Revitalizing Weak Market Cities in the U.S.

The Council on Foundations
May 8, 2006
Revitalizing Weak Market Cities in the U.S.

I. What is the Brookings Weak Market Cities Project?

II. What are our preliminary research findings?

III. What is our preliminary framework for policy reform?

IV. What does this mean for foundations?
## What is the Brookings Weak Market Cities Project?

*Brookings is engaged in a research and policy development effort that aims to…*

1. Develop an empirically-based inventory of weak market cities
2. Establish an argument for why cities matter to state and regional competitiveness
3. Create a state and local policy agenda to strengthen weak market cities
4. Organize a network of state and local reformers to advance the policy agenda
5. Market this agenda in key states
What are our preliminary research findings?

The environment for U.S. cities today is generally positive.

But some cities have not fully realized many of the advantages enjoyed by more successful urban areas.

Several forces are contributing to the weak performance of these cities.
There are profound demographic and market changes taking place in the United States

- U.S. population growth in the 1990s was much stronger than in previous decades, with immigration fueling much of this growth
- Men and women are delaying marriage, families are having fewer children, and household size is declining
- The country is going through a profound economic transformation marked by increasing firm fragmentation, globalization, technological innovation, and demand for highly skilled workers
- Urban crime decreased markedly over the past decade
- Over the next 30 years, billions of additional square feet are projected to be developed or replaced
Demographic changes give cities a chance to compete for new residents

- Young professionals
- Childless couples
- Baby-boomers
- New immigrants
- Empty nesters
- Elderly individuals
These changes and choices have already led to a population surge in urban areas…


Source: U.S. Census Bureau
...And have also contributed to the downtown revitalization in cities

Absolute change in population, 1990-2000

There are also other characteristics that give cities a unique niche:

- Density
- Waterfronts and other amenities
- Educational and medical facilities
- Creativity
- Multicultural diversity
- Built infrastructure
Density helps make cities competitive because the rules of the economy have changed...

- Density contributes to innovation by attracting young educated workers
- Average labor productivity increases with employment density
- Dense labor markets and high clustering of jobs leads to knowledge spillovers
- Dense local economies are linked to increased patenting
...And because many people want a range of choices in neighborhoods that are walkable

Urban neighborhoods downtown

Neighborhoods with mixed density

Single family neighborhoods

Historic neighborhoods
A concentration of research institutions give cities an advantage in the Knowledge Economy

**Employers:** Offer employment to local residents

**Incubators:** Offer services to support start ups

**Purchasers:** Redirect institutional purchasing towards local businesses

**Network builders:** Channel university expertise to increase local business capacity

**Work force developers:** Address local/regional resource needs

**Real estate developers:** Use real estate to anchor growth
And urban amenities give them a competitive niche because they attract workers and tourists.
II What are our preliminary research findings?

The environment for U.S. cities today is generally positive.

But some cities have not fully realized many of the advantages enjoyed by more successful urban areas.

Several forces are contributing to the weak performance of these cities.
Based on a rigorous empirical analysis, we have defined 59 cities as “weak market”:

- Large and medium-sized cities nationwide were ranked based on their long-term employment growth, per capita income growth, unemployment rate, poverty rate, and labor force participation.

- Weak market cities were those that ranked in the bottom third across both sets of economic and labor force indicators.

- Weak market cities are also usually located within economically weak metropolitan areas (MSA).
Weak Market Cities

Population
- Red: 1 Million or More
- Orange: 500,000 to 999,999
- Yellow: 250,000 to 499,999
- Light Green: 100,000 to 249,999
- Dark Green: 50,000 to 99,999

Source: Hal Wolman and Kimberly Furdell, George Washington University
Only three weak market cities are located in an economically strong MSA…

<table>
<thead>
<tr>
<th>Weak Market City</th>
<th>MSA Economic Condition - Strong</th>
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<tbody>
<tr>
<td></td>
<td>Bridgeport, CT</td>
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<td>Richmond, VA</td>
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<td>San Bernardino, CA</td>
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17 weak market cities are located in a moderately strong MSA...

<table>
<thead>
<tr>
<th>Weak Market Cities</th>
<th>MSA Economic Condition - Moderate</th>
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<tbody>
<tr>
<td>Allentown, PA</td>
<td>Kansas City, KS</td>
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<td>Chicago, IL</td>
<td>Lancaster, PA</td>
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<td>Cincinnati, OH</td>
<td>Macon, GA</td>
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<td>Detroit, MI</td>
<td>Miami, FL</td>
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<td>Fresno, CA</td>
<td>New Haven, CT</td>
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<td>Gary, IN</td>
<td>Newark, NJ</td>
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<td>Hartford, CT</td>
<td>Philadelphia, PA</td>
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<td>Jackson, MS</td>
<td>Stockton, CA</td>
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<td>Kalamazoo, MI</td>
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...and 39 weak market cities are located in an economically weak MSA

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<thead>
<tr>
<th>Weak Market Cities</th>
<th>MSA Economic Condition - Weak</th>
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<tbody>
<tr>
<td>Albany, GA</td>
<td>Fall River, MA</td>
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<td>Albany, NY</td>
<td>Flint, MI</td>
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<tr>
<td>Baltimore, MD</td>
<td>Huntington, WV</td>
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<td>Beaumont, TX</td>
<td>Long Beach, CA</td>
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<tr>
<td>Birmingham, AL</td>
<td>Los Angeles, CA</td>
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<td>Buffalo, NY</td>
<td>Merced, CA</td>
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<td>Canton, OH</td>
<td>Milwaukee, WI</td>
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<tr>
<td>Cleveland, OH</td>
<td>Muncie, IN</td>
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<td>Dayton, OH</td>
<td>New Bedford, MA</td>
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<td>Erie, PA</td>
<td>New Orleans, LA</td>
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<tr>
<td>Odessa, TX</td>
<td>Pine Bluff, AR</td>
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<tr>
<td>Pittsburgh, PA</td>
<td>Port Arthur, TX</td>
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<td>Providence, RI</td>
<td>Reading, PA</td>
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<tr>
<td>Scranton, PA</td>
<td>Shreveport, LA</td>
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<tr>
<td>Springfield, MA</td>
<td>Springfield, OH</td>
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<tr>
<td>St. Louis, MO</td>
<td>Syracuse, NY</td>
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<tr>
<td>Terre Haute, IN</td>
<td>Trenton, NJ</td>
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<tr>
<td>Utica, NY</td>
<td>Youngstown, OH</td>
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16 weak market cities have populations over 250,000…

<table>
<thead>
<tr>
<th>1 million or over (3)</th>
<th>500,000 to 1 million (3)</th>
<th>250,000 to 499,999 (10)</th>
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<td>Pittsburgh</td>
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<td>St. Louis</td>
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...while nearly three-quarters (43) have less than 250,000 people

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<tr>
<th>100,000 to 249,000 (19)</th>
<th>Under 100,000 (24)</th>
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<td>Utica</td>
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<td>Youngstown</td>
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Signs of hope? 10 of the 59 weak market cities have seen their relative performance improve considerably…

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…but 15 of the 59 have seen their relative performance decline

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<td>Macon, GA</td>
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<td></td>
<td>Merced, CA</td>
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Comparing a sample of four weak market cities (Buffalo, Cleveland, Philadelphia, Hartford) to U.S. cities as a whole reveals a number of trends...
During the 1990s, these four cities experienced a decline in employment coupled with little/no employment growth in their metros.

Employment growth 1990-2000

Source: U.S. Census Bureau
City and MSA earnings growth during the 1990s were also relatively slow....
…And these cities generally lost population

Population growth 1990-2000

Source: U.S. Census Bureau

- Buffalo, NY
- Cleveland, OH
- Philadelphia, PA
- Hartford, CT

Avg. All Cities

Source: U.S. Census Bureau
Today, median household incomes in these cities are comparatively low...

Source: U.S. Census Bureau

Median household income, 2000

Buffalo, NY
Cleveland, OH
Philadelphia, PA
Hartford, CT
…And poverty rates are high

Poverty rate, 2000

Source: U.S. Census Bureau

Avg. All Cities
Levels of educational attainment are also below the national average for cities...

Source: U.S. Census Bureau

BA Attainment, 2000
…And as in most cities, there are large disparities between white and black educational achievement.

Source: U.S. Census Bureau
Home values are low…

Median home value, 2000

Source: U.S. Census Bureau

- Buffalo, NY
- Cleveland, OH
- Philadelphia, PA
- Hartford, CT

Avg. All Cities

Source: U.S. Census Bureau
…And vacancy rates are extremely high

Share of all housing units that are vacant, 2000

Source: U.S. Census Bureau
These metros have also decentralized, both in terms of people...

Selected cities and suburbs, population growth 1990-2000

Source: U.S. Census Bureau

-10.8% 1.9% 4.5% 7.4% 4.3%
And jobs…

Percent employment within 10 miles of metro CBD, 1998 and 2002

Source: U.S. Department of Commerce County Business Patterns
…Leaving the poor concentrated in the core

<table>
<thead>
<tr>
<th>Central City</th>
<th>Poor in Neighborhoods of Extreme Poverty</th>
</tr>
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<tbody>
<tr>
<td>Buffalo</td>
<td>27.8%</td>
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<tr>
<td>Cleveland</td>
<td>28.5%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>25.4%</td>
</tr>
<tr>
<td>Hartford</td>
<td>26.7%</td>
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</tbody>
</table>

Percent of poor population living in neighborhoods of extreme poverty (rate of 40 percent or higher), 2000

Source: Brookings analysis of U.S. Census data
What are our preliminary research findings?

The environment for U.S. cities today is generally positive.

But some cities have not fully realized many of the advantages enjoyed by more successful urban areas.

Several forces are contributing to the weak performance of these cities.
The poor performance of weak market cities is largely a function of the shifting national economy

A strong city depends on a strong metropolitan region – and the ability to capture a critical share of the metro economy

For the most part, weak metros and cities haven’t fully transitioned from an older industrial economy to an innovative, entrepreneurial one

Size matters: small- and medium-sized cities and metros may be disadvantaged by fewer agglomeration benefits, a lack of large research centers, and a weak civic/economic infrastructure
The economies of weak market cities are further exacerbated by negative demographic forces that can be self-reinforcing.

Out-migration, racial and ethnic segregation, and concentrated poverty have negative impacts on schools, public safety, market investment, fiscal health, and quality of life.

As the quality of human capital, costs of doing business, and amenities are correlated with metro/city performance over time, these cities can become mired in a downward spiral.
In addition, major federal and state policies often stack the deck against cities

**Federal**
- 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

**State**
- States set the geography of fragmented governance
- Major state spending programs have skewed funding to greenfields
- State fiscal systems are often biased against cities and older suburbs
- Barriers to brownfield development hinder their productive re-use
- Many state constitutions prevent government from using gasoline tax on transit
- Increasing restrictions on eminent domain threaten urban development
And cities themselves are often dysfunctional

- Many local governments are inefficient/ineffective in their ability to deliver basic services
- Weak urban education systems don’t adequately prepare students for skilled work or higher education
- Outdated zoning and building codes hinder development and reuse
- Cities’ inability to cope with vacant land and aging infrastructure exacerbates blight and depresses the market
- Urban economic development – characterized by fads – doesn’t leverage cities’ unique assets
- High-cost labor laws deter business investment
So how can city and state leaders fix what’s broken, capitalize on urban assets, and help foster city and regional prosperity?
What is our preliminary framework for policy reform?

1. Build on Economic Strengths
2. Fix the Basics
3. Transform the Physical Landscape
4. Grow the Middle Class
5. Create Neighborhoods of Choice
Build on Economic Strengths

GOAL: Leverage existing strengths to build a “high road” economy of knowledge, innovation, and entrepreneurship

POTENTIAL ACTION STEPS:
- Undertake a diagnostic
- Focus on competitive niches that play to the new economy
- Promote innovation and entrepreneurship
Established in 1996 by a “Visioning Committee” of 40 community leaders to examine the area’s economy and develop a plan to promote future growth.

Committee hired a consultant who gathered and analyzed data on the metro economy, talked to almost 100 economic development authorities, and conducted a workshop with top business leaders.

Based on this “Boyle Report,” Committee devised seven detailed economic development strategies for the region against which they have evaluated progress over time.
Fix the Basics

GOAL: Ensure that fundamental city services are delivered in a transparent, efficient, and effective manner

POTENTIAL ACTION STEPS:
- Make streets safer
- Improve K-12 schools
- Modify tax system
- Streamline government regulation and services
- Create marketable sites for development
- Improve infrastructure
After interviewing business owners, architects, and engineers, city found that the cumbersome permit approval process was a barrier to attracting real estate development or new businesses.

Team of employees from various city agencies determined what customers wanted and how system needed to be reformed.

The team made several major improvements, including a better tracking system for permits, new triaging criteria to determine which permits needed extra attention, greater cooperation between city departments, and more regular data collection.

The permitting process was reduced from 31 steps to 7, and processing time was cut considerably.
GOAL: Undertake one or two major physical projects that transform the urban landscape in order to catalyze new development and stimulate economic growth

ACTION STEPS:
- Reinvent downtown
- Tear down obsolete freeways
- Revitalize/transform the waterfront
In the 1980s, Chattanooga had terrible air and water pollution, a declining economy and population base, and a 9-to-5 downtown.

In 1987, Chattanooga’s civic leaders initiated a strategic planning process aimed at making a walkable connection from downtown to the Tennessee River.

14 task forces focused on building an aquarium and children’s museum; improving the streetscape, retail, and transportation; introducing housing; and creating a vibrant river walk.

A nonprofit development firm helped spur the private sector market; as a result, the downtown has continued to develop and thrive.
Example – Tear down obsolete freeways

**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.
Grow the Middle Class

GOAL: Reduce social inequity by helping low-wage earners build incomes and wealth

ACTION STEPS:

- Ensure access to skills training
- Make work pay for low-income workers
- Reduce the costs of being poor
Wisconsin Workforce Reform

- Wisconsin began addressing workforce reform issues early and now has one of the best systems in the nation.
- Sector-drive, customer-oriented system combines local job centers with state-level planning and “Regional Training Partnerships”.
- Wisconsin is now beginning to address performance management and measurement.
Create Neighborhoods of Choice

GOAL: Create neighborhoods that serve families with a broad range of incomes

ACTION STEPS:
- Support mixed-income housing
- Grow inner city markets
- Transform neighborhood schools
Public Housing Redevelopment in St. Louis

With support from the state of Missouri, high-rise low-income housing was replaced with mixed-income townhouses, garden apartments, and single-family homes.

A partnership with corporate and philanthropic groups led to the improvement of the local elementary school, resulting in dramatically improved student reading levels.

The new development resulted in an economically diverse community that has already attracted private residential and commercial investment in the surrounding area.

Neighborhood incomes increased 18% from 1989 to 1999 compared to 4% regionally, while unemployment fell 35% during the same period compared to a 3.7% city-wide increase.
Example – Support Mixed-Income Housing

Public Housing Redevelopment in St. Louis

Vaughn High Rises in 1995

Murphy Park Homes
What does this mean for foundations?

As respected civic leaders and investors, foundations are uniquely situated to have a major impact on the public policy discourse.
Foundations can.....

- Lay the intellectual foundation for reform by building networks of researchers who identify trends and ask the right questions
- Create the institutional infrastructure for policy reform by supporting organizations and campaigns that advocate for urban revitalization
- Assist government with its own policy evaluation processes by supporting task forces, blue ribbon commissions, and retreats
- Use their convening power to bring together diverse constituencies of researchers, advocates, and others through public forums and private roundtables