

Reclaiming Prosperity in the Treasure Valley: Designing a Sustainable Future in the New West

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On June 4 at Boise State University, Mark Muro spoke before a group of Idaho leaders to propose ways for the Boise region to restore and maintain the economic growth it experienced early in the past decade. Muro outlines the region’s assets and deficiencies, creating a cohesive framework for sustainability.

Well, good morning! It’s really great to hear so much “sustainability” talk in this beautiful room, with these incredible views of your sensible city against the backdrop of those beautiful mountains.

It’s great to get my next fix of mountains and Western metros.

Anyway, I first want to thank Jonathan and New West, and COMPASS, and Dr. Kustra for hosting and those nice remarks, as well as the whole Boise State gang—Melissa Lavitt, Susan Mason, and the rest of you.

It is gratifying that all of you a number of others in the region seen the relevance of the way we think about the West.

As a Westerner from Seattle who also lived nearly a decade in Tucson it just feels good to enjoy the hospitality of good Western people.

Anyway I’m Mark Muro, a senior fellow and the policy director of the Metropolitan Policy program at the Brookings Institution, and the co-director of Brookings Mountain West, a new partnership between Brookings and the University of Nevada at Las Vegas.

Brookings Mountain West is our attempt at Brookings to get out of Washington and engage in one of the most dynamic multi-state regions in the nation, both to conduct research useful to you but also to learn from you. Ultimately we hope to be part of the six-state region at once coming to understanding itself better but also gaining a stronger voice and clout in national discussions.

And so I want to pledge my help and that of Brookings Mountain West as this region tries to set a course for the next era of vibrant, sustainable, and equitable growth.

I know it's a time of concern and questioning and wondering about what comes next; I thought what I should do is try to speak to that.

Because this is a real gut-check moment as the nation and Idaho grope onward into a kind of halting, sluggish recovery.

More and more it feels like we're staring at a bona fide "inflection point" in history, a deciding time, which I know is why you are here today.

You're here in many respects because it's become clear neither the state nor the region can go on in the same way, can't continue as it always has, and has realized it needs to remake its fiscal system in order to flourish in a new environment.

After all, lasting changes in U.S. industry structure, spending patterns, and economic behavior all look very much to have set up the conditions for a kind of historic, national "reset," in which the nature of the economy shifts with huge implications for all places.

Moreover, it's very likely that the present time of change will beget—in some places—innovation, and—in other places—erosion.

And that means that what matters now is how places like Boise and the state of Idaho respond.

Can Boise and the state respond decisively to invent a new future, a new and renewed New West?

Or will you simply wait to be saved by the business cycle and a hoped-for return to business-as-usual?

I would submit that the latter course would not be wise.

And so what I thought I would do this morning is, first, discuss the juncture you are facing and why it's a time of reckoning, and, then, review some of the challenges and opportunities you face, informed by work we've been doing in the Mountain States.

I will talk for a while, and then will welcome any questions or discussion you'd like to have.

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To begin then: I'd like to talk a little about the basics of your situation, which are also why Brookings has been following developments here.

The bottom line fact here is that Boise and the northern Rockies are facing a **time of reckoning**, with Boise representing a kind of extreme point of America's regional economic experience—which at once simplifies and complicates your work.

It's a time of reckoning for your growth dynamics.

Until recently metropolitan Boise was growing like topsy and saw its population grow by 26 percent between 2000 and 2007. That pervaded everything and made you one of the fastest growing places in America's fastest growing region.

Since then, however, all that has changed. In-migration has slowed to about one-third its prior volume and in 2010 the region will add the fewest new residents in two decades.

Growth will persist, you'll likely double in size by 2040 or 2050, but for now it's a new reality.

It's a time of reckoning for your economic model.

For a long time Boise has seemed to have it all.

Richard Florida lauded you as an innovation hotspot.

Inc., and *Forbes*, and *BusinessWeek* lauded your torrid growth.

USA Today declared there was “no end in sight” for a remarkable growth story that had “no single cause” but was balanced across “every sector”: farming, technology, tourism, construction, service industries, big firms, and little.

It sounded pretty good and who could blame you for getting comfortable?

However, the wheels have come off a bit.

As confirms the *MountainMonitor*, Brookings Mountain West’s quarterly recession and recovery tracker, the Boise region is suffering a litany of distress

Only five large metros in the nation have lost a greater percentage of their employment since the 2007 peak.

Only four suffered house price declines greater than Boise’s 16.4 percent slump last year

Gross metropolitan product had declined by 4 percent from its peak in early 2007 by this winter.

Overall, you’re overall performance in the fourth of quarter of last year ranked 93 in the nation. Ouch!

That’s a pretty somber accounting. It puts you more in the unenviable company of Las Vegas and Phoenix than Denver or Colorado Springs as far as how your recession impact and recovery.

And finally, it’s a time of reckoning for your development model.

While it lasted, the good times brought you a seemingly unslakable appetite for mass-produced suburban subdivision development that gave you a turbo-charged growth machine that placed 11 percent of your regional employment in real estate and construction in 2006. That was one of the largest shares in the nation

However, now you have problems. That swollen building sector was posited on excessive consumption.

And the region is now laboring to work through a stubbornly high foreclosure problem, an overhang of lots and houses, and several ugly breakdowns of subdivision projects.

It's another reality check.

All of which means Boise and the state of Idaho are facing a real gut check moment because you're facing to a heightened degree many of the **questions** facing the whole nation.

Your situation stages many of the questions raised by the current "rebalancing" of the economy in a really stark way.

How do we get the good times back, but on a more durable basis?

Where will the next period of growth come from?

What should we do now?

How will we use the bad times to reposition?

What are the smart moves that will help us growth in a better way and get better at what we do?

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Which brings us to your more immediate **challenges and opportunities**.

To help places assess their competitive standing, we at Brookings have been working to get a handle on "what really matters" in strengthening America's regional economies as we enter the next decade.

Based on that work, we believe that several defining characteristics will shape the post-recession economy.

To summarize it, our research suggests that the shape of the next American economy will be export-oriented, low carbon, and innovation-fueled.

That is, what is coming will not be solely about consumption, it will not reward heedless carbon emissions, and it will not be kind to those regions that do not invent things.

With consumption lessened for the foreseeable future domestically, nations and places will need to seek out growth abroad. With climate and energy security issues, constant participation in the clean economy will be crucial. And then, with innovation the only source of lasting advantage, all places will need to invent new processes, new products, new services.

And what is more, the new game will be metro led.

Nations, states, individual towns are not the crucial geography. Instead, economic regions are—places like the Boise Valley for one, or Salt Lake, or metro Denver.

After all, this is already an arithmetic fact. Right now, for example, the Boise Valley generates 48 percent of the state's total output.

And nationally, large metros are the nation's prime economic engines.

But beyond that, economic regions like the Boise areas are where it's at: They are where a whole pulsing, dynamic array of actors comes together to concentrate, amplify, and align what matters most.

Economic regions mix and match and link and align, in this respect, four sorts of crucial assets along with that critical other factor, regional governance, which is about how well the place works together to put it all together.

So when we look at a place we consider these five factors.

We consider its infrastructure....because high-quality transportation, electricity transmission, and telecommunications networks are critical to moving goods, power, ideas, and workers quickly

We consider its innovation capacity ...because the ability to invent and exploit new products, processes, and business models is critical for boosting productivity and competing globally

We consider its human capital ...because innovation and the demands of a more competitive economy require a workforce with education and skill levels that are continuously rising

We consider its sustainability and quality of place...because the new economic order and desire for environmental stewardship re-values density, reduced carbon emissions, distinctive neighborhoods, and vibrant downtowns

Oh yes, and we look really closely at regional governance...because collaborative, cohesive, cooperative governance networks are necessary to master today's super-sized problems. Regional governance is how places put it all together!

So, against that framework, **how is the Boise region doing and by extension the state?**

Before I focus on innovation and quality place issues, let's just look really quickly at your top-line standing on those big-three "next economy" determinants: exporting, carbon intensity, and innovation.

On exports, Boise performs well on goods exports but lags on services exports.

Altogether the metro earns about 13 percent of its GMP from exports that bring in critical money from elsewhere—so that's good. That's one of the higher export intensities in the Mountain West.

However, the orientation to goods—chips, printers, wood products—means you're engaged in sectors vulnerable to low-cost competition and not as oriented to the higher-value services work—software design, professional services, legal services, engineering, consulting, finance—that may be a more durable source of advantage.

On the low-carbon front, the state's low-carbon sectors are growing but from a small base.

On some measures you look like a bit of bystander—a small state, you rank only 38th nationally on your total number of green jobs—but your job growth as a state ranks 1st in the nation.

And finally, on innovation, while Boise looks strong on top-line measures like per capita patenting, questions abound about the true depth of the invention system here.

For example, we find using data from Arizona State University that the yearly number of patent applications filed has declined by 60 percent during the last decade.

So it's another mixed story on innovation. You have work to do.

But now let's drill down a bit on two of the drivers of outcomes here: your fundamental innovation capacity, and your quality of place.

Let's start with innovation.

On the positive side, Boise has a history of big firm development and a thriving entrepreneurial culture

Indicators of business dynamics point to the metro area's strong entrepreneurial bent and experience

Meanwhile, Boise State has re-oriented itself towards research.

Notwithstanding its very limited starting base, President Kustra had made building a major research complex in the valley a top priority, and attracted \$37 million in research awards during FY 2009, a 32 percent increase over the prior year.

This is a critical piece of beginning to build a diverse, resilient, and potent innovation region here in the Valley. And note that 80 of the new Boise State effort is federal money--new money in the Valley coming from outside.

And then a number of catalytic organizations are beginning to work to strengthen Boise's clusters.

These range from Idaho Tech Connect and Tech Boise to the WaterCooler and the Boise Angel Alliance. And others!

Entities like these are key aspects of building a vibrant innovation environment that facilitates idea and information exchange, fills gaps, provides forums, and in general supports the brainstorming and idea development of people who want to start things.

However, while university and corporate research and development is a critical driver of innovation and prosperity the hard fact is that in terms of the region's limited R&D activity—measured not by dollars or patents but by people and establishments doing this critical work—you're a very second tier player.

There is still too little of this work going on in too few places.

As a matter of fact, in terms of patent applications, 90 percent of your inventive activity in this decade revolved around Micron and HP.

Take those companies out of your invention system and you don't have much. You really need to diversify your innovation system.

And indeed, some of these difficulties may owe to the fact that the region's industry and innovation clusters are inchoate.

Innovation, patenting, commercialization tends to occur in the context of rich, vibrant, collaborative communities and networks—one's clusters.

And yet aside from your heavy concentration in computer and electronics component manufacturing, wood products, construction, and food processing, the region doesn't have much going on at substantial scale in key, high-value industries such as management; professional, scientific, and technical services; or precision machinery; or some of the new cleantech areas.

But Idaho also lags its high-tech neighbors on crucial human capital inputs

- State education outlays are below average.
- Idaho confers relatively few degrees in science and engineering
- Idaho instructs only 9 science and engineering graduate students per 1,000 young adults

Compounding these problems has been a lack of state policy focus.

- State R&D expenditures are a paltry 0.01 percent of GDP
- The Governor waited two years after disbanding the Idaho Science & Technology Advisory Council before establishing a pared-down Innovation Council
- Budgets have been slashed for key Department of Commerce efforts like Tech Connect
- The state has no comprehensive regional cluster- and innovation-driven economic development strategy

And so the region must act.

Knowing that its big-firm innovation reliance makes it vulnerable, the region must work with new concentration and focus to diversify its economy and systematically strengthen its regional innovation clusters

And this will not be matter of home-runs and grant gestures and company relocations. Instead this is a matter of:

- ✓ boosting R&D and connection activities at Boise State
- ✓ supporting what is emerging, whether in “rec tech” or clean energy or the “apps” economy and “cloud” computing
- ✓ building networks
- ✓ providing support services

And one thing is certain: Collaboration is going to be key. The Boise Valley needs to compete as a single region in a global world.

There won't be room for turf and side-games and intra-region competition.

You need to really make sure there is one Boise Valley now.

And as for the state, it must also engage.

The state cannot recover and prosper until the Boise Valley does, and yet the valley can't reinvent itself without steady, respectful support from the capitol.

- ✓ This means the state needs to recognize the economic centrality of its major region
- ✓ It means it needs to boost higher education investment in the state and finally establish a community college here to produce more skilled employees and entrepreneurs
- ✓ And it means the state needs to become a true, reliable, steady and supportive partner in building high-value, high-potential growth clusters in the Boise Valley.

Again, this may not require or be best served by high-profile tax credits and relocation bounties and big announcements. Instead, I have the hunch this region will blossom with new enterprises and growth if the state supports it with a much more steady, nurturing menu of service supports, collaborations with Boise leaders, modest flexible dollars, and team play.

It's not going to be about silver bullets this time; it's going to be about patient effort and silver buckshot.

But now let's turn to the related innovation work of creating a **sustainable, high-quality place** here in the northern Intermountain West.

Placemaking matters hugely in not only attracting and retaining your best talent but also in making sure your region is efficient and facilitates easy meetings, spontaneous information flow, and sociability.

On this front the region starts with a totally enviable quality of place.

This is stunningly nice place to live, with an average USDA natural amenity index rating of 6 out of 7, low carbon emissions, relatively low job sprawl, and relatively high walkability.

In this connection, the region is working to enhance its urban qualities.

BoDo and other downtown developments show you are making progress in creating a real center where people come together to live, work, do deals, create, and play.

And Boise's North End (behind the state capitol) was recognized in 2008 by the American Planning Association's as one of America's 10 great neighborhoods and a "Quintessential Inner Ring Suburb."

And the region is continuing an admirable tradition of open space stewardship.

The city's work in securing Hammer Flats and ensuring its open space future has been creative and forward-looking.

To be sure, the Boise region faces significant challenges in this connection.

Moreover, looking forward, the region has begun to put in place plausible frameworks for allowing the region to plan and manage growth, transportation, and housing in a more cohesive way.

The Blueprint for Good Growth, for example, provides at least one sensible, balanced vision and framework for better coordinating development, transportation, and housing so the Valley flourishes. Many regions don't really have such a starting point.

And yet with that, said, the region faces some real challenges. For one thing, under-planned, exurban sprawl is a past and likely future problem.

Over 21 percent of new home permits issued from 2000 to 2009 were in unincorporated portions of Ada and Canyon counties, and as you know some of that willy-nilly growth ended badly or led to ugly messes.

Once the economy recovers I wager you will—given the present planning environment—see another round of poorly thought out, expensive-to-the taxpayers sprawl and leapfrog development.

And in this regard the messy collapse of the Avimor project north of Eagle shows how such runaway development can add insult to injury and wind up threatening the region's cherished Foothills.

Relatedly, a lack of integrated transit options leaves residents auto-dependent.

- Right now, Boise ranks 94th out of the largest 100 metropolitan areas worker use of transit in commuting. Just 0.5% of the population gets to work by transit.
- Until recently land-use and planning in Ada County were completely uncoordinated, though there's now a Transport and Land Use Integration Plan that has grown out of Boise's Blueprint implementation activity.
- And for that matter Ada County Highway Department (ACHD) is an ineffective regional agency at present, unaffiliated with the transit authority and the planners.

Underlying and exacerbating all of these ills is too much governance fragmentation and too little coordination.

You can have a lot of governments and actors if they play together; or if they don't want to coordinate, it's better to have fewer players.

The Boise Valley struggles with the worst of both worlds.

On the one hand, the Boise-Nampa area has a lot of actors for a small place. Authority is now displaced among 22 municipalities and five counties. In addition you have the fifth-highest number of special district governments per capita in the nation.

By our count the region has:

- 8 Highway authorities
- 5 Housing authorities
- 9 water authorities
- 8 urban renewal districts

As well as the

- 22 Municipalities
- 5 Counties

That's a lot of government for a place that professes not to like government very much!

But complicating matters further is the fact there's a lot of turf and parochialism and parallel play going on.

- Only the transit agency operates at anything resembling a “metro-scale.”
- Boise is the only municipality in the Valley that has begun to implement the regional Blueprint for Good Growth
- Turf scuffles and-or drift are common.

Nor has the state been particularly helpful in promoting regional cohesion.

States set the governance rules of the road but in Idaho the state framework has not been helpful.

- Idaho does not have a statewide land use agency or any state-based funding for cities and counties to carry out their land use planning
- The Local Land Use Planning Act it does have pits city and county against one another
- State policy does not allow voters to approve taxes for dedicated transit investments
- For that matter the legislature continues to stall about funding Gov. Otter's requested road projects and revenue enhancements

And so the region must act.

And here, my advice is very simple: The Valley must learn to collaborate better. Along these lines:

- ✓ The Valley must **seek new coordination** among actors and plans to integrate management and problem-solving to protect quality of place, bolster downtown, integrate transportation and land-use planning, and protect open space. The cities, the county, the Highway Department need to get together

- ✓ Sticking with the cooperative work ongoing on the State Street corridor would be a good start
- ✓ Implementing the Blueprint for Good Growth is be a challenge for the decade. Getting a truly regional growth framework in place could be transformative—a true “gamechanger.”

But again, the state must engage.

Towns and counties are creatures of the state, legally, and so regions can’t go it alone. Instead, they require a supportive, steady platform in state governance as well as a spirit of empowerment and partnership from the capitol.

The Treasure Valley has not had that in recent years, but both the state and the region need to put that sort of platform in place given their mutual interest in seeing that the state’s Capitol region and major economic and population center flourishes.

To that end, the state should

- ✓ Recognize its interest in helping to craft a vibrant, attractive capitol region
- ✓ Support regional collaboration. Pennsylvania and other states provide an array of low-dollar but catalytic planning grants, technical assistance programs, trainings, and so on to foster collaborative management
- ✓ Provide more local discretion, whether on planning rules or local option revenue raising such as for transit. In Idaho localities and regions really aren’t allowed to do much; a spirit of local empowerment at the state house would enable better problem-solving closer to the people and their communities

It seems like you need a more cooperative spirit, not just here in the Valley but vertically, between the state and the region.

In sum, the Boise region and the state of Idaho face the current “reset” with some real strengths. But you need to use these down times to begin to really work together.

This is not the time to simply wait for the business cycle to return things to a more sluggish version of business-as-usual.

It's the time make new moves.

It's the time to build the infrastructure of a super-innovative, super-entrepreneurial and, yes, super-collaborative region of real quality.

Thank you.