Metropolitan Policy Program
at BROOKINGS

Metropolitan Las Vegas: Challenges, Opportunities, and a Vision

University of Nevada, Las Vegas
Greenspun Auditorium
Brookings Mountain West Initiative
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September 8, 2009

Well, first, Rob Lang and I want to thank Ron for that introduction. Thanks Ron.

And more broadly, at the risk of overdoing the mutual admiration society, we want to call out a number of Las Vegans who have been incredibly welcoming of the work we and Brookings as a whole propose doing.

UNLV, from President Smatresk on down, has been quick to see the drift of our work and we are grateful for their adoption of it.

We deeply appreciate the support of the Lincy Foundation in all of this and other things going on in the region.

The same goes for leaders here like Pat Mulroy of the Southern Nevada Water Authority, Jake Snow of the Regional Transportation Commission, Marcia Turner of the System of Higher Ed, Michael Yackira of NV Energy, and Michael Saltman.

And finally, we want to thank Brian Greenspun for his wise and friendly counsel, and for his belief that Brookings can help Las Vegas continue to progress toward a truly sustainable prosperity.

You are lucky to have such stewards of your region's prosperity.

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

We're here to inaugurate and celebrate a new, more formalized relationship between Brookings, UNLV, Southern Nevada, and the Intermountain West more broadly. And that is very exciting.

But we're also here because these are momentous, challenging times in Las Vegas.

More and more it feels like we're staring at a bona fide "inflection point" in history, a deciding time.

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.

Crisis is upon us, and there may well be no "return to normal" since what preceded the current recession was not itself normal.

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

And that means that what matters now is how places like Las Vegas respond to the crisis. Can Las Vegas respond decisively and, in the words of Wayne Gretzky, "skate to where the puck will be, not where it is." Or will it simply wait to be saved by the business cycle and a hoped-for return to business-as-usual?

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

And so what Rob Lang and I thought we would do this morning is celebrate Brookings' and the Metro Program's new partnership here by saying why the Metro Program is so interested in working with you, reviewing the challenges and opportunities you face, and then offering a vision of the way forward.

I will touch on the first two points and Rob Lang will then conclude, at which point we'll welcome questions and discussion.

In all, you should know that we see you as a region of Wayne Gretzkys!

To begin then: Why are we here? Why is Brookings so interested in Las Vegas and the Intermountain West?

There are a lot of reasons, but ultimately they come down to the extraordinary fashion in which Las Vegas represents a kind of extreme point of America's metropolitan experience.

One aspect of this is its growth dynamics.
Metropolitan Las Vegas grew by 17 percent between 2000 and 2007, about 2.5 percent a year—some of the fastest growth in America's fastest growing region.

Since then population growth has slammed to a halt and is likely negative now. Jeremy Aguero of Applied Analysis now estimates the region will see its population slip by almost 18,000 people this year

Growth will return, you'll double in size by 2040 as our colleague Chris Nelson projects, but there is now tumult, and there will be further ups and downs.

Such dynamics may not always be fun but they make you interesting. So for scholars interested in the nature of fast growth this is the place to be!

Another reason we’re here is the constant invention in the West of new urban forms.
Las Vegas is one of the nation’s most dynamic laboratories for new development types, whether it be the deliberate super-density of the Strip, the City Center mega-project, or the “boomburgs” tracked by my partner Rob.

And finally, we’re here because you’re at ground zero of the world economic crisis.
In this connection, the litany of stress is sobering as tracked by Brookings’ “MetroMonitor” trend watch

No large U.S. metro area has suffered house price declines greater than Las Vegas’ 24 percent slump in the last year

No large metro has a higher concentration of foreclosures

Gross metropolitan product has declined by 3 percent since its last peak in early 2007

And unemployment now exceeds 13 percent.

In this respect, Vegas exaggerates America’s economic quandary. It faces in spades the fundamental questions facing the whole country.

For example, there’s a growing consensus that the nation needs to export more goods and professional services, and trade less on consumerism.
For example, Larry Summers—the director of the National Economic Council—says bluntly: “The rebuilt American economy must be more export-oriented and less consumption oriented.”

And indeed, consumption is down nationally and the saving rate is rising, with many economists arguing it will stay higher for a long time

And yet, this is potentially problematic for Las Vegas because few U.S. metros are as dependent on consumption as Vegas
Here you see that Las Vegas, on the left, generates more than half of its metro private sector GDP from consumption activities (real estate, construction, eating, drinking, and hospitality) with only Orlando anywhere near it.

This super-high reliance makes the region vulnerable to any wholesale consumption pull-back

Indeed, you export very few hard goods because your main export item is, at this point, a consumption item: fun and gaming

All of which means Las Vegas faces to a heightened degree many of the questions facing the whole nation.

Las Vegas, for that reason, is totally compelling to us. Your situation stages many of the questions raised by the current “rebalancing” of the economy in a really stark way.

Where will the next period of growth come from?

What should we do now?

How will we use the bad times to reposition?

What should we invest in and how should we get better at what we do?

In that sense, this is a great place for us to engage in the challenges the whole nation faces and see what one representative place can do to renew itself, with hopefully good advice and smart state and federal policy support.

Which brings us to your more immediate challenges and opportunities.

To help places assess their competitive standing, we at Brookings have developed a Blueprint for American Prosperity.

The Blueprint is a deep-going prosperity-analysis and federal policy agenda for metros that has helped many places—as well as the Obama administration—get a handle on "what really matters" in strengthening America's regional economies.

According to the Blueprint, true prosperity depends in achieving three types of growth all at once:
Productive growth that boosts innovation and productivity and so generates quality jobs and rising income

Inclusive growth that fosters a strong middle class by addressing the training and education needs of an increasingly diverse population

Sustainable growth that promotes sensible urban form, reduces resource consumption and carbon emissions, and protects the environment

To achieve these goals, we argue, four sorts of local assets along with improved regional governance matter inordinately

Infrastructure matters…..because high-quality transportation, electricity transmission, and telecommunications networks are critical to moving goods, power, ideas, and workers quickly

Innovation matters……because the ability to invent and exploit new products, processes, and business models is critical for boosting productivity and competing globally

Human capital matters… …because innovation and the demands of a more competitive economy require a workforce with education and skill levels that are continuously rising

Sustainability matters …because the new economic order and desire for environmental sustainability re-values density, distinctive neighborhoods, and vibrant downtowns

And, regional governance matters… …because decisive, nimble, wider-reaching 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 Las Vegas doing? With what deficits and assets does southern Nevada face the current "reset?"

Well, the sobering indicators I ticked off earlier are no secret.

So now I want to more selectively touch on your standing on some of deeper fundamental drivers of prosperity I have just mentioned: your infrastructure links, your innovation capacity, your sustainability and quality of place.

And here there are definitely serious challenges to be surmounted but also opportunities ahead.

Start with infrastructure—specifically transportation infrastructure, which is just one type of infrastructure but can stand as an example.

On this front, the glaring fact remains that Las Vegas remains—like many of the Mountain West's metros— woefully underserved by transportation links.

This owes in part to the fact that you came late to the great freeway building era of the last century. But at any rate, the state of affairs is extraordinary.

On the highway front, Las Vegas and Phoenix remain the nation's two largest metropolitan areas not served by an interstate highway (as you've heard us say).

Likewise, in some places I-15—the crucial link between Vegas and LA—provides just two lanes in each direction.

That simply does not befit a truly connected world-class metropolis

As to intercity rail links, you're also operating at a disadvantage. You don't have any!

That means the region lacks transportation choice and another key accoutrement of the highly linked 21st century world city.

Yet as it happens, southern Nevada has actually gained some momentum on this front.

On the highway side, Brookings' "Mountain Megas" report has helped reanimate discussions about the construction of an "Interstate 11" connecting Las Vegas and Phoenix.

As to the rail problems, a southern California to Vegas link has now been added to the Federal Railroad Administration's High Speed Rail Corridor Designations map—an important step forward. This makes Las Vegas the only metropolitan area in the Intermountain West to have gained such a designation thus far.

And finally, McCarron airport remains a killer asset in the drive to create a true world city in southern Nevada.

As forthcoming Brookings data will show, McCarron isn't just the sixth busiest airport in the nation.

Also, it is one end of the most heavily traveled short-haul air corridor in America: the LA-Vegas pathway.

And especially important, it has multiplied its international arrivals but some 2,600 percent since 1990, a surge surpassed only by Phoenix.

In short, southern Nevada—notwithstanding some glaring infrastructure deficits—is moving successfully to fill in the full complement of links it needs to move goods, ideas, and workers quickly.

It's time to push this work further.

Now let's turn to the region's innovation capacity—the ability to invent and exploit new products, processes, and business models.

The ability to innovate matters because it heavily influences your ability to raise your labor productivity, develop new exportable goods and services, and stockpile high-wage jobs that can support a good standard of living.

On this front Las Vegas faces steeper challenges. For example, scientific and technical R&D is a critical driver of innovation and economic productivity but Las Vegas conducts little of it.

As a result, patenting rates—a key measure of a region's innovation capacity—remain low.

And so, partly as a result, Las Vegas remains relatively weak in critical green export activities that might become important to a new, less consumption-driven Nevada economy.

You can see here that Vegas is exporting very little currently in terms of green products (the red bar in the middle) and as a result sees a low percentage of its employment in so-called "green jobs" (that dip in the green curve). So that bodes poorly.

And yet, notwithstanding these challenges, the fact remains that Las Vegas has some strengths in the race to move into higher-value, export-oriented pursuits.

To begin with, Las Vegas' labor productivity continues to outstrip most of its regional competitors.

Likewise, and partly explaining the region's solid labor output, the region possesses at least one world-class source of export income and innovation—the gaming-entertainment-hospitality-convening sector.

To the extent that this sector can be moved more and more away from pure consumption and more toward high-end convening/meeting/deal making/strategizing and related professional services the more it will emerge as a true driver of high-value growth

And then your sunny natural assets, regional focus, and your convening power are building real momentum in the renewable energy sector

The region has been aggressive about deploying solar.

The university is building relevant specializations, including training programs, and getting into the game on new research concepts such as the Department of Energy's forthcoming energy innovation hubs program

And through mega-convening like Sen. Reid's Clean Energy Summit you are inserting yourself directly into national discussions at the highest-level about the nature and direction of the clean energy opportunity.

In this respect, clean tech is becoming an excellent example of how moving up the value-chain in the professional convening sector can drive more substantive economic development

In sum, you are moving in the right direction although the sector is as yet still insignificant in terms of firm-creation and export employment.

Which brings us to the last of the drivers I want to talk about today: your standing on the creation of a sustainable, high-quality place here in the desert.

To be sure, southern Nevada faces significant challenges in this connection.

Climate change has heightened water supply questions, to the point that the Bureau of Reclamation labels your region red on this map of water "conflict potential."

For the record, you are labeled: "Conflict potential: Highly likely."

While this may be overstated at times, water supply questions remain a real and persistent challenge.

Likewise, while natural growth constraints have forced relatively dense development, past policy choices have left the region auto-dependent and poorly linked.

And yet, all is not lost. To begin with, a strong, dense urban job core represents an important starting point for shaping an efficient, dynamic metropolis.
In this connection, a recent Brookings report reported that 90 percent of Las Vegas area jobs are located within 10 miles of the city center, a share that far exceeds both the metropolitan average and the share in any other Intermountain West metro.

That centeredness is something build on. It allows for efficiency. It focuses face-to-face dealings. It allows for transit solutions and walkability.

Beyond that, innovative new experiments in urban design, green architecture, and walkable urbanism are beginning to retrofit the autoscape

City Center is hugely significant here as the biggest example of how Vegas has been trying to build a real urban center in the valley

A massive green project, City Center also points to a future Las Vegas that creates festive urban nodes across the Valley, inviting zones of walkability, and ultimately a network of centers of transit oriented development such as may grow up around the cool stops for your forthcoming Bus Rapid Transit system.

And then, while the term “sustainable Las Vegas” may still seem an oxymoron, huge strides are being made to make it so

Per capita water consumption is plunging.

No region has shifted faster and farther toward renewable energy than Nevada.

And finally, partly as a result, Las Vegas’ carbon footprint remains below the national and regional average.

This is one cardinal indicator of regional sustainability and you are doing alright on it.

In short, the tempo of change in Las Vegas is allowing a quite rapid retrofit of an unsustainable urban system that needs to keep going.

In sum, looking more broadly, Las Vegas faces the current “reset” with some real strengths. But it needs to use these bad times well.

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 links of a super-connected, super-innovative, and yes, sustainable world crossing point.

And yet, this is only the relatively near-term, practical roadmap. Great regions have great visions, great theories, deep intuitions about what they want to become and how they'll make it happen.

And so to provide a few reflections conjuring up that sort of intuition, I want to hand this over to my colleague Rob Lang, who will propose a true operating vision for how Las Vegas can leverage the new drivers of prosperity to claim full global city status.

After that, we want to hear some questions and have a discussion.

But for now let's hear from Rob.

Rob?