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"Metropolitan Governance for a Changing Economy"
Remarks Prepared for the Michigan Future Forum
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Introduction

Thank you for the invitation to speak today. It is a pleasure to return to the Michigan Future Forum, particularly with my close friend and colleague, Myron Orfield.

It is also a pleasure to come back to Michigan, particularly at this time of the year.

But I think now is a particularly good time to be in the state to discuss issues around regional growth, competitiveness and governance.

It's a good time to be here because of the difficult economic and fiscal environment in this state and across the country. Now more than ever, the imperative of controlling costs is making the reform of uncontrolled, unplanned and wasteful growth patterns unavoidable. In short, bad times turn out to be precisely the right time to tackle thorny issues of land use, infrastructure, urban vitality and fragmented governance.

It's also a good time to talk about these issues because of the bipartisan effort and energy that went into the preparation of the final report by the Michigan Land Use Leadership Council. I commend the Council for conducting an open and inclusive and extensive process in a very short time period. I also commend Governor Granholm and the state legislative leaders for their efforts in forming the Council.

If the Council's work is taken seriously, Michigan could be on the cusp of charting a very different course of economic growth and fiscal responsibility in the future.

I want to make three major points today.

> **The first point is that there is a fundamental disconnect between how we live and work in America and how we govern**. That disconnect is very apparent in the state of Michigan where a tradition of home rule and localism continues amid broader patterns of population and employment decentralization.

> **The second point is that this disconnect has significant consequences**. The mismatch between governance and the economy undermines the competitiveness of places, raises the cost of doing business and delivering services and exacerbates sprawling development trends as well as patterns of racial and class separation.
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> **The final point is that change is possible and is already occurring**. I will give five examples of things the state and its regions can do to advance regional collaboration, some of which emanate from the Land Use Leadership Council, all of which I think are politically feasible.

Let Me Start by Defining the Growing Disconnect Between the Metropolitan Nature of Economic Change and State/Local Governance

Brookings has spent the past two years examining the results of the 2000 census. What we have discovered is a nation undergoing a period of dynamic, even volatile change.

Our research shows that, first and foremost, metropolitan areas are literally where America lives. Not only do eight out of ten people in the US now reside in the nearly 300 federally defined metro areas, but these crucial places drive the economy. Together, these regions produce more than 85 percent of the nation's economic output and generate 84 percent of America's jobs. More and more these areas are where the business of American life gets carried out. They are, in short, the new competitive units in the global economy.

Our research also shows that the decentralization of economic and residential life, not the renewal of core cities and central downtowns, remains the dominant growth pattern in the United States.

> From 1990 to 2000, the rate of population growth for suburbs was twice that of central cities – 8.8 percent versus 17 percent. Suburban growth outpaced city growth irrespective of whether a city's population was falling like Hartford or staying stable like Des Monies or rising rapidly like Denver.
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> Percentage growth only tells part of the story. The city of Grand Rapids, for example, grew by a healthy 4.6 percent during the 1990s or 8600 people; yet its metropolitan area grew by 16.1 percent or over 150,000 people. The city of Ann Arbor grew by 4 percent or 4400 people; yet its metropolitan area grew by 18.1 percent and added over 88,000 people. The city of Detroit, by contrast, continued its long slide, declining by 7.5 percent or over 76,000 people; yet its metropolitan area grew by 4.1 percent and added almost 175,000 people.

As people go, so do jobs. That is a nice cliché; it is actually true.

> The suburbs now dominate employment growth and are no longer just bedroom communities for workers commuting to traditional downtowns. Rather, they are

now strong employment centers serving a variety of functions in their regional economies. The American economy is rapidly becoming an exit ramp economy, with office, commercial and retail facilities increasingly located along suburban freeways.

A new spatial geography of work and opportunity has emerged in metro America. Across the largest 100 metro areas, on average, only 22 percent of people work within three miles of the city center and a third of the jobs are located more than 10 miles away from the central business district

Detroit, not surprisingly, stands out as one of the most radically decentralized economies in the United States. Incredibly, only 22 percent of jobs in the Detroit metro are located within 10 miles of the central business district. Only five percent of the jobs in the Detroit metropolis are located within three miles of the CBD.

The shifting patterns of population and jobs in America have created a "new metropolitan reality".

People live in one municipality, work in another, go to church or the doctor's office or the movies in yet another.

Labor and housing markets are metropolitan wide. Supplier and distribution networks are metro-wide and beyond.

Cities and suburbs are clearly interdependent; the healthier the city, the healthier the suburbs.

Morning traffic reports describe pileups and traffic jams that stretch across a metropolitan area.

Opera companies and sports teams pull people from throughout a region.

Air or water pollution affects an entire region, because pollutants, carbon monoxide and runoff recognize no city or suburban or county boundaries.

Even homeland security is a metropolitan concern since transportation hubs – ports, airports, railways – clearly serve broad areas.

The bottomline: the challenges in metropolitan America cross many issues and policies, departments and disciplines.

Yet, whereas markets, and more importantly lives, operate in a metropolitan context, government clearly does not.

The culture of government still tends to be insular and prizes specialization and so-called "expertise". So transportation decisions by traffic engineers are made in isolation from the communities they affect. And decisions on integrated issues like housing and land use and economic development and infrastructure are all made separately by separate bureaucracies and different levels of government.

Meanwhile, our local government structures cling to boundaries more suited to an eighteenth century township than to a 21st century metropolis.

As the Michigan Land Use Council rightly pointed out, Michigan has a long history of localism and home rule.

Michigan has over 1,850 counties, cities, villages and townships empowered to plan and zone. In addition, there are dozens of special public entities authorized to plan and use land that act independently of counties, cities, villages and townships.

The Metro Triplex region in West Michigan, for example, comprises all or part of 100 units of government – including 68 townships, 38 cities, towns or villages and the four counties of Kent, Ottawa, Muskegon and Allegan.

The Detroit metropolis has an incredible 365 local governments.

The proliferation of local governments only scratches the surface of the intense localism practiced in the state of Michigan.

In any given metropolis, governmental programs and policies are administered by a dizzying array of highly local entities.

> Federal workforce programs, for example, are generally administered by local and county workforce investment boards.
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> The administration of federal housing programs is even more parochial. In the Detroit metropolitan area, for example, thirty one public housing agencies administer separate voucher programs.

Outside government, the tradition of localism is arguably even worse. Many nonprofit intermediaries, for example, remain highly neighborhood oriented.

> Community development corporations generally focus on building housing within small neighborhoods.
>
> Community development finance institutions generally focus on lending within low-income neighborhoods.
>
> In short, few nonprofit organizations – including civic institutions -- take the big regional picture.

There are clearly benefits to such intense localism – particularly in tying citizens closer to government.

Yet the disconnect between how we live and work and how we govern has serious consequences for the longer sustainability and success of our metropolitan areas, the engines of our economy.

Here's what our research is showing.

First, fragmentation keeps governments weak. With the landscape chopped into 1,850 municipalities, hundreds of Michigan's governments remain tiny, nearly amateur concerns unequal to the widening challenges of suburbanization, revitalization and economic development.

Michigan's governance remains what David Rusk has called a "crazy quilt of little box governments and limited horizons". In geographical terms, Michigan's little boxes ensure that in almost every region scores of archaic boundaries artificially divide regions that otherwise represent single, interrelated social, economic and environmental communities. Such divisions will always complicate efforts to carry out cross boundary visioning, plan cooperatively or coordinate decision making across large areas.

At the same time, little boxes bring limited horizons in more practical terms. With the vast majority of municipalities essentially small towns, many if not most retain limited tax bases and struggle to provide even the most basic services.

Michigan's little boxes create a problem of scale in short. More and more, the geographical reach of Michigan's challenges exceeds the reach and capacity of its governmental machinery.

Second, fragmentation exacerbates sprawl and decentralization. Research shows that increased fragmentation resulted in decreased shares of office space for central business districts, less centrality, longer commuting times, more edge cities and more sprawl.

In this connection, fragmentation not only inhibits coordinated planning to manage growth but spawns a sprawl inducing competition among the states multiple jurisdictions for desirable commercial, industrial and residential tax base. I know that Myron Orfield will talk about this intense tax competition at greater length.

Third, fragmentation increases the cost of government. This follows from the simple fact that political fragmentation often leads competing jurisdictions to duplicate infrastructure, staffing and services that could otherwise be provided more cost effectively.

Fourth, fragmentation facilitates segregation by race, class and ethnicity. This leads to a spatial mismatch between jobs and workers as economies decentralize and minority workers and poor workers remain concentrated in places -- central cities, older suburbs – far from areas of growing employment.

Finally, and this may be the most important finding, sophisticated new research concludes that metropolitan fragmentation exerts a statistically significant negative impact on competitiveness and weakens long-term regional economic performance.

This is partly because decentralization is weakening the downtown cores that attract young workers and foster greater access to idea and technologies. Lets be frank. Michigan lacks the "cool", bustling urban cores that attract and retain talented knowledge workers. Not surprisingly, the state is experiencing a brain drain of its best and brightest to metro areas that have strong and vital cities -- Chicago, Minneapolis-St. Paul, Seattle, and Boston.

The negative impact on competitiveness is also due to the fact that Michigan's jurisdictions are spending their time competing against each other rather than working together to compete in the world economy. As Jerry Paytas of Carnegie Mellon University soundly argues:

> "How well a region organizes and utilizes its assets and resources is the key to its ability to compete and to respond to change. Long term competitiveness requires flexibility and fragmented regions are less likely to mobilize the consensus for change. Fragmented regions divide the regional constituency, offering opponents of change more opportunities, forums and even institutional support to resist change. Unification encourages serving the regional constituency rather than parochial interests."

The implication is troubling: Michigan's fractured regions compete for growth and jobs at a deficit.

So Where Does Michigan Go From Here?

After decades of mostly academic research and debate, there is a clear rebirth of interest in metropolitan governance.

This rebirth of interest has been prompted, in part, by federal action. For example, the federal government has begun to recognize that issues that cross jurisdictional borders – transportation, air quality – need cross-jurisdictional solutions and entities that bring together representatives from all places to design and implement such solutions. To this end, the federal government devolved greater responsibility for transportation decision making to metropolitan entities in the so-called ISTEA and TEA-21 laws.

At the local level, there is clear evidence that the American metropolitan areas are experimenting with new forms of governance. There has been, for example, a renewed spate of city/county consolidations. Earlier the year the city of Louisville merged with Jefferson County, Kentucky to create a new Greater Louisville. Over night, Louisville catapulted from being the 64th largest city in the United States to the 16th. More importantly, the new regional mayor has taken giant steps to consolidate duplicative city and county services and the regional corporate community is using the consolidation to market Louisville as an affordable and efficient place to do business.

Even at the private sector level, we have seen a slow but steady increase in workforce and housing and other intermediaries that think and act across borders.

So what should Michigan do to recognize the primacy of metropolitan areas in our changing economy and better align the geography of decision making on transportation, housing and other issues with the geography of regional economies, commuting patterns, and social reality.

Or, more precisely, what CAN Michigan do to achieve these objectives given its history of intense localism and local control.

Lets be real. It is unlikely – at the outset -- that Michigan's cities and counties will go the route of Louisville and consolidate.

Yet there are steps way short of merger and consolidation which are meaningful and worth doing and, more importantly, politically feasible.

First, Michigan must change its culture of governance. Governing is too important to be left to government alone. Michigan needs to find ways in which government can make decisions on critical cross-jurisdictional issues like transportation in concert with corporate, civic and community leaders. This will require tough legislative and administrative reforms. For example, the state department of transportation must change its insular way of doing business. The department should reform its governing structure to include political, business and citizen representation from every metro area in the state and substantially expand citizen participation in the development of transportation plans.

Second, Michigan should bolster the capacity and responsibilities of its existing regional organizations. Michigan has currently created 14 planning and development regions and recognizes them for various state activities. But since the early 1980s the state has failed to establish program requirements or uniform funding for regional land use planning.

Clearly the state can and must do better. The Michigan Land Use Leadership Council, for example, has recommended that "the legislature consider amending the regional planning act to establish clearer requirements for regional planning commissions and to encourage changes in the boundaries of Michigan's 14 planning and development regions to make them more effective." That is a good start and the legislature should act on the recommendation.

The Council has also recommended that Michigan support the collection and dissemination of data and information at the regional level as well as expand the development and implementation of regional plans. The Council specifically recommended that the state contribute funding to regional planning commissions to prepare general regional land use plans as well as plans on such issues as resource management, environmental protection, affordable housing, economic development and emergency prepardedeness.

Third, Michigan could particularly strengthen the metropolitan governance of transportation. Federal transportation programs return more money to state and local governments than any other federal initiative involving physical infrastructure, and do as much as any cluster of programs to influence the spatial form and social fabric of our cities and suburbs.

Fortunately, federal laws have begun to devolve more powers to metropolitan planning organizations. But these organizations are still fledgling and need to mature. The state needs to strengthen the metropolitan planning organizations. By giving them more power. By building their capacity. By giving them greater flexibility. By giving them more support.

Even with further reform, state departments of transportation will continue to oversee the largest share of federal transportation resources. For that reasons, it is critical that statewide transportation policies and practices strengthen metro economies and respond adequately to metropolitan transportation challenges.

To this end, the state DOT should allocate transportation resources in a manner that is consistent with objective needs and reflects the proportional contribution of gas tax revenues from different parts of the state.

This is a critical piece. Brookings research shows that many states continue to penalize metropolitan areas in the allocation of transportation funds. In Ohio, for example, rural counties receive much higher distributions of transportation funds than do suburban and urban counties when allocations are compared to indicators of need such as population, vehicle registrations, vehicle miles traveled and retail sales at gasoline stations.

The bottom line is that metro areas need a fair shake at transportation dollars if they are going to remain competitive.

Fourth, Michigan could promote regional cooperation on issues that clearly have multijurisdictional impacts through funding incentives and changes in program design. Again, the Land Use Leadership Council has an excellent recommendation:

> "The state should require communities that are applying for grants on projects that have multijurisdictional impacts to collaborate with each other to develop integrated regional or multiauthority plans and policies as a requirement for county, state and federal government transportation, infrastructure and land acquisition activities."

Finally corporate and civic leaders – perhaps with help from state and local government – could create institutions that not only think regionally but act in a regional context.

What kind of institutions am I talking about?

> For a start, labor market intermediaries that act as bridges between neighborhoods of low income workers and employment clusters, wherever they are. That will entail identifying employers, suburban or urban, that have the right kinds of jobs for neighborhood workers; tailoring skills training efforts to the needs of employers; and working with local government and others on alternative transportation strategies and necessary work supports like child care.
>
> How about regional housing corporations that not only produce affordable housing in areas of fast growing employment but also act as a source of regional intelligence on the growing mismatch between jobs and housing and the impact of that mismatch on firm performance?

We need, in short, to grow regional intermediaries that are nimble and entrepreneurial and act as advocates and catalysts for metropolitan change.

Conclusion

I don't pretend that these recommendations alone will change the world and resolve the pressing economic and fiscal challenges facing this state. The bottom line is that even with these changes, localism will still reign supreme in Michigan.

And there are thorny issues with metropolitan governance. What are the rules for working together at the metropolitan level? Who decides these rules? Is every place in a metropolitan area treated equally? Or are population centers given greater voting powers?

And fragmented governance is only part of the problem. As the Land Use Leadership Council correctly points out, Michigan needs to change the "rules of the development game" that currently facilitate sprawl and decentralization. The state needs to be more focused and strategic in its allocation of state resources – giving priority, first and foremost, to commerce centers in the state. The state also needs to invest more in competitive assets like transit and remove regulatory barriers to urban revitalization. Clearly, changing the rules of the development game is as if not more important than governance reform.

But these recommendations for governance reform are critical. They are necessary to help this state better match the geography of governance to the new metropolitan reality of population and employment decentralization. They are necessary to inculcate in this state a new culture of multi-municipal collaboration and metropolitan governance. The long-term benefits of this shift in thinking could be substantial – fiscally, economically, socially, environmentally. Reforms in this area will not be easy – but they are worthy of debate and particularly worthy of the sustained attention and focus of Michigan's business and legislative leadership.