Restoring Prosperity: The State Role in Revitalizing Ohio's Core Communities

Executive Summary

Over the past nine months, the Brookings Institution and Greater Ohio have undertaken the Restoring Prosperity to Ohio initiative with the goal of revitalizing the state's core communities and reinvigorating their economic competitiveness. The initiative has both evaluated the economic potential of core communities in Ohio and assessed the impact of past state policies on the health and vitality of these places. Our initial findings and policy recommendations are in a preliminary report, which will be a working document for the Restoring Our Prosperity: The State Role in Revitalizing Ohio's Core Communities Summit in Columbus, Ohio on September 10, 2008. A final report will be delivered in January, 2009.

Our principal finding is that Ohio's political, corporate, and civic leaders must take stock of the state's core communities, their assets, their challenges, and their role in the economy and life of their regions, the state, and the nation. Taking stock means recognizing that prosperity in 2008 and onwards will not look the same as prosperity in 1950, and that core communities will have different strengths and status in 21st century Ohio than they had in the mid-20th century. Just as the state has seen its workers and industries adjust to a more integrated, technology-driven, globalized economy, so, too, must its places adjust.

Some of Ohio's core communities will find a role as critical hubs in a larger metropolitan area, the home of cultural amenities, top-notch medical centers, job-generating higher education institutions, historical attractions, and lively, interesting downtown neighborhoods. Other core communities will not thrive if they try to recreate their former industrial strength or population dominance, but could stabilize as smaller places with town centers, region-serving health facilities and walkable, human-scaled neighborhoods.

The state must guide and support its cities as they identify their assets and build on their strengths because those places that recognize and leverage their assets are the ones that will succeed in the global economy. At the same time, the state must focus its existing efforts on economic development, transportation, and myriad other fronts on the core communities and their surrounding metropolitan areas, which are the seedbeds for 21st century prosperity.

In a time of great needs and limited resources, Ohio needs to focus its investments and efforts, and to pull together disparate policies on transportation, housing, work force, innovation, and education (to name just a few) so that they work in concert to achieve their goals. All these policies actually happen in specific places, and leaders need to adopt a uniting framework.

Assessing the Role of Core Communities in a Metro Economy:

Large forces like globalization, economic restructuring, and demographic and environmental change point to a period of profound transformation in the United States that equals in scale and complexity that of the early part of the 20^{th} century. The expansion of global competition over the past decades is unquestionable. With the share of U.S. manufacturing jobs falling from 31 percent to 10 percent over the past half century and the corresponding rise of services employment reaching two-thirds of all jobs, economic restructuring threatens the dislocation of jobs nationwide, and particularly in older industrial regions like those in Ohio.

Ohio faces acute challenges. It has lost a greater percentage of its manufacturing jobs than the nation as a whole. Ohioans' median household income trails national levels, despite having exceeded them from 1950 to 1980. While the U.S. saw 7 percent growth between 2000 and 2007, Ohio's population stagnated with 1 percent growth.

Ohio's best chance to alter its trajectory is to leverage its assets where they are found—in metropolitan regions. It is metropolitan areas – networks of urban, suburban, and rural areas inextricably linked by social and economic ties – that concentrate the assets that drive prosperity: **innovation, human capital, infrastructure, and the quality of place**. Ohio's sixteen metropolitan regions account for about 81 percent of the state population, 84 percent of jobs, and 87 percent of output.

The state's core communities are building blocks of these metropolitan regions. Of 32 "core communities" – defined for the purposes of this report as those cities which had at least 15,000 residents in 1950 and whose county population share was at least 20 percent at the time—23 are situated within metropolitan regions. Fifteen of these metros include at least one, if not more, of the core communities. (The remaining nine core communities are located within micropolitan areas, smaller regions that are defined similarly as metros, but are based around urban clusters of 10,000 to 49,000 people.)

Ohio is a metropolitan state in a metropolitan nation, and its core communities will thrive to the extent that they recognize their role in a larger metropolitan area and build on the assets that drive prosperity. These assets are not necessarily evenly distributed, nor are the challenges that the core communities face. Because these places vary widely on a range of indicators, they will not all follow the same route to prosperity, nor will they have identical roles to play across their different metropolitan areas.

The Assets that Build Prosperity

Innovation. States' ability to invent, develop, and employ new products, processes, policies, and business models is critical to compete at a global scale. Ohio's seven largest metro areas—those within the top 100 nationally—concentrate slightly more than 75 percent of the state's patenting activity compared to 78 percent for the top 100 metros nationwide. Furthermore, 82 percent of the state's knowledge jobs concentrate in those Ohio's metros that are nationally in the top 100, while 76 percent of the nation's knowledge jobs are found within its top 100 metros; Ohio's top metros also aggregate most of the state's 13 doctorate-granting universities, and federal dollars for science and health research at universities all concentrate significantly more in Ohio's largest metros than they do in the nation as a whole.

Human capital. Innovation, in all sectors of the economy, demands a workforce with education and skills that are continuously improved and upgraded. Ohio's metros in the nation's top 100 contain 81 percent of the state's adults aged 25 or higher with at least a bachelor's degree, while the largest U.S. metros concentrate 74 percent of adults with a bachelor's degree or higher.

Infrastructure. Modern transportation, telecommunications, and energy distribution are critical to moving goods, ideas, and workers quickly and efficiently. In Ohio, the largest metros account for nearly 100 percent of the state's air cargo and commercial passengers, two important measures of infrastructure; nationally, both air cargo landed and commercial air passenger boardings in the largest U.S. metros account for 79 percent and 92 percent of activity.

Quality places. A changing economy, diversifying population, and increasingly threatened natural resources are causing a revaluation of vibrant and distinctive downtowns and neighborhoods. Ohio's top seven metros concentrate 62 percent of historic places statewide. And they are over twice as densely populated as the state overall, enabling a level of market activity and public amenities (e.g., health facilities, theaters, restaurants, parks, waterfront districts) that create a sense of place critical for attracting and retaining innovative firms and talented workers.

Many metro assets are found within the borders of Ohio's 32 core communities, and these assets can serve as vital drivers for Ohio, its cities, and its metropolitan areas.

The core communities concentrate the institutions that generate **innovation**. Of the state's 11 research universities, seven are located in core communities. These institutions can function as centers of local innovation processes as sources of new knowledge; as partners of industry; and, importantly, as "public spaces" that link industry decision makers and facilitate the exchange of ideas.

In addition, Ohio's core communities house half of Ohio's hospitals. In places like Cleveland and Cincinnati they are major drivers of the local economy. The Cleveland Clinic, now the city's largest employer, is America's top ranked heart center according to *U.S. News and World Report*, and in the last 10 years it has spun-off 24 companies. Meanwhile the University of Cincinnati Medical Center accounts for more than 50,000 jobs while generating approximately $4 billion worth of annual economic activity in the Cincinnati region.

The core communities also account for many of the institutions that can attract and generate **human capital**, housing roughly two-thirds of the state's 60 Fortune 1000 companies. The institutions that generate innovation also educate the state's workforce. Of the state's 195 higher educational institutions, 57 percent are located in one of the core communities, enrolling 66 percent of students in higher education.

The core communities have also benefited from historic investments in **infrastructure**. For example, the cities of Ashtabula, Athens, Canton, Cincinnati, Cleveland, Marietta, Newark, Portsmouth, Youngstown, and Zanesville all contain bridges listed on the national register of historic places, some crossing rivers like the Ohio, Cuyahoga, and Muskingum. Today six out of the seven ports that serve the state are situated near core communities; two are actually in the core communities of Ashtabula and Toledo. With respect to passenger rail, five of the seven Amtrak stations are in the core communities of Cincinnati, Cleveland, Elyria, Sandusky, and Toledo.

And, on the factors that determine the **quality of place**, the age and legacy of core communities can translate into assets. For instance, the 32 cores house roughly 40 percent of the state's registered historic places. Historic places tend to be found in the state's larger cities (the "big 8" cities account for nearly one-quarter of the state's historic places), but there are several exceptions to that rule: **Mansfield**, **Sandusky**, and **Zanesville** are three smaller cities that all rank in the top 10 out of the 32 core communities on this indicator.

Along with assets, these core communities have substantial challenges. Each of the state's "big 8" cities has an unemployment rate that exceeds the national average. The rates in Cleveland, Dayton, and Youngstown are more than double that of the nation, and this troubled trio also has the lowest labor force participation rates of these eight cities. Columbus, with the highest labor force participation rate of the group also has the lowest unemployment rate.

The concentrated poverty in many of Ohio's core communities places substantial burdens on urban education systems that play a key role in training the next generation of workers in Ohio. In more than two-thirds of Ohio's core communities, the public schools concentrate greater shares of students eligible to participate in the free student lunch program than the national average. In Cleveland, nearly two out of every three public school students meet the eligibility criteria for free lunches. And this is not just a big city problem. In Steubenville, with a student body less than one twenty-fifth the size of Cleveland's, over half of students are eligible for free lunch. In four other core communities—Lorain, Portsmouth, East Liverpool, and Dayton – eligibility rates meet or exceed 50 percent.

Ohio's Policies and Practices Have Historically Failed to Fully Leverage the Assets of Its Regions and Cores

Ohio has implemented some smart initiatives to build on assets in core communities, such as the Clean Ohio Fund and the Third Frontier Project. The Strickland administration has also brought a new welcome level of strategic and focused planning and collaboration among state agencies. The executive and legislative branches are moving away from business as usual. However, the state still has to overcome some of the missteps of the past such as:

- State tax policies that leave cities stranded with tax exempt properties, saddled with the costs of maintaining older infrastructure and responsible for supporting a large portion of school expenses through their property taxes;

- State transportation policies that disfavor transit and other transportation alternatives and spend a disproportionate share of road and bridge spending outside major cities, urban counties, and even metropolitan areas;

- State economic development policies that subsidize activity in newer, often wealthier jurisdictions, even when originally designed to aid distressed communities; and

- State governance policies that chop the state into thousands of cities, municipalities and townships and then delegate land use and zoning powers to every single one of these municipalities.

Ohio needs a competitive communities strategy that 1) sets forth a clear vision and measurable goals for the future of the core communities; 2) leverages the assets that drive prosperity, and 3) encourages bold experimentation on governance reform. Our preliminary policy recommendations include:

Setting a clear vision and measurable goals:

- Establishing goals (e.g., share of metropolitan area population living in downtowns) after an objective, systematic effort to take stock of assets in core communities.

- Focusing on evidence based, outcome driven and performance measured decisions.

- Relying on public private partnerships, innovation networks and market mechanisms.

- Establishing an “entrepreneurial hot spot” within the governor’s office to focus on coordinating programs and investments from different agencies to help individual communities implement specific regionally- or locally-defined goals or projects.

Leveraging Assets:

- Bolstering the market-shaping potential of anchor institutions like universities and medical facilities. We would not renew the urban enterprise zone program, opting instead to create tax favored, economic transformation zones around anchor institutions, thereby catalyzing firm creation and residential resettlement.

- Embracing proven reforms to turnaround failing urban education systems and connect disadvantaged workers to quality jobs in the economic clusters that hold the most promise

- Overhauling antiquated, sprawl-inducing transportation policies and enabling a full range of transportation options to encourage more compact land use patterns, lower household transportation costs, and increased automobile, transit, and foot traffic in local business districts and on main streets.

- Creating a Transportation Investment Bank that would help reshape the physical landscape of core communities, and tearing down obsolete expressways in Cleveland, Columbus, and Akron.

- Enacting a legislative package to mitigate the devastating impact of foreclosures in vulnerable neighborhoods as well as launching an urban markets initiative to capture the hidden economic potential of densely populated places

- Galvanizing downtown rejuvenation by setting a concrete goal for downtown residency (for example, that 2 percent of metropolitan residents live there) and enacting a tax credit specifically designed to spur downtown residential construction and rehabilitation.

Embracing Governance Reform:

- Permitting counties or metros to enact land use plans that use market mechanisms to revitalize downtowns, concentrate development, preserve farmland, and conserve open space.

- Supporting county or metro-wide efforts that aim to share services to increase efficiencies, improve service delivery, and minimize costs, and rewarding cities and suburbs that share the tax revenues that come from new commercial and industrial development, thereby ending wasteful competition, catalyzing new investment and lowering fiscal disparities.

- Studying the feasibility of elected assemblies at the metro or even regional scale.