



Photo Credit: Chicago Tribune



## chapter 4

# how did we get here?

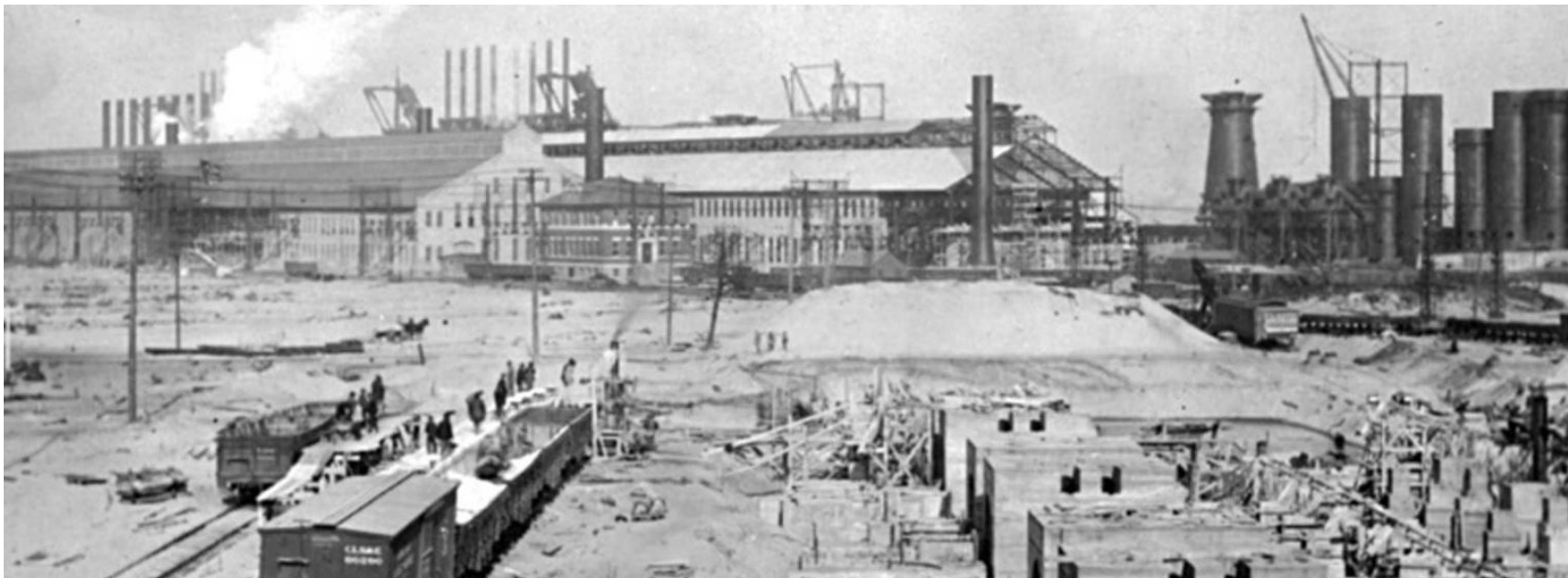
Present-day Gary was originally a system of dunes and wetlands extending south from the Lake Michigan shoreline. A transitional point between land and water, the landscape is composed of parallel ridges with marshy depressions formed by glaciers and receding coastlines approximately 14,000 years ago. At the convergence of three major ecological biomes, this rare, federally-protected coastal ecosystem is an area of high biodiversity, with a confluence of different soil types that serve as critical habitat for a wide range of plant and animal life, including a number of rare species. In fact, it was this malleable landscape of dunes, wetlands, and prairies that first drew U.S. Steel to the area as an attractive site for its new steel mill and company town around the turn of the 20<sup>th</sup> century.

# GARY BEGINNINGS

Gary's proximity to Chicago and access to both land and water transportation made it an ideal location for commerce and development. Gary's factories and dense urban development are situated on the western end of the Indiana Dunes National Park, alongside a rare coastal ecosystem. During the first half of the 20th century, much of Gary's native ecosystem was disrupted or erased to lay the foundations for the city's factories, streets, railroads, neighborhoods, and airport.

In 1906, U.S. Steel purchased a large tract of land along Lake Michigan to build the world's largest integrated steel mill. As the mill grew, the Gary Land Company started a city and developed its first subdivision around what is now Downtown. The Gary

Land Company sold lots to its employees, providing mortgages to make their workers dependent on the company's goodwill and creating an incentive for them to maintain their property. However, wages for unskilled laborers were not sufficient for most steelworkers to buy homes. As a result, development quickly spread south along Broadway, on land not controlled by the Gary Land Company, where workers were often exploited by predatory land speculators and slumlords. Thus, two Garys formed: the north side for high-wage steel employees and businessmen, where U.S. Steel subsidized lawn care, provided utilities, and built sidewalks; and the south side, divided by the Wabash railroad tracks, consisting of tenement shacks lacking basic infrastructure, occupied mainly by African Americans and low-income immigrants.



*U.S.S. Gary Works, North America's largest steel plant. Photo Credit: Indiana Historical Society*

Gary's early development spread quickly, often without formal planning. Homes abutted mills, industry, and heavy rail, while heavy industry encroached on unique and sensitive natural habitats. Eventually a grid system materialized and subdivisions were constructed, complete with streets, sidewalks, utilities, and sewers. As Gary grew, so also did its transportation network. From the start, the city and its transportation infrastructure were designed to support the steel mill by funneling mill workers from Gary's growing residential neighborhoods. Later, the role of the Interurban Railway Company expanded; over 50 miles of railroad track were built, bringing people to thriving retail and office development downtown. Between 1908 and 1912 passenger train service between Gary and Downtown Chicago began via the South Shore Line, further enhancing the transportation infrastructure. This service was complemented locally by an extensive streetcar network.

## BOOMING GARY

Gary radically transformed in the 1920s with a huge growth in both population and steel manufacturing. The City annexed the area around Clark Road Station (1907), Tolleston (1910), and Miller (1918) and, by 1930, the population had grown to 101,000 (see Figure 4-1). The building department issued \$80 million in construction permits between 1923 and 1929, the equivalent of over \$1.1 billion in 2019. Many important structures were built during this time, including the Gary Hotel, City Methodist Church, Memorial Auditorium, City Hall, Palace Theater, and the Knights of Columbus building. Private industry continued to develop port facilities to move raw and finished materials via water transport on Lake Michigan while public investments continued to enhance rail, water, and commuter access.

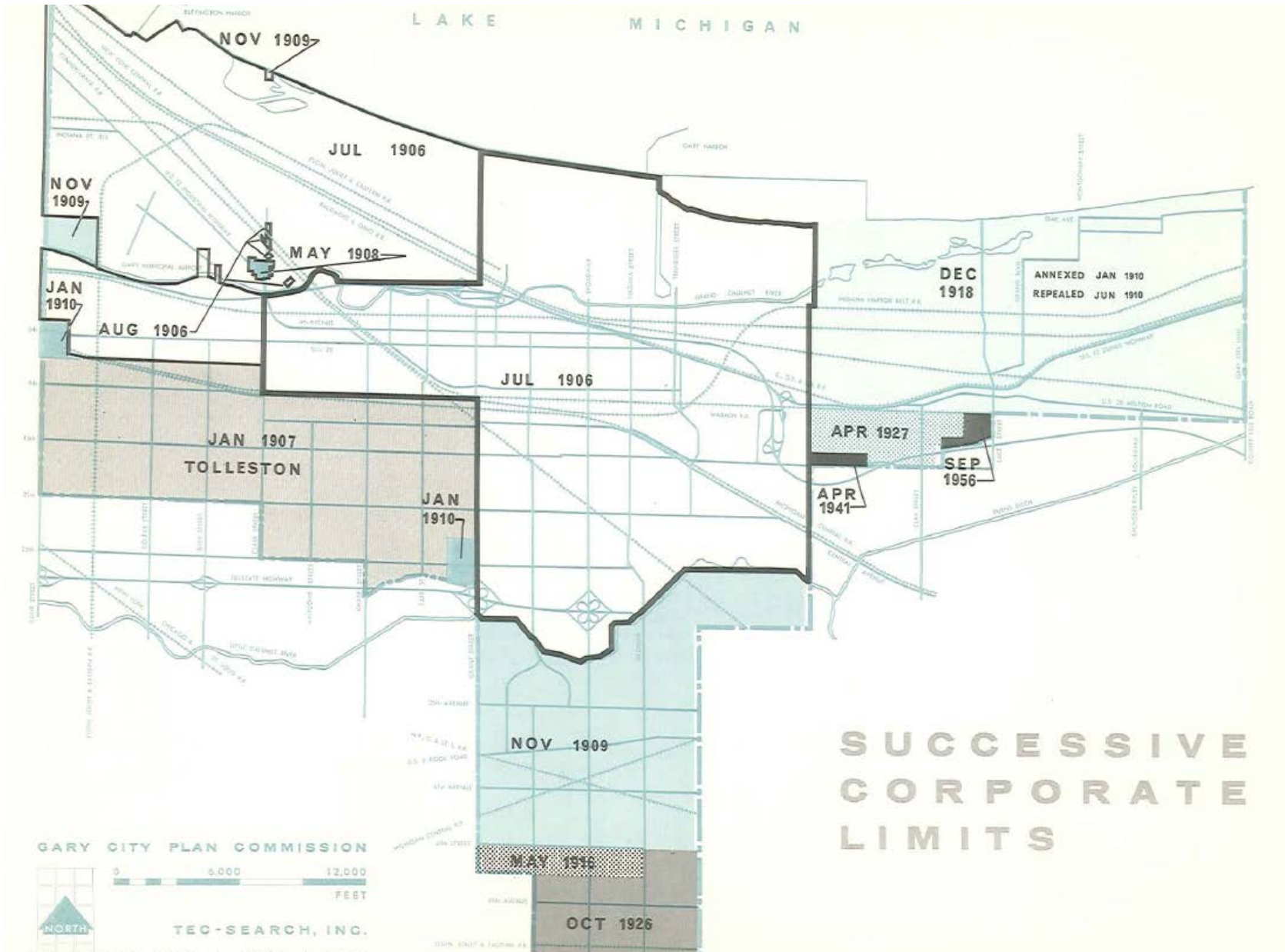
Gary's industrial base attracted a diverse population, including southern and eastern European immigrants, African Americans, and Latinos. During World War I, African Americans from the American South began migrating to northern cities, with a significant number settling in Gary. By the 1920s, Mexican immigrants worked many of the unskilled mill jobs at U.S. Steel, further diversifying the area's growing population. As the African American and Latino populations grew, so too did practices in racial discrimination and segregation in housing, education, and recreation. As a result, neighborhoods became starkly segregated.

These segregation practices were institutionalized through home lending practices. The Home Owners' Loan Corporation (HOLC) collected data and evaluations developed by lenders, developers, and real estate appraisers in the city and assigned grades to residential neighborhoods that reflected their "mortgage security." These were visualized on color-coded maps like Figure 4-2. Neighborhoods receiving the highest grade of "A" - colored green on the maps - were deemed minimal risks for banks and other mortgage lenders when they were determining who should receive loans and which areas in the city were safe investments. Those receiving the lowest grade of "D," colored red, were considered "hazardous." These grades made it difficult for people in certain areas to access mortgage financing and thus become homeowners. This practice of redlining directed capital to native-born white families and away from African American and immigrant families, solidifying wealth inequalities that we still see today.<sup>1</sup>

The Great Depression of the 1930's dampened residential and industrial development. The steel mills cut production by 80%

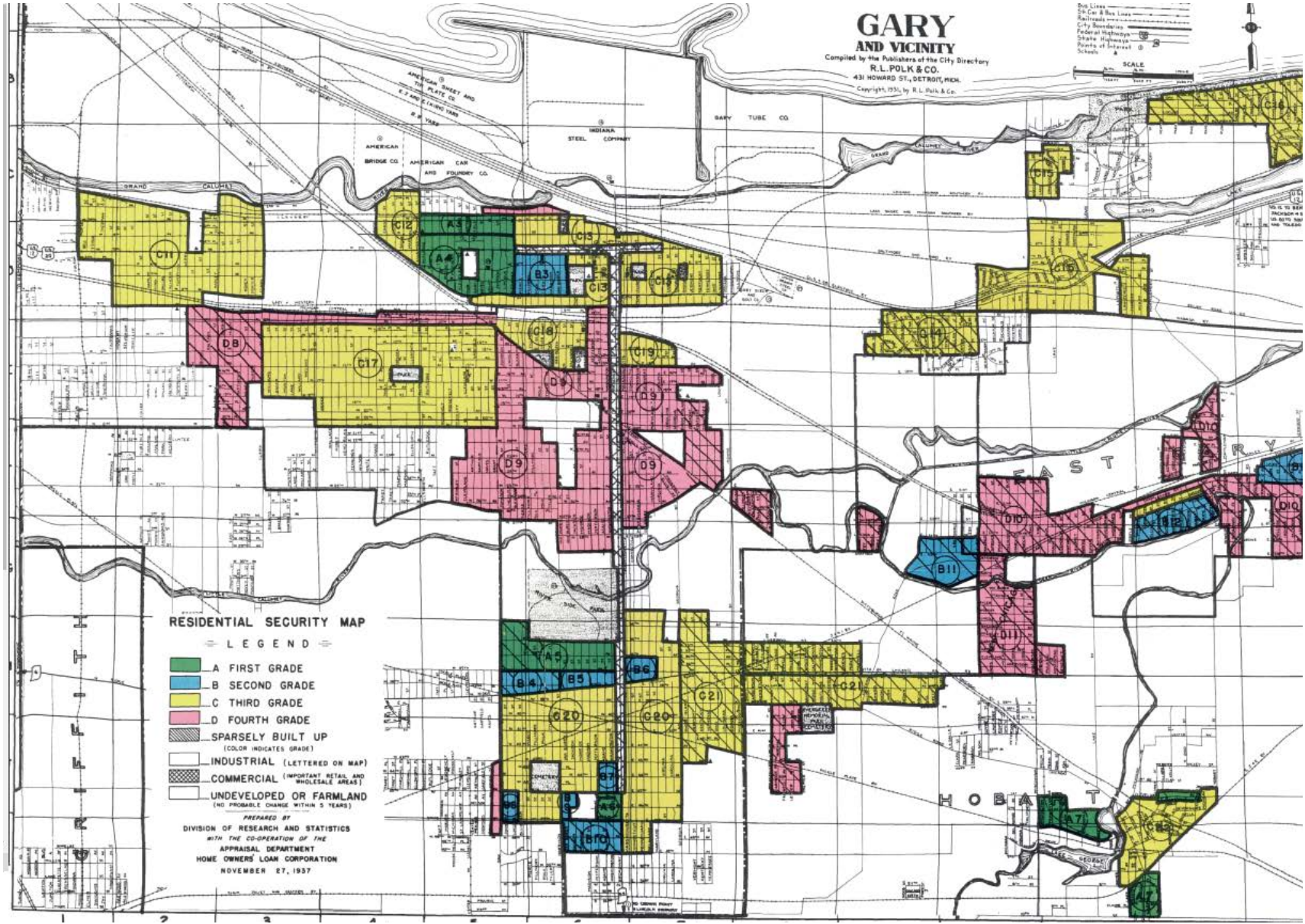
<sup>1</sup> *University of Richmond's Digital Scholarship Lab Mapping Inequity Project.* <https://dsl.richmond.edu/panorama/redlining/#loc=13/41.577/-87.382&city=lake-co.-gary-in&adimage=2/40/-152.903>

**FIGURE 4-1. SUCCESSIVE CORPORATE LIMITS**



Source: Comprehensive Plan, The Master Physical Development Plan for the City of Gary, Indiana (1964)

FIGURE 4-2. HOME OWNERS' LOAN CORPORATION RESIDENTIAL SECURITY MAP (1937)



Source: University of Richmond's Digital Scholarship Lab Mapping Inequity Project

and Gary was on the brink of bankruptcy. U.S. Steel rebounded with the onset of World War II and Gary grew and expanded into the 1950s and 60s. The post-war housing boom fostered by the G.I. Bill in 1944 and the national trend of suburbanization benefited Gary as manufacturing employment continued to increase. At its peak in 1960, Gary's population reached 178,000 and the downtown was the retail hub of Northwest Indiana.

In 1956, Congress passed the Federal Aid Highway Act, ultimately leading to the construction of a robust network of highways including the Borman Expressway (I-80/94), I-65, and the Indiana Toll Road (I-90). What is now the Gary/Chicago Airport opened in 1954. By the late-1960s, the majority of transportation infrastructure was in place and remains to this day.



*Knights of Columbus building on 5th Avenue*

## DISINVESTMENT

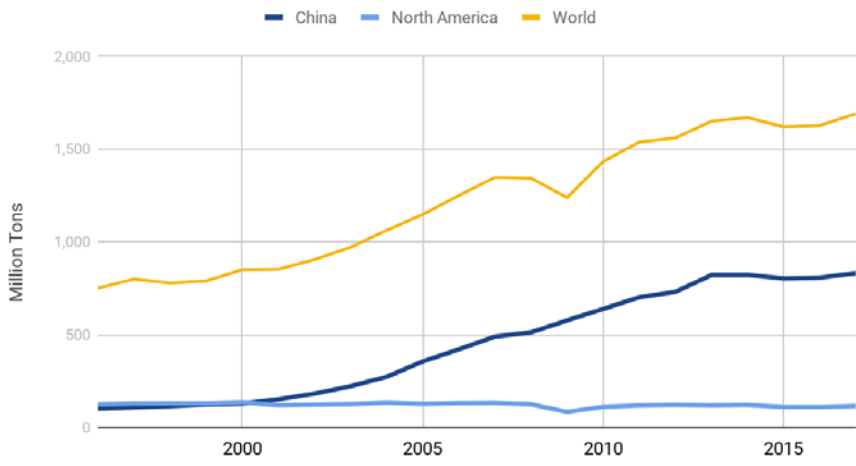
Mid-century marked the beginning of Gary's population decline and a period of sustained disinvestment. Manufacturing employment began to fall in the late 1960s, followed by a period of unprecedented white flight to the suburbs and population loss. Gary lost half its population in 50 years and commercial development in the region was almost exclusively relegated to auto-oriented malls and highway development outside of city centers. Gary's downtown and Broadway corridor endured heavy disinvestment and abandonment.

## CHANGES IN MANUFACTURING

Gary's population peaked in 1960,<sup>2</sup> in large part due to high domestic steel demand for the buildout of infrastructure, vehicles, and the WWI and WWII war efforts. However, after the war the steel industry started to retract, with steel mills across the nation becoming obsolete and less competitive. Gary's population and jobs decline were largely brought about by changes in manufacturing due to globalization, outsourcing, and machine-based productivity increases in the steel industry. Growing overseas competition from China as well as efficiency gains in manufacturing have greatly reduced manufacturing employment in the U.S. (see Figure 4-3). In Lake County, which has been more reliant on manufacturing than other areas of the country, the decline in manufacturing has weighed more heavily on the overall economy (see Figure 4-4). As a result, jobs at the U.S. Steel Gary Works plant declined from more than 30,000 in 1970 to 6,000 in 1990, further declining to 5,100 in 2015, and is now estimated at 3,800 in 2019. While total employment growth has been stable in Lake County, the lost manufacturing jobs were replaced by lower-paying service sector jobs.

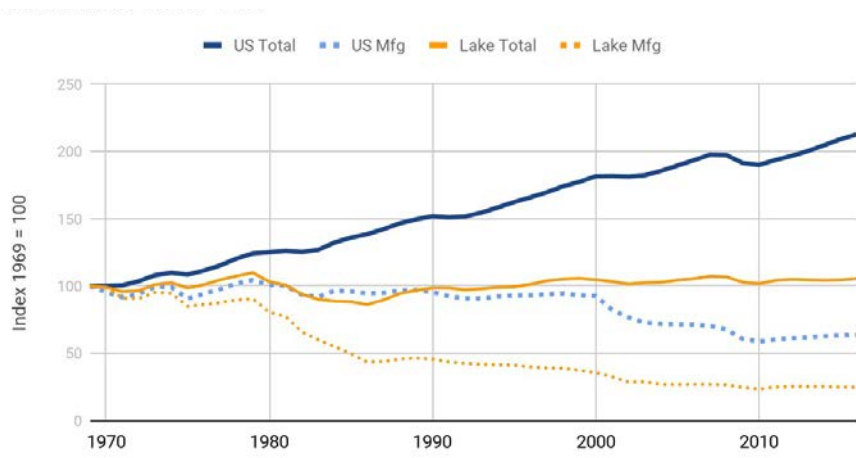
<sup>2</sup> 1960 U.S. Census

**FIGURE 4-3. CHANGE IN GLOBAL STEEL PRODUCTION OVER TIME (MILLION TONS)**



Source: World Steel Association, <https://www.worldsteel.org/steel-by-topic/statistics.html>

**FIGURE 4-4. TOTAL AND MANUFACTURING EMPLOYMENT IN THE U.S. VS LAKE COUNTY OVER TIME**



Source: Bureau of Economic Analysis

From 1970 to 2016, overall industrial production has grown steadily while manufacturing employment has declined.

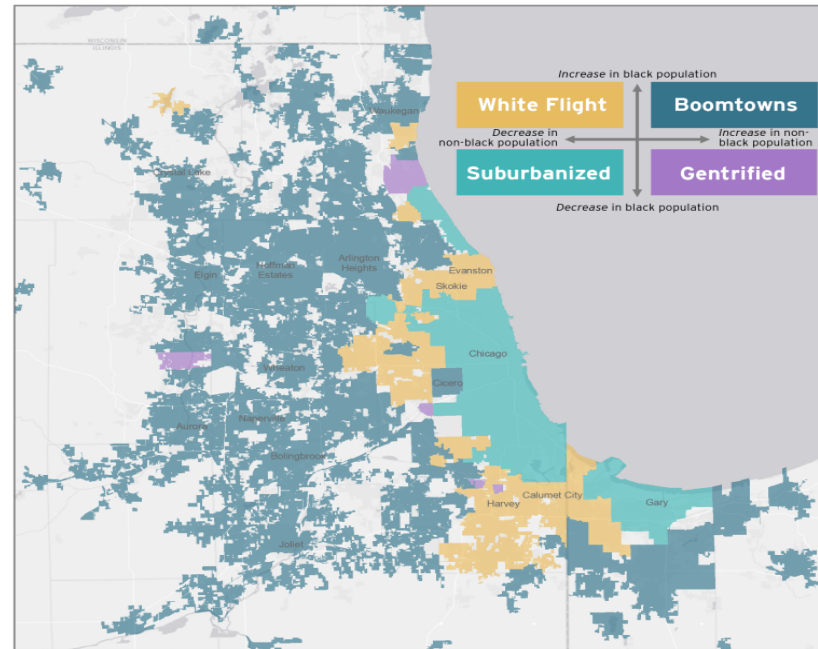


# WHITE FLIGHT AND SUBURBANIZATION

At the same time manufacturing and steel production were declining in the 1960s, the city suffered from the incorporation of nearby suburbs, extension of the highway system, declining housing stock, and exodus of businesses from the city center, a phenomenon collectively known as “white flight.” In 1967, the election of Gary’s first black mayor, Richard Gordon Hatcher, further accelerated white flight. I-65 opened in 1968 and the Indiana General Assembly exempted only Lake County from the state’s “buffer zone” law, which prohibited incorporation within three miles of larger cities like Gary. Almost overnight, Merrillville experienced rapid commercial and residential growth. Suburban malls, such as Southlake Mall, which opened in 1974 two miles south of Gary, began drawing retail spending away from downtown, adding to Gary’s disinvestment and abandonment. By the 1980s, Gary’s physical decline was most evident along the city’s formerly bustling business corridors, namely Broadway and 5<sup>th</sup> Avenues. Downtown’s tallest building, the former Holiday Inn, erected in the 1970s, closed its doors by 1985, casting a shadow on City Hall and serving as a powerful of disinvestment until its eventual demolition thirty years later.

FIGURE 4-5. WHITE FLIGHT

White Flight suburbs are located centrally in the Chicago area  
Chicago metropolitan area, 1970 - 2010



Source: Brookings analysis of 1970 - 2010 census data via IPUMS NHGIS. Basemap via Esri, HERE, Garmin, © OpenStreet-Map contributors, and the GIS user community

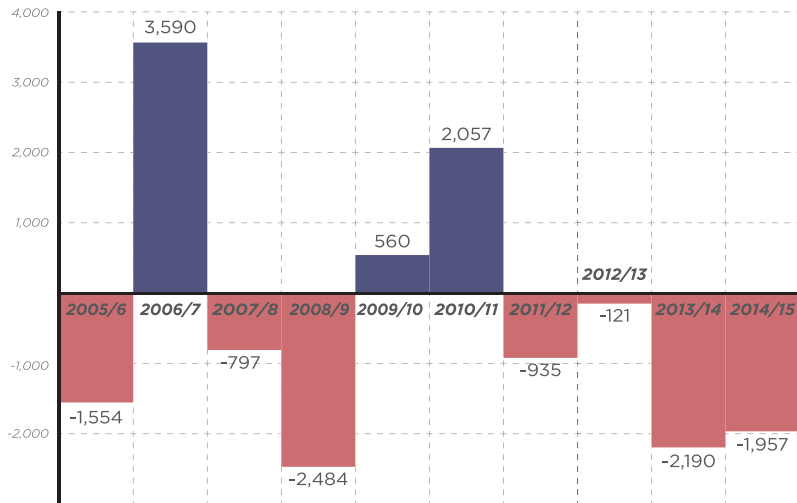
**B** Metropolitan Policy Program  
at BROOKINGS

Source: Metropolitan Policy Program at Brookings

## GREAT RECESSION EXACERBATES A WEAK ECONOMY

While Gary's most acute period of employment decline occurred between the 1960s and 1990s, the city has also experienced job loss in seven out of the last ten years (see Figure 4-6). This amounts to a total net loss of more than 3,800 jobs between 2005 and 2015 (over 10% of total jobs in Gary). Gary briefly recovered from the Great Recession of 2007 to 2009, but those gains were wiped out by additional losses from 2011 to 2015. To further exacerbate blight and disinvestment, subprime mortgages were widespread during the early 21<sup>st</sup> Century. According to federal housing data, 69% of the loans in Gary were high-cost loans in 2006, versus 28% in the U.S. and Indiana - the number has dropped but Gary is still well above the rates for the state and nation.<sup>3</sup>

**FIGURE 4-6. ANNUAL JOB CHANGE IN THE CITY OF GARY (2005-2015)**



Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics (2005-2015).

<sup>3</sup> Consumer Finance Protection Bureau; Housing Mortgage Disclosure Act data (2019)

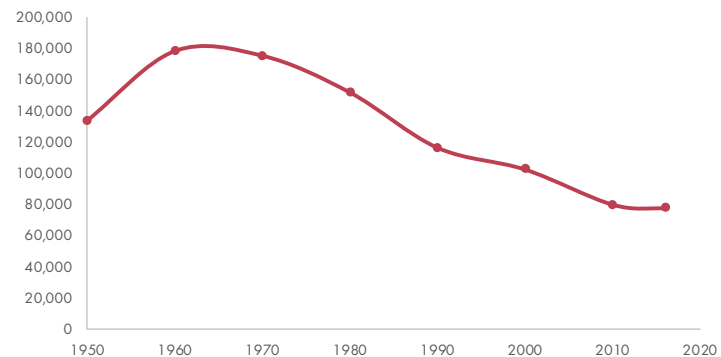
## GARY TODAY

Today, Gary is left with a built footprint designed in the 1950s for a growing city of almost 200,000 people, despite having a population closer to 80,000 today. Gary is roughly 25% the size of Chicago by area, but only 3% by population. Fewer taxpayers fund an increasingly expensive, deteriorating, and proportionally large infrastructure system. For those who remain in the city, quality of life and the ability to obtain basic amenities and services remain strained. Population loss has crippled the school system and left many neighborhoods in dire condition, with high rates of vacancy and deteriorating buildings. Poor land use decisions have led to inefficiencies and conflicts in the way land is utilized today. For example, new schools have opened on unsafe, high-traffic truck corridors, while existing schools located in walkable neighborhoods have closed.

## POPULATION CHANGE

Though the population of Gary has been declining over the last 50 years, the rate of decline is beginning to slow (see Figure 4-7). The population declined by only 3% from 2010 to 2017, as compared to a 22% decrease from 2000 to 2010.

**FIGURE 4-7. POPULATION OVER TIME**



Source: [www.stats.indiana.edu/population/PopTotals/historic\\_counts\\_cities.asp](http://www.stats.indiana.edu/population/PopTotals/historic_counts_cities.asp)

## FISCAL CHALLENGES

The City of Gary currently faces a number of fiscal challenges that have been amplified by recent state policy changes. The City relies heavily on property taxes, so statewide efforts at property tax reform have greatly reduced City revenues and created a significant challenge. Indiana's circuit breaker tax caps were a product of the 2008 property tax reform. They were first applied statewide for taxes in 2009 and since 2010 have been used at the current cap rates. In November 2010, voters passed a referendum to add the caps to the state Constitution.<sup>4</sup>

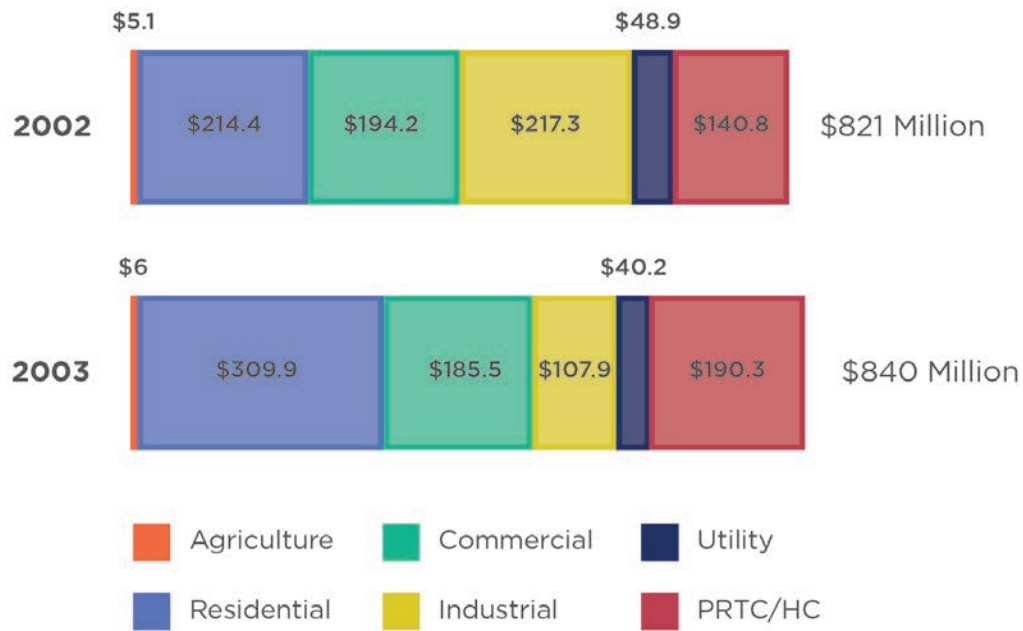
The tax cap has created revenue losses that are concentrated in cities like Gary. Landlords have benefited greatly from reduced taxes while median and fair market rents have increased. The property tax caps essentially flatten the tax rates across the state with no regard for the needs of older communities like Gary with legacy infrastructure and higher service needs. The property tax caps have also adversely affected funding for the Gary Community Schools Corporation (GCSC), as a decline in property tax revenue further weakens the local school district.

<sup>4</sup> <http://indianafiscal.org/resources/IFPI%20Property%20Tax%20Report%20FINAL.pdf>



*Newspaper headlines after the 2008 State property tax reform bill was passed*

**FIGURE 4-8. CONTRIBUTIONS OF STATE AND PROPERTY TAX PAYERS TO TOTAL LEVY IN LAKE COUNTY**



Source: Indiana Legislative Services Agency

According to the IN Legislative Services Agency, there was a decrease in Lake County industrial taxes of \$109.4M and an increase in the residential property tax levy of \$95M from FY 2002 to 2003.