Bringing Good Things to Life: New Markets Tax Credits and the Opening of Low-income Communities to Investment, Including a Case Study of Pittsfield, Massachusetts

By

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ABSTRACT
The New Markets Tax Credit (NMTC) Program is designed to promote investment and economic growth in urban and rural low-income communities across the country. Created in 2000 as one of the last acts of the Clinton Administration, the NMTC program has allocated $16 billion of tax credits to date to Community Development Entities (CDEs), who in turn use the credits to make investments in target communities. Through the final authorized round of allocations, which is currently projected to be end-of-year 2008, the program will have allocated $19.5 billion in tax credit authority.

This thesis investigates how NMTCs work, why they are structured as they are, and who uses them. It reviews the origins as well as the current status of the program, and investigates how one of the most active, innovative CDEs in the country, Massachusetts Housing Investment Corporation (MHIC), uses NMTCs in practice. Finally, this thesis provides a case study of Pittsfield, a small city in western Massachusetts where NMTCs have been used as part of the community’s efforts to redevelop the downtown as a cultural and entertainment destination. Pittsfield, once home to a large General Electric manufacturing plant, experienced a rapid economic decline following GE’s gradual closure and sale of its operations in the city over the last several decades. This thesis investigates Pittsfield’s efforts to redefine itself through a combination of strong leadership, vision, and the effective use of available capital resources such as NMTCs.

One of the primary questions raised about NMTCs has involved how to evaluate the impacts of the tax credit investments on their target communities. Especially in an environment in which the re-authorization of the program is not assured, understanding the impacts of NMTC investments is critical if the program is to continue. This project lays out an innovative evaluation framework based upon ‘theory of change’ logic modeling in order to offer a potential guide for NMTC impact evaluation that could be used in practice. In particular, this thesis argues that NMTC investments must be evaluated within the context of broader community redevelopment initiatives and not as stand-alone initiatives. Ultimately, the value of theory of change models both for planning community development initiatives and for evaluating NMTC impacts is demonstrated by constructing such a framework for Pittsfield, Mass.
# Table of Contents

Abstract ................................................................................................................................. 2

Acknowledgements .............................................................................................................. 4

Introduction .......................................................................................................................... 5

## Part I

Chapter 1: The Changing Landscape of Community Development and the Rise of New Markets Tax Credits ................................................................. 10

Chapter 2: Implementing the Vision – The New Markets Tax Credit Comes to Life ................................................................................................. 27

Chapter 3: MHIC – New Markets Tax Credits From the Trenches ......................... 47

## Part II

Chapter 4: Pittsfield, Mass. - The Rise and Fall of a Company Town ................. 62

Chapter 5: Pittsfield - Vision, Leadership, Capital, and the Redefinition of a Company Town .................................................................................. 79

Chapter 6: Evaluation Methodologies and ‘Theory of Change’ Modeling ............. 99

Chapter 7: We Bring Good Things to Life - Pittsfield and a Framework for Evaluating the Impacts of New Markets Tax Credits ......................... 112

Conclusion ......................................................................................................................... 139

Appendix A – List of Interviews ...................................................................................... 144

Appendix B – Maps and Photographs .............................................................................. 145

Bibliography ...................................................................................................................... 156
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Introduction -

The atmosphere in the theater must have been electric that summer night in July, 2007. The preparations for the evening had taken dozens of workers days to complete, with millions of dollars of audio and visual equipment shipped in for the show. The full-house audience of about 600 sat expectantly, awaiting the arrival of the night’s star performer. On stage, lights shone down from above on a lone stool with a microphone in front and two guitars standing on either side, one acoustic and the other electric. A piano sat to the side, with maroon velvet drapes hanging behind and elaborate chandeliers hanging from above.

At long last, the object of everyone’s attention strolled out onto the stage to thunderous applause from the audience. After a few waves to the crowd, the man settled on the stool, picked up his acoustic guitar and strummed a few chords. With the crowd settling back into their seats, the lights dimmed slightly and the man with the guitar began to play.

“There’s something in the way she moves,
Or looks my way or calls my name,
That seems to leave this troubled world behind…”

With that recognizable voice, both folksy and velvety clear, famed singer/songwriter James Taylor sang to the gathered crowd. He sang of love and friends, copperlines and country roads, chili dogs, fire and rain. He sang of Berkshire snows and Carolina moonshine, steamroller blues and sunny days that seemed to never end. During the show, he joked with the audience and reflected on his career and the meanings of his songs. He spoke of his parents and his children, his homes and his travels. This concert was meant as a reflection back on his life, a retrospective of his decades as a performer. Microphones and cameras captured his reminiscing and his music for an autobiographical CD/DVD dubbed One Man Band that would be distributed around the world. It was indeed a special night for the audience and a special night for James Taylor.

But James Taylor was not the only star of the show that night. Indeed, the famed singer was intentionally sharing the spotlight. The other star of the show was all around him,
enveloping him and the audience in an intimate embrace of sound, light, and grandeur.

From the elaborate murals depicting art and music on the ceiling high above to the gilded columns, golden scarlet walls, and leather-backed chairs of the audience chamber, this star shone brightly all around. That night, James Taylor was sharing the spotlight with the very theater in which he performed. “The Colonial Theatre in my hometown of Pittsfield, Massachusetts just managed to escape the wrecking ball,” Taylor writes in the liner notes of *One Man Band*. “There are small community theaters all over the country that have been saved at the eleventh hour by the very communities they serve. People have invested time, money, and themselves resurrecting the old girl. And along the way, they have found a new sense of belonging: a sense of place; a place called home. When we were given the chance to film and record this One Man Band thing, I knew at once that the Colonial would be the right place.”

Opened in 1903, the Colonial Theatre was once a vibrant home of vaudeville shows and movies, serving as a centerpiece of Pittsfield’s social scene downtown. But for over five decades, the theater had sat largely forgotten and empty, hidden silently behind the temporary walls and dropped ceiling of an arts supply store owned by a family that could not see giving up on the ‘old girl.’ In the meantime, the city of Pittsfield, a gritty industrial community situated in the heart of the rural splendor of the Berkshire Hills, saw years of prosperity and then rapid decline as a classic American ‘company town.’ Home to a General Electric plant that employed thousands of Pittsfield residents for nearly a century, the community was thrown into a tailspin of economic stagnation, urban decay, environmental contamination, and psychological trauma after General Electric began a wholesale departure from the city in the 1980s. Pittsfield and its residents had difficulty coping with the loss of GE over the ensuing two decades and watched with a sense of dread, hopelessness, and seeming inevitability while the city slowly faded away. Its population plummeting, its businesses closing or fleeing, its median income declining while poverty and crime rose, Pittsfield appeared to be a dying community.

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This trend of gradual decay and stagnation began to ebb when a group of committed political, business, and civic leaders in Pittsfield began to question the pessimism that permeated the community. Instead of longing for the past, a new crop of leaders began to look towards the future and look towards the assets the city did have: an envious location in the heart of a beautiful center of tourism and culture; an urban environment within an otherwise rural region; and a position as the financial, business, and government capital of Berkshire County. By creating a coherent vision for Pittsfield focused on culture and the creative economy, this group of leaders set out to redefine the city, attract professionals and businesses back, and create a sound economic foundation for the city’s rebirth.

One of the centerpieces for this rebirth was the Colonial Theatre. Over a period of many years, a committed group of civic boosters and volunteers worked to raise the capital and the will to redevelop the theater as a symbol of Pittsfield’s resurgence. This theater restoration, along with a proposed Cinema Center complex nearby, were viewed as the anchor projects for the creation of a cultural and tourist center downtown. City leaders believed that new employees and businesses would be attracted by the high quality of life provided by a city situated in the beautiful Berkshires that also offered a vibrant downtown with theater and nightlife. What the city’s leadership had was vision and commitment. What they were missing was enough capital to bring the vision to reality.

New Markets Tax Credits (NMTCs) could fill this gap. As a Government Accountability Office (GAO) study suggests, NMTCs were created during the Clinton Administration “as part of an ongoing effort to address one of the nation’s most persistent challenges – the revitalization of impoverished, low-income communities. Conventional access to credit and investment capital for developing small businesses, retaining jobs, and revitalizing neighborhoods is often limited in economically distressed communities with large low-income populations. The NMTC provides investors (individuals, financial institutions, other corporations, etc.) with a tax credit for investing in communities that
are economically distressed or consist of low-income populations.” NMTCs are meant to bridge the financial feasibility gap many investments and businesses face in these communities, making projects feasible that otherwise would not be. And they are meant to generate beneficial community impacts such as business development, entrepreneurship, job creation, and economic growth.

Authorized by the Community Renewal Tax Relief Act of 2000, the program has made nearly 300 allocations totaling $16 billion of tax credits to Community Development Entities (CDEs), who in turn use the credits to make investments in target communities. Through the final authorized round of allocations, which is currently projected to be end-of-year 2008, the program will have allocated $19.5 billion in tax credit authority.

While the NMTC program has attracted significant interest from CDEs, the application process is complicated and generally tends to require a level of knowledge and sophistication that takes time and experience to acquire. In Massachusetts, one of the most active and innovative private financiers of affordable housing and community development funds is the Massachusetts Housing Investment Corporation (MHIC). With a mission to promote financing that would not otherwise be available to distressed communities across the state, MHIC has become one of the most active CDEs in the NMTC program. And as an active community development financier in Pittsfield who believed in the city’s vision and leadership, MHIC became the conduit to link NMTC funding with Pittsfield, a conduit that ultimately brought the Colonial Theatre back to life and with it perhaps the city as well.

This research project is an effort to more fully understand New Markets Tax Credits – why they are structured as they are, how they work, who uses them, how they are used in practice, and how they can be evaluated to assess their community impact and effectiveness. In particular, as the program has matured, policy makers, CDEs, and investors today are looking for evidence of the impacts of these investments on their

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target low-income communities. The current authorization for the NMTC program extends only until the end of 2008. Especially in an environment in which the reauthorization of the program is not assured, understanding the impacts of the NMTC investments is critical if the program is to continue. Moreover, for individual CDEs, being able to communicate the beneficial impacts of their investments on target communities is vital as these CDEs apply for additional future funding in the face of fierce competition for allocations. This project lays out an innovative evaluation framework based upon ‘theory of change’ logic modeling in order to offer a potential guide for NMTC impact evaluation that could be used in practice.

This research project is also an effort to understand the challenges that a city faces in trying to generate renewed economic growth and vitality after suffering a significant economic blow, and it offers a preliminary assessment of Pittsfield’s progress so far in redefining itself. The story of Pittsfield is a story being repeated in communities across the country. How does a community recover from the loss of a major corporation that not only provided jobs, but helped to define the image of the community and acted as the central force in the lives of most residents? Pittsfield, an old GE company town, is a telling example of how committed leadership and vision, when combined with the effective use of available capital resources such as NMTCs, can help “bring good things to life” in a community struggling to redefine itself. In Pittsfield, NMTCs brought a theater back to life that has brought renewed hope and optimism to the community. With the Colonial Theatre as a grand backdrop, James Taylor celebrated this vision and this community for their determination and commitment. In so doing, he served to introduce a new Pittsfield to the rest of the country. A community that had once been ‘down and troubled and in need of a helping hand’ was making a comeback, thanks in part to strong leadership and a coherent vision, but also thanks in part to New Markets Tax Credits.
Chapter 1: The Changing Landscape of Community Development and the Rise of New Markets Tax Credits

Now, to keep our historic expansion going… I believe we need a 21st century revolution to open new markets, start new businesses, hire new workers right here in America – in our inner cities, poor rural areas and Native American reservations… I ask Congress to give businesses the same incentives to invest in America’s new markets they now have to invest in markets overseas… This is not a Democratic or Republican issue… [it] is an American issue.

- President Bill Clinton, State of the Union speech, January, 2000

In early November, 1999, President Bill Clinton and House Speaker Dennis Hastert (R-IL) stood together at a technical school in Chicago’s struggling Englewood neighborhood to pledge that they would work together to craft a bi-partisan plan to promote investment in America’s impoverished urban and rural communities. At a time of historic prosperity for the nation, both politicians believed that the time was right to promote policies that would attract new capital and new investment into these struggling regions, capital that would create new businesses, new jobs, and new opportunities for the residents of these communities. As President Clinton would later comment in a rhetorical flourish, “If we can’t do this now, we will never do this… This is the only time in the lifetimes of most of us here that we’ve had a chance to give everyone a shot at the American dream.”

Over the ensuing months, the White House and the Speaker’s office worked to add substance to the goals the two had laid out in November. On May 23, 2000, the two agreed in principle to a set of policies meant to spur private capital investment in impoverished and under-invested communities across the country. This agreement would lay the framework that Congress would ultimately craft into the Community Renewal Tax Relief Act of 2000. With this bill, passed in the waning days of the Clinton presidency in an unusual lame-duck session of Congress, the federal government created the New Markets Tax Credit program.

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1 Clinton, President William, State of the Union Address, January 28, 2000.
The Ideological Basis for New Markets Tax Credits

New Markets Tax Credits emerged out of a synthesis of different ideas regarding community development that was taking place in the 1990s. Decentralization, privatization, an emphasis on market-based initiatives, empowerment of local actors and grassroots community groups, and the potential competitive business advantages offered by low income communities were all concepts that formed the framework for community development efforts like New Markets Tax Credits (NMTCs).

At the dawn of the 21st Century, the federal government was continuing a process of decentralization and/or privatization of federal community development and social services programs that began during the Nixon administration. After years of ambitious programs by the federal government to direct funding into poor communities as part of the ‘War on Poverty’ in the 1960s, the Nixon administration instituted a new series of policies during his administration termed ‘the New Federalism’ that focused on funding structures such as block grants that streamlined federal programs, reduced the administrative role of the federal government in community development initiatives and provided more authority to state and local decision-makers. This policy focus largely continued into the 1980s and 1990s under each subsequent administration, as proponents of smaller government such as Ronald Reagan shifted or eliminated funding for many federal community development programs, believing that private market-based solutions, limited government, and free enterprise offered more hope for resuscitating impoverished communities than large federal bureaucracies.4 As urban policy researcher W. Dennis Keating has suggested, “The Reagan administration sought to reduce the role of the federal government by eliminating many of the social programs that benefited poor neighborhoods, or, as an alternative, reduce and redirect their funding. The rule of the private market was to replace an interventionist federal government in determining urban policy.”5 This policy approach to addressing community development was exemplified in the 1980s and 1990s by the emergence of two community development and housing

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initiatives – low income housing tax credits (LIHTC) and enterprise zones – and the growth of community development corporations (CDCs) and Community Development Financial Institutions (CDFIs) as private, grassroots development and financing entities.

*Low Income Housing Tax Credits (LIHTC)*

The LIHTC program was established as part of the Tax Reform Act of 1986 and represented a dramatically different policy direction for the construction of low-income housing from the past. Since the 1930s, the federal government had provided housing to low-income families through direct public construction, ownership, and management of housing. However, as Michael Eriksen and Stuart Rosenthal point out in an analysis of the LIHTC program, “By the 1980s, two concerns about the public housing program had gained attention. The first was simply that the government builds, owns, and operates these projects: there are basic questions as to whether at least some portion of such activity is best left to the private market. In addition, because public housing projects were spatially concentrated and restricted occupancy to very low-income residents, they created dense clusters of poverty.” This concentration of poverty, it was believed, led to increases in crime, drug use, and economic blight, and these projects were viewed as very poor environments for children. As a result, the federal government ceased construction of most public housing in the early 1980s and actually began the systematic demolition of projects in the 1990s. “The LIHTC program was created,” according to Eriksen and Rosenthal, “both as an alternative to public housing and to offset the [tax] reform’s removal of other tax benefits for owners of rental housing.”

While the LIHTC program started out slowly, it has become over the last twenty years the single largest source of low-income housing in US history, having created over 1.5 million units of housing between 1987 and 2005. The program works by allocating federal tax credits to state housing authorities based upon state population. These local housing authorities then reallocate the credits to developers (sponsors) who agree to

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7 Ibid., p. 1.
adhere to affordability restrictions. The developers will frequently sell the credits to investors to raise the necessary equity for housing construction, and these investors will use the tax credits over 10 years as an offset of their federal income taxes.8

The LIHTC program acts as a clear example of the concepts of decentralization, public/private partnership, and free-market initiatives that was taking hold in the 1980s and 1990s. Private developers and investors were taking the place of the federal government in building and operating these communities, while the government offered subsidy in the form of tax credits to spur construction. The program also demonstrated the effectiveness of the tax credit concept in harnessing private capital for investment, a concept that many in the housing industry had originally believed would be unsuccessful.9

The Rise of Grassroots Community Development Organizations and Intermediaries
In the face of federal cutbacks and decentralized policy initiatives such as LIHTCs, community development corporations (CDCs) came to play a critical role in establishing a grassroots, community-based infrastructure for housing construction and economic development in low income neighborhoods. CDCs, which originated in the 1960s out of activist groups formed to combat urban renewal, redlining, and riots, are neighborhood organizations with a mission to improve the quality of life in these communities through initiatives that have ranged from social services to business development to housing construction. With cutbacks and the changing federal policy dynamic, urban scholars have argued, “a new community-based housing movement emerged as a strong influence at state and local levels. This movement established a non-profit housing sector that was dedicated to the production of and maintenance of a stock of permanently affordable low-income housing. Although CDCs were not created as a response to government cutbacks, they took on greater importance after the cutbacks of the 1970s and 1980s.”10

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With this changing character of the policy environment, these organizations became more professionalized, according to CDC expert Sara Stoutland. And as the LIHTC program expanded, CDCs were at the forefront, serving the necessary role of locally-based housing development organizations in this decentralized, privatized structure. CDCs pooled funding from various sources to construct housing, with LIHTCs serving as the primary funding source. However, as Stoutland points out, “Despite this grassroots mission, CDCs have been able to survive only through the assistance of governments, philanthropic organizations, and private businesses.”

As the federal government cutback funding to CDCs, these organizations needed to identify alternative sources of funding. Stoutland continues: “They learned how to do creative financing that involved tapping funding from local government, city-level public-private partnerships, intermediaries, and whatever might still be available from the federal government.” Most importantly, Stoutland and others have argued, was the founding of financial intermediary organizations beginning in the 1980s such as LISC, the Enterprise Foundation, NRC, and later, the Massachusetts Housing Investment Corporation (MHIC). “Both national and local intermediaries have been significant,” Stoutland writes. “Financial intermediaries pool resources from various public and private sources and then distribute them to CDCs. In addition, they provide technical assistance to these organizations and advocate for them politically at both the local and national level.” These intermediaries, which came to be known as Community Development Financial Institutions (CDFIs), “include community development banks, credit unions, loan funds, and venture capital funds,” community development scholar Julia Sass Rubin has written. “CDFIs provide low-income communities with financial products and services, act as a conduit between them and conventional financial organizations and markets, and advocate for policies that empower and protect them.”

Thus, with LIHTCs and the growth of CDCs and financial intermediaries, a grass-roots infrastructure had developed that could distribute community development funding on a local, decentralized level as a response to and in support of the new federal policies promoting privatization and decentralization.

**Enterprise Zones**

Like LIHTCs, enterprise zones represented another concept that emerged in the 1980s emphasizing a free-market approach to urban development instead of centrally-managed economic development efforts. Originating first in Great Britain in the late 1970s, enterprise zones are a limited number of designated geographic areas facing economic distress where government offers streamlined regulations and tax incentives in order to attract private investment. According to Stuart Butler, an influential proponent of enterprise zones, “[t]he idea of cutting taxes and regulations to stimulate economic development within depressed neighborhoods has been the central element in the enterprise zone strategy.” The concept of enterprise zones was enthusiastically endorsed by conservative leaders in the early 1980s, including the Reagan administration and Jack Kemp, New York congressman and subsequently the Secretary of Housing and Urban Development. However, these zones were also supported by Democrats who were looking for innovative strategies to combat urban blight and promote economic improvement in poor communities.\(^\text{14}\)

Despite a spectrum of support that spanned both political aisles, however, Congress did not pass enterprise zone legislation in the 1980s. According to one scholar of enterprise zones, “The difference in goals, the poor response of Congress, the conflict of theory, and the lack of experience all combined to stop passage of any federal legislation.”\(^\text{15}\) While state and local governments moved to create enterprise zones at a local level, no corresponding federal program passed until 1993, when President Clinton signed legislation creating nine empowerment zones across the country eligible for sizable incentives and benefits and another 95 enterprise communities eligible for a more limited


series of benefits. The legislation required that these zones be characterized by high levels of poverty, unemployment, and social and economic distress. Symbolic of private, free-market approaches, zones would be designated through a competitive process. And according to program researcher Jennifer Forbes, “During the application process, communities were given the opportunity to identify specific strategies and activities to pursue unfettered by the federal restrictions that characterized previous attempts at revitalization. Each proposal was evaluated on its consistency with the program’s four key principles: (1) economic opportunity; (2) community-based partnerships; (3) sustainable community development; and (4) strategic vision for change.”

This legislation was designed to promote investment and job growth in these zones by providing new, incoming, and existing businesses with significant tax incentives including employment credits (wage-tax credits) provided to employers for hiring workers who live within the zone. In addition, the program made the zones eligible for Title XX Social Service Block Grants, which could be used to fund a multitude of programs including skills training, transportation, transitional housing, drug treatment, and counseling related to housing, employment, and financial management. Thus, this program represented a blending of the enterprise zone concept that emphasized the role of free-markets to spur investment and job creation with people-based social services programs, albeit through decentralized block grant structures. Moreover, as a GAO report on the program suggests, “The program differs from earlier initiatives with similar goals in that it emphasizes the role of local communities in identifying solutions and the use of public-private partnerships to attract the investment necessary for sustainable economic and community development.” Decentralized partnerships between the public and private sector represented the roadmap that policymakers on both sides of the aisle were adopting to try to improve the conditions in America’s impoverished communities.

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**Directing Private Capital to Community Development**

As part of the same legislation that created enterprise communities and empowerment zones, Congress passed a pilot tax credit program dubbed the CDC Tax Credit in 1993 that was meant to test whether private capital could be attracted to community development investments using the tax code. Using as an example the success of the LIHTC, the CDC program was designed to utilize the growing grassroots infrastructure of the CDCs and financial intermediaries to attract private capital to economic development initiatives in low-income communities. As Carol Steinbach has written in an analysis of the program, “Tax credits’ most important advantage is that they engage the private sector directly in community building. The projects or activities undertaken in exchange for tax credits have private-sector discipline, and sponsoring organizations are held accountable for results.”  

Moreover, at a time of significant partisanship in Washington, tax credits were viewed by many program advocates as more likely to be an acceptable policy compromise on both sides of the political aisle because they promoted private investment. At the same time, tax credits did not appear to create a costly new government bureaucracy due to their de-centralized nature and the fact that the cost of tax credits is borne not through current spending increases but through future reductions in tax revenue.

In this pilot program, twenty CDCs were selected through a competitive application process to distribute up to $2 million of tax credits in order to raise private sector capital. The CDCs were required to use the capital in areas that met the designation of an empowerment zone or enterprise community and had to hit minimum unemployment and median income thresholds. The tax credits could be used by investors for ten years but as a pilot program, the CDC tax credit was a one-time only initiative. Nonetheless, as a pilot program, the CDC tax credit was viewed as a successful test by advocates of community development, CDCs, and the financial intermediaries who helped to implement the program.  

It also laid the foundation for expanding the use of tax credits for community development beyond LIHTCs. While efforts later in the 1990s to create community

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development tax credits failed, including a proposed CDFI tax credit, this experience continued to lay the groundwork for the legislation that would ultimately spawn New Markets Tax Credits.

Another significant policy development that demonstrated a shift towards encouraging private capital investment in low-income communities was the creation in 1994 of the CDFI Fund, an agency of the Treasury Department that provides loans, equity investments, grants, and deposits to CDFIs to further investment in low-income communities. However, in order to receive this funding, CDFIs must match the funding, dollar for dollar, with funds from a non-federal source. Thus, while a federal agency, the CDFI Fund encourages the growth of de-centralized, private sector CDFIs that must raise capital from sources independent of the federal government to fund community building initiatives.21

The strategy of promoting private investment in poor communities as a means to foster job creation, economic growth, and opportunity for residents received significantly greater attention in 1995 after noted Harvard Business School Professor Michael Porter published “The Competitive Advantage of the Inner City” in the Harvard Business Review. In this controversial article, Porter applied his ideas about competition in the business world to inner-city communities, commenting that

The sad reality is that the efforts of the past few decades to revitalize the inner cities have failed…The time has come to recognize that revitalizing the inner city will require a radically different approach. While social programs will continue to play a critical role in meeting human needs and improving education, they must support – and not undermine – a coherent economic strategy. The question we should be asking is how inner-city-based businesses and nearby employment opportunities for inner city residents can proliferate and grow. A sustainable economic base can be created in the inner city, but only as it has been created elsewhere: through private, for-profit initiatives and investment based on economic self-interest and genuine competitive advantage – not through artificial inducements, charity, or government mandates…Our policies and programs have

fallen into the trap of redistributing wealth. The real need – and the real opportunity – is to create wealth.\(^\text{22}\)

Porter goes on to argue that inner cities have four primary competitive advantages: strategic location, local market demand, integration with regional clusters, and human resources, and these advantages should be harnessed by government policy and private enterprise to create genuinely profitable inner-city businesses.\(^\text{23}\)

While many in the community development and social services community were critical of Porter and believed this article did not address the complexity of inner city problems nor did it offer any new or original ideas, what the article did do was generate very public debate about the issue and brought the strategy of promoting business development in inner-city communities to the forefront. As urban policy specialists Ross Gittell and J. Phillip Thompson have argued, “the problems of the inner city are both causes and consequences of the paucity of mainstream business and economic activities and opportunities there.”\(^\text{24}\) A lack of access to capital for businesses and entrepreneurs in impoverished communities has been a major stumbling block in promoting sustainable business development in these regions, a fact that Porter believes could be addressed through more thoughtful government policies and a commitment by businesses to be more involved in inner cities.

At the other end of the political spectrum, Reverend Jesse Jackson was also working to attract investment capital to distressed, low-income communities in the late 1990s. His Wall Street Project represented an initiative to “open access to capital and corporate governance to minorities and low-income people.”\(^\text{25}\) And in April, 1998, Jackson began a campaign to raise awareness and build momentum for proposals to help low-income Americans dubbed “Close the Gaps: Leave No American Behind.” Later that year, Jackson met with President Clinton and according to accounts of this meeting, Jackson


\(^{23}\) Ibid., pp. 57-62, 65-69.


“encouraged the President to make the same effort to channel economic resources to distressed communities within the U.S. as the federal government was pursuing in its international development efforts. Toward that end, Jackson proposed ‘vehicles to move capital’ such as low-interest loan funds and a domestic entity similar to the Overseas Private Investment Corporation [OPIC], which would make government guarantees available to domestic businesses operating in distressed communities.”²⁶ OPIC, a federal agency that helps US businesses invest in new and emerging markets overseas, seemingly became a rhetorical model for the Clinton administration, as the President would compare domestic with foreign emerging markets investment throughout his efforts to promote his new markets initiatives.

At the same time, various advocacy groups were working to influence the shape of proposals and legislation. The Community Development Tax Credit Coalition (now the New Markets Tax Credit Coalition-NMTCC), made up of dozens of local, regional, and national community development organizations and intermediaries, and the Community Development Venture Capital Alliance (CDVCA), an association of community development venture capital firms, both played major roles in shaping policy. NMTCC, which represented many of the intermediaries underlying the LIHTC program, strongly endorsed and promoted the tax credit structure as a viable system for directing investment dollars to low-income economic development needs, while CDVCA worked to encourage proposals to generate incentives that would promote greater venture capital funding in these distressed areas.²⁷

Soon after Rev. Jackson met with president Clinton, in June 1998, Clinton’s National Economics Advisor, Gene Sperling, convened a group of representatives from across federal agencies to develop a series of proposed policies designed to attract capital to low-income communities. Over a period of months, this group developed the policies that would become the new markets initiatives, including proposals for a tax credit to spur

investment in low-income communities, a proposal to promote venture capital firms that would invest in fledgling businesses in these communities, and an ‘America’s Private Investment Companies’ entity similar to a domestic OPIC that would provide low-cost debt to businesses.\textsuperscript{28} The proposal that emerged reflected many of the ideas laid out by Jesse Jackson and these advocacy groups, and reflected many of the themes that had emerged over the past decades regarding community development initiatives, including public/private partnership, decentralized administration, free-market approaches, and a focus on business and economic development. With this proposal in hand, President Clinton was prepared to embark on a cross-country effort to promote and build support for these new low-income community investment initiatives.

**New Market Tax Credits: From Proposal to Law**

Bill Clinton enthusiastically supported the proposals that emerged from these efforts and in the summer and fall of 1999, he undertook a series of new markets tours to impoverished communities from Appalachia to inner cities with Jesse Jackson as well as business and Congressional leaders in order to promote his initiatives. In doing so, he was promoting what had become known as his centrist, ‘third-way’ approach to politics. As he was quoted as stating on one trip, “What we’re doing basically is using the government to facilitate a public-private partnership at the grass-roots level. It’s not government alone, it’s not private sector alone, but it’s a partnership, and I think it will genuinely change the landscape.”\textsuperscript{29}

On these tours, which echoed a famous poverty tour undertaken by Robert Kennedy in 1967, Bill Clinton laid out the motivations behind his proposals, which ranged from a sense of moral obligation to sound economic principles. In an age of tremendous prosperity for the country, Clinton stated, “It is the morally responsible thing to do for the business leaders of this community and this state and this nation to invest in these

\begin{footnotes}
\item[28] Ibid., p. 11.
\item[29] President Bill Clinton, as quoted in Roberts, “Political History,” p. 25.
\end{footnotes}
places…It’s also the economically smart thing to do. It is a magic moment, and we dare not let it pass us by.”

He emphasized the idea of promoting these communities as untapped ‘new markets’ for profit, similar to emerging markets overseas, stating “What I want to do in passing this program…is nothing more or less than to give American business people and other investors the same incentives to invest in the poorer communities of America that we give them today to invest in the poorer communities of South America or Africa or Asia.” Indeed, his chief economic advisor, Gene Sperling, likened the tours to foreign trade missions, commenting that “Our thought was, ‘Why not do an economic mission to the United States?... We're going to challenge corporate business America [sic][and] community leaders to look in these places for new potential, for new profits, for new opportunity.’” According to Clinton, the tours would target “the places in our country which have not yet felt the surge of our prosperity [in order to] to mobilize the private sector to bring jobs and growth to our poorest neighborhoods…”

While Clinton was promoting his policy initiatives, Speaker Dennis Hastert and other Republicans in Congress had a separate set of proposed policies to generate investment in low-income communities. These proposals, some of which had been stalled in Congress since the mid-1990s, focused on promoting new ‘Renewal Communities,’ enterprise zones with significant tax incentives for businesses. There were also efforts in Congress to pass legislation allowing faith-based social service initiatives to apply for and receive federal assistance.

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31 Ibid.  
Despite the extreme partisanship that had emerged in Washington, especially as a result of the Monica Lewinsky scandal that had reached its zenith with impeachment proceedings in early 1999, President Clinton and Speaker Hastert came to an agreement in November to work together to craft a final bi-partisan proposal. Echoing Clinton’s comments, Hastert said in one statement that “Our nation is enjoying an unprecedented period of economic growth, and it is important that no community be left behind.”

What emerged from months of negotiations between the Clinton Administration, the Speaker’s office, and Republican and Democratic Congressmen including Jim Talent (R-MO), JC Watts (R-OK), and Charles Rangel (D-NY), was a bipartisan agreement outlining a major new initiative to draw capital into impoverished areas. However, as one legislative observer commented, “While some have depicted the new markets-renewal communities plan as one that combines various elements favored by the Administration and congressional Republicans, it may be more accurate to say the plan includes such elements. Months of negotiations did little to achieve compromise, except both sides agreed to go forward with a proposal that contains approaches they favor as well as ones they dislike.”

After the bipartisan agreement was announced on May 23, 2000, months of additional negotiation followed with members of Congress to craft a final bill that would become law and that would lay the basic administrative framework for how the law would work. The final form of the bill, the Community Renewal Tax Relief Act of 2000, passed into law as part of a larger appropriations bill on December 21 and essentially represented ‘everything for everyone.’ All sides compromised by allowing components from many constituencies to be a part of the overall initiative, which resulted in widespread support.

For the Clinton Administration, the proposal included $15 billion of New Markets Tax Credits authority to spur economic development, authorized the creation of New Markets

Venture Capital Firms and gave the Small Business Administration authority to provide these firms $150 million of guaranteed loans and $30 million of technical assistance, all meant to spur investment in start-up and entrepreneurial businesses. Nine additional empowerment zones following the model of earlier empowerment zones would be established, with additional tax incentives and funding provided by the bill. For the Republicans, the bill included their proposal for the creation of forty ‘Renewal Communities,’ enterprise zones that would offer more aggressive tax incentives than empowerment zones, including zero capital gains taxes on the sale of certain assets. In addition, the legislation explicitly allowed faith-based organizations to be eligible for financing assistance and be a provider of services under federal programs.36 To gain additional support, the bill also included expansion of the LIHTC by expanding the dollar amount of credits available by more than 40% and expanded the private activity bond program, which allows states and municipalities to promote economic growth through issuing low cost bonds.

In speaking about these different aspects of the bill, Gene Sperling commented that “These reflect different ideas of reaching the same goal, which is using incentives to leverage private sector capital and private sector investment in lower-income areas and new markets. This, for us, reflects the Third Way approach the President wanted for poor urban and rural areas, which was neither a laissez-faire approach, nor a direct, top-down government spending approach, but incentives that would encourage the private sector to find profits and create opportunities there.” Moreover, in discussing renewal communities versus empowerment zones, Sperling commented that “we allow for two different forums to see what we can learn over the next several years about what works best in attracting investment and job growth… as the years go by, perhaps people will get a sense of what they think works best in each and perhaps there will be legislation to harmonize them in the future, or maybe people will find that it's best to have two different competing models

out.” The Community Renewal Tax Relief Act of 2000 would be a laboratory to assess different community development initiatives, but all within the framework of policy trends that had been taking shape for decades.

This new law represented the latest chapter in the long-term policy trend in Washington favoring decentralization, privatization, and free market approaches to community development. As Representative Joe Pitts (R-PA) would comment, “The genius of this legislation is that it replaces faceless bureaucracies with the power of neighborly compassion…This bill says to leaders in distressed communities, ‘You go on and do what you do best. We know you’ll do a better job than we can.’”

The bill continued the focus and dependence upon local actors and community groups. The success of the LIHTC and CDC tax credit programs, and the expansion of the local networks of CDCs and CDFIs laid the foundation that allowed subsequent initiatives such as NMTCs to occur. As the executive of one CDC would state in testimony before a House Ways and Means subcommittee on behalf of the NMTCC, “The New Markets Tax Credit will build off of the proven success of the Low Income Housing Tax Credit and the CDC Tax Credit to leverage private investment funds for underserved communities. The network of community development entities already exists. This new tool would enable [them] to expand significantly their ability to attract private capital for economic development activities in these communities.”

Finally, the new legislation reflected the growing focus on creating economic growth through fostering private investment and business development in impoverished communities. As Treasury Undersecretary Gary Gentsler commented in a speech before the Congressional Black Caucus in July of 1999, “There is enormous economic potential in America's low- and moderate-income communities - potential that can benefit the

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39 Phillips, Ronald, President, Coastal Enterprises, on behalf of Community Development Tax Credit Coalition (now New Markets Tax Credit Coalition), testimony before US House Ways and Means Subcommittee on Oversight, March 21, 2000, as quoted in Roberts, “Political History, pp. 26-27.
residents of these communities and the businesses that successfully serve these markets.” He goes on to cite the fact that these markets have significant spending power, are underserved by retail opportunities, and often have significant location advantages, very similar arguments to those made by Michael Porter, and concludes that the New Markets initiatives represent a means to bring “more private sector capital and expertise to these communities.”

Ultimately, the New Markets Tax Credit program came about as a result of a synthesis of these various trends in community development policy. Decades of changes in the community development landscape had built an infrastructure of local grassroots organizations who could use tax credits to create conduits connecting capital with investment opportunities. A combination of political will and community policy advocacy had created a new piece of legislation that combined programs favored by Republicans and Democrats… ’everything for everyone.’ However, once the statute was enacted, the next step was to implement the program.

Chapter 2: Implementing the Vision – The New Markets Tax Credit Comes to Life

The Community Renewal Tax Relief Act signed into law by Bill Clinton in 2000 was the federal government’s response to the pressing need for more capital investment in America’s low income urban and rural communities. The legislation was created within a context in which privatization, de-centralization, and a focus on empowering local actors were the preferred strategies for addressing community development initiatives nationally. In creating this legislation, policymakers fused together various proposed policies ranging from New Markets Tax Credits to Renewal Communities/Enterprise Zones, creating a statute meant to create strong bipartisan support by essentially offering ‘everything to everyone.’

In a way, the same can be said for the New Markets Tax Credits program itself. A common refrain of NMTC commentators is: “The best thing about the credit is that you can use it for practically anything; the problem with the credit is that you can use it for practically anything.”¹ NMTCs can be used to finance start-up businesses, established businesses, real estate investments and developments, loans, investments in other community development entities, and technical assistance initiatives to businesses and organizations. Fundamentally, the program is designed to infuse capital into low-income communities and the businesses operating in these regions.

In confronting the somewhat vague language of the statute, the agencies tasked with administering and overseeing the program needed to develop the processes for implementing the program, write the rules and regulations, and prepare application documents, a process that ultimately delayed the initial round of tax credit allocations until 2002. The administrators of the program in the US Treasury Department had to address how to actually allocate the tax credits, how to assess and rank applications for allocations, and how to measure compliance with regulations.

In the initial years of the program, these processes were developed in the context of a statute that was written to offer flexibility. With flexibility also has come complexity. NMTC requirements, compliance, and legal structures are all viewed to be highly complex by users of the credits. As one report commented, “An oft repeated joke is that the program is a full-employment program for accountants and lawyers.”

This chapter will review how these processes were developed and how the credits actually work. It will provide a basic framework for understanding the allocation and investment process, and will provide an overview of the current status and pressing issues of the program as it approaches the last authorized round of tax credit allocations at the end of 2008. Ultimately, this chapter will argue that while complex, the NMTC program has been readily accepted by community development practitioners, investors, and financial intermediaries as a beneficial tool in spurring investment and economic development in the nation’s low-income communities.

**Implementing New Markets Tax Credits**

In simple terms, “The New Markets Tax Credit is an incentive in the form of a credit against federal taxes provided to investors to induce them to invest in economically distressed areas where capital for a broad range of investments has not been available.”

According to one of the Treasury staffers involved in designing the program, Treasury staff wanted to “nudge the capital markets so that they would fully examine the profit-making potential in these areas.” However, as the NMTC program was coming to life in 2001, a new Presidential administration was taking control in Washington and the US economy was beginning to show signs of weakness. Advocates of the program feared that the program might not have strong administration support and could potentially face cuts immediately. Moreover, as NMTC expert Benson Roberts has written, “the economic boom of the 1990s, which had spawned such urgent optimism for spreading the wealth to low-income communities, had given way to a recession by 2001. If investment was slowing in middle-class areas, could New Markets attract capital to historically disinvested areas?” Despite these fears, NMTCs did continue to garner steady

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3 Ibid., p. 13.
4 Cliff Kellogg, US Treasury staffer, quoted in Ibid., p. 9.
congressional support and the Treasury Department under President Bush demonstrated continued support for the program in its initial years. ⁵

Nonetheless, the program still needed definition, procedures, and rules, and the task of giving the program structure fell to the Community Development Financial Institutions Fund (CDFI Fund), the Office of Tax Policy (OTP), and the IRS. While the CDFI Fund was responsible for administering the program, the OTP and the IRS were responsible for developing the tax rules governing NMTC investments. And as Roberts commented, “All three Treasury offices worked diligently so that both tax rules and administrative procedures meshed, while balancing sometimes awkward statutory wording with the practical needs of investors and communities.” ⁶ The process did take longer than expected however, with the first round of allocations occurring not in 2001 as originally conceived but instead in 2002. Nonetheless, a structure was put in place that could be embraced by financial intermediaries and investors and that could potentially generate new business activity in low-income communities. As Tony Brown, CDFI Fund Director at the outset of the program, commented in 2002, “If the program is embraced by investors, it will be a significant source of new, patient capital that will help to stimulate new industries and entrepreneurs, to diversify the local economy, and to generate new jobs in low income communities.” ⁷

The NMTC Process

At the heart of the NMTC process are ‘community development entities’ (CDEs). These entities are essentially financial intermediaries that (1) have a primary mission of serving or providing investment capital for low-income communities or individuals, and (2) are accountable to residents of these low-income communities through their representation on CDE governing/advisory boards. CDEs are a new designation created by the New Markets Tax Credit program but they are an outgrowth of earlier financial intermediaries and Community Development Financial Institutions (CDFIs) that had emerged over the

⁶ Ibid., p. 28.
⁷ Ibid., p. 28.
past several decades to provide financial services and access to capital to low-income, underserved communities. CDEs can include a wide range of entities including traditional CDFIs as well as “community development corporations, other non-profit financial intermediaries, government and quasi-government agencies, banks, investment banks, and other for-profit financial institutions.” Entities already certified as CDFIs or SSBICs (Specialized Small Business Investment Companies) automatically qualify as CDEs. Through an application process, the CDFI Fund certifies entities as CDEs, making them eligible to receive tax credit allocations.  

CDEs must be focused on investing in low-income communities. Low income communities (LICs), according to the NMTC program, are defined as census tracts with at least a 20% poverty rate, or where the median family income does not exceed 80% of the area median income. For ‘high migration rural counties,’ this percent is adjusted to 85%. These communities can also include areas of less than 2,000 people that are located within a federal empowerment zone and adjacent to an existing low-income community. In addition, amendments to the legislation in 2004 added the concept of ‘targeted populations’ to the definition, which are individuals or groups within areas that may not otherwise qualify as LICs. Today, some 39% of US census tracts actually qualify as low-income communities, representing 36% of the nation’s population.

As outlined by Jefferson Armistead in a NMTC report produced for the Pratt Institute, the NMTC process is essentially broken into three phases, as outlined in Exhibit 2.1 below. In the preliminary phase, the CDFI Fund awards allocations of tax credits to CDEs. The CDE, or ‘allocatee,’ then raises capital in a ‘Fund Investment Phase’ from investors looking to take advantage of the tax credits and economic returns of NMTC investments. Such an investment by an investor in a CDE is called a ‘Qualified Equity Investment’ (QEI). Finally the CDE invests in ‘qualified low-income community investments’

(QLICI) using the cash raised from investors to fund equity or debt financing in these business opportunities.\(^\text{10}\)

**Exhibit 2.1 – Basic NMTC Process**


QLICIs are investments made by CDEs in a low-income community in the form of (1) a capital investment in a ‘Qualified Active Low-Income Community Business’ (QALICB), (2) loans to or from another CDE, (3) equity investment in another CDE, or (4) ‘Financial Counseling and Other Services’ (FCOS) provided to businesses or residents of low income communities. Moving one step further in the acronym chain, QALICBs are businesses operating in low-income communities, or businesses that develop or rehabilitate commercial property, community facilities, or for-sale housing in such communities. As this definition suggests, the NMTC program offers a level of flexibility to investors and CDEs. However, investments in properties where 80% or more of income is derived from the rental of residential units are excluded, as are investments in

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several restricted categories ranging from golf courses and gambling facilities to liquor stores and spa/massage businesses.\(^{11}\)

**Allocating Tax Credits to CDEs**

As outlined in the GAO table below, the CDFI Fund has been authorized by Congress to allocate a total of $19.5 billion of tax-credit authority to CDEs over the course of six funding rounds between 2003 and 2008. Originally slated to fund $15 billion, the NMTC was expanded to fund an additional $1 billion of investment in the region hit hard by Hurricane Katrina, and the program was reauthorized in 2007 for an additional year with the additional allocations of $3.5 billion to be awarded in late 2008.

### Exhibit 2.2 – Allocation Rounds

<table>
<thead>
<tr>
<th>Round</th>
<th>Allocation year</th>
<th>Original allocation years</th>
<th>Amount allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round 1</td>
<td>2003</td>
<td>2001-2002</td>
<td>$2.5</td>
</tr>
<tr>
<td>Round 2</td>
<td>2004</td>
<td>2003-2004</td>
<td>3.5</td>
</tr>
<tr>
<td>Round 3</td>
<td>2005</td>
<td>2005</td>
<td>2.0</td>
</tr>
<tr>
<td>Round 4</td>
<td>2006</td>
<td>2006</td>
<td>4.1(^a)</td>
</tr>
<tr>
<td>Round 5</td>
<td>2007</td>
<td>2007</td>
<td>3.9(^b)</td>
</tr>
<tr>
<td>Round 6</td>
<td>2008</td>
<td>2008</td>
<td>3.5(^b)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$19.5</strong></td>
</tr>
</tbody>
</table>

Source: CDFI Fund.

\(^{a}\)The amounts available to be allocated in Round 4 and Round 5 were increased by $600 million and $400 million respectively because of increased NMTC allocation limits targeted toward the GO Zone.

\(^{b}\)Congress initially only authorized NMTC allocation authority through 2007. However, the Tax Relief and Health Care Act of 2006 (Pub. L. No. 109-432) extended NMTC allocation authority for 1 year (through 2008) with an additional $3.5 billion of NMTC allocation authority.

During the competitive allocation phase of the process, CDEs complete extensive applications created by the CDFI Fund. These applications address a wide range of issues

including the CDE’s past experience raising capital and investing it in targeted communities, the pipeline of potential investment opportunities, the level of involvement of community representatives in the CDE’s processes, the structure that the CDE proposes to use in investing the tax credit allocations, projected community impacts, and the amount of tax credit allocation requested, among many other detailed questions.

To determine those CDEs that will receive allocations, the CDFI Fund uses a review and ranking system, as outlined clearly by Jeff Armistead:

Applications are scored in four categories: business strategy, capitalization strategy, management capacity and community impact. Each category is worth a base 25 points. The business strategy category seeks to determine whether the applicant organization has both a strategy and a track record in the deployment of capital; the capitalization strategy category, whether it has a strategy and a track record of raising capital; and the management capacity category, whether its management team has the requisite experience to carry out the program. In addition to the base 100 points, up to 10 additional “priority points” are available for the business strategy section, based on priorities stated in the legislation: does the CDE intend to invest in unrelated entities; and, does it have a track record of having successfully provided capital or technical assistance to disadvantaged businesses or communities as opposed to providing capital in general? Overall, an organization’s experience in raising capital and deploying capital, particularly in the targeted communities, is very important...The fourth section, community impact, requires the applicant to respond to two issues: (1) to what extent is the applicant targeting its investments to areas of greater economic distress within eligible low-income communities; and, (2) what are the expected community development impacts?”\(^{12}\)

CFDI Fund staffers as well as external reviewers with relevant experience in business, community development finance, or real estate evaluate and score each application and make recommendations regarding allocation amounts. Three reviewers rank each application (with a fourth reviewer if there are significant discrepancies) and all applications that reach a minimum ranking threshold in each of the four categories are then passed on to a fund panel which conducts a subsequent review assessing past performance of the CDEs. Finally, a CDFI official makes a final determination of awards

\(^{12}\) Armistead, “New Markets,” p. 16.
and allocations based upon these recommendations, with awards made in a descending order based upon the rankings until the allocation amount for the round is exhausted.\textsuperscript{13}

As the New Markets Tax Credit program has matured, the CDFI Fund has clarified and focused how it conducts the review and ranking process and offers tips to applicants on what their proposals should emphasize across the four sections. The CDFI Fund promotes the inclusion of information regarding flexibility and creativity in investment structures, specific examples of anticipated activities, and a focus on customers with limited access to conventional sources of capital. Over time, the Fund also has directed applicants to focus more on severely economically distressed areas and also recommends that applications clearly demonstrate and quantify achieved and projected low income community impacts from their activities. The applications specifically ask CDEs to identify how they will promote job and wage growth, invest in businesses owned by residents of low-income communities, women, or minorities, and finance activities that will generate wealth creation, beneficial real estate projects, environmental sustainability, community facilities and benefits, and beneficial goods and services to the community. In addition, as highlighted by Armistead above, the Fund looks closely at the applicant’s ability to raise and deploy capital quickly, and its past track record of successfully managing capital.\textsuperscript{14}

\textit{QEIs and the Use of the Credits}

Once allocations are announced, each CDE receiving an allocation (called an allocatee) enters into an allocation agreement with the CDFI Fund that spells out requirements to maintain compliance with the rules and regulations of the program, and also “essentially binds them to do what they said they would do in the application.”\textsuperscript{15} At this point, the CDE is able to begin drawing down QEI capital from its pool of investors and allocating

\textsuperscript{15} Armistead, “New Markets,” p. 18.
the tax credits to these investors. Investors in CDEs can range from large banks and other corporations to individual investors, but typically they represent entities or individuals with large tax obligations that can be offset by the credits.

Investors are able to use New Markets Tax Credits as a reduction against income tax liabilities for seven years. In each of the first three years, the NMTC represents 5% of the original investment amount and in the final four years, the credit amounts to 6% per year. As a result, the overall credit to an investor is often quoted as a sum total of 39% over 7 years, which is equated to approximately 30% on a present value basis. Because they do not cover the entire investment amount, NMTCs are referred to as a ‘shallow subsidy.’ As program advocate Ellen Seidman has written, “A project must generate enough of a return to be able to repay an investor’s original investment, unlike the deeper Low-Income Housing Tax Credit subsidy, for which an investor’s entire return often consists of tax credits.”16

Moreover, the NMTC is a nonrefundable subsidy, according to the GAO 2007 NMTC Report, “meaning that taxpayers do not receive payments for tax credits that exceed their total tax liability.”17 As a result, investors must assess whether they are likely to have enough taxable income in each of the ensuing seven years that they will be able to fully utilize the credits.

Another complexity of the program is that, based upon the language of the statute, CDEs themselves must be for-profit entities. As the GAO explains, “Both for-profit and non-profit CDEs may apply for and receive NMTC allocations…However, only a for-profit CDE can offer NMTCs to investors. Therefore, when a nonprofit CDE receives an NMTC allocation, it must transfer the allocation to one or more for-profit subsidiary CDEs (referred to as suballocatees).”18

18 Ibid., p. 7.
QLICIs, Recapture, and Real Estate

After receiving an allocation and identifying sources of investor capital, allocatees must identify qualified low income community investments (QLICIs). In fact, as part of the application process to the CDFI Fund at the very outset of the process, prospective CDEs typically provide a list of investors as well as a pipeline of deserving investments that the CDE has identified. The CDFI Fund uses this information and the investment strategy that the CDE spells out in its application in order to make its decision regarding which CDEs have developed a deserving pipeline and strategy and should be awarded with tax credits. Ideally, identified projects will provide the prospect of significant community impacts and will be in position to be undertaken quickly. As mentioned above however, these investments, with the tax credit in place, must also be expected to generate a reasonable return that would be attractive to investors. A more thorough review of the process by which CDEs identify and invest in QLICIs is provided later in this chapter.

CDEs are faced with a number of compliance issues related to making their qualified investments in low-income communities. For one thing, allocatees have up to five years to fully allocate tax credits to investors in exchange for investor QEIs. However, once an allocatee draws down capital from an investor, it has 12 months to place that investment in a qualified low income investment (QLICI), either through an equity investment or loans with below market terms. According to statute, ‘substantially all’ of the QEI must be invested in low-income communities, a term which has been defined by program administrators as 85%. And once an investment is made, it must remain in the qualified investment for the first six years. If any principal or a return of capital is received within that timeframe, it must be reinvested in another qualified investment within 12 months.

Failure to comply with the regulations and rules of the program can trigger recapture provisions. According to the statute, if during the seven year period, an allocatee fails to remain qualified as a CDE, fails to maintain the ‘substantially all’ provision of 85% invested in low-income communities, or if the allocatee redeems original capital, then
that CDE will be faced with a recapture of the full amount of the tax credit, plus penalties and interest.\textsuperscript{19}

Such a provision creates a tremendous level of risk for investors, which has led CDEs to tend to focus on investments that present less uncertainty. As Jeffrey Armistead has concluded from the early experiences of the NMTC program, “The recapture provision is generally thought to have played a major role in introducing a tilt towards real estate as a preferred investment, and to have made it extremely difficult for the credit to be used to support equity investments in non-real estate businesses…Recapture is triggered if a CDE ceases to have substantially all of investor funds invested in eligible projects. A business that received an investment and then moved out of the target area would no longer be eligible, potentially triggering recapture. Investing in real estate, which doesn’t move, eliminates this risk.” Moreover, Armistead goes on, since CDEs are restricted in redeeming original equity capital, this makes it difficult to infuse venture capital funding into qualified investments since venture capital investors tend to want to harvest gains when appropriate, not when instructed.\textsuperscript{20}

Another potential reason for a shift towards real estate are the restrictions on QALICBs, and how they operate. According to the CDFI Fund, in order to qualify as a QALICB, businesses must generate at least 50% of their gross income within a low-income community, and at least 40% of both the use of tangible property and of services performed by the business’s employees must be within an LIC. If greater than 50% of tangible property or services performed are within an LIC, then the gross income requirement is deemed to be met.\textsuperscript{21}

The GAO review of the program in 2007 bears out the belief that real estate has received the bulk of NMTC investments. According to statistics analyzed by the GAO, 75% of the total dollar value of loans and investments made by CDEs has been for investment in

\textsuperscript{19} CDFI Fund, “Workshop 2008,” p.27.
While the program was designed to direct capital toward a wide range of activities meant to generate economic growth, including funding new business development, the bulk of funding is being directed towards property construction and rehabilitation. This has led some program advocates to push for greater flexibility in the program to promote more investment in other forms of low income businesses.

**Creative Structures Lead the Way**

The basic structure of a NMTC investment, as outlined in Exhibit 2.1 earlier in this chapter, involves an investor making a QEI in a CDE, which in turn makes a qualified low-income community investment. The tax credit is allocated to the investor, who receives both a reduction in income tax liabilities as well as economic returns from the investment over the seven year period. After that time, depending upon the deal structure employed, the investor can receive a return of the original capital investment. However, in order to take full advantage of the NMTC program, creative practitioners have developed various innovative structures that enhance the value of the program and the credits to investors. One form of structuring, the ‘tiered investment,’ has become the norm for most CDEs today. Such a structure can separate the tax credit returns of an investment from economic returns and can also allow investors to pool their resources together to make an equity investment. Moreover, such a structure can allow for leverage to be used to fund a QEI, significantly enhancing the value of the NMTC.

According to the regulations, a QEI from an investor to a CDE must be in the form of equity. However, a pass-through entity can be formed above the CDE that combines funds from several different sources, including debt and equity, and this pass through entity then can make a QEI, in the form of equity, to the CDE. This structure is outlined in the chart below.

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Through such structures, multiple equity investors can combine their investments, and equity investors can combine their investments with debt providers. A simple example, as outlined by the GAO report, offers insight into the structure:

The investment structure can be used to separate the tax benefits of the investment from the economic benefits of the investment. For example, an investment fund partnership makes a $1 million leveraged qualified equity investment in a CDE where $400,000 of the money comes from the equity investors in the partnership and the other $600,000 comes from a bank as an interest-only loan to the investment partnership with a balloon payment after 7 years. The CDE that receives the QEI reinvests the money by loaning “substantially all” of the $1 million to a QALICB. In this structure, the economic and tax benefits are
separated: the bank receives interest payments on the loan to the CDE and, after 7 years, the bank will also be entitled to collect principle payments on the loan while the equity investors are entitled to claim the NMTC for 7 years, totaling 39 percent of the total $1 million QEI—not just the $400,000 that was originally invested as equity. NMTC equity investors may also receive a return on their investment, in the form of dividends or partnership income…  

In this structure, the equity investors receive an enhanced return from the credits due to the presence of the debt. Typically in this structure, the equity investors receive their full return from the tax credit, with the deal structured not to generate a large return of capital at the end of seven years. According to the GAO, nearly 88% of investors making QEIs in the 2005 and 2006 NMTC allocation rounds used such tiered structures.  

Another common practice in NMTC investing is the combining of various subsidies in order to fund investments. While the NMTC regulations explicitly prohibit these credits from being used in tandem with LIHTCs, the program does not prohibit the use of these credits in tandem with other subsidies, such as historic tax credit subsidies. As a result, according to the GAO, about 50% of CDEs combine NMTCs with other government subsidies, with state and local tax abatements and historic tax credits being the most commonly used additional subsidies. This fact may indicate, according to the GAO, that “in some cases, the NMTC, in and of itself, is not a strong enough incentive to encourage investment in low-income communities.” Including these additional subsidies further complicates the necessary legal and accounting structures necessary to allow the investments to comply with tax code, but they can allow projects to move forward. As the examples of tiered structures and combining subsidies both indicate, NMTC practitioners have uncovered creative and flexible structure to make investments happen that may not have otherwise occurred.

**Current Program Status and Pressing Issues**

As the creative structures devised by NMTC investors suggest, after a slow start, the NMTC program has become a very popular subsidy for promoting investment in low-

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24 Ibid., p. 22.
25 Ibid., pp. 35-36.
income communities, particularly real estate related investments. Demonstrating the tremendous demand for the tax credits, in the most recent round of applications from early 2008, the CDFI Fund received 239 applications requesting tax credit authority for $21.3 billion, over six times more than the $3.5 billion available for allocations.\footnote{CDFI Fund, “Demand for New Markets Tax Credits Remains Strong: 239 Applications Received Requesting Over $21.3 Billion,” Press Release, March 14, 2008. Available at http://www.cdfifund.gov/news_events/CDFI-2008-03-NewMarketsTaxCreditsRequestsRemainStrong.asp.} On average in the first four allocation rounds, only 22% of applying CDEs received allocations.\footnote{GAO, “New Markets Tax Credits,” p. 29.} At the same time, expected returns from NMTC investments have declined as investors have grown more familiar with the program and as the risks have become clear and more understandable. Annual expected returns from investments made in 2003 from both the tax credit and from economic returns totaled 8.2%, compared to 6.8% in subsequent years. Nonetheless, over 80% of investors surveyed by the GAO also indicated continued concern that they would not receive their expected return and that the businesses underlying their investments would default.\footnote{Ibid., pp. 27-28.}

The vast majority of investors in NMTCs are banks and individual investors who together totaled 70% of all investors in the program through December, 2006. Moreover, these banks tended to be institutions with larger total assets, while individual investors tended to be high net-worth individuals.\footnote{Ibid., pp. 24-25.} One potentially significant factor leading financial institutions to invest in these tax credits are other government regulations. As the GAO report summarizes, “Over 40 percent of the investors reported that they use the NMTC to remain compliant with the Community Reinvestment Act (CRA), which rates depository institutions on their record of helping to meet the credit needs of their entire community. Seventy-one percent of investors that are required to comply with the CRA use their NMTC investment to help meet their CRA obligations.”\footnote{Ibid., pp. 36-37.} In addition, the GAO report attempted to quantify whether investors were shifting investment to NMTCs from other investment opportunities, or whether they were increasing the overall amount of capital invested and based upon their statistical analysis, they reported that preliminary evidence suggests that corporations are tending to shift capital while individuals may be increasing...
their aggregate investments. Relative to corporations, the GAO concludes, “we infer that the most likely effect of the credit is that corporate investors, which make the majority of investments in CDEs, are shifting investment into low-income communities from higher income communities.”

While such potential conclusions raise additional questions about the potential costs of the NMTC program in terms of other investments forgone, it does suggest that NMTCs are having a beneficial effect in directing investment towards low-income communities. Indeed, the GAO’s ultimate conclusion in its 2007 assessment of the program is that “The results of our survey and statistical analysis are consistent with the NMTC program increasing investment in eligible low-income communities by the investors that participate in the program and with this investment coming primarily from funds shifted from other uses. Such a shift would be one indicator that the NMTC program is effective because the NMTC sought to increase investment in eligible low-income communities. An estimated 64 percent of the NMTC investors reported that they increased the share of their investment budget for low-income communities because of the credit.”

To date, the CDFI Fund has allocated five rounds totaling $16 billion of tax credit authority to CDEs, with the applications for the final authorized round currently under review, with allocations to be awarded in late 2008. At the same time, program advocates and policymakers are working to re-authorize the program for subsequent rounds to ensure these investments and the industry that has now grown up around them continues.

The issue of re-authorization is one major concern of NMTC advocates and policymakers, however other concerns about the management of the program have also arisen as the program has matured. As discussed, some community development advocates have expressed concern that the structure of the program places too much emphasis on real estate investments at the expense of other business investment that may create jobs, higher-paying jobs, and further economic growth and wealth creation in low-income communities.

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31 Ibid., pp. 37-42.
32 Ibid., p. 4.
33 Ibid., p. 4.
Some advocates believe investors are growing more comfortable with investing in businesses other than real estate, especially as the Treasury Department has clarified and made more flexible the regulations related to recapture, but there is reportedly no clear consensus within the NMTC community about whether or not an explicit policy change to promote investment outside real estate is desirable.  

Another issue of concern is referred to as the ‘but for’ question. As Jeffrey Armistead explains, “By design, New Markets Tax Credits are meant to provide subsidy to marginal projects – those that in the absence of the subsidy provided by the credits generate some economic returns but not a sufficient level of returns to make the project economically feasible…The credit is supposed to make marginally doable projects into doable projects.” While anecdotal evidence suggests this is true, no clear evaluations have been undertaken to confirm it and as a result, the potential is there that some doable projects are receiving tax credit funding. Nonetheless, as observers of the program like Ellen Seidman have suggested, many NMTC projects “had been ‘stuck in limbo’ for lack of financing for years, a strong suggestion that the Credit met the ‘but for’ test.”

In order to encourage CDEs to focus on marginal projects and to focus their attention on particularly distressed communities, the CDFI Fund has emphasized that the application process, ranking system, and approvals will reward those CDEs that focus on these two areas. To encourage a focus on marginal projects, the CDFI Fund offers tips to applicants encouraging products and services that are “more flexible or non-traditional than industry standards,” “are designed to meet the needs of underserved markets,” and “focus on customers or partners that typically lack access to conventional sources of capital.” The more creative and more beneficial the structure is to the underlying business, the more ‘doable’ marginal investments will be, and the more points the applicant will receive in the approval process for encouraging ‘but for’ investments.

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37 See Armistead, “New Markets,” p. 23 for a discussion of ways the system is trying to address the ‘but for’ question.
Not only is the CDFI Fund instituting policies to focus CDEs on marginal investments, it is also focusing more attention on particularly distressed communities. According to tips offered to CDEs by the CDFI Fund, applications will be scored more favorably if they demonstrate that at least 75% of QLICIs are directed towards severely economically distressed areas.\(^{39}\) Such areas are defined as regions with poverty rates greater than 30%, median incomes less than 60% of area median income, or unemployment rates at least 1.5 times the national average. Applications can also score more favorably if they commit a CDE to meet two of fourteen additional indicators of distress ranging from brownfields to medically-underserved regions.

In creating such a focus, the CDFI Fund is confronting one of the issues raised about the very structure of the NMTC program: should capital be directed towards general economic development of low income areas, or should it be particularly focused on alleviating poverty? While the statute itself as well as the political rhetoric in 2000 were essentially silent on this question, focusing instead on more general concepts of job creation and business development, the CDFI Fund by targeting higher distressed communities appears to be focusing the program not just on economic development, but also on some level of poverty alleviation and development for the most challenged communities. And while ultimate results and impacts remain to be seen, the GAO does report that 90% of NMTC investments made through December 2006 were in ‘areas of high distress’ and concludes that the CDFI Fund encouragement of this focus has been a significant contributing factor.\(^{40}\)

To continue to emphasize the focus on marginal investments and distressed areas, the CDFI Fund requires CDEs that have received allocations to sign Allocation Agreements that stipulate the benchmarks and strategies that the CDE identified in its application, and holds the CDE to these benchmarks. Through a series of reporting systems developed for the program, administrators track CDE compliance. The Allocation Agreement System

\(^{39}\) Ibid., pp. 51-52.
(AAS) tracks legal contracts and allocation agreements for CDEs, while the Allocation Tracking System (ATS) tracks CDEs, QEIs, and investors. The Community Investment Impact System (CIIS) collects information on specific investments, investment structures, number of jobs created or revenue generated by underlying businesses, and other variables that the CDFI Fund uses to determine if a CDE is carrying out the strategy that it had laid out in its application. Finally, each of these systems feeds into a New Markets Compliance Monitoring System (NCMS) that is used to monitor whether each CDE is in compliance with its allocation agreement.41 Through these systems, the CDFI Fund is able to track the progress of tax credit allocations and maintain a level of oversight over CDE activities.

Ultimately, systems such as the CIIS database could also be beneficial in assisting in another area of oversight and review that is important for the long-term success and re-authorization of the NMTC program: evaluation of the program’s impact on communities. As an economic development tool, the NMTC program was established to encourage investment in low-income communities that otherwise may not have easy access to capital. Such investment is intended to generate new business development, entrepreneurship, jobs, community rehabilitation, and general economic growth. However, assessing the specific impact that particular projects and investments have had in encouraging economic growth in low-income communities is not an easy task, and linking changes in communities directly to NMTC investments can be challenging. However, systems such as the CIIS database are beginning to collect and compile information to allow for some additional assessment of the impacts of the program on communities. The GAO report commented that an evaluation of program costs and benefits would go a long way towards justifying the program’s value as an economic development tool. In late 2006, the CDFI Fund announced that it had hired the Urban Institute to conduct an extensive, multi-year evaluation of the program, including case studies of NMTC investments.42 Later chapters will include a case study and an

42 Ibid., p. 41 and Seidman, “Valuable Tool,” p. 23.
evaluation framework that offers potential as a tool for assessing the impacts of NMTCs on target communities.

Ultimately, the New Markets Tax Credit program has gained acceptance as a successful tool for directing capital to distressed, low-income communities. While complex, the process of allocating and investing these tax credits has created a framework that allows investors to demonstrate flexibility and creativity in structuring investments in low-income communities and the GAO has concluded that the program appears to be successfully directing and re-directing funds into distressed areas.

However, while the GAO has reviewed the program at a high level, the New Markets Program is truly an initiative that works at the grassroots level. The program depends upon the skill, strategy, and expertise of investors, financial intermediaries, and community businesses on the ground working to create investments that are economically feasible and that will have beneficial community impacts. In particular, CDEs play a vital role in linking capital sources with feasible investments and in managing and guiding these investments to fruition. As a NMTC practitioner commented in one review of the program, “The NMTC program depends for its success on having righteous CDEs.”

The next chapter will investigate how one successful CDFI and CDE, Massachusetts Housing Investment Corp. (MHIC), has developed its internal NMTC program, how it identifies investment opportunities, and how it marshals projects through to completion.

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Chapter 3: MHIC – New Markets Tax Credits From the Trenches

To be an innovative private financier of affordable housing and community development throughout Massachusetts, providing financing that would not otherwise be available, and extending the impact of that financing to ensure the broadest possible benefit.

Massachusetts Housing Investment Corp. Mission Statement

Community Development Entities (CDE) are at the heart of the New Markets Tax Credit program. As Ellen Seidman, one advocate for the program, has written, “The CDEs connect investors, which are in general for-profit entities that may not have an interest in the social aspects of the investments, with the communities in which the investments are made.”¹ They act as the facilitator of transactions, as the conduit between capital and community, and as expert on-the-ground practitioners who help bring investments to fruition.

One of New England’s most active and innovative CDEs is Massachusetts Housing Investment Corporation (MHIC). Based in Boston, MHIC is a non-profit corporation created in 1990 to provide sources of sustainable capital for housing and community development to low-income communities in Massachusetts. Over the last two decades, MHIC has emerged as a national pioneer in providing financing to low-income communities through innovative loan products, low income housing tax credits (LIHTCs), historic tax credits, and now, New Markets Tax Credits. Through relationships with large commercial banks, community lending institutions, and financial corporations, MHIC has built an extensive network of resources and tools to successfully finance otherwise hard-to-finance real estate investments in distressed communities.²

Based upon a mission statement that focuses on providing financing that would otherwise not be available, MHIC has become a significant financing source for low-income communities in the state. By year-end 2007, MHIC had provided $1.13 billion of

² Information on MHIC throughout this chapter has been collected through interviews with MHIC staff, and through review of MHIC’s website at www.mhic.com, 2007 Annual Report, and the presentation “Tax Credit Syndication: The MHIC Experience,” presented to the MIT/CRE class 11.347 – Topics in Housing Finance, April 26, 2005. A list of those interviewed is provided in Appendix A.
financing to 299 projects in Massachusetts, including $214 million in NMTC investment. With a total of $259 million in NMTC authority, MHIC is one of the largest managers of tax credit authority in the country.

As one of the nation’s most active implementers of NMTCs, MHIC is an ideal CDE to review in order to better understand the process of applying for authority, raising capital, identifying investments, and managing projects (and on-the-ground developers) through to completion. This chapter will address this process in order to gain a clearer picture of how NMTCs are implemented in practice and to understand some of the lessons learned as the program has matured.

**The Origins and History of MHIC**

MHIC emerged during a time of tremendous upheaval in the banking and financial services sectors in Massachusetts. As the 1990s were beginning, the banking industry in the state and across the country was reeling as aggressive lending practices, particularly in commercial real estate, coupled with declining property values were creating significant losses and a credit crisis for lenders. The crisis in the Northeast reached its most climactic moment in January of 1991, when Bank of New England and two sister banks failed with $21.7 billion of assets and $19 billion of deposits. Through intervention by the FDIC, Federal Reserve, and other lending regulators, depositors were protected and the bank was eventually sold to Fleet Bank in Providence, RI. Nonetheless, the failure of Bank of New England was a symbol of the overzealous lending practices of the time and the crisis that was enveloping the lending business in New England.³

In January of 1989, just as the banking industry in the Northeast was beginning to see signs of an impending crisis, another crisis was brewing. *The Boston Globe* reported that a leaked draft report from the Federal Reserve Bank of Boston indicated dramatic credit inequalities between white and black neighborhoods in Boston. The *Globe* report triggered tremendous reactions from advocacy groups and politicians calling for

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investigations and for the region’s lending community to develop a resolution to the inequalities. Community investment groups commissioned their own studies of the problem and proposed possible solutions. In the meantime, in August, the Fed publicly released a more comprehensive report, “Geographic Patterns of Mortgage Lending in Boston, 1982-1987,” which concluded that “Housing and mortgage credit markets are functioning in a way that hurts black neighborhoods in the city of Boston.”

The report unleashed a wave of protests by the Mayor of Boston and City Councilors against the lending industry. The Governor introduced legislation to strengthen the state’s community reinvestment act. The US House Banking Committee held a hearing in Boston on the issue, the first hearing on community credit issues held outside of Washington, DC. Top bank executives along with regulators and state and local officials were questioned on the issue and committed themselves to resolving the problem. Community organizations filed formal challenges to several banks’ applications for approval from the state banking commissioner to open new branches, including an effort by State Street Bank to open a new branch in Tokyo.

In order to address the mounting criticism and confront the issue, leaders of the Massachusetts Bankers Association (MBA), which represented the state’s banking industry, met with political leaders and representatives of community advocacy groups to begin to develop a plan to address the problem of minority community reinvestment. With protests occurring outside Boston banks, the MBA held a meeting in September with members and community advocates and offered an outline of a four-point plan developed by four task forces led by banking leaders. This plan would address bank products and services, mortgage lending, affordable housing finance, and minority economic development. With this initial framework, the four task forces set out to add substance to the plan through meetings that would be open to outside participants. According to James Campen, who has chronicled this period in Boston history, “The

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5 Ibid., p. 51-52.
MBA’s four task forces each began to meet, a process that eventually involved more than two hundred regular participants in face-to-face discussions about the practical problems of putting together workable programs. Bankers and community advocates later agreed on the value of the task force experience not only in establishing personal relationships and lines of communication but also as a process of mutual education about the realities of the disparate worlds in which each worked.”

Ultimately, the MBA proposed a plan that was intended to infuse capital into minority communities through several initiatives. As outlined, the plan included a commitment to enhance basic banking services by opening up additional bank branches and ATMs and to expand branch hours in minority communities. As part of this initiative, the MBA also proposed the creation of the Massachusetts Community Banking Council, a non-profit corporation made up of banking and community representatives that would “oversee provision of banking services, sponsor consumer education about banking and credit issues, undertake community credit needs assessments, and provide a forum for continuing dialogue about community needs and bank performance in meeting these needs.”

In addition, the MBA proposed a mortgage initiative that would provide mortgages with preferential terms to buyers in targeted communities. In addition, a number of individual member banks committed to lend tens of millions of dollars in these communities, including loans that would offer below market interest rates. A third component of the plan involved the creation of a Minority Enterprise Small Business Investment Corporation that would provide capital to minority-owned businesses.

Finally, the fourth component of the plan was the creation of the Massachusetts Housing Investment Corporation (MHIC), a non-profit corporation that would be tasked with assembling and administering capital from participating lenders and capital providers to finance affordable housing projects that could not get funding from traditional lenders. In

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6 Ibid., p. 51.
7 Ibid., p. 57.
8 Ibid., p. 58.
addition, MHIC would help to facilitate and offer technical assistance to projects and
developers looking to secure low income housing tax credits. MHIC took shape through
the work of a group of leaders in the lending community including David Spina, a senior
executive at State Street who would eventually rise to Chairman and CEO of that
corporation. Spina would serve as MHIC’s first chairman of the board and worked
closely with MHIC in its early days to establish its mission, work with participating
banks, and build a track record.

With the structure of MHIC and its mission laid out, Spina led the effort to hire the staff
for MHIC. While the community continued to voice skepticism in the press regarding the
MBA’s plan and the pace of action, Spina ultimately hired Joseph Flatley, executive
director of the Massachusetts Housing Partnership (MHP), to run the new enterprise.
MHP served a similar role to the one outlined for MHIC, providing creative financing
solutions to developers of affordable housing in the state.

MHIC began operations in July, 1990, pooling lender commitments in order to provide
affordable loan structures and LIHTCs to low-income housing developers, with a
particular emphasis on minority businesses. Since that time, Flatley has led the
organization to become one of the nation’s leading providers of financing for affordable
housing, acting as an innovative implementer of financing products, loans, and LIHTCs.
By the end of 2007, MHIC was the largest LIHTC syndicator in the state, having
provided $489 million in LIHTCs and another $430 million in loans to projects
representing the construction and preservation of 12,712 units of housing.

MHIC conducts its affordable housing financing business by raising capital from
participating community, regional and national banks, and other financial institutions,
and using this capital to fund affordable, creative loan and equity products for housing
developers. These investments are intended to offer reasonable rates of return to investors
looking to place capital in under-invested communities, while at the same time
channeling capital to projects that may not be able to move forward or to secure
traditional financing without the financing products offered by MHIC. MHIC often works
with project sponsors to structure complex transactions that require multiple sources of financing to be economically feasible. In addition, MHIC has built a team of real estate finance and asset management professionals who work with project sponsors to bring developments through to completion, and who monitor the financial condition and physical quality of properties to ensure they are being operated properly and remain in compliance with government regulations. As a non-profit, MHIC is a self-sustaining entity that covers expenses through fees charged on its financing products.

Over the course of seventeen years, MHIC developed extensive networks and relationships within the lender community, while also cultivating relationships with CDCs, for-profit and non-profit developers, community advocacy groups, city and state community development agencies, and other financial intermediaries as resources in identifying investments. Moreover, these entities also provide community and investor representation on MHIC’s board of directors and committees, offering their expertise in company strategy and management. These relationships have also allowed MHIC to continue to grow its business and laid a strong foundation for the corporation when in 2002 it began to investigate the new program that had recently been created in Washington to fund community development initiatives using tax credits: the New Markets Tax Credit Program.

**MHIC and New Markets Tax Credits**

*Implementing a New System*

MHIC had been created to provide financing for affordable housing in the state of Massachusetts. In pursuing this mission, the corporation had built extensive networks and a strong reputation within community development circles, both on the investor and on the investment sides of the business. In addition, MHIC had also developed an extensive expertise regarding the complicated legal structures and ongoing compliance of tax credit investments. Therefore, they had built an internal infrastructure that they believed could support a substantive New Markets Tax Credit investment initiative.
MHIC viewed NMTCs as a logical extension of their business model and mission, extending their reach into a new area of financing that could play an important role in generating economic development in the low-income communities MHIC was created to serve. The firm’s board encouraged a move into commercial development, as did the Massachusetts Community Banking Council.

As a certified CDFI, MHIC was automatically qualified to be a CDE under the NMTC program. After applying for and receiving the CDE certification, MHIC was eligible to apply for an allocation of tax credits. Through a Notice of Allocation Availability (NOAA) issued on June 6, 2002, the CDFI Fund opened the application process for the first round of allocations and posted online applications for CDEs to complete by August 29. In that time, CDEs had to develop their strategies for raising capital and for identifying deserving investment opportunities, and they needed to articulate their unique qualifications and experience for undertaking the challenge of deploying NMTCs.

Initially, MHIC relied on their existing customer base as well as their strong relationships with public agencies to identify projects and raise a pool of available investor capital. When preparing their application, MHIC worked especially closely with the City of Boston and the state’s Department of Housing and Community Development (DHCD) to identify projects that the city and state had deemed to be ‘high priority,’ that is projects that were intended to transform vacant, blighted, or key buildings within target neighborhoods. These projects typically were city-owned parcels for which developers had been designated by RFP, sometimes multiple times over the years, but where the total cost of the developments far exceeded the economic value without subsidy. These projects were also targeted because they played important roles in the city’s overall redevelopment plans for their communities.

A list of five key projects took shape through working with the city and through community relationships that MHIC had developed through the years. In Boston, the city identified two high priority projects in Dudley Square, the struggling central commercial district of Boston’s Roxbury neighborhood and the heart of the city’s African American
community. Boston has directed significant planning efforts towards improving and revitalizing the Dudley Square region through the years. Hibernian Hall, once an attractive turn-of-the-century Irish social hall located in the square, had fallen into disrepair and had been boarded up and vacant for over a decade. A significant eyesore in the heart of the community, Hibernian Hall was targeted for redevelopment into a mixed-use building offering performance and community spaces, and office and retail space, with one of the city’s most active CDCs, Madison Park Development Corporation, as the sponsor. A second project, the Warren Palmer Building, represented the first new private commercial construction in Dudley Square in 40 years. The project would provide office space to social organizations and city agencies as well as ground-floor retail space. Both projects required significant subsidy to make them economically feasible and were key components of the city’s redevelopment plan for the neighborhood. They were viewed as projects that could help to transform the physical fabric and image of Dudley Square and bring greater commercial vitality to the community.

MHIC also identified an investment in collaboration with a CDC in East Boston, NOAH, to develop a building to house the CDC’s offices. In addition, MHIC’s relationships within the development community led it to uncover two critical mixed-use projects in the CBD of New Bedford, Mass., in collaboration with HallKeen, traditionally an affordable housing developer that had shifted into selective community-oriented commercial development.

Because the NMTCs program was new and it was unclear exactly how the process would work, MHIC was uncertain how much of a tax credit allocation to request in its application. Settling on $30 million, which would cover the cost of these identified projects, MHIC applied for an allocation and ultimately was awarded $25 million of NMTC authority, a significant feat considering that 345 CDEs applied and only 66 received allocations, a 19% award rate.

In order for MHIC to shift its business model to tackle the new NMTC initiative, however, the organization needed to adapt. MHIC staffers, working with outside lawyers
expert in tax credit structures, guided the organization down this new business path. The team had to quickly gain an understanding of the complicated legal structures needed to undertake NMTC investments, had to create financing and underwriting tools to effectively assess and manage projects, and had to develop a tracking system to effectively track deals in the pipeline. Such a tracking system needed to provide information on financial feasibility as well as the projected community impacts of the projects. In addition, MHIC needed to shift staff to focus on this growing area of the business, and significantly enhance internal IT systems in order to manage the regulatory and reporting needs of the program. These needs included a database and surveys to track impacts of their projects in terms of job creation and new business generation. In addition, a NMTC committee was created to provide oversight of the investment process. According to MHIC, their NMTC program has been a constant work in progress, with systems and procedures evolving over time as the organization has become more familiar with the program.

MHIC Builds a NMTC Business Model

At the outset of the NMTC program, demand was intense from developers, community organizations, and municipalities for financing. Projects that had been stalled over the years because of wide financing gaps had created pent-up demand for a financing tool like NMTCs. After the first round, MHIC put in place a plan to pro-actively ‘scour the landscape’ for new deals that would offer the best opportunities to offer transformative impacts to their communities. In addition to internal efforts to tap existing relationships across the state, MHIC hired an outside consultant to actively search for investment opportunities in low-income communities.

MHIC also created new relationships in the non-profit sector that led to extended networks of organizations that could use such financing. This was the case in the healthcare sector, where MHIC had worked with Capital Link on the development of the Holyoke Health Center, a healthcare clinic in the CBD of Holyoke, one of the state’s poorest communities. Capital Link is a national organization that works with non-profit community health centers to assist them in accessing capital for building and equipment
purchases. In order to finance the Holyoke center, MHIC developed an innovative structure involving NMTCs, historic tax credits, and federal loan guarantees that would become a model for other such projects across the country. Through this partnership, MHIC became a NMTC financier of choice for Capital Link.

This project is symbolic of the strategy MHIC has developed to invest NMTCs. As a non-profit entity, MHIC is dedicated to maximizing the utility of the tax credit and to ensuring the sponsor realizes the maximum benefits available through the subsidy. As a result, MHIC takes up the challenge of projects with difficult deal structures. As Andrea Daskalakis, Chief Investment Officer for MHIC, has commented, each NMTC investment is a completely unique, living thing that requires its own unique legal structure. Because of the complexities of the NMTC process, which involves the creation of a for-profit conduit entity along with tiered structures to allow for the use of debt, each NMTC project requires a significant investment of time on the part of MHIC staff. Moreover, structures involving historic tax credits add an additional layer of complexity. MHIC has built its business model upon its ability to structure ‘cutting-edge’ investments around project needs and its ability to finance hard-to-finance projects.

In general, MHIC raises equity from investors through commingled investment funds, which in turn make investments in underlying CDEs that then invest in projects. For most NMTC investments, MHIC typically uses a tiered structure to combine debt and equity together, and then provides the full financing package to the investment. A portion of the financing is provided as a first loan generating interest, which provides the economic return to the debt provider in the tiered structure. Additional loans, often with no interest, are provided that represent grants or other government subsidies, while an additional subordinate loan with a minimal interest rate represents the equity investment of the NMTC investors. Structures providing debt financing to the project are much simpler than equity investments and minimize transaction costs, and each structure is tailored to the unique circumstances of the project. Due to the tiered debt/equity structure, the tax credits alone provide a sufficient return to NMTC investors and therefore, they typically
do not expect to receive a distribution after year 7 of the full amount of their original investment.

For projects to be viable as NMTC investments, they must pass MHIC’s ‘but for’ test to ensure they would not move forward ‘but for’ the tax credits. MHIC assesses this requirement through extensive underwriting of the project, as well as a review of sponsor financials and potential capital campaigns. For the vast majority of MHIC projects, the sponsors are non-profit entities and therefore, generally are facing capital constraints and would not be able to move forward with their projects without financial assistance.

MHIC also assesses a project’s expected impact on the community. The first major requirement is that the project be located in a low-income community, with those located in more highly distressed communities receiving priority. From MHIC’s perspective, a project hits a ‘trifecta’ as an investment when it is located in a region with median income 60% or less of the area median, unemployment 1.5 times the national average, and a poverty rate of 30% or more. In addition, MHIC requires project sponsors to describe in detail the projected impacts in their financing applications. MHIC has also pointed out that projects tend to be non-starters if they do not have the blessing of the municipality and fit into the overall redevelopment plans for the community. A later chapter will address in greater detail the issue of evaluating impacts of NMTC investments on their target communities. In prioritizing projects, MHIC developed a spreadsheet tool to track various characteristics of opportunities in the pipeline, including project size, whether the project is rural or urban, ‘trifecta’ measures, and fourteen additional measures of community distress highlighted by the CDFI Fund including whether investments involve brownfields and medically underserved communities.

In the words of one MHIC document:

MHIC seeks out the projects that generate maximum, lasting benefits for their communities, that maximize job creation, that are most likely to lead to other private investment, that are designed to initiate or accelerate community revitalization, and that make it possible for LIPs and residents of LICs to take advantage of greater economic opportunity. These projects fall into three different
categories: (1) commercial real estate development that generates economic activity in distressed downtowns and neighborhood centers, such as health care centers, movie theatres, performing arts centers, retail and office space, projects combining mixed-income housing and retail space, artists’ galleries and work space, etc.; (2) real estate development focused directly on business expansion and small business development in disadvantaged communities, such as small business incubator space and expansion space for growing businesses; and (3) development of buildings to house important services (supermarkets, multi-purpose community centers, youth and health centers, workforce development programs and economic self sufficiency programs for the homeless and very poor, etc.).

With this strategy as a foundation, MHIC greatly expanded its NMTC program over the six years following its initial application and would become one of the nation’s most active implementers of tax credit financing. By year-end 2007, MHIC had received $259 million of tax credit authority and had funded $214 million across a wide range of projects in Massachusetts. NMTC funding is generated through MHIC’s network of participating lenders and financial corporations, corporations ranging from Citibank, State Street, and AEGON USA Realty to Berkshire Bank and People’s Savings Bank. These entities invest capital in MHIC New Markets Funds in exchange for tax credits and an economic return from the underlying investments.

Examples of the diversity of these underlying projects include:

- The redevelopment of a former transit authority (MBTA) power station in Roxbury’s Egleston Square into a new home for the Boston Neighborhood Network (BNN), an award-winning community media center. Partnering with Urban Edge, a Boston CDC, MHIC provided $7 million of new markets tax credits as well as historic tax credit financing to redevelop this eyesore that had sat abandoned for years, but that was characterized by very attractive architectural details. The result has been an award winning historic, ‘green’ preservation that has allowed BNN to expand its operations.

- The acquisition and rehabilitation of a new home for Custom Blends, a producer of high quality dressings, dips, and sauces for sale in food retailers such as Whole Foods, Roche Brothers, and Costco. Custom Blends pursued a two-fold business strategy of producing high quality products made from organically grown, natural ingredients (marketed under the Cindy’s Kitchen label) while also targeting to employ a workforce made up largely of individuals who have traditionally been excluded from the workforce, including the formerly homeless, disabled, and unemployed. All employees reside in Brockton, a former industrial city south of Boston that has faced significant levels of poverty, crime, and unemployment for

58
several decades. In order to continue to grow its successful business while maintaining this mission in Brockton, Custom Blends needed to lower the cost of the new, larger facility. Through a $1.5 million NMTC financing package, along with an additional no interest loan, MHIC provided the funding Custom Blends needed to continue to grow and pursue its dual mission.

- The historic redevelopment of an under-utilized, city-owned four-story building adjacent to Boston Medical Center as the new, greatly expanded home of the Boston Healthcare for the Homeless Program (BHCHP). According to MHIC, “BHCHP will anchor its programs in a new building that will allow it to integrate its multiple care components under one roof. By integrating key services into one central location, this project will allow for more efficient and cohesive care delivery. The enhancements envisioned in this new hub of health care will support the care of homeless patients in ways that the constraints of the current facilities do not always allow, with more privacy and better integration of services at its anchor outpatient site, fewer beds in larger rooms expanding capacity at its respite care facility, and easier access to needed prescriptions.” Utilizing a NMTC structure of loans, MHIC provided $15.6 million of financing and another $0.9 million of equity financing through NMTCs and historic tax credits. MHIC capped its funding at this level in order to match the funding gap the project required to move forward.

As these projects suggest, MHIC’s investments cover a wide range of investment opportunities. NMTCs have allowed MHIC to rehabilitate abandoned or under-utilized (but often very visible) properties in the midst of low-income communities, creating new homes for social organizations and new businesses, along with new performance venues and community space, while also helping to transform the image of the communities. MHIC has funded the construction and rehabilitation of new buildings for growing businesses that bring jobs to distressed, under-employed populations. And they have worked with healthcare providers to create new healthcare facilities serving those with limited access to medical care in medically underserved communities, creating a model for the development of such facilities that has been copied across the country.

With its application in Round 6 of the NMTC allocations in early 2008, MHIC made a strategic decision to expand its geographic range to include all of New England, a move encouraged by many staffers and participating banks, many who conduct business beyond Massachusetts. Such a shift was allowed by the firm’s charter and opened up an entire new pipeline of investment opportunities, particularly in states under-served by new markets financing like Rhode Island, New Hampshire, and Vermont. As MHIC
awaits word regarding whether it will receive an allocation of tax credit authority, it has built a $550 million pipeline including 40-50 projects across New England. Because of this demand for financing, and the fact that it requested $125 million of tax credit authority, MHIC has instituted a policy of capping the amount of tax credit financing it will provide to any one project at $10 million. With such an extensive pipeline, MHIC also believes it can prioritize more effectively to choose truly transformative projects to finance. CDEs that applied for allocations in Round 6 expect to hear the decisions of the CDFI Fund in late 2008.

**NMTC Issues at the grassroots level**

Through participating in the NMTC program since its inception, MHIC has developed a clear perspective that the program is generating significant benefits for low-income communities but they also point out some of the unique challenges that the structure presents to CDEs. For one thing, MHIC believes that the system of deadlines imposed on investments often forces CDEs to select investments due more to their ‘readiness to proceed’ than their potential to be transformative to their communities. As a result, CDEs are faced with having to decide between financing deals that are essentially ready to go with other deals that may be further from starting but that may offer more potential for positive community impacts.

Another requirement of the NMTC program is for CDEs to create an Advisory Board made up of representatives of the communities in which the CDE invests. Such an advisory board gives the community a voice in the process of investing NMTCs and provides the CDE with significant on-the-ground knowledge of the issues facing low-income communities. The creation of a representative advisory board presents a rewarding challenge to CDEs and is one of the appeals of the program for MHIC. For MHIC, an additional challenge arose when they decided to expand their NMTC program across all six states of New England. By doing so, they were entering new regions where they had not built as extensive a network within the community development community. Nonetheless, they undertook an outreach program across New England to build relationships with community development representatives, both to identify potential
Advisory Board members and as a way to uncover potential NMTC deals. MHIC was well regarded throughout New England and they were successful recruiting new Advisory Board members within weeks of their decision to expand across the region.

Another challenge MHIC and all other CDEs face is the development of truly insightful measures of community impacts. Today, MHIC utilizes surveys through project sponsors to measure job creation, the types of jobs created, the performance of businesses, and other measures of potential impacts from NMTC projects. However, these surveys draw limited response rates and provide limited amounts of data to truly demonstrate project impacts. Given the level of competition that CDEs face in the application process for tax credit authority, having compelling data to demonstrate community impacts is a significant advantage. MHIC is now working with an outside consultant to develop richer, more compelling methods of identifying and tracking community impacts. In addition, a later chapter will investigate a potential framework that MHIC and other CDEs can use to lay out NMTC investment goals and expected impacts, and then to evaluate the progress of these investments in achieving these goals and impacts.

MHIC is one of the leading providers of NMTC financing in the country and has adapted and grown to meet the challenge of managing this new financing tool as the tax credit program has matured. In tackling NMTCs, they have expanded into a new line of business, offering an entire new sphere of low-income community developers access to their experience and their financing products. As a result, MHIC has had a significant impact in encouraging new development in the low-income communities of Massachusetts, new development with a mission to bring renewed vitality, services, and economic growth to these underserved regions. In order to get a first-hand understanding of how a NMTC investment takes shape, the next portion of this thesis will provide a case study of one community where MHIC is playing a vital role in providing the capital necessary to help the city redefine itself: Pittsfield, Mass., a small city situated in the hills of Berkshire County.
Chapter 4: Pittsfield, Mass. - The Rise and Fall of a Company Town

It is indeed a lovely land, this high Berkshire country of gently rolling wooded hills and open sunny valleys, and Pittsfield is its center geographically and in so many other respects.


Pittsfield, once upon a time, was General Electric. Thousands upon thousands of jobs were supplied by General Electric. Anybody that was anybody worked at GE. Everything else in town catered to the people who got their money from GE. Then, GE slowly but surely left town.

Pittsfield Resident, Quoted in Joanna Lipper, *Growing Up Fast*²

Pittsfield, Mass. is a city with many stories to tell. It is a small urban center in the heart of one of the nation’s most beautiful rural settings. It has historically been a blue collar community in the heart of a summer resort region attracting middle-class and wealthy vacationers from cities like New York and Boston. For much of the 20th Century it was a ‘company town’ that witnessed first the prosperity created by American industry and later, the effects of globalization and downsizing (or ‘deindustrialization’) as that company, General Electric, slowly shifted work out of the region and sold off businesses. Today, Pittsfield is a city in transition, a city trying to redefine itself after two centuries defined by manufacturing and industry. It is a city trying to create a new identity within the context of the “gently rolling wooded hills and open sunny valleys” of the Berkshires.

Pittsfield is also a city confronting the challenges of poverty, unemployment, and urban blight that have come about as a result of the loss of manufacturing jobs and industry. Population in the community declined between 1990 and 2006 by 12%. Today, over 50% of the population makes less than 80% of the state’s median household income, and in the downtown census tract, the population makes less than 40% of state median household income. Downtown, over 25% of the population lives below the poverty level and 70% of the city’s population lives in NMTC-eligible census tracts.

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Pittsfield, then, serves as an example of a community confronting the loss of its major employer in the face of national and international economic forces, a story that is common across the United States. As manufacturers move work to lower cost areas of the country and overseas, old industrial communities are forced to address the loss of jobs and the subsequent social, health, and welfare challenges that result. At the same time, many cities, including Pittsfield, are faced with significant environmental damage caused by large industrial production. In Pittsfield, this damage included significant contamination of the Housatonic River running through the city as well as pollution of soil on the GE property and across the entire community. All of these forces - the loss of jobs and businesses, declining population, poverty, the hidden, unknown dangers of pollution – created a significant psychological blow to a community that had for decades depended upon General Electric for wages, tax revenue, philanthropy, and community leadership and stewardship. The departure of GE created a lethargy and a loss of hope in the community that civic leaders believe is only now fading in the face of renewed optimism and efforts to create a new Pittsfield.

This chapter will introduce Pittsfield and will chronicle the city’s history as it grew to be the commercial and industrial heart of Berkshire County. It will address the rise of Pittsfield as a General Electric ‘company town,’ and then will address the social, economic, and environmental damage left behind when GE left the city. This chapter will tell the story of a city that benefited from the prosperity of American industry but that ultimately was largely left behind by industry when the pressures of the new, competitive global economy led General Electric to bid farewell to Pittsfield and the Berkshires. Finally, it will set the stage for a discussion of the community’s efforts to re-invent itself at the dawn of the 21st Century through the combination of vision, energetic civic leadership, and capital.

**Pittsfield’s Industrial Roots**

Situated on a plain one thousand feet above sea level at the confluence of the east and west branches of the Housatonic River, Pittsfield is a city surrounded on all sides by the ‘Purple Hills’ of the Berkshires. Located 150 miles north of New York City and 135
miles west of Boston, Pittsfield is situated in a region that was virtually cut off from early European settlement due to the “Berkshire Barrier, a formidable wall of rock and tangled forest” that made travel treacherous for early colonists. As a result, Pittsfield was settled somewhat later than many other New England communities.³ Like many towns in America, Pittsfield came to be as the result of a speculative real estate transaction. The land was sold in the mid-18th century to a Boston merchant who laid out the streets and subdivided the property into settling lots, which were then sold to settlers.

Incorporated as a town in 1761, Pittsfield was largely an agrarian community during its initial history. But the town’s location at the fork of the Housatonic, which meanders south through Pittsfield to Long Island Sound, placed the community at a strategic location as nascent industrial production powered by water grew in the late 18th and into the 19th centuries. The Housatonic, which dropped in altitude from 1000 feet to 600 feet between Pittsfield and Canaan, CT, provided ample power for the growth of a wide variety of industries in Pittsfield ranging from textiles and tanning to paper. Attracted by the pristine waters of the river, Zenas Crane founded Crane Paper just across the town border in Dalton in 1801, a company that continues to operate today and since 1879, has produced the cotton paper used to print US currency.⁴

As early as 1800, Pittsfield was the largest town in Berkshire County with 2,261 residents. And during that century, Pittsfield would cement its place as the commercial center of the region. With the gradual arrival of railroad lines connecting the region to ports and markets in New York and Boston during the 1830s and 1840s, industrial production jumped in the Berkshires and at the center of the emerging railroad network was Pittsfield.

At the same time, construction of the railroads had brought additional labor and capital to the region to sustain and grow the industrial economy. This trend would continue over

⁴ For more on the Berkshire paper industry, see McGaw, Judith A., Most Wonderful Machine: Mechanization and Social Change in Berkshire Paper Making, 1801-1885 (Princeton, NJ: Princeton University Press, 1987). While Crane was based in Dalton, the Crane paper mill that specifically produced government currency was located in Pittsfield until 1975, when the Pittsfield mill was converted to stationery paper production and currency operations were moved across the border to Dalton.
the course of the century as successive waves of immigrants from Ireland and then from Canada, Italy, Poland, and other countries provided the manpower needed to keep the factories running, with distinct communities growing up around each factory in town. In discussing the growing population of immigrant workers, anthropologist June Nash has written, “Churches and social clubs enabled the newcomers to their own place in society. The extraordinary feature of the town was its ability to absorb these people, as past generations had themselves been absorbed, despite the racial and ethnic prejudice that distorted their view. An expanding economy permitted the new population to find their own position in the new nation.”

With its proximity to the railroad and its growing importance in the region, Pittsfield became the seat of Berkshire County in 1867. And with a population that was approaching 20,000 by 1891, the town voted to be incorporated as a city, the first city in the county. With a bustling downtown and humming factories acting as symbols of progress and innovation, Pittsfield was a booming industrial city by the turn of the century. According to Nash, “By 1895, Pittsfield had a diversified industrial base. There were manufacturers of carriages, boots and shoes, boxes, clocks, drugs, furniture, liquors, beverages, machinery for agriculture and paper plants, paper goods factories, scientific instruments and wooden implements. These small-scale industries were complemented by larger industrial establishments manufacturing woolen, silk and cotton textiles.” By that year, Pittsfield was home to 207 private firms and 26 corporations. As the commercial center and seat of the county, Pittsfield had also become home to a growing finance industry, with banks and life insurance companies growing to serve the needs of the industries and the population in the city.

While Pittsfield was growing as a commercial and industrial center, other nearby communities in Berkshire County were emerging as preferred resort destinations for the moneyed class of the ‘Gilded Age,’ that age of American history between the Civil War

6 See Nash, Tank Town, pp. 29-50.
7 Ibid., pp. 49-50.
and World War I marked by the dramatic increases in wealth among a growing class of industrialists and financiers. Like Newport, RI and Bar Harbor, Maine, the Berkshires by the later part of the 19th century had become a ‘cottage’ community of wealthy New Yorkers who built palatial estates in the county to take advantage of the beauty and the refreshing air of the countryside. As Carole Owens has chronicled in *Pittsfield: Gem City in the Gilded Age*, “In Lenox and Stockbridge, the cottagers bought a dozen farms to stitch together one estate of five hundred to seven hundred acres. As the price of land rose from $5 to $50 to $500 per acre, farmers sold their land, and the agriculturally based economy disappeared. Many farmers went to work on the estates. Slowly a cottage economy was created. The village of Lenox, with a population of a few thousand, became dependent on the cottagers for their livelihood. Residents lived year-round on the money they earned in the three summer months.”

Pittsfield, on the other hand, continued to be built upon its industrial foundation. As Owens writes, “Pittsfield’s economy was based upon industry in the valley, shops at city center and transportation throughout town. The presence of a vibrant middle class and an entrenched upper middle class kept Pittsfield rooted in its own identity and invulnerable to an economic takeover by the cottagers…Pittsfield’s millionaires were homegrown and civic-minded. They were not wealthy industrialists who arrived at apple blossom (May) and deserted at apple drop (September). The Pittsfield millionaires were permanent residents who supported and invested in their community.” To be sure, Pittsfield did attract its share of tourists and ‘cottagers’ at the dawn of the 20th Century, however the wealthy vacationers who came to build homes in Pittsfield were more often than not from Chicago, not New York, and did not bring with them a fundamental shift in the city’s economy.

Pittsfield’s homegrown millionaires, emerging out of the manufacturing, textile, and finance industries of the city, played important roles in the life of the community, funding the construction of a new Berkshire Athenaeum, the public library in Pittsfield, as well as

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9 Ibid., pp. 60-61.
10 Ibid., pp. 28-42.
the creation of the Berkshire Museum, a museum devoted to the art and history of the region. Owens continues, “The transformation of Pittsfield from a country town to a city was reflected in the buildings. South Street, lined with clapboard homes and Elm trees, became a cultural center with the erection of the Berkshire Museum and the Colonial Theater. Park Square, reminiscent of many New England town squares with gracious homes, a few shops and a church, became the center of civic responsibility and culture with the building of the county courthouse and the Athenaeum.” 11 In short, Pittsfield was prospering due to its own homegrown industries and was creating its own urban identity independent of the rural, resort image of the Berkshires that was taking hold in other parts of the county.

Pittsfield had experienced a dramatic transformation over the course of the 19th Century. Like many other rising industrial cities in New England, Pittsfield was growing as a result of manufacturing, the ingenuity and innovation of its industrialist residents, and the labor provided by the immigrant workforce. Pittsfield had evolved from a primarily agrarian economy to an urban industrial one. Much of the city’s industry had shifted over time from work done largely by hand to mechanized work using machines. Water power had gradually given way to steam power as a means to power the factories, with electrical power rapidly emerging as a new source of energy that would soon eclipse steam. And small factories had gradually given way to larger manufacturing companies.

Yet another transformation was also taking place in Pittsfield and around the country: the rise of corporations as the primary form of business ownership. 12 As Alan Trachtenberg has written in *The Incorporation of America*, “The Gilded Age marked a significant increase in the influence of business in America, corresponding to the emergence of the modern corporate form of ownership…the corporation provided capitalists with a more flexible and far-reaching instrument than earlier forms of ownership such as simple partnerships and family businesses…In the United States, incorporation appeared on a modest scale in the 1850’s, notably in the railroad industry. By the 1870’s, it had become

11 Ibid., pp. 59-60.
commonplace, changing the face and character of American capitalism.” By 1904, Trachtenberg states, “about three hundred industrial corporations had won control over more than two fifths of all manufacturing in the country, affecting the operations of about four fifths of the nation’s industries.” As businesses grew, mergers helped to consolidate industries and concentrate more control in larger corporations. This trend of incorporation and consolidation would have a dramatic and far reaching effect on the nature of the Pittsfield economy.

The Rise and Fall of ‘the GE’ in Pittsfield

The Stanley Works

On March 20, 1886, a young inventor named William Stanley conducted an experiment that would have implications around the globe and that would fundamentally transform Pittsfield. On that day in the small Berkshire town of Great Barrington, 20 miles south of Pittsfield, Stanley successfully lit with electricity several stores along Main Street, thus demonstrating the first complete system of power distribution using high voltage alternating current (AC) transmission, employing his own AC transformer design. This system was the pre-cursor to the modern electrical power distribution system and his AC transformer would become the prototype for all future transformer technology.

Stanley’s feats of innovation came at a time of rapid growth in the fledgling electrical industry of the late 1800s. With rapid innovations in the use of electricity to provide lighting in the late 1870s by inventors including Thomas Edison and Hiram Maxim, electricity generation and distribution had become a major new industry attracting significant amounts of capital. Stanley, who had worked for Maxim’s US Electric as well as Westinghouse, believed that AC power was the best means of power distribution because unlike direct current (DC), it allowed for transmission across long distances and therefore, could support centralized power generation. This debate between DC power,
which was preferred by Edison, and AC power, which was promoted by Westinghouse, would become one of the great industrial feuds of corporate history.

Working with Pittsfield financiers who raised a sizable sum of $25,000 from twenty-seven shareholders to invest in these innovations, William Stanley organized the Stanley Electric Manufacturing Company in 1890 and moved into a new plant in Pittsfield with sixteen employees manufacturing light transformers. By 1903, the company, dubbed the ‘Stanley Works,’ employed 1,700 people and was the largest employer in the city. The Stanley Works was a significant producer of electrical machinery for the rapidly growing electric industry. However, competition between various producers of electrical equipment led to a series of fierce patent battles resulting in hundreds of lawsuits filed between companies and ultimately, these battles led to consolidation. In 1889, Thomas Edison’s company, Edison General Electric had merged with competitor the Thomson-Houston Company in Lynn, Mass. to form the General Electric Company, which was the industry leader in electrical products ranging from light bulbs to locomotives. During this period, Westinghouse and GE filed over 600 patent and copyright infringement lawsuits against one another and against other firms before finally agreeing to a cross-licensing agreement allowing each company to use the technologies of the other.\textsuperscript{14}

One of the other targets of Westinghouse’s patent lawsuits was the Stanley Works. Westinghouse had provided financing to Stanley’s Great Barrington laboratory and claimed a right to his innovations. The need for more capital to maintain operations along with the pressures of the patent suits ultimately forced Stanley to sell to Ferdinand Roebling of Trenton, NJ in 1899 after financiers in Pittsfield were unable to come up with the $80,000 needed. In 1903, in another effort to further consolidate the electrical manufacturing industry, General Electric bought the Stanley Works from Roebling, absorbing the AC distribution technologies and capabilities of the Pittsfield operation. Initially continuing to operate under the Stanley name, the Pittsfield factory was fully

absorbed under the GE corporate umbrella in 1907.\textsuperscript{15} As Carole Owens concluded, “For Pittsfield, the moment that changed everything was quiet, done in the ordinary course of business…When the citizens of Pittsfield failed to subscribe to $80,000 of outstanding shares in the Stanley Works and they were sold instead to an outside company, the die was cast…No other single event did more to shape Pittsfield during the twentieth century than the loss of local control of the Stanley Works…Pittsfield, after the Gilded Age, became a company town.”\textsuperscript{16}

\textit{A Company Town}
For the better part of the next century, Pittsfield, Mass., would be defined by General Electric. Along the winding banks of the Housatonic River and Silver Lake, to the northeast of downtown Pittsfield, a massive industrial complex of buildings would rise up on over 250 acres of land, announcing the presence of GE. Smokestacks dotted the horizon, railroad tracks crisscrossed the landscape, and fences kept out trespassers. Massive buildings housing the manufacturing operations for large industrial transformers and other electrical equipment dominated the skyline of the Morningside region of Pittsfield. The GE facilities in the city would eventually absorb all high voltage transformer manufacturing from the corporation’s other plants in Schenectady, NY and Lynn, Mass. Molding operations and the development of synthetic materials would grow into a full fledged plastics development operation through the decades, with Pittsfield serving as the headquarters for GE’s growing Plastics business. World War II would usher in a new era of defense contracts, with large ordnance plants rising on the factory grounds to supply the military during the war and subsequent Cold War. The Pittsfield Works was the lifeblood of the city.

Employment at the GE plant rose rapidly through the first half of the century. With approximately 6,500 employees in 1916, plant employment would peak at nearly 13,000 in 1942. Fluctuating between 10,000 and 12,000 over the subsequent decade, GE would employ three out of five of all gainfully employed workers in Pittsfield in the 1950s.\textsuperscript{15} Nash, \textit{Tank Town}, p. 57.\textsuperscript{16} Owens, \textit{Gem City}, p. 83.
significant proportion of the remaining workers would work for businesses linked to the plant. At the same time, the town’s population rose dramatically as GE’s operations grew, jumping from 22,000 in 1900 to 50,000 by 1930. Population peaked in the early 1960s at close to 58,000.

As June Nash has commented, the consolidation of business into large corporations created risks for workers and for communities: “The incorporation of business enterprises into larger units gave some stability to the market even though it augmented fluctuations in the economy. Workers and their families became more dependent on fewer sources of employment. Communities lost their autonomy as the tax base and industrial activity was restricted to a limited number of firms.” This was certainly the case in Pittsfield. As anthropologist Max Kirsch has observed, “The thread that permeates through the changes in Pittsfield is dependency. The community is dependent on the corporation for the tax dollars that maintain the city infrastructure developed to house the plant and its workers; workers are dependent on the corporation for jobs; families on wage earners; and secondary industries on the wages that the workers generate.”

In Pittsfield, entire generations grew up expecting to work at the GE plant. Paternalism was a component of the GE spirit through much of the 20th Century. According to author Thomas O’Boyle in his history of General Electric, *At Any Cost*, “GE was a place of cradle-to-grave employment.” The corporation had gained a reputation as a socially progressive organization, championing the concept of ‘welfare capitalism’ that garnered the corporation the nickname “Generous Electric.” “GE’s evolving system of welfare capitalism…was one of the most extensive in American industry,” O’Boyle wrote. “[W]elfare capitalism embraced paid vacations; accident, sickness, and death benefits; employee associations and recreational activities; company hospitals; educational courses and tuition reimbursement for continuing education; and cost-of-living increases in addition to hourly wages.” Participation of workers in decision-making on the shop floor,

18 Nash, *Tank Town*, p. 52.
as well as bonuses and ownership in the company, also emerged at GE. And while the corporation’s relationship with unions at its factories was contentious, union organization as well as this ‘welfare capitalism’ during the first half of the century had produced significant employee benefits from the corporation.21

The corporation defined the ebbs and flows of life in Pittsfield. GE played an active role in civic organizations and influenced local politics. Employment and wage trends at the plant had significant impacts on housing values and retail sales. Indeed, many employees and residents referred to the company as “the GE,” indicating the sense of GE as an almost omnipotent, all-powerful force looming over the community.

With this power over Pittsfield, the General Electric plant could also place pressure on the community, the unions, and the employees through the threat of layoffs and relocation of production. As the decades passed, and as economic pressures built up against GE’s transformer operations and its concept of welfare capitalism, the town of Pittsfield began to feel the effects of this power. As the transformer division experienced a decline in business through the 1970s and into the early 1980s, work was shifted to lower cost regions in the South and workers were laid off in Pittsfield. Within the Cold War culture of the era, the corporation’s Ordnance Systems and Plastics businesses continued to perform well, but overall employment at the plant was steadily declining, reaching approximately 7,000 by the mid-1980s.

With the arrival of Jack Welch as Chairman and CEO in 1981, GE embarked on a major re-structuring to streamline operations, enhance efficiency, and re-make GE as a nimble, innovative profit machine. While GE was still a highly successful company, Jack Welch, who had begun his GE career at Plastics in Pittsfield and had spent seventeen years in the city, believed the company needed a new approach to business, one that focused not on the old model of a bureaucratic, paternalistic corporation taking care of its employees but instead on the new competitive global economy. “Any organization that thinks it can guarantee job security is going down a dead end,” he writes in his memoir Jack: Straight 21

*21* Ibid., pp. 243-244.
from the Gut. “Only satisfied customers can give people job security. Not companies. That reality put an end to the implicit contracts that corporations once had with their employees. Those ‘contracts’ were based on perceived lifetime employment and produced a paternal, feudal, fuzzy kind of loyalty. If you put in your time and worked hard, the perception was that the company took care of you for life. As the game changed, people had to be focused on the competitive world, where no business was a safe haven for employment unless it was winning in the market place. The psychological contract had to change.”

With his new perspective on GE and his strategy to be No. 1 or No. 2 in each of its business units, or else to exit that industry, Welch embarked on a dramatic effort to re-shape the company. GE was one of the first and most aggressive corporations to move work to more cost efficient environments, both in the US and subsequently overseas. Moreover, between 1980 and 1985, GE’s global labor force fell from 411,000 to 299,000 employees through layoffs and business sales.

In his strategic planning initiatives, Welch highlighted the businesses that he believed would serve as the core growth engines for the corporation by placing them within three circles: Financial Services, High Tech, and Core Manufacturing. “Any business outside the circles,” he writes, “we would fix, sell, or close. These businesses were the marginal performers, or were in low-growth markets, or just had a poor strategic fit.” Noticeably placed outside the circles was ‘Large Transformers.’ Welch’s vision of the new GE did not include the Pittsfield operation and in November of 1986, GE announced that it was exiting the power transformer business. A business that had once employed upwards of 10,000 people in Pittsfield was shut down. And in subsequent years, the cuts and business sales kept coming. In 1993, GE sold the Ordinance Systems Division to Martin Marietta, which subsequently sold the Pittsfield operation to General Dynamics. And in August, 2007, General Electric sold GE Plastics, headquartered in Pittsfield, to Saudi-owned

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23 Ibid., p. 129.
24 Welch, Jack, pp. 110-111. See p. 111 for the hand-written three circle drawing.
chemical giant Sabic Global, creating Sabic Innovative Plastics. The era of GE as a major employer in Pittsfield was over.

After GE

While GE’s role as a major employer in Pittsfield had ended, GE’s influence on the city was far from over. The corporation had left a significant legacy in the city, both in terms of its contributions to the life of the community and in terms of the scars it had left behind. A city that had depended upon ‘the GE’ to define many of the components of everyday life had slowly drifted away. As Max Kirsch wrote in the midst of GE’s departure, “Pittsfield has never before had to chart its own path…Despite other small industries, it has been completely dependent on the corporation for its direction. General Electric has run Pittsfield. Managers move around the country often, ostensibly to learn the businesses, but effectively functioning to keep them separate from the communities in which they live. Its ‘nonnatives’ rarely become true residents. Decisions are made either by managers based in Fairfield, Connecticut, where the corporation headquarters is, or locally by temporary personnel.”

With General Electric’s departure, Pittsfield needed to redefine itself while at the same time trying to cope with the social, economic, and environmental damage left behind by GE.

Economically, Pittsfield was faced with the loss of thousands of well-paying jobs. Between 1990 and 2000, median household income dropped 10% in the city while the labor force declined by over 2,000 jobs, or approximately 10%. The city’s population dropped precipitously. According to the 2000 census, the Pittsfield metropolitan area experienced one of the five highest rates of population decline in the country during the 1990s. Unemployment peaked in 1991 and 1992 at close to 12% before experiencing a steady decline later in the decade, likely attributable to the departure of workers seeking jobs elsewhere and industrial workers taking jobs in lower-paying services industries.

As Joanna Lipper has written in Growing Up Fast, an account of single-motherhood in Pittsfield,

25 Kirsch, Giant, p. xv.
In Pittsfield the quality of life plummeted. The bottom fell out of the middle-class. After being laid off, many former GE employees who had served the company loyally for decades were forced to take on lower-paying service and retail jobs that, in addition to being mostly unregulated by the unions, offered relatively meager compensations and few, if any, benefits...The Pittsfield Economic Revitalization Corporation published a comprehensive report, warning that as the availability of ‘upwardly mobile types of jobs’ quickly diminished, left behind were ‘a large group of single mothers, young people, and displaced blue collar workers for whom there is little hope for achieving a middle-class lifestyle.’

Moreover, Lipper continues, “In the wake of GE’s departure, Pittsfield’s shops, restaurants, and small businesses began shutting down as those families who once had money to spend left town in search of decent-paying jobs and healthier communities.” Pittsfield’s future appeared to be grim.

Not only did the future look grim, but much of Pittsfield itself looked grim as well. The once bustling downtown was growing deserted as stores closed and the number of residents and shoppers declined. A proposal by a private developer to build a mall downtown in the 1980s became a major political controversy for much of the decade, resulting in the developer building the mall just outside the city limits. As the mall rose, the city’s downtown fell. England Brothers, Pittsfield’s downtown department store, closed in 1987, smaller downtown retailers closed or relocated, and the mall sucked regional commerce out of Pittsfield.

Around the city, evidence of poverty and economic stagnation were clear. As Joanna Lipper artfully describes the scene: “Framed by the majestic Berkshire Mountains, poverty in Pittsfield wore a prettier face than inner-city poverty but nevertheless was immediately visible. On residential streets, contemporary apartment complexes and public housing projects were interspersed with older single-family homes, many of which had been converted to house several families. Peeling paint, sliding shingles, cluttered

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27 Lipper, Growing Up Fast, p. 12.
porches, fractured windowpanes, and boarded-up storefronts silently reflected the reality that this city...had definitely seen better days.”

On the east side of the city, the massive GE plant sat largely abandoned, a growing eyesore surrounded by chain-link fence. While parts of the massive facility were still in use by General Dynamics and Plastics, most of the massive plant sat deserted. But even more disturbing was what was lurking underground and in the Housatonic River running past the plant.

For decades, GE had used a synthetic liquid, Pyranol, as an insulator in the metal housings of the transformers built in Pittsfield. This chemical was made from polychlorinated biphenyls (PCB), a class of man-made chemicals that can withstand high temperatures and are not flammable. As Thomas O’Boyle writes, “The Pittsfield operations processed 140,000 pounds of PCB each week, several thousand pounds of which spilled on the floor, down the drain and into the Housatonic River...Workers had daily contact with Pyranol: To test the transformers, they had to plunge unprotected hands, arms, sometimes whole bodies, into large steel cabinets filled with Pyranol fluid.” GE used an absorbent dirt, dubbed ‘Fuller’s Earth,’ to absorb the liquid on the shop floors. They then carted the material off to the landfill. In addition, they provided the material as fill to homeowners, workers, and local contractors, dispersing the material across the entire community. When portions of the meandering Housatonic known as ox-bows were straightened in the 1940s, fill containing PCBs was used.

In 1976, the US government banned the use of PCBs as evidence mounted that the chemicals were a ‘likely’ carcinogen and led to a number of other significant negative health effects. In Pittsfield, government entities as well as GE investigated the spread of the pollutant across the city and in the river. Community groups formed to demand that GE respond, but the corporation spent years resisting efforts to force a significant clean-up in Pittsfield as well as along the Hudson River, where even more wide-spread PCB contamination was occurring.

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29 Ibid., pp. 20-21.
30 O’Boyle, At any Cost, p. 195.
31 Lipper, Growing Up Fast, pp. 15-16.
contamination had occurred. The federal government and the states of Massachusetts and Connecticut placed pressure on the company to move forward and threatened to use the Superfund statute to force a clean-up, which would have allowed the federal Environmental Protection Agency (EPA) to clean up the pollution and then sue GE for cost recovery. In 1998, GE finally came to a tentative agreement with the EPA, state government, and Pittsfield to begin a clean-up of the river, the GE plant property, and homes and lots around the city where contaminated soil had been used. A final consent decree was approved by the courts in 2000, allowing for a clean-up to move forward that was projected to cost $250 million. In addition, GE agreed to provide economic development funding to the city of Pittsfield, including funding to re-develop a portion of the GE property as a business park and $1 million a year for ten years for discretionary economic development spending by the city.\(^{32}\)

As Michael Edelstein has written in *Contaminated Communities: Coping with Residential Toxic Exposure*, residents of communities contaminated by pollution often feel victimized, like they have lost a level of control over their lives. Uncertainty about their futures and about the risk associated with the contamination, the invisibility of the threat, and the lack of knowledge about how best to cope create fear within a contaminated community. Pessimism about their futures and the future of the community grows. Moreover, Edelstein writes, “when victims realize that a disaster is humanly caused, they are likely to develop attributions of responsibility causing feelings of distrust and anger toward the perceived agents of harm.”\(^{33}\) The stigma that environmental pollution creates can drive away business from a community and can deter other business from coming to town. This stigma was one significant factor why the city of Pittsfield and business leaders fought to find a solution other than being dubbed a ‘Superfund site’ to clean up the GE plant.


\(^{33}\) Edelstein, Michael R., *Contaminated Communities: Coping with Residential Toxic Exposure* (Boulder, CO: Westview Press, 2004). In particular, see p. 17 for quote and pp. 70-71 for a summary of five fundamental psychological changes connected with contamination. Also, see Jastremski, “PCB.”
The combination of GE’s departure and the environmental contamination that the company left behind had a significant social and psychological effect on the community. As Mickey Friedman, a local documentary filmmaker, stated in Lipper’s *Growing Up Fast*,

First you have people coping with the fact that the jobs are leaving, and then you have this added trauma...These same people who worked very hard in the factory for years with enormous loyalty no longer had jobs and are now worried about their exposure. They are coming home to the house that they are so proud of and discovering that their backyard is contaminated. You have people discovering that the elementary school that their children go to was built on contaminated land...You have people who have beautiful homes along the Housatonic River who are worried about the fact that their little children used to go down to the riverbank to play. So you add all that onto the first trauma of the economic engine of the community leaving and the burden of walking down the main street and seeing store after store that’s been closed and seeing no vibrant downtown, and you’re talking about an enormous psychological blow...Psychologically, many people felt like they were living in a dying town.

Thus, at the dawn of the 21st Century, Pittsfield was struggling to maintain its relevance. The city, which had been defined as the commercial and industrial heart of the Berkshires for two centuries, had lost its major employer and was struggling to cope with the social, economic, and environmental damage left in GE’s wake. The forces of the new global economy had helped to drive General Electric away. Regional economics were driving shoppers and retailers to the mall and away from downtown Pittsfield. Local economics were forcing the city’s population to head elsewhere for work. The city, its businesses, and its residents had to redefine Pittsfield for the new century. And as this new century was dawning, a combination of visionary political leadership, committed civic and business leaders, and capital would come together to create a new vision for the city that they hoped would create the economic base needed to bring life back to Pittsfield.

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Chapter 5: Pittsfield - Vision, Leadership, Capital, and the Redefinition of a Company Town

Pittsfield was, and will be, the downtown of the Berkshires…It’s history was retail, but its future is entertainment.
Mayor James Ruberto, July, 2006¹

I want to thank everyone who has been working to preserve this theater and to revitalize Pittsfield and to understand that in today's world, one of the ways to attract economic development, to attract tourism, to give people a sense of pride and a better quality of life is by taking the jewels of the past and making them shine again, so that people all over the country and world know about Pittsfield and know the Colonial Theatre.
Hillary Clinton, Save our American Treasures Tour, July, 1998²

By the end of the 1990s, many in Pittsfield looked forward to a new century with uncertainty. A city defined largely by its industrial past and its status as a General Electric company town had experienced a dramatic downward spiral economically as GE cut workers, shifted work elsewhere, and eventually shut down or sold most of its operations in the 1980s and 1990s. Beyond the loss of jobs and wages however, the city experienced a significant psychological blow, as many workers and residents felt betrayed by GE leaving after a century in Pittsfield. As one resident recounted, “You know, you worked for GE for twenty-six years, then you’re out of work, you’ve still got five years left on your mortgage…bad news. You’ve got despair, depression – the whole nine yards…The kids see what’s going on with their parents, and life can look pretty stinking grim.”³

This pessimistic view of the city’s future permeated the community for at least two decades as GE shifted out of the city. As a number of civic leaders have recounted in interviews, there was a lethargy and a loss of hope among many of the city’s residents, a longing for the economic and social structures of the past, and an uncertainty and ambivalence about the future. Desolate downtown streets became havens for crime and

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³ Lipper, Joanne, Growing Up Fast, p. 22.
drug use, the unemployed and under-employed faced poverty and declining income levels, young residents were fleeing, and buildings were boarded up and abandoned. Pittsfield was ‘The Pitts,’ as some residents derisively called it. The city was the ‘hole in the donut’ of the Berkshires, a struggling urban community in an otherwise vibrant, culturally rich environment.

At the dawn of the new century however, optimism, determination, and a new vision for the city were beginning to overcome the pessimism of Pittsfield. A new wave of leadership was beginning to challenge the memories of the past and put forward a plan for the future that, for the first time in decades, seemed to gain traction. Over the last six to eight years, this vision has gained momentum, driven by energized leadership and the innovative, effective use of the capital resources available to the city.

This new Pittsfield is focused on the ‘creative economy,’ taking advantage of the beauty and abundance of cultural amenities of the Berkshires to promote a new service-based economy. This economic vision is centered around entertainment and culture as well as the attraction of creative industries and high tech businesses that will be drawn by the workforce and quality of life in the community. Pushed by a core group of engaged civic leaders from politics and business, many who are not originally from Pittsfield, this vision has propelled the community along a path of investment that is meant to transform Pittsfield into the urban center of the Berkshire community. And at the heart of this vision are the redevelopment of the Colonial Theatre, a shuttered turn-of-the-century theater, and the development of a new Cinema Center, both of which are in the center of the city and financed by New Market Tax Credits through MHIC.

This chapter will address the economic and social picture in Pittsfield over the last ten years. And through the insights gleaned from interviews conducted with a number of the key civic, business, and community development leaders in the city, this chapter will paint a picture of Pittsfield’s new direction. It will present the new vision for the city, as well as the specific efforts undertaken by this core group of community leaders to bring

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4 A list of all those interviewed is provided in Appendix A.
this vision to reality and to make their progress sustainable. It will then review the Colonial Theatre project in detail to understand the role of NMTCs in bringing that project to fruition, and will provide an overview of the Cinema Center, which is now on the verge of moving forward. This chapter will demonstrate how the innovative use of capital, when combined with vision and determined civic and political leadership, can help a city to move forward in its efforts to redefine itself. It will present the creative ways that multiple sources of funding can be combined to bring to fruition projects that are seen as central components of the city’s overall economic growth. And it will lay the foundation for the next two chapters, which will offer insight into potential ways to evaluate whether NMTCs are truly having a beneficial impact on the communities in which they are used.

**Pittsfield: The ‘hole in the donut’ of the Berkshires**

For much of Pittsfield’s history, the city has been both at the heart of the Berkshires and distinctly separate from the rest of the county. For well over a century, Pittsfield has been the county seat, the center of government and business for Western Massachusetts, the largest city, and the region’s center of employment. It was also for a time the commercial heart of the region, offering the retail amenities and services the residents of the county required. But at the same time, Pittsfield has been different. It did not attach itself to the resort culture and tourist economy of the Berkshires nearly to the degree that other communities in the county did. It is an urban environment in a region notable for its quaint New England towns. It has been an industrial center in a region otherwise known for its refreshing rural charm and it has confronted environmental damage in an otherwise pristine setting. And in the last several decades, it has been a community trying to combat economic decay and redefine itself while its neighbors staked out a well-defined claim as great cultural, tourist destinations.
Pittsfield today is a city of approximately 43,500 people, down dramatically from nearly 52,000 people in 1980.\(^5\) As of the 2000 Census, the city was predominantly white, representing 93% of the total population, with African Americans representing approximately 4% of the population. The city is characterized by an aging population, as many younger residents have left the city for job opportunities elsewhere. As of 2000, 28% of the population was 55 years of age or older, compared to 22% for the state of Massachusetts. As one civic leader in Pittsfield commented, as a somewhat isolated location, Pittsfield has always seen an exodus of young people to college who chose not to return. But for those young people who did not go off to college, a job at GE represented well paying work that allowed Pittsfield to remain a stable blue collar community. When those jobs gradually disappeared, it became harder for young residents with limited skills or education to find comparable work, forcing them into lower paying positions with fewer opportunities.

Indeed, the city has seen significant shifts in the nature of the workforce and employment. A city that once depended upon industrial production has continued to see a decline in manufacturing jobs while services industries such as healthcare and retail trade employment have increased. While total employment has stayed relatively stable around 23,000 jobs in the city between 2001 and 2006, the number of manufacturing jobs has dropped by 1,400, according to state labor statistics. Yet positions in manufacturing and utilities, along with management of companies, offered the three highest average wages among employment sectors. Unemployment has actually stayed fairly stable over the past several years and stood at 4.9% in May, 2008, the same rate as the state average. However, as mentioned in Chapter 4, the city of Pittsfield saw a 10% drop in median household income between 1990 and 2000, suggesting that, while many workers are not staying on the unemployment roles, they are under-employed, shifting to lower paying jobs as manufacturing jobs become more scarce.

\(^5\) For population estimates, see the Massachusetts Executive Office of Labor and Workforce Development, at [http://lmi2.detma.org/lmi/lmcensus.asp](http://lmi2.detma.org/lmi/lmcensus.asp)
At the same time, the workforce is less educated than elsewhere, with only 20.5% of the Pittsfield population holding a bachelors degree or more in 2000, compared to 25% for Berkshire County and over 33% in Massachusetts. Pittsfield students score significantly lower than the Massachusetts average on statewide MCAS testing, and Pittsfield High School’s dropout rate is 8%, greater than double the Massachusetts average.\(^6\)

According to 2000 Census statistics, the median household income in Pittsfield stood at $35,655, or 70% of the $50,502 median for the state. This median income is comparable to the larger city of Worcester, Mass., at $35,623, and the similarly sized Fitchburg, Mass., at $37,004, and is higher than the significantly impoverished western Massachusetts cities of Springfield, at $30,417, and North Adams, at $27,600. Looking more closely at the census tract for downtown Pittsfield, the median household income among the 3,700 people located downtown was only 36% of the state median, while the poverty rate was over 26%.

Pittsfield is also confronting the challenges of crime that afflict many of the state’s and the nation’s urban communities. Violent crime rates, particularly rape and aggravated assault, approach the levels of other large cities in the state, although they are not as severe as nearby cities such as Springfield or Hartford, Conn. Like many communities across Massachusetts, a major cause of this crime is drug use. As one police officer comments in Joanna Lipper’s *Growing Up Fast*, “As General Electric left town and the population decreased, crime started to rise largely because of crack cocaine and the influx of drug dealers into the community.”\(^7\) Thus, despite its location in an otherwise idyllic rural setting in Berkshire County, Pittsfield continues to confront the challenges of poverty, lack of opportunity, and crime facing many of America’s urban communities.

While Pittsfield struggles with these challenges, other parts of Berkshire County have staked their claim as one of the nation’s premiere summer resort and cultural destinations. The county attracts over 2 million visitors who take in the hiking trails, recreational and

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7 Pittsfield Police Captain Patrick Barry, quoted in Lipper, *Growing Up Fast*, p. 22
cultural activities, autumn foliage, and beautiful surroundings of the Berkshire Hills. The Boston Symphony’s Tanglewood Festival, the Williamstown Theater Festival, Shakespeare & Company, and Jacob’s Pillow Dance Festival are just some of the world-renowned cultural destinations that attract tourists to the area. “Arts-minded visitors to the Berkshire Hills in western Massachusetts may think of Pittsfield as little more than an urban speed bump on the way to Stockbridge, Williamstown and the glories of Tanglewood and Jacob’s Pillow,” Hubert Herring of the New York Times wrote in introducing a story on Pittsfield’s revitalization.

Indeed, Pittsfield has been the ‘hole in the donut’ of the county, a city to pass through or by on the way to somewhere else. But through the leadership of a core group of civic, political, and business leaders, Pittsfield’s place in the county may be changing. These leaders have created a vision of the city as the ‘downtown of the Berkshires,’ a cultural and economic center of the region. With this vision as a foundation, they are setting out to redevelop and redefine the city, and to reverse the perceptions of Pittsfield as an old industrial city that has seen history pass it by.

“Creative Pittsfield” and the Drive to Redefine the City for the 21st Century

“More to do. More to see. In Pittsfield.” It is the city’s slogan, an enticement to explore and to discover new things…in ‘Creative Pittsfield.’ Pittsfield has embarked on a major effort to connect itself to the creative culture of the Berkshires and to redefine itself as a creative community appealing to artists, tourists, young professionals, and new economy industries. In the face of a declining manufacturing sector nationally and the rise of innovation and the creative culture as driving forces of economic growth, Pittsfield has focused on its competitive advantages: a location within a culturally rich resort region; its place as the only truly urban environment in the Berkshires; its position as the financial, government, and healthcare center of the county; and its remaining major employers, including General Dynamics and Sabic Innovative Plastics, which remain at the forefront of innovation in their industries.
Pittsfield’s political, business, and civic leaders were inspired and their vision buttressed by the research and scholarship of Richard Florida, who has gained global notoriety for his suggestions that economic growth in the new economy is driven by innovation which in turn is driven by a new class of creative people, people ranging in occupations from architects and scientists to artists and musicians. When choosing where to live and work, this class of creative people looks for “abundant high-quality amenities and experiences, an openness to diversity of all kinds, and above all else the opportunity to validate their identities as creative people.” They are looking for a high quality of place: ample opportunities for social interaction with other creative individuals, recreational opportunities close at hand, a range of nightlife opportunities, authenticity, diversity, and a place that offers identity. The creative class will search for places that offer qualities such as these, and businesses will go to where this talent has decided to settle. The places that can capture these qualities will capture their share of the economic growth generated by the new economy, according to Florida.8

Similar to Florida’s themes, Pittsfield’s vision involves the creation of a community offering cultural and entertainment amenities such as theaters and restaurants, an urban environment offering ample residential choices, a vibrant artist and cultural community linked to the Berkshires, recreational opportunities at the city’s many beautiful parks and lakes, and an authentic feel created by the city’s existing infrastructure of historic buildings and its blue collar roots. In Pittsfield’s vision, this environment would create the vibrancy and quality of life that young and creative professionals, and the companies that court them, would be looking for and would thus act as the foundation for economic growth. To accommodate these companies, the city has created the William Stanley Business Park on 52-acres of the GE plant site, and using capital secured in the settlement with GE, the Pittsfield Economic Development Authority (PEDA) would help to develop new facilities for businesses that choose to move to the city.

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Today, the effort to develop, communicate, and implement this vision is being driven by a core group of civic, business, and political leaders. Determined to overcome the pessimism, cynicism, and paralysis that seemed to stunt Pittsfield’s progress over the last several decades, this group of individuals has come together in general agreement around the vision of Pittsfield as a center of culture and creative industries. The vision is being championed by leaders in the business community, many who have volunteered countless hours over many years on boards and in civic organizations to make progress on long-stalled projects and civic initiatives. It is being championed by the region’s Pittsfield-based lending institutions, who have set aside competition in order to partner in the redevelopment of Pittsfield and to use their financial resources to assist in the redevelopment. It is being championed by civic leaders and city administrators such as the city’s downtown economic development group, Downtown, Inc. and the city’s Department of Community Development. It is being championed by regional and state economic development officials and politicians who are focused on the redevelopment of Pittsfield. And this future is being championed by the current mayor of the city, James Ruberto, who has gained the support and admiration of many residents and many of the city’s boosters due to his visionary and energetic leadership.

While devoted to Pittsfield’s cause, many of the leaders in this effort to redefine the city are not originally from Pittsfield or did not have their formative educational or business experiences in the region. This group of transplants to the city, working closely with other visionary boosters born and raised in Pittsfield, has worked to overcome the memories and longings of the past still held by many in the community in order to focus the city on the future. This group brought a fresh perspective, unclouded by the past, and looked forward with optimism instead of skepticism, recognizing the advantages that the city offered. The mayor focused his administration on policies that would promote the

9 Mayor Ruberto, who came to office in January of 2004, while born and raised in Pittsfield, was a successful business executive in the plastics industry for 30 years far from the city in states like Texas. Michael MacDonald, a prominent lawyer and one of the most dedicated civic boosters and volunteers in the city, was raised in Northampton, MA, and spent time in St. Louis. Peter Lafayette, executive director of Berkshire Bank’s Foundations, hails from Burlington, VT., while Yvonne Pearson, Executive Director of Downtown, Inc., and Richard Stanley, prospective developer of the Cinema Center, hail from New York. Deanna Ruffer, Director of the Dept. of Community Development, was raised in Pittsfield but rose in her career with a national environmental services firm located in Georgia.
acceptance and implementation of the ‘Creative Pittsfield’ vision, including tough measures such as tax increases to bring in the revenue necessary to reduce the municipal deficit and to undertake some of the city’s economic, community, and cultural development initiatives.

At the heart of the vision to redefine Pittsfield is the redevelopment of downtown, along the city’s North and South Streets, once the commercial center of the entire county before the departure of GE and the rise of the Berkshire Mall. The civic leadership in the city believes that redeveloping Downtown Pittsfield, which in the 1980s and 1990s had become the symbol of decay in the community, is critical to the resurgence of the city. According to numerous interviews, businesses thinking of moving to Pittsfield often cited the decrepit state of the downtown as a primary reason why they chose not to relocate to the city. Potential businesses viewed it as dangerous, decaying, devoid of activity, and likely to make it more difficult to attract talent.

Efforts to redevelop the downtown gained momentum in the late 1990s under Mayor Gerald Doyle. In particular, a downtown resurgence got a boost when the downtown economic development corporation, Downtown, Inc., shifted its focus from acting as a retail/merchant association to acting as an advocate for downtown development, beautification, and safety. Downtown, Inc., with a board of volunteers made up of local business leaders, focused its efforts on improving the appearance of downtown. With funding from banks and major businesses in Pittsfield, the organization hired Berkshire Housing Development Corp., a non-profit development company with a regional focus, to conduct an assessment of buildings downtown to determine how many were vacant, who owned the buildings, what the conditions of the buildings were, and why nothing was being done to improve them. The results were not promising. According to Peter Lafayette, former head of Berkshire Housing, 12 buildings on North Street were vacant and many buildings were extremely outdated, in decay, and would be very expensive to redevelop. Nonetheless, working with board members like Michael MacDonald, a lawyer and one of the most engaged civic volunteers in Pittsfield, Lafayette developed a three-
pronged approach to redeveloping downtown that would focus on the economic drivers of government, business (including healthcare services), and arts and entertainment.

In particular, Downtown, Inc., the city, and the business community were focused on a prominent abandoned building along the heart of North Street known as the Central Block (formerly the JJ Newberry dime store) that was a significant symbol of blight. Through an innovative public/private partnership beginning in the late 1990s, the city’s leadership convinced the owner to sell the building for $1 in the form of a charitable contribution. Through extensive use of public subsidies and tax incentives, along with low-interest bank loans from a consortium of local banks, Berkshire Housing successfully redeveloped the building in 2000, a milestone that all those interviewed believed was a significant catalyst to economic redevelopment downtown. The project would eventually be home to a number of businesses from restaurants and law firms to the Berkshire Chamber of Commerce. Soon thereafter, Berkshire Housing redeveloped several residential buildings along Pittsfield’s main thoroughfare, utilizing LIHTCs provided by MHIC. Berkshire redeveloped a YMCA building into 44 affordable housing units in 2002-2003 and an outdated, largely vacant apartment building into 68 units of senior housing, which was completed in 2005. With the Central Block project generating momentum, the predecessor to today’s Legacy Banks, a local financial institution, worked in a public/private partnership with the city to tear down the former England’s Department Store adjacent to the Central Block in order to build a new, modern office building on the site as their corporate headquarters.

At the same time this redevelopment was being undertaken, Downtown, Inc. and business leaders were working with property owners to clean-up empty storefronts and create a more appealing image as one traveled down the street. Tying into the cultural resources of the region, artist Maggie Mailer, daughter of author Norman Mailer, in collaboration with Downtown, Inc., convinced property owners to allow artists to use empty storefronts as artists studios, enlivening the streetscape, bringing a creative community downtown, and filling the windows with exhibits of artwork. This initiative, called the Storefront
Artist Project, has received widespread attention and is also engaged in teaching Pittsfield students about art through outreach programs and studio visits.

This group of civic leaders also pushed to increase the number of liquor licenses in the city in order to promote the establishment of new entertainment and restaurant venues in Pittsfield. This initiative, which required state legislative approval, was fiercely opposed by the existing restaurant industry in the city, which believed that increasing the number of liquor licenses would simply further dilute an already diminished pool of customers rather than make the city more appealing to businesses, young professionals, and tourists. Nonetheless, two new licenses were secured in the late 1990s, and nine more were secured in 2005, allowing the city to encourage new restaurant businesses downtown.

While these projects were improving North Street, downtown was still confronting empty storefronts and buildings. Many residents expressed skepticism that cosmetic improvements and projects such as the Storefront Artist Project would help to solve the problems plaguing Pittsfield. But enough residents agreed with the vision of a ‘downtown of the Berkshires’ championed by James Ruberto to elect him as mayor, and he quickly energized many in the community with his outline for a cultural and creative rebirth of Pittsfield. Ruberto’s vision included setting a goal to attract 500,000 visitors to downtown Pittsfield every year through theater, festivals, movies, and other cultural and entertainment activities.

Working with his newly appointed Director of Community Development, Deanna Ruffer, one of Mayor Ruberto’s first actions was to create a downtown arts overlay district to promote a mixture of uses, including residential. This initiative was meant to remove any impediments to downtown development and promote the creation of a more vibrant street life. The vision of Pittsfield as a center for a creative economy also required branding and communicating a new image of the city. One of the mayor’s early initiatives was to create an Office of Cultural Development, which developed the “Creative Pittsfield” branding campaign in order to highlight the city’s cultural, historical, recreational, and tourist resources. The office promotes cultural activities in the city, established various music
and cultural festivals, and oversees the Lichtenstein Center for the Arts, a community arts center offering exhibits, performances, and active artist studios.

The mayor and his administration also quickly set their sights on two projects that had long been stalled in the city, but that he and others believed were key to the vision: the redevelopment of the Colonial Theatre and the construction of the Cinema Center. These projects would create the cultural draw and critical mass of visitors to truly make downtown Pittsfield a cultural center, many civic boosters believed. To get these projects over the finish line however would require more than vision and leadership. They would require capital.

**New Markets Tax Credits and Pittsfield**

*The Colonial Theatre*

To most customers, Miller Supply Co. on South Street in downtown Pittsfield seemed to be a fairly typical store, if slightly eclectic. A haven for Berkshire artists looking for art supplies, Miller Supply’s shelves were overflowing with artist’s tools, hardware items for the home, paints, frames, and wall paper samples. But to a more discerning eye, something was a little different about the store’s décor, besides the giant moose head hanging on the wall over the manager’s desk. A closer look indicated the faint sign of elaborate details on the columns, intricate moldings underneath layers of paint, and cherubs gazing across the store from friezes above. For hidden behind the temporary walls of the store, above the aging dropped ceiling, and below the worn tile floor, were the remains of an architectural gem. Miller Supply was located in what remained of Pittsfield’s Colonial Theatre.

Opened in 1903, just as General Electric was purchasing the Stanley Works and as Pittsfield was growing as the vibrant commercial center of Berkshire County, the Colonial Theatre quickly became a major cultural destination for the region. In its first few decades of existence, the Colonial Theatre was considered one of the premier playhouses and vaudeville stages in the country and hosted noted acts of the time ranging
from Al Jolson and George M. Cohan to the Barrymores, Will Rogers, and Sarah Bernhardt.

The Theatre was considered an acoustical gem. While the exterior was designed by local architect Joseph MacArthur Vance, the interior theater space was designed by one of the nation’s most noted theater architects, JB McElfatrick of New York. McElfatrick designed many of the original Broadway theaters in Times Square as well as many of the most notable theater and opera houses around the country, and his designs, which emphasized the proscenium stage design and clear site lines, were sought after by playwrights and producers such as Oscar Hammerstein. The interior was marked by the gilded ornamentation typical of turn-of-the-century theaters, with a magnificent mural on the soundboard above the audience depicting two figures representing music and art. The theater was also notable for its tremendous intimacy, due to the relatively small scale of the space and the proximity of the upper balconies to the stage.

As live stage acts and vaudeville gave way to film, particularly during the Great Depression, many theaters around the country converted to movie houses, including the Colonial Theatre. Converted in 1937, the theater would eventually go dark in 1950 and was sold in 1952 to local businessman George Miller. While not the highest bidder, Miller committed to retaining the building and eventually moved his paint business into the theater space. As local photographer Nicholas Whitman describes the arrangement in his recent book *The Colonial Theatre: A Pittsfield Resurrection*,

He leveled the floor and built a room inside the audience chamber for his store. The stage became the frame shop and the lobby was given over to wallpaper and home decorating. For the next fifty years the Miller Supply Company occupied the theatre. George, then [son] Steve, cared for the aging relic, patrolling the attics and catwalks to place buckets under the leaks. Most of the theatre was sealed off to keep the heat in and the vandals out. The gilded theatre became monochromatic as the fine grit of the city filtered in and covered the horizontal surfaces….there was an airlock of cardboard doors to push through, up a stairway, around a corner, and then there you were in this tired and wondrous space. The feeling of emptiness was palpable where once a full house of over 800 people had laughed and cried and applauded and stamped their feet. Through the brick walls the muted sound of traffic on the county’s busiest road was audible. People were
For decades, customers went about their business in Miller’s Supply without much thought for what lay just on the other side of the ceiling and walls. But there were those who knew of the building’s original grandeur and in the 1990s, earnest efforts began among Pittsfield’s civic leadership to restore the theater. Spearheaded initially by a group called the Friends of the Colonial Theatre Restoration under the leadership of local stage producer, director, and professor Robert Boland, the restoration of the theater became a mission for many of the city’s civic boosters. This effort got a significant boost in the summer of 1998 when First Lady Hillary Clinton made the Colonial Theatre the first stop on her ‘Save America’s Treasures’ tour to promote historical rehabilitation. In 1999, a non-profit organization called the Colonial Theatre Association (CTA) was created to spearhead the redevelopment and acquired the theater from the Miller family for $1.1 million in August, 2001. CTA undertook a massive fundraising effort that included gospel concerts, summer musical productions such as ‘Damn Yankees,’ and other events to raise money from local companies and private citizens across the Berkshires and the state. However, infighting between CTA and the Friends of the Colonial, conflict reminiscent of Pittsfield’s past, was stalling progress on the project. Eventually, civic leaders agreed to work together and the two organizations ultimately came to an agreement that settled these disputes and paved the way for further progress on the restoration.

The CTA proceeded to plan for the restoration, bringing in theater consultants, engineers, and architects to assess the cost and feasibility of restoring the space. The theater was surrounded on both sides by commercial uses, with an unsightly U-Haul lot on the south side and a small strip retail building to the north. Through an eminent domain effort that involved several lawsuits, U-Haul eventually agreed to sell its property to the city in late 2002 for $475,000, a site that would allow for parking for the Colonial. To provide

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additional space for theater operations, CTA also acquired the adjacent building for $750,000 in the summer of 2004.

With architects Martinez & Johnson of Washington, DC, a firm with extensive theater restoration experience including Boston’s recently restored Opera House, the CTA plan called for a complete rehabilitation and redevelopment of the building including the removal of the store interior and restoration of the theater to reflect its original appearance, with a total of approximately 850 seats, a 32-foot tall proscenium and a 45-foot stage that could accommodate all but the largest Broadway touring companies. And because the theater space itself had been essentially closed off for decades, the grand interior had been at least partially preserved. Ample staging and scenery areas, loading facilities with direct access to the stage, and large dressing room facilities would be created, and an elevator would be added to bring audience members to the 2nd and 3rd Floor balconies. State of the art audio and visual systems would be installed. The music board and murals across the ceiling as well as the intricate details throughout the interior would be restored, as would the exterior appearance of the theater. The adjacent building, itself characterized by a historic façade, would be restored to accommodate concessions, lounge space, a gift shop, the larger restrooms and lobby areas necessary for modern theaters, and a new Pittsfield Visitor’s Center.

To demonstrate his support for the theater restoration, early in his first term Mayor Ruberto requested $1 million for the theater from the discretionary fund created by GE as part of its environmental settlement. The use of capital from the fund required approval by a super majority of the 11-member City Council, and was a potentially toxic issue politically. While support for the theater had been growing, many in Pittsfield still were skeptical whether the project was worth the cost and were also concerned with how the GE fund, which was established to promote economic development, was being used. Nonetheless, by the narrowest vote required for a super-majority, 8-3, the City Council approved the mayor’s request.
The Mayor’s decision to use the GE Fund to provide some of the early capital for the project was an effort to demonstrate to donors, state agencies, and other financing sources the city’s commitment to making the Colonial Theatre project a reality. Ruberto and many of the civic and business volunteers behind the restoration believed that the Colonial Theatre would be a key component of the downtown’s revitalization as a vibrant cultural destination. As one vision statement for the project stated, the Colonial Theatre would be “a catalyst for the economic revitalization of Pittsfield by adding jobs, bringing people downtown and fostering the development of supporting businesses.”

By early 2005, the CTA had raised nearly $11 million from 950 separate contributors, including the city’s $1 million, millions from local corporations such as Berkshire Bank, $2.5 million from the Massachusetts Historic Commission, $2.5 million in convention center bond proceeds from the state’s Executive Office of Administration and Finance, $1 million from the Mass. Office of Travel and Tourism, and $400,000 from the National Park Service’s ‘Save America’s Treasures’ funds. But even with these contributions, the CTA still did not have all of the funding needed to move forward. After years of effort, the Colonial Theatre restoration team needed to tap another source of capital to make it happen.

*The Cinema Center*

At the same time that the Colonial Theatre project was progressing, a second development effort in downtown Pittsfield was taking shape that was also directly tied into the vision to create a vibrant entertainment and cultural destination downtown – a new movie cinema complex. The idea for a cinema had been proposed in 1999 as a centerpiece of a ‘Cultural Action Strategy’ for the city but a committee of volunteers created to assess the feasibility of such a project and identify potential developers had been unable to convince any developers or major theater chains to consider locating in Pittsfield. Finally, Pittsfield’s leadership identified Richard Stanley, a transplanted developer from New York who had recently completed a triplex in Great Barrington, and approached him about the project in Pittsfield.
Many people in Great Barrington, the same town where inventor William Stanley had originally developed his transformer technologies, gave the triplex credit for spurring the activation of that town’s quaint downtown. But while the Great Barrington cinema was proving to be a financial success, it took time to convince the modern-day Stanley from Great Barrington that a project in downtown Pittsfield would be feasible. Indeed, today, a decade or more later, the project is just now moving forward, as efforts to identify and design an appropriate site, gain approvals, and raise the capital necessary to finance the project proved to be a long, time-consuming process. Still, like Pittsfield’s industrialists had convinced William Stanley to move to Pittsfield one hundred years before, the city’s modern-day leadership convinced Richard Stanley to serve as the developer of the Pittsfield cinema, a project meant to transform Pittsfield in the 21st Century to the same degree William Stanley’s innovations had transformed the city at the beginning of the 20th Century.

The $22 million project involves the redevelopment of a 26,700 square foot vacant downtown historic building into a 52,700 square foot, six-cinema movie complex including nearly 17,000 square feet of ground floor retail space. Like the Colonial Theatre, the city has viewed the Cinema Center as an integral, perhaps the most integral component of the downtown revitalization. As the city’s application for a state MORE grant states, “The Beacon Cinema project is the final anchor project to the economic and cultural renaissance currently underway in the heart of the City. The project was conceived as a means of spurring more commercial activity in the downtown and for the ancillary economic benefit to the community as a whole. The cinema center will increase much needed evening and weekend visitors to downtown Pittsfield and make downtown Pittsfield a destination for culture and entertainment.”11 The city views the project as a significant generator of the pedestrians and visitors needed to reach the goal of 500,000 visitors downtown per year, and needed to create the vibrant street life and customer base necessary for restaurants to thrive.

But also like the Colonial Theatre, the Cinema Center is not economically feasible without significant subsidy. In addition to debt provided by a consortium of Pittsfield banks, the project is the recipient of city and state grants, including $1 million in Community Development Action Grants (CDAG), but like the Colonial, the project needed to identify additional sources of capital to move forward.

New Markets Tax Credits Fill the Capital Shortfall
The Massachusetts Housing Investment Corp. (MHIC) keeps a close eye on their investments which is why Deborah Favreau, a senior investment officer for MHIC, would visit Pittsfield occasionally. In Pittsfield, MHIC had developed a strong relationship with Peter Lafayette and Berkshire Housing through the LIHTC financing of two projects along North Street downtown in the early 2000s. On one of her visits to Pittsfield to inspect these projects, Favreau introduced the recently enacted New Markets Tax Credit program and wondered whether Pittsfield had any commercial developments that were struggling to close a feasibility gap. Thus was Pittsfield introduced to MHIC’s new markets tax credits and new markets tax credits introduced to Pittsfield.

MHIC and its investment team believed in Pittsfield’s civic leaders and vision of a rejuvenated downtown and had put its financial resources to work to help in the effort. Now, MHIC was presented with two projects that held the promise of acting as cultural and entertainment anchors in this rejuvenation effort. Still, the challenges were steep. For the Colonial Theatre, MHIC needed to develop a financial structure that would allow a non-profit entity, CTA, to participate in the tax credit system while the Cinema Center, despite its great promise for reinvigorating downtown, needed to close a substantial financial and psychological feasibility gap.

Working with legal counsel in Boston and lawyer Michael MacDonald in Pittsfield, MHIC devised a structure for the Colonial Theatre project that involved the creation of a tiered structure of subsidiaries and entities that would allow the non-profit CTA to take advantage of the tax credits. The finance structure would combine the CTA’s donations and gifts with historic tax credits and NMTCs. In total, historic tax credits provided
approximately $3.2 million of funding to the project and NMTCs provided the final $4 million necessary to move the project forward. With New Markets Tax Credits serving to close the final financing gap for the project, the groundbreaking was held on November 23, 2004, with a speech by Senator Ted Kennedy, and the grand, restored theater was unveiled to the public in August of 2006.

While the Colonial Theatre was moving forward, the redevelopment of the Kinnell-Kresge Building on North Street into a Cinema complex was not moving along as smoothly. An initial design for the project was rejected by the National Park Service (NPS), which has jurisdiction over historic tax credit authority, forcing the team to revise the design. A subsequent proposal, with more of the historic office space preserved in the front and a more efficient layout of the six cinemas, was approved by NPS and as of July, 2008, the project was nearing a closing that would open the door for construction commencement. Like the Colonial Theatre, NMTCs were critical to closing the financial feasibility gap of the Cinema project as well. The project included a combination of financing sources, including sponsor/developer equity, a loan from a consortium of local banks, historic tax credits, and NMTCs. New markets provide the project with over $4 million of capital that is necessary to close the funding gap, making the project financially feasible.

With the financing expertise of MHIC and New Markets Tax Credits, a project that had become the symbol of Pittsfield’s rebirth but that faced a significant financing gap was able to move forward: the Colonial Theatre. A second stalled project, the Cinema Center, is on the verge of commencing construction. Both projects are seen as critical to the rejuvenation of Pittsfield and the economic growth of the region in the context of a comprehensive vision for the city that emphasizes culture, entertainment, and the creative economy. NMTCs made these projects possible.

But these tax credits did not come without their own challenges. Timing requirements of the program may have forced MHIC to shift funding earmarked for the Cinema to other investments if the project experienced any further delays. And as several interviews
suggested, the complexity of the structures needed, the legal, accounting, and administrative costs associated with these structures, the challenges of coordinating NMTCs with other sources of local, state, and federal funding, and the difficulty in explaining how the tax credits work to the public and government officials, all make NMTCs a blessing and a curse. They make projects feasible but they can also be difficult to use in combination with other capital sources. At the same time, projects frequently only work when multiple sources of capital are used.

Even so, as these projects indicate, when the innovative use of capital is combined with vision and determined community leadership, a city can move forward in its efforts to redefine itself. The next question, however, is whether these NMTC investments and this vision will actually have the expected impacts. Indeed, what precisely are the expected impacts? NMTCs are intended to promote job creation, business development, and economic growth. But how can one evaluate whether NMTC investments have had the intended effect, given all of the other forces at work that shape a community’s development over time? This question of evaluating the effects of social programs is a notoriously challenging question to answer, but it is also a critical question in assessing the impact and value of the NMTC program. It is valuable in learning what methods might work in community development, and what may not. The next two chapters will address the question of program evaluation and will lay out a potential framework for evaluating New Markets Tax Credits through focusing on Pittsfield and the Colonial Theatre.
Chapter 6: Evaluation Methodologies and ‘Theory of Change’ Modeling

Evaluating the long-term impacts of investments made by CDFIs and CDEs on their target communities, organizations, or businesses is not an easy task. While many of these community investment entities set out to produce sizable, measurable impacts on the levels of poverty, joblessness, and other social ills afflicting the nation’s distressed regions, CDFIs and CDEs and their activities are generally relatively small compared to the overall scope of the problems they are confronting. Moreover, the length of time and the gradual nature of any change compound the difficulty of linking impacts to activities and investments. As Robinson Hollister has written in “Measuring the Impact of Community Development Financial Institutions’ Activities,” “few realize how very difficult it is to establish causality rigorously. One may be provided what is called an estimate of the impact of a CDFI activity, but to determine rigorously that the CDFI actually caused that configuration of events is a very demanding task that will be achievable only in a very limited set of circumstances.”¹

Nonetheless, in an environment in which billions of dollars are being spent to fund investments in CDFIs and in CDEs, impact evaluations are being demanded from sources ranging from the federal government to foundations and private investors to communities themselves. Not only does evaluation offer at least the potential to understand how activities have generated impacts, but it can also help to shape future activities by uncovering new lessons about what might work best, what may not work, and the nuances in between. Therefore, there is significant value in trying to create a framework and a methodology of evaluation that can produce reasonable conclusions regarding the impacts of specific community development activities.

In particular, understanding the potential impacts of New Markets Tax Credit investments has significant value today, as the NMTC program is up for re-authorization at the end of 2008. As a relatively new program, there are few concrete methods established for

evaluating the impacts of CDE investments using NMTCs. Each CDE has a different method of data collection to assess impacts, including surveys and interviews which attempt to quantify number of construction jobs and permanent jobs created, dollars invested, and other basic statistics. However, CDEs such as MHIC are realizing that they need richer, deeper methods of impact assessment in order to understand not only the potential impacts generated by past investments, but also in order to better assess future investment strategies. At the same time, given the growth in the number of CDEs vying for NMTC allocations, having a richer, more detailed assessment of investment impacts is vital as these organizations compete with one another for additional future funding.

General methodologies for evaluation range from the use of basic before-and-after designs to sophisticated quasi-experimental designs using comparables and counterfactuals. However, given the context and the complexity of community development initiatives, these methodologies are often ineffective in actually linking cause and effect, or in effectively comparing a given, unique community with a counterfactual that may or may not be truly comparable.

This chapter proposes to establish a framework and an approach that could have potential in evaluating NMTC investments such as the MHIC investments in Pittsfield, Mass. Within a counterfactual evaluation structure, identifying a truly comparable community to Pittsfield for an evaluation is a difficult challenge indeed. Pittsfield is a city with a long industrial history linked to one company, General Electric, but that is located in a very unique rural region that has been a cultural and tourist destination for many years. The unique forces at work in Pittsfield do not lend themselves to easy comparison with other cities. However, using another evaluation methodology known as logic modeling (or program theory, as it is sometimes called), or more specifically the ‘theory of change’ evaluation approach, could hold promise for better understanding the impacts of NMTC investments in communities such as Pittsfield.

According to the Aspen Institute, which has developed a framework for applying theory of change evaluation to community development initiatives, “A theory of change can be a
helpful tool for developing solutions to complex social problems. At its most basic, a theory of change explains how a group of early and intermediate accomplishments sets the stage for producing long-range results. A more complete theory of change articulates the assumptions about the process through which change will occur, and specifies the ways in which all of the required early and intermediate outcomes related to achieving the desired long-term change will be brought about and documented as they occur.” In short, a theory of change model creates a map that leads from resources to activities to intermediate outcomes to long-term impacts, linking activities with goals and specifically laying out the assumptions that underlie these connections.²

For NMTC investments, this approach could potentially be used effectively on multiple evaluation levels: first, at the community level, by attempting to place specific NMTC investments within the context of the overall development goals and strategy of the community, and secondly, the specific targeted impacts that are projected to occur from the investment itself. Theory of change modeling ideally begins at the very outset of an initiative, forcing stakeholders to explicitly lay out a series of steps necessary to reach their ultimate goals and creating an ‘ex ante’ structure that is then used as an evaluation tool ‘ex post.’ This process forces stakeholders to understand their goals and may demonstrate that different stakeholders may indeed have different long-term goals. Moreover, the process forces stakeholders to lay out the connections between their activities and the expected outcomes and impacts, and then to question these links and the assumptions behind them to ensure that the logic of change is reasonable. And finally, the process requires that stakeholders lay out indicators, or the specific benchmarks at each intermediate step, that will be measured to evaluate how the activity may be working. By laying out such a map that specifies goals and creates specific measurement methods and benchmarks, the theory of change model creates a framework that has the potential to be evaluated effectively.

A theory of change framework can also be created during an initiative as a way to look back at the process to evaluate its effectiveness and to assess ex post whether the goals, intermediate outcomes, and assumptions underlying an initiative were valid at the outset and whether they need to be adjusted. In this scenario, theory of change modeling forces stakeholders to look back critically at their initial assumptions and goals in detail to determine if assumptions were reasonable and if all stakeholders shared the same objectives. In essence, an evaluation such as this would look at the theory of change model as a set of hypotheses that are testable to determine if the changes expected in the model actually occur in practice. With the Colonial Theatre project complete, this ex post framework will be employed for the purposes of creating a theory of change model for Pittsfield.

This chapter will briefly review traditional evaluation techniques and the difficulties in applying these techniques to community development initiatives, and then will explain how a theory of change model is created and the assumptions behind how such a model can be applied effectively. In the following chapter, a theory of change model will be developed for Pittsfield, Mass. and for the Colonial Theatre New Markets Tax Credit investment in order to demonstrate how such a model articulates goals and projected impacts and how it could be used in practice to frame a NMTC evaluation.

**Understanding Evaluation Techniques**

Evaluating social programs and interventions has historically revolved around the concept of developing a counterfactual. As Robinson Hollister points out, “If one is going to estimate the impact of CDFI activity on an outcome measure, the central problem is to define what would have happened to that outcome measure had that activity not been undertaken. This is the question of establishing a counterfactual…” However, as Hollister continues, “To those not steeped in evaluation, obtaining reliable counterfactuals appears at first a trivial problem. They suggest simple straightforward methods, such as the comparison community or the before-and-after evaluation.” However, these methods are inherently flawed when applied to community initiatives because “individuals and communities are changing all the time with respect to the measured outcomes even in the
absence of any intentional intervention. Individuals and communities that match on a
given variable at one point in time will, as part of normal processes, diverge over time
and thus not provide reliable counterfactuals.”³ Therefore, effectively evaluating
community initiatives and establishing reasonable impact projections are inherently very
challenging processes because developing a truly comparable counterfactual is
tremendously difficult.⁴

There are several standard techniques that are typically used by evaluators who are
assessing community development initiatives, all of which face significant problems
related to counterfactuals. Before-and-after design is perhaps the most basic evaluation
form. This method involves measuring a certain outcome variable, such as number of
jobs or the unemployment rate, before an initiative is undertaken and then measuring the
variable again after, with before serving as a de facto counterfactual. This method is
fairly simple and straightforward but because of its simplicity, it is prone to significant
disadvantages. Among these, Hollister points out, is causality: “Over time, a variety of
factors affect unemployment and wages in a region and the longer the period, the greater
the extent of naturally occurring change is likely to be. It is impossible to isolate the
effect of the CDFI from the general noise created by natural change.” Moreover, short-
term impacts may not be permanent, and it is difficult to determine what impacts might
have occurred had the initiative not been undertaken. Therefore, a before-and-after
scenario provides what Hollister terms a “vulnerable counterfactual.”⁵

A second method would be to use comparison communities. In this structure, “the idea is
simply to match communities by finding ones where the intervention is not occurring and
choose those that match the CDFI communities on given characteristics.” However, this

⁴ Various articles and books in addition to Robinson Hollister’s article address evaluation techniques,
including Connell, James et al., New Approaches to Evaluating Community Initiatives: Concepts, Methods,
and Contexts (Washington, DC: Aspen Institute, 1995); Fulbright-Anderson, Karen, et al., New Approaches
to Evaluating Community Initiatives, Volume 2: Theory, Measurement, and Analysis (Washington, DC:
Aspen Institute, 1998); and Rossi, Peter, “Evaluating Community Development Programs: Problems and
Prospects,” in Ferguson, Ronald, et al. Urban Problems and Community Development (Washington, DC:
method raises the problem of true comparability. While communities may appear initially to be comparable and thus apt counterfactuals, there may be significant economic or social differences that ultimately may make the communities poor comparables. Finding truly comparable counterfactuals that can offer reasonable conclusions of causality, given the uniqueness of each community, is a daunting challenge.

Finally, a third method is econometric simulation, where an evaluator “uses time series data before the CDFI intervention to fit an econometric model with the outcome of interest as the dependent variable, and all the variables that may affect that outcome (for which one has substantial time series data) as independent variables. One then uses the estimated parameters and the time series variables, measured during the period for which the CDFI impact is to be estimated, to simulate what would have happened to the community, firm, or employees had there been no CDFI.” However, in this structure, there often is not enough historical data available to create a reliable model. Moreover, if there are important variables that are left out of the model, any impacts may ultimately be attributed to the wrong variable.

Thus, evaluators of community initiatives are left with an imperfect set of evaluation methods with which to work. However, one method that has been taking shape over the last several years is the use of logic models and ‘theory of change’ modeling to create a framework for evaluation. As Hollister points out, they “have as building blocks some measure of inputs, some measure of activities, some measure of outcomes and some measure of impacts. They try to force the clarification of assumptions about how inputs will be configured in the sequence of activities, how the sequence of activities will generate specific outcomes and finally, what impacts, going beyond the specific outcomes, will follow.” These types of methods actually side-step the issue of a counterfactual by substituting a logical framework of cause-and-effect to explain projected changes and then observing and measuring variables to determine if the projected changes occurred. Hollister is critical of these methods as well, suggesting that

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6 Ibid., pp. 275-276.
7 Ibid., pp. 277-278.
the lack of a true counterfactual raises the same questions raised by each of the other methods. However, he goes on to state that these methods are “important tools.” Logic modeling requires the stakeholders of the activity or intervention “to be more specific about expected connections between how the resources called for are to be used and the final outcomes that are the objective of the activity; it represents an attempt to make tighter connections between theory and practice.” Theory of change models take this technique one step further by actively requiring input from each of the stakeholders in the development of the model. “This process helps to align the expectations of the various actors and often uncovers conflicts among the various actors’ theories of how the change would be generated and expected outcomes,” Hollister concludes.8

Carol Weiss, a pioneer of ‘theory of change’ modeling, has made the case for this form of evaluation, arguing that “the theory-driven approach to evaluation avoids many of the pitfalls that threaten evaluation. It helps to ensure that the developments being studied are good reflections of the things that matter in the program and that the results identified in the evaluation are firmly connected to the program’s activities. Tracking the micro-stages of effects as they evolve makes it more plausible that the results are due to program activities and not to outside events or artifacts of the evaluation, and that the results generalize to other programs of the same type.”9 Similar to Hollister, Weiss argues that ‘theory of change’ evaluation is valuable because it forces stakeholders to make assumptions explicit, define methods, and clarify goals: “it asks program practitioners to make their assumptions explicit and to reach consensus with their colleagues about what they are trying to do and why. Without such a conversation, it is likely that different participants have different tacit theories and are directing their attention to divergent-even conflicting-means and ends.”10 Evaluation experts James Connell and Ann Kubisch lend their support to the ‘theory of change’ approach as well, arguing that “A theory of change specifies, up front, how activities will lead to interim and longer-term outcomes and identifies the contextual conditions that may affect them.

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8 Ibid., pp. 282-283.
10 Ibid., p. 71.
This helps strengthen the scientific case for attributing subsequent change in these outcomes (from initial levels) to the activities included in the initiative.”

Ultimately, theory of change modeling can play an important role in developing and evaluating an activity or social intervention. This framework can clarify goals, explicitly state assumptions, and offer measurement methods and benchmarks. It also attempts to address the challenges of counterfactuals within the context of community initiatives by instead proposing a rigorous logic framework of cause-and-effect.

In the context of New Markets Tax Credits, a theory of change model can be used to explicitly state the goals of the investment in terms of any projected impacts on the community, and ensures all stakeholders are focused on the same projected outcomes from the project. This approach to evaluation can lay out the initial assumptions underlying projected impacts, maps the mini-steps along the path to these outcomes, and suggests benchmarks along the way. More broadly, theory of change modeling can also place the NMTC investment within the context of wider community initiatives. A NMTC investment itself can be one of the intermediate outcomes, or ‘mini-steps,’ along the path towards more general changes that are projected by a community-wide theory of change model. Therefore, such a modeling approach can not only have application for the NMTC investment’s potential impacts but it may also help in understanding the role that the NMTC investment is projected to play in a larger community development initiative.

**Building a Theory of Change Model**

As discussed, a theory of change is “a systematic and cumulative study of the links between activities, outcomes, and contexts of the initiative.” Such an evaluation lays out a projected or desired outcome and maps out the intermediate steps required to get to that outcome, as well as the assumptions that underlie each link in the map.

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12 Ibid., p. 16.
Ideally, a ‘theory of change’ model would be constructed prior to the start of an initiative. The model would be developed by an evaluator through face-to-face meetings among and between key stakeholders in order to lay out each individual’s perception of desired outcomes and each of their assumptions regarding how to get there. Through a diligent process of debate and analysis, this group of stakeholders would be able to focus in on a series of shared goals and would agree upon the links, assumptions, and ‘mini-steps’ to get to these outcomes. By constructing a model at the outset, the evaluator can raise questions about assumptions and linkages that can be discussed and adjusted in a way that may make the initiative more effective. Such a dialogue at the beginning of the process can allow stakeholders to clarify disagreements regarding goals and methods at the outset, and can allow all of the stakeholders the ability to lay out and clarify strategies to effectively reach the projected outcomes. The theory of change also creates the evaluation framework and benchmarks that will be used to evaluate the initiative at each stage of the process.

In *The Community Builder’s Approach to Theory of Change: A Practical Guide to Theory Development*, the Aspen Institute lays out a process for developing a theory of change. A theory of change model, according to the Aspen Institute, “creates an illustration of all the various moving parts that must operate in concert to bring about a desired outcome…We ask theory of change participants to predict exactly who or what is going to change, over what period of time, and by how much, at every single step in an often complex process. We ask them to specify how and why they expect change to happen in a particular way. We also ask how they are going to bring resources to bear on creating early and intermediate changes that add up to their ultimate goal.”

In the process outlined by the Aspen Institute, the first step is to identify the final, long-term outcome of the initiative. This step is not necessarily as easy as it may first appear, however, because each individual stakeholder in the initiative may have differing long-term goals. As a result, it is important for the stakeholders to build consensus around a long-term goal, and to be specific. Following that step, the stakeholders determine what

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the Aspen Institute defines as a ‘pathway of change,’ a map linking various actions with outcomes, showing “how outcomes are related to each other over the lifespan of the initiative.”\(^\text{14}\) Two visual representations of such a map are provided below:

\begin{itemize}
  \item \textit{Exhibit 6.1: Theory of Change Map - Connell and Kubisch, “Applying a Theory of Change”, p. 22.}
  \item \textit{Exhibit 6.2: Pathway of Change Map - Aspen Institute, \textit{Practical Guide}, p. 4.}
\end{itemize}

\(^{14}\) Ibid., p. 3.
This map is developed by determining pre-conditions required for an initiative to be effective and intermediate outcomes required along the way for the long-term outcome to be achieved. Such a map is developed through careful, thoughtful, logical reasoning by stakeholders about how one condition will lead to the next. Applied to each intermediate outcome is an indicator. These indicators represent the variables that will be measured and benchmarked over time for each intermediate outcome and pre-condition in order to assess whether the initiative is performing as projected.

At each step along the pathway of change, the stakeholders work to determine the necessary intervention or initiative required to generate the intermediate outcome and the assumptions behind each linkage are explicitly stated and analyzed to determine if the cause-and-effect is reasonable. As the Aspen Institute states, “Assumptions explain both the connections between the preconditions for long-term change that occur in the early and intermediate stages of the change process, and the expectations about how and why proposed interventions will bring them about.”15 These aspects of the model are represented in the graphic below:

15 Ibid., p. 7.
With these steps as building blocks, the key stakeholders behind an intervention or community development initiative can think more critically about the change process, their goals and assumptions, and how they expect to get there. Once this map is laid out, an evaluator can utilize the map to assess progress towards meeting each intermediate outcome, and whether the map is working effectively in practice. Such on-going evaluation can allow the stakeholders the opportunity to adjust the pathway of change over time through experience, refine goals and expectations, or adjust strategy if such a change seems necessary. Thus, such a framework not only helps to clarify the process of
change that is projected to occur but it can also be used to manage strategy during the intervention as well.

While developing a theory of change model at the outset is ideal, it is possible to develop such a framework after an intervention has begun by working with stakeholders to understand initial motivations and goals, and original guiding assumptions. Such a process may help the stakeholders to ultimately refine the initiative through re-assessment of assumptions and projected outcomes, while also potentially clarifying whether additional intermediate outcomes may be necessary to achieve the long-term results desired. Moreover, a theory of change framework could still be used to establish benchmarks and timelines of change that could be used to evaluate the initiative, to measure performance, and to adjust strategy and expectations over the course of the initiative. As a result, the theory of change approach can still be an effective tool for evaluating an initiative, even as that initiative is unfolding.

As this chapter has attempted to suggest, the theory of change approach has the potential to play a powerful role in planning, understanding, and evaluating community development initiatives. Other evaluation techniques certainly can offer insight into the potential changes brought about by such initiatives, but these approaches are faced with considerable challenges related to the true comparability and applicability of counterfactuals. Logic models like the theory of change approach create a framework for understanding how an initiative is projected to result in a long-term outcome and lays out each of the intermediate, or ‘mini-steps,’ required to reach that goal. In an evaluation, these steps and their underlying assumptions then serve as hypotheses to be tested to determine if the connections of the model in theory reflect actual outcomes in practice.

Now that the ‘theory of change’ approach has been laid out, the ‘theory’ can now be applied in practice to determine whether it is possible to build a reasonable model in the context of Pittsfield, Mass. and the New Markets Tax Credit program.
Chapter 7: We Bring Good Things to Life - Pittsfield and a Framework for Evaluating the Impacts of New Markets Tax Credits

Passing from the bright light of the performance prep area into the dimly lit backstage through a large service door, the theater seemed especially dark. Looking out across the stage, the outline of the velvet curtains was faintly visible against the backdrop of the darkened, empty audience chamber. David Fleming, Executive Director of the theater, approached a switchboard of controls and, one-by-one, proceeded to turn up the lights, each switch giving off an audible ‘thump’ as the lights came to life. First, high above the stage, the lights of the balcony levels were illuminated. Then, the lighting turned on progressively closer to the stage, creating an almost miraculous feeling of wonder as the theater emerged from out of the darkness.

There, from the stage, with the warm halo of light now cascading across the intimate space, the beauty and grandeur of JB McElfatrick’s Colonial Theatre was revealed. Spreading out from the stage, row upon row of leather-backed seats, built to look like the theater’s originals, extended back to a set of doors that opened out to the old theater’s elaborate lobby. Along both sides, intricately detailed boxes extended out from the walls, which were painted and stenciled with maroon and ‘golden scarlet’ hues, along with gold highlights. Grand columns and friezes, gilded in gold, enveloped the space. Above, two balcony levels wrapped around the chamber, with the topmost level adhering to its original design with pew-style, high-backed bench seating. A magnificent proscenium arch framed the stage while high above, the great mural depicting art and music gazed down on the audience and stage from the restored soundboard.

Here, at last, was the result of years of toil and effort by dozens of committed volunteers and Pittsfield residents. Here was the result of millions of dollars of capital from sources ranging from individual donors to the most complicated of financial tools, New Markets Tax Credits. Here was the culmination of a vision to see a grand theater restored as a foundation for the city’s cultural rebirth. And without the determined leadership, vision, and capital employed to make it possible, this theater restoration would never have happened.
Pittsfield’s Colonial Theatre held its grand opening in August, 2006, with performances of the award-winning Broadway hit Rent. Over 140 events would be held during the theater’s opening season, attracting nearly 50,000 people to the theater and to downtown Pittsfield. Governor Deval Patrick would hold an inaugural celebration in the theater in January of 2007 and famed singer/songwriter James Taylor, with Executive Producer Sydney Pollack, would ultimately choose this grand, intimate setting to record his performance of greatest hits, interspersed with autobiographical anecdotes and reflections, called One Man Band. Like the theater emerging out from the darkness, many believed that the Colonial represented the re-emergence of Pittsfield from the darkness of two decades of economic decline.

While the Colonial Theatre is an inspiring place that awes all who visit, the decision to move forward on the theater restoration was based upon explicit assumptions about the theater’s expected impacts and role in Pittsfield’s revitalization. The decisions of Pittsfield’s leaders and MHIC to fund the project placed the theater within the larger context of the vision and plan to make Pittsfield into the ‘downtown of the Berkshires,’ through transforming the city into a cultural and entertainment destination. It was believed that this transformation would lay the foundation for additional economic growth by making the region attractive for creative enterprises and individuals to flourish. But are these assumptions valid? Are these steps of logic between cause and effect reasonable? How would one evaluate whether the intended impacts are being achieved? What is the end result supposed to look like, and how does one know when that end result is achieved? In the case of New Markets Tax Credits, how could one link the tax credit investment to community impacts?

These are all the types of questions that ‘theory of change’ modeling has the potential to address. Through this modeling, one can create a series of logical steps that can each be measured and that link to one another and to an ultimate goal. A theory of change framework can be created as a tool to assess the pre-conditions necessary to undertake a community’s redevelopment plan and it can be used to explicitly lay out each of the steps
and the mechanisms by which stakeholders believe one step will lead to the next. Moreover, it allows stakeholders to define the assumptions and the indicators of success for each step. In this way, the logic model makes transparent the linkages between steps in a way that may be testable and measurable, matching the theory of the model with actual outcomes. Ideally, such a model might be produced before an investment is made or a vision finalized, with all stakeholders participating and agreeing on a shared set of intermediate outcomes, assumptions, and final goals. However, these models can also be used in hindsight to test a vision and an investment to determine whether the interventions led to intermediate outcomes, and the intermediate goals to final ones.

This chapter will attempt to create a theory of change model for Pittsfield and for the Colonial Theatre in an effort to explore whether such a model might be effective in evaluating NMTC investments. If nothing else, such a model has the potential to serve as a strategic planning tool for stakeholders by clarifying goals and assumptions and by laying out a roadmap for change that provides greater clarity of purpose and mission. It can also potentially be used as a generalizable tool to better understand a community’s long term vision and the steps that stakeholders believe are necessary to achieve the vision. And it may be useable as a learning tool by organizations such as MHIC as they envision where their NMTC investments can have the greatest impact in a community and where these investments fit within a broader community vision.

Establishing Pre-conditions - Something is different this time around

While Pittsfield’s current leadership is proud of its vision and the progress that they seem to be achieving, this is not the first era in which the Berkshire region and Pittsfield have attempted to attract new industries and professionals through selling the quality of life. As Anthropologist June Nash recounts in a study on Pittsfield, an early 1980s brochure produced by the Berkshire County Development Corporation highlighted the rural beauty and recreational opportunities of the region through photos while proclaiming that the Berkshires offer “‘a unique combination of business and personal environments which represents a place that’s better for your business, better for your family, better for your employees and better for you…we want you and your business here.’” This marketing
campaign, emphasized “‘a blend of cosmopolitan sophistication and rural beauty,’” according to Nash. Postcards sent out to prospective businesses had images such as skiing and Tanglewood on one side, with a message on the back stating: “If quality of life is important to you – or your employees – you may find a move to Pittsfield rewarding.” The author of this quote? The general manager of Pittsfield’s GE plant at the time.\(^\text{16}\)

Anthropologist Max Kirsch digs more deeply into efforts to redevelop Pittsfield during the 1980s.\(^\text{17}\) From his analysis in *In the Wake of the Giant*, Kirsch concludes that Pittsfield leaders were slow to act to reverse the city’s decline in the 1980s, lacked a sense of crisis, and retained a sense of optimism about the city’s future that was contradictory to economic studies of the region and economic indicators. Moreover, turf wars were common between non-native and native residents, between regional and local leaders, business and government, and pro-development and anti-development forces. These conflicts, which are certainly not uncommon in any community, nonetheless made progress in the region difficult and exacerbated a declining economic picture. As one study conducted by students at Harvard’s Kennedy School of Government suggested at the time, “the economic development community is very divisive, and coordinated, county-wide development is unworkable…the public and private sectors are often at war with each other and with themselves over development projects. The type of atmosphere does not lend itself to efficient or successful economic development.”

The region failed in many of its efforts to woo capital and businesses because of a lack of cooperation and, many believed at the time, a lack of commitment. As one economic development official in the 1980s was quoted by Kirsch as saying, Pittsfield was “a community of fifty thousand run like a Ma and Pa grocery store.” This official was “openly frustrated by her inability to convince government officials of the necessity for a commitment to community development.” As a result of these frustrations, many talented economic development officials stayed only a short period of time before leaving for other opportunities. Other development officials concluded that Pittsfield had tremendous

\(^{16}\) Nash, June. *Tank Town*, p. 7.
\(^{17}\) See Kirsch, Max, *In the Wake of the Giant*, pp. 51-75 for this analysis and for all quotes in these two paragraphs.
opportunities but that effective development required “changes in attitudes on the part of the city’s residents.” As a result of these challenges in Pittsfield, “development strategies proposed were not successful and the ambivalence and resistance on the part of the population frustrated capital investors.”

Given these types of turf wars and conflicts, it is no surprise that Pittsfield’s efforts to spur economic growth had proven to be unsuccessful through the years. Indeed, interviews with today’s business leaders suggested that these types of turf wars continued at least into the 1990s. However, as the stagnation of the 1990s dragged on, community, political, and business leaders came to recognize that they needed to cooperate to help revitalize the city. Public and private cooperation sprouted on projects like the Central Block and Legacy Banks Financial Center. Lenders worked together in consortiums to provide financing for redevelopment. Downtown, Inc. worked closely with the Chamber of Commerce and with city government. And redevelopment started to happen.

A committed group of civic leaders emerged who held a more optimistic view of Pittsfield than in the past, many who were non-natives to Pittsfield. An energetic new mayor arrived in the city, James Ruberto, with a business background and a vision for changing the city. Ruberto worked in cooperation with the City Council on many of the ideas that emerged to transform Pittsfield. His Community Development director, Deanna Ruffer, worked closely with private developers, civic leaders, and civic groups to move projects forward and to access sources of capital.

Yes, something was different in Pittsfield this time around, according to all of those interviewed for this project. And with this active group of engaged, determined political and business leaders and community volunteers, capital came to Pittsfield. MHIC credits its involvement in Pittsfield to its belief in the city’s leadership and vision, and the competence of its local partners. This vision has attracted subsidies from the state and federal levels as well and it has attracted private investors and capital. The framework was seemingly in place to generate positive momentum for the community.
Developing a ‘Theory of Change’ framework

What are the key factors and steps outlined in this framework for Pittsfield’s future? In developing a ‘theory of change’ model for Pittsfield and the Colonial Theatre, interviews were conducted with a number of the community development officials, business leaders, and civic leaders who have been involved in the city’s recent economic development initiatives. These officials were asked questions about the progress of economic development in the city, the history of development efforts in Pittsfield, their visions for Pittsfield’s future, their assumptions about how change will come about, their ultimate goals, impediments to change, and other questions intended to better understand how the revitalization of Pittsfield is being carried out.

Through these interviews, a clearer picture of the vision and leadership of the city emerged, one that suggested the tremendous value that the city was reaping from the volunteerism and civic-minded spirit of these individuals. In an ideal study, a theory of change model would be developed through these interviews and then refined through additional interaction and collaboration with these stakeholders. However, given the time constraints of this project, such a process is not feasible. Still, a ‘Downtown of the Berkshires’ theory of change model was developed by combining the information from these interviews with observations by the author into a coherent framework of pre-conditions, intermediate steps, interventions/actions, indicators of change, and a final desired outcome. This model for Pittsfield, preliminary as it may be, can nonetheless serve as an initial guide for future efforts to conduct evaluations for other projects and communities, and offers the opportunity to assess the value of such a model.

Outcomes, Assumptions, and Interventions

The theory of change model for Pittsfield is presented in Exhibit 7.1, graphically detailing the progression of logical steps underlying Pittsfield’s community redevelopment vision. As this model suggests, the city’s leadership has explicitly made decisions based upon the assumptions underlying the connections between these various steps and intermediate outcomes. From a strategic planning perspective, a theory of change model such as this could be seen as a guide for stakeholders as they plan forward.
and reason backwards from the ultimate goals to intermediate goals. In a planning context, this model connects interventions to intermediate outcomes and intermediate outcomes to final outcomes through positing various assumptions about causal relationships. A strategic planning application of such a model allows stakeholders to agree on ex ante assumptions and goals and the necessary interventions expected to generate these results. The logic of these assumptions will determine whether the model is reasonable and has a degree of validity.

In an evaluation framework, an evaluator of NMTCs would take the model as a series of hypotheses that are each testable ex post. Instead of agreeing on assumptions as givens, an evaluation questions the logic of assumptions in the model and attempts to determine if intermediate outcomes occurred as a result of interventions. In an evaluation framework, a theory of change model also offers the opportunity to create indicators that can be used to test and measure whether changes are occurring as expected, and whether they can in fact be linked to specific interventions.
As the Aspen Institute guidelines for developing a ‘theory of change’ model suggest, the first step is to determine the ultimate goal of the initiative. In Pittsfield, the political, business, and civic leadership interviewed for this project are all focused on a shared vision of creating a sustainable, growing economy in Pittsfield based upon the creative economy. This economy will be built upon the attraction of new creative firms and
human capital, businesses and professionals who drive innovation and will propel economic growth. Such a vision is based upon the theory that economic prosperity in today’s global society will be driven by a new class of creative professionals, a theory outlined and supported by Richard Florida in his book *The Rise of the Creative Class*. Florida argues that businesses looking to innovate and grow will in fact follow human capital. As he states, his research suggested that “instead of people moving to jobs, I was finding that companies were moving to or forming in places that had the skilled people.”18 And as outlined earlier in Chapter 5, Florida goes on to suggest that these professionals are attracted to places as a result of a range of quality of life amenities including vibrant nightlife options, recreational opportunities, and the identity of a place.

Pittsfield’s leadership believes that the Berkshires offer a wealth of cultural and recreational amenities that create a high quality of life in the region. But what is lacking to create a truly attractive environment for creative professionals in Pittsfield, they believe, is a “vibrant downtown.” As a number of interviews suggested, businesses have been interested in relocating to the city but were frequently concerned that the downtown did not provide an environment that would be appealing to their employees. Thus, following the logic, research, and assumptions of theories espoused by researchers such as Richard Florida, Pittsfield’s vision has at its core the creation of a vibrant downtown that will be attractive to these creative professionals and the businesses that court them. Once such a downtown is combined with the existing amenities offered by the Berkshires, this assumption suggests, businesses and employees would come.

In a strategic planning framework, theories such as Richard Florida’s serve as the basis for this causal relationship and assumption, and act as guides for stakeholders as they plan the necessary interventions necessary to bring about a vibrant downtown. In an evaluation, however, this assumption would be tested as a hypothesis ex post through attempting to link the interventions to subsequent actual outcomes.

But from a strategic planning and an evaluation perspective, what actually constitutes a “vibrant downtown” in this vision? This question continues to be hotly debated in urban planning departments around the world and is far too broad to address in detail here. But if one were to follow the theories outlined by urban thinkers such as Jane Jacobs, in simple terms a vibrant downtown would represent one that is full of people and activity day and night. And several basic characteristics would certainly be required before a city’s downtown would be called vibrant. First, it would have to provide ample generators of pedestrian traffic on the streets such as retail, restaurant, and nightlife amenities including bars. These amenities would attract shoppers, tourists, and patrons and create an exciting atmosphere. A vibrant downtown may also include residential development to create a mix of uses and a mix of people at different hours of the day. A vibrant downtown would likely offer an identity and a pleasant, authentic atmosphere, perhaps including artists studios or galleries and historically redeveloped buildings in the case of Pittsfield. Moreover, it may include appropriately scaled parks or public spaces and sufficient sidewalks and infrastructure to support foot traffic. But fundamentally, vibrancy downtown ultimately means people.

How, then, would Pittsfield attract sufficient foot traffic and pedestrians to create a critical mass that could support the amenities needed for such a vibrant downtown? While restaurants and retail amenities create foot traffic, what is the generator of foot traffic that would initially induce a business owner to open downtown in the first place? This represents the classic ‘chicken and egg’ dilemma of amenities needing people but people being attracted by amenities. However, in Pittsfield’s vision, foot traffic is created through specific interventions by the community. These generators of visitors, shoppers, tourists, and customers are the Colonial Theatre and Cinema Center, as well as festivals and other cultural attractions organized by the Office of Cultural Development. Moreover, additional infrastructure improvements are necessary downtown to create a pedestrian friendly environment, such as streetscape and park enhancements. And an Arts Overlay District created by the Ruberto administration creates a streamlined regulatory environment that promotes the mixture of uses viewed as essential to a vibrant downtown. Thus, Pittsfield’s theory of change is based upon the assumption that these interventions
will create the foot traffic and the necessary infrastructure needed to attract the additional supporting businesses and amenities necessary to produce a vibrant downtown.

Pittsfield’s leaders have set a goal of generating 500,000 visitors downtown through these interventions, a number of visitors that they believe will provide the foundation for supporting amenities like restaurants and retail to flourish. Moreover, Pittsfield believes these attractions would create significant additional visibility for the city, drawing more visitors, and would also help to redefine the city and reverse the pessimism that still exists among many residents in the community. Greater pride and optimism about their city could certainly lead to more visits downtown from existing Pittsfield residents, which would significantly contribute to the vibrancy of the commercial district both day and night.

However, there are a set of initial pre-conditions that are necessary for these projects to be successful. For one thing, the city would have to offer a relatively safe environment for visitors. Tourists and other visitors would likely require a level of comfort and sense of safety to attend activities in Pittsfield. If more visitors were then to come to Pittsfield, the increased level of foot traffic and activity would likely lead to an even greater sense of safety in the city.

Moreover, as the recent history of Pittsfield’s community redevelopment suggests, effective leadership across the community, a shared, coherent vision, and access to capital are clearly critical components to Pittsfield’s rebirth. These factors serve as the necessary pre-conditions to a theory of change model for Pittsfield and the Colonial Theatre that other communities can learn from as they strategize about community redevelopment. Committed leadership and vision created an environment in which capital sources such as MHIC, consortiums of lenders, public agencies, and private investors felt comfortable committing capital in Pittsfield in projects like the Colonial Theatre, and these serve as the foundation upon which the community redevelopment plan is based. This group of leaders has demonstrated a willingness to commit substantial amounts of time, money, and political capital to the cause of the city’s redevelopment. Without this
level of commitment and determination, the efforts to remake downtown, restore the Colonial Theatre, and create a new downtown cinema would not succeed. The visionary leadership of the mayor was essential in inspiring many in the community to believe in the city’s revitalization. Such a committed group willing to work together was seemingly absent from many of Pittsfield’s prior efforts to generate economic development.

*Indicators of Change*

Now that a basic program of change exists, the next step is to determine what indicators would be useful in measuring impact along the series of steps. These indicators should be specific and measurable and should be intended to describe the outcomes and provide evidence to test the underlying model assumptions. At Point 1, the intermediate outcome is achieved if the ‘necessary infrastructure’ is in place to sustain a vibrant downtown. Such an outcome would be represented by measures of pedestrian traffic, shows, and cultural activities. For instance, the Colonial Theatre would be viewed as a success if it generates the expected number of shows and patrons, which is currently estimated to be 175-200 live performances, 50 film screenings, and 70,000-80,000 patrons per year. Similarly, the Office of Cultural Development would be deemed successful if it reaches an expected number of visitors to its downtown ethnic, art, and cultural festivals. Additional information could be collected through surveys to determine the specific numbers of local residents and tourists attending, and whether they intended to take advantage of the restaurants or other amenities downtown. This infrastructure also includes significant improvements to the appearance of downtown such as the Storefront Artists Project and beautification efforts, streetscape improvements, and continued crime prevention efforts through partnerships among law enforcement, all in order to create an inviting, safe environment for visitors.

At Point 2 of the theory of change model, what constitutes a successful, vibrant downtown would have to be defined by the stakeholders but would likely include a count of the number of visitors downtown, as well as a count of the number of restaurants, cafes, and bars as well as retail establishments locating there. In addition, other cultural attractions such as other performing arts groups or festivals locating downtown could be
indicators of progress. Other indicators could include the number and types of jobs created. Importantly, surveys of new businesses could be conducted to determine what factors, including the specific interventions like the Colonial Theatre, played a role in their choice to locate downtown. An analysis of new residential construction could also be conducted to determine not only the number and type of new units under construction but also the motivations of buyers and developers in locating downtown. Additional indicators might include Quality of Life/Quality of Place surveys that determine what factors have attracted new employees and new residents. Each of these surveys would offer evidence to support or refute the connections between specific interventions and outcomes.

The indicators at this point in the model could also focus on issues of identity, perception, and visibility of Pittsfield, based upon an assumption that these issues are important contributors to the creation of a vibrant environment downtown by creating a sense of place that is inviting and attractive. Once, the perceptions of visitors and tourists would surely have been that Pittsfield was ‘the hole in the donut,’ or an ‘urban speed bump’ on the way to the other attractions of the Berkshires. How might these perceptions have changed? Do visitors, new businesses, new employees, and new residents view Pittsfield as a safe, exciting, and inviting place offering the quality of life they desire? If so, what factors might have contributed? For local residents, has pessimism been replaced by optimism and pride in their community?

At Point 3, indicators of success would include the number of new creative economy businesses and jobs moving to Pittsfield, and surveys of these new businesses and workers to determine why they chose to come to the city. This penultimate step of the model would be the final intermediate outcome needed to build a sustainable economic base for Pittsfield revolving around new creative businesses.

In order to achieve ultimate success however, stakeholders would have to specifically define what the end result is expected to look like. Is the ultimate vision of Pittsfield one with a growing population and growing employment base? Is it a city focused largely on
entertainment and catering to second-home buyers and tourists? What types of jobs are created in the ‘creative economy,’ and what is a preferred mix of jobs?’ The theory of change model is a valuable tool in addressing these strategic questions because it explicitly lays out the roadmap of steps stakeholders envision taking to reach an outcome and begs the question: what does this outcome look like? In the case of Pittsfield, this model forces stakeholders to ask what makes a downtown vibrant and what constitutes a successful local economy based upon creative industries. Richard Florida defines “the core of the Creative Class to include people in science and engineering, architecture and design, education, arts, music and entertainment, whose economic function is to create new ideas, new technology and/or new creative content.” Around this core group are “creative professionals,” the lawyers, health care professionals, and others who require significant amounts of human capital and education.19 This is a very broad group of people indeed. Who do the stakeholders in Pittsfield hope to attract within this creative economy, and are there specific additional steps needed to attract these specific creative people?

**Alternative Pathways of Change**

While this ‘Downtown of the Berkshires’ theory of change model has only laid out the basic steps of Pittsfield’s vision, a more comprehensive theory would dig more deeply into these questions to create more detail and richness regarding these outcomes. Additional interviews would be conducted to further refine the pathway of change linking one step to the next. In such an exercise, differences between stakeholders would likely be revealed and consensus could perhaps be reached on specific additional steps needed to reach a particular envisioned outcome.

This model lays out a series of steps believed necessary to bring about a resurgence of Pittsfield, and it offers indicators that could be evaluated at each step to determine if progress is being made. However, this is not the only possible path Pittsfield’s leaders could have chosen. An alternative, hypothetical model was also created indicating how different decisions by the city’s leadership could lead to very different steps,

interventions, and potential outcomes. This model, included as Exhibit 7.2, indicates what a logical progression of steps might look like if Pittsfield decided that instead of promoting the city as a cultural center, it promoted a vision revolving around attracting a large manufacturer in the mold of General Electric. This is not such a far-fetched idea, however, as many residents who remember General Electric’s presence in the city still long for the return of a large manufacturing employer and are skeptical of the current path the city is following. In such a model, the city’s leadership could focus its available capital resources like its GE Fund not on cultural amenities like the Colonial Theatre but instead on infrastructure, incentives, and other amenities intended to entice a large manufacturer back. However, within the context of a logic model, one can assess the validity of assumptions and perhaps come to the conclusion that the nature of global industry and economics today would probably argue against such a large manufacturer returning to western Massachusetts. Still, this model indicates that explicit decisions made by the city’s leadership can lead the revitalization down very different paths, with different goals and different required steps.
Thus, a theory of change model offers a compelling framework for stakeholders to use in order to strategize about their vision for the future, it opens up new unresolved questions and offers the opportunity to dig more deeply into the connections between steps along this pathway of change. If nothing else, theory of change offers a learning tool for stakeholders as they think about the explicit decisions they are making and what the results of these decisions are expected to be.

In a more elaborate, or perhaps more comprehensive model, other ‘pathways of change’ could be laid out that would be additional contributors to the ultimate outcome. A
A simplified framework for such a model is provided as exhibit 7.3 below, placing this vision for Pittsfield as the “downtown of the Berkshires” in the context of other critical components of Pittsfield’s economy, all of which may be necessary to create the ultimate goal of a sustainable, vibrant economy.

**Exhibit 7.3**

![Pittsfield, Massachusetts Expanded Theory of Change Model](image)

In such a framework, a number of different factors would contribute to the achievement of or failure to achieve the end result of a sustainable, growing economy. Such a model would define additional assumptions about necessary steps or interventions required to reach this envisioned outcome. In terms of creating a vibrant downtown, it could also be used to test the assumptions implicit in the diagram that business/healthcare and county/government are contributors to success. In such a case, the ‘Downtown of the Berkshires’ model is one of several pathways necessary to create and sustain a vibrant downtown. Alternatively, one could make the case that an established foundation of business and county government are additional pre-conditions of the ‘Downtown of the Berkshires’ model. In any case, these are all questions that the exercise of building a
theory of change model can address. In such an exercise, stakeholders can develop their logical pathways of change, assess which factors are critical to success, and develop strategies to achieve these goals. At the outset of an initiative, such a model can be seen as a tool for setting goals and milestones for a project and assessing the validity of strategic steps and assumptions along the way. And in hindsight, such a framework can lay out the steps actually taken in a project deemed successful and could potentially be used as a model for other initiatives. From an evaluation perspective, these tools allow for specific indicators of success to be evaluated over time to determine if the model is playing out in practice.

*Evaluating NMTCs within this framework*

The “Downtown of the Berkshires” model rightfully places NMTCs in the context of a community vision. Projects such as the Colonial Theatre are not necessarily ends in and off themselves but instead are components of broader community initiatives. As a result, NMTC investments such as this should be evaluated within the context of these broader initiatives. While the Colonial Theatre creates a certain number of direct jobs, its value to the city is in its role as a catalyst of change. It is intended to create an environment that is appealing to supporting businesses by contributing to the attraction of a critical mass of visitors downtown, which ultimately would lay the foundation for the creation of a vibrant atmosphere. The theater is intended to increase visibility for the community as a cultural destination, link Pittsfield to the cultural heritage of the Berkshires and the local cultural and tourist economy, and increase pride in a city that has a history of pessimism.

From an ex ante planning perspective, the logic of these assumptions determines the credibility of the model. Is the role of the theater in the model valid? Are the expected outcomes from the theater reasonable and logically linked? However, from a evaluation perspective, these assumptions become testable hypotheses. What are the indicators that would be most helpful in tracking progress? Are there specific measures that could be used to determine whether specific interventions led to specific outcomes, in terms of job creation, income, additional investment downtown, new businesses, and other possible impacts? Moreover, it would be important in an ex post evaluation to distinguish between

129
whether a business estimate was wrong (for instance, the Colonial Theatre did not generate the expected number of visits) or whether the theory and causal relationships were wrong (the Colonial Theatre generated the expected number of visits but did not generate the impacts on the community that were expected).

This model has attempted to lay out a preliminary version of these questions as a guide. It has presented the underlying assumptions and the logic and theories that support these assumptions, and has provided a preliminary description of the expected outcomes. In simple terms, an evaluation of a NMTC project such as the Colonial Theatre would be deemed a success if it creates the foot traffic expected and perhaps if it generated the less tangible ‘pride’ in the community. However, as a component of a larger vision and plan, this NMTC investment would be successful if it spurred the development of new businesses and resulted in creating a more vibrant downtown, as stakeholders define such an outcome. In the broadest definition of success, an evaluation would deem the project a success if it could be linked to the attraction of new businesses and professionals in the creative economy and the creation of a sustainable, growing economy in Pittsfield, the ultimate outcome of the model. Through surveys and other indicators, an evaluation would attempt to analyze whether the NMTC interventions had the impacts expected by the model.

Given this theory of change framework for the ‘Downtown of the Berkshires’ and the role of the NMTCs in this model, one can begin to ask where Pittsfield is today along the ‘pathway of change’ and whether there are preliminary indicators that the NMTC investment in the Colonial Theatre and the anticipated investment in the Cinema Center have had expected impacts.

**Pittsfield: circa July, 2008 – “See you there!”**

As one travels up US Route 20 from the Massachusetts Turnpike, through the quaint downtown of Lee and up through the valleys of the Berkshire Hills towards Pittsfield, reminders of the cultural diversity of the region beckon at every turn. Signs continuously try to entice visitors off of the path that leads to downtown Pittsfield: Tanglewood and
Canyon Ranch Spa, turn here; Edith Wharton’s restored home and gardens at the Mount, turn there; Stockbridge and the Norman Rockwell Museum, follow the signs here; Herman Melville’s home at Arrowhead (actually in Pittsfield and where he wrote *Moby Dick*), this way. Yet a visitor who continues along, past the strip malls on the border of Lenox and Pittsfield, past the glamorous Cranwell Resort and The Country Club of Pittsfield, past the imposing Berkshire Life Insurance Building, will eventually arrive by way of South Street to the ‘downtown of the Berkshires.’ And the first building to greet these visitors to Pittsfield, once a non-descript arts supply store, is the restored Colonial Theatre. With its neo-classical yellow brick and unpretentious ornamentation, the exterior gives just a hint of the grandeur of the interior space. “The Colonial: See You There!,” the theater’s new signs call out, enticing visitors to explore the Colonial’s offerings.

Just beyond, visitors are greeted by the understated yet grand entrance to the recently renovated Berkshire Museum, with its notable galleries of art and diverse collections of items from natural science and history. And further along, one reaches the heart of downtown, Park Square, which is indeed a park but which is encircled not by a square but in fact a traffic circle. Around a beautifully manicured park replete with flowers and centered on a bubbling fountain, a hectic jumble of traffic circles in search of the right direction. Standing resolutely along the edge of the circle are well-kept, stately old buildings, known in part as ‘Bank Row,’ that serve business, church, and government: the imposing classical County Courthouse of 1871; the old Berkshire Athenaeum dating back to 1876 with its eccentric mix of blue and red stone, odd proportions, and gothic details; the quaint Old Town Hall; churches; and office buildings built to house the city’s business community. From here, South Street becomes North, the traditional commercial thoroughfare of Pittsfield.

The scene witnessed by a visitor on North Street is not what one might expect having heard the stories of Pittsfield’s decline. Here, where not more than a decade ago storefronts were empty, buildings abandoned, and crime prevalent down the perpendicular alleys and streets, now a mix of old general retail stores (the survivors) and new shops and restaurants dot the street. While still appearing to be a work-in-progress,
with several empty storefronts still lingering and new store spaces under construction, the street is a far cry from where it surely was only a few years before. The restored Central Block and the new, modern Legacy Banks Financial Center dominate one side of the street, standing adjacent to the rundown three-story Kinnell-Kresge Building, with its decorative terra cotta façade, which waits expectantly for the day when it will be turned into a new cinema center.

According to civic leaders interviewed, business owners are waiting expectantly as well, with a number of new restaurants opening downtown as a result of the Colonial re-opening and in anticipation of the cinema project. Anecdotally, John Bissell, an executive of Greylock Federal Credit Union in Pittsfield, was quoted by the *New York Times* as stating “When new businesses come to town, every single one cites the rebirth of the Colonial as a primary reason why they chose this location,” and head of Community Development Deanna Ruffer agreed with this statement. According to Ruffer, businesses downtown have cited significant increases in business on theater nights. According to a survey of downtown businesses conducted by Downtown, Inc., 45 new jobs have moved to downtown recently due to new restaurant openings and relocations, which these businesses attributed to their anticipation of new visitors downtown, with another 14 employees coming to downtown due to new retail, café, and gallery openings. Downtown, Inc.’s survey suggests an additional 20-30 employees would be hired downtown by these companies once the cinema opens, with another 35-50 employees hired by the cinema, restaurants, and retail space in the new development. The Colonial, currently with 11 full time employees, is projected to have as many as 16 full time employees when it is fully operational. According to Yvonne Pearson, Executive Director of Downtown, Inc., there are approximately 110 businesses located downtown today compared to her estimate of 40-50 at the low-point in the 1990s, as this vision of a revitalized downtown has taken shape.

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21 City of Pittsfield, Initial Application to Massachusetts Opportunity Relocation and Expansion (MORE) Jobs Program, (Initial Determination Application-For-Profit Entity), May, 2008, p. 3.
Restaurants and other supportive businesses are not the only types of new businesses relocating downtown. Barrington Stage Co., a rapidly growing, renowned theater company performing its own productions, acquired an aging vaudeville theater of its own just off of North Street downtown in July, 2005. The company restored the theater itself and relocated permanently to the 520-seat space in June, 2007, with the help of $500,000 of funding from the city’s GE Fund. In 2004, Barrington Stage had developed, workshops, and premiered The 25th Annual Putnam County Spelling Bee, which subsequently went on to be produced on Broadway, winning two Tonys. At that time, the company performed in Sheffield, in South Berkshire County. Now, it would move its operation and its 45,000 person annual audience into a new permanent space, expanding its capacity and its ambitions. This relocation, which came just as the Colonial Theatre was being restored, surely resulted in part from the cultural resurgence of Pittsfield. And with the Colonial as an anchor on South Street, the Barrington Stage serves as an established, renowned anchor on North Street, with the cinema to be located between the two.

The trend of new businesses and new jobs relocating downtown is spurred by a belief that the theaters and cinema complex will bring in a critical mass of visitors, both tourists and locals. The city has set a goal of attracting 500,000 visitors downtown through cultural activities. According to studies cited by the city, 200-250,000 visitors are expected to come to downtown Pittsfield to attend a movie at the cinema, with approximately 35% eating out as part of their trip. These estimates would generate at least $1.7 million of new revenue to downtown restaurants and businesses.22 The Colonial attracted nearly 50,000 patrons in its first year and is projected to attract as many as 70-80,000 patrons as it adjusts and expands its schedule while Barrington Stage attracts 45,000 patrons per year. The Berkshire Museum attracts upwards of 100,000 visitors per year.23

More comprehensive surveys conducted within the framework of the theory of change model could shed additional light on job creation statistics, addressing quality of jobs,

23 Ibid., p. 4.
motivations of owners to locate downtown, and other relevant questions that would assist in evaluating the role of the theater and cinema projects in the revitalization of downtown. In addition, surveys could be used to assess the quality of life/quality of place perceptions of patrons and visitors to downtown, to determine where they are from, why they may have relocated, and what their perception of Pittsfield is. In addition, the city has witnessed a dramatic up tick in the number of residential units permitted or under construction downtown. Surveys could assess the reasons why buyers might be interested in locating in Pittsfield, and why developers have chosen to take the risk of building downtown.

These revitalization efforts are not without risks, however. Spice, one of the finest new restaurants to open downtown during this period of revival, abruptly shut down in March, 2008, citing financial troubles. A very large restaurant with a vibe more akin to a large city and prices to match, Spice may not have been an appropriate fit for Pittsfield or for the Berkshires. Still, as this indicates, progress can be mixed and the current absence of the cinema center and its customers may have a detrimental effect on those businesses who opened in anticipation of that project occurring. Nonetheless, a number of highly regarded restaurants continue to succeed and the general trend has been very positive, with the current indicators suggesting that new businesses are locating downtown to take advantage of, and contribute to, the new entertainment/ cultural atmosphere of Pittsfield.

Another result of the Colonial restoration and improvements downtown is a greater sense of civic pride and optimism about the future, according to those interviewed. City and civic leaders have worked very hard to change perceptions in Pittsfield. These efforts have included building a case in 2004 that Pittsfield is the original home of baseball, as the oldest known reference to baseball was found in a 1791 town bylaw banning "baseball" from being played near the new town meetinghouse out of fear that a ball would break a window. In addition, the city has made significant investments in streetscape improvements to enhance the image of the city. And with the restoration of the Colonial Theatre, the city has an architectural gem as a symbol and as a point of pride. The theater attracts acts such as James Taylor who have commended the theater for its
acoustics, atmosphere, and history. Indeed, Taylor’s performance was broadcast around
the nation on PBS and was issued as a CD/DVD collection certified as a gold-record in
which he heaps praise on the theater and on Pittsfield. The beauty of the restored theater,
and the attention that it has received, have convinced many who were once skeptical that
the city is on a rebound, according to a number of those interviewed.

A recent book authored by a Berkshire photographer focuses on the Colonial restoration
and its title sums up this sense of optimism and rebirth - *The Colonial Theatre: A
Pittsfield Resurrection*. Author Nicholas Whitman writes,

> The story of the Colonial Theatre is the story of Pittsfield, Massachusetts. It’s a
> story of how a true gem can be left in the dust and mothballs and almost forgotten
> by the outside world, only to return even more glorious than ever. It’s a story
> about how a community can come together and not only bring a world-class
> theatre back to life, but itself as well. And it’s a story of hope: the hope of George
> Miller, the long-time owner of this property, who preserved this true “jewel box”
> for decades until Pittsfield and its people were ready and able to take the torch he
> had carried for so long...the Colonial Theatre unquestionably serves as a
> profound metaphor for the rebirth of a city. Our city: Pittsfield, Massachusetts, the
> cultural and entertainment hub of the Berkshires. Just think about it. Since this
> community invested in bringing the Colonial back to life, Pittsfield has been
> bursting at the seams with new energy and vigor.24

He goes on to list the changes that have taken shape in Pittsfield: the Barrington Stage,
the new restaurants and cafes, art galleries, the return of young professionals. Part
marketing piece, part personal reflection, Whitman’s book nonetheless expresses the
feeling held by many in the Berkshires that the Colonial Theatre represents a symbol of
rebirth that will propel Pittsfield into a new era as the ‘downtown of the Berkshires.’

Still, while the city of Pittsfield is making significant progress, it is still facing challenges.
The population continues to decline, according to annual state estimates, falling another
5% between 2000 and 2006 alone.25 The level of employment has held steady, but critics

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25 For population estimates, see the Massachusetts Executive Office of Labor and Workforce Development,
still question the types of jobs being created in this new, creative economy push, jobs such as low-paying restaurant and retail positions. Pittsfield’s economy is moving in a new direction, towards culture, tourism, and entertainment, and towards creative economy industries. However, this new direction has created and will continue to create significant disruption for many residents of the city who have only known the old economy industry of manufacturing. The new types of jobs in service and creative economy businesses are far different from those that many manufacturing workers are accustomed to. The nature of the work, the level of pay, lack of union representation, and hours, among a host of other factors, are all changes that older workers will have to cope with and adapt to.

At the same time, this new vision focused on the ‘creative economy’ seems significantly geared towards outsiders: tourists, second-home buyers, outside businesses looking to relocate, young professionals looking for a high quality of life. The gentrification of Pittsfield, a four-letter word for many native residents, is possible given the vision the city is pursuing. Residents complain that the economic development is catering to the tourists and the ‘money people,’ that ticket prices are too high and restaurants too expensive. What role the native residents of the community will have in this vision of a new Pittsfield is still open for debate. Civic and political leaders acknowledge that they need to educate the city’s residents about the changes and remove the fear of change. They need to improve the city’s educational system and raise a new generation of workers with different expectations of work and different skills that cater to this new economic order. As the city’s vision continues to grow in the coming years, Pittsfield’s political, civic, and business leaders will have to address whether the changes underway are adequately benefiting the existing community and whether they will effectively address the social and economic challenges still confronting many of the city’s struggling current residents.

The city may be making progress in this direction, as new economy manufacturing and other businesses not focused just on cultural amenities are moving into and expanding in
Pittsfield. The city’s strategy of economic development includes creating jobs through attracting small firms in creative and high-tech industries. In 2006, Annie Selke Cos., a trio of growing wholesale home design companies with $20 million of revenue, relocated its headquarters to Pittsfield, bringing 85 employees. Hi Tech Mold & Tool, a mold-making firm for the plastics industry, which remains a major industry in Pittsfield, expanded its manufacturing facility with the intention of adding 12 jobs. Interprint, an international company that prints paper for the laminate industry, invested $41.5 million in a new state-of-the-art manufacturing facility in Pittsfield, that retains 111 jobs and is expected to create 39 permanent jobs. Other companies have also expanded or relocated to Pittsfield including Nuclea Biomarkers, a very promising biotech firm with a novel technology related to fighting cancer that was founded by a former Pittsfield resident and that is working with Dana Farber Cancer Institute. The city and state worked hard to attract the company, including providing tax incentives. Nuclea Biomarkers, currently with 10 employees, expects to expand by 40-45 as it moves to full operation, and plans to build an assembly facility at William Stanley Business Park to house these scientists and technicians.

At the same time, General Dynamics continues to grow its business in Pittsfield, where it still employs more than 800, and Sabic Innovative Plastics, which acquired GE Plastics for $11.5 billion in 2007, intends to retain its headquarters in Pittsfield, overseeing a global business employing over 10,000. In fact, as Sabic is now an independent company from GE, the headquarters operations once handled out of GE’s Fairfield, CT headquarters such as human resources and finance now must be filled in Pittsfield, necessitating the hiring of additional staff, perhaps 75-100 new jobs on top of the 400+ already existing. Sabic has also indicated its intention to invest in its existing Pittsfield facility, and received a state grant to be used to train mid-level employees in a range of leadership and management skills. Thus, the city is making great strides in attracting and retaining creative economy industries that offers the potential for significant economic growth in the future.
The future of Pittsfield, once seemingly so grim, has brightened significantly over the last decade as a committed group of civic, business, and political leaders has worked to build optimism and a coherent vision for the city. This leadership and vision has resulted in the attraction of capital to the city, new investment, and a revitalization of the community. Among the most important of these capital sources were New Markets Tax Credits, without which two anchor projects in the city could not happen. Preliminary data suggests that these projects have served as catalysts for economic growth in Pittsfield. A more thorough evaluation of the case studies in Pittsfield is required to paint a clearer picture of the impact of NMTC investments, but this chapter has offered a potential method for conducting such an evaluation in the form of a theory of change model. As more evaluations are conducted, this model may serve as a guide in creating a framework both for strategic planning at the outset of an initiative as well as for an assessment as the initiative unfolds. Ultimately, the story of Pittsfield may be used as a model for how low-income communities across the country can ‘bring good things to life’ through strong leadership, vision, and effective use of capital resources such as New Markets Tax Credits.
Conclusion

Now the first of December was covered with snow
And so was the turnpike from Stockbridge to Boston.
Lord, the Berkshires seemed dreamlike on account of that frosting
With ten miles behind me and ten thousand more to go.

James Taylor, *Sweet Baby James*

To many residents of Pittsfield, Massachusetts during the 1980s and 1990s, an optimistic future may very well have seemed to be ten-thousand miles away. The city’s economic foundation was crumbling as General Electric departed. The social consequences of economic decline were evident downtown where empty storefronts and abandoned buildings dotted North Street, once the hub of commercial activity for the community. Crime, poverty, and pessimism permeated the blue collar town, and the future looked grim. While the Berkshire Hills might have seemed dreamlike on the horizon, that dream seemed distant indeed for many in Pittsfield.

James Taylor’s *Sweet Baby James* is not a song about despair, however. It is a song about new life and about looking forward with optimism to the future, with only 10 miles gone by but many more still to go. And today, like Sweet Baby James, perhaps Pittsfield can look forward with optimism to a brighter future ahead. While the city may have felt like it was dying two decades ago, the Pittsfield a visitor experiences today is one that is undergoing a rebirth. Downtown, the city is now home to a world-renowned theater company, the Barrington Stage, and storefronts are filling up with new shops and restaurants. Artists are coming to Pittsfield to be a part of the Storefront Artist Project. New businesses are locating in the community, and new residential construction is underway. And downtown, two new entertainment and cultural destinations are seen as both the catalysts of this rebirth and as the anchors to keep this positive momentum alive.

Pittsfield’s Colonial Theatre restoration, completed in 2006, and the Cinema Center, slated to commence construction later in 2008, are viewed as key components of the city’s rebirth. They are envisioned to be the draws to attract tens of thousands of visitors
downtown, creating a vibrant atmosphere that will redefine the city as the ‘downtown of the Berkshires.’ And without New Markets Tax Credits, neither project would be possible.

NMTCs emerged out of a policy environment in Washington that emphasized decentralization and the primary role of the private sector in spurring investment and community redevelopment. NMTCs were intended to draw capital into low-income communities in order to spur economic growth, new business development, and job creation. And according to the 2007 GAO report on the tax credit program, preliminary data suggests that indeed the NMTCs have drawn capital into these targeted communities.

But how can NMTC investments be evaluated in order to determine if they are having beneficial community impacts? This research project has attempted to fill this gap by offering a framework with which to evaluate these investments. This framework, based upon a ‘theory of change’ evaluation model, can be useful both in initial planning for NMTC investment and for evaluating the progress of change. Importantly, the framework laid out recognizes that NMTC investment does not exist in a vacuum, but instead exists within the context of an overall community plan and vision. The value of the NMTC investment lies not simply in how many jobs or how much business it creates by itself, but also in how important it is in furthering a community’s overall plan for redevelopment. What role does the NMTC investment play in these redevelopment efforts and will the redevelopment plan be effective without this investment? The theory of change model places the NMTC investment within a framework of necessary pre-conditions, intermediate outcomes, assumptions, interventions/actions, and final goals that are all linked to one another. Each of these links can be assessed and evaluated to determine whether the assumptions underlying the model are reasonable. Moreover, they can also be assessed and tested over time to determine if the model reflects actual impacts and outcomes in practice, and they can be adjusted as needed and as experience dictates. In such a model, the role of NMTC investments is properly placed in a broader community context and is not simply limited to the individual investment itself.
In the case of Pittsfield, NMTCs played a vital role in bringing the Colonial Theatre from vision to reality and they will play an equally important role as the new Cinema Center takes shape. These projects have contributed to the creation of a cultural resurgence in the city that is closely linked to the cultural resources and heritage of the surrounding Berkshire Hills. These projects are viewed by the leadership in the community as integral anchors in Pittsfield’s rebirth and appear to have contributed already to new business and job creation. They are central components of a comprehensive vision for Pittsfield’s re-definition that has been shaped by the civic, business, and political leaders in the city. And while certainly less tangible than jobs and new business development, another impact of these projects could be the gradual reversal of the pessimism and skepticism still felt by many in Pittsfield. A thorough evaluation of these NMTC investments must place the theater and cinema in the context of the overall community vision, and assess the reasonableness of that vision and the assumptions underlying it. Such an evaluation would comprehensively review the role of the creative class in spurring economic resurgence, would more closely review job creation and the quality of jobs created, would undertake surveys of new residents, employees, and businesses to understand the motivations for relocating, and would assess the logic and reasonableness of each step in the framework.

While such an evaluation was beyond the scope of this project, an initial assessment suggests that the vision developed by Pittsfield’s leadership offers a plausible roadmap for economic resurgence. The Berkshires remain one of the nation’s leading centers of art, culture, second homes, and tourism, and Pittsfield is situated at an envious location in the heart of this cultural region. As Michael Porter might suggest, Pittsfield’s competitive advantage lies in its location and in the effects of regional clustering. In this case, the cluster is focused on art and culture and Pittsfield is trying to take advantage of these economic forces by redefining itself as the ‘downtown of the Berkshires.’\(^1\) Perhaps one important lesson from Pittsfield is the value of location in the development of a vision and a community redevelopment plan. Assessing a location and the competitive

advantages of that location, and then developing a plan or a ‘theory of change’ model meant to capitalize on these advantages is a critical component of the Pittsfield story. And as Porter would perhaps suggest, the role and ultimate success of NMTC investment is tied to the success of the community in harnessing the advantages of its location.

Pittsfield also is tying its vision directly to the notion of the ‘creative economy.’ According to Richard Florida, with old-line industries such as heavy manufacturing increasingly locating in lower cost regions overseas, America’s economic growth today and in the future will be driven more and more by innovation, knowledge industries, and a class of creative professionals who are constantly dreaming up and inventing new things. The cities that can attract this creative class through a high quality of life, a vibrant community, diversity, and a host of other features will be the economic winners in the next century. Pittsfield is actively trying to build the quality of life that can attract these professionals through the creation of a vibrant downtown focused on culture and entertainment.²

Thus, Pittsfield is actively undertaking a redevelopment scheme directly in tune with the economic theories of two of the leading lights of community redevelopment thinking today. And with its location in the heart of the Berkshires, Pittsfield seems well positioned to be able to apply these theories in practice.

Pittsfield’s vision also offers plausible connections between the development of a theater and Cinema Center and the creation of a more vibrant downtown, and preliminary evidence suggests that these projects seem to be having an impact. As time passes, a theory of change framework could be useful in evaluating and testing whether these theories and assumptions ultimately lead to expected outcomes. But it is safe to say that today, MHIC’s use of NMTCs in Pittsfield has had a beneficial effect on the community by providing the capital necessary to move the cinema foreword and by helping to revitalize a theater that has become the symbol of the city’s rebirth.

Once, General Electric served as the economic driver of Pittsfield. Today, the city’s leadership, vision, and effective use of capital resources like NMTCs are propelling the city forward. Where once, General Electric could proclaim to the world: “We bring good things to life,” today leadership, vision, and capital are bringing good things to life in Pittsfield. There are many challenges still to be dealt with in Pittsfield, with a population that continues to decline and poverty that will be difficult to confront, but the city finally appears to be on the rebound with a downtown rebirth, an image that is being redefined, and a vision that offers the potential for a brighter future. The symbol of this rebirth greets visitors as they arrive in downtown Pittsfield - the Colonial Theatre. As James Taylor writes, “If you travel for a living, and you do it for a long enough time, you can get so good at it that you never really have a home. I’ve lived and worked in New York and Los Angeles, London and Paris, Sydney and Rio…But the Berkshires are our home at last. And somehow, The Colonial Theatre, that plucky survivor, is at the heart of the place.”

More to do.
More to see.
In Pittsfield.

See you there!

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Appendix A – Interviews Conducted

Massachusetts Housing Investment Corporation

Joseph Flatley – President & CEO
Andrea Daskalakis – Chief Investment Officer
Deborah Favreau – Senior Investment Officer
Kathleen McGilvray – Investment Officer

Pittsfield, Massachusetts

David Fleming – Executive Director, Colonial Theatre
Peter Lafayette – Executive Director, Berkshire Bank Foundation & former President, Berkshire Housing Development Corporation
Michael MacDonald – Pittsfield lawyer, First Vice President, Colonial Theatre Board of Trustees
Yvonne Pearson – Executive Director, Downtown, Inc.
Deanna Ruffer – Director, Department of Community Development, City of Pittsfield
Richard Stanley – Developer, Cinema Center
Appendix B - Maps and Photographs

Map 1: Pittsfield, Mass. street, downtown, and regional maps

Source: City of Pittsfield, Mass. website: http://www.pittsfield-ma.org/
Photographs

Photo 1: Aerial of General Electric Plant looking Southeast


Photo 2: Aerial of General Electric Plant looking West towards Downtown

Photo 3: Downtown Pittsfield – Circa 1906


Photo 4: Downtown Pittsfield

Photo 5: Example of vacant storefronts on North Street earlier this decade

Source:

Photo 6: Pittsfield’s Park Square

Source:
http://picasaweb.google.com/stevesmith88/CATSSGrandBendJune2007/photo#5080394198335179778
Photo 7: Pittsfield’s South Street

Note Berkshire Museum on left and Colonial Theatre behind clock tower.
Source: http://picasaweb.google.com/stevesmith88/CATSGrandBendJune2007/photo#5080394219810016274

Photo 8: Kinnell-Kresge Building, future home of the Cinema Center

Photo 9: Colonial Theatre Before Restoration - Exterior

Photo 10: Colonial Theatre Before Restoration – Exterior of theater and adjacent retail structure incorporated into the restored structure
Photo 11: Colonial Theatre Before Restoration - Exterior


Photo 12: Colonial Theatre Before Restoration – Interior – Miller Art Supply

Source: Nicholas Whitman Photos at http://www.nwphoto.com/nwimages/main.php?g2_itemId=2403
Photo 13: Colonial Theatre Before Restoration – Interior – 2nd and 3rd Balconies and Audience Chamber above Miller Supply dropped ceiling

Note the top of the store ceiling along the lower right of the picture. Below the white covering was the main retail space of Miller Art Supply situated on the first level of the theater. Source: Nicholas Whitman Photos, at http://www.nwphoto.com/nwimages/main.php?g2_itemId=2403&g2_page=2

Photo 14: Colonial Theatre Before Restoration – Interior – Soundboard and Ceiling

Source: Nicholas Whitman photos, at http://www.nwphoto.com/nwimages/main.php?g2_itemId=2403&g2_page=2
Note that the image is taken from the same location. Also note the Moose head in the back of the earlier photo. Source: Nicholas Whitman photos, at http://www.nwphoto.com/nwimages/main.php?g2_itemId=2403&g2_page=1
Photos 17 & 18: Colonial Theatre Interior during construction and after completion


Source: Colonial Theatre.
Photo 19: Stage and Soundboard

Source: Colonial Theatre

Photo 20: Renovated Exterior

Source: http://www.nataliemacmaster.com/roadstories/2008/mar2-1.jpg
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