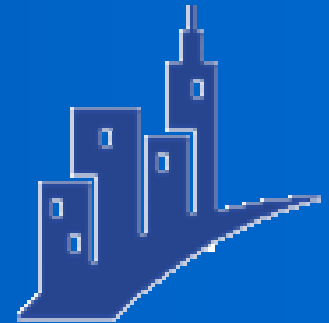


The Brookings Institution

Center on Urban and Metropolitan Policy

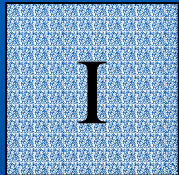
Bruce Katz, Director



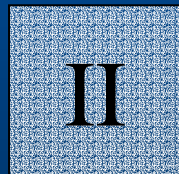
Kansas City: Region on the Rise

Presentation to the Mid-America Regional Council
June 4th, 2004

Kansas City: Region on the Rise



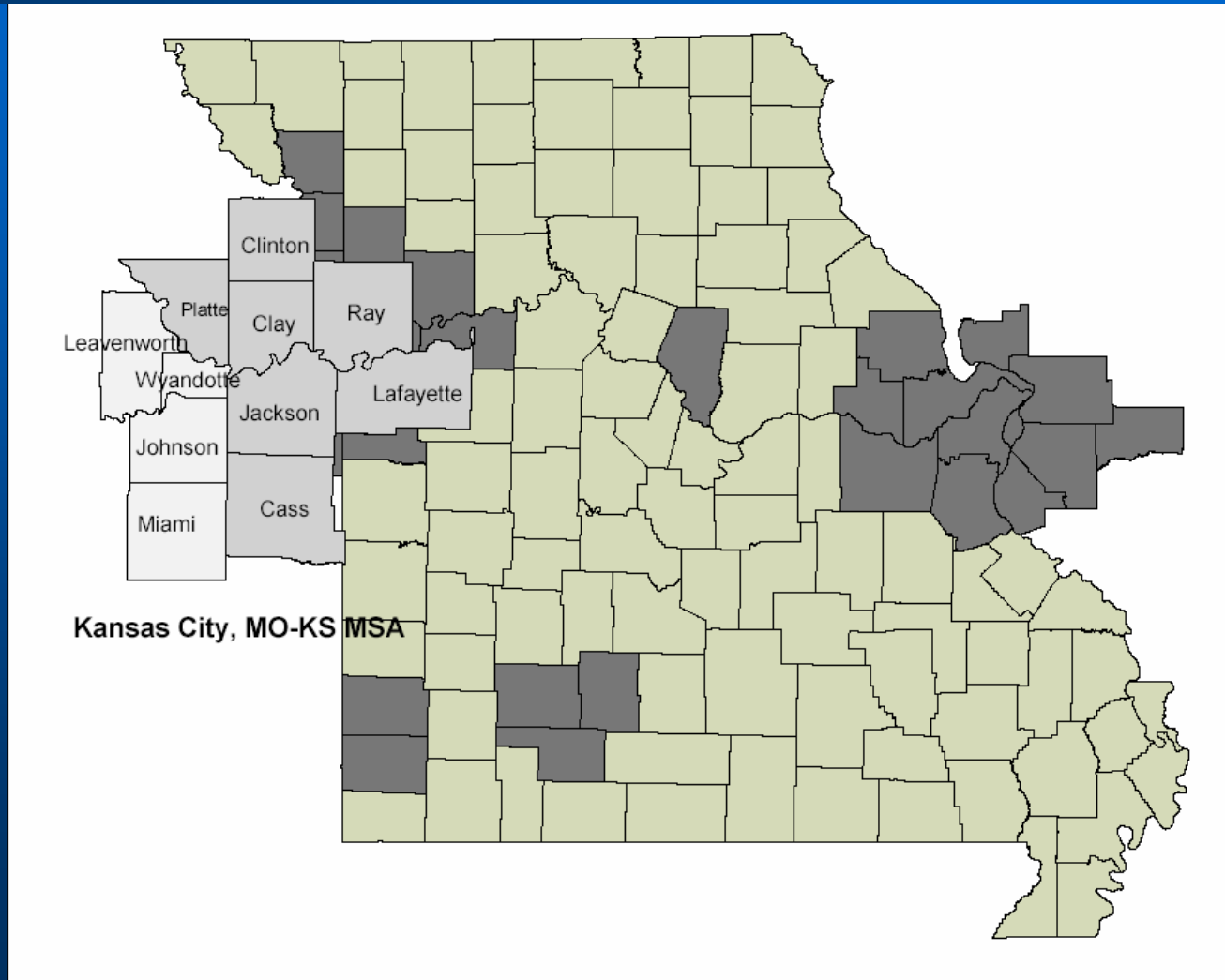
What factors matter in regional economic competitiveness?



What are policies the region can pursue to help it move toward a brighter economic future?



The Kansas City Metropolitan area





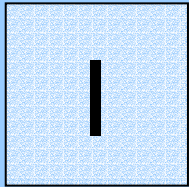
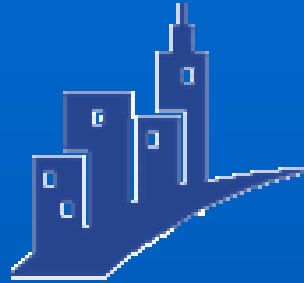
Kansas City is the 28th largest metro

	Metropolitan Population	
	2000	Rank
Miami	2,253,362	23
Cleveland-Lorain-Elyria	2,250,871	24
Denver	2,109,282	25
Newark	2,032,989	26
Portland-Vancouver	1,918,009	27
Kansas City	1,776,062	28
San Francisco	1,731,183	29
Fort Worth-Arlington	1,702,625	30
San Jose	1,682,585	31
Cincinnati	1,646,395	32
Orlando	1,644,561	33

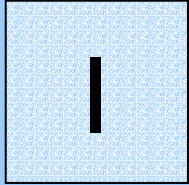


And Kansas City, MO is the 36th largest city

	Central City Population	
	2000	Rank
New Orleans, LA	484,674	31
Las Vegas, NV	478,868	32
Cleveland, OH	478,393	33
Long Beach, CA	461,381	34
Albuquerque, NM	448,627	35
Kansas City, MO	441,269	36
Fresno, CA	427,224	37
Virginia Beach, VA	425,257	38
Atlanta, GA	416,629	39
Sacramento, CA	407,075	40
Oakland, CA	399,477	41



What factors matter in regional economic competitiveness?



What factors matter in regional economic competitiveness?

Education is the key to economic competitiveness and growing incomes

More compact development patterns increase economic productivity

Business diversification and selective specialization likely leads to economic success

Less government fragmentation means greater agility and competitiveness



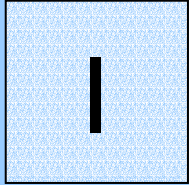
Several premises frame the latest academic literature

→ Economy today is driven by knowledge

→ Worker preferences for residential location matter

→ The concentration and agglomeration of firms AND workers facilitate the flow of information and knowledge exchange

BOTTOM LINE: How a region grows physically affects how it grows economically



What factors matter in regional economic competitiveness?

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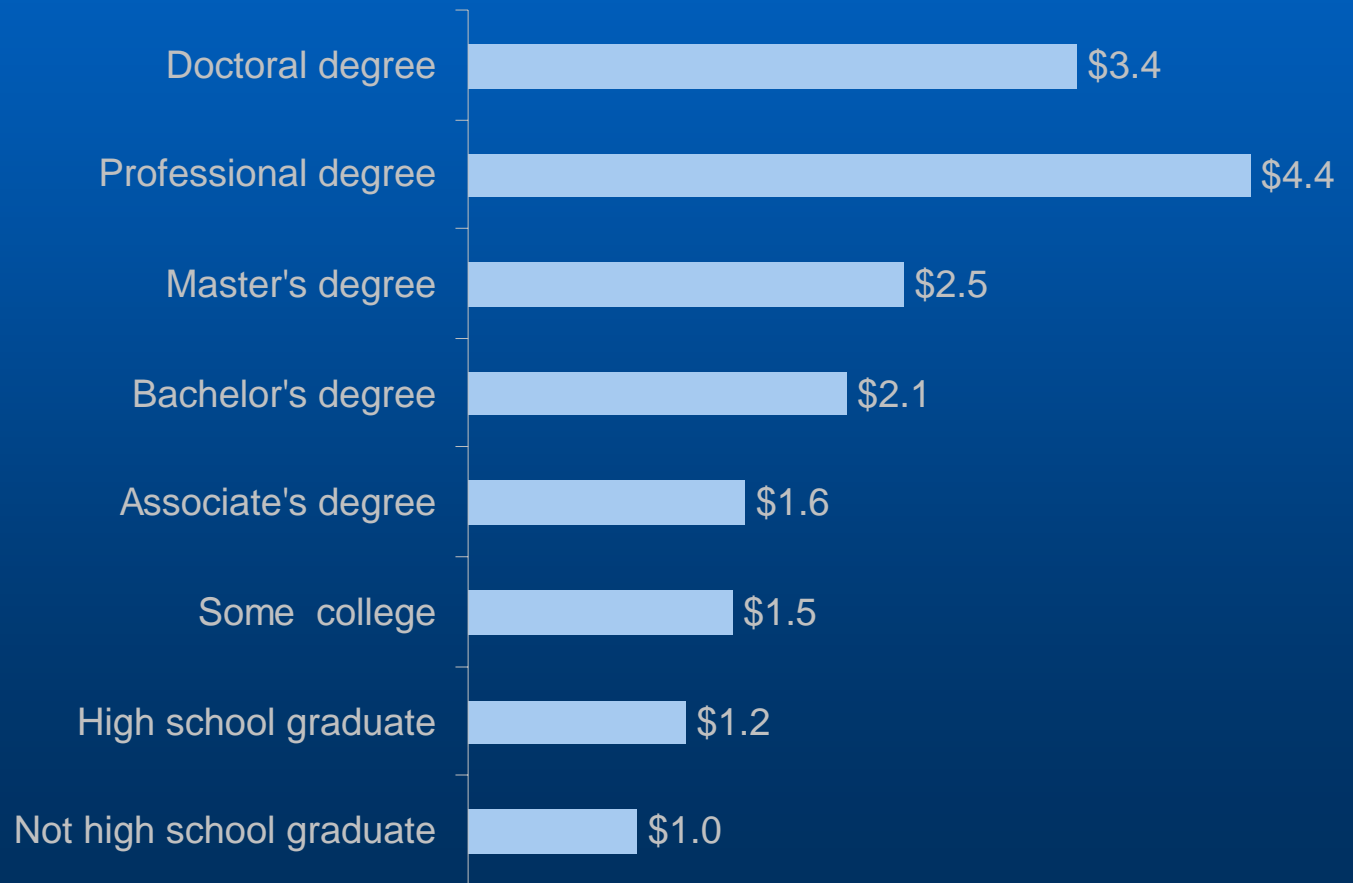
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Nationally, the more you learn, the more you earn

Work-life earnings estimates (millions), 1997-1999

Source:
“The Big Payoff:
Educational
Attainment and
Estimates of Work-
Life Earnings,”
U.S. Census Bureau





Educated metro areas win in the new economy

Rauch (1993): Each additional year of education of workers in a metro area leads to another 2.8 percent growth in productivity

Glaeser et al (2000): The cities and metros with highly skilled workers in the 1990s also had high population and income growth

Glaeser et al (2003): The metro areas that have high proportions of skilled, educated labor are better able to reinvent themselves and adapt to changing economic needs



The Kansas City areas' educational performance is strong but needs improvement



The area ranks 30th in BA attainment among metros, slightly above the national average

Share of population
25+ with BA,
2000

Source:
U.S. Census Bureau

	Metropolitan BA Grads	
	2000	Rank of 100
Richmond-Petersburg	29.2%	25
Baltimore	29.2%	26
New York	29.2%	27
Columbus	29.1%	28
Portland-Vancouver	28.8%	29
Kansas City	28.5%	30
Albuquerque	28.4%	31
Albany-Schenectady-Troy	28.2%	32
Omaha	28.0%	33
Honolulu	27.9%	34
Philadelphia	27.7%	35



While the share of educated workers in the central city is slightly below the average for cities nationwide (26.6%)

Share of population
25+ with BA,
2000

Source:
U.S. Census Bureau

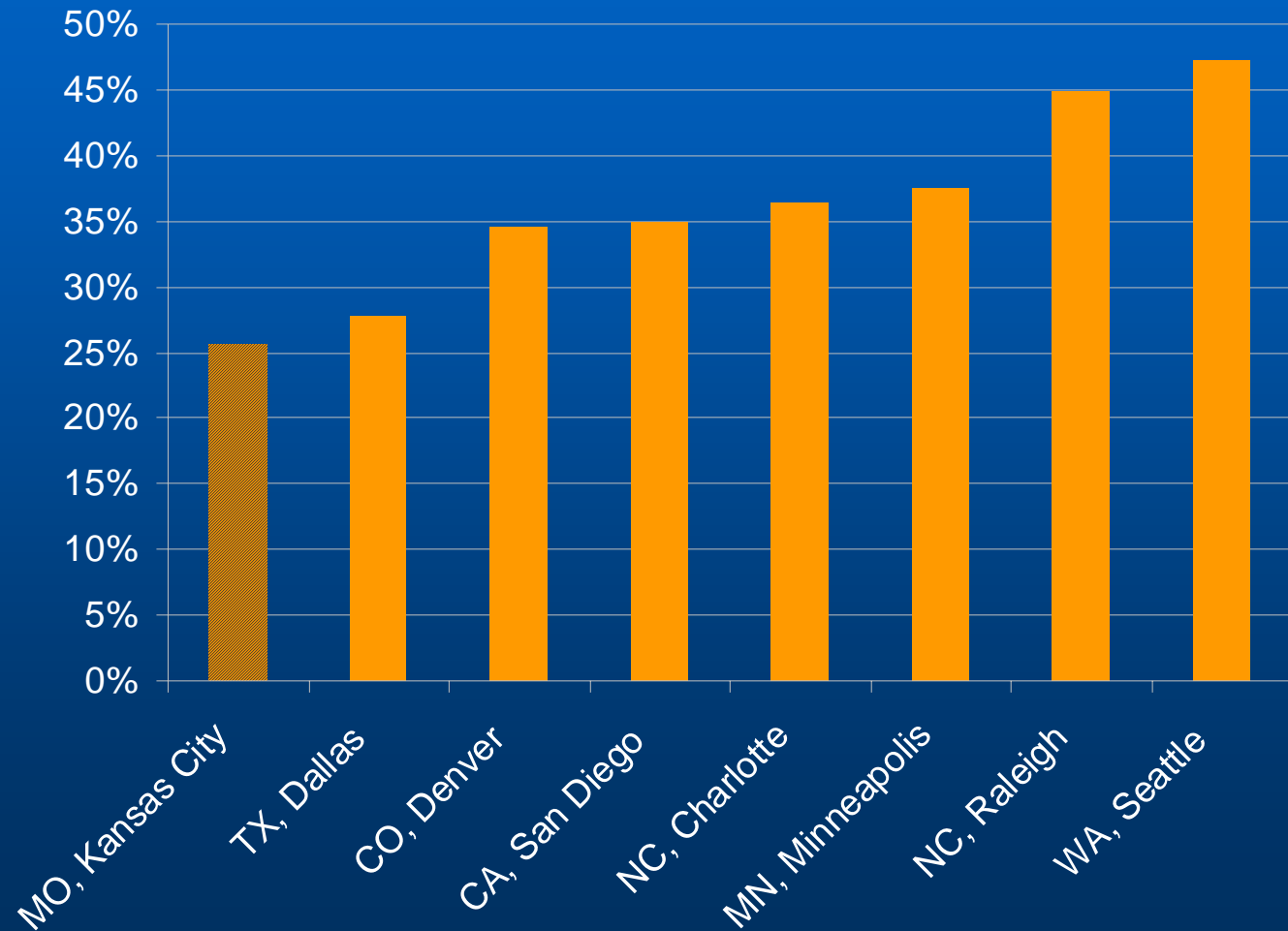
	Central City BA Grads	
	2000	Rank of 100
TX, Houston	27.0%	41
TX, Lubbock	26.6%	42
OH, Cincinnati	26.6%	43
PA, Pittsburgh	26.2%	44
LA, New Orleans	25.8%	45
MO, Kansas City	25.7%	46
CA, Los Angeles	25.5%	47
IL, Chicago	25.5%	48
IN, Indianapolis	25.4%	49
WA, Spokane	25.4%	50
FL, Tampa city	25.4%	51



Compared to excelling cities, Kansas City falls particularly short

Share of population
25+ with BA,
2000

Source:
U.S. Census Bureau

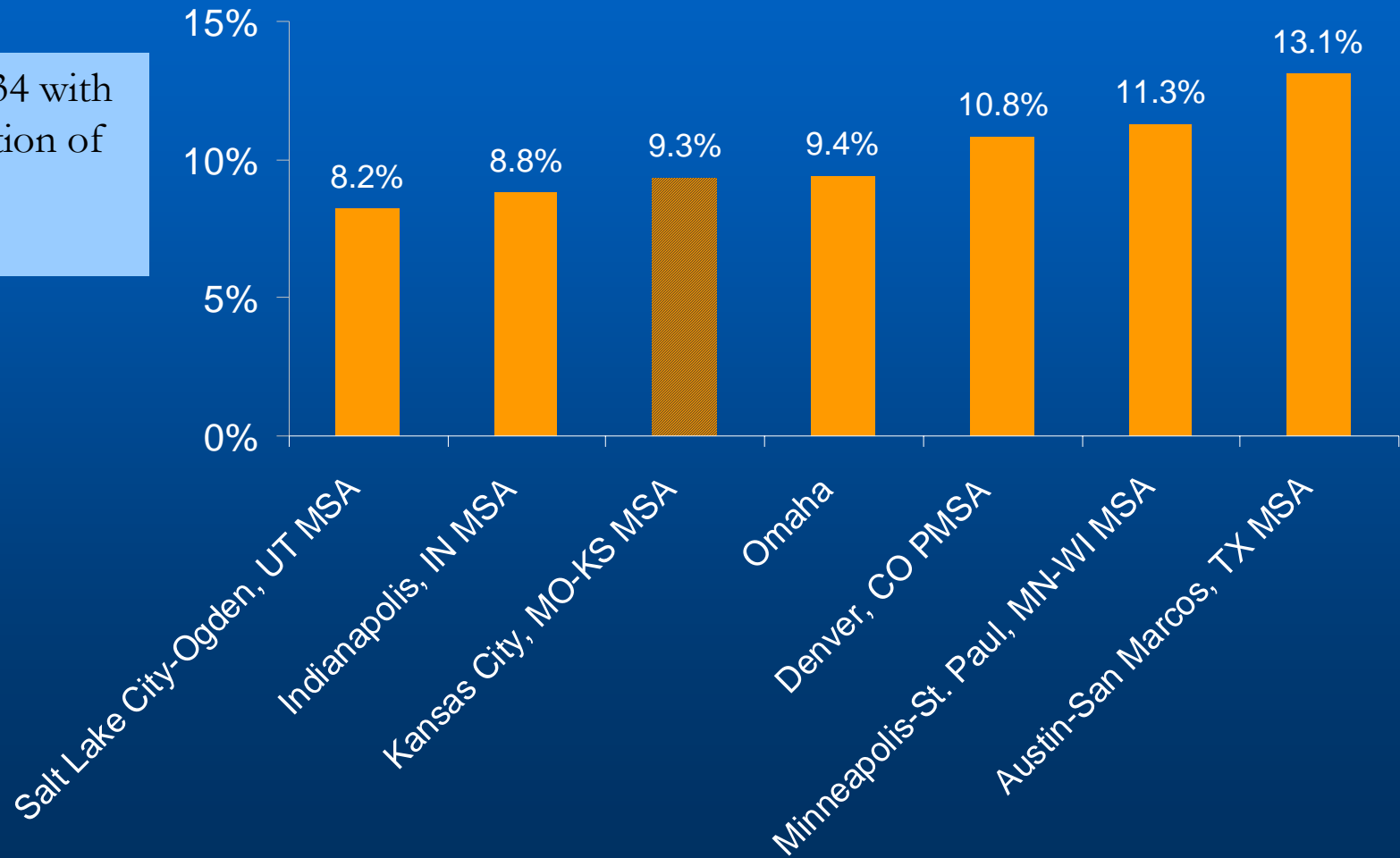




Its overall share of young and educated is only average compared to its peers

Share of age 25-34 with BAs as a proportion of age 25-64, 2000

Source:
Gottlieb analysis of
U.S. Census Bureau

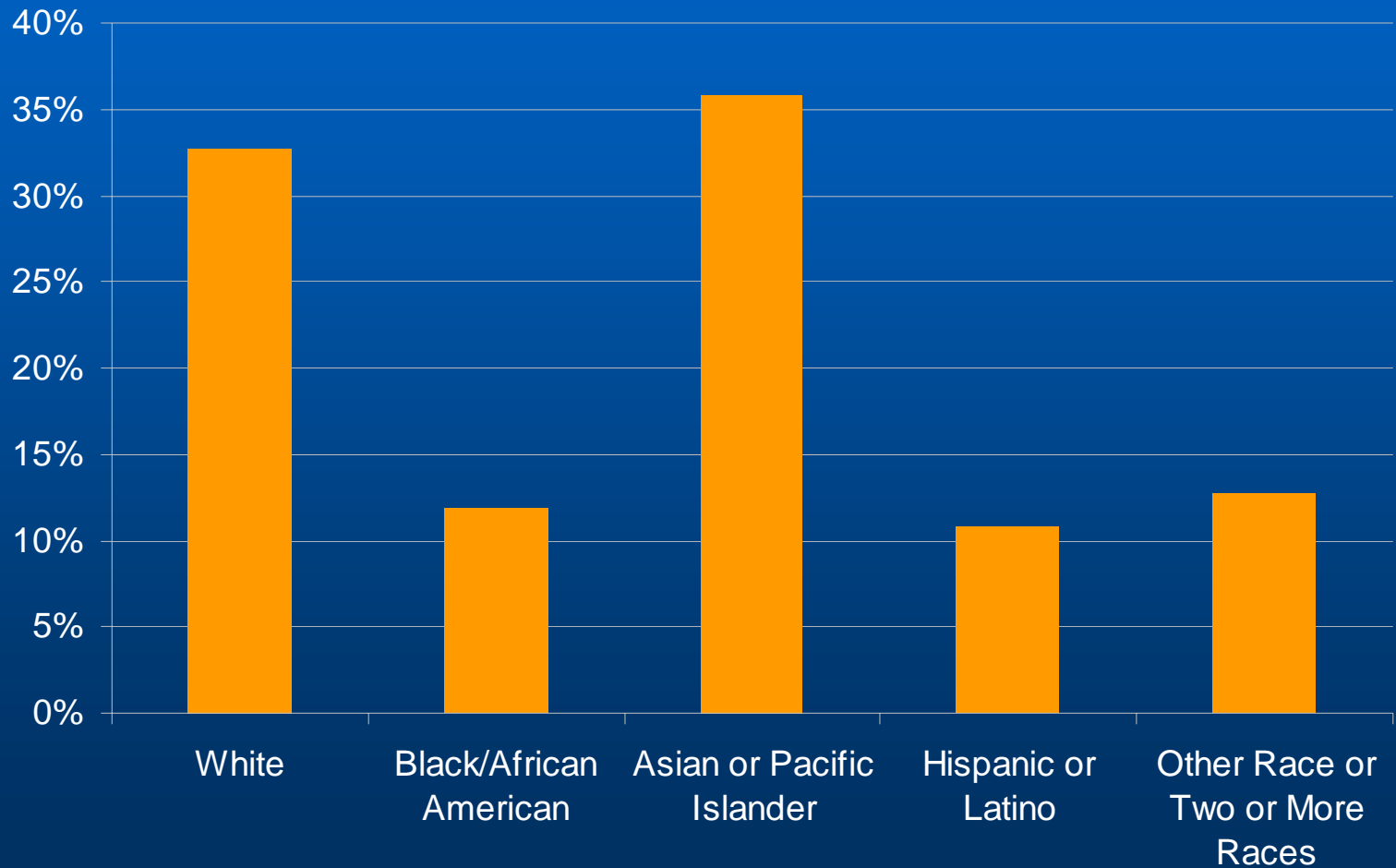




Disparities in BA attainment among racial and ethnic groups are profound

Share 25+
with BA,
2000

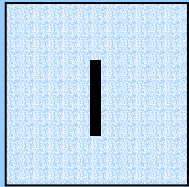
Source:
U.S. Census Bureau





In fact in the metro as a whole, BA attainment rates among African-Americans are comparatively low

Share of African-Americans 25+ with BA, 2000		Blacks with BA	
		2000	Rank of 100
Source: U.S. Census Bureau	Denver--Boulder--Greeley, CO CMSA	21.5%	6
	Austin--San Marcos, TX MSA	20.1%	11
	Salt Lake City--Ogden, UT MSA	19.5%	12
	Minneapolis--St. Paul, MN--WI MSA	19.1%	17
	Kansas City, MO--KS MSA	14.6%	50
	Indianapolis, IN MSA	13.8%	55
	Omaha, NE--IA MSA	13.5%	58



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Physical growth patterns affect economic and fiscal growth

- ✓ Higher density leads to greater productivity
- ✓ Strong sense of place and vitality helps attract and retain talented workers
- ✓ More compact development saves money




Healthy, dense cities bring overall economic gains

- **Ciccone and Hall (1996)**: average labor productivity increases with more employment density
- **Cervero (2000)**: “accessible” cities with efficient transportation systems had higher productivity than more dispersed places (47 metro areas)
- **Carlino (2001)**: patent activity, as a proxy for innovation, was higher in the 1990s in those metros with higher employment densities
- **Voith (1998)**: found that healthy core cities with income growth positively increases suburban income, house values, and population

In other research, the cities and metros with highest shares of educated workers have these common qualities:

- Thick labor markets
- Vibrant and distinctive downtowns
- Plentiful amenities
- A positive, tolerant culture



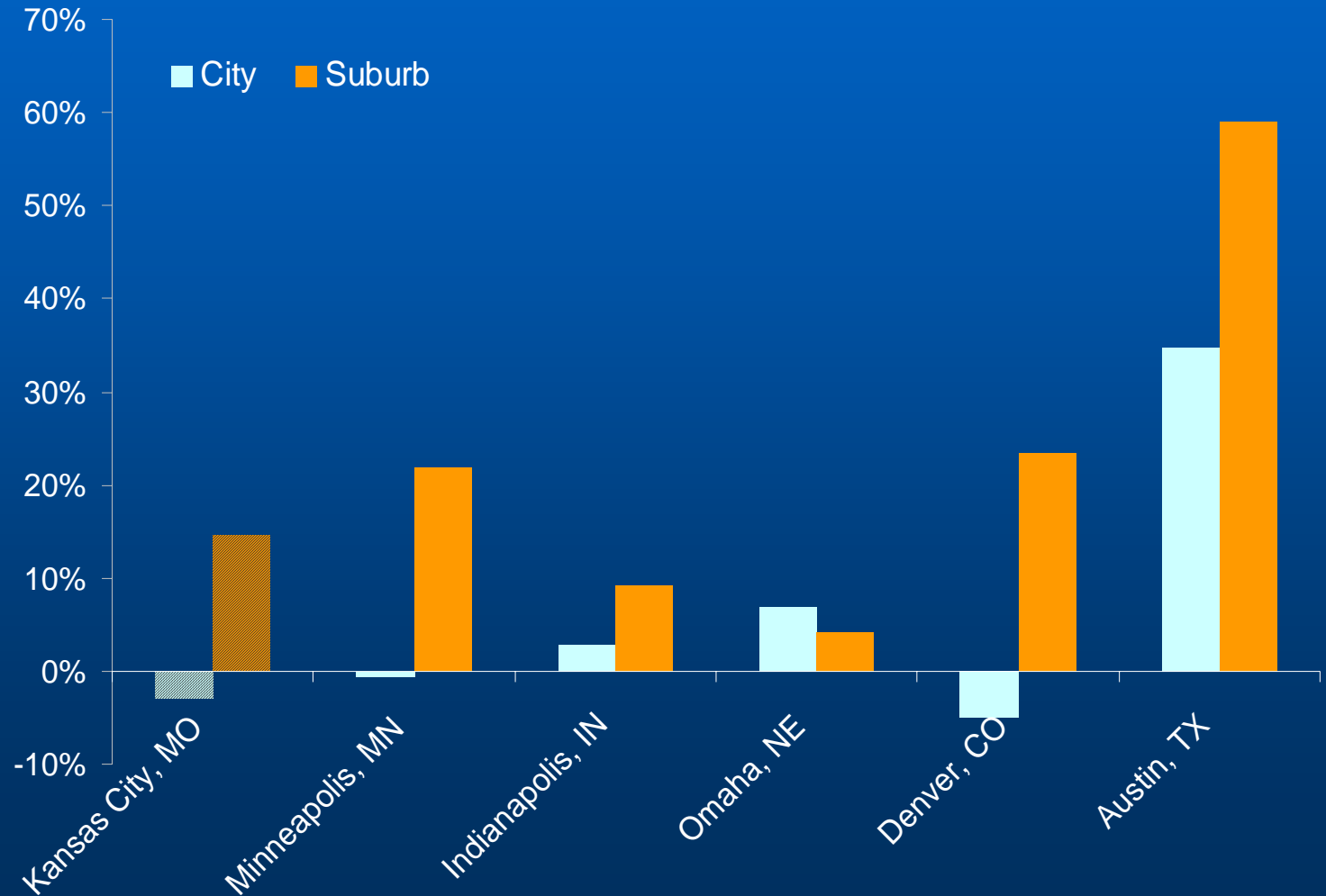
But, the Kansas City area is
growing in low-density
decentralized ways



Kansas City's population decentralized during the 1980s...

Percent change in population by city and suburb, 1980-1990

Source:
Living Cities database
www.brookings.edu/urban

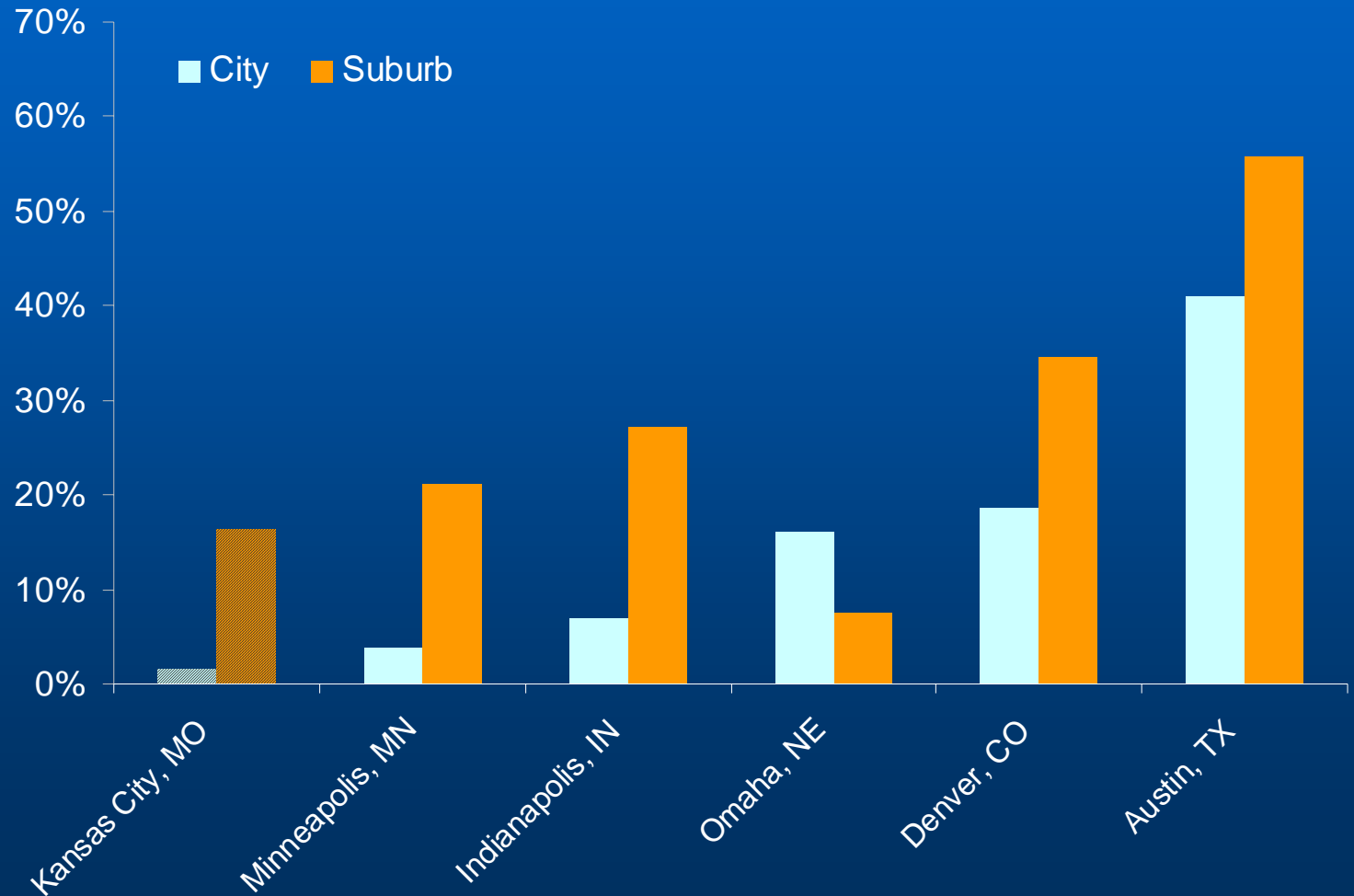




...and continued to sprawl during the 1990s, even as the city grew

Percent change in population by city and suburb, 1990-2000

Source:
Living Cities database
www.brookings.edu/urban

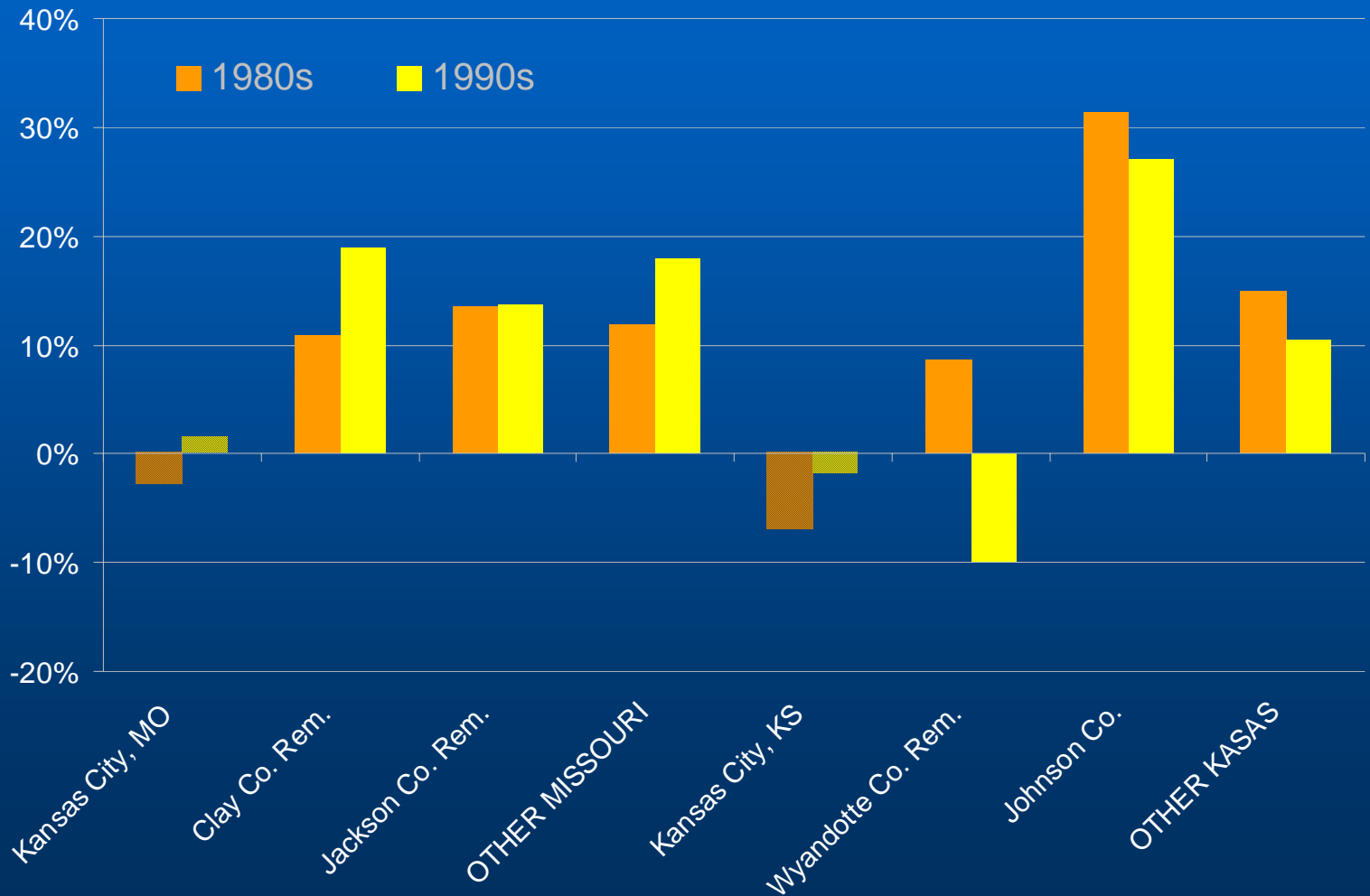




Across municipalities, the urban population stabilized while suburban counties grew significantly

Percent change
in population,
1980-2000

Source:
U.S. Census Bureau

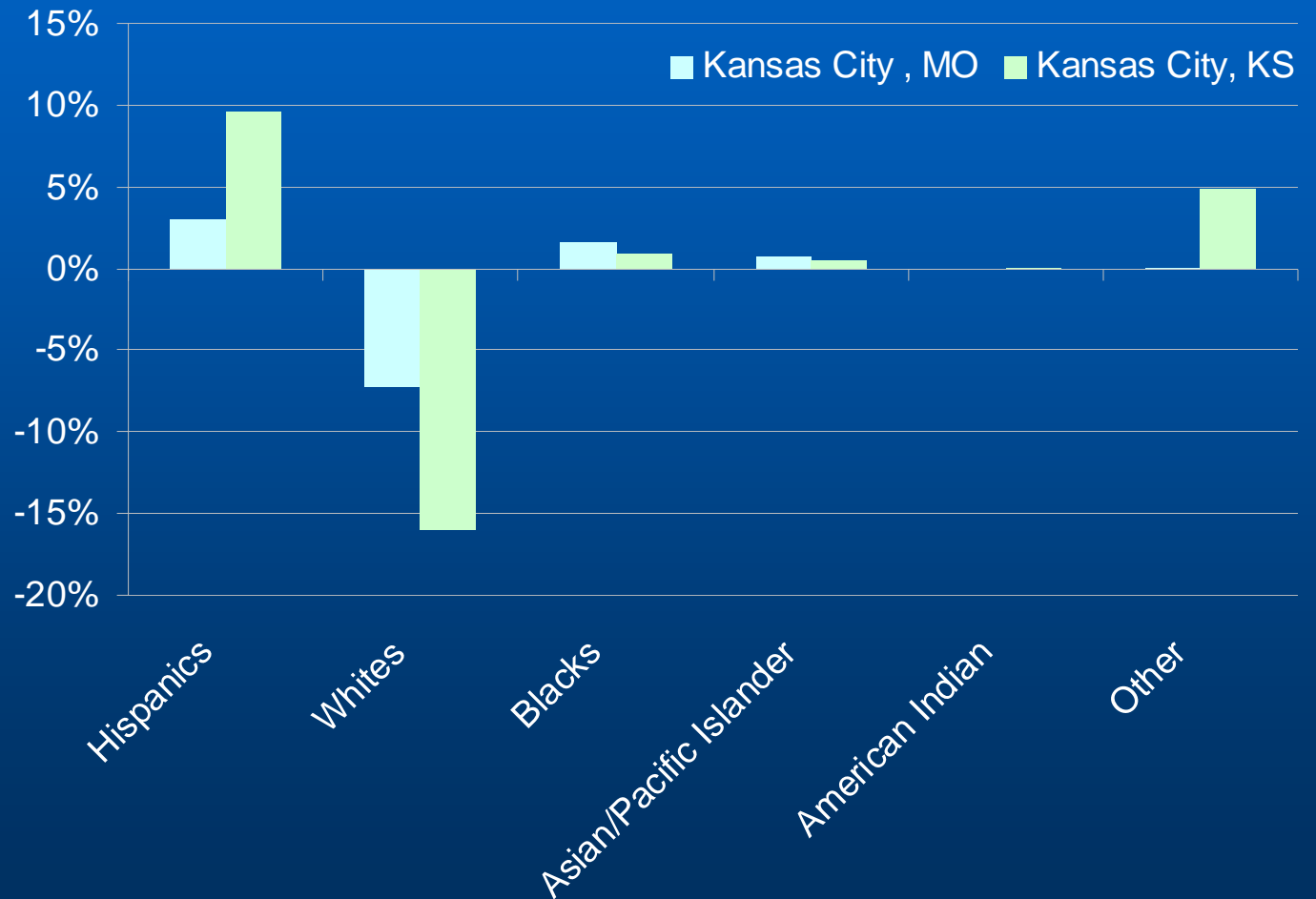




The decentralization process has been led by whites

Percent point change in population share, 1990-2000

Source:
U.S. Census Bureau



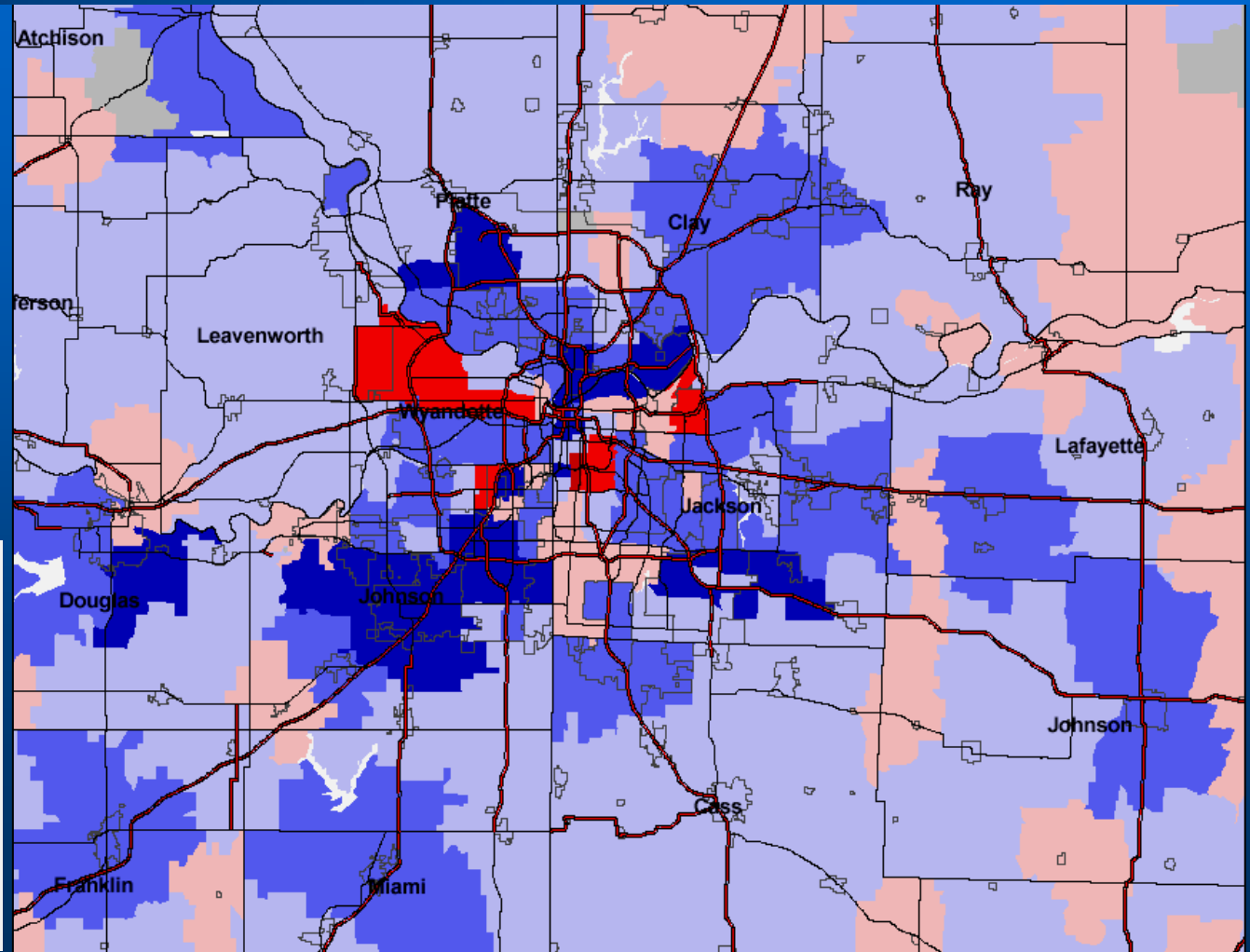
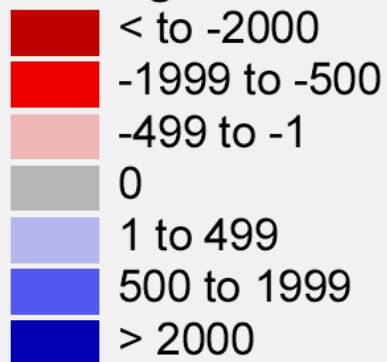


Employment has also decentralized in the 1990s

Private sector
employment change,
1994-1999

Source:
U.S. Census
Bureau, Zipcode
Business Patterns

Change in Jobs

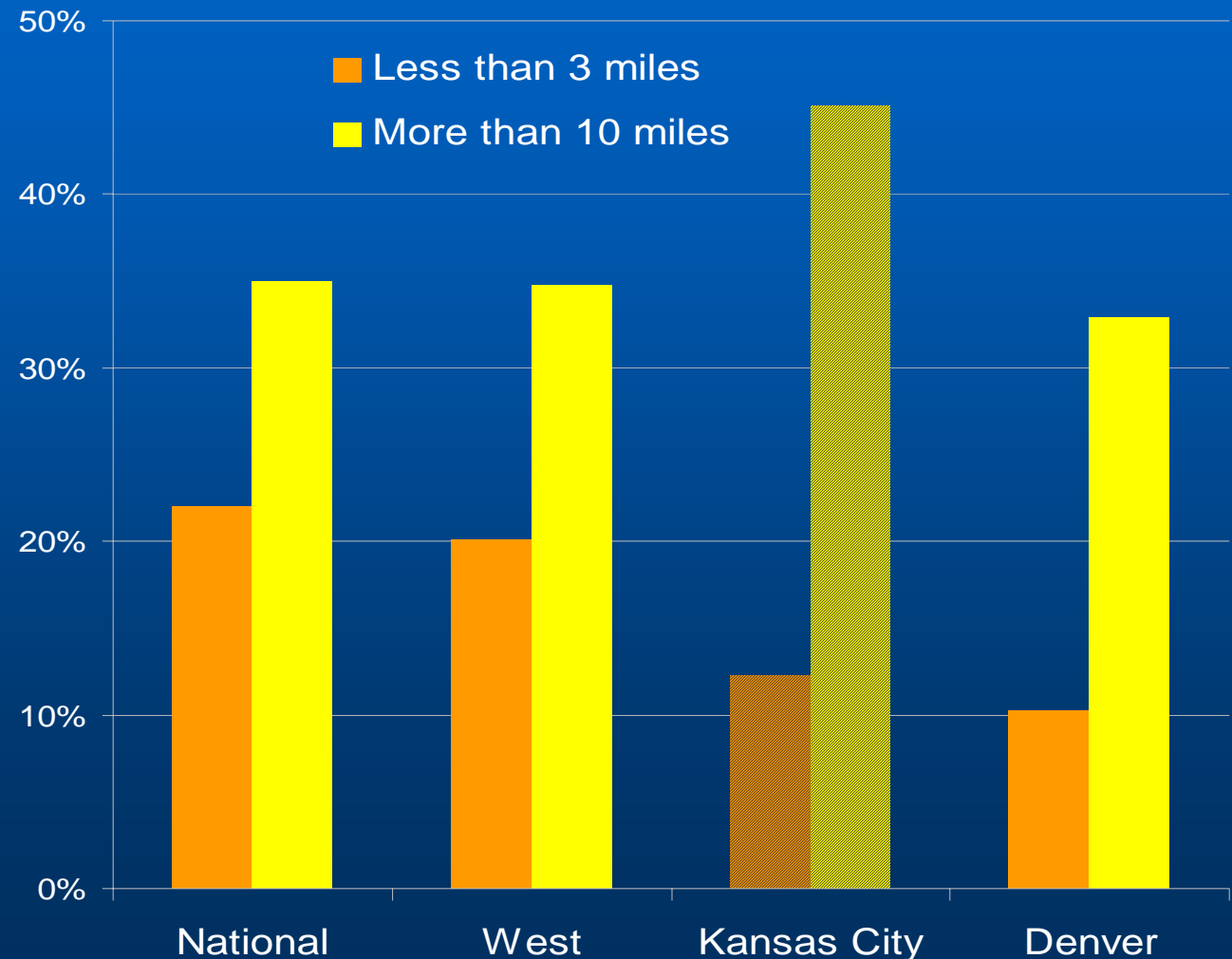




As a result, an unusually large number of Kansas City jobs are located more than 10 miles from the city center

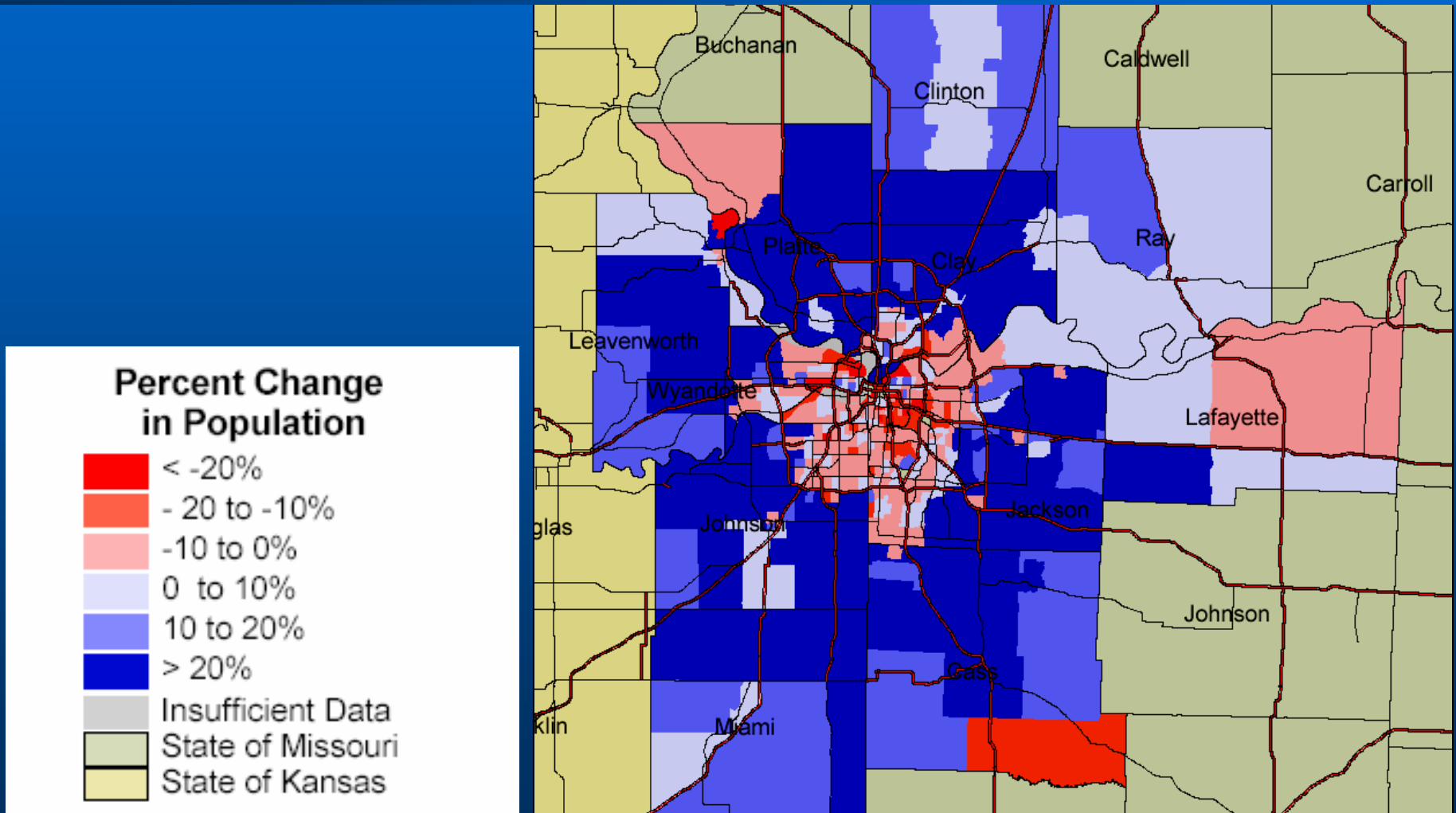
Share of employment by distance, 1996

Source:
Glaeser analysis of U.S.
Census Bureau data





Together, these growth trends have led to a hollowing out of the urban core...



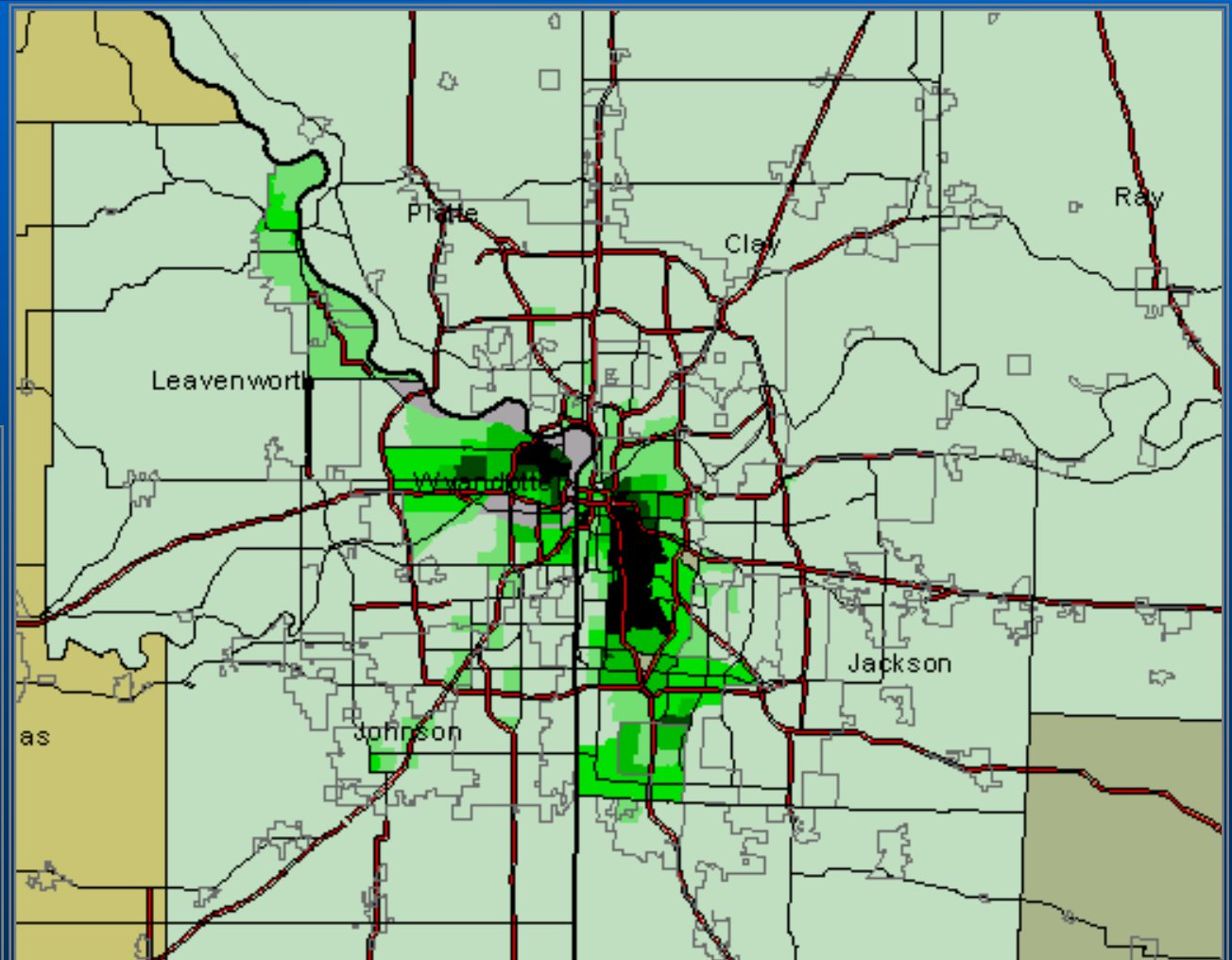
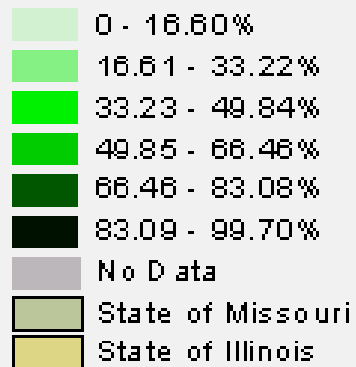


...the concentration of minority residents...

Percent of non-white residents,
2000

Source:
U.S. Census Bureau

Percentage of Non-White Residents





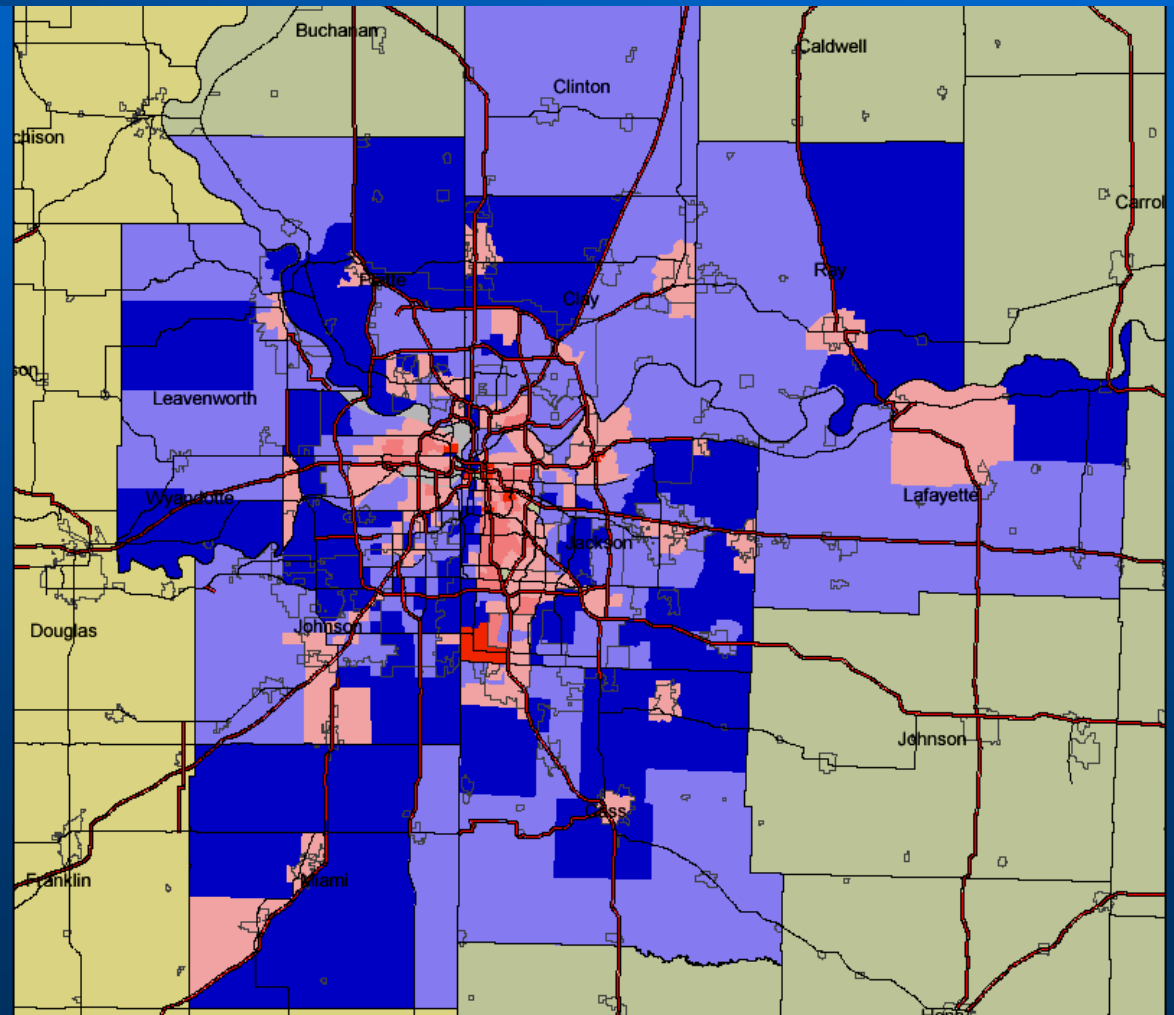
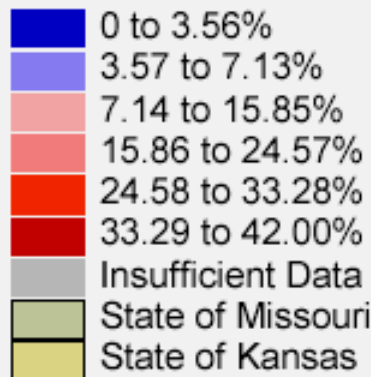
...the isolation of female headed households...

Percent of female headed households, 2000

Source:
U.S. Census Bureau

Percent of Female Headed Households

Missouri Average: 7.1%

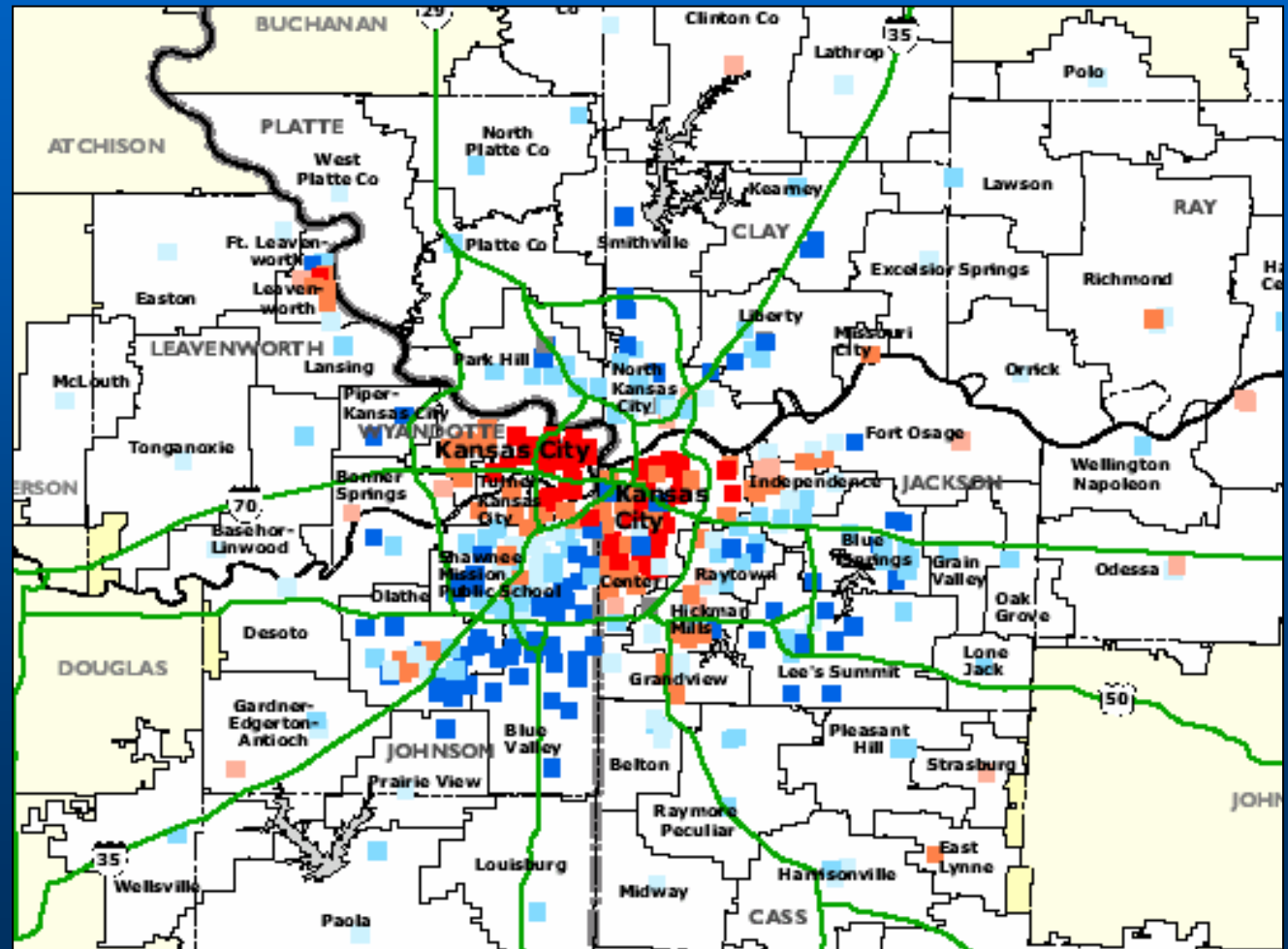
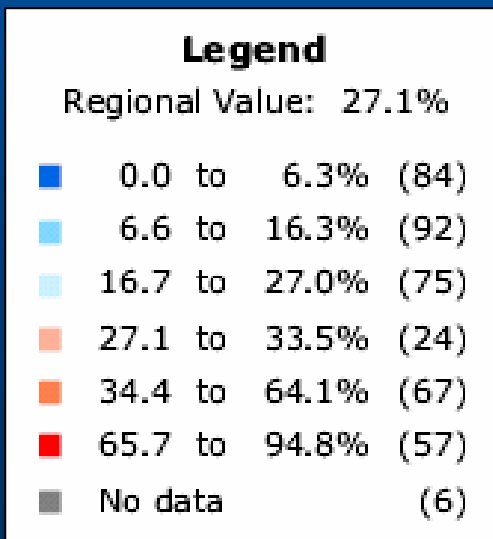




...and a fragile education system

Percent of elementary students eligible for free lunch by school, 2000

Source:
Myron Orfield





Meanwhile, anemic growth in downtown may contribute to Kansas City's lag on key indicators of competitiveness such as innovation and talent

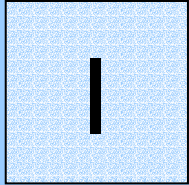
	Creativity Rank	1990s Downtown Pop. Change	2000 Pop. Share with B.A.
San Francisco	1	22%	45.0%
Boston	3	30%	35.6%
San Diego	3	20%	35.0%
Seattle	5	44%	47.2%
Raleigh-Durham	6	27%	43.6%
Minneapolis-St. Paul	11	20%	35.2%
Atlanta	14	111%	34.6%
Denver	14	51%	34.5%
Kansas City	35	-13.1%	22.4%
St. Louis	45	4.2%	19.1%



Although downtown is showing several signs of improvement

- Since 2000, the downtown population has grown by over 1600 people to approximately 15,100
- Downtown has had \$1.9 billion of investment since 2003, including \$400 million for H&R Block's new world headquarters and \$200 million for the Kansas City Star's new headquarters
- As of January, 2004 839 housing units were under construction, with another 1,300 units planned

Source:
The Downtown Council



What factors matter in regional economic competitiveness?

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Less government fragmentation means greater agility and competitiveness



Business diversification AND selective specialization can lead to economic success

From study by Weissbourd and Berry about metro growth in the 1990s

It is not whether you specialize but **WHAT** you specialize in that matters:

- Among the top 100 largest metros, the metros that specialized in business services grew income 3% faster than other metros
- High innovation (patenting) cities had high concentrations of legal and financial services (Reamer 2002)
- Manufacturing is no longer a drag on metro economy; can contribute to income growth



Business diversification AND selective specialization can lead to economic success

(cont.) :

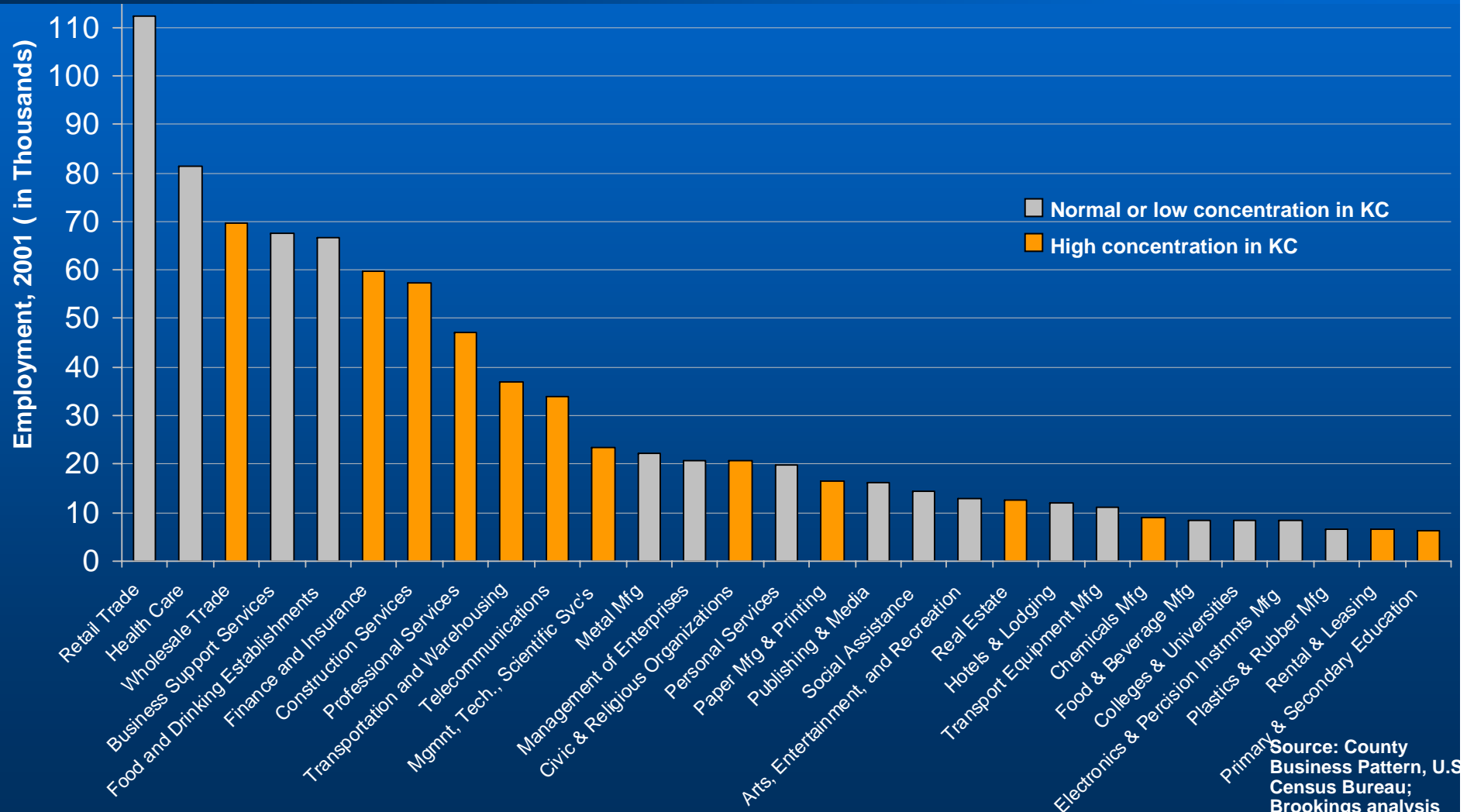
- Regions are increasingly specializing by occupation or firm function, not just by sectors
- **BOTTOM LINE:** Best to diversify, but if specialize, do it right, pay attention to future trends, and aim for knowledge industry concentrations



The Kansas City area has
assets to build on



Kansas City has a diverse economy with key concentrations in several industries, including wholesale trade and telecommunications



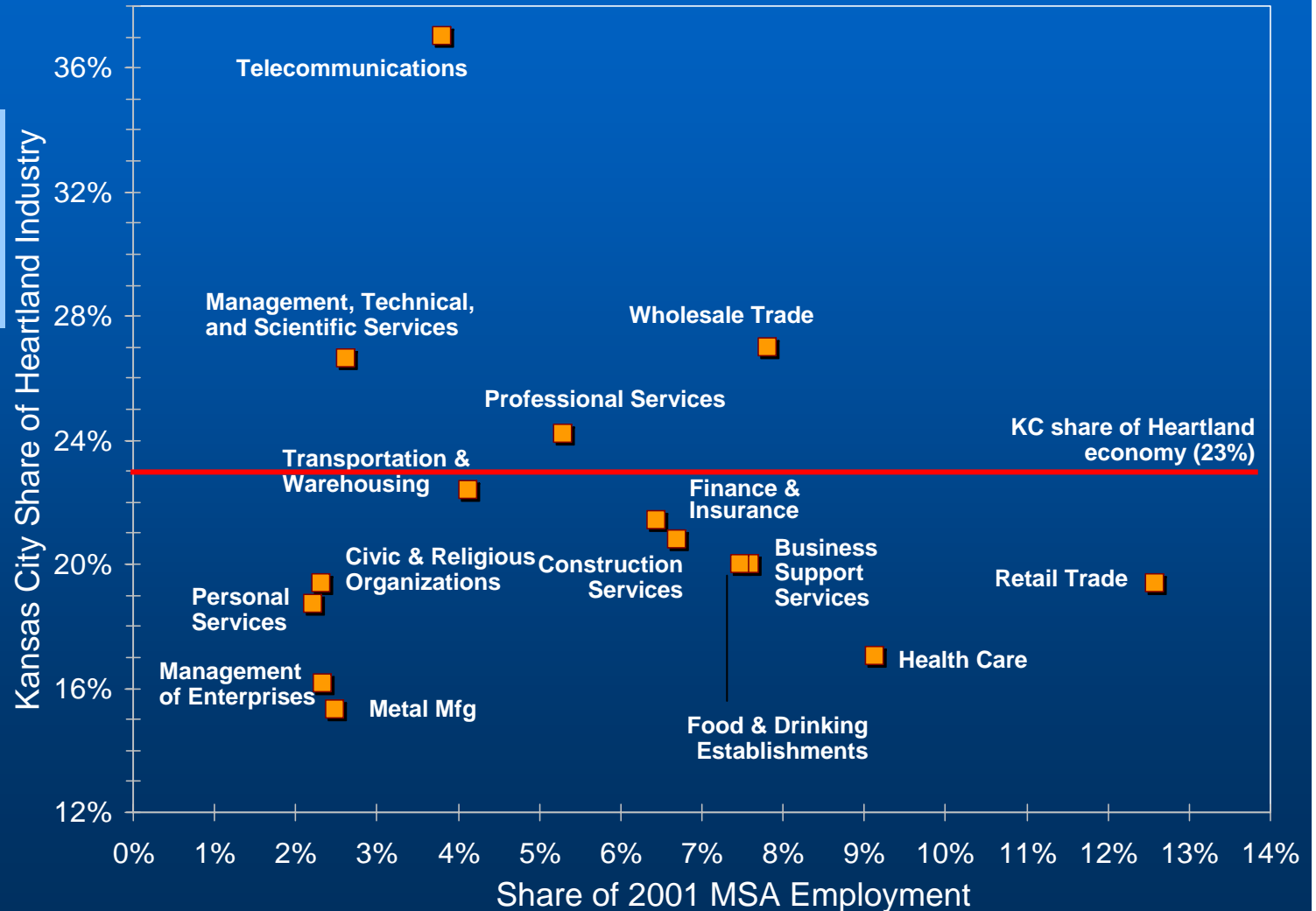
Source: County Business Pattern, U.S. Census Bureau; Brookings analysis



Not surprisingly, the area has a significant share of the Heartland's telecommunications, management and scientific services, and wholesale trade employment

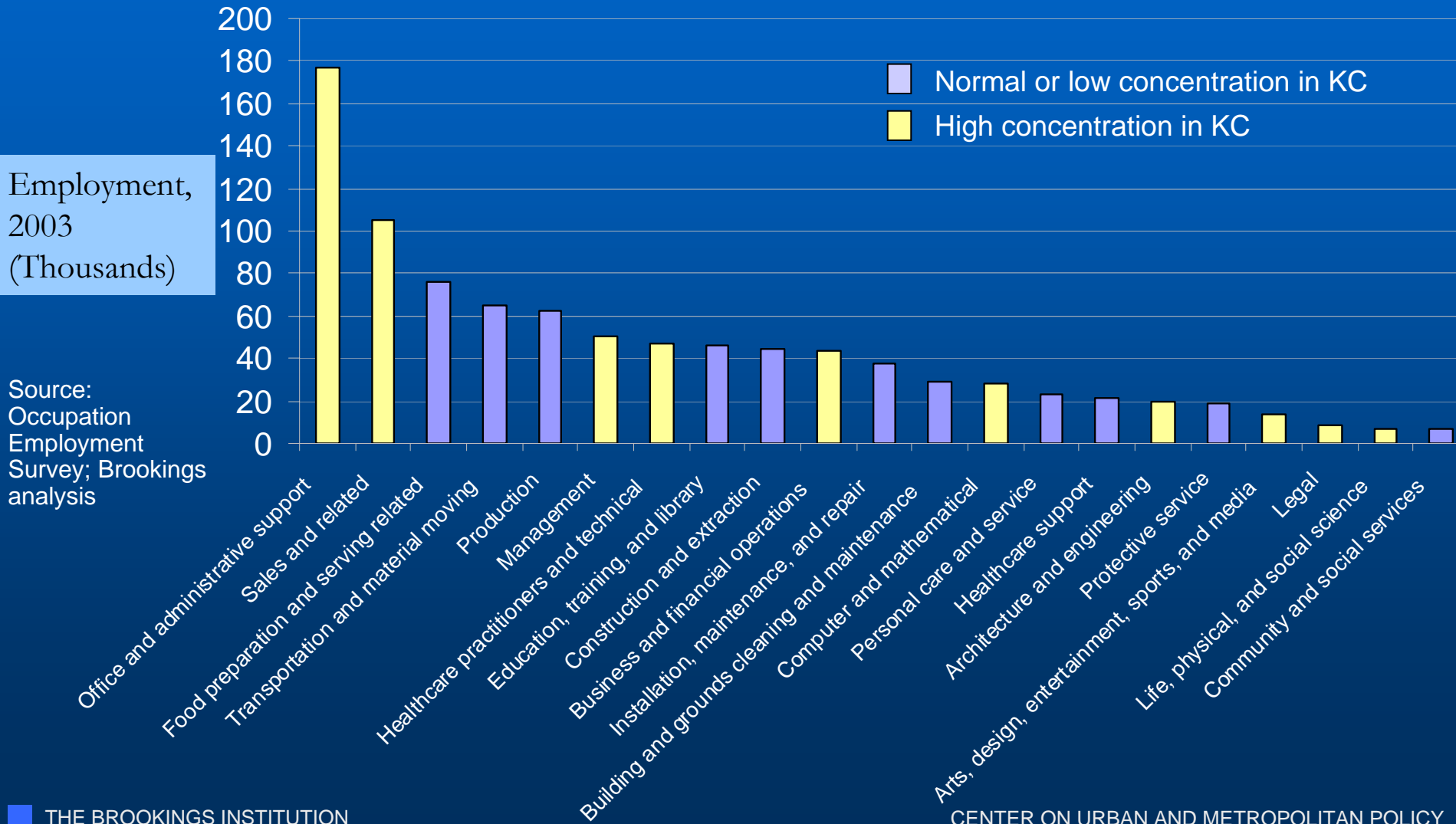
Kansas City Industrial Composition – 15 Largest Industries

Source: County Business Pattern, U.S. Census Bureau; Brookings analysis





Kansas City also has a high concentration in several professional occupations, including business, arts and entertainment, and engineering and computers

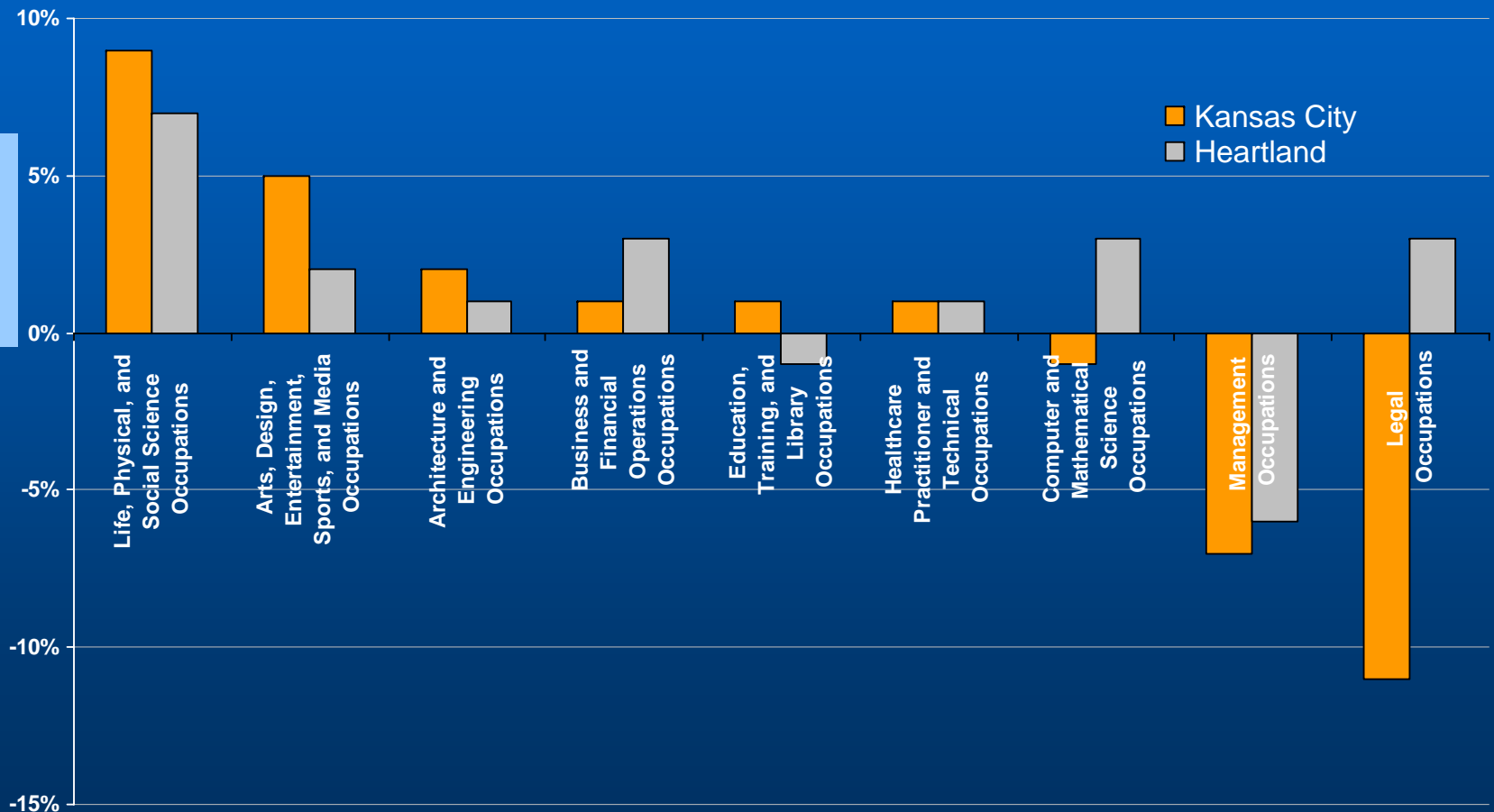




And is experiencing faster growth in several of these occupations – like life sciences and arts/entertainment – than the Heartland as a whole

Growth Rates of Occupations, 1999 to 2003

Source: Bureau of Labor Statistics





Kansas City does not have a significant share of the Heartland's large corporation headquarters

	No. of HQs	Share of Total	
HQs of Corporations or Partnerships with over 5,000 employees	St. Louis	42	31.6
	Kansas City, MO	18	13.5
	Des Moines	14	10.5
	Omaha	13	9.8
	Oklahoma City	12	9.0
	Wichita	8	6.0
	Little Rock	7	5.3
	Tulsa	7	5.3
	Springfield	5	3.8
	Lincoln	4	3
Topeka	3	2.3	
Lawrence	0	0	
Total	133	100	

Source: Dun and Bradstreet

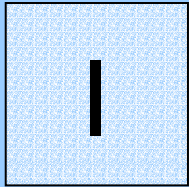


But it has a high number of mid-size company headquarters

HQs of
Corporations
or
Partnerships
with 250 to
5,000
employees

	No. of HQs	Share of Total
St. Louis	520	25.6
Kansas City, MO	409	20.1
Oklahoma City	144	9.6
Omaha	169	8.3
Tulsa	162	8.0
Des Moines	144	7.1
Wichita	139	6.8
Little Rock	111	5.5
Lincoln	64	3.1
Springfield	61	3.0
Topeka	45	2.2
Lawrence	15	0.7
Total	2,035	100

Source: Dun
and Bradstreet



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High political fragmentation undermines fiscal and economic health

- **Miller et al (1995):** highly fragmented areas tend to reduce the fiscal health of ALL municipalities in a metro area over time
- **Paytas (2000):** highly fragmented regions saw their share of the total income generated in 285 metro areas slip between 1972 and 1997



High political fragmentation leads to development business-as-usual

- **Lewis (1996):** high political fragmentation undermines regional development goals
 - Large numbers of decision points, actors, units of gov't made it easy to block actions and ultimately preserve status quo
 - Large units of gov't, unified decision points (e.g. regional districts) functioned to promote growth, allow for progress, and reduce spillovers
- **Lewis (1996):** fragmentation results in decreased shares of office space in central business districts, less “centrality,” longer commute times, more “edge cities,” and more sprawl



The Kansas City area is one of the most fragmented metro areas in the country...but regional collaboration is on the rise



Missouri has a high number of local governments

Missouri has 3,416 local governments - 8th largest among states

- 114 Counties

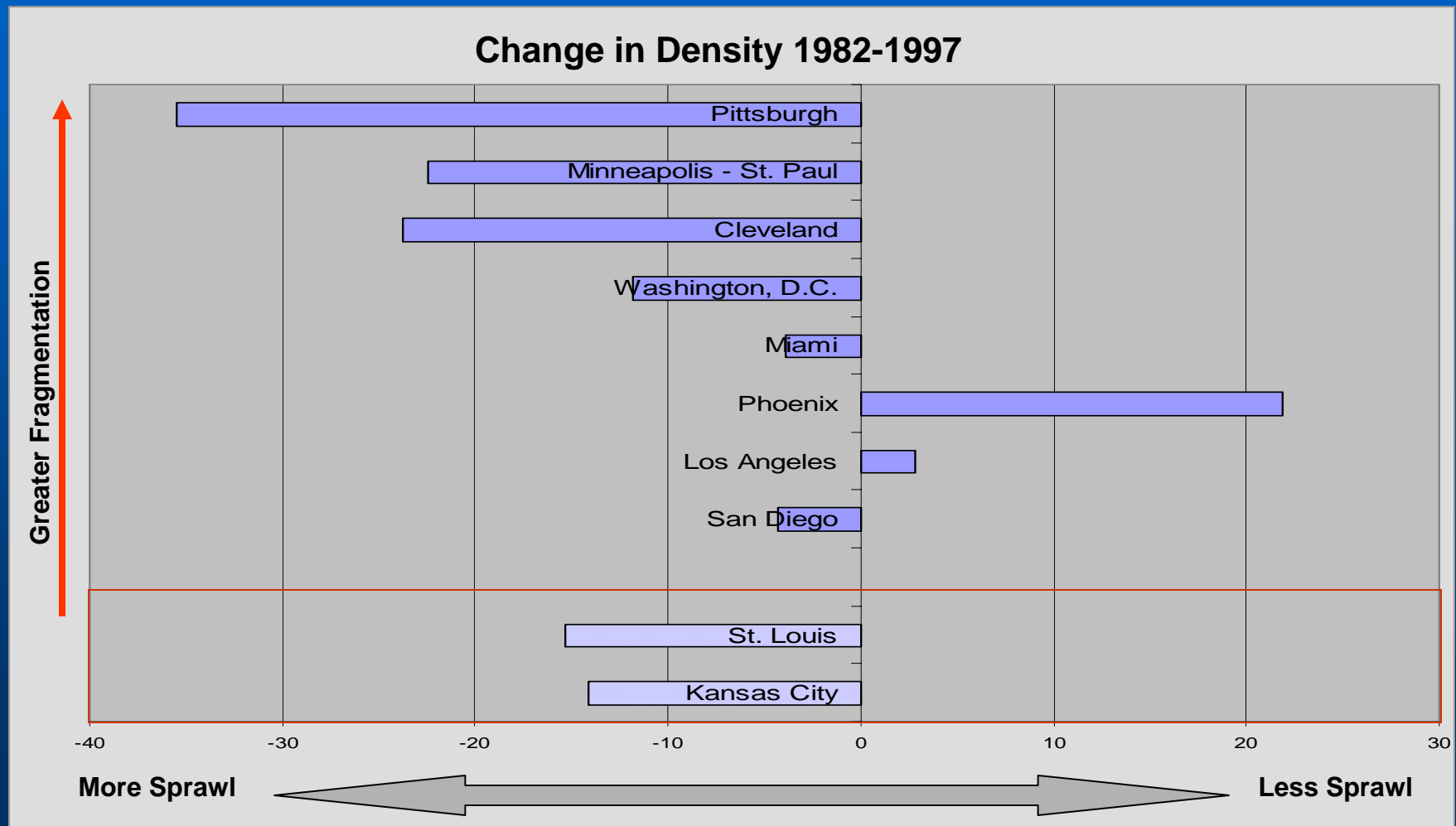
- 962 local governments

- 1400 plus rural “special districts”

- 308 road districts (largest in nation)



Greater government fragmentation correlates to greater sprawl



Source: William Fulton, et al. "Who Sprawls Most? How Growth Patterns Differ Across the U.S." Brookings, July 2001.



St. Louis and Kansas City are among the most fragmented metropolitan areas in the country.

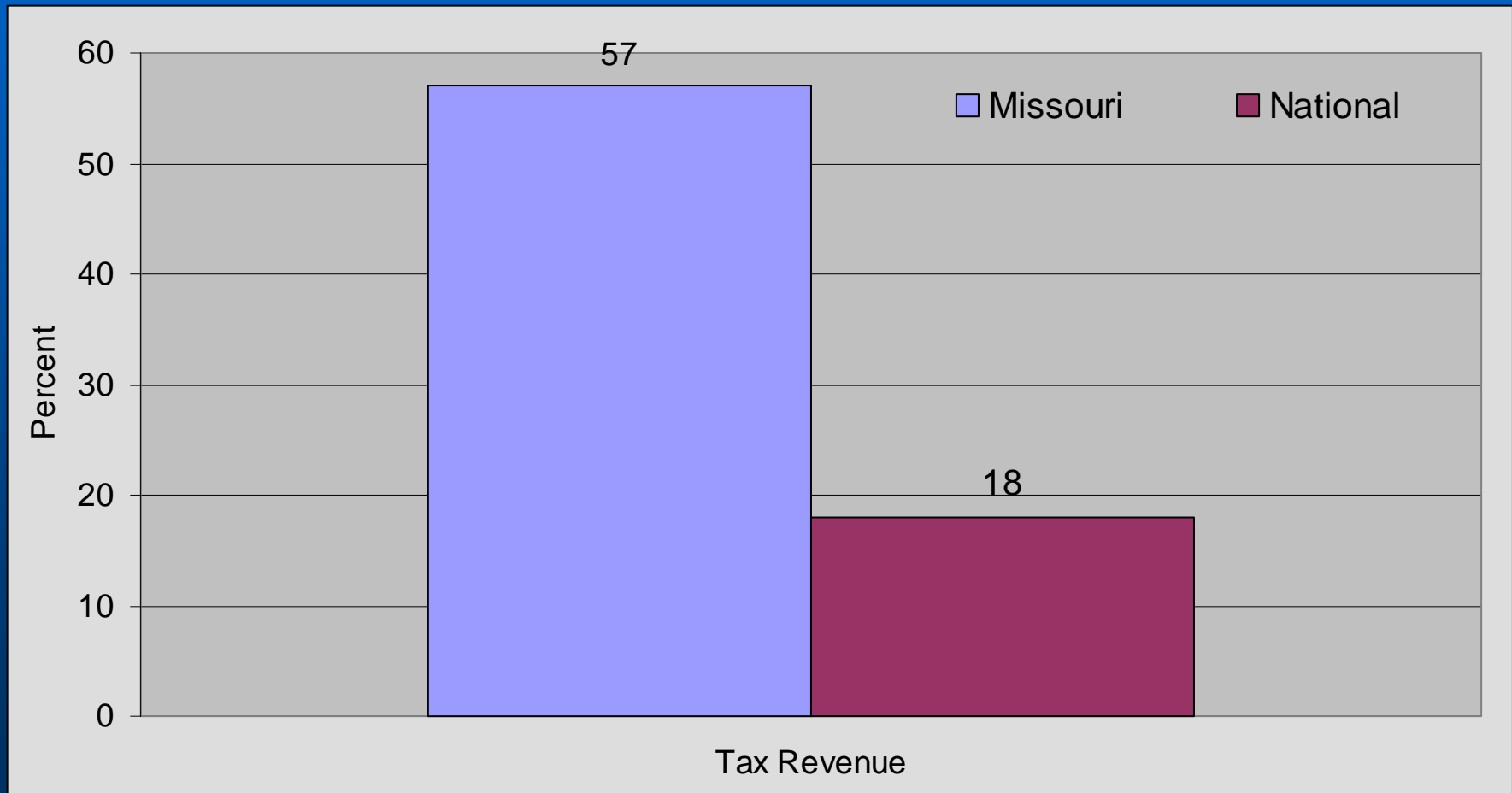
Political Fragmentation				
Metropolitan area	Counties	Municipalities and townships	Total local governments	Local governments per 100,000 residents
Pittsburgh	6	412	418	17.7
Minneapolis - St. Paul	13	331	344	12.3
St. Louis	12	300	312	12.2
Kansas City	11	171	182	10.6
Cleveland	8	259	267	9.2
Philadelphia	14	428	442	7.4
.
Miami	2	55	57	1.6
Phoenix	2	32	34	1.2
Los Angeles	5	177	182	1.2
San Diego	1	18	19	0.7



Source: Myron Orfield. "American Metro Politics: The New Suburban Reality." Brookings, 2002.



Missouri's many municipalities rely heavily on local sales taxes and are forced to compete for retail for fiscal growth



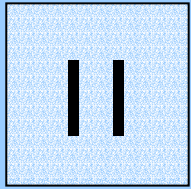
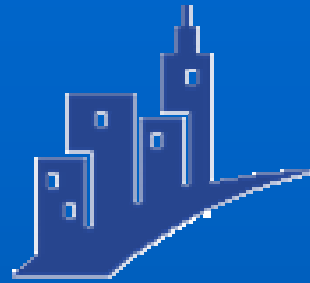


Despite government fragmentation there are promising signs of regional collaboration

→ United Way

→ Life Sciences Institute

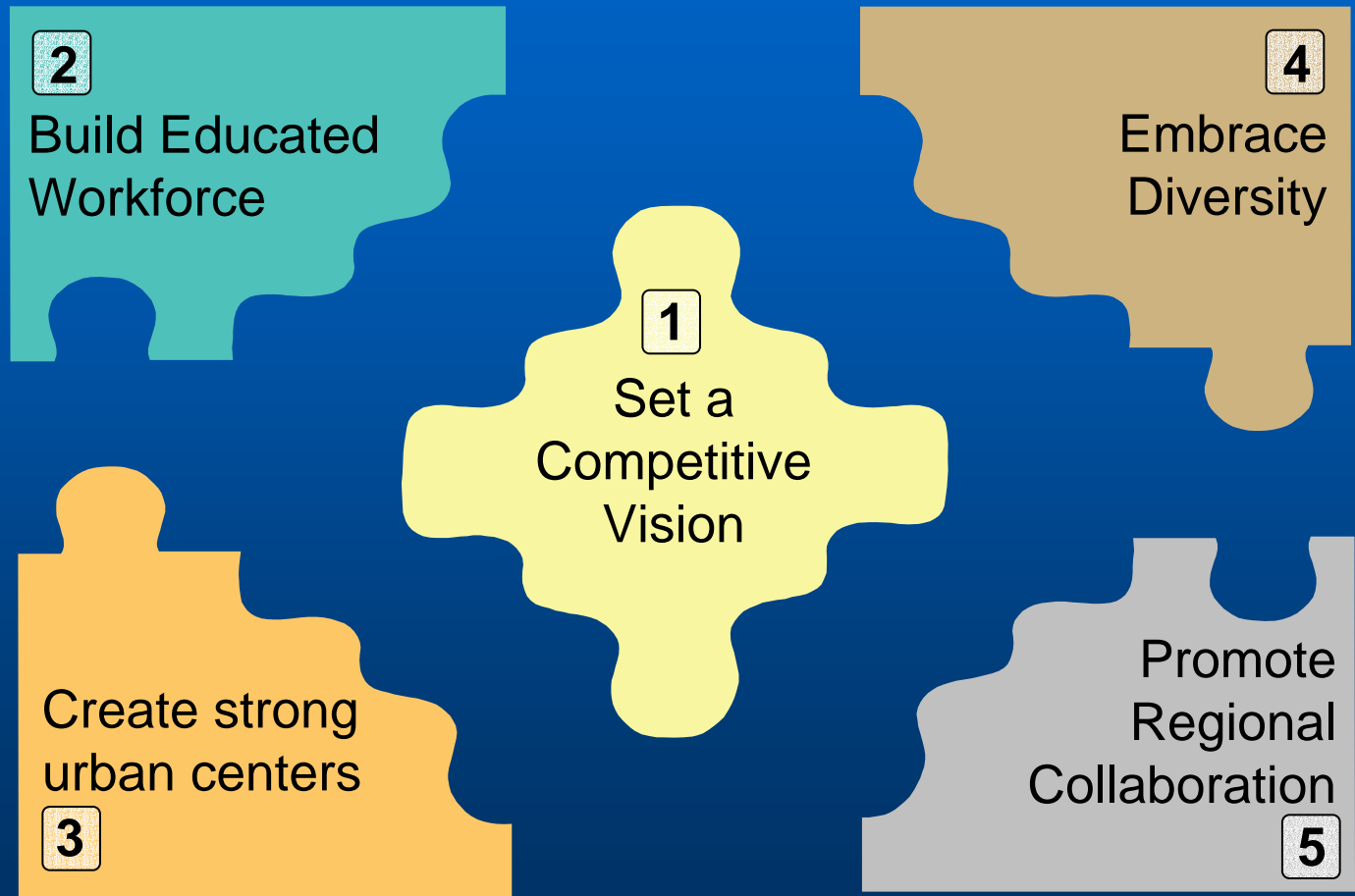
→ Inter-government Collaboration on Homeland Security



What are the policies the region can choose to move towards a brighter economic future?



To build a world class region Kansas City needs to:





Set a Competitive Vision

Greater Louisville Project

Launched by The Community Foundation of Louisville to ensure that the new regional government delivers a higher quality of life and greater opportunities for its citizens:

- Community leaders and citizens are designing a community vision based on extensive research on Louisville's social and economic health, and where it stands in relation to competitor cities
- Project sets high expectations for performance, and paves the way for innovation.



Build an Educated Workforce

Greater Philadelphia's Knowledge Industry Partnership

Coalition of civic, business, education, and government partners working to grow the knowledge economy:

- Three-year, multi-million dollar initiative aimed at attracting and retaining an educated workforce in the Philadelphia region
- Focuses on marketing the area to potential students; creating a positive college student experience in the region; and linking students to opportunities after graduation



Build an Educated Workforce

Wisconsin Regional Training Partnership

Union-employer partnership of 125 firms and unions in southeastern region of Wisconsin:

- Sponsors programs that expand employment and advancement opportunities, upgrade the skills of the current workforce, and recruit and retain a qualified workers
- Began with a focus on manufacturing, but now works in health care, technology, hospitality, and other sectors



Create Strong Urban Centers

Virginia Commonwealth University

Connecting Local Universities to Growth Sectors:

- Invested more than \$580 million in real estate to spur redevelopment and create the Virginia Bio-Technology research center
- 27,000 square feet of state of the art laboratories ideal for biotech start-ups in downtown Richmond
- Center has generated 26 new companies
- Incubator helps university attract top faculty and in turn helps those faculty turn ideas into viable businesses



Create Strong Urban Centers

Maryland's Priority Funding Areas

Laws that promote reinvestment in existing infrastructure

- Steers major state road, sewer, and school investments away from farms and open spaces to “priority funding areas” in established places where infrastructure already exists
- Does not stop development or the role of market forces; they simply shift taxpayer resources away from subsidizing inefficient and potentially harmful projects



Embrace Diversity

Inclusionary Zoning - Montgomery, MD

Moderately Priced Dwelling Unit Ordinance

- Requires new developments of 50 or more to set aside 12.5 – 15% of the units for low and moderate income households
- 22% percent zoning density bonus
- Nearly 11,000 units have been created under this program



Promote Regional Collaboration

Chicago Metropolis 2020 Plan

Corporate expansion decisions of over 100 business leaders will take into account:

- Community zoning, building and land use policies that allow for the construction of affordable housing for workers
- Reliability and accessibility of mass transit, particularly mass transit near work sites



Promote Regional Collaboration

Washington Area Housing Partnership

Regional public-private partnership in the DC region:

- Works to preserve and expand affordable housing for low- and moderate-income families throughout the metro area
- Convenes regional stakeholders, conducts local housing research, provides technical assistance, and acts as an advocate for increasing the supply of affordable housing in the region

www.brookings.edu/urban

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September 5, 2003

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