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Why the Next Governor Needs an Urban Agenda

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Introduction

I want to thank John Whitehead for hosting us today and for his leadership, vision, and commitment to issues of critical significance for this city and others.

I also want to thank all of you for coming today. The Brookings Council is enormously important to the workings of this Institution, not just because of your financial support but because of your intellectual contributions.

Eleven months from now this state will elect a new governor, only the third governor since Mario Cuomo took office in 1982.

The new governor will take office at a transformative period in our nation.

The United States is going through a period of dynamic, volatile change, comparable in scale and complexity to the latter part of the 19th century.

Large demographic forces—population growth, immigration, domestic migration, aging—are changing patterns of consumption and settlement and lifestyle. The prototypical family of the suburban era—a married couple with school age children—is now less than 25 percent of all American households.

Broad market forces—globalization, technological innovation, standardization—are restructuring the US economy, changing what we do, how we do it, and where we do it.
Most prominently, globalization has accelerated the shift of our economy from the manufacture of goods to the conception, design, marketing, and delivery of goods, services, and ideas.

Make no mistake about it: Innovation, entrepreneurship, knowledge, and creativity now drive the economy.

To compete in this new world requires states and governors to align their policies to the new rules of economic prosperity and success.

Some of those rules will be apparent to everyone in this room:

> **How You Stimulate, Support and Sustain Innovation Determines the Pace and Shape of Economic Growth.**
>
> **What You Learn Affects What You Earn as a Family and Whether You Prosper as a Community.**
>
> **How You Govern… and Whether You Govern Regionally… Determines Your Economic, Social, and Physical Destiny.**

Today I would like to talk about one more rule that drives economic success and prosperity.

How You Grow Physically Affects How You Grow Economically. For the first time in a long time, cities and urban places and the urban form matter again as a competitive proposition.

Here is my thesis:

First, broad demographic, economic, fiscal, and cultural forces, far from exclusively fueling sprawl and decentralization, are increasingly promoting diversity, density, and urbanity.

Second, these forces are fueling a visible, though uneven and incomplete, resurgence of American cities and remaking America's suburbs.

Finally, the future competitiveness of this state requires an explicit, bold, ambitious state agenda to leverage the full economic, fiscal and social potential of cities and urban places. The politics for such an agenda exists in this state—if New York City, Upstate cities, and older suburban counties are aligned in a new coalition for change.

So let's start with the big picture.

As I have said before, there are profound demographic and market forces at play in our economy and society.

I strongly believe that these forces are giving cities and urban places their best shot at attracting and retaining residents and businesses than at any time since the 1950s.

Demographic diversity dramatically expands the universe of families who either seek urban living or are willing to experiment:

> Immigrant families who seek communities which are tolerant and welcoming;
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> Elderly individuals who seek places with easy access to medical services, shopping and other necessities of daily life;
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> Middle-aged couples whose children have left the nest and are open to new neighborhoods and shorter commutes; and

Young people who are experimenting with urban lifestyles popularized on television shows like Seinfeld, Sex and the City, and Friends.

The restructuring of the American economy also gives cities and urban places a renewed economic function and purpose.

An economy based on knowledge bestows new importance on institutions of knowledge—universities, medical research centers—many of which are located in the heart of central cities and urban communities. In this state alone, think of state higher education institutions like the SUNY campuses in Albany and Buffalo or think of private universities like the Rensselaer Polytechnic Institute in Troy, the Rochester Institute of Technology in Rochester and Columbia and NYU here.

More generally, the shift to an economy based on ideas and innovation changes the value and function of density.

We now know that employment density and cities with efficient transport systems contribute to labor productivity.

Residential and employment density also enhances innovation.

This happens partly by creating a "quality of place" that attracts knowledge workers and partly by enabling interactions and knowledge sharing among workers and firms, within and across industries.

Finally, the evidence shows that the urban form is not only competitively wise, but fiscally sound

We have known for decades that compact development is more cost efficient—both because it lowers the cost of delivering essential government services (police, fire, emergency medical, school, transportation) and because it removes the demand for costly new infrastructure.

The fiscal benefits of density matter immensely in this state because of the huge infrastructure demands that you have and the transportation finance crisis that you face. The simple fact is that you simply cannot afford to expand your highway and transit capacity, maintain your surface transportation system AND reconstruct or even demolish other infrastructure that is now obsolete.

So here is my second point: Broad market, demographic and cultural forces are altering American growth patterns, giving our cities a second life, and remaking the suburbs.

Cities are growing again after decades of decline. Atlanta, Chicago, Denver, and Memphis literally "turned around" by converting a 1980s population loss into a 1990s population gain.

Immigrants are fueling population growth in cities and, in the process, renovating housing, revitalizing neighborhoods, and spurring entrepreneurial activity. The Hispanic population in the top 100 cities grew by 43 percent during the 1990s or 3.8 million people. The Asian population in the top 100 cities grew by 38 percent during the 1990s or 1 million people.

Beyond demographics, cities have gained a strong footing in the Ideas Economy. Some 60 percent of the jobs in America's cities fit squarely into "new economy" categories compared to only 40 percent in suburban communities.

Other signs of urban resurgence abound:

Poverty rates declined in cities during the 1990s

The number of people living in high poverty—and the number of high poverty neighborhoods—declined precipitously during the past decade

Homeownership went up… unemployment fell… crime plummeted… the numbers of minority- and women-owned businesses soared

New York City embodies this urban resurgence.

Its population increased in the 1990s by over an astonishing 9 percent, topping 8 million for the first time.

The population grew primarily because of the immigration of Hispanics and Asians – in fact, the white population of the city continued to decline during the 1990s, as it did in most US cities.

Violent crime dropped 75 percent over the 12 years, making NYC one of the safest large cities in the country.

And the city is recovering from the recession, growing for eight consecutive quarters and now boasting the lowest unemployment rates since the second quarter of 2001.

Now don't get me wrong. We have not ended the urban crisis in America. Cities still house disproportionate shares of low-income families and cannot, by themselves, respond to the pressing challenges of housing affordability, heath care and public education. This city, despite its successes, has high levels of concentrated poverty—with some 248 neighborhoods marred by poverty rates of over 40 percent.

Given the impact of concentrated poverty on schools, this city and others still struggle mightily to attract and retain middle class families.

Nor are all cities equally prospering from the advantageous turn of events. Even a casual visit to Detroit or St. Louis or Camden … or Albany, Rochester, Syracuse, or Buffalo … reminds us of the devastating impact of decades of persistent poverty and institutionalized racism.

Broad demographic, market and cultural forces are also remaking the suburbs.

With suburbs taking on a greater share of America's population, they are beginning to look more and more like traditional urban areas—in population and in form.

- In many metros, a substantial portion of immigrants in the past decade skipped cities and went directly to the suburbs. Racial and ethnic minorities now make up more than a quarter of suburban populations, up from 19 percent in 1990

- The similarities between cities and older suburbs also extend to economic integration. Many suburbs built in the early or mid part of the twentieth century are also home to the working poor—challenging ingrained perceptions of suburbs as isolated, wealthy enclaves

- Message to America: It is no longer your parent's suburb

A growing number of suburbs also increasingly resemble cities in one more way—their form.

- We see this as places like Montgomery County in Maryland develop downtown areas like Bethesda and Silver Spring that rival traditional central cities in their cultural amenities, their access to transit, their eclectic mix—often on the same site—of office, retail, and residential

- We see this as developers and financial institutions spend billions of dollars building or rebuilding malls—so-called "lifestyle centers"—that resemble nothing more than the traditional main street, evidence of the market value, acceptance of and demand for urban places

The older suburbs are not just important because they resemble cities in their social and economic composition; they are also population centers of great magnitude.

- Our calculations show that America only has 64 "older suburban" or "first suburban" counties—places like Cuyahoga County surrounding Cleveland, King County surrounding Seattle, or Allegheny County surrounding Pittsburgh. Incredibly, these 64 counties house over 52 million people and comprise nearly 20 percent of the American population. That means that close to 50 percent of the American population—a majority of our nation—lives in traditional central cities and five dozen or so urban counties

  Significantly, there are five first suburban counties in NY alone: Erie surrounding Buffalo, Monroe around Rochester, Onodaga County around Syracuse, Westchester County around Yonkers, and Nassau County.

Now my final point. A full realization of the economic, fiscal and social potential of cities and urban places will depend upon cities and suburbs making smart choices locally and then joining together collectively to push through state and ultimately federal policies that promote competitiveness, drive reinvestment and grow the middle class.

The hard truth of the matter is that for every smart decision made locally, another miscalculated bet is made on a convention center or a sports stadium when we know that these facilities rarely meet their inflated expectations.

The fact is that too many cities spend too much time mimicking "magic bullet" projects and solutions and too little time fixing the basics—good schools, safe streets, competitive taxes, efficient services—so that markets can flourish, families can succeed and cities once again can be home to the middle class.

Yet even smart, strategic city-only solutions will not be sufficient. To achieve their true potential, urban places will need to be part of new political alignments that, in the near term, pursue structural state reforms.

We simply cannot overestimate the roles that states play in urban and metropolitan development. The choices they make on economic policy, regulatory and administrative decisions, and tax and spending programs all send strong signals to consumers and the market about what and where to build.

Let's remind ourselves, first and foremost, of the city shaping powers of states in our union.

> First, states set the geography of governance. They decide how many units of general purpose local government there are as well as the borders of school districts and other special purpose governments.
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> Second, states set the powers of local governance. They decide what powers to delegate to municipal governments and establish the parameters for how those responsibilities are exercised.
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> Third, states establish the fiscal playing field for municipalities and school districts. They decide the form of taxes that municipalities can impose on residents and businesses and determine the extent to which the state levels the playing field between rich and poor jurisdictions through general or specific tax sharing efforts.
>
> Fourth, states help design the skeleton of regions through their investments in physical infrastructure, affordable housing, main streets, downtowns, public parks, and green space.
>
> Finally, states help shape the quality of the economic growth that occurs in metropolitan areas through their investments in K–12 education, higher education, and economic and workforce development.

In almost all states throughout the country, the intersection of these disparate powers and policies has created what I call the "rules of the development game"—rules that favor the creation of new communities over the redevelopment of older ones, rules that promote and even subsidize greenfield development rather than brownfield remediation, rules that often consign low wage workers and minorities to the "wrong side of regions."

Let me be more specific:

Two years ago, a major Brookings report in Pennsylvania illustrated how an intricate network of state spending, tax, regulatory and administrative polices limited the potential of cities and urban places.

State governance policies that support incredible localism among hundreds of suburban municipalities, each able to compete favorably with cities and older communities because they can benefit exclusively from job growth without taking responsibility for traffic or worker housing

State tax policies that leave cities stranded with tax exempt properties and saddled with the costs of maintaining older infrastructure

State transportation policies that spent only 42 percent of road and bridge spending in older urban communities, where 58 percent of the population lives.

State housing policies that, under the guise of neighborhood renewal, often reinforce the concentration of poverty rather than enhance access to opportunity.

State building codes that makes it cheaper to build new rather than renovate older properties.

I have no doubt that a careful, rigorous, objective analysis of New York State would find the same kind of unlevel playing field between older and newer communities.

The good news is that the policies that I have discussed here today are not inevitable or somehow divinely inspired.

They are the product of political systems and political compromises and political tradeoffs.

Politics, in a word, determines policies, and policies shape markets and growth patterns and family opportunities.

My contention is that throughout the country, sprawl and economic and social change has left in its wake the potential for broad majoritarian coalitions that can reset policies to fit a new time and achieve a new set of objectives.

And let's do the political math—New York City, the five first suburban counties I mentioned before and the cities those counties surround (Buffalo, Rochester, Syracuse and Yonkers)—comprise 73 percent of the population of this state.

Simply put, you are an urban state at a time when urban matters again.

Our challenge in this room is to realize the potential of this mostly latent, still theoretical political coalition and stimulate the creation of networks of leaders and advocates across municipal jurisdictions, across city and suburban lines, across disciplines, across racial and ethnic lines, across "red" and "blue" regions.

So what would a unified and cohesive urban agenda look like in New York State?

At a minimum, I think the state should, organize its agenda around three basic principles:

Fix the Basics—In the end, businesses and families choose places because of good schools, safe streets, competitive taxes and efficient government.

Build on Assets—We have only begun to realize the full economic and fiscal power of the inherent physical and institutional assets of cities.

Grow a Strong and Resilient Middle Class—A strong middle class is an essential foundation of economic prosperity, fiscal vitality and neighborhood stability.

Now how does this translate into policy and programs and initiatives—the stuff of governance?

I obviously do not have enough time to spell out a full platform this morning. But let me give you an inkling of what is needed and possible by focusing on the second prong, Building on Assets.

Let me particularly focus on how state policies would help improve the economic performance of upstate cities—where Brookings, in collaboration with researchers at Cornell University, has been conducting research over the past several years.

As discussed before, cities have many assets that are essential to and rewarded by the knowledge economy.

First, and foremost, the physical layout and assets of most American cities—mixed-use downtowns, pedestrian-friendly neighborhoods, historic districts and buildings, grand parks, adjoining rivers and lakes—are uniquely aligned with the preference expressed within the innovative economy for density and amenities. Yet cities face practical challenges in making the most of these physical advantages.

The infrastructure in many cities—roads, bridges, water and sewer lines, subway tunnels, schools—is old and needs to be recapitalized. Yet there are many examples of infrastructure (such as roadways that separate cities from valuable waterfront properties) that have outlived their usefulness and are impeding economic growth. Dozens of cities in Europe – and a few in the U.S. like San Francisco, Portland, Milwaukee, and Boston -- have already decommissioned and torn down some of their freeways, to great economic and fiscal effect. Every city in upstate NY that I have visited—Buffalo, Rochester, Syracuse, Albany—has a freeway segment that is barely used and is choking growth around valuable real estate and in the downtowns and along the rivers and lakes. These freeways need to come down, just as dozens of high rise public housing developments were torn down in the past decade.

Many cities were once home to manufacturing industries that have decamped for the suburbs or other nations, leaving behind empty buildings and polluted lots known as brownfields. It is doubtful that many of these properties will be returned to productive use without public investments in environmental remediation and cleanup. Despite recent improvements in liability laws, state investments in brownfields—both on the spending and tax sides of the budget—remain anemic. Given your industrial heritage, New York State has no choice but to be best in class in addressing the physical residue of the prior economy.

Other ideas:

In many upstate cities, the location of state higher educational institutions is not optimal. In Buffalo and Albany, for example, the state campuses are located on sprawling suburban-like sites (albeit, located within the city limits). Why not institute a preference for downtown locations as these campuses expand, particularly for those functions (e.g., schools of architecture and design) that are naturally suited to core locations?

Upstate cities could be perfect sites for firms that provide back office functions to businesses located in the NYC metropolitan area. Why not take advantage of the broadband explosion and publicly finance the instillation of technology necessary to position these cities for 21st century economy activities?

The downtowns in most upstate cities and suburban cores are devoid of much residential activity. Why not create a special tax credit to stimulate the production of housing in downtowns with a goal of having the downtown population of upstate cities reach (say) 1 percent of their metropolitan populations by 2012? Imagine what 8,000 to 10,000 people living in downtown Albany would mean for the psychology of that region, let alone economic activity in the surrounding neighborhood!

Perhaps a special tax credit could be coupled with other efforts – initiatives to streamline the regulatory and administrative processes for producing housing in cities; targeted funding for school construction; strategies for remaking the commercial corridors and main streets of older suburban communities.

On all these fronts, New York State is behind other industrial states in recognizing the urban implications of economic restructuring and adjusting state policies to the new reality.

Let me conclude with these thoughts.

I believe firstly that the next governor needs an urban vision—not only because it's the right or equitable thing to do but because it's the competitive thing to do.

A vision of competitive cites that nurture strong, resilient, adaptive, innovative economies.

A vision of sustainable cities that promote accessible transport, residential and employment density, and energy efficiency.

A vision of inclusive cities that grow, attract, and retain the middle class and integrate individuals across racial, ethnic, and class lines.

A vision of cities where the built environment—neighborhood design, the architecture of private and public space—is a critical foundation of competitiveness, sustainability and inclusivity.

I believe secondly that an urban vision can be achieved in this state.

It is possible because cities—with their density and diversity—have gained a second life in an era of demographic change and market structuring.

It is possible because many suburbs are exhibiting urban heterogeneity and embracing urban forms as a way to survive and thrive.

It is possible economically because consumers and firms are increasingly demanding it and architects and designers and builders and financial institutions are creating it.

It is possible politically because the hard calculus of urban interests works in this state—if the cities and the first suburban counties can be united in a coalition for change. Again, just do the math—75 percent or more of this state lives in urban space.

I believe finally that what happens here will have ripple effects throughout the nation.

If American history has taught us anything, states—as laboratories of democracy, as centers of innovation and experimentation, as political battlegrounds for presidential contests, as the minor leagues for the presidency—will ultimately shape federal policies and practices for decades to come.

That was true when FDR was governor of New York in the 1920s.

That was true when Ronald Reagan was governor of California in the 1960s.

That was even true when Bill Clinton was governor of Arkansas in the 1980s.

Why not make New York State once again a testing ground for ideas and policy innovation and governance reform?

You are the majority: Now you need to act, organize, and govern like one.