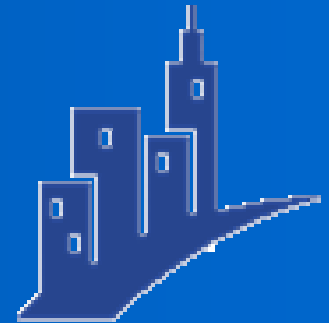


The Brookings Institution

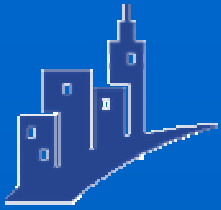
Metropolitan Policy Program
Bruce Katz, Director



A Transformative Agenda for U.S. Cities

Wingspread Conference

February 10, 2005



A New Transformative Agenda for U.S. Cities

CONTEXT

I

There are profound demographic, market, and social forces affecting the United States

II

These forces dramatically improve the competitive prospects of cities

III

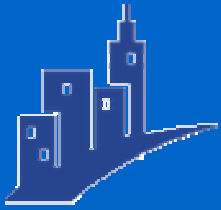
Despite these promising trends, cities have yet to realize their true economic potential

IV

Local, state, and federal policies shaping cities are mixed

V

A Transformative Agenda for U.S. Cities



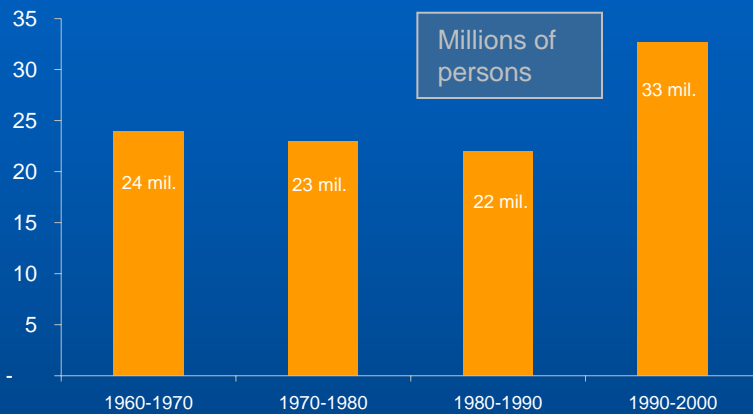
I

There are profound demographic, market, and social forces affecting the United States

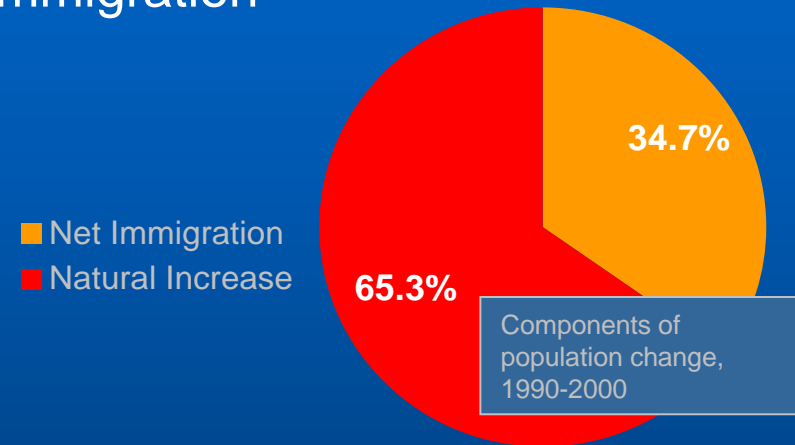


Major demographic change is taking place in the U.S.

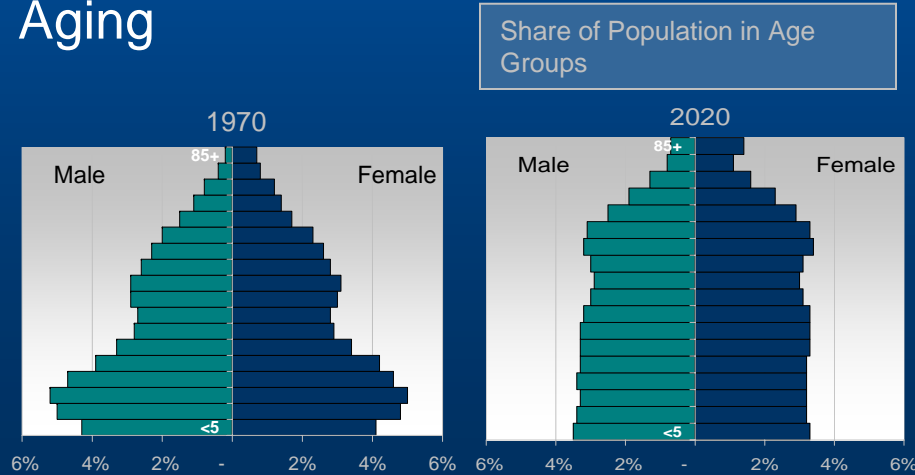
Population Growth



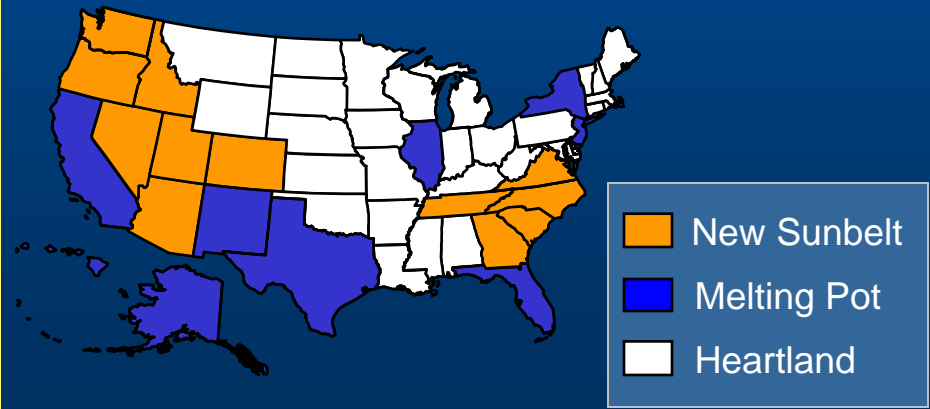
Immigration



Aging



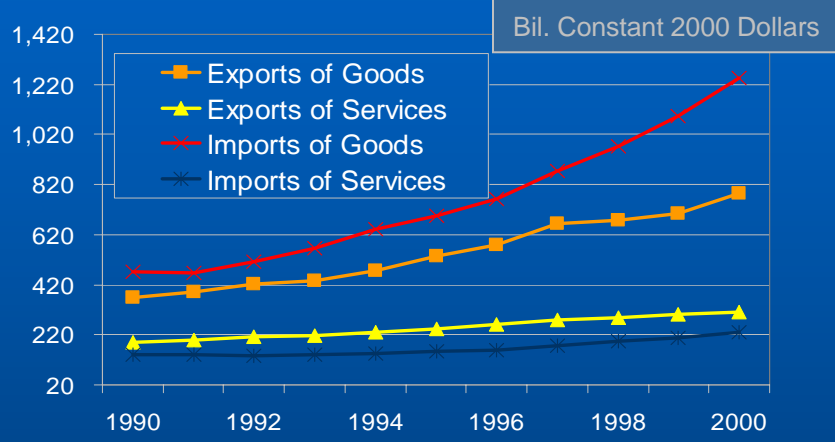
Internal Migration



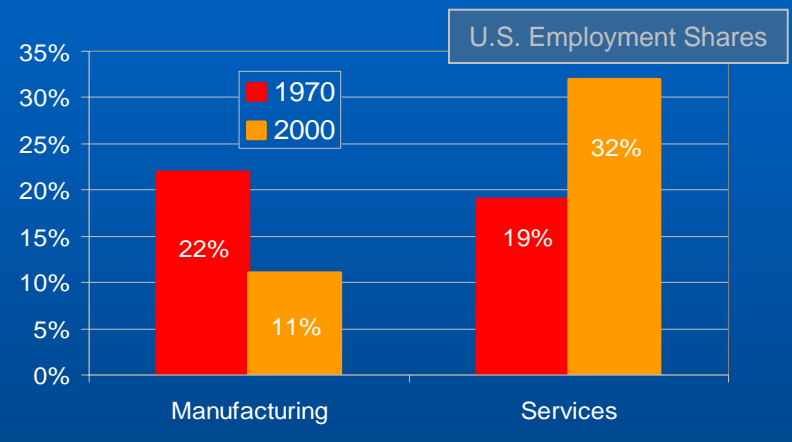


At the same time, the country is going through a period of unprecedented economic transformation

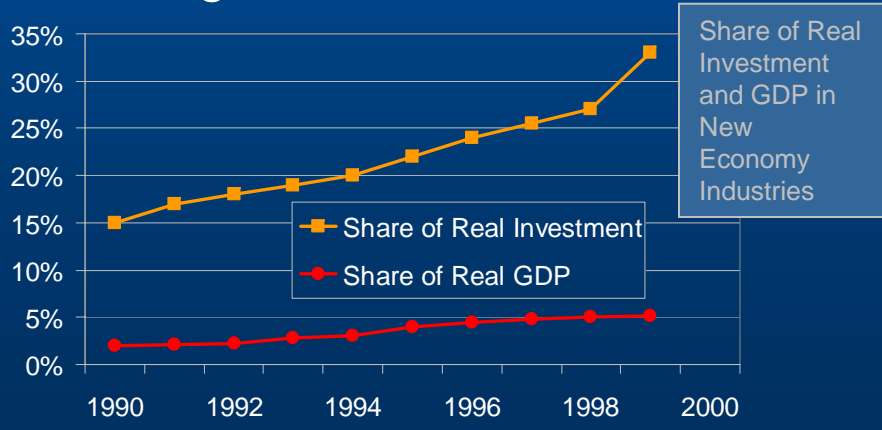
Globalization



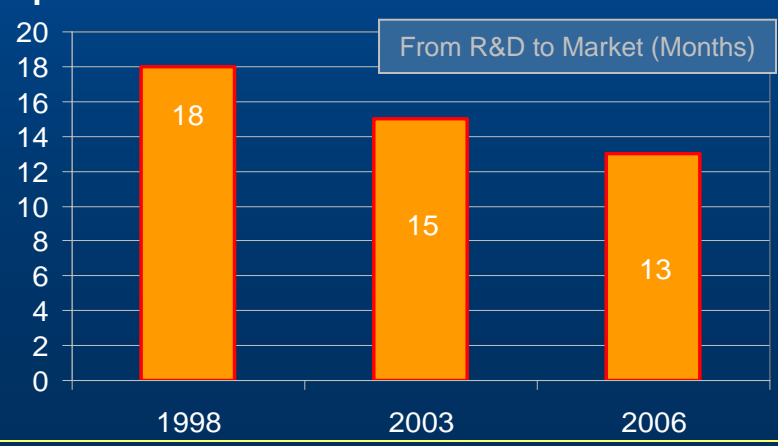
Deindustrialization



Knowledge industries



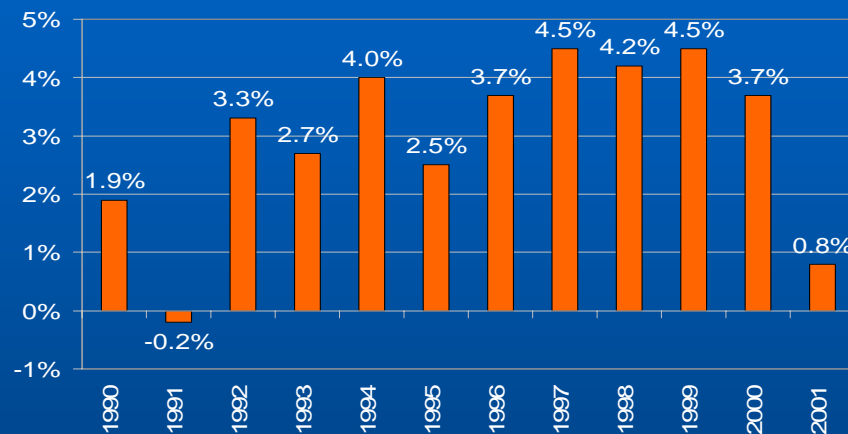
Rapid innovation



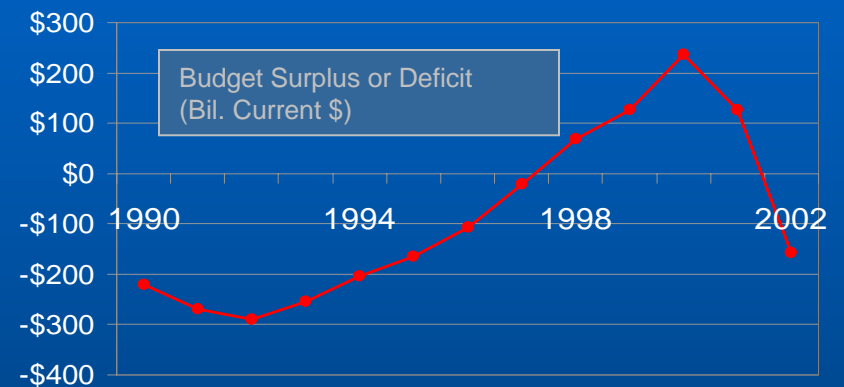


In the 1990s, steady growth and prudent fiscal policy kept interest rates low, fueling development

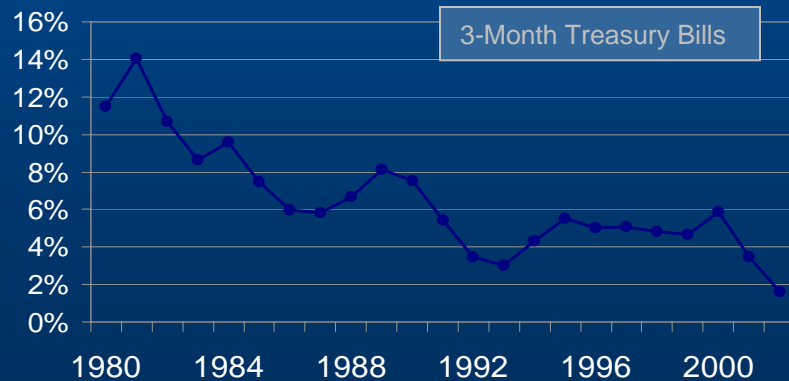
GDP Growth



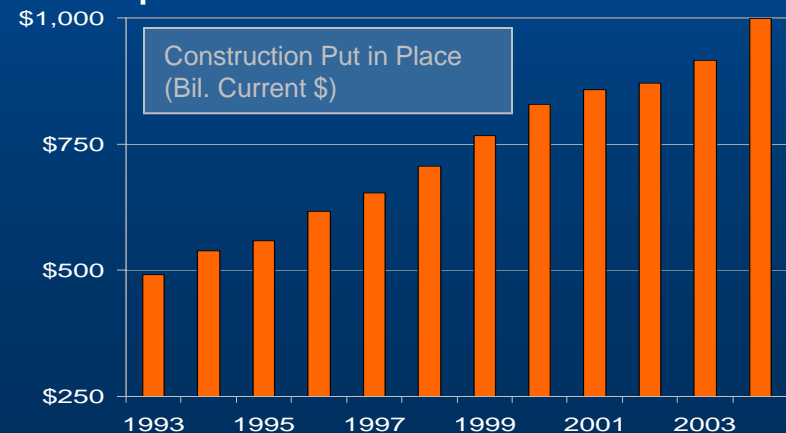
Budget Surplus



Interest Rates



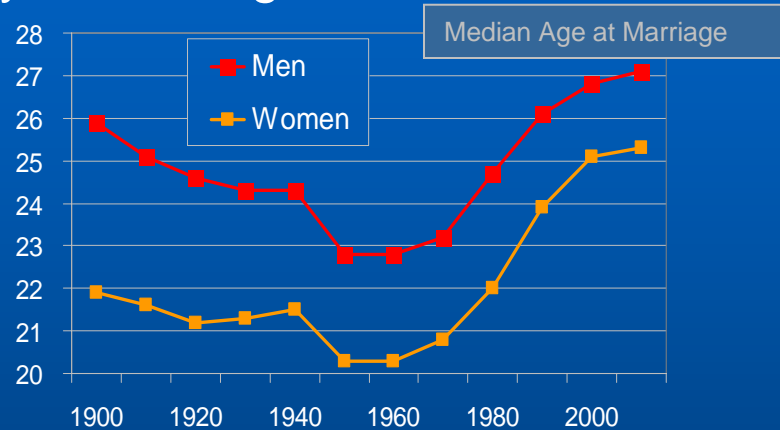
Development



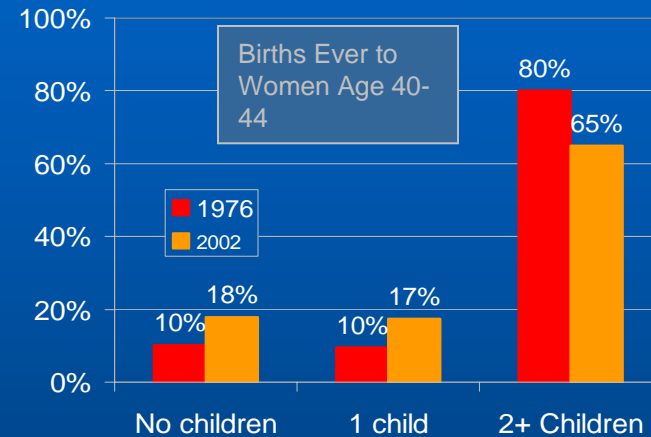


Social change drove (and was a response to) demographic and economic change

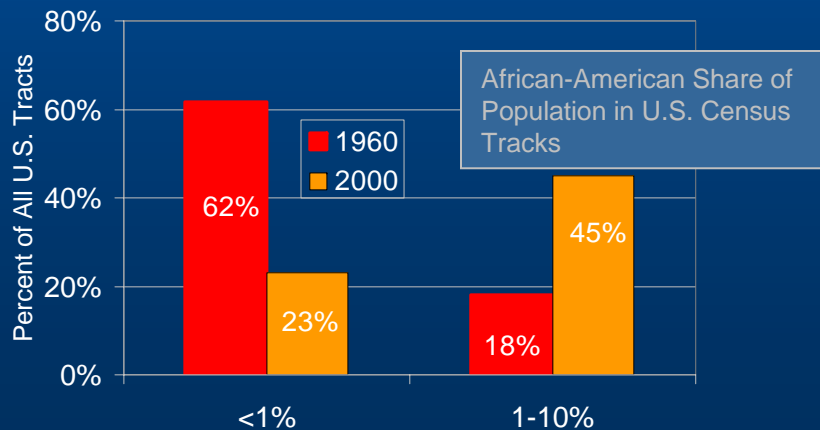
Delayed marriage



Smaller families



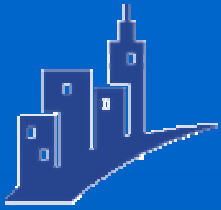
Declining segregation



Dispersed social networks

- Local ties now make up only 2-5 percent of an average North American's social network

Wellman (1996)



II

These forces dramatically improve the competitive prospects of cities



The dense physical layout of cities gives them a competitive and fiscal advantage



Density contributes to innovation by attracting young educated workers

Average labor productivity increases with employment density

Dense labor markets and high clustering of jobs lead to knowledge spillovers, both within and across industries

Compact development is more cost-efficient

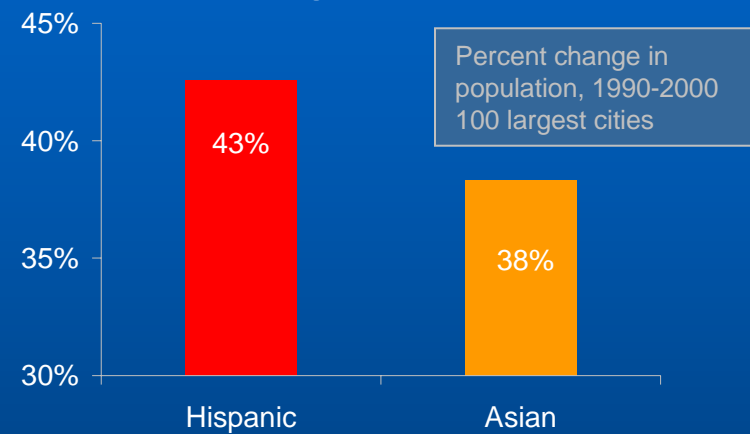


Density has made cities multicultural centers of creativity, commerce, and culture

Centers of Tolerance & Creativity

Metropolitan Area	Milken Tech-Pole Gay Index	Bohemian Index
San Francisco	1	8
Boston	2	9
Seattle	3	1
Washington, DC	4	6
Dallas	5	15
Los Angeles	6	2
Chicago	7	20
Atlanta	8	13
Phoenix	9	24
New York	10	3

Centers of Immigration



Centers of Commerce

- Ports
- Airports
- Other Transportation Networks
- Financial and other business services

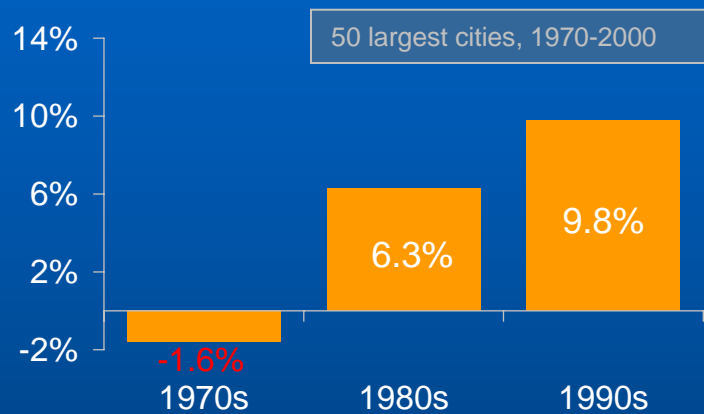
Centers of Culture

- Universities
- Museums
- Theaters
- Restaurants

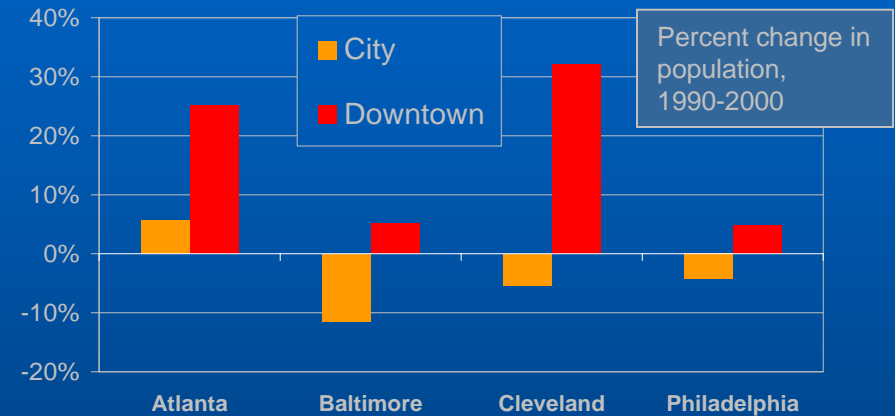


The new positioning of cities has driven an urban resurgence in the United States

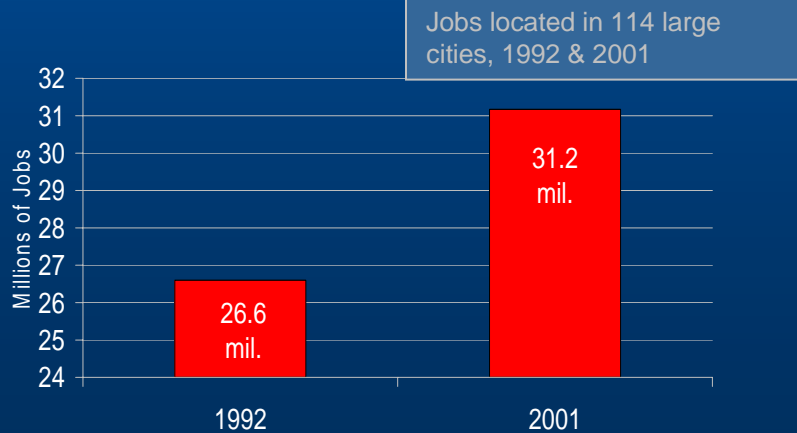
Population Growth



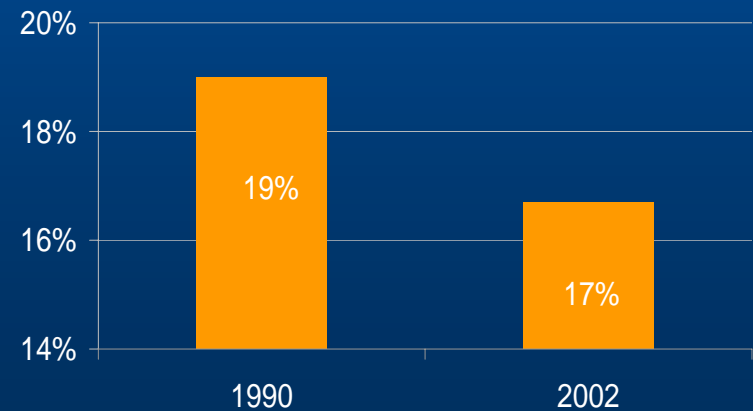
Revitalized Downtowns



Increase in Jobs



Declining Poverty

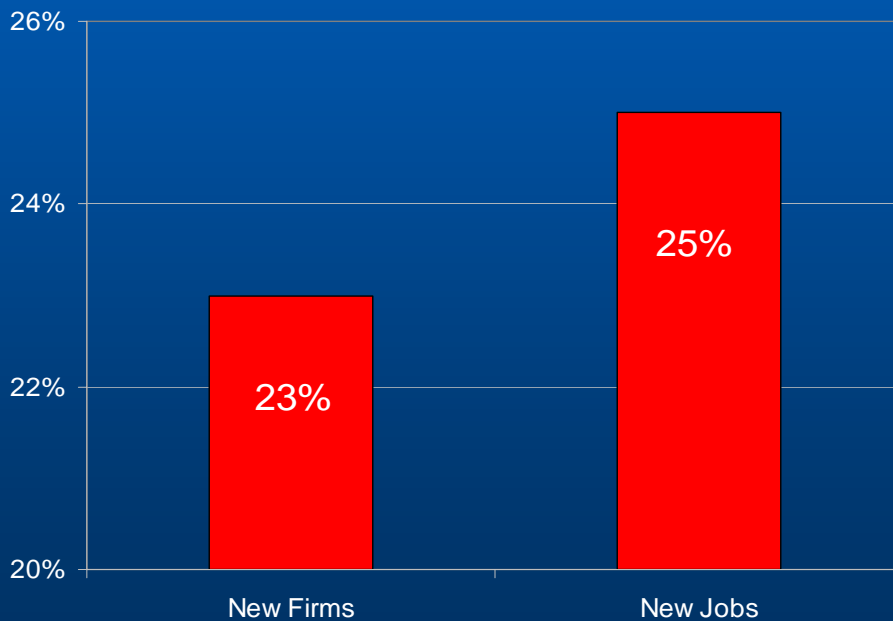




Cities, in particular, have gained a strong footing in the New Economy

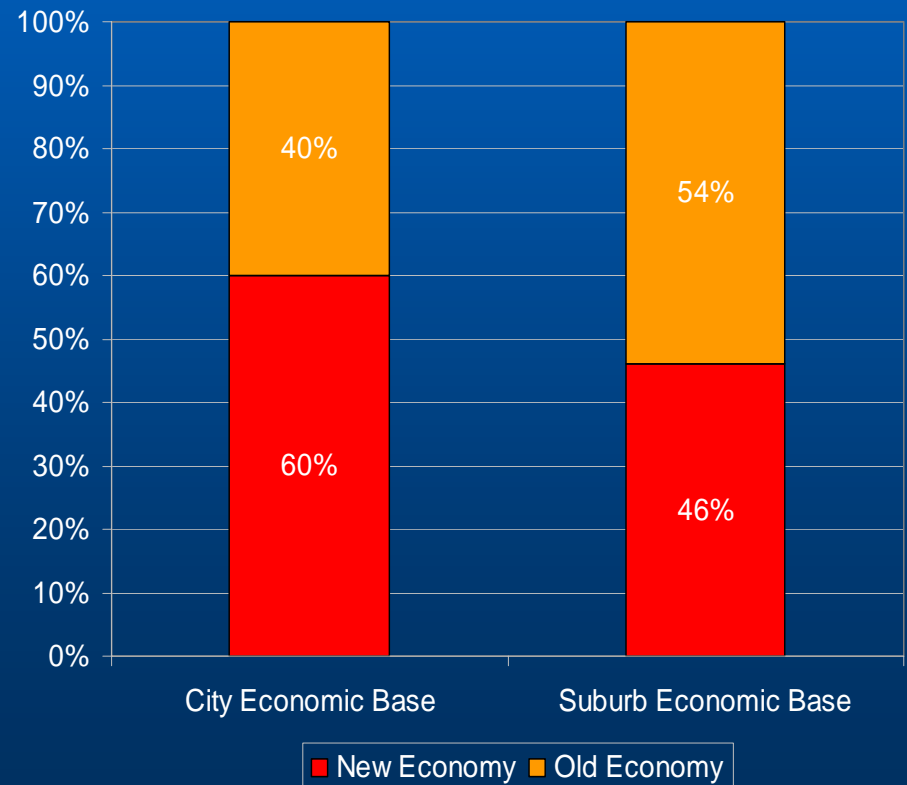
Innovation

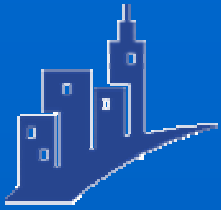
50 Largest Cities, Share of New U.S. Firms & Jobs, 1996-97



Economic Base

Economic Activity in Old and New Economy Sectors, 114 Cities and their Suburbs, 2000





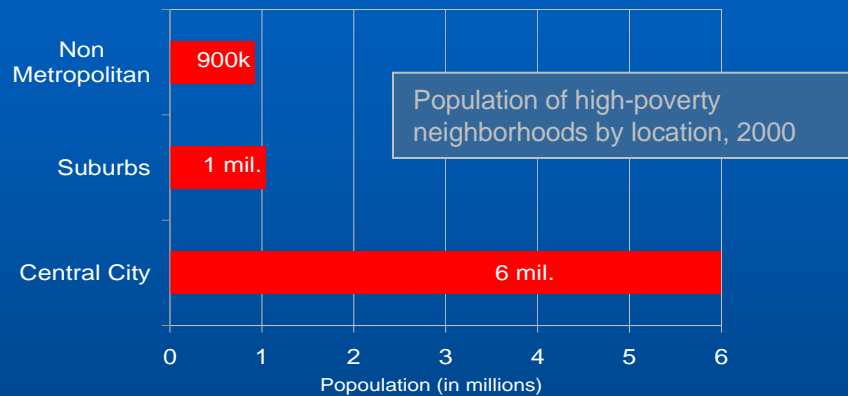
III

Despite these promising trends, cities have yet to realize their true economic potential

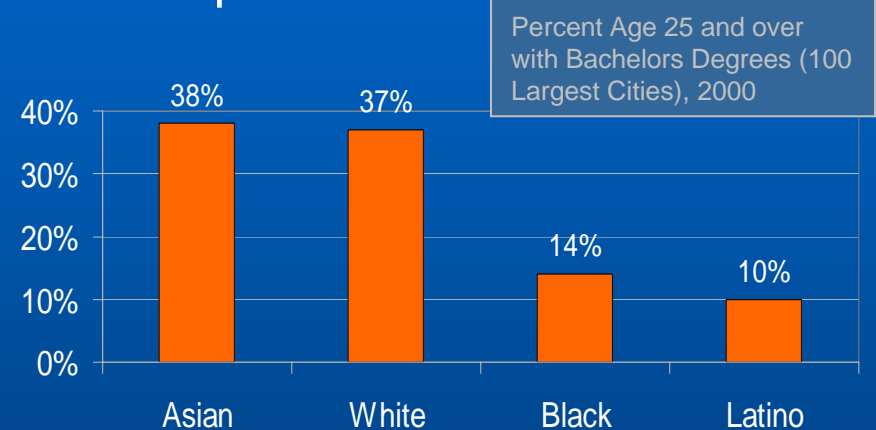


The historic legacies of racial and class segregation persist

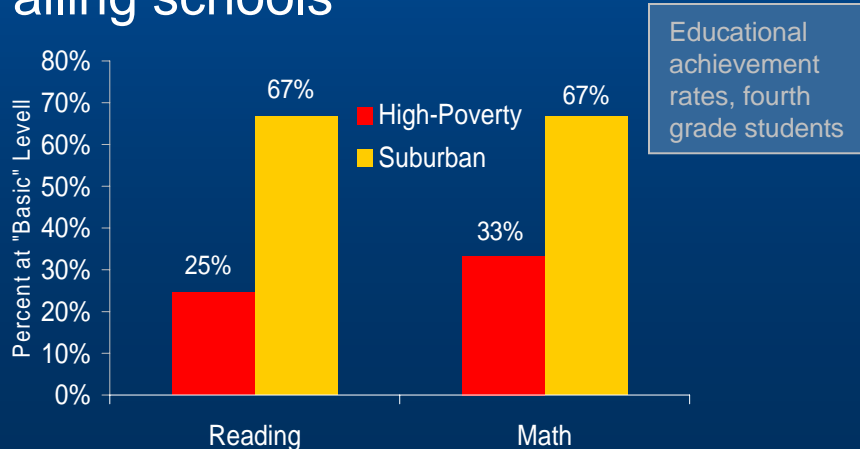
Concentrated poverty



Racial disparities



Failing schools



Parasitic economies

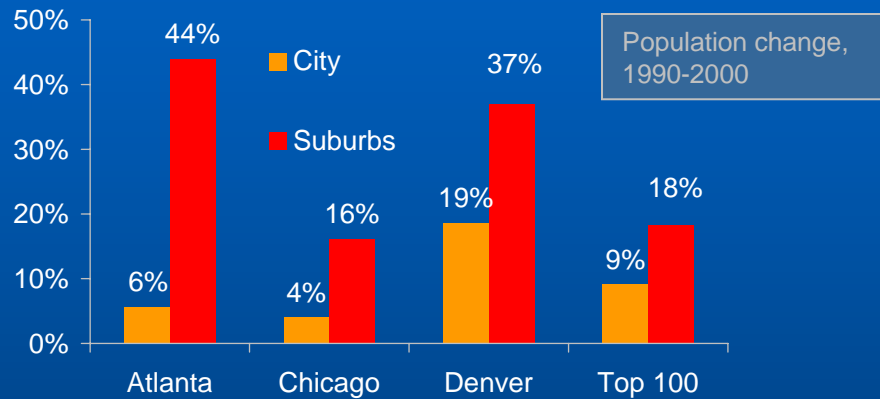
Research shows low income households pay hundreds more each year for:

- financial services
- insurance
- utilities
- appliances
- food

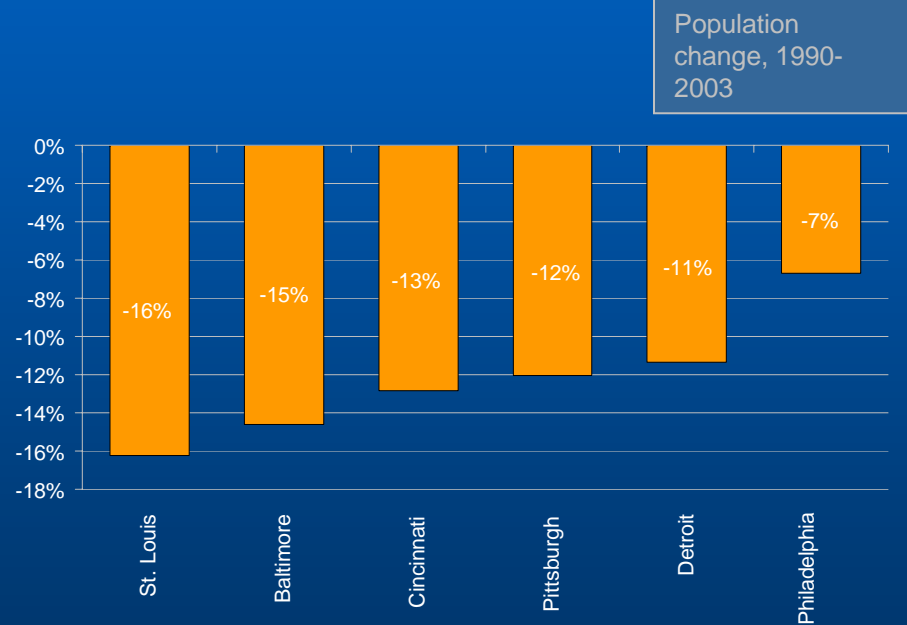


These problems fuel uneven growth everywhere; in some regions, they continue to cripple central cities

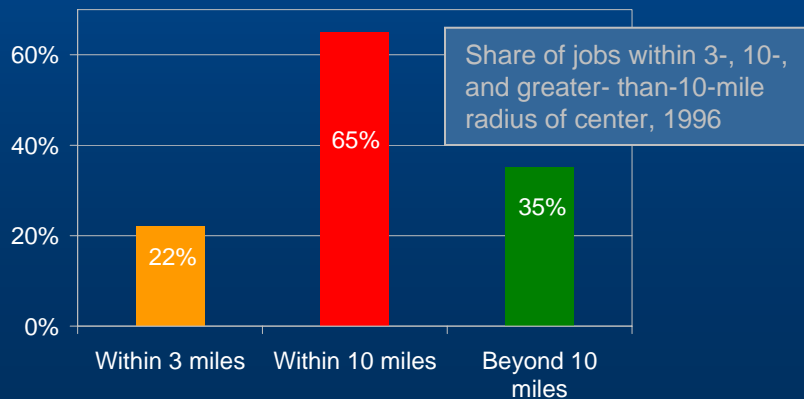
Population decentralization

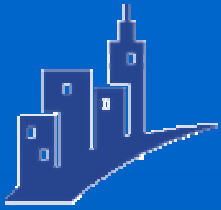


Weak central cities



Employment decentralization





IV

Local, state, and federal policies shaping cities are mixed



At every level, urban policy is beginning to get some things right

Local

- School reform/governance
- Community policing
- Vacant land
- Government reinvention
- Innovative financing

State

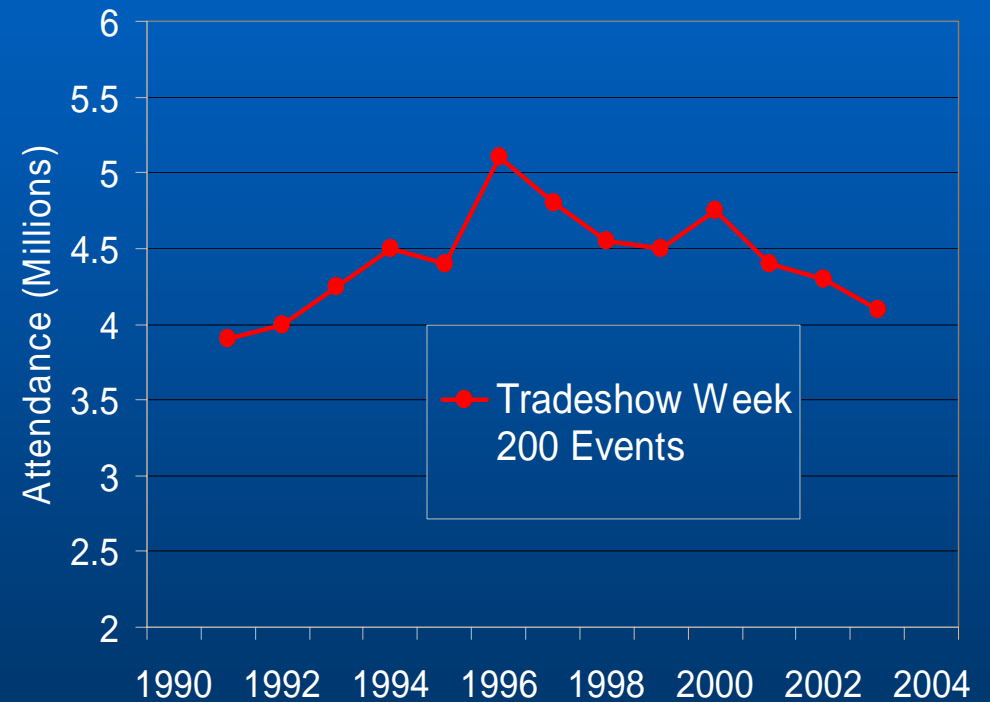
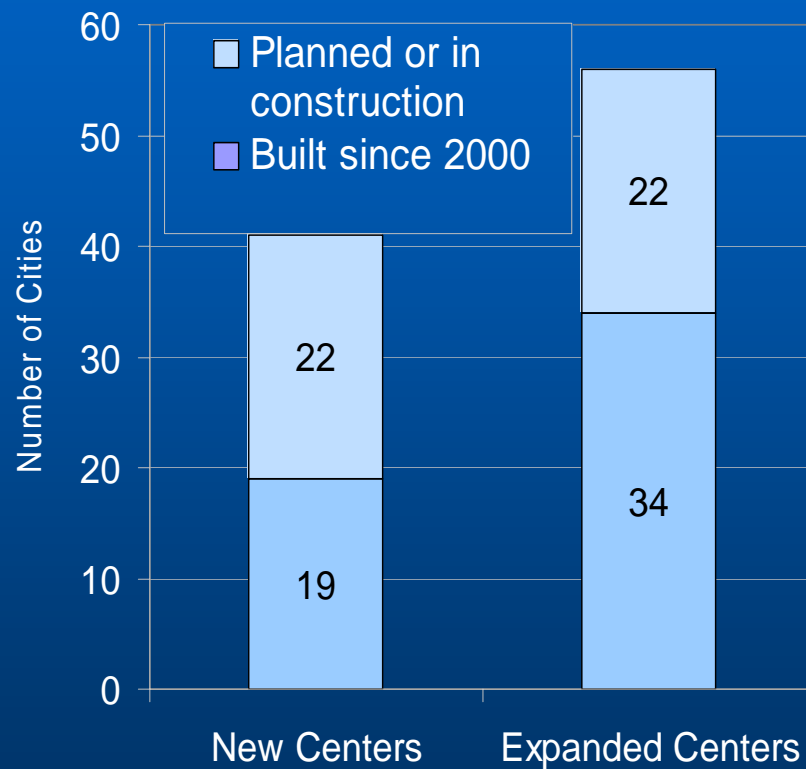
- Brownfields
- Fix it first transit
- Workforce/higher education
- Growth management
- Investment in medical research

Federal

- EITC/CHIP
- Childcare
- HOPE VI
- CRA
- GSE Goals/
Homeownership
- Investment in medical research
- ISTEA/TEA-21



Cities often make the wrong bets (e.g. convention centers)



Source: Heywood Sanders. "Space Available: The Realities of Convention Centers as Economic Development Strategies," Brookings. January 2005.



States set rules of the development game that continue to favor suburban development



- Major state spending programs have skewed funding to greenfields
- State tax systems are biased against cities
- In many states, local zoning ordinances do not conform to local or regional plans
- Barriers to brownfield development hinder their productive reuse
- Greater government fragmentation correlates with more sprawl
- Many state constitutions prevent government from using gasoline tax on transit



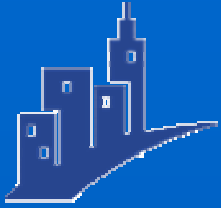
Federal policies are at best anemic; at their worst, they also favor suburban development

Anemic policies

- Federal work benefits fail to support eligible working families – more than 20 states have waiting lists for child care programs - several states have stopped accepting applications from eligible families
- In contrast, Britain devoted an extra 1 percent of GDP to reducing child poverty - \$100 billion U.S. a year in added spending
- Blair's program reduced child poverty from 23% in 1997 to 13% in 2001
- The increase is more than our final child poverty budget, \$60-76 billion

Biased policies

- Subsidized housing policies reinforce concentrated poverty
- Homeownership tax expenditures favor suburban buyers
- Environmental regulation pushes growth outward
- Despite improvements, transportation funding is still geared toward highway building



V

A Transformative Agenda for U.S. Cities



In the 21st century, cities will have an opportunity to redefine their role in metropolitan America

Physical

- **Walkable and well defined mixed-use neighborhoods**
- **Transportation infrastructure tailored to the modern city**
- **Renowned recreational amenities and institutions**
- **State-of-the art schools**
- **Clean and healthy urban ecosystems**

Economic

- **Concentration of regional business activity**
- **An innovative highly skilled workforce**
- **Strength in sectors with a competitive advantage**
- **Dynamic arts and culture sector reflecting urban diversity**
- **Efficient government services**

Social

- **Strong middle-class families**
- **Quality neighborhoods of choice**
- **Common and inclusive civic identity**
- **A commitment to serving and developing residents with greater needs**



To recap: Cities have real assets that are highly valued by the New Economy



Underutilized Waterfronts



Downtowns



Human Capital



Universities



Active Neighborhoods



Infrastructure



While recent trends are positive, legacies from the past are preventing cities from fully leveraging these assets

Positive Trends

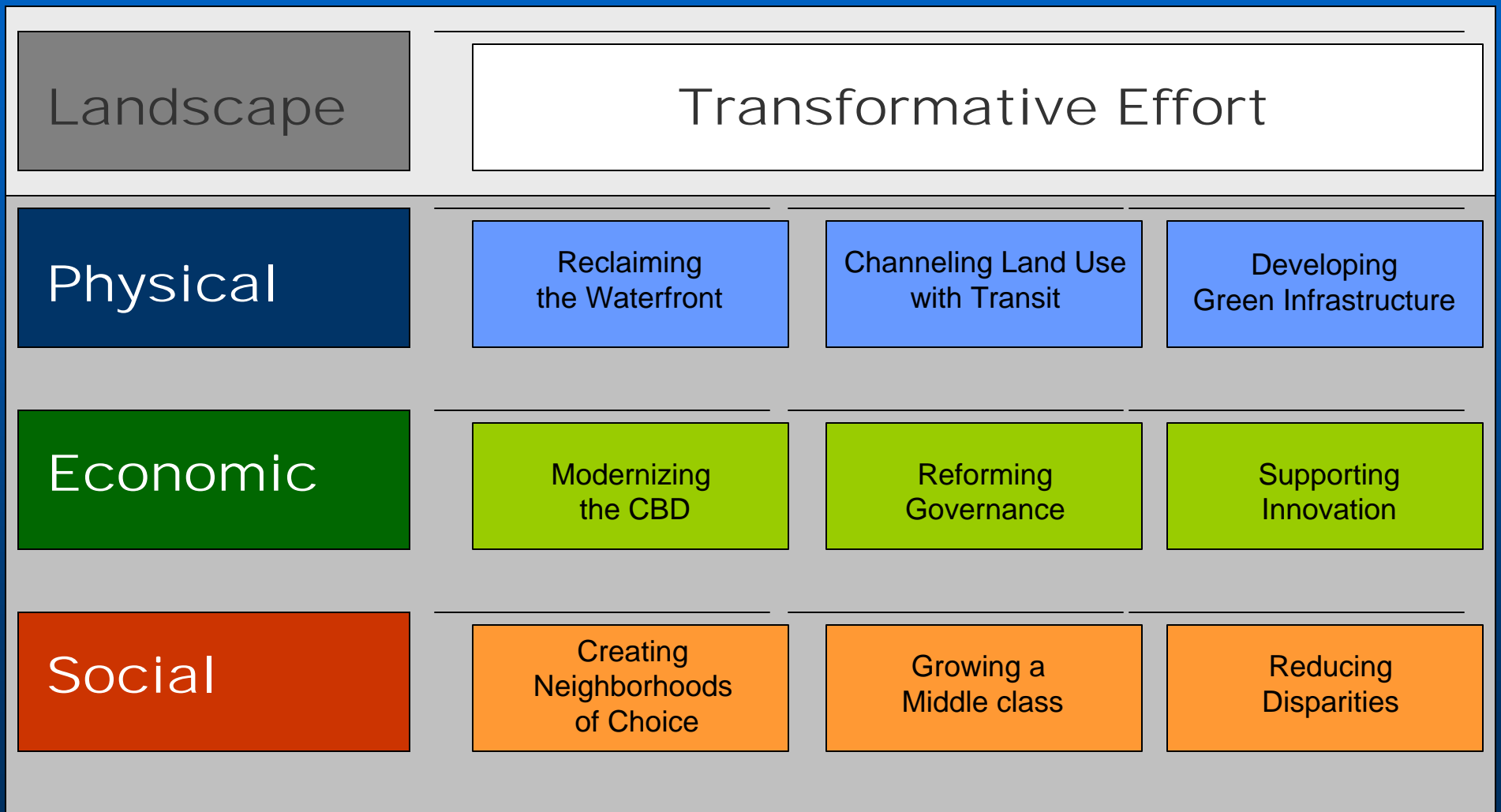
- Population growth
- Immigration
- Aging population
- Investors looking to tap underserved urban markets
- Certain positive state and federal programs

Historical Legacies

- Concentrated poverty
- Substandard housing
- Aging and outdated infrastructure
- Fiscal disparities
- Ossified bureaucracies
- Fragmented governance
- Racial and class separation



Increasingly cities are recognizing and leveraging these assets by carrying out transformative efforts



Underutilizing the asset:

- In the past, cities used zoning and infrastructure placement to cut neighborhoods and residents off from the waterfront

Leveraging the asset:

- ✓ Cities recognize the passive and active recreational value of waterfronts, as well as their attractiveness to developers interested in generating new mixed-use urban environments

The Milwaukee Freeway Demolition

- Removal of a little-used spur of the never-completed Park East Freeway began in 2002 to reclaim 11 blocks of downtown land
- Renewal project will add commercial and residential development of mixed types, taking advantage of the unique features downtown (e.g. the river, entertainment venues, etc.)



Before



After

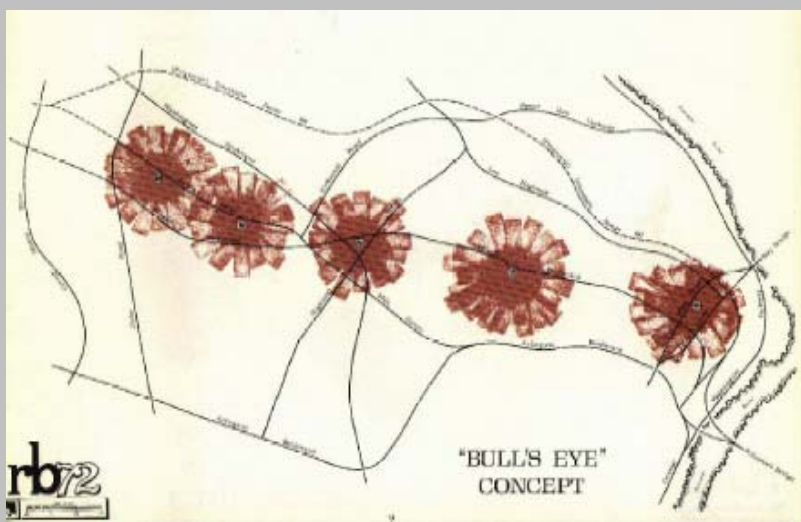
Underutilizing the asset:

- In the past, cities built transit to service existing residential development

Leveraging the asset:

- ✓ Cities realize that transit can generate value by promoting denser, more efficient growth patterns

Transit oriented development in Arlington County, VA



The Vision

- In 1972, sector plans were created around each metro station to establish land use and development guidelines and ensure a mix of commercial residential and office uses



The Outcome

- The Rosslyn-Ballston corridor now contains 18,000 housing units and 14 million square feet of office space
- 73,000 jobs are located within a third of a mile of the corridor

Denver FasTracks will encourage smarter growth patterns



- \$4.7 billion project; financing provided by sales tax (4 cents per \$10)
- TOD around stations designed to accommodate 900,000 anticipated new residents over next 20 years
- 119 miles of new light rail and commuter rail
- 18 miles of bus rapid transit service
- 21,000 new parking spaces at rail and bus stations

Underutilizing the asset:

- In the past, cities paved over or neglected parks and open space

Leveraging the asset:

- ✓ Cities are building and designing active programming for parks and other recreational spaces

Denver's plan for "A City in A Park"

- Continuous "green streets" – streets with adequate sidewalks and tree canopies – connecting neighborhood main streets, schools, and recreation centers to parks
- Citywide and regional trail connectors – connecting parks and creating longer walking and cycling routes
- Healthy and accessible waterways – extending and increasing open space along city rivers



"Green Street" Ideal



A Plan for the "City in A Park"

Underutilizing the asset:

- In the past, cities planned downtowns for concentrations of office space

Leveraging the asset:

- ✓ Cities recognize that work/live downtowns support the mix of retail and commercial activities desired by both businesses and urban residents

Albuquerque is making long-term investments in its downtown

Historic Downtown Improvement Company Agenda

- Vision – A cooperative partnership led by Arcadia Land Company and the McCune Charitable Foundation. HDIC will make investments that will serve as catalysts for development leading to a vibrant mixed-used downtown
- Design – “Bury the box” is major design focus, large footprint uses, such as a new 14-screen movie theater and a 180,000 sf parking structure, have been hidden by pedestrian-friendly buildings with ground floor retail and office or residential above
- Financing – HDIC’s committed \$200 million in “patient equity” matched by \$8 million in City backed infrastructure improvements; HDIC will repay city with project revenues
- Mixed-Income – HDIC is working to create a mixed-income downtown. Share of profits will go to Downtown Albuquerque Civic Trust, a local nonprofit affordable housing developer



A Vision



Progress

The NJ Performing Arts Center enlivens downtown Newark

- \$187 million investment in downtown Newark
- Built on 12 acres fronting the Newark River
- Leverages \$60 million in private financing
- Facility includes a 3,000-seat opera house, a 2,500-seat concert hall, a 1,800-seat music theater, and a 600-seat dance and drama theater
- Center has spurred ancillary commercial and retail activity



Underutilizing the asset:

- In the past, large bureaucracies made cities slow and inefficient

Leveraging the asset:

- ✓ Cities are using technology and economies of scale to make transactions smoother and faster

Fort Wayne is training Six-Sigma black belts to increase efficiency in city government



- Water main replacement costs were reduced from an average of \$61.00 per foot to \$50.00 per foot
- Number of days to receive an Improvement Location Permit was reduced from an average of 51 days to 12 days
- Cost per change order for transportation engineering projects was reduced by 50%
- Fire code re-inspections were increased by 23% and the average number of days to a re-inspection was reduced from 51 to 34 days
- Missed trash pick-ups were reduced by 50%
- Responses to pothole complaints were reduced from an average of 21 hours to 3 hours

Underutilizing the asset:

- In the past, cities used placeless economic development strategies to attract knowledge economy industries

Leveraging the asset:

- ✓ Cities are leveraging the competitive advantages provided by the built environment to compete in the new economy

Wireless internet access throughout Philadelphia will maximize the potential of residents, businesses and visitors

“...creating a truly digital city that supports economic development, social development and helps close the digital divide in this knowledge-based world “

- Wireless Philadelphia is a \$7-10 million plan to turn the entire city into a wireless internet hotspot by June 2005
- Wireless Philadelphia will introduce high-speed internet to areas currently beyond the reach of broadband. Businesses will be able to take advantage of tiered levels of service
- Philadelphia will work to provide educational opportunities and other city services over the wireless network



Richmond partnered with Virginia Commonwealth University to create the Virginia Bio-Technology Research Park

- 27,000 square feet of state of the art laboratories ideal for biotech start-ups in downtown Richmond
- More than 50 companies have started in the incubator, including 18 originating from VCU research
- 16 have graduated from the incubator – 3 are now publicly traded – creating hundreds of new jobs in the Richmond area



Underutilizing the asset:

- In the past, cities concentrated poor families in high-rise public housing in neighborhoods surrounding their downtowns

Leveraging the asset:

- ✓ Cities are creating mixed-income communities of choice in neighborhoods in close proximity to central business districts

In St. Louis, the Vaughn high rises were transformed into a new mixed-income neighborhood of choice



Vaughn High Rises in 1995

- Four nine-story buildings
- 656 units
- Typical of 1950s-era, urban renewal public housing towers



Murphy Park Homes

- Townhouses, garden apartments and single-family homes
- 413 units
- “New Urbanist” design and “defensible space” technique

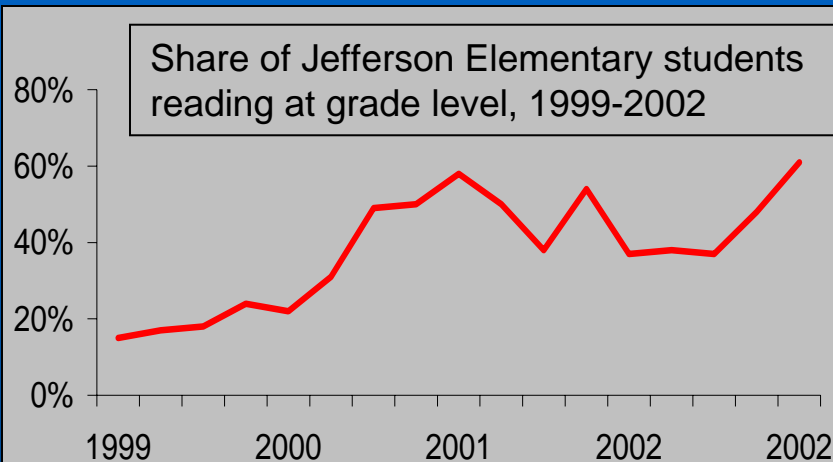


Jefferson Elementary

- Leverages \$5 million in corporate and philanthropic money
- Technologically advanced educational facilities
- New principal with wider control over teachers and curriculum



Murphy Park and Jefferson Elementary are enjoying success



Murphy Park Residents Income distribution, 2003

Income Bracket	Percent
Under \$10,000	31%
\$10,000 to \$30,000	44%
\$30,000 to \$50,000	16%
Above \$50,000	10%

- The median household income rose by 18 percent between 1989 and 1999, compared to four percent regionally
- Unemployment fell by 35 percent from 1989 to 1999, compared to a 3.7 percent city wide increase
- Private investment in the form of residential and commercial development has since located in the surrounding area

Underutilizing the asset:

- In the past, cities tried to attract middle class residents to cities

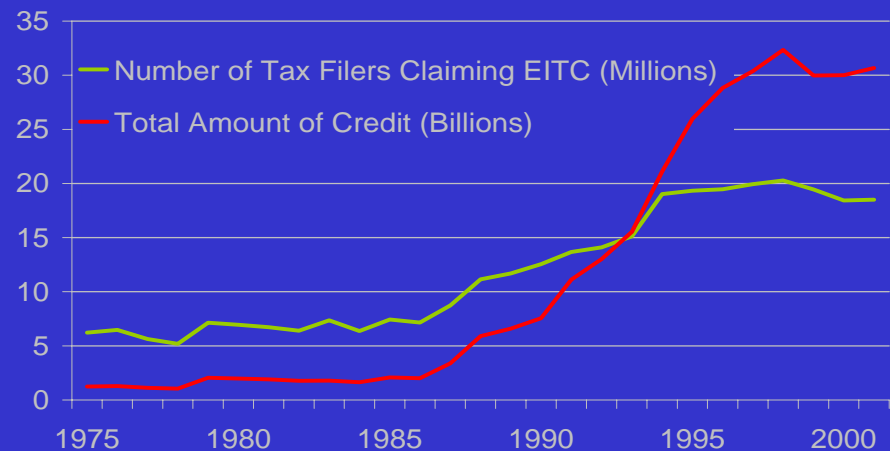
Leveraging the asset:

- ✓ Cities are working hard to leverage federal resources with educational and homeownership opportunities to help low-income families build wealth and enter the middle class

Chicago is leveraging the value of the Earned Income Credit and helping build a middle class

- Outreach partnership between Mayor Daley's office, employers, business associations, and community groups
- Place information on EITC in bill inserts, paychecks, grocery store bags, McDonald's tray liners
- Chicago-based Center for Law and Human Services coordinates free tax preparation at 20 sites throughout city
- \$16M in EITC claimed at free tax assistance centers in 2001

The Value of the EITC Increased Substantially



- South Shore Bank helps EITC claimants without bank accounts to open savings accounts with their refunds

Underutilizing the asset:

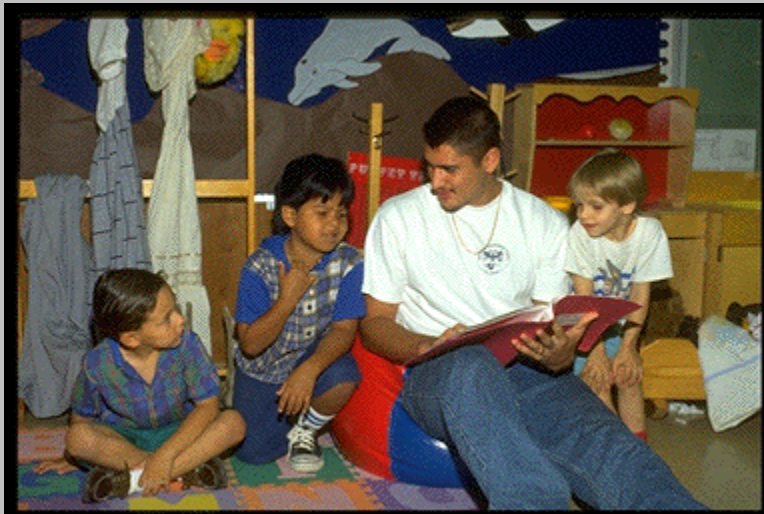
- In the past, cities were too quick to accept failing students

Leveraging the asset:

- ✓ Cities are putting together ambitious efforts to ensure that all students get a quality education

Louisville has committed itself to ensuring that all students are reading

Louisville Every 1 Reads Initiative



- \$16 million literacy program that calls for all 97,000 Louisville Public School students to be reading at grade level in just 4 years
- Louisville Public Schools will spend \$2 million per year to hire reading specialists, \$2.3 million per year to add 23 classrooms to its early increase literacy childhood program, and training for teachers
- Greater Louisville Inc. will raise \$2 million per year, get more adult volunteers for schools, encourage agencies that work with children to emphasize reading, and lobby state legislators on behalf of the schools



The common characteristic is that transformative efforts are large, informed, calculated bets

Systemic in effect

- The primary project focus may be economic, physical or social, but ultimately a project must generate secondary returns on investment across categories

Tailored to local market realities

- Motivated by sound research and reasoning
- Insulated from unreasonable pressure by business and political interests

Cognizant of lessons from the past

- Appropriate level of public participation
- Well distributed benefits

Sustained & Scrutinized

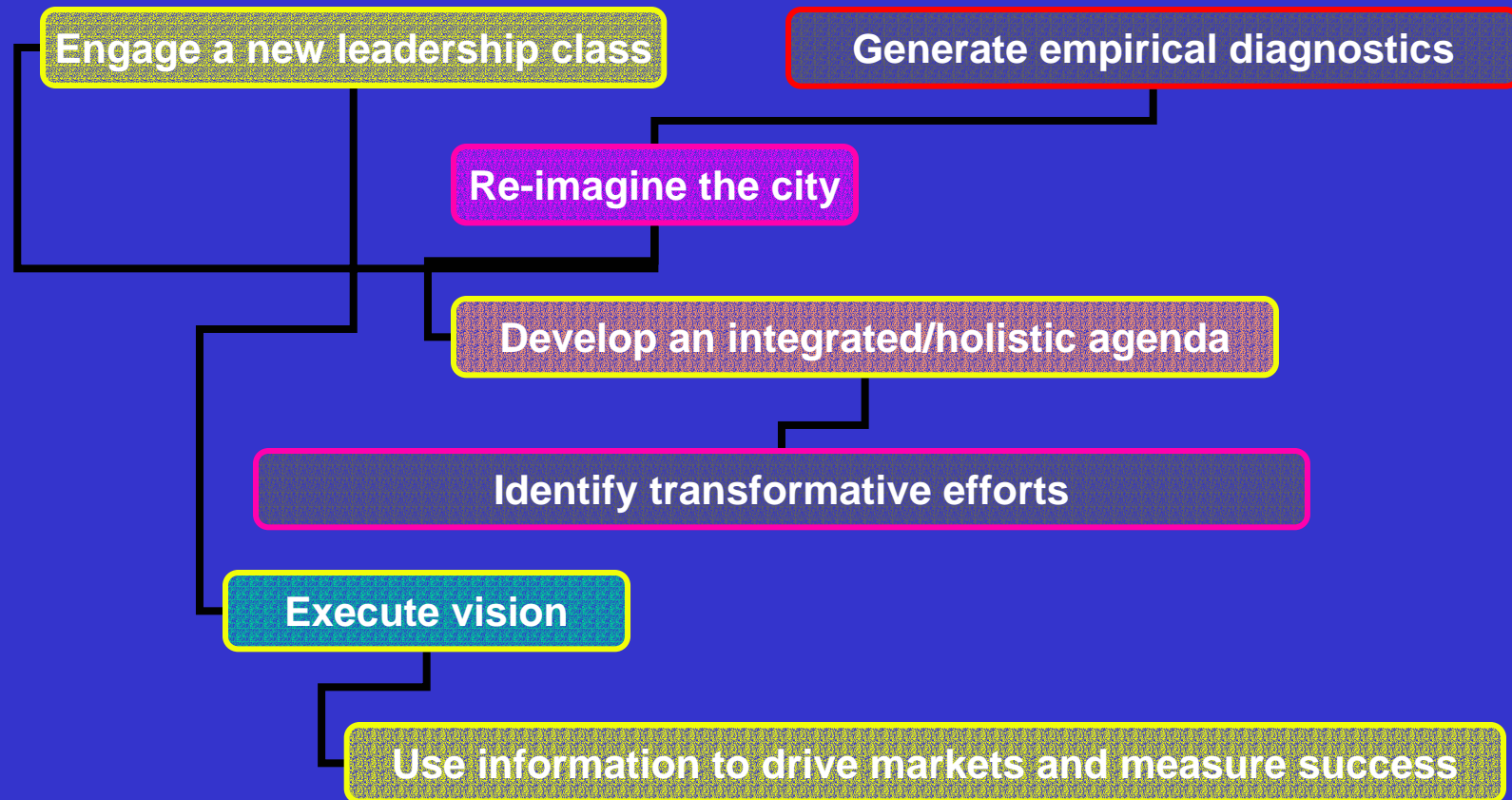
- Phasing
- Intermittent evaluation



**How do we make transformative efforts
the norm instead of the exception?**

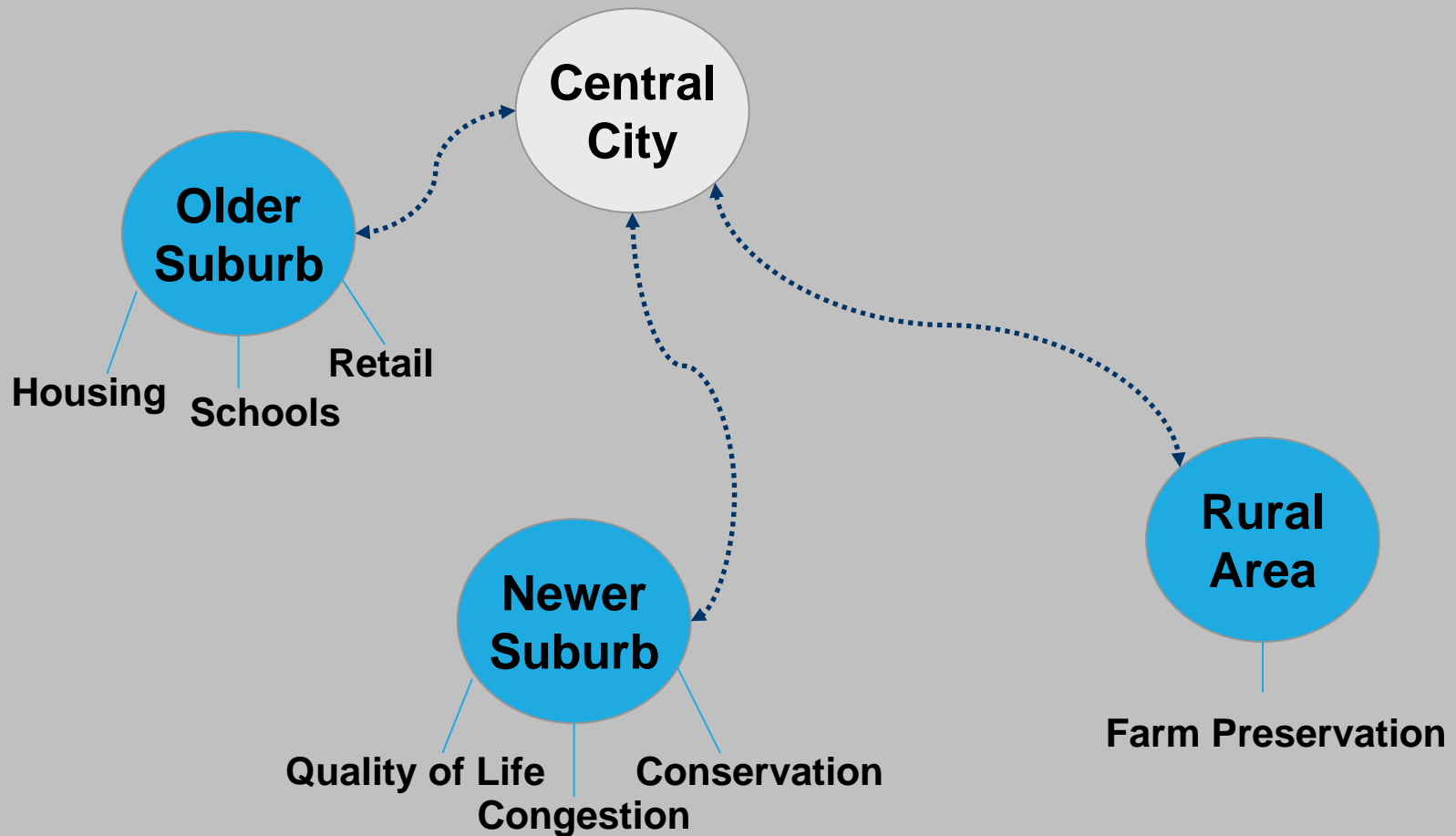


To move forward, cities must act with market focus and discipline



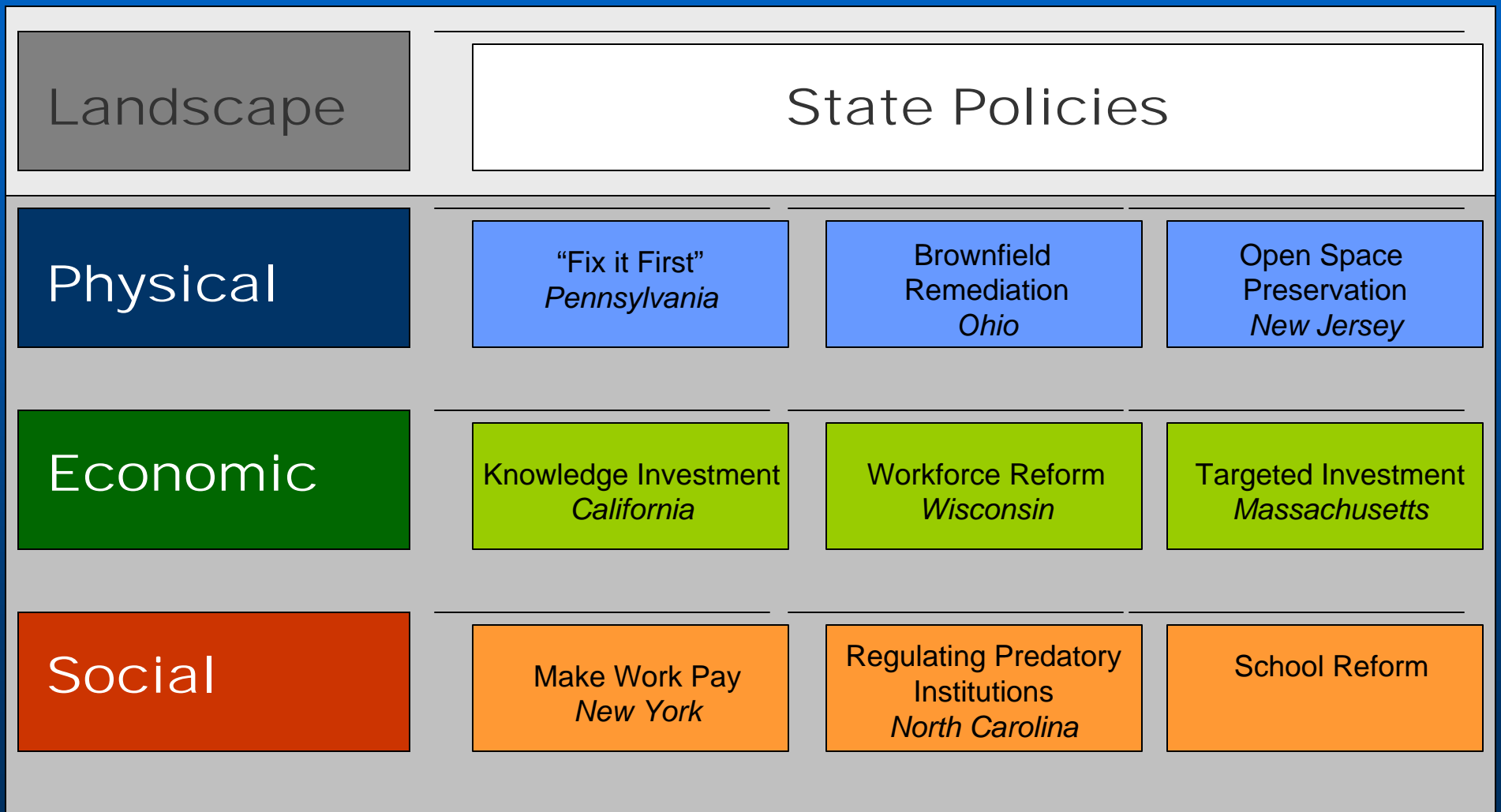


To move forward, cities must be part of majoritarian coalitions to make structural reforms at the state and federal level





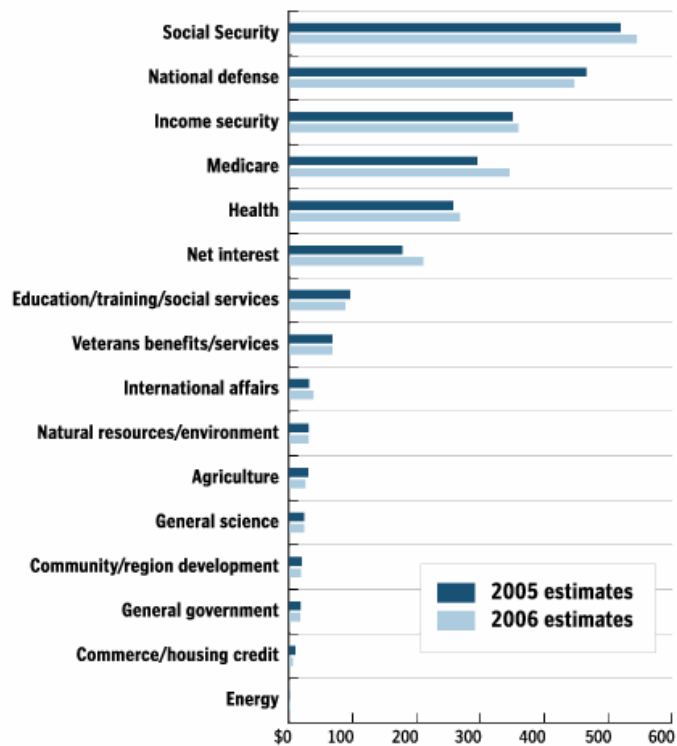
New city-suburban coalitions can address the need for systemic reform





The city-federal relationship needs to be reinvented over time

Spending by Category: FY 2005 vs. FY 2006



Note: numbers are in billions

Notes:

- All numbers are estimates.

SOURCE: OFFICE OF MANAGEMENT AND BUDGET | GRAPHIC: WASHINGTONPOST.COM

Near-term Strategy:

Protect community development spending

Long-term Strategy:

Find ways to leverage larger federal flows



Questions:

- 1.) **Is this argument correct?**
- 2.) **Do you buy the notion of transformative efforts?**
- 3.) **What will it take to make transformative efforts the normal operating procedure?**
- 4.) **How do we ensure more systemic and structural change at the state & federal level?**
- 5.) **How do we build the coalitions to get there?**



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Redefining the challenges facing metropolitan America and promoting innovative solutions to help communities grow in more inclusive, competitive, and sustainable ways.

ANNOUNCEMENT

Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

read an open letter from Brookings President Strobe Talbott

METROVIEW

Deficits by Design Plague Metro
by Robert Puentes
The Washington Times
June 21, 2004

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METROPOLITAN GROWTH

Mechanisms for Market-Based Land Use Control

Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

IMMIGRATION

Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population



Sources

Slide 4- Major demographic change

Brookings Metro Program analysis of U.S. Census Bureau Data

Slide 5- Economic transformation

Globalization and Deindustrialization: Bureau of Economic Analysis
Knowledge Industries and Rapid Innovation: Ned Hill. "Innovation and Economic Development."
Presentation to the White House Office of Science and Technology and the National Governors Association

Slide 6- Steady growth

GDP Growth: Bureau of Economic Analysis
All else: U.S. Census Bureau

Slide 7- Social Change

Marriage and Families: U.S. Census Bureau
Segregation: Edward Glaeser and Jacob Vigdor. "Racial Segregation in the 2000 Census."
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Social Networks: Barry Wellman. "Are Personal Communities Local?" *Social Networks* 18, 3, Sept., 1996: 347-354.

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Slide 10 - Cities as Centers

Richard Florida and Gary Gates. "Technology and Tolerance." Brookings, June 2001.

Slide 11 - Urban Resurgence

Brookings Metro Program analysis of data from U.S. Census Bureau and HUD State of the Cities Data System

Slide 12 - Cities in the New Economy

CEOs for Cities and RW Ventures and Shorebank. "Cities and Economic Prosperity." Spring 2001.

Slide 14- Weaknesses

Concentrated Poverty: Paul Jargowsky. "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s." Brookings, May 2003.

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Slide 15-Uneven Growth

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Slide 27-Milwaukee Freeway

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Slide 29-Arlington

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Slide 27-Denver Parks

Denver Regional Transportation District
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Slide 32-Denver Parks

City of Denver Parks Department
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Slide 34-Albuquerque

HDIC
<http://nm downtown.com/>

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NJPAC
<http://www.njpac.org/>

Slide 37-Fort Wayne

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Slide 39-Wireless Philadelphia

Wireless Philadelphia Executive Committee
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Slide 40-Virginia Bio-tech

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Slide 43-Murphy Park

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Slide 45-Chicago EITC

City of Chicago

Slide 47-Louisville

Louisville Business Journal