A Transformative Agenda for U.S. Cities

Wingspread Conference
February 10, 2005
There are profound demographic, market, and social forces affecting the United States.

These forces dramatically improve the competitive prospects of cities.

Despite these promising trends, cities have yet to realize their true economic potential.

Local, state, and federal policies shaping cities are mixed.

A Transformative Agenda for U.S. Cities
There are profound demographic, market, and social forces affecting the United States.
Major demographic change is taking place in the U.S.

**Population Growth**

**Immigration**
- Net Immigration: 34.7%
- Natural Increase: 65.3%

**Aging**
- Share of Population in Age Groups 1970 vs. 2020

**Internal Migration**
- New Sunbelt
- Melting Pot
- Heartland

*Components of population change, 1990-2000*
At the same time, the country is going through a period of unprecedented economic transformation.
In the 1990s, steady growth and prudent fiscal policy kept interest rates low, fueling development.
Social change drove (and was a response to) demographic and economic change

**Delayed marriage**
- Median Age at Marriage

**Smaller families**
- Births Ever to Women Age 40-44

**Declining segregation**
- African-American Share of Population in U.S. Census Tracks

**Dispersed social networks**
- Local ties now make up only 2-5 percent of an average North American’s social network

Wellman (1996)
These forces dramatically improve the competitive prospects of cities
The dense physical layout of cities gives them a competitive and fiscal advantage

Density contributes to innovation by attracting young educated workers

Average labor productivity increases with employment density

Dense labor markets and high clustering of jobs lead to knowledge spillovers, both within and across industries

Compact development is more cost-efficient
Density has made cities multicultural centers of creativity, commerce, and culture

Centers of Tolerance & Creativity

<table>
<thead>
<tr>
<th>Metropolitan Area</th>
<th>Milken Tech-Pole</th>
<th>Gay指数</th>
<th>Bohemian Index</th>
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<tbody>
<tr>
<td>San Francisco</td>
<td>1</td>
<td>1</td>
<td>8</td>
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<tr>
<td>Boston</td>
<td>2</td>
<td>8</td>
<td>9</td>
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<tr>
<td>Seattle</td>
<td>3</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>4</td>
<td>2</td>
<td>6</td>
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<tr>
<td>Dallas</td>
<td>5</td>
<td>19</td>
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<td>Los Angeles</td>
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<td>Chicago</td>
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<td>Atlanta</td>
<td>8</td>
<td>4</td>
<td>13</td>
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<tr>
<td>Phoenix</td>
<td>9</td>
<td>22</td>
<td>24</td>
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<tr>
<td>New York</td>
<td>10</td>
<td>14</td>
<td>3</td>
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</tbody>
</table>

Centers of Immigration

- Hispanic: 43%
- Asian: 38%

Centers of Commerce

- Ports
- Airports
- Other Transportation Networks
- Financial and other business services

Centers of Culture

- Universities
- Museums
- Theaters
- Restaurants
The new positioning of cities has driven an urban resurgence in the United States.

### Population Growth

- **1970s**: -1.8%
- **1980s**: 6.3%
- **1990s**: 9.8%

**50 largest cities, 1970-2000**

### Revitalized Downtowns

- **Atlanta**: 17%
- **Baltimore**: 19%
- **Cleveland**: 14%
- **Philadelphia**: 16%

**Percent change in population, 1990-2000**

### Increase in Jobs

- **1992**: 26.6 mil.
- **2001**: 31.2 mil.

**Jobs located in 114 large cities, 1992 & 2001**

### Declining Poverty

- **1990**: 19%
- **2002**: 17%

**Millions of Jobs**
Cities, in particular, have gained a strong footing in the New Economy.

**Innovation**

- New Firms: 23%
- New Jobs: 25%

**Economic Base**

- City Economic Base: 60% New Economy, 40% Old Economy
- Suburb Economic Base: 46% New Economy, 54% Old Economy
Despite these promising trends, cities have yet to realize their true economic potential
The historic legacies of racial and class segregation persist.

Concentrated poverty

- Non Metropolitan: 900k
- Suburbs: 1 mil.
- Central City: 6 mil.

Population of high-poverty neighborhoods by location, 2000.

Racial disparities

<table>
<thead>
<tr>
<th>Race</th>
<th>Percentage Age 25 and over with Bachelors Degrees (100 Largest Cities), 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>38%</td>
</tr>
<tr>
<td>White</td>
<td>37%</td>
</tr>
<tr>
<td>Black</td>
<td>14%</td>
</tr>
<tr>
<td>Latino</td>
<td>10%</td>
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</tbody>
</table>

Failing schools

- Educational achievement rates, fourth grade students:
  - High-Poverty: Reading 25%, Math 33%
  - Suburban: Reading 67%, Math 67%

Parasitic economies

Research shows low income households pay hundreds more each year for:
- financial services
- insurance
- utilities
- appliances
- food
These problems fuel uneven growth everywhere; in some regions, they continue to cripple central cities.
Local, state, and federal policies shaping cities are mixed
At every level, urban policy is beginning to get some things right

<table>
<thead>
<tr>
<th>Local</th>
<th>State</th>
<th>Federal</th>
</tr>
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<tbody>
<tr>
<td>• School reform/governance</td>
<td>• Brownfields</td>
<td>• EITC/CHIP</td>
</tr>
<tr>
<td>• Community policing</td>
<td>• Fix it first transit</td>
<td>• Childcare</td>
</tr>
<tr>
<td>• Vacant land</td>
<td>• Workforce/higher education</td>
<td>• HOPE VI</td>
</tr>
<tr>
<td>• Government reinvention</td>
<td>• Growth management</td>
<td>• CRA</td>
</tr>
<tr>
<td>• Innovative financing</td>
<td>• Investment in medical research</td>
<td>• GSE Goals/ Homeownership</td>
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<tr>
<td></td>
<td></td>
<td>• Investment in medical</td>
</tr>
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<td>research</td>
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<td></td>
<td></td>
<td>• ISTEA/TEA-21</td>
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</table>
Cities often make the wrong bets (e.g. convention centers)

States set rules of the development game that continue to favor suburban development

- Major state spending programs have skewed funding to greenfields
- State tax systems are biased against cities
- In many states, local zoning ordinances do not conform to local or regional plans
- Barriers to brownfield development hinder their productive reuse
- Greater government fragmentation correlates with more sprawl
- Many state constitutions prevent government from using gasoline tax on transit
Federal policies are at best anemic; at their worst, they also favor suburban development

<table>
<thead>
<tr>
<th>Anemic policies</th>
<th>Biased policies</th>
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<tbody>
<tr>
<td>• Federal work benefits fail to support eligible working families – more than 20 states have waiting lists for child care programs - several states have stopped accepting applications from eligible families</td>
<td>• Subsidized housing policies reinforce concentrated poverty</td>
</tr>
<tr>
<td>• In contrast, Britain devoted an extra 1 percent of GDP to reducing child poverty - $100 billion U.S. a year in added spending</td>
<td>• Homeownership tax expenditures favor suburban buyers</td>
</tr>
<tr>
<td>• Blair’s program reduced child poverty from 23% in 1997 to 13% in 2001</td>
<td>• Environmental regulation pushes growth outward</td>
</tr>
<tr>
<td>• The increase is more than our final child poverty budget, $60-76 billion</td>
<td>• Despite improvements, transportation funding is still geared toward highway building</td>
</tr>
</tbody>
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V

A Transformative Agenda for U.S. Cities
In the 21st century, cities will have an opportunity to redefine their role in metropolitan America

<table>
<thead>
<tr>
<th>Physical</th>
<th>Economic</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Walkable and well defined mixed-use neighborhoods</td>
<td>• Concentration of regional business activity</td>
<td>• Strong middle-class families</td>
</tr>
<tr>
<td>• Transportation infrastructure tailored to the modern city</td>
<td>• An innovative highly skilled workforce</td>
<td>• Quality neighborhoods of choice</td>
</tr>
<tr>
<td>• Renowned recreational amenities and institutions</td>
<td>• Strength in sectors with a competitive advantage</td>
<td>• Common and inclusive civic identity</td>
</tr>
<tr>
<td>• State-of-the art schools</td>
<td>• Dynamic arts and culture sector reflecting urban diversity</td>
<td>• A commitment to serving and developing residents with greater needs</td>
</tr>
<tr>
<td>• Clean and healthy urban ecosystems</td>
<td>• Efficient government services</td>
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- Concentration of regional business activity
- An innovative highly skilled workforce
- Strength in sectors with a competitive advantage
- Dynamic arts and culture sector reflecting urban diversity
- Efficient government services
- Strong middle-class families
- Quality neighborhoods of choice
- Common and inclusive civic identity
- A commitment to serving and developing residents with greater needs
To recap: Cities have real assets that are highly valued by the New Economy

- Underutilized Waterfronts
- Downtowns
- Human Capital
- Universities
- Active Neighborhoods
- Infrastructure
While recent trends are positive, legacies from the past are preventing cities from fully leveraging these assets.

<table>
<thead>
<tr>
<th>Positive Trends</th>
<th>Historical Legacies</th>
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<tbody>
<tr>
<td>• Population growth</td>
<td>• Concentrated poverty</td>
</tr>
<tr>
<td>• Immigration</td>
<td>• Substandard housing</td>
</tr>
<tr>
<td>• Aging population</td>
<td>• Aging and outdated infrastructure</td>
</tr>
<tr>
<td>• Investors looking to tap underserved urban markets</td>
<td>• Fiscal disparities</td>
</tr>
<tr>
<td>• Certain positive state and federal programs</td>
<td>• Ossified bureaucracies</td>
</tr>
<tr>
<td></td>
<td>• Fragmented governance</td>
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<td></td>
<td>• Racial and class separation</td>
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</tbody>
</table>
Increasingly cities are recognizing and leveraging these assets by carrying out transformative efforts.

<table>
<thead>
<tr>
<th>Landscape</th>
<th>Transformative Effort</th>
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<tbody>
<tr>
<td>Physical</td>
<td>Reclaiming the Waterfront</td>
</tr>
<tr>
<td>Economic</td>
<td>Modernizing the CBD</td>
</tr>
<tr>
<td>Social</td>
<td>Creating Neighborhoods of Choice</td>
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</tbody>
</table>

- Modernizing the CBD
- Reforming Governance
- Supporting Innovation
- Developing Green Infrastructure
- Channeling Land Use with Transit
- Reclaiming the Waterfront
- Creating Neighborhoods of Choice
- Growing a Middle class
- Reducing Disparities
Underutilizing the asset:

- In the past, cities used zoning and infrastructure placement to cut neighborhoods and residents off from the waterfront

Leveraging the asset:

- Cities recognize the passive and active recreational value of waterfronts, as well as their attractiveness to developers interested in generating new mixed-use urban environments
The Milwaukee Freeway Demolition

• Removal of a little-used spur of the never-completed Park East Freeway began in 2002 to reclaim 11 blocks of downtown land

• Renewal project will add commercial and residential development of mixed types, taking advantage of the unique features downtown (e.g. the river, entertainment venues, etc.)
In the past, cities built transit to service existing residential development.

Cities realize that transit can generate value by promoting denser, more efficient growth patterns.
Transit oriented development in Arlington County, VA

The Vision

- In 1972, sector plans were created around each metro station to establish land use and development guidelines and ensure a mix of commercial residential and office uses

The Outcome

- The Rosslyn-Ballston corridor now contains 18,000 housing units and 14 million square feet of office space
- 73,000 jobs are located within a third of a mile of the corridor
Denver FasTracks will encourage smarter growth patterns

- $4.7 billion project; financing provided by sales tax (4 cents per $10)
- TOD around stations designed to accommodate 900,000 anticipated new residents over next 20 years
- 119 miles of new light rail and commuter rail
- 18 miles of bus rapid transit service
- 21,000 new parking spaces at rail and bus stations
**Underutilizing the asset:**

- In the past, cities paved over or neglected parks and open space.

**Leveraging the asset:**

- Cities are building and designing active programming for parks and other recreational spaces.
Denver’s plan for “A City in A Park”

- Continuous “green streets” – streets with adequate sidewalks and tree canopies – connecting neighborhood main streets, schools, and recreation centers to parks.
- Citywide and regional trail connectors – connecting parks and creating longer walking and cycling routes.
- Healthy and accessible waterways – extending and increasing open space along city rivers.

“A Plan for the “City in A Park”

“Green Street” Ideal
**Underutilizing the asset:**

- In the past, cities planned downtowns for concentrations of office space

**Leveraging the asset:**

- Cities recognize that work/live downtowns support the mix of retail and commercial activities desired by both businesses and urban residents
Albuquerque is making long-term investments in its downtown

**Historic Downtown Improvement Company Agenda**

- **Vision** – A cooperative partnership led by Arcadia Land Company and the McCune Charitable Foundation. HDIC will make investments that will serve as catalysts for development leading to a vibrant mixed-used downtown.

- **Design** – “Bury the box” is major design focus, large footprint uses, such as a new 14-screen movie theater and a 180,000 sf parking structure, have been hidden by pedestrian-friendly buildings with ground floor retail and office or residential above.

- **Financing** – HDIC’s committed $200 million in “patient equity” matched by $8 million in City backed infrastructure improvements; HDIC will repay city with project revenues.

- **Mixed-Income** – HDIC is working to create a mixed-income downtown. Share of profits will go to Downtown Albuquerque Civic Trust, a local nonprofit affordable housing developer.
Economic

The NJ Performing Arts Center enlivens downtown Newark

- $187 million investment in downtown Newark
- Built on 12 acres fronting the Newark River
- Leverages $60 million in private financing
- Facility includes a 3,000-seat opera house, a 2,500-seat concert hall, a 1,800-seat music theater, and a 600-seat dance and drama theater
- Center has spurred ancillary commercial and retail activity
Underutilizing the asset:

- In the past, large bureaucracies made cities slow and inefficient

Leveraging the asset:

- Cities are using technology and economies of scale to make transactions smoother and faster
Economic

Fort Wayne is training Six-Sigma black belts to increase efficiency in city government

- Water main replacement costs were reduced from an average of $61.00 per foot to $50.00 per foot
- Number of days to receive an Improvement Location Permit was reduced from an average of 51 days to 12 days
- Cost per change order for transportation engineering projects was reduced by 50%
- Fire code re-inspections were increased by 23% and the average number of days to a re-inspection was reduced from 51 to 34 days
- Missed trash pick-ups were reduced by 50%
- Responses to pothole complaints were reduced from an average of 21 hours to 3 hours
Underutilizing the asset:

- In the past, cities used placeless economic development strategies to attract knowledge economy industries.

Leveraging the asset:

- Cities are leveraging the competitive advantages provided by the built environment to compete in the new economy.
Wireless internet access throughout Philadelphia will maximize the potential of residents, businesses and visitors

“…creating a truly digital city that supports economic development, social development and helps close the digital divide in this knowledge-based world “

- Wireless Philadelphia is a $7-10 million plan to turn the entire city into a wireless internet hotspot by June 2005
- Wireless Philadelphia will introduce high-speed internet to areas currently beyond the reach of broadband. Businesses will be able to take advantage of tiered levels of service
- Philadelphia will work to provide educational opportunities and other city services over the wireless network
Richmond partnered with Virginia Commonwealth University to create the Virginia Bio-Technology Research Park

- 27,000 square feet of state of the art laboratories ideal for biotech start-ups in downtown Richmond
- More than 50 companies have started in the incubator, including 18 originating from VCU research
- 16 have graduated from the incubator – 3 are now publicly traded – creating hundreds of new jobs in the Richmond area
Underutilizing the asset:

- In the past, cities concentrated poor families in high-rise public housing in neighborhoods surrounding their downtowns

Leveraging the asset:

- Cities are creating mixed-income communities of choice in neighborhoods in close proximity to central business districts
In St. Louis, the Vaughn high rises were transformed into a new mixed-income neighborhood of choice.

- **Vaughn High Rises in 1995**
  - Four nine-story buildings
  - 656 units
  - Typical of 1950s-era, urban renewal public housing towers

- **Murphy Park Homes**
  - Townhouses, garden apartments and single-family homes
  - 413 units
  - “New Urbanist” design and “defensible space” technique

- **Jefferson Elementary**
  - Leverages $5 million in corporate and philanthropic money
  - Technologically advanced educational facilities
  - New principal with wider control over teachers and curriculum
Murphy Park and Jefferson Elementary are enjoying success

- The median household income rose by 18 percent between 1989 and 1999, compared to four percent regionally.

- Unemployment fell by 35 percent from 1989 to 1999, compared to a 3.7 percent city wide increase.

- Private investment in the form of residential and commercial development has since located in the surrounding area.
Underutilizing the asset:

- In the past, cities tried to attract middle class residents to cities

Leveraging the asset:

- Cities are working hard to leverage federal resources with educational and homeownership opportunities to help low-income families build wealth and enter the middle class
Chicago is leveraging the value of the Earned Income Credit and helping build a middle class.

- Outreach partnership between Mayor Daley’s office, employers, business associations, and community groups.
- Place information on EITC in bill inserts, paychecks, grocery store bags, McDonald’s tray liners.
- Chicago-based Center for Law and Human Services coordinates free tax preparation at 20 sites throughout city.
- $16M in EITC claimed at free tax assistance centers in 2001.
- South Shore Bank helps EITC claimants without bank accounts to open savings accounts with their refunds.

The Value of the EITC Increased Substantially:

- Number of Tax Filers Claiming EITC (Millions)
- Total Amount of Credit (Billions)

Graph showing the increase in the number of tax filers claiming EITC and the total amount of credit from 1975 to 2000.
Underutilizing the asset:

- In the past, cities were too quick to accept failing students

Leveraging the asset:

- Cities are putting together ambitious efforts to ensure that all students get a quality education
Louisville has committed itself to ensuring that all students are reading

Louisville Every 1 Reads Initiative

- $16 million literacy program that calls for all 97,000 Louisville Public School students to be reading at grade level in just 4 years
- Louisville Public Schools will spend $2 million per year to hire reading specialists, $2.3 million per year to add 23 classrooms to its early increase literacy childhood program, and training for teachers
- Greater Louisville Inc. will raise $2 million per year, get more adult volunteers for schools, encourage agencies that work with children to emphasize reading, and lobby state legislators on behalf of the schools
The common characteristic is that transformative efforts are large, informed, calculated bets. 

**Systemic in effect**
- The primary project focus may be economic, physical or social, but ultimately a project must generate secondary returns on investment across categories.

**Tailored to local market realities**
- Motivated by sound research and reasoning.
- Insulated from unreasonable pressure by business and political interests.

**Cognizant of lessons from the past**
- Appropriate level of public participation.
- Well distributed benefits.

**Sustained & Scrutinized**
- Phasing.
- Intermittent evaluation.
How do we make transformative efforts the norm instead of the exception?
To move forward, cities must act with market focus and discipline.

- Engage a new leadership class
- Generate empirical diagnostics
- Re-imagine the city
- Develop an integrated/holistic agenda
- Identify transformative efforts
- Execute vision
- Use information to drive markets and measure success
To move forward, cities must be part of majoritarian coalitions to make structural reforms at the state and federal level.
New city-suburban coalitions can address the need for systemic reform

<table>
<thead>
<tr>
<th>Landscape</th>
<th>State Policies</th>
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<tbody>
<tr>
<td><strong>Physical</strong></td>
<td>“Fix it First” Pennsylvania</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>Knowledge Investment California</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Make Work Pay New York</td>
</tr>
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</table>
The city-federal relationship needs to be reinvented over time.

**Near-term Strategy:**
Protect community development spending

**Long-term Strategy:**
Find ways to leverage larger federal flows

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**Spending by Category: FY 2005 vs. FY 2006**

- Social Security
- National defense
- Income security
- Medicare
- Health
- Net interest
- Education/training/social services
- Veterans benefits/services
- International affairs
- Natural resources/environment
- Agriculture
- General science
- Community/region development
- General government
- Commerce/housing credit
- Energy

**Note:** Numbers are in billions.

**Notes:**
- All numbers are estimates.

 SOURCE: OFFICE OF MANAGEMENT AND BUDGET | GRAPHIC: WASHINGTONPOST.COM
Questions:

1.) Is this argument correct?

2.) Do you buy the notion of transformative efforts?

3.) What will it take to make transformative efforts the normal operating procedure?

4.) How do we ensure more systemic and structural change at the state & federal level?

5.) How do we build the coalitions to get there?
Redefining the challenges facing metropolitan America and promoting innovative solutions to help communities grow in more inclusive, competitive, and sustainable ways.

ANNOUNCEMENT

Urban Center Becomes Metropolitan Program
In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

read an open letter from Brookings President Strobe Talbott

METROPOLITAN GROWTH
Mechanisms for Market-Based Land Use Control
Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

IMMIGRATION
Washington Goes Polyglot
Metro Washington's "limited English proficient" (LEP) population
Sources

Slide 4- Major demographic change
Brookings Metro Program analysis of U.S. Census Bureau Data

Slide 5- Economic transformation
Globalization and Deindustrialization: Bureau of Economic Analysis
Knowledge Industries and Rapid Innovation: Ned Hill. "Innovation and Economic Development." Presentation to the White House Office of Science and Technology and the National Governors Association

Slide 6- Steady growth
GDP Growth: Bureau of Economic Analysis
All else: U.S. Census Bureau

Slide 7- Social Change
Marriage and Families: U.S. Census Bureau

Slide 9 - Dense layout

Slide 10 - Cities as Centers

Slide 11 - Urban Resurgence
Brookings Metro Program analysis of data from U.S. Census Bureau and HUD State of the Cities Data System

Slide 12 - Cities in the New Economy

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Brookings Metro Program analysis of data from U.S. Census Bureau
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All else: U.S. Census Bureau

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Slide 27-Milwaukee Freeway
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Denver Regional Transportation District
http://www.rtd-denver.com/fastracks/

Slide 32-Denver Parks
City of Denver Parks Department
http://www.denvergov.org/dephome.asp?depid=111

Slide 34-Albuquerque
HDIC
http://nmdowntown.com/

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NJPAC
http://www.njpac.org/

Slide 37-Fort Wayne
City of Fort Wayne
http://www.cityoffortwayne.org/6sigma.htm

Slide 39-Wirless Philadelphia
Wireless Philadelphia Executive Committee

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