The Brookings Institution

Metropolitan Policy Program
Bruce Katz, Vice President and Director

Transformative Investments: Unleashing the Potential of American Cities

April 5th, 2006
Reinventing Older Communities: People, Places, Markets

Transformative Investments: Unleashing the Potential of American Cities

I Profound demographic, economic, social, and cultural forces are reshaping the nation

II These broad forces give cities the best chance to compete in decades

III Cities are increasingly making Transformative Investments to realize their full potential

IV The challenge facing cities is how to make Transformative Investments the norm rather than the exception

Transformative Investments are multi-dimensional efforts that remake the urban physical landscape to stimulate economic growth, improve fiscal vitality, and advance social equity

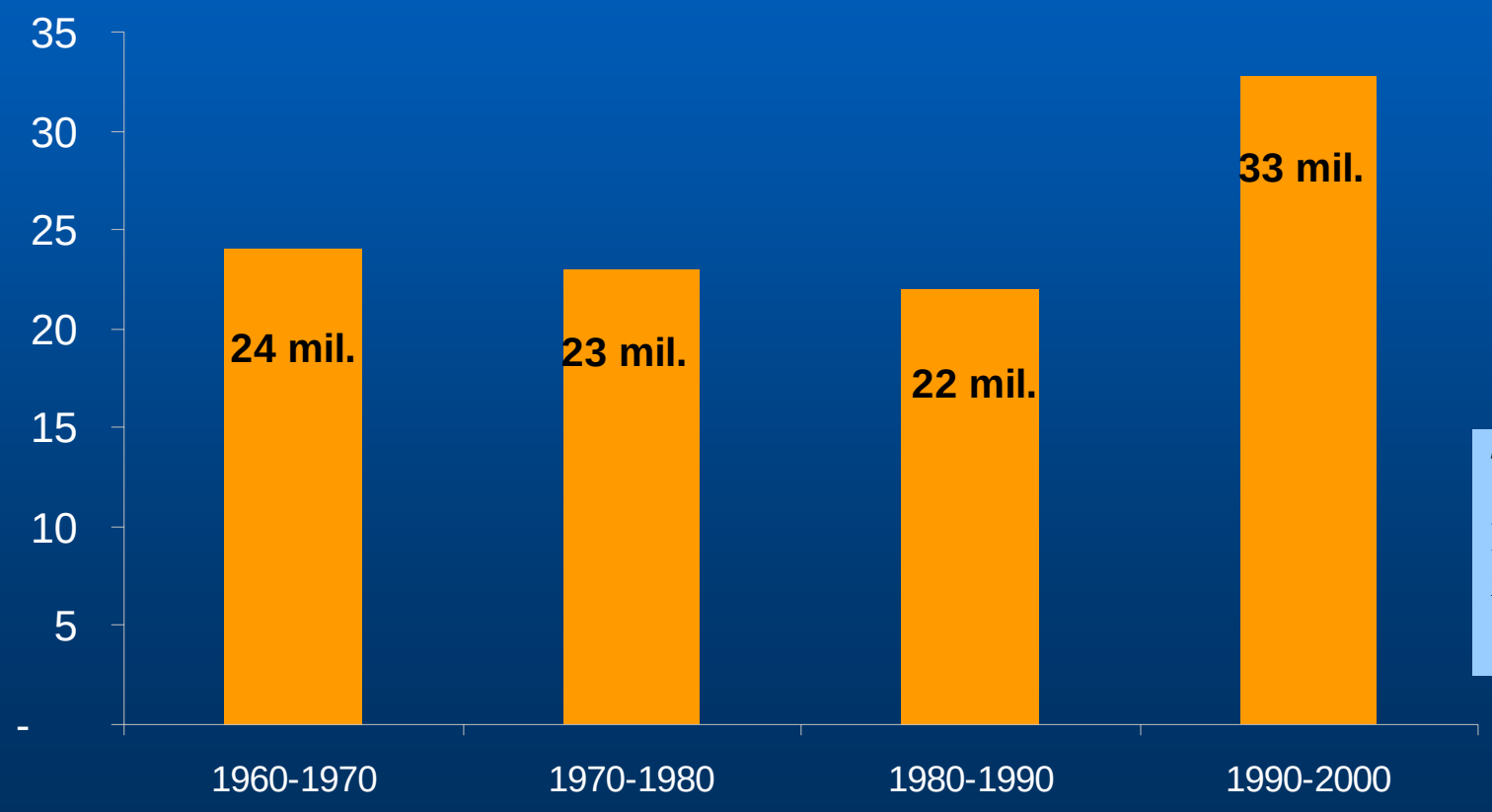
I Profound demographic, economic, social, and cultural forces are reshaping the nation

Demographically, the country is growing, aging, and diversifying

Economically, the nation is being transformed by globalization, deindustrialization, and technological innovation

Culturally, the nation is changing its attitude towards cities and urban living

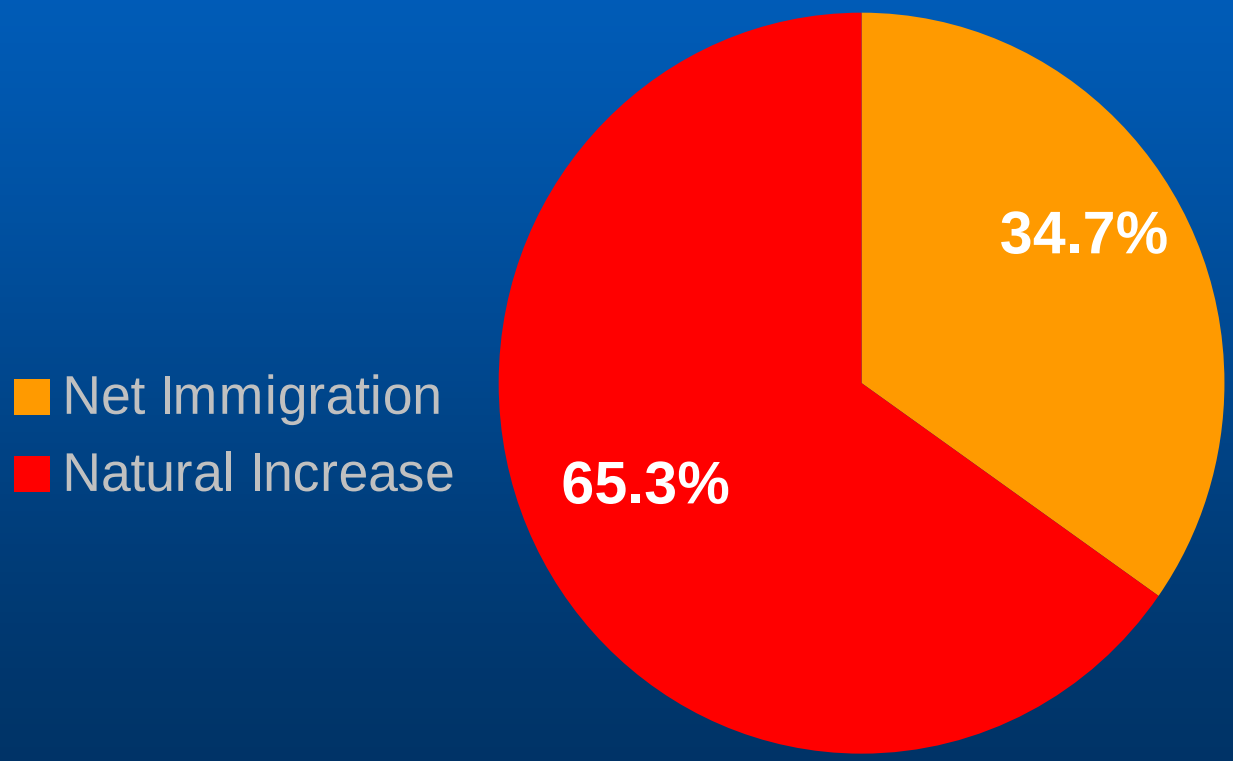
The population of the United States increased dramatically in the 1990s



Total population increase by decade

Source:
U.S. Census Bureau

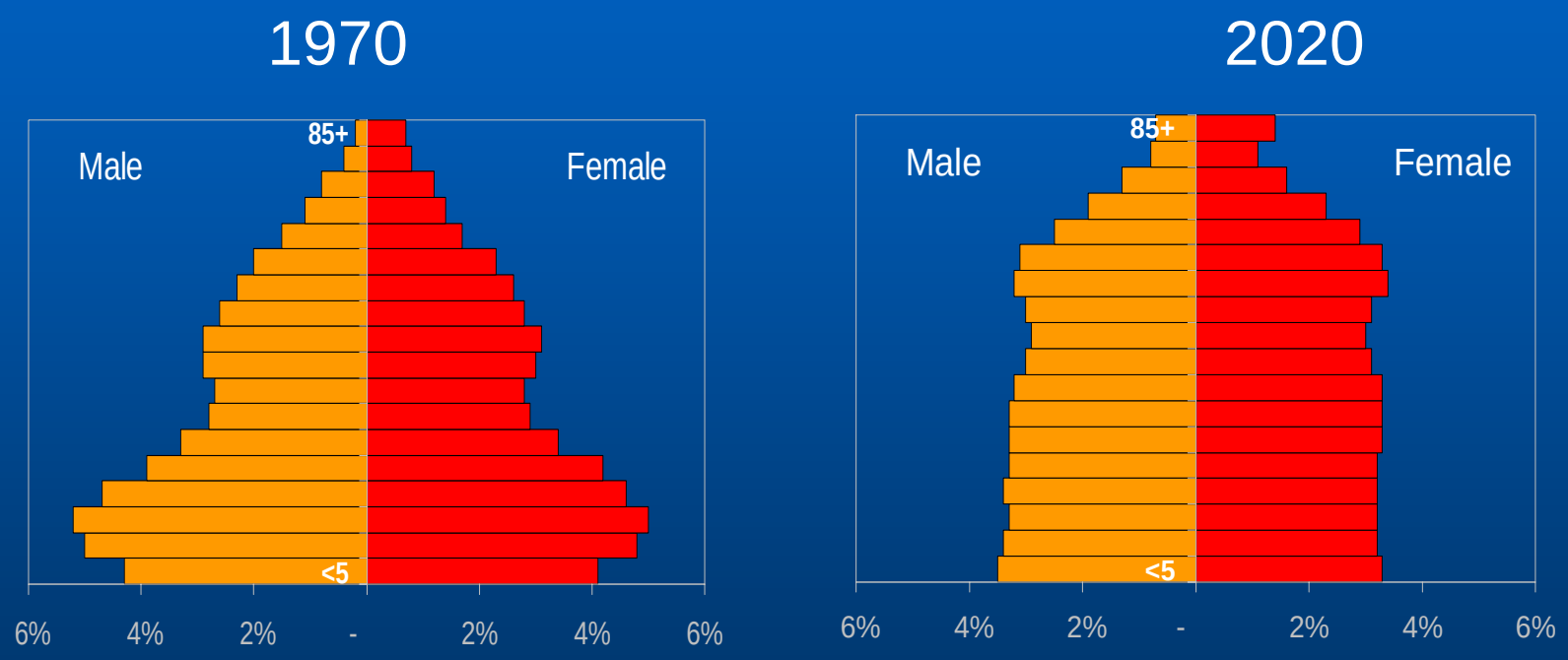
Immigration explains a large portion of this population growth



Components of population change, 1990-2000

Source:
U.S. Census Bureau

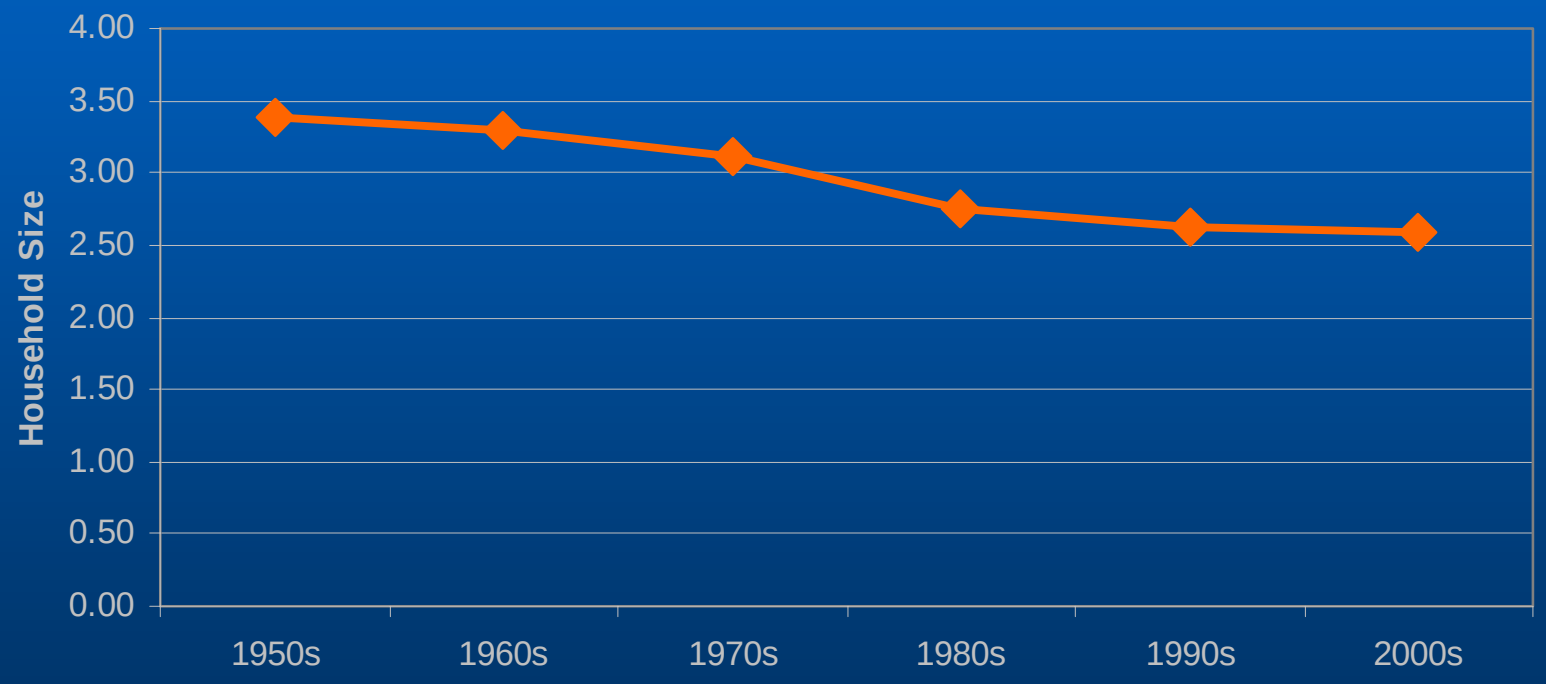
As America grows, it is also aging



Share of population by age group

Source: U.S. Census Bureau

And as men and women are delaying marriage and having fewer children, household size is declining



Persons per household, 1950-2000

Source: U.S. Census Bureau

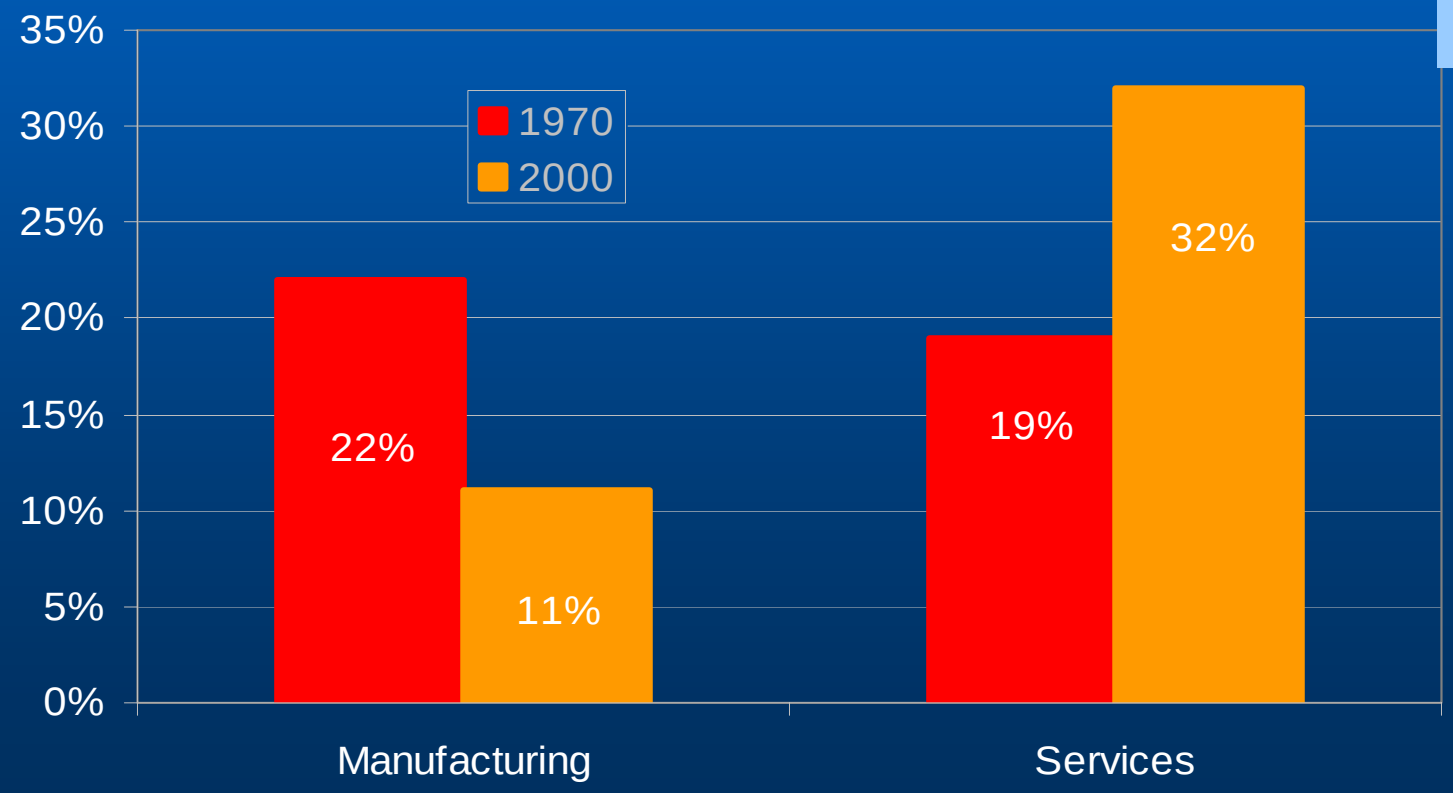
I Profound demographic, economic, social, and cultural forces are reshaping the nation

Demographically, the country is growing, aging, and diversifying

Economically, the nation is being transformed by globalization, deindustrialization, and technological innovation

Culturally, the nation is changing its attitude towards cities and urban living

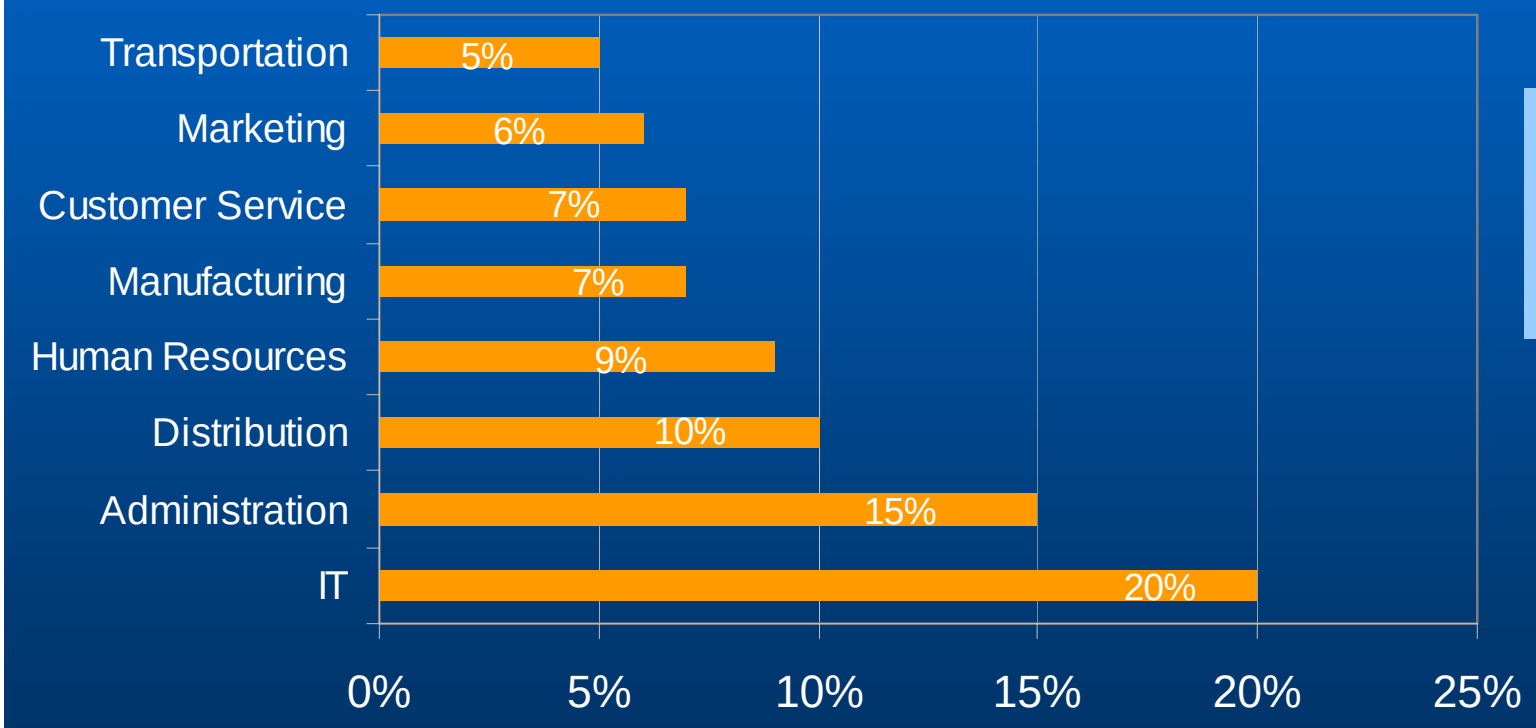
The U.S. economy continues to transition from manufacturing to services



U.S. employment shares, 1970 and 2000

Source: Bureau of Economic Analysis

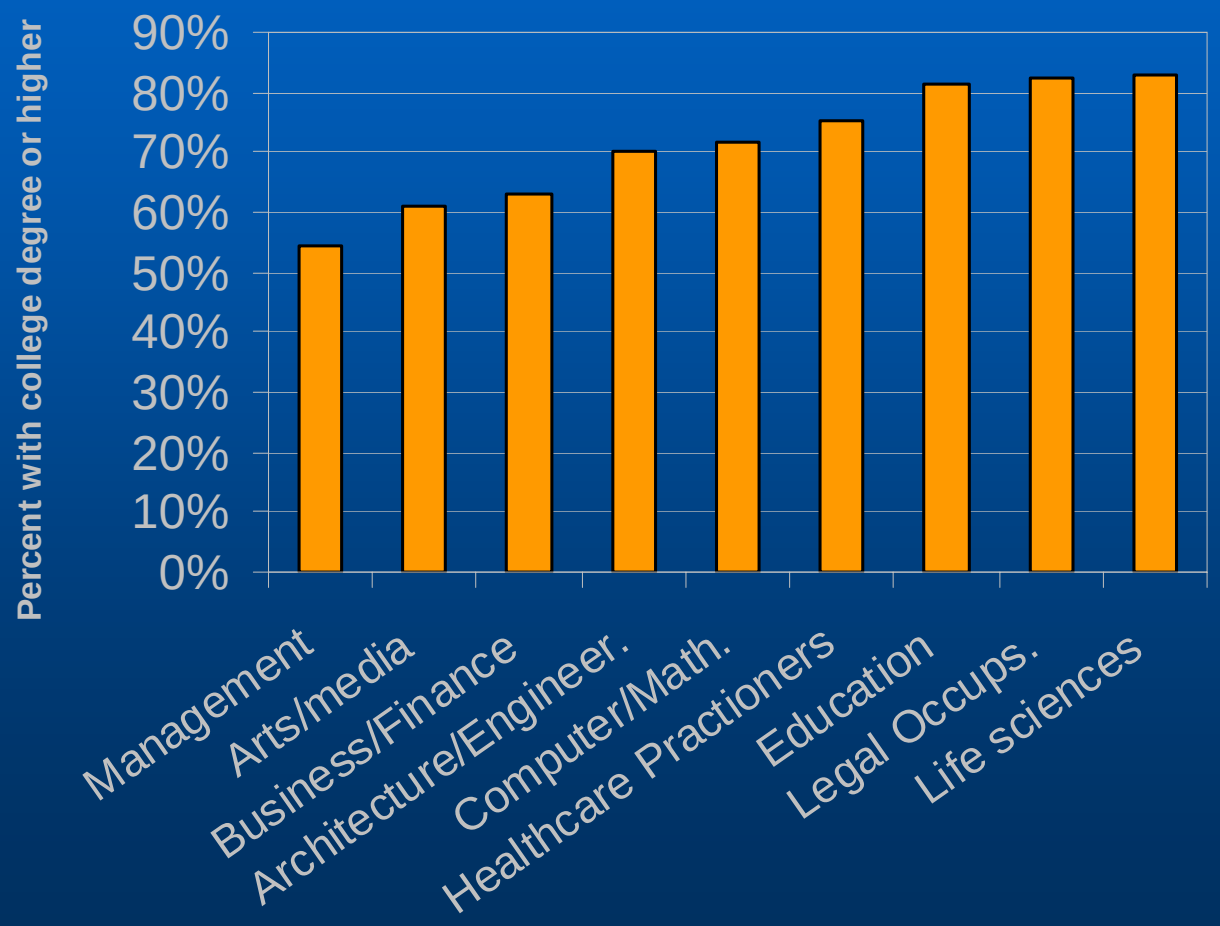
Globalization and technological innovation are forcing firms to focus on core competencies and outsource routine business activities



Percent of companies outsourcing services, 2000

Source: Outsourcing Institute

These changes are placing a high premium on education and skills



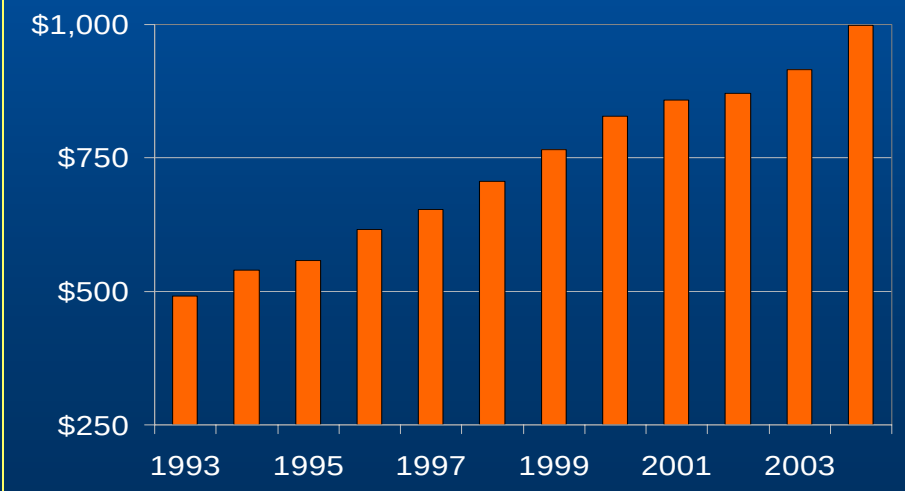
Percentage of workers with a college degree or higher, selected occupations, 2002

Source: National Education and Attainment, National Bureau of Labor

Steady growth in the 1990s and into the future is fueling physical development and redevelopment

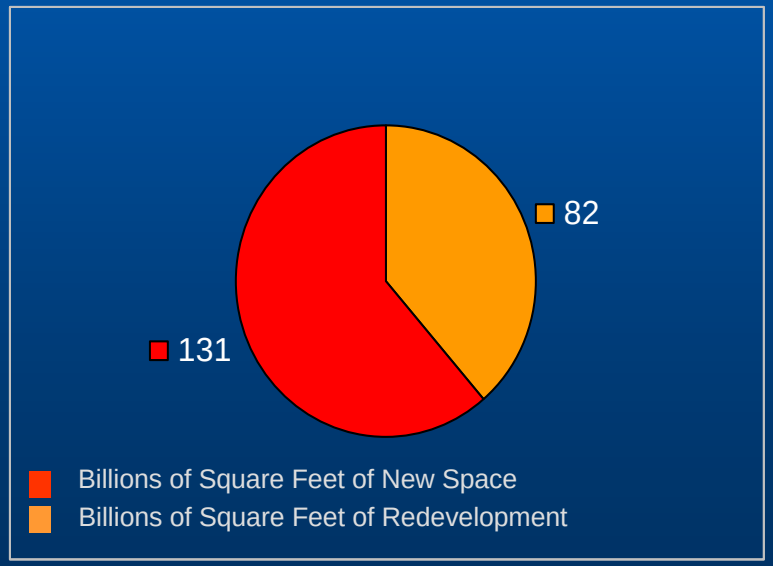
Development in the 1990s

Construction Put in Place
(Billions of Dollars)



New Development by 2030

Projected New Construction
(Billions of New Development)



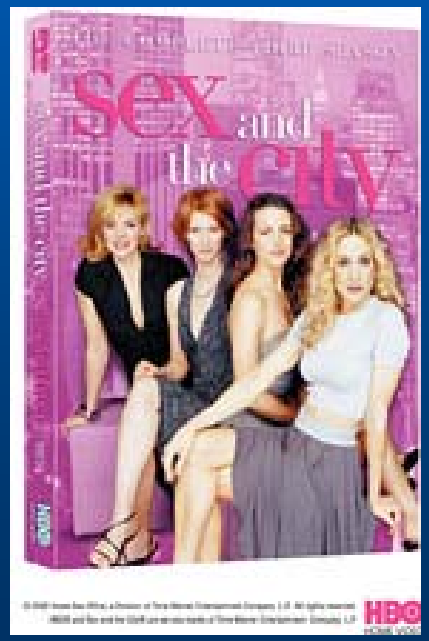
I Profound demographic, economic, social, and cultural forces are reshaping the nation

Demographically, the country is growing, aging, and diversifying

Economically, the nation is being transformed by globalization, deindustrialization, and technological innovation

Culturally, the nation is changing its attitudes towards cities and urban living

Popular culture has played a role in glamorizing city life



A substantial decrease in urban crime has also attracted people back to cities

Percentage changes in crime rates according to per capita police reports, 1991-2001

	Homicide	Violent Crime	Property Crime
Entire United States	-42.9%	-33.6%	-28.8%
Within Metro Areas	-45.0%	-36.7%	-31.7%
City size			
Over 250,000 People	**-49.2%**	**-43.2%**	**-36.1%**
50,000-250,000	-41.4%	-37.5%	-31.9%
Less than 50,000	-34.9%	-22.7%	-23.2%

Source: Levitt, Steven D. "Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not"

Transformative Investments: Unleashing the Potential of American Cities

I Profound demographic, economic, social, and cultural forces are reshaping the nation

II These broad forces give cities the best chance to compete in decades

III Cities are increasingly making Transformative Investments to realize their full potential

IV The challenge facing cities is how to make Transformative Investments the norm rather than the exception

Demographic and cultural changes give cities a chance to compete for new residents and their consumption

- Young professionals
- Childless couples
- Baby-boomers
- New immigrants
- Empty nesters
- Elderly individuals
- Families with children?

This growing and diverse population desires a range of choices in housing…

Multi-family housing

Apartments for rent

Single family housing

Assisted living

A range of choices in neighborhoods…

Urban neighborhoods downtown

Neighborhoods with mixed density

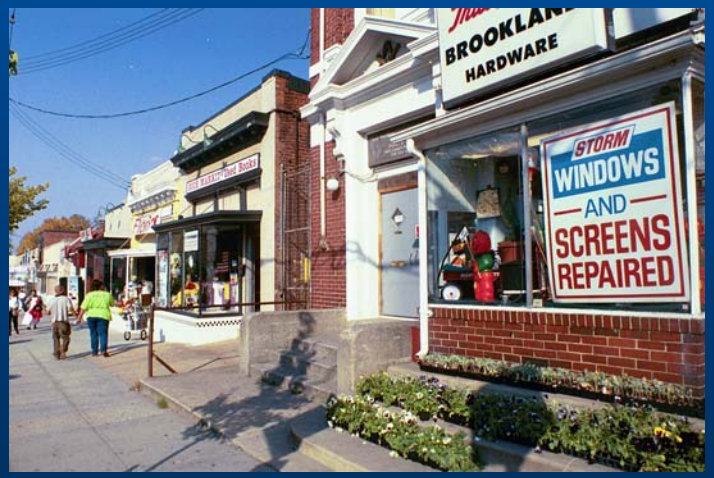
Single family neighborhoods

Historic neighborhoods

A range of choices for shopping…

Downtown

Big box



A number of main streets

…And a range of choices in transportation

Fixed rail

Walking and biking

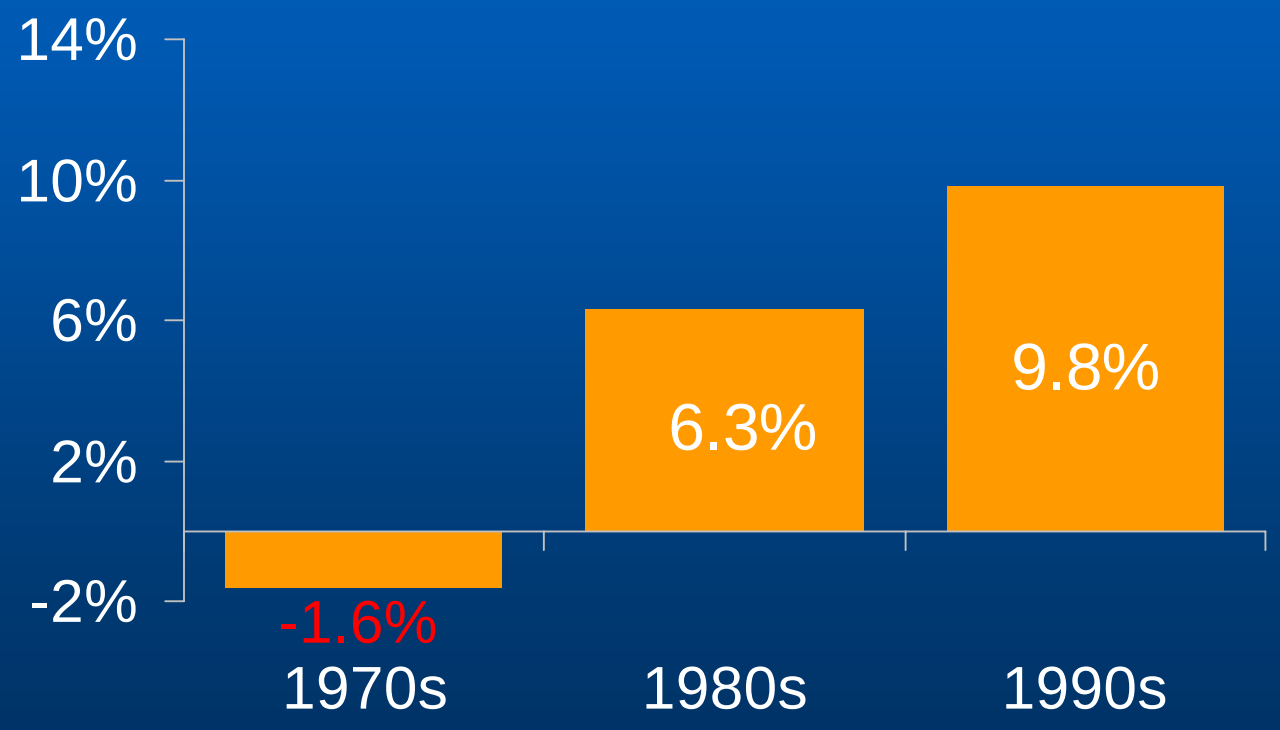
Bus

Automobile

These changes and choices have already led to a population surge in urban areas…

Population growth in 50 largest cities (combined), 1970-2000

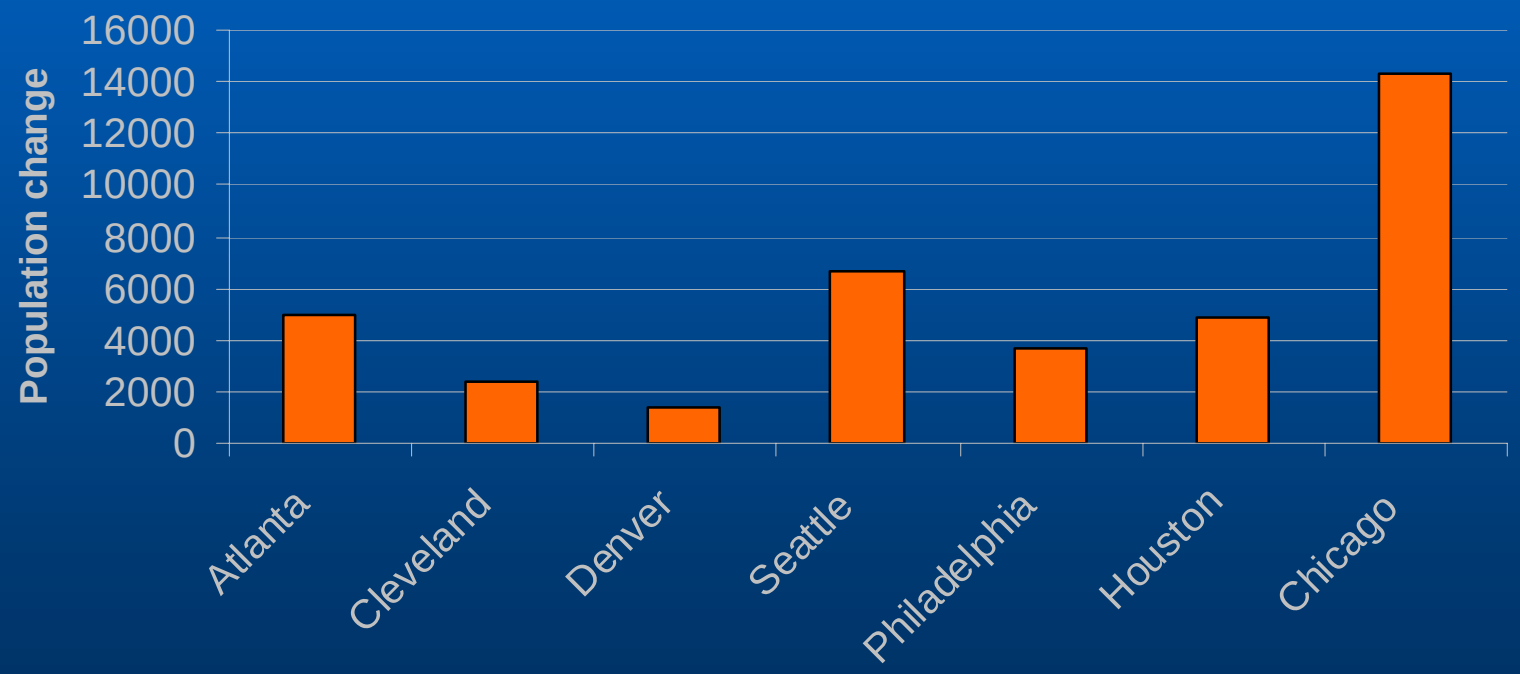
Source: U.S. Census Bureau



… and to the downtown revitalization in cities

Absolute change in downtown population, 1990-2000

Source: U.S. Census Bureau



The urban resurgence is positively affected by the decisions of young adults

From 1990 to 2000, the share of 25 to 34 year-olds choosing to live within 3 miles of a metropolitan area's center increased markedly

In 2000, this age group was 30 percent more likely than other metro residents to locate in central neighborhoods

Source: Joe Cortright, "The Young and Restless in a Knowledge Economy," 2005

There are also other characteristics that give cities a unique economic advantage

- Density
- Amenities
- Educational and medical facilities
- Creativity
- Multicultural diversity
- Built infrastructure

Density gives cities a competitive advantage because the rules of the economy have changed

Boston

- Density contributes to innovation by attracting young educated workers
- Average labor productivity increases with employment density
- Dense labor markets and high clustering of jobs leads to knowledge spillovers
- Dense local economies are linked to increased patenting

England has reached similar conclusions on the value of cities and density

[Globalisation] has accelerated the transition to high-value, knowledge-intensive sectors…for which the benefits of proximity are particularly important.

…While the marginal cost of transmitting information across geographical space has fallen significantly, the marginal cost of transmitting knowledge still rises with distance….

Therefore, the knowledge spillover benefits of clustering in cities can be large for high-value, knowledge intensive sectors.

Source: HM Treasury and the Office of the Deputy Prime Minister, "Devolving Decision Making", 2006

Urban amenities give cities a competitive niche because they attract workers and tourists

Mix of restaurants, services, and retail

Entertainment

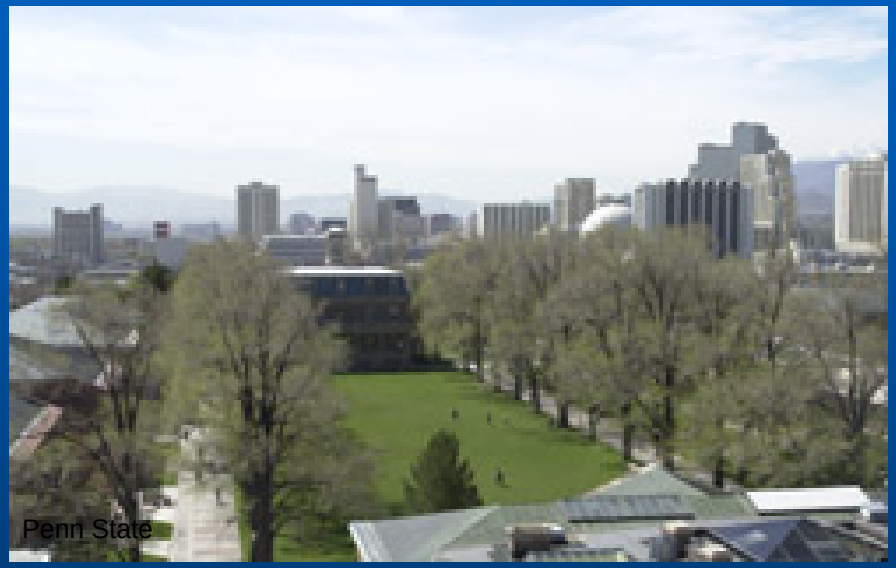
Cultural amenities

Tourism

A concentration of research institutions give cities an advantage in the Knowledge Economy

Employers: Offer employment to local residents

Incubators: Offer services to support startups



Work force developers: Address local/regional resource needs

Real estate developers: Use real estate to anchor growth

Purchasers: Redirect institutional purchasing towards local businesses

Network builders: Channel university expertise to increase local business capacity

Finally, the compact development found in cities produces significant fiscal savings

Where as low-density development increases demand for facilities…

- New schools
- New roads
- New public facilities
- Sewer and water extensions

…And increases the costs of key public services

- Police
- Fire
- Emergency medical

Transformative Investments: Unleashing the Potential of American Cities

I — Profound demographic, economic, social, and cultural forces are reshaping the nation

II — These broad forces give cities the best chance to compete in decades

III — Cities are increasingly making Transformative Investments to realize their full potential

IV — The challenge facing cities is how to make Transformative Investments the norm rather than the exception

Cities are increasingly making Transformative Investments to realize their full potential

Transformative Investments are multi-dimensional efforts that remake the urban physical landscape to stimulate economic growth, improve fiscal vitality, and advance social equity

These Investments are transforming the five building blocks of cities

1	2	3	4	5
Downtown	**Neighborhoods**	**Corridors**	**Green Space**	**Waterfront**

Cities are increasingly making Transformative Investments to realize their full potential

1. Downtown

Instead of downtowns with:

- **Monolithic buildings**
- **Single destinations**
- **Sterile environments**
- **Densities comparable to suburban office districts**

Cities are increasingly making Transformative Investments to realize their full potential

1. Downtown

Some cities are densifying and diversifying:

- **Living downtowns**
- **Higher density**
- **Entertainment**
- **Cultural destinations**
- **Strong design**
- **A new focus on schools**

Albuquerque is making long-term investments in its downtown

Historic Downtown Improvement Company Agenda

The vision and investment:

- "Bury the box" design hides movie theater and large parking structure
- Private/public partnerships in infrastructure improvements
- A portion of property value increases goes to an affordable housing trust
- Mixed-income housing in the heart of downtown

A Vision

The outcomes:

- A vibrant downtown with more housing, office, and retail options
- A pedestrian-friendly, walkable environment
- Increased economic diversity from continually expanding housing opportunities for all income groups

Progress

An new sports complex has fueled new development in Downtown DC

The vision and investment:

- Public and private leaders joined forces to attract a new sports arena
- Selected a city-owned urban renewal site that continually failed to be developed
- Sited near a transit stop and incorporated into downtown commercial corridors
- Built a $200 million, 20,000-seat arena in eastern edge of downtown Washington

The outcomes:

- Increased foot traffic and patrons, created a market for new retail and restaurants along several corridors
- Gallery Place was recently constructed with 230,000 square feet of office, 250,000 square feet of retail and 192 residential condominium units

Cities are increasingly making Transformative Investments to realize their full potential

2. Neighborhoods

Instead of neighborhoods with:

- **Enclaves of poverty**

OR

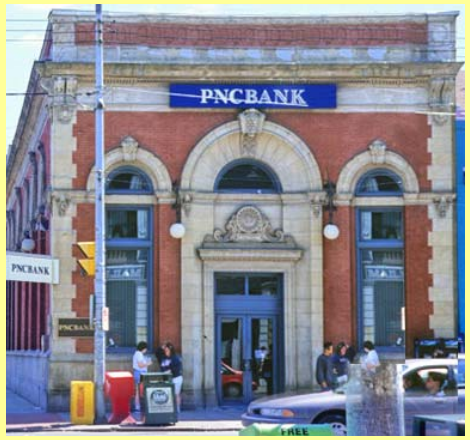
- **Exclusive neighborhoods of high-priced housing**

Cities are increasingly making Transformative Investments to realize their full potential

2. Neighborhoods

Some cities are creating neighborhoods of choice:

- **Mixed income housing**
- **Enclaves are reconnected into the street grid**
- **Strong design across <u>all</u> housing**
- **Access to mainstream services**



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

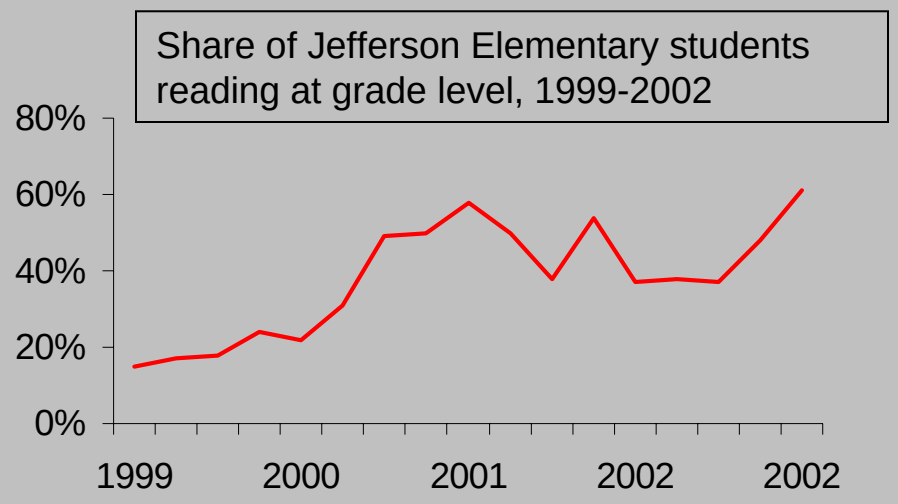
- Townhouses, garden apartments and single-family homes
- 413 units
- “New Urbanist” design and “defensible space” technique

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 outcomes:



- 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, such as residential and commercial development, has since located in the surrounding area

Source:
Richard Baron, James W. Rouse
Lecture on the American City, 2003

Cities are increasingly making Transformative Investments to realize their full potential

2. Neighborhoods

Instead of public services, such as libraries:

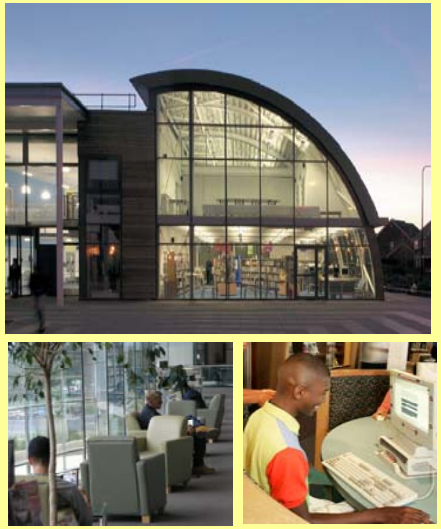
- **In stand alone buildings**
- **With singular activities**
- **Constructed with an institutional design**
- **Sited in areas difficult to access**

Cities are increasingly making Transformative Investments to realize their full potential

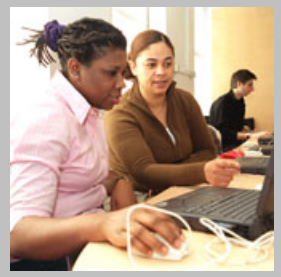
2. Neighborhoods

Some are cities are creating neighborhood centers

- **Multiple public services in one building**
- **Strong iconic design**
- **Educational classes including computer training**
- **New community resources such as performance arts**
- **Mixed uses such as retail or cafes**
- **Free access to the internet**



In London, the Idea Store created a new public center in a transitioning neighborhood



The vision and investment:

- Over 17,000 new CDs, books, and DVDs
- Daily newspapers and magazines
- A dedicated information library
- A cafe
- Free internet access
- State-of-the-art learning spaces and classrooms
- Specialist spaces for teaching dance

The outcomes:

Motivated adjacent merchants to improve facades and signage

Significantly increased patrons, who receive new knowledge, services and training

New housing recently constructed nearby

Area has become a neighborhood focal point

Cities are increasingly making Transformative Investments to realize their full potential

3. Corridors

Instead of corridors with:

- **Suburban style development**
- **Poor design quality of buildings and signage**
- **Auto-dominated areas**

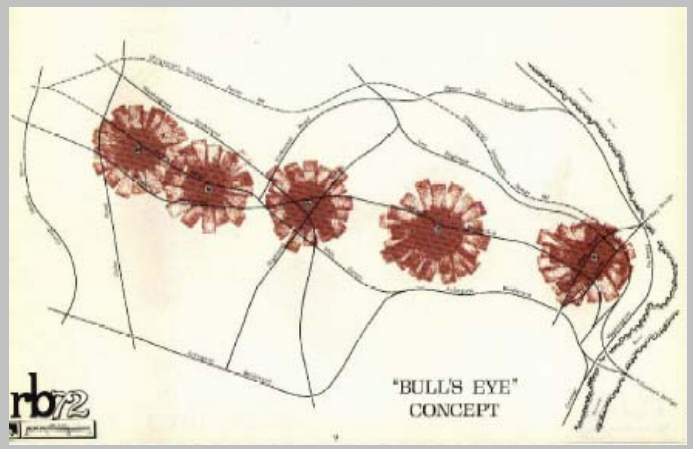
Cities are increasingly making Transformative Investments to realize their full potential

3. Corridors

Some cities are extending transit with:

- **Clustered mixed-use development near stops**
- **Strong emphasis on design**
- **A focus on the pedestrian**
- **Increased connectivity between people and uses**

Transit-oriented development in Arlington, VA



The vision and investment:

- 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 outcomes:

- 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 from the corridor

The Portland streetcar is making new connections

The vision and investment:

- Concept was to spur high-density housing in neighborhoods slowly shedding industrial uses
- A 3-mile route: from a thriving neighborhood through a transforming industrial area to the South Waterfront
- Creative financing: Property taxes by new South Waterfront developments contributed to more than 50 percent (nearly $8.4 million) of a recent extension

The outcomes:

Significant developments along the line:

- New housing, retail and office space now in the South Waterfront District
- A new focus on a largely vacant 130 acre area for 10,000 new jobs and 3,000 housing units

Cities are increasingly making Transformative Investments to realize their full potential

4. Green Spaces

Instead of green spaces with:

- **Standard maintenance**
- **Barren open space**
- **Limited activities**

Cities are increasingly making Transformative Investments to realize their full potential

4. Green Spaces

Some cities are "re-creating" their green:

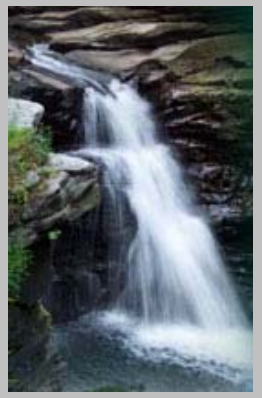
- **Strong emphasis on structured activities**
- **Activities linked to the range of demographics**
- **Removal of dark corners to increase visibility and safety**
- **Sculptures**
- **Wireless hot spots**

Scranton reclaims its 165-acre Nay Aug Park

The vision and investment:

Previously claimed by gang and criminal activities, the park was reclaimed:

- Razed decrepit park facilities or rehabilitated into a wildlife refuge or food stands
- New structured activities such as a children's playground, waterslides and a public theatre
- Improved trails, picnic areas, lookouts to the gorge and roaring brook



The outcomes:

- Now a destination for thousands of visitors a year
- Housing values adjacent to the park increased significantly higher than the city average

Seattle's plan to revitalize active urban parks

Mayor Nickels charged a Task Force to study and recommend how to revitalize parks

Recommendations include:

- An infusion of new park activities and events with city-wide marketing campaign
- Local businesses adopt-a-park
- Refurbished park furniture and amenities
- Additional police presence
- Decorative fencing and improved maintenance across agencies

DOWNTOWN PARKS RENAISSANCE
A strategy to revitalize Seattle's public spaces

Cities are increasingly making Transformative Investments to realize their full potential

5. Waterfront

Instead of waterfronts with:

- **Outdated industrial uses and brownfields**
- **Large infrastructure disconnecting the waterfront from the city**
- **Low-density development**
- **Limited pedestrian activity and connectivity**

Cities are increasingly making Transformative Investments to realize their full potential

5. Waterfront

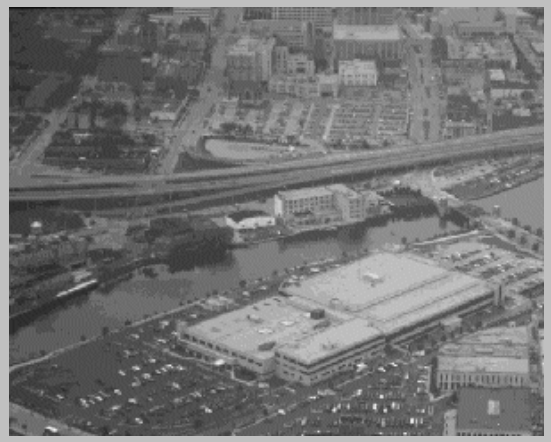
Cities are reclaiming their waterfronts by:

- **Removing infrastructure barriers**
- **Extending a diversified downtown**
- **Creating neighborhoods of choice**
- **Designing pedestrian-oriented corridors**
- **Activating green spaces**

The Milwaukee freeway demolition

Removal of the freeway:

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



Before

Contributed to this effect:

- Renewal project will add commercial and residential development of mixed types, taking advantage of the unique features downtown

After

The Anacostia Waterfront Initiative in Washington DC

Three principles guide Transformative Investments

City-ness

Choice

Connectivity

City-ness:

- Density
- Compactness to encourage walking
- A diversity of uses and activities
- An integration of uses and activities
- The strengthening of identity to create a sense of “place”

Choice:

Choice in:

- Housing
- Shopping
- Transportation
- Neighborhoods
- Employment

Connectivity:

- Across the city/metro via infrastructure (transit, roads, broadband)
- Between isolated building blocks (waterfront/downtown)
- Between physical investments (housing) and social infrastructure (schools)

Transformative Investments: Unleashing the Potential of American Cities

I Profound demographic, economic, social, and cultural forces are reshaping the nation

II These broad forces give cities the best chance to compete in decades

III Cities are increasingly making Transformative Investments to realize their full potential

IV The challenge facing cities is how to make Transformative Investments the norm rather than the exception

The challenge facing cities is how to make Transformative Investments the norm rather than the exception

Refocus efforts at the local level

Engage states to make Transformative Investments possible

Reform federal policies to support Transformative Investments

Refocus efforts at the local level

Apply the three principles to both new and old projects

- City-ness
- Choice
- Connectivity

Involve key stakeholders

- build and advance a vision
- move toward implementation

Educate current local leaders and develop new ones

- Elected officials
- Developers
- Business and neighborhood leaders

Leverage new and old financing tools

- Public/Private partnerships
- Main street
- Housing / HOPE VI
- Transportation

The challenge facing cities is how to make Transformative Investments the norm rather than the exception

Refocus efforts at the local level

Engage states to make Transformative Investments possible

Reform federal policies to support Transformative Investments

Engage states to make Transformative Investments possible

- Make sprawl hard and redevelopment easy
- Use transportation, higher education, and other capital spending to leverage urban assets
- Remove barriers to brownfield development and urban investment
- Encourage or compel intergovernmental collaboration at the metro level
- Preserve the flexibility of eminent domain powers

The challenge facing cities is how to make Transformative Investments the norm rather than the exception

Refocus efforts at the local level

Engage states to make Transformative Investments possible

Reform federal policies to support Transformative Investments

Reform federal policies to support Transformative Investments

- Revamp transportation policies to leverage urban assets
- Use housing resources affirmatively to create neighborhoods of choice
- Expand housing resources for moderate- and middle-income housing in cities
- Level the environmental and regulatory playing field

www.brookings.edu/metro