and private organizations, and they question whether they would be better served by new models.

Gateway Cities that lack private non-profit economic development organizations are increasingly asking whether they would benefit from one. This fresh look is driven, at least in part, by the recent experiences many Gateway Cities have had struggling to incorporate private sector partners in their Working Cities Challenge proposals.

To aid efforts to build and sustain strong private nonprofit economic development organizations, this primer assesses the organizational structure, funding, personnel, and missions of a diverse set of such organizations currently located in Gateway Cities. Drawing on this analysis and a growing body of literature on engaging the private sector in local economic development initiatives, the concluding sections summarize major themes for consideration by both local Gateway City leaders and state policymakers.

I. A LOOK AT FOUR PRIVATE NONPROFIT ECONOMIC DEVELOPMENT MODELS IN GATEWAY CITIES

Lessons from private nonprofit economic development organizations currently operating in Gateway Cities provide insights on effective structures and approaches. The following examples from Lowell, Springfield, Brockton, and New Bedford share several common characteristics:

- Private nonprofit corporations (C3 or C6)
- A focus on advancing economic development, investment, and job creation
- Both public and private sector board members
- Some level of public financial support and fee income from one or more loan programs
- Locations in similarly situated cities

One of the main differences to note in reading these case studies is the extent to which these private nonprofits either augment or supplant economic development capacity in local government.

1. The Lowell Plan

The Lowell Plan is perhaps the longest serving private local economic development organization in the Commonwealth. First established in 1980, The Lowell Plan and its companion financial arm, the Lowell Development & Financial Corporation (LDFC), work on transformative developments that alter the experience and reputation of Lowell in a positive way. Originally and continuously funded exclusively by the private sector, The Lowell Plan receives no direct public funding.

Lowell’s mayor, city manager, and six other public officials, including leaders of UMass Lowell and Middlesex Community College all serve ex officio on the Lowell Plan board. The other 30 members of the board are from the private and nonprofit sectors and represent the largest financial contributors to The Lowell Plan’s budget. These private sector leaders are often the chief executives or top local officials of their organizations, and they are active board participants and financial supporters.

The Lowell Plan has a deep reach into the community demonstrated by an additional 63 “members” that support the organization. Nearly one-third of its total annual revenues—upwards of $250,000—come from the dues paid by the board and members, ranging from $100 to $25,000. In addition to this operating support, The Lowell Plan solicits additional funding for specific initiatives or planning projects and studies. The organization’s credibility in the community and the longstanding private support it has received positions The Lowell Plan well for seeking and finding this additional funding when needed.

The Lowell Plan often partners with the City of Lowell on planning and marketing efforts, providing financial support, advisory services, and in some cases directly hiring consultants. Its financial independence, however, gives The Lowell Plan the ability to stand on its own and speak out against certain policies it feels could harm the local economy without fear of recrimination or financial pressure from the public sector. It is also insulated from becoming subject to changes in municipal priorities or public budget constraints.

The Lowell Plan also has the advantage in extending its reach and influence through its companion entity the Lowell Development and Financial Corporation, a lending agency that provides financing to small and emerging businesses in Lowell. Originally focused on rehabilitation and restoration of downtown buildings, the LDFC has expanded its scope to include a venture fund, down payment assistance, and funding for industrial improvements.

All of this work is conducted by a relatively lean staff of four across both organizations. One differentiator for The Lowell Plan is the continuity of its professional leadership, having had only three executive directors for its entire 35-year existence. This creates a high degree of institutional knowledge and public credibility for the organization.

The Lowell Plan is recognized as a valuable external partner for the city’s economic development department, and has maintained positive relationships with virtually all city administrations since the organization’s founding. The Lowell Plan is able to focus on a relatively narrow mission because the City of Lowell has a large economic development apparatus that is able to advance elements of planning and project execution.
that fall outside of the scope and mission of The Lowell Plan. This relationship has yielded significant dividends to the City of Lowell, with major investments in facilities and infrastructure and all but a few thousand square feet of mill space in the downtown having been redeveloped into residential and commercial uses.

2. DevelopSpringfield
DevelopSpringfield was established in 2008 to stimulate growth in Springfield. The organization is responsible for a number of high-profile redevelopment projects throughout the city over the past last decade. DevelopSpringfield is funded primarily by private corporations, with MassMutual Insurance Company, its largest donor, providing over $500,000 in annual support in both 2013 and 2014. The organization also receives some foundation and public grant funding for specific activities, often targeted to specific redevelopment projects, and partners with the city on façade improvement grant programs. However, there is no direct public support for its annual operating budget.

While city officials serve on DevelopSpringfield’s board, the majority of directors are from the private sector and represent some of the largest institutions and employers in the city. DevelopSpringfield does not have a membership or board dues structure, and instead relies on discretionary private support and revenue from other sponsorships and an annual fundraising gala.

The bulk of the organization’s efforts has been focused on brick-and-mortar investments to restore and redevelop properties in the Lower Maple Business Park, where it has led the acquisition and conversion of a string of historic homes into commercial space.

DevelopSpringfield has also served as an important partner for the city in responding to urgent planning and redevelopment needs. After a tornado struck the region in 2011 and devastated parts of the city, DevelopSpringfield partnered with the city’s redevelopment authority to lead a citywide master planning process, Rebuild Springfield. Construction is currently underway in several of the districts identified in the Rebuild Springfield plan. Similarly, after a gas explosion severely damaged an area in downtown Springfield, DevelopSpringfield was a conduit for a grant from Columbia Gas to study the redevelopment of the area, which has since been rebranded as the city’s Innovation District and is a recipient of one of MassDevelopment’s Transformative Development Initiative designations.

Like the Lowell Plan, the organization operates with a lean staff of four and relies heavily on a well-regarded executive director to serve as a strong intermediary between partners in the private sector and municipal government.

3. Brockton 21st Century Corporation
The Brockton 21st Century Corporation was created in 1993 to serve as the city’s primary economic development organization promoting business recruitment and retention, marketing the city, and leading revitalization projects. The corporation, known as B21, is managed by a board of public and private sector officials, including the mayor, the city’s chief financial officer, and the director of planning and economic development. The original board consisted of the CEOs of local banks and Brockton-based businesses. Over time, the board has seen an increase in nonprofit leaders. While it still boasts representation from Brockton businesses, in some cases these are now senior executives rather than CEOs.

B21 is located in the same space as the Metro South Chamber of Commerce, and the chamber’s CEO serves on the board of B21. This close partnership provides an open line of communication with employers and presents opportunities for collaboration on marketing and promotion. For example, the two organizations co-funded a regional marketing assessment that created a theme and tagline for the area with the City of Brockton as the centerpiece in 2015.

In the early years, B21 received some contributions from its private sector members through membership dues, but this revenue source has waned and the organization now is completely reliant on the annual allocation of funding it receives through the city budget. This amount ($250,000) has remained largely static over the past decade, and has often become a contentious issue as the city council prepares the municipal budget.

In 2002, B21 constructed on behalf of the city a new complex that includes a 6,000-seat baseball stadium and a 15,000-square-foot conference center. B21 owns the facility and contracts operations through leases and agreements with several tenant operators. After initial success hosting a minor-league baseball team, the facility became underutilized for many years. A new tenant/operator has made a renewed commitment to growing and marketing the facility and is showing signs of progress. Management of the complex and the related debt service payments to the city, however, have been a significant financial and operational drain on B21, distracting its board and professional management from its primary mission of promoting economic development.

While technically an independent nonprofit, B21’s continued reliance on city funding has created structural challenges that other peer organizations have not faced. It has also made the organization more vulnerable to government/political influence. B21 has had more than five executive directors since its founding and has gone through some significant re-organizations at the direction of different mayoral administrations, including the merger with the city’s redevelopment authority and then subsequent separation in a following administration.
These organizational gyrations, combined with support for some controversial local projects over the past decade, have left B21 with a mixed perception in the community. Public scrutiny and criticism of B21 could be a contributing factor in fewer CEOs participating in the B21 board and the inability of the organization to sustain a membership dues program. B21 has persevered largely through the commitment of a core group of long-serving board members and dedicated staff.

Recently, B21 has benefited from a re-energized board and strong support from the mayor’s office. Structural challenges in its operating budget and obligations to the stadium complex limit B21’s ability to act on and participate in economic development efforts on the same scale as its peers. However, its leadership on downtown initiatives and coordination on planning efforts with the city’s Department of Planning and Economic Development are helping to lay the groundwork for renewal.

4. New Bedford Economic Development Council

The New Bedford Economic Development Council (NBEDC) is a 501 (c)(3) nonprofit organization charged with a broad range of responsibilities for advancing job creation, investment, and development activity throughout the city. Originally established in 1998, the NBEDC was intended to replace the city-controlled New Bedford Development Corporation. The NBEDC was still subject to influences of City Hall and lacked the independence needed to be truly successful. In 2005, the NBEDC was re-organized with a primarily private sector board, a change which transformed not only the NBEDC’s operations but also its impact on the city’s economic growth. The steady and consistent engagement by its private sector board members since that reorganization has yielded dividends, as has the consistent management over those years, with only two executive directors over that period and the retention of staff in key roles.

While not fully dependent on city resources for operating support, the NBEDC plays the leading role in economic development for the city, which means it has especially close ties to the mayor’s office. The city supports the organization by assigning federal Community Development Block Grant funds to NBEDC’s four loan programs. The revenue the NBEDC generates from these loan programs represents a significant portion of its operating budget, meaning the city’s CDBG contribution plays a more outsized role than it might appear. However, there has been no indication in the past decade that this relationship has led to any level of undue influence from the mayor’s office. The mayor serves ex officio on the board, but the chair is elected by the full nine-member board, and the majority of voting members represent private sector and nonprofit entities in the city. The NBEDC also has a membership of 250 individuals that serve in a non-paying, non-voting capacity.

II. BUILDING PRIVATE NONPROFIT ECONOMIC DEVELOPMENT ORGANIZATIONS IN GATEWAY CITIES

The case studies and a review of the literature suggest four elements are essential for a successful, sustainable private nonprofit focused on local economic development. While ideally organizations are built from the ground up to adhere to these guiding principles, entities are adaptable and can evolve over time to achieve these fundamentals.

1. Make for-profit businesses the backbone. For a private nonprofit to successfully influence local economic growth and activity, the leading for-profit businesses in a community must be deeply engaged. In addition to the financial resources such companies can bring, their credibility within and outside...
the community are key to an organization's ability to have a real impact. Public sector leaders will listen and respond to major employers, which are often large commercial taxpayers and important benefactors of cultural and community initiatives. Outside businesses considering relocation or expansion will want to know that the companies currently in the community are proud to be there, are successful, and support the city. The boards of directors should be populated by senior executives from these businesses. Nonprofits play an important role and should also be represented and active, but the private sector for-profit businesses must form the core.

2. Build capacity strategically, clearly defining roles and coordinating with other entities. With limited resources it is important that communities build capacity in entities strategically. Nationally, many private-sector-led economic development organizations are taking a regional view. Place-based economic development efforts now operate as a standing committee in a larger regional economic development entity or chamber of commerce. While the scarcity of resources in Gateway Cities would suggest such an approach, these communities may not be well served by this model, given the stark contrast between Gateway Cities and their neighbors.

If multiple groups are necessary, it is essential that private nonprofits develop solid relationships. Together these organizations can have far more impact by coordinating activities than they can by themselves. There are often complicating elements, particularly when organizations are seeking membership or dues revenues from the same businesses. These issues can be addressed through clear roles and responsibilities to reduce overlap and demonstrate that each organization needs and deserves the support of local and regional businesses.

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**Launching a New Private Nonprofit Economic Development Organization**

**The Genesis of the Lawrence Partnership**

The Lawrence Partnership, created in 2014, offers lessons for communities looking at launching a new private nonprofit economic development organization in today’s environment. For several years, leaders in Lawrence quietly discussed whether the city should emulate their neighbors in Lowell and Salem, who had enjoyed economic development success working through The Lowell Plan and Salem Partnership. The galvanizing moment came when the Federal Reserve Bank of Boston issued the Working Cities Challenge RFP. Leaders from a cross-section of the Lawrence community gathered to brainstorm concepts for an application. The idea of launching a private nonprofit was given serious consideration, but the group ultimately decided that the proposal should be tested and pursued separate from the Working Cities Challenge.

To keep the conversation going, three high-level leaders from the community (Lane Glenn, president of Northern Essex Community College; Sal Luploi, a well-respected business owner; and Barry Feingold, then the state senator) leveraged their networks to convene a series of meetings with local private, nonprofit, and public sector leaders. They also organized delegations to visit The Lowell Plan and the Salem Partnership.

This due diligence led to the founding of the partnership in the summer of 2014. As the effort took hold, other leaders, including Bob Rivers, the president and chief operating officer of Eastern Bank, stepped forward and helped raise funds. Derek Mitchell was hired as the organization’s first full-time professional director in the spring of 2015. During his first year in office, he has led a strategic planning process to refine the organization’s structure, mission, and priorities for action.

While the Lawrence Partnership resembles other private nonprofits, it has been tailored to meet the needs of a new era. The organization is more inclusive with a greater number of *ex officio* board members, including the entire legislative delegation, the chamber president, superintendents of both the local school district and the regional vocational school, the mayor, and the city’s chief planning and economic development officer. The Lawrence Partnership’s operating budget is fully funded by private sector contributions with recommended donations varying according to a member organization’s size.

Recognizing that the expectation of financial support from voting board members means the group is not fully representative, the partnership also has a formal advisory committee made up of executives from smaller businesses and nonprofits as well as city residents. In addition, the organization has codified that its work is intended to produce economic growth that is broadly shared by all Lawrenceians.

Lawrence now has the added capacity of a staffed private nonprofit economic development organization, but the Partnership will need time to build financial strength and standing in the community. While one of the prime advantages of these groups is their ability to steadily pursue long-term goals, a new organization is under pressure to produce short-term wins to build credibility within its membership and more broadly.
3. Achieve an appropriate level of independence from municipal government. While private nonprofit economic development organizations share largely the same overall goals as city government, their chief reason for being is to provide independent perspective and nimble execution of strategic priorities. They must coordinate closely with municipal planning and development efforts, but it is critical that they have independence from city funding and the volatility of municipal government.

4. Diversify revenue streams. One of the greatest risks to any enterprise is an overreliance on a small number of customers or product lines. This is especially true of private nonprofit economic development organizations in Gateway Cities, which either depend on a small handful of businesses for the bulk of their operating funding, or rely on revenue from a loan fund that is capitalized by annual allocations of public funds. In these cases, circumstances beyond the control of the organization, such as corporate leadership change, acquisition, or relocation, can create immediate budgetary challenges. A broad-based membership dues structure should be the stabilizing factor to support a robust sponsorship and grant-seeking program to fund discrete activities or events. Certainly not all EDO activities can be fully self-funding, and some cross-subsidy of activities is necessary. It is important, however, to be aware of the spread of revenue sources to insulate the organization from external events or decision-making.

5. Quantify results. In this era of limited resources, organizations must have the ability to measure and demonstrate outcomes. Private nonprofit economic development organizations have often been able to quantify tangible benefits through transactions (i.e., the number of deals done and the level of investment generated), but public and philanthropic funders that are important contributors to these organizations increasingly want to see outcomes attached to those figures. How much follow-on capital flowed into the area as a result of the initial investment in the project? How did the project generate growth for current city residents? These can be challenging effects to measure; however, with greater data availability, it is now possible to get a better handle on localized change. Groups should also seek to measure the qualitative impact of their work. The Lowell Plan, for example, has clearly played a role in fostering a high level of public-private collaboration in the city. While it is difficult to quantify the value of this accomplishment, there are effective research methods to show that it is present.

Leading Together: A Sector-by-Sector Look at the Roles Executives Can Play

With diminished corporate resources to support local economic development initiatives, the leadership of private nonprofit economic development organizations has become more inclusive, with a greater voice for elected, nonprofit, and philanthropic executives. Leaders from these different sectors bring unique perspectives and can play varying roles. Here is some general guidance drawn from the Gateway City case studies and a literature review of the research on this topic:

Corporate Leaders
• Carefully balance between the need for private sector leadership in both local and regional matters, recognizing that on many key issues, such as affordable housing, transportation, and workforce development, the solutions will be found predominately in the core urban areas.
• Turn to the organization’s professional manager to help bridge divides that arise with political leaders.

Elected Leaders
• Genuinely engage the business community in shaping local economic development strategy.
• Make strategic use of the limited time business leaders can lend to increase project credibility and provide political cover.
• Turn to the organization’s professional manager to help bridge divides that arise with business leaders.

Nonprofit Leaders
• Represent the nonprofit sector’s growing share of the local economy; at the same time, work to keep private businesses fully engaged in the organization.
• Provide a strong voice for inclusion in economic development initiatives.

Philanthropic Leaders
• Recognize that philanthropy has a unique role pushing for a long-term approach in an era in which corporate leadership is no longer a stabilizing force.
• Help initiatives move beyond short-term wins of traditional economic development (i.e., business attraction, urban redevelopment) yet remain focused on achieving measureable, incremental gains toward long-term goals.
III. THE STATE ROLE FOSTERING PRIVATE SECTOR LEADERSHIP IN GATEWAY CITIES

For Massachusetts to generate more balanced economic growth across the entire Commonwealth, efforts need to be made to ensure that regions are positioned to compete. In many parts of the state, the loss of the business community to champion and steward economic development efforts is a major disadvantage. Through efforts like the Working Cities Challenge and the Transformative Development Initiative, the state is creatively thinking about how it can help increase the economic development capacity of Gateway Cities. Careful thought should be given to how these efforts can be built upon with the goal of increase private sector leadership.

1. Incentivize charter reform to give Gateway City mayors more stability and executive authority. While mayoral partnership is not essential for effective private nonprofits, the business community is more like to engage when the city is in a position to perform. Two-year mayoral terms, recall provisions, and other antiquated aspects of Gateway City charters undermine mayoral authority and deter investment. As a first step to increase private sector engagement, Gateway Cities must modernize their charters. The state can give elected leaders cover to take on this political fraught work by creating strong incentives and financial assistance.

2. Develop a matching grant program to bolster the private sector’s contribution. In many Gateway Cities, the private sector’s carrying capacity may be just below what’s needed to sustain an effective private nonprofit economic development organization. The state should consider making available a matching grant program to encourage the private sector to contribute and formally engage in long-term local economic development efforts. The state’s support for the Working Cities Challenge has won significant engagement and matching funds. A grant program could provide a vehicle for building upon these collaborative models and sustaining them over the long term.

3. Encourage private nonprofits to look beyond the bricks and mortar. Real estate development is a natural fit for private nonprofit economic development organizations. Their private status gives them the ability to act more nimbly when necessary. Private sector negotiating and financing skills also provide real value in small to midsize cities undertaking complex revitalization work. While significant need for transformative development remains, the most pressing and difficult problems Gateway Cities face today could also benefit from data-driven private sector focus and execution. The increasing presence of education, healthcare, and other nonprofit service providers at the leadership table positions these organizations to take on the long-term challenge of helping communities innovate to provide the full spectrum of supports residents will need to succeed in challenging economic times.

4. Provide eds and meds with budgetary flexibility. Public colleges and universities and nonprofit community hospitals play an important role at the leadership table as major employers, but they are often constrained in their ability to contribute resources to economic development partnerships. The state can examine opportunities to offer greater latitude. One vehicle for community hospitals is the federally mandated community benefit agreements (CBAs) developed every three years. In offering formal guidance to community hospitals, the Attorney General could explicitly acknowledge that the Affordable Care Act now permits hospitals to include funding in their CBAs for economic development initiatives that produce tangible benefits for disadvantaged residents.

5. Use soft power to convene and coalesce. While state officials should not be in the position of pressuring local leaders to join forces through private economic development organizations, there are unique moments when the administration can offer a gentle nudge to help spur action. As new corporations enter a region, the state can also help introduce executives to the work of private economic development organizations in their area. Lastly, the state can convene (or encourage others to take the lead convening) private economic development organizations from across the state to share practices, exchange ideas, and explore opportunities to partner on mutually beneficial projects.

Notes
1. Gordon Carr is an economic development professional with more than two decades of experience in Massachusetts working with Gateway Cities. He provided consulting and technical services for the preparation of this report.
3. A variety of information sources and resources were utilized to develop these assessments, including filings with the Attorney General’s Public Charities Division, publicly available annual reports, municipal reports, organization statements, interviews with organization leaders and stakeholders, and the author’s primary experience and knowledge.
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ABOUT THE GATEWAY CITIES INNOVATION INSTITUTE
The Gateway Cities Innovation Institute works to unlock the economic potential of small to mid-size regional cities. Leveraging MassINC's research, polling, and policy team, the Institute strengthens connections across communities and helps Gateway City leaders develop and advance a shared policy agenda.

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