Restoring Prosperity: How Ohio Can Revitalize Core Communities
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Introduction

I want to thank Lavea for that introduction and for the exceptional leadership that Greater Ohio has provided to make this Summit possible.

I also want to thank all of you for coming today.

We are here because this may be the best chance in a generation to align state policies with the real needs and potential of the "core communities" that made this state an engine of innovative growth a half century ago… and can, with purpose and focus, contribute again.

Like the nation as a whole, Ohio is undergoing a period of transformative change… as our population grows, our demographics shift, our economy restructures, and our climate warms.

We commend Governor Strickland, Lt. Governor Fisher and the Ohio General Assembly for recognizing these tectonic shifts and taking bold steps to enhance Ohio's ability to compete globally, build a strong middle class, and chart the path to a different energy and environmental future. Last week's release of the Department of Development's Strategic Plan was just the most recent reminder of the smart reforms that are already underway and hold great promise.

Our effort today is intended to build on these and other excellent initiatives by grounding and integrating them in real places, particularly in those older industrial cities and communities that still play fundamental roles in broader county, metropolitan, and regional economies.

We offer the following proposition:

First, big demographic, economic, and environmental forces rewrite the rules that drive prosperity and redraw the spatial map of states and nations. These forces assign enormous value to a relatively small number of assets—innovation, human capital, infrastructure and the quality of place—and then reward those communities, particularly metropolitan areas, where these assets come together. There is, in essence, no Ohio economy… but rather a network of local and metropolitan economies that relate to each other, the nation and the world in new, sophisticated ways.

Second, Ohio's core communities must find and redefine their place in the new economic order. As a group, core communities disproportionately concentrate a range of assets—"eds and meds" institutions, historic infrastructure and denser patterns of development—that are valued by new economic realities and dictated by new environmental imperatives. All of Ohio will benefit when these places reach their full potential. Yet there is much variation here… with some core communities acting as critical nodes within broader metros and counties that have a competitive future and others struggling with their suburban and rural neighbors to find a niche.

Third, Ohio policies stack the deck against core communities, systematically favoring the growth of new places over the redevelopment of older ones and failing to leverage the assets in these places in any coherent way. At a time when the economy rewards places that collaborate, Ohio's structure of government does the exact opposite, encouraging cities and surrounding jurisdictions to engage in needless and wasteful competition The result: Ohio's cities are weaker than they should be, undermining the ability of the state to attract and retain innovative firms and talented workers.

Finally, Ohio needs a "competitive communities" strategy that strives to strengthen and leverage the economic potential, social possibilities and environmental role of core communities.

> Rather than invest in core communities without clear purpose, vision, or rationale, this strategy would take stock of the real assets in core communities, set ambitious goals for the state, and then align state policies and programs to meet those objectives.
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> Rather than pursuing one size fits all solutions, this strategy would enable the state to identify and build on the key assets that drive prosperity in the places where they occur… and where assets are not present or sufficient, help places adjust and adapt.
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> Rather than encouraging communities to compete against each other, this strategy would empower and enable Ohio's jurisdictions to collaborate to compete.

This strategy sends the strongest of signals: the Ohio way—sprawling fast while growing slow—hollowing out older cities only to build new housing and retail facilities 30 miles away—does not make fiscal, environmental or competitive sense… and must end.

It reflects commonsense, market based principles that are widely applicable—relevant not just to bigger cities and metros in the state like Cincinnati, Cleveland, and Columbus but to smaller cities and metros like Lima, Mansfield, and Springfield, and to still smaller county seats like Ashtabula, Portsmouth, and Zanesville.

It is a strategy for renewal and reform… for adjustment and adaptation… and, in a phrase, for restoring prosperity to Ohio.

So let me start with an initial proposition: big demographic, economic, and environmental forces rewrite the rules that drive prosperity.

Like the country at large, Ohio is going through a period of profound, dynamic change comparable in scale and intensity to the latter part of the nineteenth century.

Rapidly expanding competition abroad is altering the state economy. The share of the state's jobs in manufacturing has declined from 22.2 percent in 1990 to 14.6 percent in 2006.

Demographic trends at home leave businesses with growing workforce challenges. Ohio is projected to rank 47th of 50 states on population growth between 2000 and 2030. Yet the state's senior population is projected to grow 56 percent by 2030.

And global climate change and environmental imperatives—along with rising gas prices—render the typical development patterns in Ohio's metropolitan areas unsustainable. A middle-income Ohio household living in the Cleveland region now spends 27 percent of their income on transportation compared to 23 percent in 2000. Analysis of the Cincinnati and Columbus regions reveals patterns that are nearly identical.

What these broad forces do is fundamentally alter the rules by which nations, states and communities grow and thrive.

Most critically, they prize a relatively few assets that drive prosperity… and then value those places that agglomerate and concentrate these assets.

What matters today?

> **Innovation**, the new products, processes and business models that drive economic productivity and sustainable solutions.
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> **Human capital**, the education and skills that further innovation and serve as the ticket to the middle class.
>
> **Infrastructure**, state of the art transportation, telecommunication and energy distribution systems that move people, goods and ideas quickly and efficiently.
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> And **quality places**, that special mix of distinctive communities and responsible growth that is competitively wise, fiscally responsible, and environmentally sustainable.

Where do we find these assets? Well, they do not exist in the abstract, nor are they evenly distributed across the landscape of states and nations.

These assets—and the people and firms that leverage them—largely come together in metropolitan America.

Our metro areas constitute a new spatial geography, enveloping city and suburb, township and rural area, in a seamlessly integrated economic and environmental landscape.

Metros matter because the advanced, technologically sophisticated firms that now drive the American economy crave proximity to pools of qualified workers, to legal, financial, and other specialized services that often require face-to-face interaction, to infrastructure that enables mobility of people and goods, and to other firms so that ideas and innovations can be rapidly shared.

In the Columbus metropolis, for example, the new geography stretches from the artsy hustle of the Short North to the thriving campus of Ohio State University to the leafy suburban neighborhood of Bexley to the to the satellite cities of Newark and Lancaster to the diverse landscapes of the region's "Metro Parks."

These disparate places—once fully separate—are now co-joined and co-mingled as people live in one municipality, work in another, go to a sports game or medical specialist or shopping in yet another… and share the same air, water and natural resources.

The top 100 metropolitan areas in the U.S. take up only 12 percent of our land mass, but harbor nearly two-thirds of our population and generate 75 percent of our gross domestic product.

More importantly, the top 100 metros gather what matters and make an outsized contribution on each of the assets that drive prosperity—whether its indicators of innovation like patents or indicators of human capital like adults with graduate degrees or indicators of infrastructure like air cargo or indicators of quality place like public transit.

Ohio, like the nation, is metropolitan… in many respects, more so.

Seven of the nation's top 100 metropolitan areas are located within the state of Ohio. The metropolitan regions of Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown—together account for 33 percent of Ohio's land area, 71 percent of its population, and generate 80 percent of state gross domestic product.

These seven metros alone concentrate slightly more than 75 percent of the state's patenting activity, 82 percent of the state's knowledge jobs, 81 percent of the state's college-or-higher graduates, virtually 100 percent of the state's air cargo and commercial passengers. And they are over twice as densely populated as the state overall, enabling the mix of health facilities, theaters, restaurants, parks, and waterfront districts that create the sense of place that is critical to attract and retain innovative firms and talented workers.

Together, Ohio's 16 metropolitan areas constitute a full 81 percent of the state's population, 84 percent of the state's jobs, and 87 percent of the state's GDP.

In Ohio, the geography of metropolitan areas has extended out over time as population and jobs have dispersed. As Mark Partridge has found, a full 85 percent of Ohioans who reside in what the Census Bureau calls a "rural" area fall within the parameters of a metropolitan or a micropolitan statistical area.

Another sign of interdependence: nearly all Ohio residents—a full 99 percent—live within an hour's driving distance, or 50 miles, of an urbanized area center (roughly defined as cities with at least 50,000 people).

The big story: Large forces are forging and forcing a new Ohio, with places long thought separate—city, suburb, exurb, rural area—now tightly bound and inextricably linked.

This leads to our second proposition: Ohio's core communities must find and redefine their place in the new economic order.

As all of you know, Ohio stands apart from many of its brethren in the Midwest. Unlike states like Michigan or Illinois or Pennsylvania where one or two metropolitan areas dominate the state's economy, Ohio's economy evolved along more dispersed lines.

Thus, a fairly broad, diverse set of places—large and small, some the center of globally competitive metros, others the seat of rural counties—formed the heart of Ohio's economy 60 years ago.

To get a better handle on this historic continuum and the role these places continue to play today, we defined core communities 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.

This definition yields a diverse array of 32 communities, ranging in size from 11,000 in Ironton to nearly 750,000 in Columbus. In 1950 nearly half of all Ohioans (46 percent) lived within the boundaries of these 32 communities, resulting in a host of assets locating in these places, many of which remain in place today.

A full 15 of the core communities, almost half, are situated within the top seven metropolitan areas that I discussed before.

Another eight of the core communities are located within the other metropolitan areas of the state, with most bearing the name of their smaller metropolis: Canton, Lima, Mansfield, Sandusky, and Springfield.

And the remaining nine—places like Ashtabula, Portsmouth, and Zanesville—are located in smaller micropolitan areas.

When taken as a group, these 32 cities only cover 2.3 percent of the state's land area but contain 27 percent of the state's population, and 34 percent of the state's jobs.

These core communities also contain… in the aggregate… real physical and institutional assets (and environmental contributions) that have been revalued by a changing nation.

As a group, they concentrate many institutions that form the heart of Ohio's **innovative economy**. Seven of the state's 11 research universities are located in core communities, as are half of Ohio's hospitals. Institutions like the Cleveland Clinic and the University of Cincinnati Medical Center have global reputations and account for substantial economic growth, through spinoffs, patenting activity, and service firms.

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. 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 bachelor's level and higher colleges and universities, the core communities enroll 64 percent of the nearly 400,000 students statewide that attend these institutions.

The core communities have also benefited from historic investments in **infrastructure**. Five of the seven Amtrak stations are in the core communities of Cincinnati, Cleveland, Elyria, Sandusky, and Toledo. Six of the seven ports that serve the state are situated near core communities; two are actually in the core communities of Ashtabula and Toledo. And cities like 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.

And, on the factors that determine the **quality of place**, the age and legacy of core communities yield assets that have enormous value today. For instance, the 32 cores house roughly 40 percent of the state's registered historic places. Many of the cores naturally have the amenities—walkable neighborhoods, historic parks and waterfronts, transit friendly corridors—increasingly sought by young consumers and other demographic groups and demanded by high energy prices and a challenged environment.

With so many assets, it is not surprising that many of these cities serve as economic hubs and provide real benefits for people who live in nearby jurisdictions. The principal cities of Ohio's 16 metros, for example, serve as significant job creators for their surrounding regions. While just 40 percent of the principal-city workforce actually reside in the central (principal) city, another 41 percent originate from the suburbs, 18 percent come from the exurbs, and another 1 percent commute from nonmetro areas. Moreover, a full 70 percent of rural exurbanites (as defined by the census) in Ohio now work in either principal cities or suburbs.

Yet we are not Pollyannaish about these core communities.

Our focus on assets cannot wash away the substantial challenges that these places face: persistent poverty, low educational performance, lagging incomes and stark racial disparities.

And aggregate numbers, of course, mask real differences between places, either because of size, economic function or the legacies of historic investments and decisions.

Thus, any successful state and local action around core communities must proceed from a frank and honest assessment of the assets and liabilities of each place…on its own and in its broader county and metropolitan context.

That leads to our third point, namely that Ohio's past state policies have stacked the deck against core communities, systematically undermining their health and vitality and that of the broader areas that surround them.

Our review of Ohio policies reveals a handful of policies and programs—the Clean Ohio Fund and the Third Frontier being the most recent examples—that have leveraged the assets of core communities and, in the process, catalyzed private sector investment and market revival.

Yet our overriding conclusion is that, on balance, state policies have created "rules of the game" that historically accelerated the decline of older communities in the aftermath of deindustrialization and continue to this day to favor the growth of new communities over the redevelopment of older ones.

The result is that Ohio's cities are weaker economically than they should be… and Ohio is diminished as a result.

As in other Midwestern states, these "anti-core" policies are far reaching and deeply rooted:

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

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

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

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

Our review unveils several major deficiencies in state policies.

Ohio lacks any central defining approach or theory of change with respect to cities and core communities. To a large extent, the state approach is merely the aggregate of separate approaches taken by disparate, compartmentalized agencies. Incredibly, these agencies often act at cross purposes with each other in a given jurisdiction, investing in advanced research in a major university, for example, through one program… and then undermining that investment with misguided decisions on transportation policy.

The absence of a central defining approach to core communities is exemplified by the state's failure to set any meaningful goals around city revival, alignment of state programs and policies to meet these goals and then measurement of progress routinely and rigorously over time.

Beyond this general critique, individual state policies fail to leverage the distinctive assets of core communities or address their special challenges. In many cases, state policy penalizes the cores in favor of newer places.

Our analysis of past economic development investments show a system more prone to spreading resources throughout the state like "peanut butter" than to following any strategic vision for stimulating the revitalization of the core communities. Incredibly, even the state's urban enterprise zone program has suffered this fate. Ohio's program includes 215 zones in 85 out of the state's 88 counties, and actually skews investments and jobs to high-income jurisdictions that arguably don't need the subsidies.

Our analysis of past workforce investments demonstrate that the number of low-income, dislocated, and hard-to-employ residents served is relatively low compared to other states, and/or has declined in recent years, penalizing core communities which have a disproportionate share of these workers. .

Our analysis of past transportation investments show a state addicted to expenditures on roads, with a pathetic amount of resources dedicated to transit and other infrastructure investments that would expand choices and catalyze markets in core communities.

And our analysis of past neighborhood investments show that it is relatively easy to find information about the deficits of cities and communities, and frustratingly difficult to access data on their assets —further diminishing the market attractiveness of these places.

Beyond specific policies, the balkanized landscape of governance in Ohio has hurt core communities.

With barely 40,000 square miles, the state has devolved land use, tax and ,service powers to nearly 3,800 local governmental jurisdictions of various types including 250 cities, 695 villages and 1,308 townships. Interspersed in this fragmented landscape are a host of other special districts and administrative boundaries.

This fragmentation means that Ohio's municipalities spend more time competing with their neighbors—for a piece of property tax here or payroll tax there—than working with them to pursue a unified vision for economic development.

This fragmentation is also a recipe for fast sprawl and hollowed out cores… since businesses and people are naturally attracted to places with low tax burdens, new infrastructure and few social obligations.

And this fragmentation raises the cost of government by duplicating infrastructure, staffing and services.

Incredibly, Ohio is dedicating scarce resources to maintaining scores of local governments at a time when such investments could be more strategically spent on the assets that truly drive prosperity in the state.

This leads to our final point: Ohio needs 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 and Bilbao and Sheffield in Europe.

Frankly, in a global world, Ohio needs to draw its inspiration not just from its neighbors but from its international competitors.

Step One: 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.

What goals do we seek?

What if the share of state population in core communities leveled off at 25 percent in 2010, and then grew back to 30 percent in core communities by 2020? With current predictions, that would mean the 32 core communities would add an additional 580,000 people above and beyond what they would add if the cores remained at 25 percent of state population.

What if 2 percent of metropolitan area residents lived in the downtowns of core communities by 2015?   This would create the critical mass of people necessary to support amenities that lure businesses and jobs and help stem the exodus of young workers. Just imagine the economic, fiscal and psychological impacts of housing 42,000 residents in downtown Cleveland, 43,000 residents in downtown Cincinnati, and 17,000 residents in downtown Dayton.

What if the share of disadvantaged youth achieving post secondary education doubled by 2020, a goal set by the Gates Foundation? That would not only improve the life opportunities of hundreds of thousands of Ohio residents… it would also help fill the real workforce needs of business in this state for decades to come.

How would we achieve these goals in general?

A commitment by the state to take stock of the assets located in the disparate core communities…and the broader metros and counties in which they reside.

- More focus on outcome driven and performance measured decisions… that build from objective evidence.

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

- More integrated solutions that cut across separate policies and bureaucracies like transportation and housing or economic and workforce development.

- And a new "entrepreneurial hot spot" within the executive branch to focus on coordinating programs and investments from different agencies to help individual communities implement specific regionally- or locally-defined goals or projects.

Step Two: We recommend that Ohio embrace and adopt a series of concrete reforms that build on the distinctive assets of core communities.

To enhance innovation, we propose that Ohio bolster the market shaping potential of anchor institutions like universities and medical facilities. We would not renew the urban enterprise zone program, opting instead to create tax favored, economic transformation zones around anchor institutions, thereby catalyzing firm creation and residential resettlement. We also make several tax and policy recommendations to make the goal of vibrant living downtowns and town centers a reality.

We believe these proposals build on and complement the strategy put forward by the Department of Development last week.

To strengthen human capital, we recommend that Ohio embrace proven reforms to turn around failing urban education systems and connect disadvantaged workers to quality jobs in the economic clusters that hold the most promise.

To leverage infrastructure, we recommend that Ohio overhaul antiquated, sprawl inducing transportation policies and make possible the full range of transportation options to encourage more compact land use patterns, lower household transportation costs, and increase automobile, transit, and foot traffic in local business districts and on main streets.

We also recommend the creation of a Transportation Investment Bank that would leverage up private and other public sector financing to transform the physical landscape of core communities:

- Street car initiatives in Columbus, Cincinnati, Toledo, and Dayton.

- The establishment of Amtrak service between Cleveland, Columbus, and Cincinnati.

- The demolition of obsolete expressways in Cleveland, Columbus, and Akron.

Ohio does not have to look any further than Pennsylvania to find a state that has embraced “fix it first” policies in transportation, stopping sprawl-inducing road projects at the fringe in order to fund infrastructure repair and even transit operations in the metropolitan core.

To sustain the quality of place, we recommend that Ohio enact a legislative package to mitigate the devastating impact of foreclosures in vulnerable neighborhoods as well as launch an urban markets initiative to capture the hidden economic potential of densely populated places.

Some of these policy suggestions are well formulated and, with your guidance, can move quickly to a level of specificity needed for legislative and administrative action.

Other suggestions, however, need substantially more work … and we will seek your help in the aftermath of this Summit to build state policy from the best local innovations. This is particularly true in the education and skills arenas.

Step Three: We recommend that Ohio catalyze bold experimentation on governance reform—particularly between cities and jurisdictions in their surrounding metropolitan areas.

Ohio cannot advance a 21st century economy with a system of local government rooted in the 19th. Your competitors in Europe and elsewhere are taking bold steps to overcome centuries of governmental fragmentation and experiment with new metropolitan approaches to taxation, growth, land use and governance. It is high time for Ohio to do the same… by enabling bottom up partnerships that cut across artificial jurisdictional lines that have no meaning in today’s global economy.

Rather than competing against each other, Ohio's jurisdictions should be collaborating to compete.

What are we envisioning?

The state, in everything it does, must lead and inspire and catalyze this new spirit of collaboration.

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

- Support county or metro wide efforts that aim to share services to increase efficiencies, improve service delivery, and minimize costs.

- Reward cities and suburbs that share the tax revenues that come from new commercial and industrial development, thereby ending wasteful competition, catalyzing new investment and lowering fiscal disparities.

- Consider elected assemblies at the metro or even regional scale… new bodies that can make market shaping decisions on large scale infrastructure and economic development investments.

The real competition in Ohio should not be between Cleveland and Lorain or Columbus and Newark or even Warren and Youngstown. The real competition should be between these metros and globally competitive metros in Europe, Asia, and Latin America.

Conclusion

Let me end where I began.

These are exceptional times in Ohio and this country.

A restructuring economy.

An aging and diversifying society.

A challenged environment.

These forces demand unconventional responses to grow and sustain prosperity… and they compel us to fundamentally reassess the role, function and potential of the "core communities" that made this state an economic powerhouse in the mid 20th century.

We know that the changes we have outlined today… and we hope to perfect in the coming months… will not be easy.

They reflect a sharp departure from the past… where state investments were often based more on notions of political back scratching—everyone gets a piece of the pie—than on frank assessments of what assets matter and where they reside.

They necessitate what to date has been an unnatural act: collaboration across separate bureaucratic fiefdoms and jurisdictional lines in the service of the common good.

And they ultimately require the state to make difficult choices about where and how to target scarce resources to best catalyze markets and get innovation back on track.

Yet the benefits to Ohio of developing and implementing a competitive communities strategy will be real and substantial and measurable.

We look forward to working with you and Greater Ohio on this important enterprise.