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

## Preliminary Report

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The document that follows evaluates the preliminary findings and policy recommendations of the Restoring Prosperity to Ohio Initiative, led by the Brookings Institution and Greater Ohio. This non-partisan policy development and organizing effort is part of Brookings' Restoring Prosperity Initiative, a national and multi-partner project launched in May 2007 with the publication of *Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities*.

## Introduction

Ohio's cities, through success and struggle, innovation and stagnation, have captured the national imagination both as keepers of one state's heritage and as emblems of the American experience. Dayton sprang into the nation's consciousness at the turn of the 20th century as the home of two brothers whose innovations led America into the skies. Ninety years later, Bruce Springsteen won a Grammy for an album that featured the popular song "Youngstown," a poignant elegy to the reign of big steel in a Rust Belt city.[1]

A plan for Ohio's future prosperity must recognize and address both the hardships and potential of its cities, which have long been familiar characters in America's social and economic history.

Ohio's cities and the regions that surround them are buffeted by the same challenges that are affecting so many other communities in America's heartland states. Rapidly expanding competition abroad is altering the state economy. Demographic trends at home leave businesses with growing workforce challenges. And global climate change and environmental imperatives—along with rising gas prices—are making the typical development patterns in Ohio's metropolitan areas unsustainable.

In sum, Ohio's cities exemplify the state's struggles in a changing economy. It was Ohio's cities—from those that grew up along key water and land trading and transportation routes to those that developed nationally important industries based on their proximity to coal, ore, and lumber—that brought the state to prominence, in addition to its thriving agricultural industry that led to its reputation as part of the nation's "bread basket." Now that these cities are reeling from economic changes that permeate all industries, their hardships and obstacles as well as past policy responses threaten Ohio's ability to prosper.

In order for the state and its cities to realize their potential in a fiercely competitive global economy they must maximize the potential of the assets that drive prosperity, in particular innovation, human capital, infrastructure, and quality of place. As illustrated by Brookings' November 2007 "Blueprint for American Prosperity," these assets principally concentrate in the nation's metropolitan areas—networks of urban, suburban, and rural places that are inextricably linked by social and economic ties. When extended to the state of Ohio, such analysis reveals that the state's sixteen metropolitan regions account for about 81 percent of the state population, 84 percent of jobs, and 87 percent of output.[2] Ohio is a metropolitan state in a metropolitan nation, and its cities are building blocks of these larger regions. The state of Ohio must embrace this reality and implement an economic development strategy that functions at the regional level. This will afford Ohio and its cities their best chance at success in today's economy.

While Ohio is home to about 250 cities, a small number exemplify the state's legacy—in essence, its "core." Ohio's "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—have historically served as the state's population centers and as the heart of economic and cultural activity across the state. In 1950, nearly half of all Ohioans (47 percent) lived within the boundaries of the 32 cities identified as cores; many of these cities are also county seats.

From Akron to Zanesville, these core communities vary in size, demographic composition, industry, regional character, and economic resilience. Yet they are joined by the common role that they have historically played as critical nodes of broader regional and economic networks. While some of these places have lost prominence over time, many still anchor their surrounding metropolitan (and smaller but similarly defined micropolitan) regions.

The cores retain a host of assets that are legacies of their past—and any evaluation of how Ohio and its cities can move into the future must begin with a critical assessment that clarifies core communities' roles as nodes within their larger regions. This process involves asking hard questions about the strengths and weaknesses of Ohio's cities and requires frank answers for the process to be of benefit. But assessment can yield a wealth of knowledge and data that should allow state, regional, and city leaders to make focused investments where the assets that drive prosperity exist and in doing so maximize returns for Ohioans.

Determining the location of assets clarifies the focal points that ground metropolitan networks. In turn, the state can learn to recognize the backbone of its economy and understand what it will take for each city to tap into—and contribute to—Ohio's great strengths.

The report that follows provides a framework for thinking about how Ohio's cities can relate to one another and leverage their assets, as well as realize the potential gains of regional cooperation. This framework, as well as preliminary findings regarding the location of assets across Ohio's core communities, is grounded in data analysis that was intended to serve as the first step in the process of "taking stock." As the culmination of the initial stage of the Restoring Prosperity to Ohio initiative, led by the Brookings Institution and Greater Ohio, this report also offers an assessment of the policy environment that the current state administration has inherited, as well as a preliminary set of recommendations for statewide action.

Our analysis indicates that state policies have failed to keep pace with the changing dynamics of today's social, environmental, and economic reality. State policies set "rules of the development game" too often favoring the creation of new communities over the redevelopment of older ones or subsidizing greenfield development instead of brownfield remediation. Such policies undermine the health and vitality of cities, as well as their surrounding metropolitan areas. State policies also lack a broader, accountable vision and often work at cross purposes with each other. In fact, state policy provides incentives for needless and unproductive competition between cities and their surrounding jurisdictions, though today's economy rewards places that collaborate to compete.

The result is that Ohio's cities are weaker than they should be, and misplaced state investments fail to empower cities to leverage their assets. This disconnect impedes the development of the state at a time when Ohio most needs to realize its full potential in a global economy.

Ohio needs a "competitive communities" strategy that strives to leverage the potential of cities that are "still in the game," and helps other once vibrant communities manage their decline in a deliberate and smart fashion. Different places should build on their distinct assets and realities and use state policies to catalyze markets, expand consumer choices, generate wealth, and, in some cases, down-size rationally.

The "competitive communities" strategy will enable bold experimentation on governance reform—within cities and between cities and their surrounding metropolitan areas—and hold cities and state government to a higher level of accountability and performance. We would argue that revitalization of many of these core places is the springboard to a more prosperous and competitive state as a whole. And this strategy would encourage both core communities and their surrounding metros and micros to focus on the key assets that drive prosperity in today's economy: innovation, human capital, infrastructure, and quality places.

The state's taxpayers deserve the most bang for their buck, and this strategy can deliver.

This report contains a series of preliminary policy recommendations that build off of economic reality and are intended to help Ohio respond to global forces and develop a new mental map of its economy that focuses on the places where its assets concentrate. In response to significant interest within core communities, a new administration, and key constituencies from across the state of Ohio, Brookings and Greater Ohio developed these "diagnostic" recommendations in partnership with state officials and corporate, civic, and academic leaders. After an initial framing of the "competitive communities" strategy, the recommendations are grouped according to the key assets that drive prosperity, with the addition of overarching recommendations concerning the need for better and more holistic regional governance.

Finally, this paper will argue that to chart a course for prosperity, Ohio will require an accountable, strategic, and dependable partner at the federal level.

What follows is explicitly intended to serve as a working document for the purposes of the Restoring Prosperity to Ohio summit. It is meant to catalyze discussion and elicit feedback from the unique assembly of state, local, and regional leadership represented at this convening. Our priorities for the next stage of the project include a more rigorous assessment of urban education priorities for Ohio and an evaluation of next steps for state cluster development policy in light of the Ohio Department of Development's (ODOD) recent findings and recommendations. The feedback collected in response to the proceedings of September 10 will inform this agenda as we move forward.

## II – Ohio, its regions, and its cities in the new economy

At the start of the twentieth century, the automobile boom fueling Detroit drove nearby Akron, a stronghold of tire manufacturing, to become the "rubber capital of the world." Fifty miles to the east, Youngstown, long a center of metal manufacturing, would embrace big steel, emerging as the country's third largest producer by the 1950s. Cleveland, which by 1920 had grown to be the fifth largest city in the U.S., served as a regional anchor for industry and transportation while maintaining a coveted position on a direct train route to the East Coast.[3]

Through 1970, Cleveland remained one of the country's 10 largest urban places—it was fifth in 1920, seventh by 1950, and tenth in 1970. Burdened by mounting economic hardship during the 1970s, Cleveland defaulted on its bonds in 1978, becoming the first city to do so since the Great Depression.[4] By 1990 it ranked 23rd among American cities, and fell another ten places by 2000. Youngstown's population also fell precipitously from its peak in the 1930s. Wracked by the swift loss of its steel mills during the 1970s and 1980s, the city's population had more than halved by 2000.[5]

Akron charted a different path over the last three decades. Like Youngstown and Cleveland, its neighbors in northeastern Ohio, Akron also suffered in the 1970s, taking a significant blow when Michelin introduced the radial tire to the market, which cut into the profits of local tire manufacturers and led to large scale job losses.[6] A series of mergers and acquisitions beginning in the late 1980s resulted in the departure of General Tire, Firestone, and B.F. Goodrich from Akron by the mid-1990s, but Goodyear remains headquartered in Akron and still conducts research and development in the city. In the face of disruptive change, Akron leveraged its rich history as the rubber capital of the world and translated its expertise into a strong cluster of industries based on polymers manufacturing and research. Today, Ohio has more jobs in the plastics and rubber industry than any other state.[7] Polymer Ohio Inc. reports that of the more than 2,600 polymer-related firms in Ohio, Summit County leads the way with 366.[8]

The experiences of these three geographically proximate cities are emblematic of the struggles that Ohio's communities, and indeed many of those across the Midwest and Northeast, have faced since the mid-20th century. Akron's ability to modernize its industry has allowed it to remain viable in today's economy, something Youngstown has been unable to accomplish. Cleveland, despite losing roughly half of its population, is still a major city with over 400,000 people and a host of important assets. These places, with varying strategies and degrees of success, are all joined in the struggle to adapt to a new world economy. Indeed, this is a struggle that faces the entire nation, and Ohio is falling behind.

### *The rules of the game have changed*

The current upheavals in the housing market and rising gas prices have focused national debate and political conversation on the immediate economic challenges facing the

United States. Additionally, these crises have also exposed a broad set of long-term, structural changes.

Large forces like globalization, economic restructuring, and demographic and environmental change point to a period of profound transformation within the United States that is equal in scale and complexity to that of the early part of the 20th century.

The expansion of global competition over the past decades is unquestionable. With the volume of world trade more than doubling in just the past seven years, countries like China and India—which accounted for over 40 percent of global economic growth from 2000 to 2005—are assuming formidable positions in the world marketplace.[9]

Global trade, which contributes approximately a trillion dollars each year to the American economy and accounts for over 12 million American jobs, has become a definitive force at home, perpetuating a wholesale restructuring of the domestic economy.[10] 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.[11]

### *Ohio's challenges are even more pronounced than those of the nation*

Whereas nationwide employment increased by 4.4 percent between 2000 and 2007, Ohio lost a full 3.6 percent of total nonfarm employment. The loss of manufacturing jobs over these seven years was particularly severe, declining by over 24 percent, compared to less than 20 percent for the country as a whole.[12]

Since 1990, the median Ohio household has seen its income trail national levels, despite having exceeded them for the 30 years between 1950 and 1980. By 2006, the median Ohio household made $44,532, compared to the national median of $48,451.[13]

Increasing global consumption has driven the price of oil to record levels across the United States. When combined with untenable growth patterns that necessitate car-dependent lifestyles, the resulting spike in transportation costs is cutting into Americans' pocketbooks. For a middle-income Ohio household living in the Cleveland region, for example, transportation costs accounted for about 22.7 percent of income in 2000, but now account for approximately 26.9 percent. Analysis of the Cincinnati and Columbus regions reveals patterns that are nearly identical.[14]

Meanwhile, demographic shifts present another set of economic challenges to the United States. An aging workforce, coupled with projected population growth among blacks and Hispanics—whose education levels historically lag—casts doubt on whether the country can sustain its historic economic dominance, raise standards of living across society, and provide for a rapidly growing retired and elderly population.[15]

Educational attainment rates among Ohio's black population roughly parallel those across the U.S. (the state's Hispanic population is small).[16] In addition, Ohio's senior population is projected to grow by 56 percent, reflecting the disproportionate growth of this cohort across the country.[17] Perhaps the most troubling demographic trend in Ohio is its overall population trajectory. While the U.S. saw 7 percent growth between 2000 and 2007, Ohio's population stagnated with 1 percent growth.[18] Based on recent conditions, the U.S. Census Bureau has projected that Ohio will rank 47th on population growth between 2000 and 2030.[19]

***Ohio's best chance to alter its trajectory is to leverage assets where they occur—in metropolitan regions.***

Ohio's cities are struggling in the midst of a difficult state, national, and global context. To succeed, policymakers must recognize where cities fit given an economic geography that is fundamentally structured at a metropolitan scale. As cities and their surrounding jurisdictions grapple with a new reality, they must realize that a well-networked region is worth more than the sum of its parts.

Metropolitan areas, where a combination of density and diversity enhances productive growth and rapid skills and knowledge accumulation, are the functional units that concentrate the key assets which generate economic growth. The result is that America's—and Ohio's—largest metros contribute disproportionately to the overall economy, and on each of the four central assets that drive prosperity:

**Innovation.** A state's ability to invent, develop, and employ new products, processes, policies, and business models is critical to establishing competitiveness at a global scale.

Ohio's 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 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.[20]

**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.[21]

**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 and commercial air passenger boardings in the top 100 metros account for 79 percent and 92 percent of activity.[22]

**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.[23] 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, and waterfront districts) that create a sense of place that is critical to attract and retain innovative firms and talented workers.[24]

The disproportionate concentration of assets in metropolitan areas leads to, and is perpetuated by, the phenomenon that the early 20th century economist Alfred Marshall called "agglomeration," the geographic clustering of economic activity and a subsequent boost in productivity. Globally competitive firms crave proximity to pools of workers and a range of services and supporting facilities like specialized legal and financial support, institutions of higher learning, modern infrastructure, and other innovative firms. In Ohio, examples of agglomeration economies include Honda and its suppliers in nearby Marysville, as well as the museum cluster located in Cleveland's University Circle.[25]

The result is that, nationwide, the top 100 metropolitan areas comprise only 12 percent of our land mass but house 65 percent of the national population and generate 75 percent of gross domestic product.[26] Within Ohio, the seven metros that fall within the top 100—Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown—collectively account for 33 percent of Ohio's land area, 71 percent of its population, and 80 percent of state's output.[27] In sum, Ohio is a metropolitan state in a metropolitan nation.

***Cities are building blocks of metropolitan areas that are woven together by social and economic linkages***

The Office of Management and Budget defines metropolitan areas and their smaller micropolitan counterparts in a way that reflects a regional labor market built around one or more dense settlements. For metropolitan areas, this means one or more cities of at least 50,000; for micropolitan areas, the cut-off is 15,000. The counties that contain these cities are defined as the "central counties" of the metropolitan or micropolitan region. Outlying counties are tied to the central county or counties by commuting patterns; either a quarter or more of employed residents in each outlying county must work in the central county/counties or, at least a quarter of the outlying county's employment must be made up of workers commuting from the central county/counties. Together, the central county or counties and their connected outlying counties coalesce into one regional network.[28]

The principal cities of Ohio's 16 metros serve as significant job creators for their surrounding regions. While just 40 percent of the principal-city workforce actually resides in a principal city (the dense settlement around which a region is built), another 41 percent originates from the suburbs, 18 percent comes from the exurbs, and another 1 percent commutes from nonmetro areas.

While up until the 1950s Ohio's rural communities were economically disengaged from neighboring urban and suburban regions, distinctions between rural, urban, and suburban Ohio are increasingly nebulous in today's economy. A full 70 percent of rural exurbanites (as defined by the Census Bureau) in Ohio now work in either principal cities or suburbs.[29] The economic interdependence of rural areas and their neighbors is apparent in the striking fact that 85 percent of Ohioans who reside in what the Census Bureau calls a "rural" area fall within the boundaries of a metropolitan or a micropolitan statistical area.[30]

***State and local policymakers must recognize this spatial geography, in order to maximize the state's investments and to align governance and policy solutions to reflect the shape of the new economy.***

Across the country, governmental fragmentation creates artificial lines of demarcation that stymie the performance of governments within regions and metropolitan areas. The capacity of metropolitan areas to arrange effective and efficient internal structures is crucial to their ability to aggregate and align the crucial drivers of their own, and America's, prosperity.

However, state and local movement toward cohesive governance is sporadic, and complicated by the fact that many metropolitan areas—roughly a third of the nation's top 100, including Cincinnati and Youngstown—extend across states lines, posing the challenge of interstate governance.

Moving forward, addressing the challenge of effective regional and metropolitan governance in places like Ohio will likely determine their ability to fully leverage their assets and advance prosperity.

## III – Taking Stock of Ohio's Core Communities

By 1950 nearly half of all Ohioans (47 percent) lived within the boundaries of the 32 core communities. Not surprisingly, this concentration resulted in a host of assets locating in these places, many of which remain in place today. If leveraged appropriately, these assets can serve as vital drivers for Ohio, its cities, and its metropolitan areas.

The restructuring of the American economy has the potential to give cities and their assets a renewed economic function and purpose. An economy based on knowledge bestows new importance on universities and medical research centers, many of which are located in the heart of central cities and urban communities. More generally, the shift to an economy based on ideas and innovation bolsters the value and function of density, such that cities are often at the heart of the economic clusters that power regional economies.

At the same time, demographic diversity expands the universe of people who are willing to consider urban living. City life may appeal to immigrant families who seek tolerant and welcoming communities, to elderly individuals who seek places with easy access to shopping, services, and medical facilities, and to young people desiring nightlife and short commutes. Features like mixed-use downtowns, historic buildings, institutions of higher learning, arts and entertainment venues, waterways, and parks—found in areas like the Short North in Columbus—contribute to the unique appeal of cities.

Finally, cities—particularly those built in the nineteenth and early twentieth century—are compact and laid out on grids, enhancing the possibility of dynamic, human exchange and the efficient delivery of public services. In an era of global warming and $4 per gallon gas, the corresponding environmental and financial benefits of the compact, urban lifestyle are especially significant. With the transportation sector accounting for a full third of the nation's carbon footprint and comprising almost half of U.S. growth in carbon emissions between 1991 and 1996, urban areas afford residents with opportunities to walk, bike, and rely on mass transit instead of driving. The compact arrangement of the urban built environment also increases energy efficiency and financial savings because smaller homes and multi-unit dwellings require less energy for heating and cooling.[31]

The time is ripe for a reassessment of Ohio's core urban communities.

Such a process of reflection means asking a set of fundamental questions about the health and vitality of a city's economy and society—and about where individual places fit into broader regional economies. While assets, jobs, and people concentrate in metros, they are distributed unevenly, and individual places will fare differently if assessed on such measures. When charting a course for the future, a place's relative size and its performance on the assets that drive prosperity will determine its development strategy within the regional framework.

The goal of such a diagnostic process is to understand the differences between places and determine appropriate development strategies that match different communities.

Preliminary data confirm the uneven distribution of assets across the core communities. When charting a course for Ohio's future, the relative size of places and their respective performance on the assets that drive prosperity will determine their prospects for development within the metropolitan framework; state and local leaders must recognize that there are places whose future roles will not mirror their past.

***From Akron to Zanesville, identifying the core***

Ohio's 32 core cities cover 2.3 percent of the state's land area, contain 27 percent of the state's population, and 34 percent of the state's jobs.[32] The concentration of jobs in industries tied to vital regional clusters can uniquely position many of Ohio's cores as anchors of their metropolitan and micropolitan areas and the state as a whole. But a changing reality also demands a frank assessment of these places' roles in today's economic order, as well as honest policy solutions—be that Youngstown's progressive approach to managing population decline or Akron's move from its past as the world's rubber capital to a future in advanced manufacturing.

These historic cores vary widely on a range of social and economic indicators and on the range and extent of assets that concentrate within them. Yet despite their many differences, they are joined by the common role that they have played as critical nodes of broader regional and economic networks.

A diverse array of cities, the 32 core communities range in size from 11,000 in Ironton to nearly 750,000 in Columbus. One out of every five Ohioans live in the "Big 8" cities of Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown while less than one in ten live in the other 24 core communities.[33] Employment also varies considerably, from Columbus's 460,000 jobs to Ironton's 4,000 jobs. As nodes within their different regions, these communities play distinct roles, from Findlay, Springfield, and Mansfield—which contain 74, 63, and 54 percent of jobs in their regions—to Dayton, Ashtabula, and Youngstown, which all contain 25 percent or less of their region's jobs (25, 23, and 19 percent). Again, jobs concentrate in the "Big 8" cities, where more than one-quarter of the state's jobs are found.[34]

The health of the labor market varies across these "Big 8" cities, reflecting the different degrees to which their residents face social and economic challenges. Each 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.[35]

On measures of income, Ohio's "Big 8" cities also lag the nation. In 2006, the median household income in Columbus was 83 percent of the nationwide median, while in Dayton, Canton, and Cleveland the figure was less than 60 percent, and in Youngstown it was less than half. Per capita income tells a similar tale, though on this measure Cincinnati outranks Columbus among the eight cities; in all of them, per capita income was less than the national average. Poverty rates are especially troubling for Ohio's big cities. In Canton, Cleveland, Cincinnati, Dayton, and Youngstown the poverty rate exceeds 25 percent. And while Columbus, Akron, and Toledo have the lowest poverty rates of the eight cities, they still fare much worse than the nation on this indicator of economic wellbeing. [36]

The breakdown of poverty along racial lines is particularly striking. In Youngstown, for example, 43 percent of the black population lives in poverty, compared to 16 percent for the white population. The black-white poverty gap in Cincinnati is nearly as large at 24 percentage points (40 percent for blacks versus 16 percent for whites). In addition, the disparity exceeds 15 percentage points in Columbus, Toledo, and Cleveland. [37]

The rampant 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.[38]

What's clear is that many of Ohio's residents are struggling. The question that must be answered is how to restore the prosperity of the places in which they live given the hands time has dealt them. Some of these places have a tremendous opportunity to grow and to build off of strong historic asset bases. Others, as Edward Glaeser has articulated in a discussion of Buffalo, NY, must embrace the possibility of becoming "a much smaller but more vibrant community—shrinking to greatness, in effect."[39] None of these communities are starting from scratch and policymakers must recognize what assets they do possess, particularly in the four areas that most drive prosperity: innovation, human capital, infrastructure, and quality places.

***Building on Assets in the Core Communities***

When taken as a group these 32 core communities—which still account for 27 percent of the state's population (or over 3.1 million people)—are home to an important array of assets that speak to their central historical role in the state's economy.[40] The patterns in which these assets are distributed amongst Ohio's 32 core communities are varied, much like their performance on social indicators.

One of the most notable attributes of the core communities is that as a group, they concentrate the institutions that generate **innovation**. Of the state's 11 research universities, seven are located in core communities.[41] These institutions can function as centers of local innovation and sources of new knowledge; as partners of industry; and, importantly, as "public spaces" that link industry decision makers and facilitate the exchange of ideas.[42]

In addition, Ohio's core communities house nearly half of the state's hospitals.[43] In places like Cleveland and Cincinnati they are major drivers of the local economy. The Cleveland Clinic is now the city's largest employer, and *U.S. News and World Report* named it America's top ranked heart center. In the last decade, the clinic has spun-off 24 companies.[44] 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.[45]

The "Big 8" cities average almost nine hospitals each while 16 core communities have only one or none; however, the smaller cores of Lima and Warren have five and three hospitals, respectively.

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.[46] 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 these core communities, enrolling 66 percent of students in higher education. Furthermore, with 51 percent of the state's baccalaureate level and higher colleges and universities, the core communities enroll 64 percent of the nearly 400,000 students statewide that attend these institutions.[47]

Higher educational institutions concentrate heavily in the largest cities—with Cincinnati, Cleveland, Columbus, and Dayton accounting for half of those found within the core communities—while the ten cities with only one institution each account for less than 10 percent. However, the smaller cities of Findlay, Lima, and Mansfield are each home to three higher educational institutions.[48] As for educational attainment, college attainment rates approach or exceed 30 percent in cities like Cincinnati and Columbus while they barely surpass 10 percent in Canton, Cleveland, and Youngstown.[49]

The core communities have also benefited from historic investments in **infrastructure**, given that Ohio (and its core places) rose to prominence in large part because of access to major transportation networks. Prior generations invested substantially in the construction of roads and bridges as well as rail and water networks. 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.[50] With respect to passenger rail, five of the Ohio's 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 both assets and liabilities. For instance, the 32 cores house roughly 40 percent of the state's registered historic places. At the same time, many of these cities face serious problems due to vacancy and abandoned buildings that once housed residents, workers, and industry. An account of residential properties in Ohio cities estimates that there are about 12,381 abandoned buildings and lots within the city of Cleveland alone. Once assets, these empty buildings now contribute to neighborhood blight, costing the city millions of dollars each year due to expenses like demolition and boarding, grass maintenance, and trash collection while driving down the value of neighboring homes.[51]

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.[52]

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

Though there is great potential for Ohio's core communities and their metros to thrive, the state inherits the legacies of an outdated style of policymaking and a system of governance that is not organized for success.

To be sure, Ohio has implemented some smart initiatives with solid results. Over the last eight years, the $400 million Clean Ohio Fund, which is on the ballot as a bond measure once again this fall, has preserved 20,000 acres of farmland, 26,000 acres of natural areas, and 216 miles of recreational trails, while converting 173 urban brownfields to productive use by leveraging $2.6 billion in private investments.[53] The 10-year, $1.6 billion Third Frontier Project, launched in February 2002, has made great strides in expanding Ohio's high-tech research capacity, promoting innovation, attracting investment capital and creating new companies and jobs.[54] To date, the state's investment of about $869 million in the project has leveraged over $3.1 billion in private and federal investments to Ohio, created, attracted, or capitalized 466 early stage technology companies, and retained or created about 6,600 jobs with an average salary of $68,000 per year.[55] And in January 2005, Ohio also implemented major tax reforms that are resulting in the gradual replacement of traditional business taxes with a broadly applied commercial activities tax.

Moreover, the governor and an ambitious group of state policymakers are facing Ohio's challenges head-on. Last fall, for example, the Ohio Department of Development (ODOD), under the leadership of Lieutenant Governor Lee Fisher, embarked on a strategic planning initiative to develop a new state economic growth strategy. Their report was released earlier this month. In the spring of 2008, the state initiated a major realignment of numerous state programs previously housed within the Ohio Department of Job and Family Services (ODJFS), with ODOD and Ohio Board of Regents (OBOR) programs, in order to improve the way the state matches workers with firms in key industry sectors. Also this past spring, OBOR presented a 10-year plan for higher education to Governor Ted Strickland and the Ohio General Assembly, detailing strategies to enroll over 200,000 more students in the state university system, while attracting and keeping more graduates in the state. The Ohio Department of Transportation (ODOT) recently initiated a similar strategic assessment, prompted in part by an anticipated serious budget shortfall.

These policies are emblematic of the bold style of reforms that the Strickland administration is advancing. To the administration's immense credit, these efforts constitute aggressive undertakings that aim to establish new priorities for how the state invests its economic development, workforce, and transportation resources, to improve the state's economic competitiveness. They have also involved important cross-departmental discussions and communications, where appropriate, among high-level staff. With these initiatives, Ohio's leaders have laid a firm foundation for taking the additional bold steps required to place the state on stronger economic footing.

The legislature, too, has begun to advance a new agenda for Ohio that includes working with the administration to pass an energy bill and an economic stimulus package that provides $400 million for infrastructure funding this year while putting in place one of the most comprehensive state historic tax credit programs in the country and enacting statutory reforms designed to expedite the foreclosure process. The legislature also recently created two new commissions to examine restructured forms of county government—the Ohio Commission on Local Government Reform and Collaboration and the Commission on Cuyahoga County Government Reform—whose reports could serve as platforms for future governance reforms.

The administration's efforts are complemented by innovators at the local level who are addressing the challenges facing their communities and the state. For example, the Toledo Regional Chamber of Commerce worked with over 50 community partners on a new program called "New Schools, New Neighborhoods" (NSNN), which is designed to coordinate the timing of investments in community revitalization and school improvements to leverage and spark community growth and development. Similarly, in the face of high vacant property rates, several Ohio cities have adopted their own strategies to address the challenges of vacancy and neighborhood blight.

However, cities cannot "go it alone," and without support and a broader state agenda, the impact of local efforts and innovation generally has been confined by parochial boundaries or historically undermined by counterproductive state measures. Indeed, there remains a long road ahead as the state strives to overcome liabilities of the past.

The state, in concert with its local and regional partners, as well as leaders in the private, non-profit, and philanthropic sectors, must continue to retool governmental and policy strategies in order to leverage the four assets that drive prosperity: innovation, human capital, infrastructure, and quality places. Particularly with respect to the core communities, achieving this goal demands embracing a "place based" approach that provides cities and their surrounding jurisdictions with the support that they need, the flexibility to innovate, and the incentive to collaborate with their neighbors and act at the regional scale. Ohio, in short, still needs a holistic vision and strategy for investing in the key drivers of economic prosperity.

To date, the structural challenges facing Ohio's state government can be broken down as follows:

### First, state programs and policies have generally failed to leverage the assets that matter collectively in the places where they are located:

***Historically, Ohio's programs and policies have been compartmentalized within individual agencies, rarely working in tandem with one another.*** For all the dollars flowing into the state's cities and regions—e.g. to the businesses, schools, job training centers, housing, or infrastructure projects located within them—funding is seldom targeted toward a unified goal or outcome for these communities, be it cultivating certain regional business clusters (and simultaneously building the workforce and infrastructure they need to grow and thrive), revitalizing particular neighborhoods (and improving the quality of schools, retail opportunities, and housing to attract and retain residents), or helping low-income families move into the middle class (and creating the career ladder jobs, strong work supports, and quality neighborhoods and schools they need to build skills and assets). In short, state investments are splintered and uneven, and thus fail to leverage the assets of communities in a systematic and synergistic way. At times these investments actually wind up working at cross-purposes. In Cleveland, for example, the state has invested $27 million of Clean Ohio funds in 22 sites as well as $12.8 million in multiple Third Frontier projects.[56] Meanwhile, the state declined to support certain inner city road and transportation and infrastructure repairs, thus undermining its overall investment strategy.

***In addition, state programs and policies have been largely—if perhaps not intentionally—biased against cities in favor of suburban development.*** Ohio's growth and development over time has been shaped, in part, by the state's haphazard system for allocating its investments, which have exacerbated sprawl and urban decline. For instance, the Ohio School Facilities Commission's criteria for building renovations and new school construction shows a bias towards a suburban model and encourages new school construction outside the corporate city limits. Similarly, the minimum acreage project criteria originally contained in the state's Job Ready Sites (JRS) program steered development projects toward large greenfield industrial park developments, instead of encouraging development on sites of all sizes that would take advantage of links to existing infrastructure. (The state has recently eliminated the JRS program minimum acreage requirement.) At the same time, much of the money that has flowed to cities has predominantly focused on managing their deficits and stemming decline rather than on leveraging their assets to stimulate economic recovery.

***Finally, state programs and policies have not maximized performance.*** They rarely set goals, measured progress against those goals, or used the most up-to-date data systems and information to drive decisions and ensure results. With the realignment of many of the state's workforce and education programs, for example, the state is just beginning to get a handle on which industry sectors in the state are in need of workers, and designing education and training programs to meet those needs. ODOD has historically doled out tax and other business incentives, without a systematic way to track where they are going geographically, or whether or not they are meeting individual program goals. In its strategic plan, ODOD has acknowledged the need to be more data-driven, and proposed adoption of benchmarks, such as per capita income and job growth rates as well as gross state product per job growth rate. We encourage both ODOD and ODOT to establish a set of regional economic outcomes they hope to achieve through their investments—and then to set up systems to collect and analyze the data needed to benchmark against them.

**Second, the state's efforts to leverage the assets that matter for prosperity—innovation, human capital, infrastructure, and quality places—have largely been reactive and unfocused, and do not give communities the flexibility and support they need align to their distinct realities. For example:**

***The state's myriad economic development programs have lacked strategic focus.*** As in most states, Ohio's economic development incentive programs are designed to respond to the needs of individual businesses rather than to stimulate the revitalization of the state's regions and cores. New research on the distribution of tax incentives from four key programs shows, for example, that although Ohio's 32 core communities receive far more in *total* average tax benefits from the programs than non cores—which is to be expected based on the core communities' larger size—on a *per establishment basis* Ohio's cores, even the "big eight" cities, actually received far less than other areas.[57] Further, our analysis of the four programs shows a lack of effective targeting.[58]

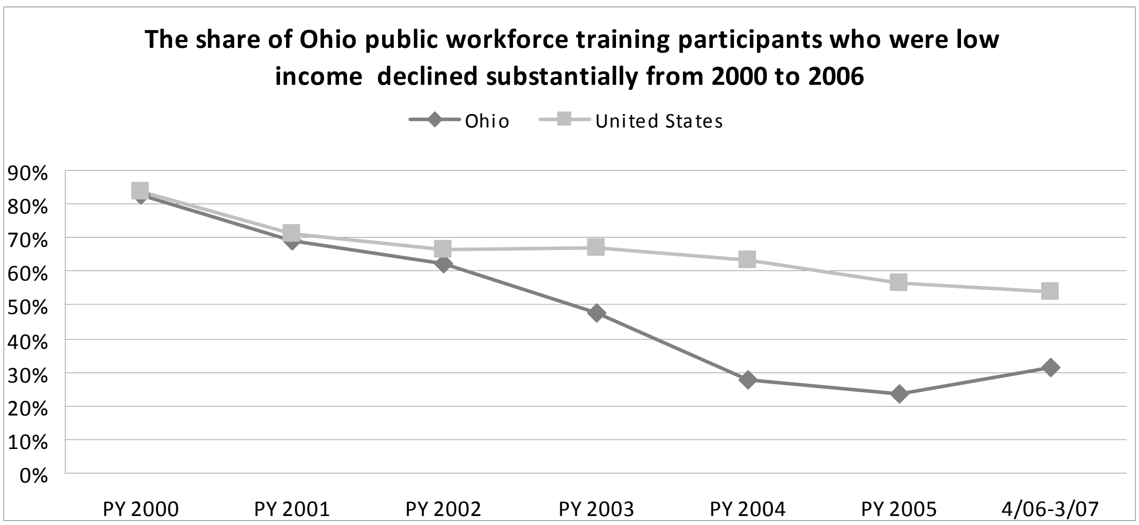
| **Ohio Incentives (EZ, JCTC, CRA, Grow Now)** | **Total** | **Core Cities (including Big 8*)** | **Big 8 Cities Alone*** | **All other areas** |
|---|---|---|---|---|
| Average Value of Incentive Agreements (in millions) | $9.1 | $100.8 | $319.0 | $7.2 |
| Average value of Incentives per Establishment (2007) | $177,804.2 | $37,537.1 | $52,707.06 | $180,768.9 |
| Sample size | 1,560 | 32 | 8 | 1,528 |

*Source: Robert Greenbaum and Blair D. Russell, The Ohio State University*
*Data was analyzed for the following years for each program: Ohio Enterprise Zone (EZ): 1996-2004; Job Creation Tax Credit (JCTC): 1993-2004; Community Reinvestment Areas (CRA): 1995-2007; GrowNow: 2002-2008 *Columbus, Cleveland, Cincinnati, Toledo, Akron, Dayton, Youngstown, and Canton*

The state's urban enterprise zone (UEZ) program is a case in point. While in some states UEZ programs are targeted narrowly to areas in need, Ohio's program includes 215 zones in 85 out of the state's 88 counties.[59] A 2003 study found that the jobs and investment disproportionately went to zones in high-income school districts, which on the average saw twice as many jobs and nearly three times as much investment per resident as low-income districts.[60]

***The state's approach to workforce development has traditionally not been "demand-driven" and been largely top down.*** Recognizing the importance of building on existing economic strengths, ODOD has over the years dedicated a substantial amount of resources toward identifying its driver industries and potential clusters. Until recently, the state had not fully engaged regions in this process or had a process that systematically endeavored to match workforce training to industry needs. OBOR's newly created Ohio Skills Bank (OSB) initiative, for example, is intended to be a sector-driven, "bottom up" workforce and economic development strategy—representing an important and long overdue shift in the state's approach to educating and training its residents. It is too early to judge the OSB's results, but the OSB needs to align closely with the place-based cluster strategy endorsed in other parts of this Restoring Prosperity policy agenda.

***Ohio has had no strategic plan or targeted workforce development policies for disadvantaged populations.*** Core cities—and indeed the state—cannot maximize their assets without alleviating poverty and increasing the job opportunities and wealth of their residents. Yet data from various sources demonstrate that the number of low-income, dislocated, and hard-to-employ residents served by Ohio's workforce system is relatively low compared to other states, and has declined in recent years. Even ODOD's new strategic plan is more explicitly focused on attracting and retaining "top" talent, not building the skills of those on the bottom rung. Without targeted policies for serving the state's most disadvantaged residents, they will continue to lack access to the education, training, and work supports they need to attain, and in turn help grow and create, high quality, career ladder jobs. The Strickland Administration, with the concurrence of the General Assembly, took the initiative to transfer the state's adult literacy and adult career education programs from the Ohio Department of Education to the University System of Ohio (under the direction of OBOR) in order to build a unified system of adult education from the GED to the Ph.D. With new grant funds, OBOR is also endeavoring to ensure that this integrated system effectively includes low-skilled, low-income adults. Once again, these initiatives are promising but yet unproven.




*Source: United States Department of Labor Employment & Training Administration. Federal Research and Training Database. Workforce Investment Act Diagnostic and Planning Tools, accessed June 27, 2008.*

***Transportation policy is biased towards roads and does not fully reflect the needs of cities and urban places.*** Ohio is one of 26 states that limits the use of its motor fuel tax receipts to highway uses; it is one of only two states (Washington state being the other) that levied significant motor fuel tax increases since the passage of the landmark federal ISTEA legislation in 1991.[61] But the billions of dollars that Ohio has received back from the federal Highway Trust Fund—between 50 percent and 77 percent of Fund dollars, in fact—can be spent on non-road purposes.[62] Unfortunately, Ohio seems to have only "flexed" funds from one of the Trust Fund's several grant categories, the Congestion Mitigation and Air Quality (CMAQ) Program, using $185 million of the $685 million granted (still only 27 percent) through FY 2007 for transit.[63]

Moreover, the state hasn't yet spent all these funds. Through 2005, 95.7 percent of federal Trust Fund dollars had been programmed—almost exclusively for highway purposes—leaving $1 billion in unprogrammed funds by the end of that year. Ohio was then apportioned an additional $1.2 billion each year for FY 2006, 2007, and 2008, bringing its total Trust Fund allotment to approximately $15.3 billion. Assuming spending on transit stays at just $185 million, the vast majority of Fund dollars will have gone to road building and maintenance during the grant period. To be sure, good roads are vitally important to efficiently moving goods and people both within and between the state's core communities and regions. Still, such a tilted allocation system provides limited transportation choices for Ohio's residents and firms in an era when high fuel costs are absorbing more and more of families' incomes. It is also inherently biased against larger urban communities, which have the population density and physical grids that can support—and in turn ought to be supported by—transportation options beyond auto use.

***Ohio lacks a comprehensive strategy for revitalizing its traditional core neighborhoods.*** Like most of America's larger states, Ohio offers local jurisdictions a variety of programs to help foster their economic and community development. Through ODOD, the Ohio Housing Finance Agency (OHFA), ODOT, the School Facilities Commission, and other agencies, the state provides resources for many activities—e.g. housing development and rehabilitation, brownfields remediation, or school construction or renovation—that can potentially contribute to neighborhood improvement efforts. Similarly, state statutes, such as the receivership statute, provide a number of tools that communities can use for revitalization.

However, the state has never targeted resources to core neighborhoods or developed a coordinated policy strategy to foster neighborhood revitalization. For example, ODOD programs that have a significant impact on core community neighborhoods, such as the Clean Ohio Revitalization Fund or the Job Ready Sites program, provide only limited targeting through the proposal scoring systems used to allocate funds for those programs. Similarly, while the state's school facilities construction program has been an unquestioned boon to many urban neighborhoods, the program's financing formula actually favors rural areas over urban areas, and—except in Toledo, where coordination came about through local initiatives—generally fails to foster any coordination between school construction, housing, economic development, and other activities.

The lack of a targeted neighborhood strategy, and the organizational structure for implementing it, has been made all the more apparent as the sub-prime lending phenomenon and related high foreclosure and vacancy rates exacerbate many core city neighborhoods' long-term economic challenges. For example, the state has been slow to respond with financial assistance to help stem the tide of decline wrought by the mortgage crisis. This funding could help mitigate the impacts in what were once stable neighborhoods.

**Finally, state laws and policies have created a landscape of fragmented governance that promotes unhealthy competition between jurisdictions, locks in tax inequities and disparities, and extends sprawl and decentralization:**

The lack of an urban focus in Ohio's programmatic structure is made all the worse by a fragmented and unfair governance and fiscal structure. With barely 40,000 square miles, it has nearly 3,800 local governmental jurisdictions of various types including 250 cities, 695 villages and 1,308 townships.[64] This speaks to a system of governance that is prone to division rather than collaboration, and fragmentation rather than holistic policy making.

Ohio's system of local governance is largely out of sync with the realities and practicalities of how economies today are organized, goods and services are provided, and land use decisions ought to be made. This is ultimately detrimental to the state's growth and competitiveness.

Our research finds that Ohio's system of local governance undermines the health and vitality of core communities in several ways:

First, Ohio municipalities are heavily reliant on income-based taxes, as well the traditional property tax, forcing them to compete for development that will expand their property and payroll tax bases.[65] This, in turn, has several negative effects. For one, municipalities' "race to the bottom" to lure firms through tax breaks and other incentives causes what could be an otherwise unnecessary and avoidable loss of revenue. For another, when one jurisdiction captures a new business or development, neighboring jurisdictions are often forced to pay significant costs to accommodate the spillovers, without the new influx of taxes to help cover them. Perhaps most important, the many "little box" governments within Ohio's regions—all with their own parochial interests and priorities—are simply too fractured to develop a unified vision for economic development and mobilize regional stakeholders to realize it.[66]

Second, the many separate jurisdictions in a given region often duplicate infrastructure, staffing, and municipal services, leading to higher costs. Many services such as fire protection, emergency management, and police services, among others, have a range in which average costs per-capita decline as the population increases; small jurisdictions simply can't reach those economies of scale. Similarly, a lack of regional coordination means that municipalities miss out on quantity discounts that joint purchasing arrangements could help achieve.[67] Throughout Ohio, there are several examples of municipal cooperation that could be brought to scale statewide. Hamilton County's Government Cooperation and Efficiency Project, for instance, aims to help its over 50 local governments collaborate and share services to increase efficiency, improve service delivery, and minimize costs.

Finally, fragmentation causes systemic fiscal imbalances that promote decentralization and sprawl. Research shows that more fragmented regions tend to have greater inequities in local tax bases: Among the nation's 50 largest metropolitan areas, for example, the

Cleveland area has both a relatively high degree of fiscal inequality as well as a high degree of governmental fragmentation.[68] Such disparities are made worse by the fact that residents of incorporated Ohio cities pay a disproportionate share of the cost of the services that county governments provide to townships. A 2002 study of Lucas County, home of Toledo, found in fact that residents of incorporated areas paid “up to $14 million per year to subsidize services to unincorporated townships.”[69] Thus, with high service demands, but often lower tax bases, Ohio cities must constantly struggle to provide good schools, adequate infrastructure, and quality services without overburdening tax payers, putting them at a competitive disadvantage with outer jurisdictions in attracting and retaining residents and businesses. And they are largely losing the battle.

## V. The State Needs an Agenda for Change

Given the sweeping economic, demographic, and environmental forces now in play across the nation and around the globe, the time is ripe for the state to help reposition Ohio's traditional cores as important drivers of the state's future growth and prosperity. But to capitalize on positive trends, and combat the not-so-positive ones, Ohio needs a new agenda for change—one that moves beyond individual policies and programs designed to address specific challenges, and instead includes a set of integrated, targeted strategies designed to build upon the state's existing assets and strengths, and ultimately improve its economic competitiveness.

This call for reform is not an appeal for more programs (that the state doesn't need) or more spending (that the state can't afford). But it does urge the state to reevaluate how existing policies, practices, and administrative structures could be updated and realigned to better catalyze and encourage regional innovation and development—in other words, to maximize the use of existing state resources in more effective ways. It also challenges the state to undertake an honest assessment of what its real and potential assets are, where they exist, and ultimately, to make difficult choices about where and how to target scarce resources to best leverage them. Finally, it pushes the state to give local leaders, thinkers, and stakeholders the flexibility and incentives they need to develop and implement regional strategies the state can then help support.

**Ohio's leaders, then, need to design and implement a "competitive communities" strategy that strives to strengthen and leverage the economic potential and environmental role of core communities.**

We offer a three part playbook, drawing heavily from innovations underway in states like Pennsylvania and Massachusetts and Michigan as well as more ambitious efforts to revitalize older industrial cores like Stuttgart, Bilbao, and Sheffield in Europe.

**First, we recommend that Ohio set forth a clear vision for the renewal of its core communities with ambitious, transparent, and measurable goals to guide public, private and civic sector investments, and a new way of doing business so that these goals can be accomplished.**

We applaud Ohio's recent advances. As noted earlier, the state's recently released economic development plan, "Ohio, Home of Innovation and Opportunity" is a refreshing departure from past state policies that demonstrates a new vision. It sets forth new strategies for invigorating the economy that already reflect strategies and principles articulated in past Brookings' Restoring Prosperity work, providing a solid framework for the future. Specifically, Goals 2 ("Strengthen our Strengths") and 4 ("Invest in our Regional Assets") of the plan are "building blocks" for advancing a new vision. Goal 2's "statewide targeted industries" paves the way for implementation of a more deliberate cluster strategy discussed below, while the plan's focus on "hubs" of innovation" in Goal 4 in 12 regionally-designated places provides the outlines for a "place-based" approach that leverages regional strengths.

To capitalize on these emerging state strategies and promote a new way of doing business, Ohio's leaders further ought to:

***Lay out a clear statement of principles around what drives economic renewal and use it to guide policy and investment decisions.*** Simply put, Ohio needs a theory of change and set of tenets for operationalizing it – a simple concept, but one that is strangely absent from most public policy making. Such a statement should (1) identify the four "driving assets" of growth: innovation, human capital, infrastructure, and quality places; (2) underscore the significance of place, acknowledging metropolitan areas as the key centers of the state's economy, and core communities as vital metro hubs, as well as the varying roles of smaller regions and cores; (3) explicitly identify anchor institutions, industry clusters, increased transportation options, and high quality neighborhoods as crucial to the state's competitiveness; and (4) emphasize the need to foster innovative public-private partnerships at the state and regional level as a means to accomplish stated goals. Perhaps most of all, this statement needs to outline bold criteria for where and how to invest in the state's diverse communities so as to achieve the greatest outcomes, focusing on maximizing assets where the market is primed for investment, minimizing harm in communities hard hit by recent trends, and managing decline in areas where, given limited potential for economic recovery, that is the most prudent – and realistic – option left.

***Guide core communities as they take stock of their prosperity-driving assets, acknowledging what they lack and positioning themselves to put their best foot forward.*** Such a process of reflection means asking a set of fundamental questions about the health and vitality of a city's economy and society—and about where individual places fit into broader regional economies. While assets, jobs, and people concentrate in metros, they are distributed unevenly, and individual places will fare differently in terms of their distribution of these things. When charting a course for the future, a place's relative size and its performance on the assets that drive prosperity will determine its development strategy within the regional framework.

ODOD's strategic plan should be applauded for promoting the sensible idea that Ohio should build off of existing strengths. In order to inform an effective regional strategy for Ohio, the state needs to catalyze a *further* exploration of the dynamics that are at play within individual metropolitan and micropolitan regions. This means knowing how jobs within promising industries are distributed throughout regions and across cities and communities, and how they are linked to where workers live and to those key institutions that can generate the knowledge transfers. In this spirit the state could ask: Where are the institutions that harness innovation—the colleges and universities, medical centers, cutting edge firms? Where do workers find training in skills that will grow a human capital base for key industries? Where are the communities in close proximity to job and transportation centers that provide a safe, affordable, and amenity-filled environment or quality place for people to live, work, and play? And, to what degree does infrastructure connect or bypass the communities that make up the regions and house their assets?

This diagnostic process also demands an in-depth exploration of how current state and local governance affects regional performance, and how strategic governance can best leverage assets that exist at the local level but could be networked into a broader regional force that is worth more than the sum of its parts.

***Institute coordination across state agencies, programs, and policies in support of community renewal.*** As in all states, Ohio's executive agencies were established to administer policies and programs focused on discrete areas of importance to the state and its residents—providing social services, moving people and goods, and attracting and retaining jobs and businesses, among many others. While this makes logical sense from an organizational standpoint, such rigid structures often inhibit coordination across areas of overlapping or mutual interest; they also inherently limit place-based targeting of multi-agency resources.

To promote better "cross fertilization" within and across agencies, the state should look for ways to reorganize and realign existing programs—as the Board of Regents and the Department of Jobs and Family Services have recently done—where it makes sense to do so. But the state should also go further to create a new "entrepreneurial hot spot" within the Governor's Office focused on coordinating programs and investments from different agencies to help individual communities implement specific regionally- or locally-defined goals or projects. Ohio might look to Pennsylvania's Community Action Team (CAT) program, which targets the delivery of multiple state programs and services to help communities plan and implement specific priority impact projects, as a potential model.

***Dedicate the state to ensuring a new level of accountability and transparency in its programs and policies.*** The Strickland Administration has instituted operating practices that hold employees to particularly high standards of ethics and accountability, and we advocate the same level of accountability and transparency be applied to state programs and policies. Most state programs and policies are crafted to produce discrete outputs evaluated by concrete measures—the number of people receiving job training, for example, or the number of lane miles built. And even that data isn't necessarily collected and examined in a consistent, transparent, and useful manner. Ohio needs to adopt a new system of performance measurement that, in addition to more effectively tracking individual *outputs*, establishes broad *outcomes* to be achieved through its multiple programs and policies. The Governor's goal of raising the state's per capita income above the national average by 2015 is a clear step in the right direction. Other goals might include doubling the share of disadvantaged youth achieving post secondary education or ensuring that core communities retain their current share of state population over the next several decades. [70]

To ensure that goals have discernible impact, the state must: (1) identify the data needed to set such outcome measures, and to benchmark progress against them over time; (2) establish a robust research and demonstration agenda that can be used to continuously inform and help improve program performance, and; (3) ensure that progress toward meeting established goals and outcomes is disseminated in a routine and transparent manner to outside researchers, media, and other public outlets.

## Second, the state needs to make significant improvements in programs and policies to leverage the four assets that drive prosperity.

To nurture and strengthen the assets of Ohio's regions and their cores, the state needs to carefully examine how, where, and to what end its economic development, workforce, transportation, and community development dollars are being spent—and then determine how programs and policies could be better designed and grounded in the distinct assets of different places so that the state and its residents get far more bang for their investment buck. Our recommendations here build on the excellent work that is already being done in the state government on issues like economic development, workforce, higher education and transportation.

For example:

**To leverage innovation and local economic strengths, Ohio should:**

***a. Make "anchor institutions" central to the state's renewal strategy and a primary source of local and regional economic development.*** Ohio's many public and private colleges, universities, and medical centers can be key engines of growth and revitalization and active participants in the renewal of the state's cities and towns. They can help breathe life into faltering downtowns, for example, significantly influence neighborhood planning and development, and stimulate new local enterprises. Perhaps most significantly, they can be civic leaders, actively participating in decision-making about improving the health and vitality of their regions.

The state could help leverage the economic impact of these institutions in a multitude of ways. For instance, the administration, in ODOD's strategic plan released in early September, has introduced the "**O**hio **H**ubs of **I**nnovation and **O**pportunity" initiative, which explicitly revolves around anchor institutions. This effort is a promising start but would be strengthened with the strategic targeting of geographically-based incentives. The state should align anchor institutions with regional cluster development opportunities by supporting university or hospital-based research and development programs explicitly designed to help nurture existing economic strengths, and fulfill local business demands. The state could also target a set of incentives at "startups" and other small, entrepreneurial businesses that are "seeded" through commercialization, technology transfer, or shared staff from anchor institutions.

We know that the Ohio Research Scholars and Third Frontier Commission recently invested $143 million to align research at urban universities and industry clusters in places such as Akron, Cincinnati, Columbus, Cleveland, Dayton, and Toledo. To leverage these new investments, the state should also replace expiring tax incentives—such as its Enterprise Zone incentives—with new "Economic Transformation Zones" in areas surrounding anchor institutions. Despite the tax exempt status of colleges and universities, these schools are strong hubs around which to focus revenue-generating redevelopment, and their many students and employees represent major potential consumers of new local goods and services. The opportunity is much the same around large medical facilities. By targeting tax incentives and other state investments to support business and residential development in downtowns and neighborhoods where these institutions are located, the state could help catalyze the market and spur revitalization in these areas.

***b. Make downtown revitalization a central component of economic renewal.***
Downtowns' central location, amenities, and rich physical fabric make them prime candidates for reinvention as vibrant, mixed use communities anchored by cultural and educational institutions, businesses, and residential development – a fact borne out over the past 15 years in downtowns across the country. In Akron, for example, large investments in civic infrastructure, a substantial number of commercial redevelopment projects, and surge in institutional development have given the core a significant facelift in recent years; other positive developments can be seen in downtowns throughout the state.[71]

The state can help galvanize downtown rejuvenation by setting a concrete goal for downtown residency—for example, that 2 percent of metropolitan residents live there—and enact a tax credit specifically designed to spur downtown residential construction and rehabilitation. Such a credit would be targeted to both developers and homeowners in Ohio's cores, both large and small. Further, the state could employ interagency teams within the governor's office, as described above, to help cities, particularly small and mid-size cores where the market is ripe, implement significant downtown revitalization initiatives. Such teams could help coordinate economic development, infrastructure, transportation, and other state resources in support of local economic and residential development efforts. Finally, the state should require that downtowns be given first priority as locations for state-owned offices and facilities, as well as look for opportunities to expand state-operated university and community college campuses (new anchor institutions) into downtown areas.

**<u>To bolster human capital and grow the middle class in Ohio's cores, the state should:</u>**

As an overarching goal, we encourage the state to adopt an explicitly unified and holistic approach to workforce training that runs the gamut, linking school reform with higher education improvements. Again, this will require even closer cooperation between and among key state departments and agencies, such that early childhood and workforce, which are primarily managed under Department of Jobs and Family Services, are linked with K-12 under ODOE and connected to OBOR which handles post-secondary education. The state is beginning to recognize the close relationship between school reform and higher education reform, as exemplified by Ohio's "STEM" initiative. Below, we provide some examples of particularly weak links in the current education system that need to be addressed as part of an overall strategy.

**a.** ***Make under-performing school districts in core communities centers of reform and excellence***

As described above, the elementary and secondary schools in most core communities start with an over concentration of children from poor and working poor families, since they mirror the larger social profile of their jurisdictions. Brookings and Greater Ohio are working on a series of state reforms that would promote greater experimentation and greater public private partnerships in struggling school districts. Developed in conjunction with education efforts already initiated by the Strickland administration in the areas of early childhood education, restructuring of the Department of Education, and higher education, these reforms would be modeled on efforts underway in other states, including Louisiana's efforts to reconfigure the delivery of public education in New Orleans in the aftermath of Hurricane Katrina. These reforms would also be designed to meet the "birth through career" needs of disadvantaged urban residents. Addressing the comprehensive needs of Ohio's disadvantaged children demands that the state adopt a more "bottoms up" investment strategy that engages the full array of locally based public, corporate and civic organizations involved in all levels of education programming, social service provision, and/or vocational training. Details of these reforms will be forthcoming in the late fall and will be developed in consultation with a cross section of state and local leaders from all sectors.

***b. Link low-income core community residents to sector-based workforce strategies.*** As economic development strategies incorporate human capital development, workforce development embraces sector strategies, and education and training align curriculum to meet employer demand, missions converge. Indeed, this is the aim of the Ohio Skills Bank process and of ODOD's new strategic direction. The Ohio Skills Bank has established an office in each of Ohio's 12 economic development regions and has just received a foundation grant to support efforts targeting low-income workers. If this targeting effort does not actually result in a spatial emphasis in the core communities—as it well might given the concentration of low income workers in these communities—additional efforts of spatial targeting of the Skills Bank should be undertaken. Improved spatial targeting would address the particular challenges of Ohio's core communities and ensure that the disadvantaged residents of these places can gain skills and credentials they need to move into high-quality jobs with benefits and opportunities for advancement in target industries. Modifying the Ohio Skills Bank to create an explicitly targeted strategy for connecting these workers, many of whom live in the core communities, into career pathways would further the Skills Bank's and ODOD's goals of recognizing and investing in, the unique strengths of Ohio's diverse regions.

Building on the Ohio Skills Bank's "bottom up," collaborative process that identifies existing and emerging industry education and training needs, this can occur in several ways. First, ODOD should adopt a competitive grant program, modeled in part on the federal Workforce Innovation in Regional Economic Development (WIRED) program that explicitly focuses on preparing disadvantaged urban residents for jobs in growing regional sectors. This program would provide incentives to regions to create an on-going strategy for identifying specific employer needs for low- and moderately-skilled workers, and work with public and private training providers and community colleges to develop programs that can prepare low-income residents for these jobs. Second, the state should provide financial and technical assistance to net-together and build the capacity of One Stops and both new and existing community-based groups in core communities (e.g. Chambers of Commerce, local non-profits) to serve as intermediaries between employers and disadvantaged workers. These groups need to partner together to create a "locus of responsibility" in each region for bringing low-skilled and hard-to-employ populations into the workforce development system, ensuring that their unique social service needs are being met, getting them the education and training they need to meet employer demands, and connecting them to career ladder jobs in growing industries.[72]

**To catalyze transformative infrastructure initiatives, the state should:[73]**

***a. Place state transportation programs and policies in the service of regional economic growth and prosperity.*** To its credit, the Strickland administration has already directed ODOT to broaden its focus from traffic mitigation and infrastructure improvements to include urban, economic development, and environmental issues and has appointed a top flight task force to develop an implementation strategy. Moving toward an explicit economic development focus will necessarily require that ODOT make some significant shifts in both its purpose and its operations, however. At a time of known budget shortfall, it is important that the state target its investments to "do more with less" by recognizing the geography where assets, jobs, and people concentrate. The extent to which government can work together effectively at all levels to implement this strategic approach will dictate its success.

First and foremost, the department must commit not only to leveling the playing field between highways and transit, but to expanding and improving the full range of transportation options available in metros so as to encourage more compact land use patterns, lower household transportation costs, facilitate travel between cities, and increase automobile, transit, and foot traffic in local business districts and on main streets. To get there, ODOT ought to sub-allocate greater responsibility to the 13 Metropolitan Planning Organizations (MPOs), which should partner with local leaders and stakeholders to develop regional transportation plans. It should encourage and support the use of ballot initiatives to raise needed funds without across the board tax increases; in the past 12 years, such campaigns have raised $150 billion for transportation nationally. And it should continue and expand its commitment to system maintenance, preservation, and enhancement, fixing-it-first instead of building it new.

Second, ODOT needs to immediately adopt performance goals that include economic improvement for households, businesses, and communities, and then use concrete outcome measures—e.g. higher wages and property values, lower cost of living indicators—for assessing progress. This is what true transportation flexibility is about—stewarding scarce resources for maximum leverage and collective benefit by investing not only in improving mobility, throughput, and connectivity, but by increasing local economic development and competitiveness.

Finally, ODOT must build on Governor Strickland and the legislature's laudable "energy-jobs-progress for Ohio" initiative to explicitly link energy targets to transportation infrastructure. In April 2007, this plan called for addressing the twin problems of Ohio's high levels of energy consumption—Ohio is the fifth biggest energy consumer when ranked against all states—and its struggle to retain jobs in a changing market. One of the plan's major provisions calls for aggressive measures to increase the state's advanced energy portfolio and "attract energy jobs of the future." Specifically, the governor called for an increase in the share of electricity generated by advanced technology and sold in Ohio to 25 percent by 2025.[74] This policy could easily be extended to incentivize the manufacturing of mass transit vehicles that leverage clean energy options, creating "green jobs" and advancing greenhouse gas reduction goals.

The energy crisis affords Ohio an opportunity to capitalize on new markets, but rising energy prices have also become increasingly burdensome on Ohioans. This phenomenon is demonstrated by the rising cost of transportation relative to household income discussed above.

***b. Create a 21st Century Transportation Investment Bank to fund transformative, market shaping investments.*** Reorienting the mission and direction of ODOT—and playing it out on the ground—isn't going to happen overnight. But that doesn't mean the department can't make some real progress in the more immediate-term. ODOT should use its remaining federal Trust Fund allocation to create a 21st Century Transportation Investment Bank, a nimble mechanism that could be used to fund numerous local and regional transportation initiatives that are primed and ready to go across the state. These could include street car initiatives in Columbus, Cincinnati, Toledo, and Dayton, for example, the establishment of Amtrak service between Cleveland, Columbus, and Cincinnati, or plans in Cleveland, Columbus, and Akron to replace or modify old expressway infrastructure. Initiatives could be chosen based on several ODOT established criteria, including their potential ability to catalyze transformative development in cities and regions, the degree of regional collaboration involved in their planning, and their alignment with newly established ODOT goals.

**To revitalize and preserve Ohio's quality places, the state should:**

***a. Stabilize neighborhoods and cities hard hit by the mortgage crisis.*** The combination of underlying economic weakness and the fallout of the subprime mortgage debacle has had a devastating affect on many of Ohio's neighborhoods. While the impact of the foreclosure wave has varied across cities, all have been affected to some extent. In some, most notably Cleveland and Dayton, the damage has been particularly severe.

While Governor Strickland's Foreclosure Prevention Task Force offered a number of recommendations in this area in its September 2007 report, key recommendations have not been implemented.[75] It's time for the state to act, taking immediate steps to leverage local innovative vacant property redevelopment practices and enact an omnibus legislative package that includes a range of legal and financial tools that can help mitigate the crisis, including: (1) upgrade the current land banking statute – e.g. establish mechanisms that streamline creation of county or regional level land bank entities and that provide a flow of funds that can support land bank operations—so that localities can rely on land banks to accommodate the increased flow of properties; (2) expand and improve recent legislation on foreclosure to prevent new foreclosures in the case of occupied property and mitigate damage in the case of abandoned property; (3) strengthen code enforcement and nuisance abatement tools to prevent absentee owner-investors from holding properties "hostage" in abandoned disrepair; and (4) provide a targeted funding stream for the demolition of abandoned properties that are in poor condition and possess little to no market value. [76] The state should also provide two-year incentive grants that encourage communities to develop comprehensive, locally-driven strategies that leverage private resources and deploy a range of strategies (e.g. commercial and residential rehabilitation, targeted demolition), representing a holistic approach to overall neighborhood revitalization.

Where appropriate, anchor institutions, such as higher education and medical, can be the stimulus to comprehensive neighborhood development. This has begun to take place in Cleveland, Columbus, Cincinnati and Akron. For instance, the University of Cincinnati has invested over $100 million in neighborhood development in the past six years, while University of Akron is driving neighborhood revitalization through the University Park Alliance, which includes the City, and Summa Health System, as well as several other "partners" including the Akron Metropolitan Housing Authority, the *Akron Beacon Journal*, and the Akron Public Schools. With state support, such partnerships could be replicated in other localities around the state.[77]

Finally, the state should develop and implement an "Integrated Property Inventory System" that would track information on vacant and abandoned properties throughout the state. The state should create incentives for local property data collection of parcel-based information on these sites—including information on their location, zoning, tax status, market value, and ownership—using state–established definitions and data collection criteria to facilitate collection and promote standardization across localities, so these hard-hit communities can better quantify their problem and target the solutions. An unusual collection of measures, such as those described here, is necessary in the wake of the continued pipeline of vacant properties that is fed by the high rate of foreclosure disproportionately affecting these core communities. Of course the state will need to align these new initiatives with the new federal funds provided through the housing bill enacted this past summer and prioritize state resources.

***b. Create a new Urban Markets Initiative to unveil and leverage the market potential of core neighborhoods.*** In addition to addressing the immediate issues wrought by the mortgage crisis, the state needs to develop a long-term strategy for neighborhood revitalization that is based on the individual market strengths and development needs of core cities' diverse neighborhoods.

Such a strategy should include the creation of a state-funded "Urban Markets Initiative" that would develop, and help localities use, sophisticated research tools to unveil unique market opportunities and challenges in core community neighborhoods. Local leaders would use such information, along with community input, as the basis to identify a select number of "Opportunity Neighborhoods" in their cities where state and local resources would then be strategically concentrated, as Richmond, Virginia has done through its Neighborhoods in Bloom program.[78] Many of these neighborhoods might be "transitioning" areas where targeted investments can help advance promising growth, or stem early signs of decline. Cities could then also use UMI tools to track neighborhood market conditions overtime in order to (1) make more informed decisions about how to more appropriately target local resources toward the varying needs of their other neighborhoods, from the healthiest to the most distressed; and (2) be better able to market particular neighborhoods for business and retail development.

To implement this and other programs, ODOD should expand its existing Office of Urban Development Division (OUD) to encompass community revitalization, the purpose of which would be to concentrate existing community development resources and capacity in a single location, headed by an individual reporting directly to the director of the department. It would be divided into two principal areas, one focusing primarily on the state's "Big 8" cities, and the other focusing on the state's smaller and mid-sized cores. The OUD would work directly with local anchor institutions, business leaders, and other public and private stakeholders in core cities to identify promising development projects, and coordinate state resources to help implement them.

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**Reclaiming Cities: Lessons from Europe**

Of all regions at the global scale, U.S. industrial cities can look to Europe and a subset of European cities to learn interesting, if not innovative, approaches to urban recovery. Similar to the U.S., macro forces of a transitioning economy from manufacturing to services, population aging, and suburbanization have hit certain European cities particularly hard. Over the past three years, the Metro Program engaged in a series of Trans-Atlantic research efforts and collaborations to understand the role of European policies—at the national, state, regional and local level—in stimulating urban reinvestment. Below are just a few examples of European cities that have recognized the value of innovation, human capital, infrastructure and quality place in an effort to bring themselves back from the brink:

**Innovation:** Like the U.S., Germany has experienced measurable losses in manufacturing over the past 20 years. Germany's manufacturing and production industries declined from 40 percent in the early 1980s to 25 percent by 2007[79]. In the 1990s, Stuttgart was particularly concerned with how this trend will culminate in their city and region—an area renown for its car design and car manufacturing capabilities. In addition to DaimlerChrysler (Mercedes) and Porsche, approximately 300 automobile designers and suppliers are located in the region.[80] With support from the state, the Stuttgart region focused on adapting its existing strengths in mechanical engineering and production into new and emerging markets. Funds were used to create Competence Centers, where large and small enterprises (but mostly SMEs) worked with universities to develop new technologies and products.[81] Building on its strengths, Stuttgart's clean energy cluster is now flourishing. Hundreds of companies now design, develop or produce clean energy products, such as fuel cells, thermal technology, and solar panels. Nearby universities, such as the University of Stuttgart's Institute for Thermodynamics and Thermal Engineering is the largest testing center for thermal solar technology in Germany.[82]

**Human Capital:** During the 18th and 19th century, the city Sheffield (U.K.) earned an international reputation for light metal goods and heavy steel production. Starting in the 1970s, globalization, high oil prices and shifts in national policy crashed Sheffield's long reign of industrial success. In the 1990s, the city developed a diversified economic development strategy to reduce its vulnerability in declining markets. Yet this compelling strategy was far from enough to convince potential investors that Sheffield's workforce had the right skills and education.[83] In response, the city developed multiple human capital programs, with some funded in part by the national government. One program is the Construction JOBMatch project, a £14 million public-private partnership to train unemployed local residents in the construction industry. Sheffield Council formed a limited liability partnership with a contractor, which received a £700 million, 10-year maintenance contract for maintaining the city's 55,000 dwellings and its corporate buildings. The partnership runs the Construction JOBMatch programme, which trains 500 unemployed residents from deprived neighborhoods in Sheffield.[84] Another program is the City Stewardship program, which targets 16- to 18-year old youth, who are no longer in school and are unemployed. While they are trained to improve the quality of the urban environment, such as maintaining public spaces, the program offers a valuable step towards long-term employment opportunities. As of 2005, 42 percent of participating youth have moved into mainstream education, training or employment.[85]

**Quality Place:** While Germany is one of many European countries projected to lose population by 2050[86], East German cities, such as Leipzig, have already experienced palpable losses with mass migration west. By 1998, Leipzig lost nearly 20 percent of its population—approximately 100,000 people—reaching a historic low of 437,000 people.[87] Leipzig was one of the first eastern cities to recognize itself as a shrinking city, devising new policies to fit this paradigm. This became as much of a new economic proposition as inventing an urban planning puzzle. In the housing sector, for instance, it required a new planning approach of prioritizing the value of areas when vacant and abandoned housing was widespread. With approximately 62,500 vacant housing units in 2000[88], Leipzig's housing strategy included: targeting demolition to the least attractive segments; preserving housing within key nodes and corridors; and linking these areas with more green areas and public spaces. One program gave land owners the responsibility of demolition and site clearing in return for eliminating property taxes. Since 2001, 9,200 housing units were demolished with two-thirds occurring in the outer areas of the city. The cost of demolition over this period totaled 15.1 million euros and was mostly funded through a federal government's Stadtumbau Ost program.[89]

**Infrastructure:** A city hard hit by losses in manufacturing in the 1970s and 80s, Bilbao, Spain was a city quickly marked by: population losses in the city; an eroding housing stock; and high levels of industrial contamination in the air, water and soil. To take on the complexity and compounding nature of such economic, physical and social stresses, a compact between large landowners, railroad companies, and various government actors created an integrated strategy for recovery. This strategy included taking control over vacant land, designing and redeveloping nodes of new uses and activities, and significantly modernizing and extending public transportation to connect the fragmented population and economic base.[90]

An emphasis on infrastructure began with the new metro system. This first major project increased accessibility to priority recovery areas and offered a signal to the region's population base that recovery is possible. A string of infrastructure investments soon followed: a modernized commuter train system, a new tram line connecting the revitalized waterfront with the urban core, a modernized bus system, an expanded airport designed by Santiago Calatrava, and new facilities within the extended port. In total, the national, regional and local governments invested over 1.9 billion euros since the 1990s, creating a massive web of sophisticated infrastructure to move people and goods.[91] Linking to this web is the European Union's grand plan of the Trans European Network—a multimodal network that creates transportation choices across the European continent. Of these investments, this plan will include approximately 20,000 kilometers of high speed rail lines (allowing speed of at least 200 kilometers per hour).

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**Reorganizing for Success: The Stuttgart Region**

Spurred by concerns over increasing European and global competition, the State of Baden-Wurttembert established the Verband Stuttgart region in 1994. Today, 179 municipalities and five counties are represented in the Verband Stuttgart Regional government through its Regional Assembly. All 93 members of the Assembly are elected through a general election process across the metropolitan region.[92] In interviews, several regional leaders explained that because Assembly members are not directly appointed by specific municipalities, they have a greater propensity to think, act, and vote with a regional perspective.[93]

The Verband Stuttgart Region by far the most powerful regional governance model found in Germany, which was granted the power to:

- Identify the number of housing units that can be constructed by each local municipality, giving housing bonuses if municipalities locate new housing new public transportation;
- Determine where future regionally-important roads and rail are to be located;
- Earmark where open space and 'green wedges' are to be converted or preserved; and
- Mandate that municipalities cannot allow the construction of new shopping malls on greenfield sites.

Given the region's influence, its 10-year regional plan is crucial in providing a spatial framework for how and where the region is to change over time. Some of the regional plan's priorities include: a) maintaining and extending the region's existing development; b) growing the region in a polycentric pattern (instead of allowing sprawl); and c) allocating sites for wind power plants and other renewable energies.[94]

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## Finally, the state needs to spark regional governance reform that encourages and rewards collaboration, lessens fragmentation, reduces wasteful spending, and harnesses the energies of places towards productive, inclusive, and sustainable growth.

The long-term health and competitiveness of Ohio's regions demands that Ohio's city and suburban leaders establish strong partnerships where they don't already exist, and strengthen them where they do. The state, for its part, can facilitate this process by breaking down barriers to regional cooperation, building the capacity of localities to engage in region-wide planning efforts, and incentivizing cross-municipal collaboration through state policies and programs. In doing so, it could lead the way for other hyper-fragmented states in the Northeast and Midwest toward greater metropolitan governance.

Ohio has already started to make some strides in terms of encouraging local government collaboration. A new law (H.B. 562), recently signed by Governor Strickland, will create a commission to study the reform and restructuring of local governments. Further, the General Assembly provided in its 2008-2009 state budget $1 million in funding for The Local Government Services and Regional Collaboration Grant Program. The funding allows for local governments to apply for grants through the Ohio Department of Development to study how to combine services, and additional incentives are being considered to encourage more collaboration on economic development.[95] But the state should also:

***Catalyze governance experimentation and innovation in Ohio.*** For some Ohio communities, combining even a limited number of municipal services may be the most appropriate short-term approach to enhancing local government cooperation. But the state should push its local governments to go further. It could, for example, help jumpstart a "Governance Challenge," funded by state, corporate, and civic resources, that would facilitate the design and implementation of innovative ideas for fostering regional collaboration that, if proven successful, the state could then help take to scale statewide. It could also provide seed dollars to help catalyze the creation of new metro-wide organizations with diverse public and private representation, and then provide start-up funds and technical assistance to help such organizations create a plan for municipal revenue-sharing (possibly modeled on existing innovations such as Montgomery County's (Dayton) Economic Development/Government Equity (ED/GE) program), launch a region-wide visioning and land use planning effort, develop a regional marketing strategy for business attraction, or undertake other efforts aimed at improving government efficiency and metropolitan competitiveness.

***Alter the allocation of resources in core government programs to reward counties and metros that adopt innovative reforms.*** Providing resources to spark new ideas and build capacity for cooperation is just the first step in what should be a long-term state effort to advance governance reform. To get serious, the state needs to begin utilizing its local investment dollars as "carrots," giving bonus points or other means of priority consideration for projects involving multi-jurisdictional collaboration. In order to receive priority funding for certain state economic development incentives, for example, regions could be required to justify how their use of the incentives fits into a regional economic development plan. Similarly, the state could use the allocation of its transportation and infrastructure investments to encourage the 13 MPOs to work with mayors, universities, and local business and civic leaders to develop a publicly-supported plan and investment strategy for their respective regions.

## Section VI – Ohio needs a supportive partner at the federal level

**In charting a course for prosperity, Ohio will demand an accountable, strategic, and dependable partner at the federal level. Federal leadership can help drive Ohio's prosperity along the lines of all the key economic drivers:**

Ohio needs federal support to bolster **innovation** in a global marketplace. Regional entrepreneurs, industry associations, investors, universities, and workers will ultimately do best if a strong, supportive, and focused Federal government serves as a steward of innovation in Washington. For their part, federal leaders should coordinate the nation's currently diffuse innovation activities while respecting, enhancing, and empowering the distinctive and promising specializations of Ohio's regional economies. Thus, the federal government should better leverage its investments in science research and commercialization; establish a nimble, bottoms-up program to support and enhance the power of local industry clusters; and experiment with new paradigms for augmenting and commercializing alternative-energy innovation

On **human capital,** the Federal government has the ultimate authority to make broad policies that cross regional borders and foster an inclusive, middle-class society where educational opportunity allows upward mobility. For example, Washington should serve once more as a "game-changer" on education as it has in the past, making core national education a goal and helping secure the nation's now-leaky pipeline to postsecondary education with a real-time data system that tracks individual outcomes from high school to college to help others monitor performance, pinpoint problems, devise interventions, and allocate resources. Moreover, the federal government should complement efforts to increase educational attainment by working also to boost the wages of the lower income workers and their families by expanding and modernizing the Earned Income Tax Credit (EITC). Such federal engagement would bridge gaps between wages and living costs and promote greater labor market participation and skills development across regions.

With respect to **infrastructure**, the federal government should serve as a constructive partner to Ohio in helping the region to make critical investments to join disparate regions and repair stressed infrastructure, decaying water and sewer lines and energy supply systems. For example, strategic, targeted, and reliable help from Washington will be critical to helping Ohio modernize its passenger and freight networks through means like highway improvement and better public transportation. Further, Ohio will rely on the federal government to invest in better data and modeling on issues like climate change, energy issues, and to set a national framework for reducing greenhouse gas emissions.

The federal government also has a role to play in promoting **quality places.** If the federal government is to become a more a constructive partner in restoring prosperity in Ohio and elsewhere, it must engage in specific ways that incentivize strategic and sustainable choices with regard to the development of communities – which, in the case of Ohio, would benefit core communities in particular. For instance, the federal government should **issue a "sustainability challenge"** to catalyze bold problem-solving among state, metropolitan, and local actors. Delivered as a competitive grant program, this challenge would engage regions across the nation in developing the boldest, most creative, and effective new ways to better link up disparate housing, transportation, environmental, energy, and land use policies to achieve sustainability goals, such as a reduced carbon footprint.

Finally, the federal government must facilitate success along the lines of all four drivers of prosperity by promoting more efficient and interconnected governance networks to match the geographic scale and dynamism of today's economy. Federal support can catalyze good governance so that metros like Cleveland and micros like Zanesville can collaborate to compete in a global economy. To start, tweaking the federal metropolitan planning Organization (MPO) rules could provide new incentives and assistance to MPOs to support greater consideration of transportation patterns and development patterns beyond their specific territory. But Washington could go farther in fostering collaborative governance. For example, the federal government could lay down a "governance challenge" to spur local and state experimentation with intra-governmental collaboration. This competitive program would reward path-breaking proposals to coordinate regional governance in key areas like transportation planning or land use or housing with substantial grant money. In addition, the governance challenge would require the participation of state government in proposals, given that localities and even MPOs remain legally "creatures of the state."

## Conclusion

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 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 that uniting framework.

Brookings and Greater Ohio look forward to working with leaders from sectors and communities across the state to prepare Ohio's core communities to thrive within their metropolitan regions, and to help Ohio prosper as a metropolitan state in a metropolitan nation.

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[57] The mean value of incentives per establishment for the non-core cites ($180,769) is somewhat skewed by the incentives offered to USEC, Inc, in 2003 and 2004 to build the American Centrifuge Plant at the former Portsmouth Gaseous Diffusing Plant in Pike County. The plant is to use the latest technology to enrich uranium, and it represents one of the largest economic development packages the state has put together. The development received two EZ agreements (one provides a 10 years of property tax abatements, and the other provides 10 years) and one JCTC agreement for 10 years. The researchers estimate that as a result of these agreements (and two much smaller agreements with other companies), Scioto Township will have received over $900 million worth of tax incentives over the life of the agreements. Removing Scioto Township from the calculations, the average value of incentive per establishment in non-core cities is estimated to be $106,169, which is still considerably greater than the average value of $37,537 in core cities.
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