

# State of the English Cities

## The State of American Cities





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The findings and recommendations in this report are those of the consultant authors and do not necessarily represent the views or proposed policies of Communities and Local Government

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## Preface – State of the English Cities thematic reports

This is one of a series of six thematic reports associated with the State of the English Cities<sup>1</sup> report (SOCR). These reports together provide the detailed evidence on which the main findings presented in the State of the English Cities report are based. The six thematic reports are:

- The Changing Urban Scene: Demographics and the Big Picture
- Social Cohesion
- The Competitive Economic Performance of English Cities
- The State of American Cities
- Liveability in English Cities
- A comparison of public attitudes in urban and non-urban areas across different regions

Readers should note that the research on which these thematic reports are based was undertaken in 2005. The findings and recommendations therefore relate to the position at the time of writing in 2005.

The Department for Communities and Local Government would like to take this opportunity to thank all those who participated in the research.

<sup>1</sup> State of the English Cities, ODPM, March 2006

## Executive summary

### Background

This summary report provides an overview of The State of American Cities. It addresses four major questions that are explored in further detail in the topic report:

- What are the current trends and drivers of change in US cities?
- What factors measure and explain city success in the U.S?
- What policies have promoted the success of US cities?
- What can English cities learn from this?

The report argues that whilst the US and England are marked by significant cultural and political differences in their views on cities, the two nations are undergoing similar economic and demographic transitions that pave the way for a useful comparative policy dialogue on urban areas.

### Current trends and drivers of change

What is happening in US cities today reflects much larger structural changes occurring in the US population and economy that affect cities, suburbs, and rural areas to varying degrees. Four macro-level trends loom most important:

- *Population growth.* The US is growing nearly as fast today as it did in the late 1960s, at the tail end of the country's post-war 'baby boom'. It ranked fourth among the 30 OECD countries on population growth from 1991 to 2003 (Figure 1). Demographers expect this rapid population expansion to persist over the next few decades, fuelling the continued expansion of US metropolitan areas. As a result, by 2030, about half of the buildings in which Americans live, work, and shop will have been built after 2000.
- *Growing racial/ethnic diversity.* As in Western Europe, fertility and mortality have fallen to relatively low levels among the native-born US population. The nation's continued growth owes in large part to immigration, as foreign-born individuals and their children today make up more than one-fifth of US residents. Because most migrants to the US hail from Latin American and Asian nations, the country has become more racially and ethnically diverse as well; 32 percent of the population is non-white or Hispanic.
- *Aging society.* America's 76-million strong Baby Boom cohort is nearing retirement age, posing new demographic and fiscal challenges for the nation. The 'greying of America', and delayed childbearing among younger adults, has contributed to the nation's household diversity, increasing the number of single-person and childless married-couple households in the US. In 2000, the average US household contained 2.6 people, down significantly from 3.4 people in 1950.



- *Widening inequality amid broader growth.* During America's economic expansion in the 1990s, a tight labour market produced broad-based economic gains for American workers and families. Labour force participation and incomes rose for blacks and Hispanics, and the nation's poverty rate declined. Since 2000, some of these gains have likely been erased due to economic recession and a 'jobless recovery'. These cyclical changes, however, did not suspend longer-term secular changes, including the continued decline of manufacturing employment and the rise of services employment. The resulting increase in the economic return to skills and education, amid demographic transitions such as immigration, has served to further widen the gap between the highest- and lowest-income families in the US.

These larger structural forces have generated an uneven pattern of growth and decline in US cities. While serving to blur some of the traditional dividing lines between American cities and suburbs, they have sharpened the demographic and economic divide across the nation's metropolitan areas:

- *Cities growing; metropolitan areas still spreading out.* National population gains over the past decade facilitated broader based population gains for cities than in prior decades. About three-quarters of the nation's largest cities grew during the 1990s, and most continue to grow this decade. This stood in stark contrast to the 1970s, when the largest cities collectively lost residents (Figure 2). The extent of city population was quite varied, however, with Sun Belt cities like Las Vegas, NV and Scottsdale, AZ growing by more than half over the decade, while population in Northern cities like Pittsburgh, PA and Hartford, CT declined substantially. The backdrop for both growing and declining cities, however, was continued growth in suburban population and employment. Suburbs collectively grew twice as fast as cities in population, and today more than half of metropolitan jobs are located at least 10 miles outside city centres.
- *Decentralisation blurs city/suburb distinctions.* Many American suburbs themselves are coming to resemble central cities in their demographic and economic makeup. Immigration drove population gains in cities in the 1990s, such that today more than half of city residents are racial and ethnic minorities. But these groups are growing even faster in suburbs, accounting for 27 percent of suburban population in 2000, which served to lower levels of residential segregation in the U.S (Figure 3). Low-income Americans are suburbanising as well; fewer live in highly impoverished inner-city neighbourhoods, and more live in 'first suburbs' like Los Angeles County and Miami-Dade County that surround older central cities. This trend places new stress on jurisdictions sometimes less well-equipped to help families in need, but seems to have improved labour market access for traditionally disadvantaged groups.
- *Migration and economic shifts widen metropolitan divides.* Even as cities and suburbs have converged in some important respects, the gap between cities and metropolitan areas has widened on outcomes such as growth, migration, human capital, income, and wealth. Growing cities tended to have higher stocks of

human capital, specialization in trade and services, and more recently constructed housing. Growth dynamics were fuelled in part by migration patterns, which have divided America into three demographic regions: diverse ‘Melting Pot’ areas that contain the bulk of the nation’s immigrant population; ‘New Sunbelt’ areas that have witnessed strong growth from domestic migration; and slow-growing ‘Heartland’ areas with a largely white/black population (Figure 4). The filtering of Americans into these distinct destinations served to separate cities and regions by education, with the most educated places attracting more highly educated young adults, decamping from economically stagnant Heartland states. These dynamics had implications for the geographic distribution of income and wealth, too. Some cities like San Francisco, CA saw significant growth in high-income households; others like Philadelphia, PA experienced a relative rise in low-income households. This economic segregation spread to suburbs as well, especially in older Northern metropolitan areas with high levels of local government fragmentation.

## Measuring and explaining city success

Even in a suburban nation such as the US, cities and city-regions remain important to the national economy and identity:

- Roughly one-fifth of US population lives in its 100 largest cities, and two-thirds live in the urban areas surrounding large cities. Whilst the US is not as urban a nation as the UK in this respect, its inhabitants are at least as likely to live in and around big cities as their former colonial counterparts in Canada and Australia.
- The nation’s largest central cities employed 31 million workers in 2001, accounting for roughly 27 percent of all US jobs. In this sense, employment remains more concentrated in cities than population.
- US metropolitan economies, anchored by large cities, account for the bulk of the nation’s economic output. In 2003, the 318 US metropolitan areas generated aggregate output valued at \$9.4 trillion, more than 85 percent of total US output, slightly exceeding their share of US population.
- High-value growth industries in the US are largely located in big cities. Urban areas have led the nation’s transition to a services-dominated economy (Figure 6). Finance, business services, and engineering/management employment have all grown faster, pay higher wages, and are more concentrated in cities than employment generally.
- Metropolitan areas, particularly the cities that lay at their core, remain an important geographic lens through which Americans identify their communities. Newspapers, sports teams, and cultural institutions reinforce residents’ connections with their broader city-regions. In an increasingly global society, American travellers at home and abroad are much likelier to identify themselves as hailing from their nearest big city than from their actual suburban hometown.

Of course, these enumerated strengths are found in varying degrees in individual US cities today. They are more characteristic of America's global and national cities – New York, Los Angeles, Chicago, Atlanta, Washington, D.C. – than its regional cities, especially those dealing with a legacy of heavy industrial employment – places like Cleveland, St. Louis, and Baltimore.

Yet across the board, cities remain crucial to the success of their metropolitan areas. Indeed, in a country as large as the US, the metropolitan context is far more relevant than the national one for defining and measuring the performance of cities. And population and economic growth in suburbs remain highly correlated with what occurs in their respective central cities.

What, then, helps to explain the resurgence of some cities amid the continued long-term decline of others? American cities are benefiting from broad demographic, economic, and cultural forces that augur a possible return to urbanity:

- Declining household size and increasing racial and ethnic diversity have the potential to benefit cities. They offer a more diverse housing stock attractive to an increasingly diverse set of households, which includes more young singles and couples, and older childless couples. Though more immigrants locate in suburbs today than in previous generations, these groups still live disproportionately in cities and will continue to sustain and regenerate urban neighbourhoods in need of population and economic activity.
- Perceptions of cities have improved dramatically over the past 15 to 20 years, assisted by television and film depictions of 'Generation X' life in the big city (see *Friends*, *The Real World*, and *Swingers*), as well as dramatic declines in violent crime rates in cities post-1990 (Figure 5).
- As the economy continues to shift from manufacturing to services, ideas and innovation are driving economic growth and changing the value of density itself. Firms in large metropolitan areas value their workers more highly, because workers there are more productive – and *grow* more productive over time thanks to the variety of jobs and information spillovers within and between industries. Cities today are not merely centres of production, but are increasingly centres of consumption, with distinctive amenities valued by wealthier households. What's more, an aging society and the pressures of globalization should drive the nation towards more cost-efficient land use in coming decades.

Of course, cities have very different endowments – on housing, human capital, and industrial mix, among other factors – that position some much better than others for continued resurgence. At the same time, physical, structural economic, and policy barriers hold back more widespread and sustained urban regeneration in most large cities today:

- Urban development in the early to mid-twentieth century America was shaped by a series of profound interventions that continue to underwrite the physical landscape of cities today, though they are more appropriate for that earlier economy. Urban renewal replaced historic working-class neighbourhoods with

poorly designed public housing that isolated residents. Interstate highways cut through downtowns, parks, and waterfronts, interrupting the urban fabric and cutting residents off from urban amenities. As metropolitan decentralization proceeded apace, cities replicated suburban-style development in and around their downtowns rather than stress their distinctive urban assets.

- Standardization in finance and economic development has worked against city success as well. With most development occurring in ‘edgeless’ suburban locations outside cities, capital markets have acquired a built-in bias against sustainable urban development, which requires a longer time horizon and greater attention to historic detail. Similarly, cities have often adopted ‘copycat’ economic development strategies that involve expensive bets on big projects (eg, convention centres, biotech incubators) which they fail to ground in rigorous economic analysis. Cities have also suffered from the forces of globalisation and consolidation that robbed many of a private civic leadership class dedicating to fostering urban well-being.
- The policy and political barriers to city regeneration are significant as well. At the local government level, rigid urban zoning and building codes developed in the early twentieth century remain in place today, inhibiting redevelopment and integration of uses and activities that residents and businesses demand. Public processes around development are too often dominated by ‘not in my backyard’ interests aligned to maintain the status quo. At the state and federal levels, subsidies support the expansion of housing and roads at the metropolitan fringe, while tax and regulatory strictures raise the relative price of infill development. Middle- and upper-income households are drawn farther out in the metropolis, while affordable housing funds too often serve to further concentrate low-income residents in distressed urban neighbourhoods.

## US policy responses

The large demographic and economic fortunes shaping the fate of US cities, and the barriers posed by historical and contemporary policy choices, have spurred a wave of local innovation in the United States. This innovation – a product of strong local governments and entrepreneurial leaders – has helped fuel the partial resurgence of American cities and enabled them to respond more effectively to new competitive pressures.

Context is important here: Compared to their UK counterparts, American cities have substantial powers and responsibilities. They raise revenues for and deliver a wide range of basic local services, oversee the delivery of large numbers of programs financed by federal and state governments, and wield significant land use, planning, and zoning powers. This highly devolved system has advantages and disadvantages. It has bred a new generation of accomplished, energetic local policy officials who have brought about significant transformation of their cities. At the same time, it has resulted in a degree of inequity among cities and their residents that would undoubtedly engender more serious concern in the UK.

Successful cities in the United States have enjoyed far-sighted leadership that pursues bold, systemic, transformative strategies designed to unleash competitive potential. In particular, these leaders – most often elected city mayors – have acted on five complementary fronts that respond to the changing market, demographic, and governance realities shaping the nation’s urban and metropolitan areas. These include:

- *Fixing the basics of city governance and services.* More than any one urban policy, the fundamentals – good schools, safe streets, efficient basic services, and timely real estate transactions – dictate residential location choices and business investments in the US. Mayors of various successful US cities have used innovative policing strategies, assumed responsibility for schools, overhauled fiscal management, tackled blight, and upgraded basic infrastructure such as roads and sewers, all in a dramatic break from past practices that reinforces the basics as a focal point for city governance.
- *Building on the core economic and physical assets of cities.* Rather than pursue the ‘hot’ new industry, or copy other cities’ economic development strategies, a growing cadre of American cities have sought to build their economic future around their unique existing assets. These include seaports and airports, historic neighbourhoods, waterfronts, universities and medical institutions, and a dense collection of people with drive, talent, and ideas. By investing in these economic and physical assets, cities have improved their competitive position for jobs and residents.
- *Creating neighbourhoods of regional choice.* The strongest cities have demonstrated that they can build and sustain neighbourhoods of every variety, and are trying to invigorate the local businesses and commercial corridors around which diverse neighbourhoods grow. They understand that neighbourhoods need to be integrated economically with the rest of the region, especially in terms of the access they offer to regional labour markets. Some have conducted complex neighbourhood analyses to target scarce resources, and achieve real market and social impact. Some have actively marketed neighbourhoods to outsiders – middle-income households in search of more affordable housing, or immigrants who have helped to revitalize so many inner-city communities. Still others have used the redevelopment of failed public housing projects as the catalyst for large-scale public- and private-sector investment in housing, business, and schools.
- *Growing a strong, resilient, urban middle class.* While many US cities have set off in search of the storied ‘creative class,’ most remain home to disproportionate numbers of low- and moderate-income working households. Though the condition of the national economy greatly influences their economic and social mobility, these workers and families rely on local governments in several ways: to connect them to education and training that connect them to growth sectors of the economy; to reduce the costs of basic goods and services that are often more expensive in low-income neighbourhoods; and to generate opportunities for wealth-building and financial security through homeownership in stable communities. These strategies recognize that the economic and social futures of cities rely far more on the progress made by current residents than the migration decisions of a small group of elite younger workers.



- *Driving balanced metropolitan growth.* Finally, progressive city leaders recognize that urban policies need to relate to metropolitan geography – the true geography of housing and labour markets, and educational opportunity. They look for ways to link the strength of their central cities to the health of the broader region by collaborating with suburbs on major policies that shape metropolitan economic and physical growth, including transportation, trade, workforce, and service delivery. Some have invigorated metropolitan planning or civic organizations to tackle the big long-term issues facing their regions. Others have undergone consolidation, similar to UK unitary authorities, to streamline services and raise their profile among America's largest cities.

The implementation of these strategies confirms the significant role played by a broad cross section of government, corporate, civic and community leaders. Many of these actions (eg school reform in Chicago, community policing in New York, service delivery in Fort Wayne, Indiana) have helped cement in the American consciousness an image of the 'new mayor' – pragmatic, entrepreneurial, no nonsense, above politics. This highly favourable image stands in sharp contrast to the public's perception of elected officials at higher levels of government.

And yet: It would be inaccurate to paint the US federal and state governments as uniformly hostile to the urban agenda. Though historical policies (and some contemporary ones) have exacted a toll on the health of cities, many of the positive changes that have occurred in cities more recently are at least partly attributable to policy shifts at the national level. The liberalising of national immigration policy in the 1960s, the devolution of transportation planning to metropolitan entities, the transformation of public housing in the 1990s to promote residential mobility, and the subsidising of low wages through the federal tax code all contributed to improved city performance. States, too, have experimented with efforts to stimulate the redevelopment of older areas, seeking to 'level the playing field' between cities and suburbs. In the absence of this more supportive policy environment, cities would not have enjoyed the degree of success they have in recent years.

## Lessons for English cities

What does the experience of American cities mean for English cities? In our view, the primary lessons surround the realm of local governance. The powers of US cities run broad and deep, which has fostered an entrepreneurial culture and attracted strong city leadership. The fortunes of English cities hinge to a much greater degree on the involvement of central government, which may be less well-equipped to keep pace with the dynamic changes shaping urban areas today. We see five areas in which English cities could particularly benefit from the experiences of their American counterparts.

- (i) The **direct election of mayors in England** could help realize and leverage the potential of cities and city-regions. Strong city leadership could help urban places adapt to and position themselves in the changing economy, especially where serious governance reforms are needed. What's more, accountable local leaders could greatly assist Whitehall in delivering on national priorities. They would be in a unique position to reach across programmes in a particular place to achieve results, taking a 'big-picture' view that is often beyond the reach of more targeted

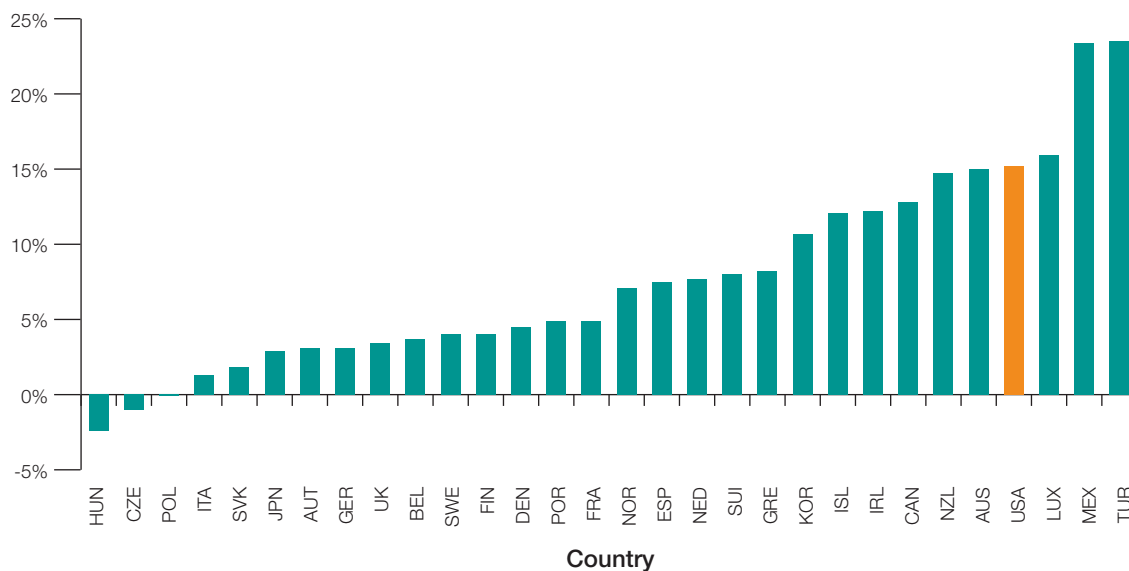


efforts like local strategic partnerships (LSPs). England could actually go one step farther and smarter than the US by considering the direct election of mayors for larger conurbations, given the universally metropolitan nature of economies today. In the event that the direct election of mayors is not widely adopted in England, there are other American experiments in local government structure – combined mayor/city council systems, metropolitan mayors' caucuses – that could be considered.

- (ii) **Local government reform**, especially with respect to the fiscal powers awarded to cities, would provide the needed foundation for responsive city leadership. In fact, further consideration of elected mayors or other local government arrangements must be accompanied by greater understanding of what powers such new arrangements might bring. In the US, cities reap the benefits of smart investments through increased tax revenues, which they are able to reinvest in other priorities. In England, cities must remit the bulk of their fiscal dividends to central government, creating little incentive to innovate – and a significant lag between when problems are identified and when local resources become available to address them. England could award additional fiscal and economic development powers to cities and city-regions while still guarding against the emergence of the sort of significant inter-city disparities that are evident in the US.
- (iii) English cities should also seek to engage **non-governmental leaders** in the private and not-for-profit sectors, who form such a critical component of the civic leadership class in the US. Nurturing the growth of these institutions, and encouraging them to play an active role in agenda setting and policy design and implementation is crucial. Elected city mayors who serve as a sort of 'CEO' for local governments can find helpful partners in the leaders of these other large organizations.
- (iv) US cities have succeeded in part by embracing **economic and demographic diversity**. England is in general a more economically integrated country than America, and its move toward 'mixed communities' as a model for new development and the transformation of social housing augurs well for the country's cities and city-regions. At the same time, the broader embrace of racial and ethnic diversity, particularly concerning immigrants, is not always evident at the national or local level in Britain. The nature of immigration to the US remains quite distinct from that in the UK, but the fact that England is aging even more rapidly than America makes the attraction and integration of new immigrant populations a potentially more relevant issue for English cities than American ones. Many local officials in the US have taken the lead in promoting the geographic and cultural integration of immigrant populations, recognizing their importance to the long-term economic health of cities.

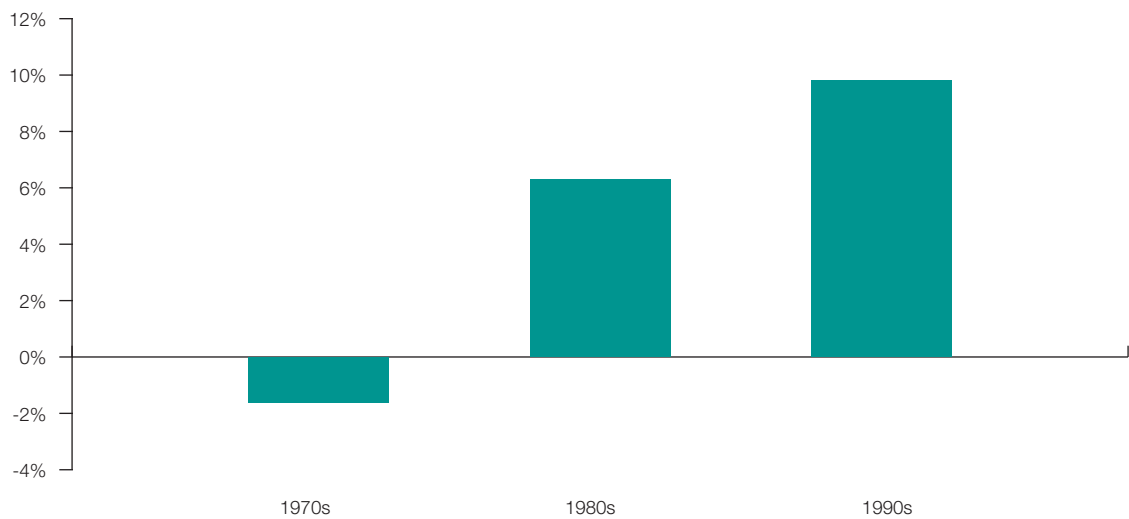
- (v) Finally, as noted above, the American experience issues a **stark warning about the nexus between national policy and local innovation**. In the end, the United States devolves too much power and responsibility to local levels of government. England would do well to guard against the emergence of extreme inequities that characterise American cities today. The challenges of modern life and a global economy demand the appropriate mix between the foundational investments of higher levels of government and the strategic stewardship of leaders closer to the ground. Devolution as a cornerstone of urban governance and prosperity is not a license for withdrawal of central government investment and interest. In this sense, the United States should learn how much the resurgence of English cities owes to the smart investments of central government in people and places, and to the smart alignment of development and infrastructure policies. These investments and policies should continue as a matter of national priority.

Figure 1. The United States is the fourth fastest-growing OECD country



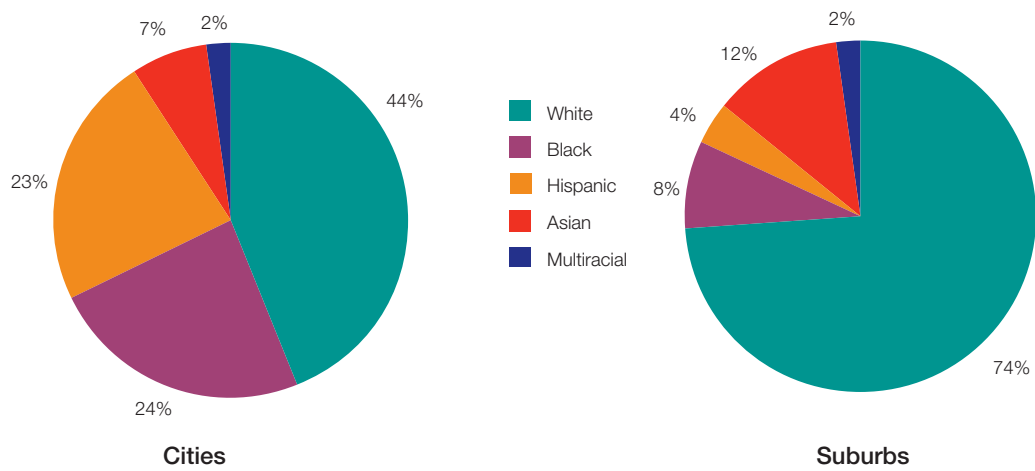
Source: OECD Factbook

Figure 2. Large US cities grew more rapidly in the 1990s



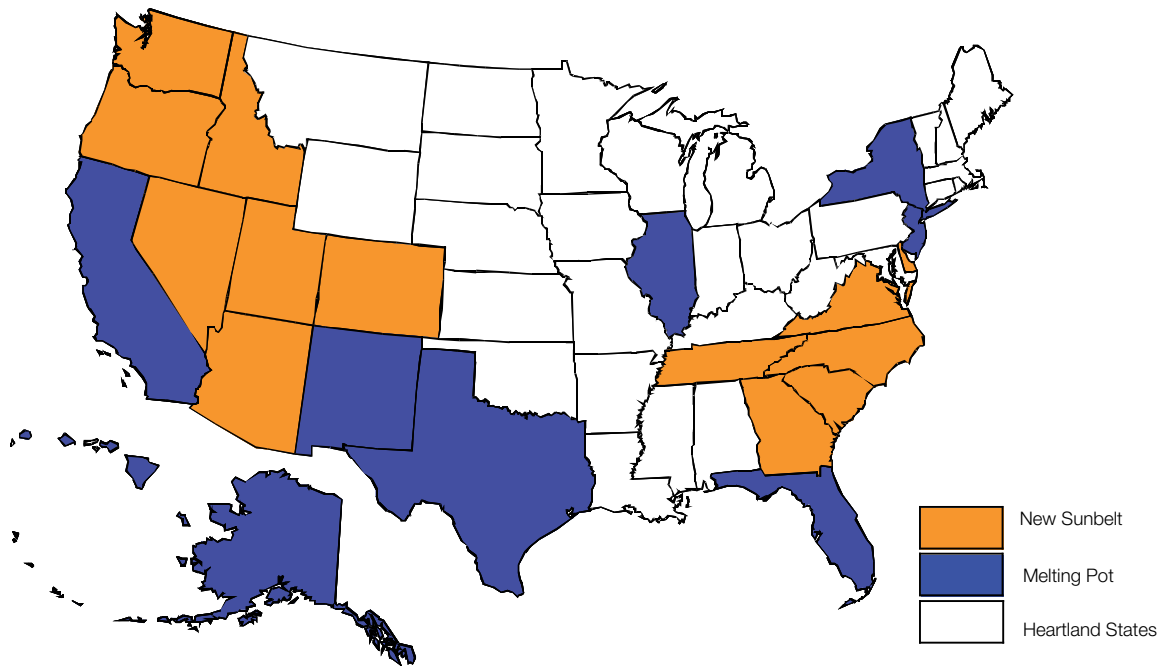
Source: US Census Bureau

Figure 3. Cities and suburbs are home to diversifying populations



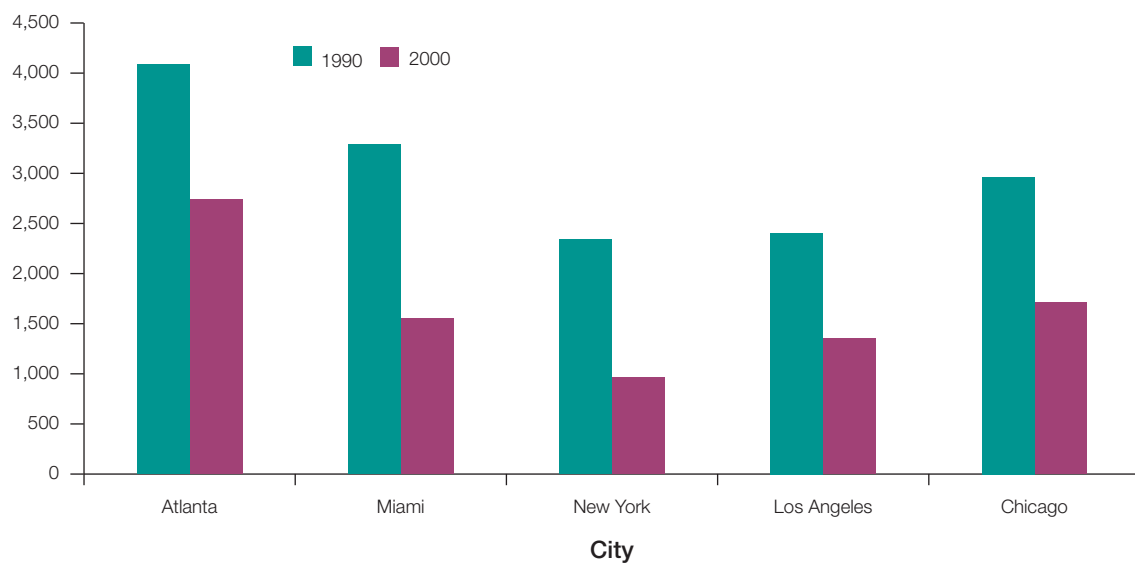
Source: Brookings (2001); Frey (2001)

Figure 4. Migration patterns have created three US 'demographic regions'



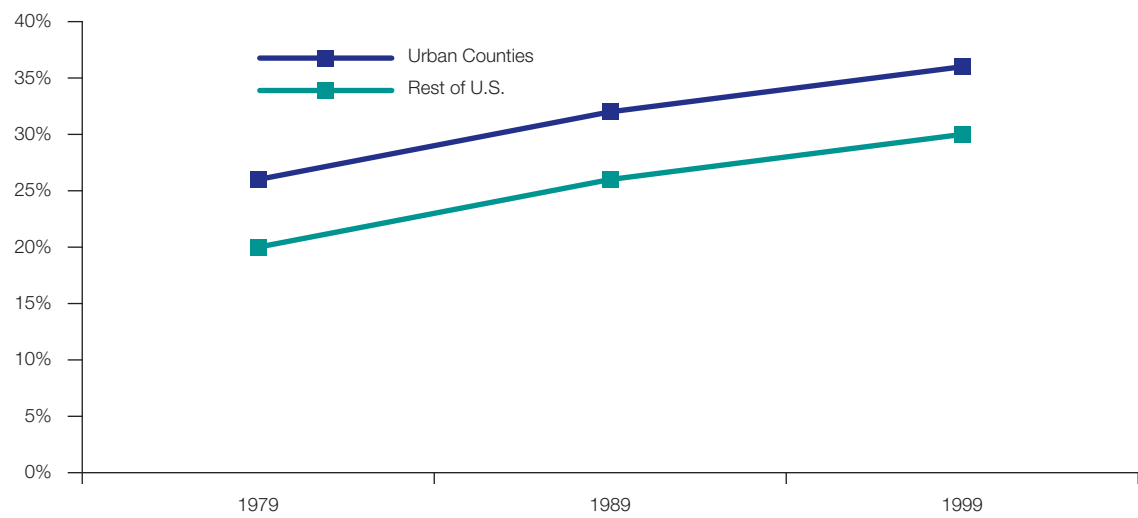
Source: Frey (2002)

Figure 5. Dramatic declines in violent crime improved perceptions of cities



Source: FBI Uniform Crime Reports

**Figure 6. Urban areas have led the transition to a services-dominated economy**



Source: Bureau of Economic Analysis

## Introduction

Americans concerned about the future of cities surely look upon their English counterparts with envy. Most people in England live in cities and their immediate environs, while the US is by any measure a suburban nation. Federal and state governments in the US give only occasional attention to the important issues confronted by the nation's major cities, even as the UK government holds biennial summits dedicated to fostering an 'urban renaissance'. As England develops more and more of its new housing in and around existing communities, the US population heads farther and farther into the exurban hinterland to escape not just cities, but increasingly older suburbs as well.

Yet common cultural and economic threads run through both countries' urban histories. Many of the first city-dwellers in the US were, of course, English. Cities in both nations rose to prominence during the Industrial Revolution, before suffering massive population and job losses in the wake of de-industrialisation and expanded global trade. Suburbanisation of housing and employment has characterised development in both the US and UK since World War II. Today, both countries exhibit a North/South divide on city growth, and a city/suburban divide on the incidence and depth of poverty and social exclusion.

Although American cities do not occupy the same place in the national agenda and consciousness as their English counterparts, there are hopeful signs that the US – like Britain – may be entering a new 'urban age'. Beneath the dominant story of sprawl and metropolitan decentralisation in our country lies an emerging narrative about the power and potential of cities and urban places. Broad demographic and market forces are fuelling a visible, though uneven and incomplete, resurgence of American cities. These forces are not confined to cities alone, and are reshaping suburbs in ways that force Americans to reconsider notions of what is 'urban'. As in Britain, there is increasing recognition among US corporate and political leaders that the performance of the national economy is inextricably linked to the health and vitality of its city and metropolitan economies.

The policy context in which city resurgence is occurring in the US differs greatly from that in the UK, however. Thriving American cities have benefited from strong leadership by local elected officials who have taken bold steps to transform their cities' physical, economic, and social landscapes. They have succeeded despite federal and state government policies that neglect, and in some cases impede, the progress of cities. For those cities that continue to fall behind, the consequences are severe. In a decentralised fiscal system, declining population and employment at the city level imply a shrinking tax base, and a growing inability to fund the services needed to attract or retain households in a mobile society.

In the UK, central government devotes considerable effort to reviving city centres and creating sustainable urban communities. The publication of *State of the English Cities*, and the vigorous urban policy dialogue to which it has contributed, provide evidence of Central Government's commitment to these issues.<sup>2</sup> Britain's local elected officials, though, have historically had far fewer powers to pursue those goals than their American counterparts. Yet its policymakers are giving new attention to the role of elected city

<sup>2</sup> Parkinson et al., *State of the English Cities* (London: Office of the Deputy Prime Minister, 2006).



mayors and strategies for promoting responsible fiscal devolution. In this way, the US and UK have much to learn from the recent experiences of one another's cities, and common implications exist for a wide range of policy areas in both countries.

This report, one of a series of thematic reports developed for State of the English Cities, represents an effort from the US side to advance the transatlantic dialogue on cities. It draws largely from analyses conducted for and by the Brookings Metropolitan Policy Program, especially its Living Cities Census Series, which examined results from US Census 2000 for the nation's largest cities and metropolitan areas. After a short explanation of methods and sources, the report proceeds in five parts:

- Part 1 highlights the major demographic and market trends shaping US population and employment in recent decades. Forces such as population aging, immigration, and global trade have altered the nation's trajectory in general, but have affected some regions and workers more than others.
- Part 2 focuses on how these macro-trends affected urban areas in the US. They have helped to blur traditional distinctions between cities and suburbs, and have produced a widening gap that separates 'high-flying' places from the rest of the pack. Still, nearly all US metropolitan areas exhibit continued decentralization of population and jobs away from cities and toward far-flung suburbs.
- Part 3 examines the economic and policy factors driving the recovery of many US cities, and the lagging performance of others. Improving perceptions of cities, and renewed economic demand for denser living and working environments, have helped many cities gain a foothold in the new economy. Other cities, however, still suffer the legacies of concentrated poverty, fragmented and inefficient government, and a failure to make collective investments that could lead to new urban growth.
- Part 4 explores how competitive US cities are responding to the challenges they still face by transforming themselves physically, economically, and socially. To do so, they are focusing their energies on improving basic public services; building on their physical and economic assets; creating neighbourhoods of regional choice; strengthening investments in their lower-income families; and collaborating to promote balanced regional growth.
- Finally, Part 5 reflects on the implications of contemporary trends in urban America for the future of England's cities.

## Methods

Similar to the rest of the State of the Cities report, a significant portion of this US contribution is based on analysis from this country's decennial census, conducted in 2000. Differences between the structure of the two countries' censuses – critical sources of information on cities – mean that this chapter examines a slightly different set of indicators for US cities than are explored for England's cities in the remainder of the report. Moreover, the differing administrative geographies of the US and UK, as well as the sheer size disparity between the two nations (there were almost five times as many Americans as Britons at the turn of the decade) merit a fuller description here of how terms such as city, suburb, and metropolitan area are used in this chapter and in the US in general.

## About the Data

This chapter, with minor exceptions, draws on data from decennial US censuses conducted in 1990 and 2000, and from analyses of these data published as part of Brookings' Living Cities Census Series between 2001 and 2005. Like Britain, the US has carried out a decennial census for over 200 years. And like its UK counterpart, the US decennial census is unparalleled in its ability to provide researchers with demographic and economic information for very small geographies, typically down to the neighbourhood level in cities. The two censuses are largely comparable in their methods, questions, response rates, and data presentations.<sup>3</sup> Where discrepancies do exist between similar data reported in the US and UK censuses (eg on ethnicity) or where US data have no UK analogue (eg on poverty), this chapter explains further the relevant US concepts.

Beyond minor differences in the subjects covered and the categories tabulated, two important factors distinguish the censuses. First, much of the detailed information collected through US Census 2000 – on subjects such as income, employment, education, and housing costs – was derived from a sample of one-in-six households nationwide, later weighted to represent the entire population. By contrast, the UK census asks the same questions of all households. Second, the US Census collects information as to the amounts and sources of household incomes, while the UK Census does not. This enables US researchers to examine a much richer set of economic data pertaining to cities, neighbourhoods, and their inhabitants.

A note on the timeliness of census data: Though they date from 2000, these data remain relevant and compelling. The age profile of the population, characteristics of housing stock, education levels of adults – none of these, for starters, are likely to change significantly within a period of a few years. At the same time, many of the analyses cited in this chapter compare cities and metropolitan areas to one another. To the extent that larger national trends, such as aging of the population or continued immigration, alter local conditions, the relative rankings of cities and metropolitan areas are not subject to dramatic change. However, the US economy did enter a downturn soon after Census 2000 was conducted, and the after-effects are still being felt today in the labour market. In some instances, this chapter uses post-census data to provide a more up-to-date picture of local economic dynamics. Most government surveys conducted between censuses, though, do not include large enough samples to provide descriptions of these changing conditions in cities and neighbourhoods.

<sup>3</sup> Rebecca Tunstall, "Using the US and UK Censuses for Comparative Research" (Washington: Brookings Institution, 2005).

## About US Geography

Many of the analyses cited in this chapter focus on the largest cities in the US, which are defined by political boundaries. The term city generally refers to a large incorporated local government unit, often with at least 100,000 population.<sup>4</sup> By contrast, *State of the English Cities* focuses on large urban areas in England (with populations of at least 125,000), which are defined by the physical extent of built-up areas, and not local authority boundaries<sup>5</sup>; compared to their UK counterparts, many US cities under-bound the local urban population which often extends into nearby older suburbs.<sup>6</sup>

*Metropolitan areas* are the other geographies used most frequently to describe urban areas in the US. While these areas are defined for statistical purposes by the US federal government, they too are constructed from political geographies. Metropolitan areas are designed to capture large population centres and the surrounding jurisdictions that have close economic and commuting ties to those centres. In this sense, they are similar to the UK's Travel to Work Areas. However, metropolitan areas in the US are composed of counties, which are second-order units of government generally containing several local governments.<sup>7</sup> Some metropolitan areas, especially in the Western US, contain only one county, while others including Washington, D.C., and Atlanta contain more than 20 counties each.<sup>8</sup> In many parts of the world, US metropolitan areas would be recognised as equivalent to 'city-regions'.

Within cities and metropolitan areas, several analyses examine changes at the neighbourhood level. Most US researchers use census tracts as proxies for neighbourhoods. These are small, relatively homogeneous areas devised by the Census Bureau and local planning agencies that make use of bounding features such as major roads, railroad tracks, and rivers wherever possible. On average, they contain 4,000 persons, but in practice they vary widely in population.<sup>9</sup> In densely settled cities, they may cover a few streets in each direction, while in rural areas they may represent an entire town or county. Statistical in nature, census tracts most closely resemble the new Super Output Area geography in the UK, though they are typically somewhat larger.

<sup>4</sup> Several Census 2000 analyses focus on the 100 largest cities in the US as of 2000, which had populations of at least 190,000.

<sup>5</sup> See Parkinson et al., *State of the English Cities*.

<sup>6</sup> This occurs more frequently in older US cities in the Northeast and Midwest. Many newer cities in the Southern and Western US are very large geographically, and contain areas of both high and low population density within their borders.

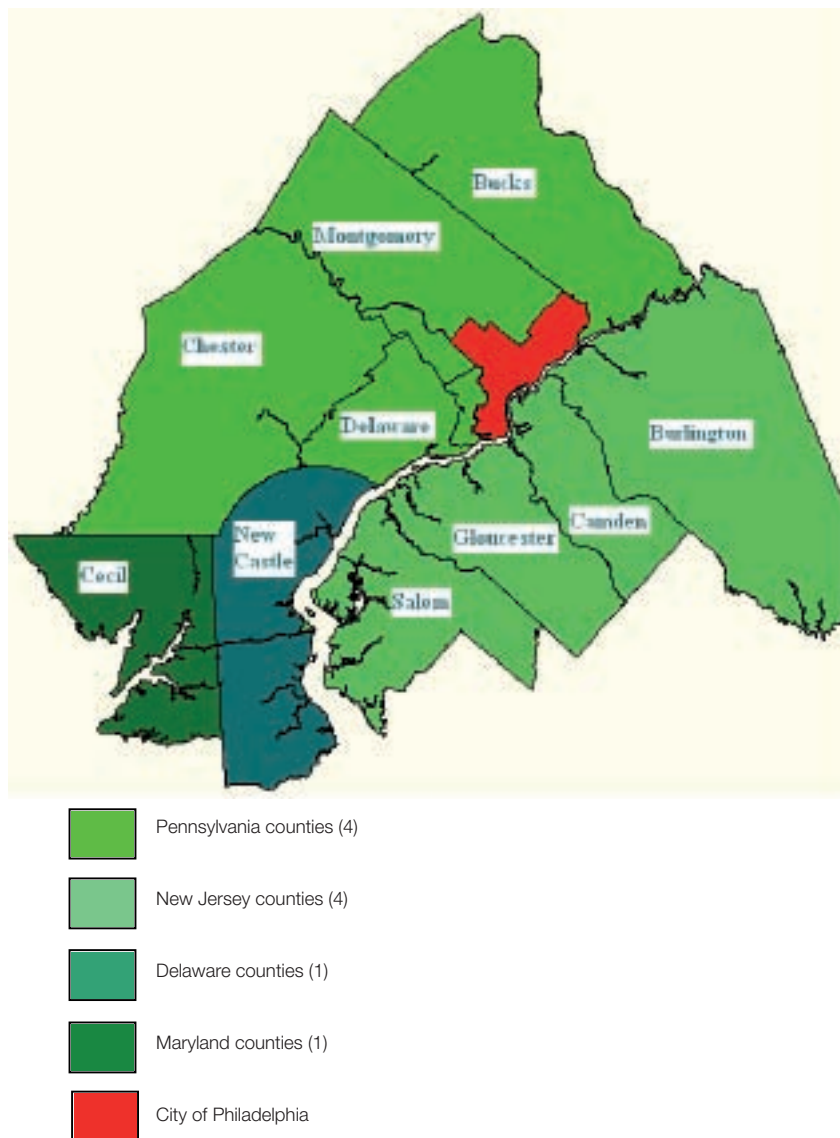
<sup>7</sup> At the time of Census 2000, there were 309 metropolitan areas in the US, very similar to the 308 Travel to Work Areas (TTWAs) defined for the UK in 1998. TTWAs were defined based on electoral wards to cover the entire country, while metropolitan areas in 2000 covered approximately 80 percent of US population but just 20 percent of US land area. England's now-obsolete metropolitan counties (Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands, and West Yorkshire), as well as the current-day Greater London Authority, serve as rough comparators to US metropolitan areas.

<sup>8</sup> Several Census 2000 analyses focus on large metropolitan areas with populations of at least 500,000 in 2000, of which there were 102.

<sup>9</sup> Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s." In A. Berube, B. Katz, and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005).

There is no officially-recognized US definition of suburbs.<sup>10</sup> In most cases, this chapter recognizes the places that lie within metropolitan areas, but outside their major city or cities, as suburbs. Figure 1 shows how these geographic concepts align in the Philadelphia metropolitan area, which crosses into four states.

**Figure 1. The Philadelphia metropolitan area contains one major city and ten counties in four states**



Source: Brookings Institution

<sup>10</sup> In the UK, the Office for National Statistics (ONS) has produced local authority classifications that include “London suburbs” (such as Hounslow LB and Croydon LB).

## Part 1 – National demographic and market trends

- 1.1 About one in five US residents lived in one of the nation's 100 largest cities in 2000. By extension, what happens in American cities clearly influences what happens nationwide by sheer force of size alone. Yet focusing exclusively on city trends overlooks the much larger, structural changes occurring in the US population and economy that affect cities, suburbs, and rural areas alike. This section explores these larger forces, some of which are shared by most developed nations, and others which distinguish the US from Britain and other Western European nations.

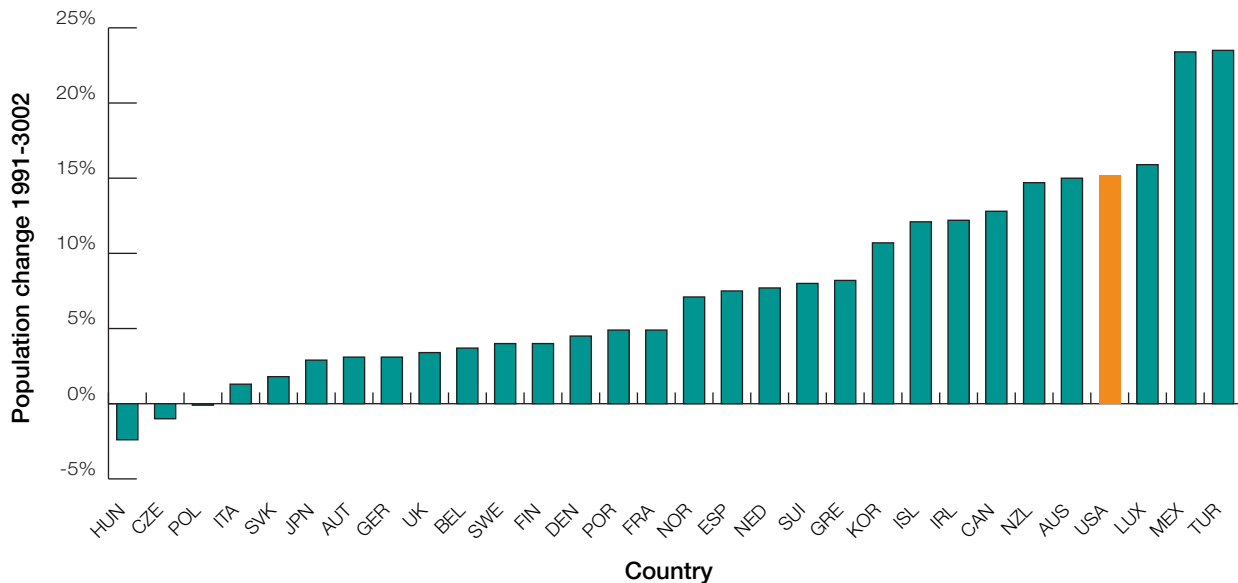
### Population – A fast-growing nation

- 1.2 On April 1, 2000, the US Census recorded over 281 million residents nationwide. This figure came as quite a shock to many government demographers, who before the census had estimated the nation's 2000 population at 274 million. It seems that the 7-million-person surprise resulted partly from better coverage of the population in Census 2000 than in the previous decennial census, on which the estimates were based. It also reflected, however, that the US was growing more rapidly than most people had realised.<sup>11</sup>
- 1.3 Indeed, America's population had grown by 33 million people between the 1990 and 2000 censuses, or a number equivalent to the country's total population at the start of the Civil War in 1860. This was the largest numerical increase in population the US had ever seen. The country's rate of growth in the 1990s (13.2 percent) matched that from the 1960s, a period that included the tail end of the nation's post-war 'baby boom' (see below).
- 1.4 This rapid population growth distinguishes the US from most developed nations. Among the 30 OECD countries, the US ranked fourth in overall population growth from 1991 to 2003 (Figure 2). Among European nations, only Luxembourg grew faster.<sup>12</sup> The US growth rate was more than four times that in the UK over the same period. As discussed below, strong international migration to the US has buoyed its growth and set it apart from its faster-aging European counterparts.

<sup>11</sup> Reynolds Farley, "The Unexpectedly Large Census Count in 2000 and Its Implications," Research Report 01-467 (University of Michigan Population Studies Centre, 2001).

<sup>12</sup> Luxembourg is recognised as having one of the strongest economies among the EU15 countries. Craig Parsons and Timothy Smeeding, "L'Immigration au Luxembourg, et Après?" Luxembourg Income Study Working Paper 396 (Syracuse University, 2004).

Figure 2. The US is the fourth fastest-growing OECD country



Source: OECD Factbook 2005

- 1.5 Population growth in the US was widespread during the 1990s, though marked by significant regional differences. For the first time in the twentieth century, all 50 states grew over the decade.<sup>13</sup> Still, states in the Southern and Western US added residents at three to four times the rate of Northeastern and Midwestern states. For every person that West Virginia added in the 1990s, similarly-sized Nevada added an astounding 54. It and several other states in the West, including Arizona, Colorado, and Utah, saw their populations grow at more than twice the national rate, while all six of the New England states grew at less than half the national rate.
- 1.6 As the nation grew, it also became more metropolitan in character. By 2000, more than eight out of every ten persons in the US lived in metropolitan areas, up from less than two-thirds in 1960. Nearly one-third of all Americans lived in very large metropolitan areas of 5 million persons or more.<sup>14</sup> In several parts of the US today, as urban expert Robert Lang has shown, these large metropolitan populations spread across multiple states (or significant portions of large states) to form 'megapolitan' areas. 'Southland', for instance, unites nearly 21 million people living in metropolitan areas extending across Southern California to Las Vegas. The 'Northeast' megapolitan area stretches from Boston to Richmond, VA, and contains nearly 50 million people living in cities and suburbs, accounting for more than one in six Americans.<sup>15</sup>

<sup>13</sup> Mary M. Kent and others, "First Glimpses from the 2000 US Census." *Population Bulletin* 56 (2) (June 2001).

<sup>14</sup> In the US context, however, "metropolitan" does not necessarily mean "urban." Most metropolitan areas are geographically expansive, and in 2000, 12 percent of metropolitan residents lived in small, low-density areas defined by the Census Bureau as "rural." William Frey and others, "Tracking Metropolitan America into the 21st Century: A Field Guide to the New Metropolitan and Micropolitan Definitions" (Washington: Brookings Institution, 2004). This rural metropolitan percentage was down, however, from 14 percent in 1990.

<sup>15</sup> Lang's "Northeast" megapolitan area is actually quite similar in population and physical size to England itself, though it occupies just 2 percent of US land area. Robert E. Lang and Dawn Dhavale, "Beyond Megalopolis: Exploring America's New 'Megapolitan' Geography" (Alexandria, VA: Metropolitan Institute at Virginia Tech, 2005).



- 1.7 Demographers do not expect the United States' considerable population growth to abate any time soon. While it will not match the astounding increase it posted in the 1990s, the US is projected to add 27 million people in each decade from 2000 to 2030, reaching 364 million inhabitants by that census.<sup>16</sup> As one consequence of this sustained growth, experts presage that significant new residential, commercial, and industrial development will occur in the next few decades. One estimate finds that by 2030, about half of the buildings in which Americans live, work, and shop will have been built after 2000.<sup>17</sup>

## Demographics – Diversifying and aging

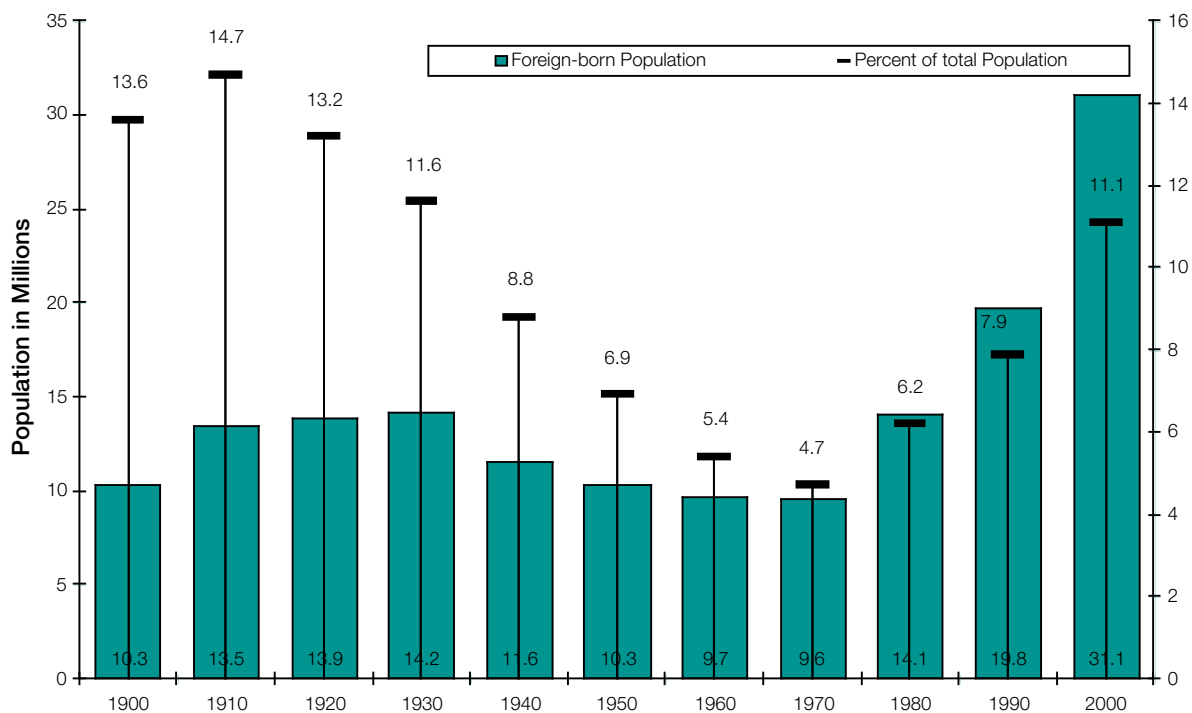
- 1.8 Across the 20th century, as the United States population nearly quadrupled, it transformed from a predominantly white one rooted in Western culture, to a society with significant representation from a diverse array of racial and ethnic minorities. Between 1900 and 2000, the proportion of Americans from a Hispanic or non-white background increased from 13 percent to 31 percent. At the turn of the 20th century, most of the non-white minority was composed of black Americans living in the rural South. Today, the US has as many Hispanics as blacks, a significant Asian population, and a young and fast-growing population of more than one race.<sup>18</sup>
- 1.9 America's growing racial and ethnic diversity has been driven largely by ebbs and flows of international migration over the past century. The US has a varied history of immigration, but its national narrative has always celebrated the importance of immigrants to its societal fabric. Singer notes that the first two decades of the 20th century saw 14.5 million immigrants admitted to the US, most from Southern and Eastern Europe, and foreign-born individuals accounted for more than 14 percent of the nation's population (Figure 3). It was only after mid-century, when the US repealed its national origin quotas, that immigrants from the countries of Asia, Latin America, the Caribbean, and Africa really began to transform America's racial and ethnic profile. Between 1980 and 2000, the US immigrant population more than doubled, and the percentage of Americans born outside the US began to approach levels not seen since the century's first decades.<sup>19</sup> This pattern aligns the US with other developed non-European nations such as Canada and Australia, where even higher proportions of the population are foreign-born.

<sup>16</sup> US Census Bureau, "US Interim Projections by Age, Sex, Race, and Hispanic Origin" (March 18, 2004).

<sup>17</sup> Arthur C. Nelson, "Toward a New Metropolis: The Opportunity to Rebuild America" (Washington: Brookings Institution, 2004).

<sup>18</sup> Kelvin M. Pollard and William P. O'Hare, "America's Racial and Ethnic Minorities." *Population Bulletin* 54 (3) (September 1999). In the US, "race" and "ethnicity" are distinct concepts measured by separate questions on the census form. "Ethnicity" refers to a person's Spanish, Hispanic, or Latino origin (or lack thereof), and generally applies to people with Latin American ancestry. The "race" concept identifies whether a person is white, black or African American, Asian, American Indian, Native Hawaiian, some other race, or some combination of these categories. In referring to the "white" population, most US researchers are speaking about non-Hispanic whites. About half of Americans of Hispanic origin identify their race as "white," and the other half identify as "some other race" or more than one race. Elizabeth M. Grieco and Rachel C. Cassidy, "Overview of Race and Hispanic Origin." Census 2000 Brief 01-1 (2001). The terms "Hispanic" and "Latino" are used interchangeably in this chapter.

<sup>19</sup> Audrey Singer, "The Rise of New Immigrant Gateways" (Washington: Brookings Institution, 2004).

**Figure 3. The US immigrant population has grown rapidly since 1980**

Source: Singer (2004)

1.10 As in Western Europe, fertility and mortality have fallen to relatively low levels among the native-born population in the United States. Thus, immigration has played a central role in the recent growth and diversification of US population, accounting for more than one-third of the nation's population increase between 1990 and 2000. Moreover, many US immigrants are in their prime child-bearing years. Though foreign-born individuals accounted for 11.5 percent of the nation's population in 2001, 22.5 percent of US births that year were to foreign-born women. In this way, the demographic impacts of immigration extend beyond immigrants themselves, and include the children of immigrants, or 'second-generation' Americans. Together with their parents and other immigrants, they made up more than one-fifth of US residents in 2000, and are projected to grow to one-third of the population by 2025.<sup>20</sup>

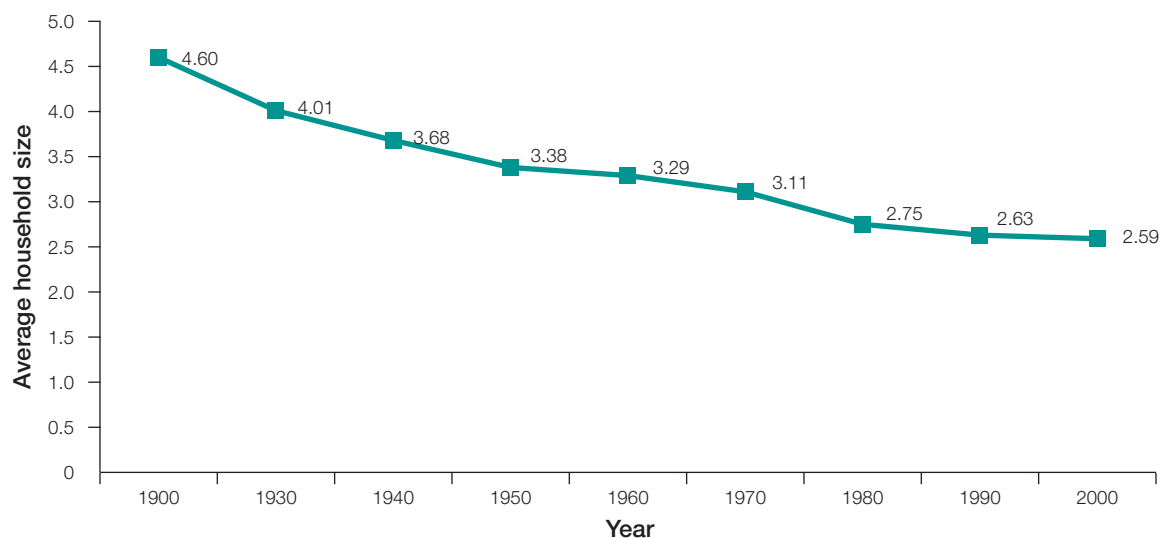
1.11 Though immigrants and racial and ethnic minorities are generally younger than native-born US residents, the nation's population – like that in most Western societies – is aging rapidly. By 2030, demographers estimate that one in five Americans will be age 65 or older. The trend is being propelled by the "baby boom" cohort, the 76 million US residents born between 1946 and 1964 who with each successive decade have left an indelible mark on the nation's consumption patterns, politics, and lifestyles.<sup>21</sup> As the Boomers approach retirement age, the US will face new challenges in funding health care and Social Security (the national pension system), and balancing the needs of a largely white older population against those of a very diverse youth population. Today, nearly 40 percent of Americans under the age of 18 are non-white or Latino, versus 14 percent of Americans aged 65 and over.

<sup>20</sup> Philip Martin and Elizabeth Midgley, "Immigration: Shaping and Reshaping America." *Population Bulletin* 58 (2) (June 2003).

<sup>21</sup> Christine L. Himes, "Elderly Americans." *Population Bulletin* 56 (4) (December 2001).

1.12 Beyond the obvious challenges associated with an aging population, the ‘greying of America’ has also contributed to the nation’s household diversity. One of the more surprising findings from Census 2000 was that ‘traditional’ families – those headed by a married couple and containing children – now represent fewer than one-quarter of the nation’s households. Between 1990 and 2000, single-person households – many headed by elderly individuals – actually surpassed these married-with-children households in number. As a result, average household size continued its long-term decline, from 4.6 in 1900, to 3.4 in 1950, to 2.6 in 2000 (Figure 4).

**Figure 4. Average household size declined over the 20th century**



Source: US Census Bureau, “Demographic Trends of the 20th Century”

1.13 Older Americans were not the only group altering these household patterns, however. The Baby Boom generation is increasingly composed of ‘empty nesters’, married couples whose children have flown the coop for college or to form their own households. Meanwhile, younger Americans are waiting longer to marry, and to have children of their own. Women’s long-term move into the workplace and the rise of two-earner families is reflected in the increased median age at first marriage for women, from 22 in 1980 to 25 in 2000. And in 2001, the US total fertility rate – the total number of births to the average woman in her lifetime – fell to 2.0. This is still higher than the rate in other industrialised countries, but no longer above the replacement rate (2.1 children per woman).<sup>22</sup> As a result of these trends, households in every part of the age spectrum are now smaller, and their average size will probably continue to decrease in the foreseeable future.

<sup>22</sup> Carl Haub, “The US Birth Rate Falls Further” (Washington: Population Reference Bureau, 2003).

## Markets – Widening inequality amid broad economic growth

- 1.14 America's rapid demographic change in the 1990s occurred alongside continued transition in its economy. Though tempered by developments since 2000, the US enjoyed its longest and strongest economic expansion on record. In its later stages, the growth trend produced important gains for workers on the lower rungs of the economic ladder. At the same time, expanding global trade continued to propel the economy's shift from one based on manufacturing to one dominated by services and favouring higher-educated workers. These fundamental market changes contributed to the nation's historic economic growth, but added to the nation's unprecedented levels of economic inequality between its richest and poorest citizens and places.
- 1.15 From an economic perspective, the beginning and end of the 1990s were worlds apart. In April 1990, when that year's decennial census was conducted, the nation teetered on the verge of an economic recession. Within one year, the unemployment rate rose to 7 percent, and the economy shed 1.3 million jobs. But between 1992 and 2000, US GDP grew at a blistering 4.3 percent annual pace. By the time of Census 2000, the unemployment rate was 3.9 percent, the lowest in a generation.
- 1.16 The length of the expansion, and the tight labour market it produced, facilitated broad-based gains for American workers and families in the latter part of the decade. Between 1995 and 2000, US median family income rose 12 percent. Even the most disadvantaged workers benefited. Over the decade, the proportion of black women who participated in the labour market rose from 58 to 63 percent. Income growth in the late 1990s was stronger for black and Hispanic families, and for female-headed households, than for white households or married-couple families. These trends helped the lowest-earning workers narrow the gap between themselves and the nation's middle class.<sup>23</sup> The US poverty rate decreased slightly over the decade, reflecting a drop in the proportion of families living on very low incomes.<sup>24</sup>
- 1.17 The nation's extraordinary economic growth over the decade did not, however, suspend long-term secular changes in its economic structure. Like most industrialised nations, the US experienced continued decline in its manufacturing sector, while services-based employment grew in importance. Precipitous declines in the cost of transporting goods, and relocation of manufacturing plants to developing countries, caused America to import an ever larger proportion of its consumption goods. Between 1990 and 2003, the value of goods imported by the US grew at nearly double the rate as goods exported by the US.
- 1.18 This increased global trade, and advances in manufacturing technologies, limited employment growth in goods-producing industries to 800,000 between 1990 and 2000, even as employment in services-producing industries ballooned by more than 20 million.<sup>25</sup> Moreover, the economic downturn in the early 2000s caused significant

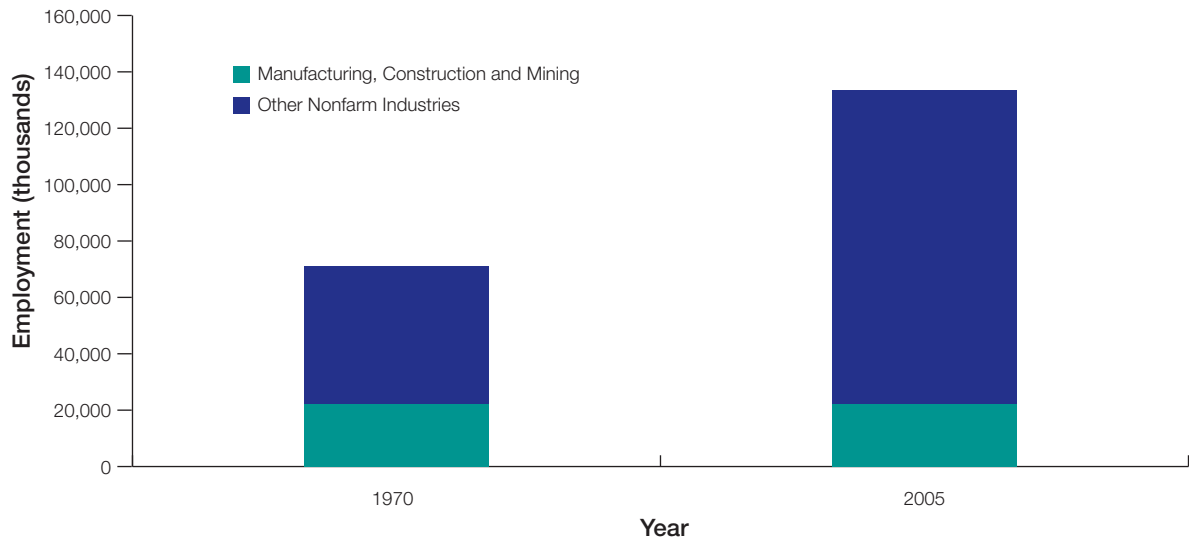
<sup>23</sup> Lawrence Mishel, Jared Bernstein, and Heather Boushey, *The State of Working America 2002–03* (Cornell University Press, 2002).

<sup>24</sup> Alan Berube and William Frey, "A Decade of Mixed Blessings: Urban and Suburban Poverty in Census 2000" (Washington, Brookings Institution, 2002). In the US, poverty is measured using an absolute income standard, adjusted for family size, equivalent to roughly 40 percent of median income.

<sup>25</sup> Manufacturing did experience a resurgence in the mid-1990s, especially auto manufacturing in the Midwest, but those gains soon eroded post-2000. Federal Reserve Bank of Chicago, *1996 Annual Report*.

manufacturing job losses in the US Today, the manufacturing, mining, and construction industries employ just one in six workers nationwide, down from nearly one in three in 1970 (Figure 5).

**Figure 5. Only one-sixth of US workers are employed in goods-producing industries**



Source: US Bureau of Labor Statistics

- 1.19 These structural changes in the economy have affected American workers and families in complicated ways. In the broadest terms, the continued decline of manufacturing diminished labour demand in a sector that has traditionally paid good wages to semi-skilled workers. In 2000, 52 percent of manufacturing workers had no post-secondary education, versus 41 percent of all US workers, yet median earnings in manufacturing topped \$31,000 (versus \$25,000 nationwide). Additionally, technological advances shifted labour demand within the manufacturing sector towards higher-skilled workers.<sup>26</sup>
- 1.20 Reduced opportunities in the manufacturing sector dovetailed with the rise of services employment. Fewer jobs for semi-skilled workers, and significant productivity gains in the services sector, helped raise the premium paid to the most educated workers by a considerable amount.<sup>28</sup> At the turn of the decade, upwards of 45 percent of workers in sectors such as information technology, finance, and health care possessed college degrees. They earned two-thirds more than workers without degrees on average, more than double the disparity two decades earlier.<sup>28</sup>

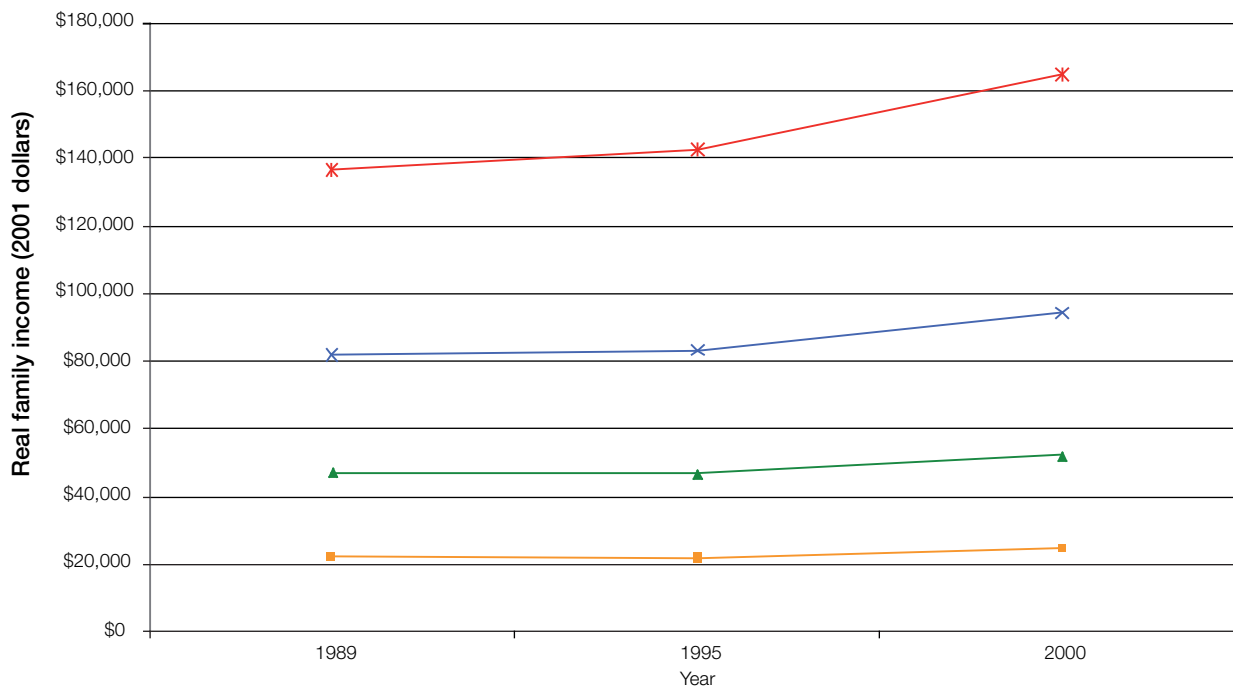
<sup>26</sup> Eli Berman, John Bound, and Zvi Griliches, "Changes in the Demand for Skilled Labor within US Manufacturing: Evidence from the Annual Survey of Manufacturers." *The Quarterly Journal of Economics* 109 (2) (1994): 367–397.

<sup>27</sup> Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America 2004-05* (Cornell University Press, 2005). In the recent economic downturn, however, young college graduates actually experienced larger-than-average decreases in employment, reflecting uniquely weak demand for workers with newly minted skills. Jared Bernstein, "The Changing Nature of the Economy: The Critical Roles of Education and Innovation in Creating Jobs and Opportunity in a Knowledge Economy." Testimony before the Committee on Education and the Workforce of the US House of Representatives, March 11, 2004.

<sup>28</sup> "Minding about the gap." *The Economist*, June 11–17, 2005, p. 32.

- 1.21 This increasing return to skills meant that even as low-income workers made important gains near the end of the 1990s, overall income inequality in the US continued to increase. Workers on the lower rungs did manage to keep pace with the middle of the pack, at least through 2000, and the proportion of individuals living below 60 percent of median income (a common international measure of relative poverty) held steady over the decade. But incomes rose much faster for higher-earning families over the decade, by the largest amounts for families at the top of the income distribution, whose average real income roughly doubled (Figure 6).

**Figure 6. Income inequality increased in the 1990s**



Source: Mishel, Bernstein, and Boushey, *The State of Working America* 2002-03

- 1.22 Of course, these labour market dynamics did not arise independently of the broader demographic changes occurring in American society. The aging of the Baby Boom generation, whose members earned college degrees at unprecedented rates, drove gains at the higher end of the income distribution over the past 20 years. In particular, increasing female labour force participation among the “baby boom” and subsequent cohorts was a key contributor to economic mobility and to the widening gap between the highest- and lowest-income families (as most of the latter contain only one worker). At the same time, the significant wave of immigration to the US in the 1980s and 1990s seems to have suppressed wages for the least-skilled native workers, particularly high school dropouts.<sup>29</sup>

<sup>29</sup> George J. Borjas, Richard B. Freeman, and Lawrence F. Katz, “How Much Do Immigration and Trade Affect Labor Market Outcomes?” *Brookings Papers on Economic Activity*: 1–67.



1.23 The demographic and market trends highlighted in this section confirm that the United States exhibits many characteristics common to other industrialised nations, including an aging and diversifying population, and labour market demand for higher-skilled workers. As is often the case, however, the US continues to stand apart in many ways. It is among the fastest-growing countries in the developed world, thanks largely to the new wave of immigration washing over its borders. Present-day and historical patterns have rendered the US population far more ethnically heterogeneous than that in most European nations; and while income inequality in the UK and other Western countries appears to have moderated somewhat in recent years, the gap between the richest and poorest Americans continues to widen.<sup>30</sup> The next section explores what challenges and opportunities these mega-trends imply for cities and urban areas in America.

<sup>30</sup> John Hills, *Inequality and the State* (Oxford University Press, 2004).

## Part 2 – Trends in American cities

### Cities are growing overall in response to large trends

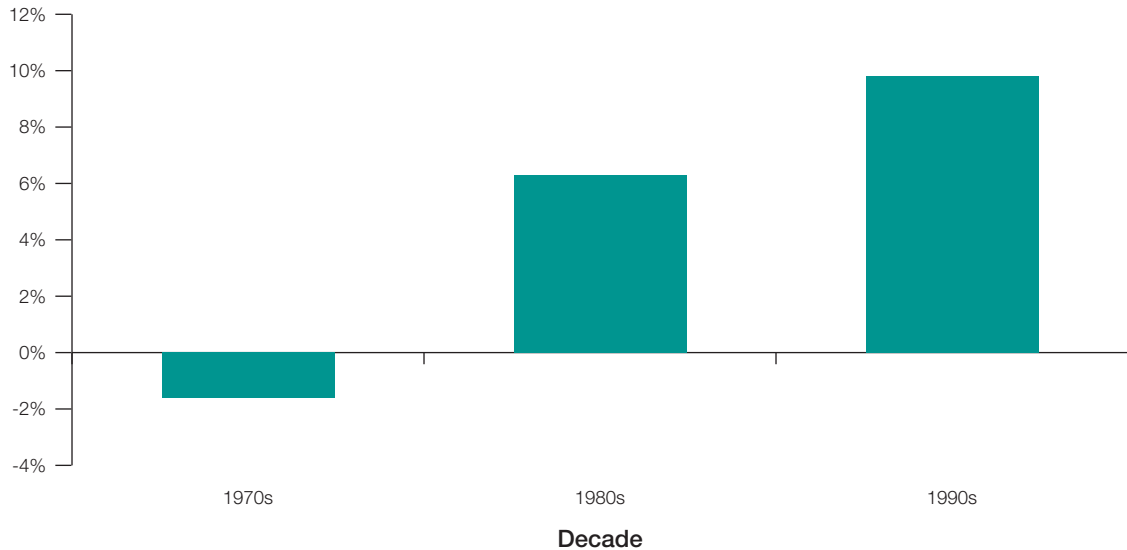
- 2.1 With economics, demographics, and shifting consumer tastes putting new wind in their sails, major American cities in the 1990s registered their largest population gains in several decades. City observers hailed the ‘urban turnaround’ and the ‘downtown rebound.’ Relative to the news from prior censuses, the results from Census 2000 did indeed give cities much to celebrate.

### City populations increased in the 1990s

- 2.2 The post-war years were, in general, unkind to American cities. The 1970s, in particular, saw most big cities lose population. Boston, Chicago, New York, Philadelphia, and Washington, along with dozens of other older cities, saw their populations decline by at least 10 percent. A poor economy, high crime rates, municipal mismanagement, and rapid suburban development combined to drain cities of their upwardly mobile residents. The 50 largest cities together lost 2 percent of their population that decade. The 1980s were somewhat kinder to cities, as they posted a combined 6 percent population increase. However, several big cities continued to bleed residents.
- 2.3 In the 1990s, however, population gains were larger and spread more widely. The overwhelming majority of big US cities – 74 out of the top 100 – posted increases. Their combined population grew by 9 percent. Some cities that had lost residents during the 1980s, including Atlanta, Chicago, and Denver, actually reversed their slides with population gains during the 1990s. The difference between the decades was most noticeable for very large cities of at least one million people, which grew by 7 percent in the 1990s, versus less than 1 percent in the 1980s. And only 20 of the 100 largest cities lost significant population over the decade, a considerable improvement from the 37 suffering that fate during the 1980s (Figure 7).<sup>31</sup>

<sup>31</sup> Alan Berube, “Gaining but Losing Ground: Population Change in Large Cities and Their Suburbs.” In Bruce Katz and Robert E. Lang, eds. *Redefining Urban and Suburban America: Evidence from Census 2000, Volume I* (Washington: Brookings Institution, 2003).

**Figure 7. Large cities grew faster in the 1990s than in previous decades**



Source: Brookings analysis of US Census data

### Most city centres grew

- 2.4 One notable pattern in the resurgence of city populations was the widespread growth in city centre, or ‘downtown,’ living. Little more than two decades ago, many US downtowns were devoid of residents, home almost exclusively to office and retail space. But in the 1990s, city centre living gained in popularity. Lang and Sohmer’s analysis of 36 major American downtowns found that three-quarters gained inhabitants over the decade; even some cities that lost population overall gained downtown residents, including the older industrial cities of Cleveland, Baltimore, Philadelphia, and Milwaukee.<sup>32</sup> Success in the past decade has encouraged most city governments in the US to continue developing ‘living downtowns’ attractive to wealthier residents, especially young workers and empty-nest Baby Boomers desiring shorter commutes and nearby amenities. One analysis finds that 45 percent of downtown-dwellers in 2000 had college degrees, nearly twice the national proportion.<sup>33</sup>

### But city growth was uneven

- 2.5 While the dominant population trend for cities was positive, even a booming economy did not produce gains for all places. Several older cities continued their long post-war population slide; Baltimore, Buffalo, and St. Louis all registered double-digit decreases, and Detroit’s population dipped below 1 million for the first time since 1920. Medium-sized cities had an uneven experience as well. Among the

<sup>32</sup> Robert Lang and Rebecca Sohmer, “Downtown Rebound.” In Bruce Katz and Robert E. Lang, eds. *Redefining Urban and Suburban America: Evidence from Census 2000, Volume I* (Washington: Brookings Institution, 2003).

<sup>33</sup> Eugenie Birch, “Who Lives Downtown?” (Washington: Brookings Institution, 2005).

100 cities with 1990 populations from 100,000 to 170,000 (the 101st through 200th largest cities at that time), 25 lost population over the decade or did not grow at all. Cities in this size category with a heavy industrial heritage were especially hard-hit, including Gary (Indiana), Flint (Michigan), Syracuse (New York), and Springfield (Massachusetts).<sup>34</sup>

- 2.6 Moreover, among those cities that did increase in population, significant disparities separated the ‘high fliers’ from the modest gainers. As broader regional patterns indicate, Sun Belt cities – especially those in the West – grew very rapidly over the decade, while their Northeastern and Midwestern counterparts declined or barely expanded. Las Vegas, NV, the nation’s fastest-growing city in the 1990s, nearly doubled in population in just 10 years. Of the nearly 200 cities with populations of at least 100,000 in 1990, Glaeser and Shapiro find that the top ten growers were all located in the Western US or Texas. Eight of the top 10 decliners, meanwhile, were found in the Northeast or Midwest (Figure 8).

**Figure 8. Large gaps separated growing from declining cities**

Ten Fastest-Growing Cities		Ten Fastest-Declining Cities	
City	Pop Change 90-00	City	Pop Change 90-00
1 Las Vegas, NV	85.2%	Macon, GA	-8.8%
2 Plano, TX	72.5%	Cincinnati, OH	-9.0%
3 Scottsdale, AZ	55.9%	Pittsburgh, PA	-9.6%
4 Boise City, ID	47.8%	Syracuse, NY	-10.1%
5 Glendale, AZ	47.7%	Norfolk, VA	-10.3%
6 Laredo, TX	43.7%	Buffalo, NY	-10.8%
7 Bakersfield, CA	41.3%	Flint, MI	-11.2%
8 Austin, TX	41.0%	Baltimore, MD	-11.5%
9 Salinas, CA	38.9%	St. Louis, MO	-12.2%
10 Mesa, AZ	37.6%	Hartford, CT	-13.0%

Source: Ed Glaeser and Jesse Shapiro, “City Growth and the 2000 Census: Which Places Grew, and Why” (Washington: Brookings Institution, 2001)

### City job gains were widespread

- 2.7 Job growth in cities over the 1990s actually outpaced population growth. Of 114 large cities tracked by the US Department of Housing and Urban Development, 102 experienced at least modest job growth between 1992 and 2001. The 114 cities combined gained 4.5 million jobs during that time, a 17 percent increase. For the most part, the job growth pattern mirrored that for population growth, with Sun Belt

<sup>34</sup> Jennifer Vey and Benjamin Forman, “Demographic Change in Medium-Sized Cities: Evidence from the 2000 Census” (Washington: Brookings Institution, 2002).

cities such as Las Vegas, Austin, TX, and Orlando, FL, topping the list, and Rust Belt cities such as Buffalo, Detroit, and Dayton, OH, appearing near the bottom. One promising trend was that several cities that lost residents in the 1990s – among them St. Louis, Cleveland, Baltimore, and Philadelphia – managed to post modest job gains during that time.

### Population/employment decentralization remains the rule

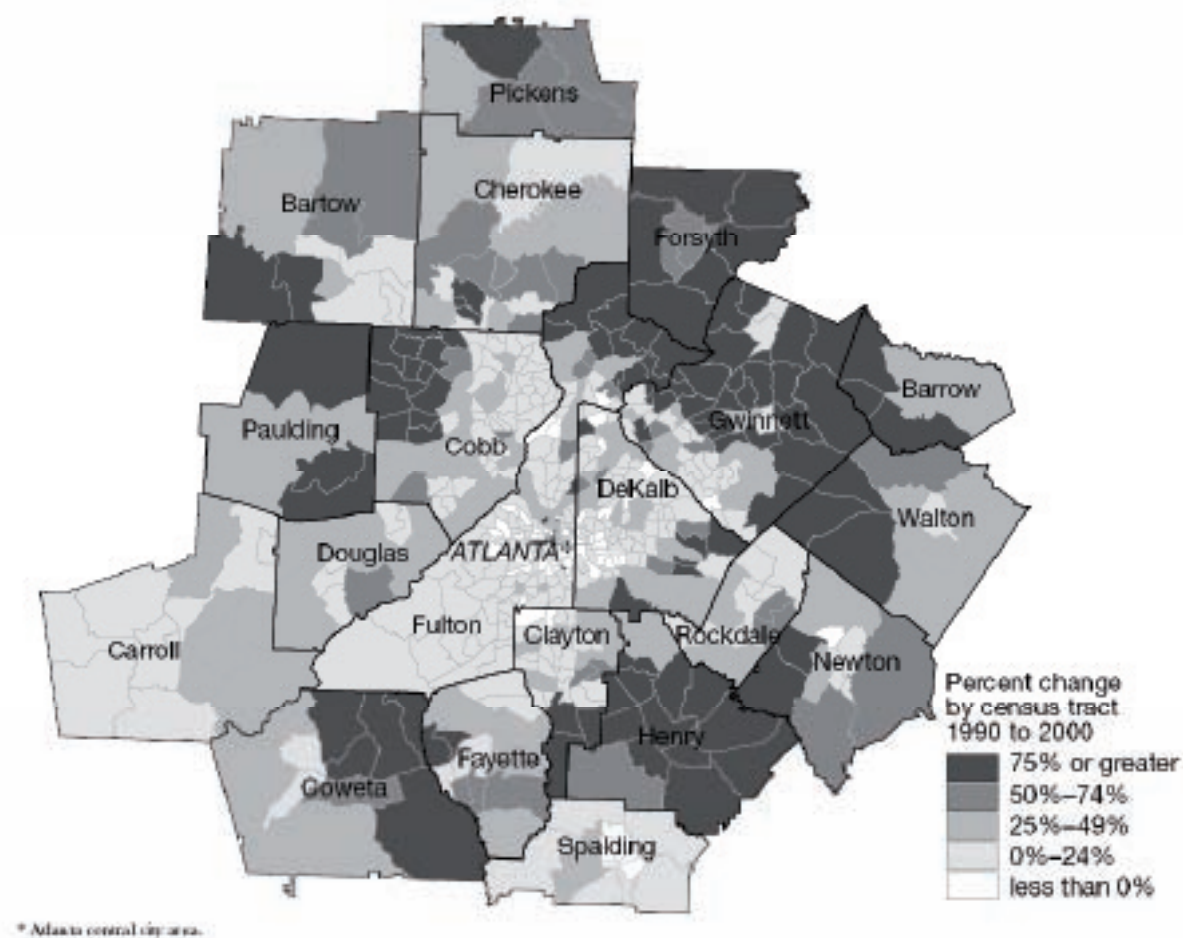
- 2.8 While welcome after decades of decline or sluggish growth, the upward population and job trends for cities did not diminish the broader story playing out in nearly every American metropolis: continued decentralisation of people and jobs. The economic and population locus of metropolitan America continued to move farther into suburbia.

### Suburbs grew faster than cities

- 2.9 In general, city and suburban populations travelled in tandem during the 1990s. The fastest-growing cities were located in fast-growing metropolitan areas, and declining cities were found in slow-growing regions. Phoenix and Cleveland were model examples of this tendency. Phoenix grew at a torrid 34 percent rate, as its metropolitan area expanded by 45 percent. Meanwhile Cleveland, which lost 5 percent of its population, occupied a metropolitan area that grew by only 2 percent over the decade. The economic and demographic forces affecting cities and their suburbs, while not uniform, did reflect broader regional trends in the 1990s.
- 2.10 Yet as these examples demonstrate, metropolitan populations suburbanised regardless of whether their cities' populations shrank, remained stable, or grew. The suburbs of the 100 largest cities grew by 18 percent overall in the 1990s, twice their cities' growth rate. Atlanta, which added 22,000 people in the 1990s – its first decade of growth since the 1960s – lay at the core of a metropolitan area that added 1 million people. In Atlanta and most other conurbations, the fastest-growing places were generally the farthest-flung parts of the region (Figure 9). Lang and Zimmerman identify Forsyth, Henry, and Paulding counties in the Atlanta region among 47 'Fringe Counties' in metropolitan America that grew by a collective 37 percent over the decade.<sup>35</sup>

<sup>35</sup> Robert E. Lang and Meghan Zimmerman Gough, "Growth Counties: Home to America's New Suburban Metropolis." In A. Berube, B. Katz, and R. Lang, *Redefining Urban and Suburban America: Evidence from Census 2000, Volume III* (Washington: Brookings Institution, 2005).

Figure 9. Outlying areas of the Atlanta region grew fastest in the 1990s



Source: Mary Kent and others, "First Glimpses from the 2000 US Census" Population Bulletin 56 (2) (2001).

## Population decentralisation patterns differed across regions

2.11 The imbalance between population growth and suburban development was starkest in the Northeast and Midwest. Unlike metropolitan areas in the West and South, those in the Northeast and Midwest have not grown very much over the past two decades. Between 1982 and 1997, their populations grew by about 7 percent. However, as Fulton and others have shown, they are developing vast amounts of land anyway, as their combined population density dropped roughly 20 percent over that period. In the Pittsburgh, PA, region, population actually dropped 8 percent (and by an even larger degree in the city), even as the metropolitan area added 43 percent to its stock of developed land with massive building at the urban/rural fringe.<sup>36</sup>

2.12 Population has decentralised in the West, too, but via a very different path. Arid climate in many parts of the region, topographical constraints facing growth (mountains and mesas), and homebuilding practices have facilitated denser growth in Western metropolitan areas. Much of that dense growth has occurred not in traditional central cities, however, but in places that Lang and Simmons refer to as

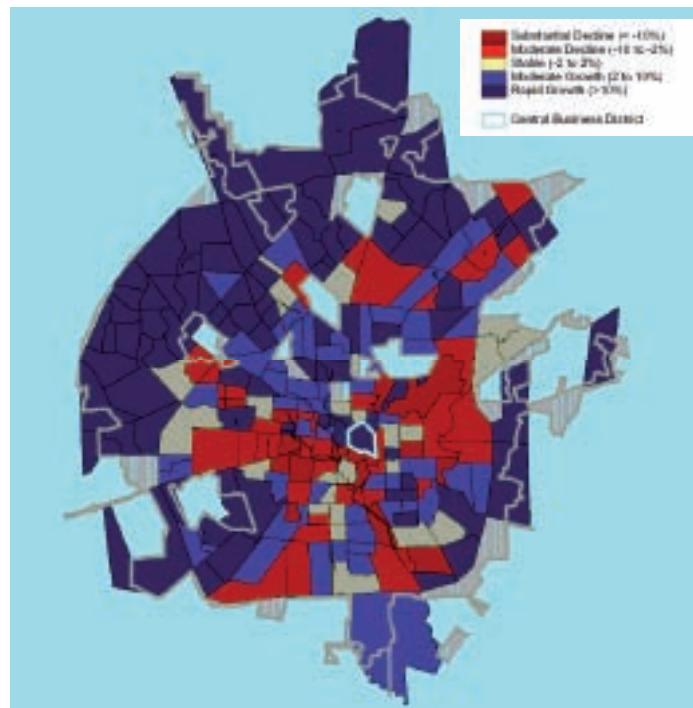
<sup>36</sup> William Fulton and others, "Who Sprawls Most? How Growth Patterns Differ Across the US" (Washington: Brookings Institution, 2001).



‘boomburbs.’<sup>37</sup> These geographically large, fast-growing suburban cities dot the Southwestern US, from Texas to Southern California. They are not the largest city in their respective metropolitan areas, but have captured a considerable proportion of metropolitan growth in the last few decades. Today, 14 of these boomburbs, including Plano, TX (outside Dallas), Scottsdale, AZ (outside Phoenix), and Aurora, CO (outside Denver), figure among the 100 largest cities in the United States. Some lie adjacent to the area’s largest city, but are so geographically expansive that they still drive (literally) further decentralisation of the metropolis.

- 2.13 Population sprawl did not begin at the city border, either. Despite the recovery of many American city centres in the 1990s, most cities still ‘hollowed out’ to some degree. Across the 100 largest cities, neighbourhoods surrounding downtowns grew by an anaemic 3 percent in the 1990s, compared to 15 percent growth in those neighbourhoods closest to the city borders. Even fast-growing places like San Antonio, TX, saw the overwhelming majority of their population growth occur at the city fringes, while neighbourhoods close to the city centre stagnated or declined (Figure 10).<sup>38</sup>

**Figure 10. Many cities like San Antonio ‘sprawled’ within their own borders**



Source: Alan Berube and Benjamin Forman, “Living on the Edge: Decentralization within Cities in the 1990s” (Washington: Brookings Institution, 2002).

<sup>37</sup> Robert Lang and Patrick Simmons, “Boomburbs: The Emergence of Large, Fast-Growing Suburban Cities.” In B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume I* (Washington: Brookings Institution, 2003).

<sup>38</sup> Alan Berube and Benjamin Forman, “Living on the Edge: Decentralization Within Cities in the 1990s” (Washington: Brookings Institution, 2002).



## Employment continued to suburbanise

- 2.14 As people went, so went the jobs. Despite consistent job growth in cities over the past decade, more Americans work in suburbs today than ever before. Glaeser and Kahn demonstrate that across the largest 100 metropolitan areas, only 22 percent of people work within a three-mile radius of the city centre, and more than 35 percent work at least ten miles from the urban core. Around cities like Chicago, Atlanta and Detroit, more than 60 percent of regional employment is now located 10 or more miles from the downtown.<sup>39</sup>
- 2.15 This rise of suburban employment is also reflected in the 43 percent of metropolitan residents who commute from a home in the suburbs to a workplace in the suburbs. They never enter the city, except perhaps for shopping or entertainment (though such amenities are increasingly available in the suburbs, too). In the Atlanta, Boston, Chicago, San Francisco, and Washington, D.C. regions, at least 10 percent of workers face commute times of 60 minutes or longer. Many of these Americans now work in an ‘exit-ramp economy’ with new office, commercial, and retail facilities increasingly located along suburban freeways.
- 2.16 None of this evidence argues against the fact that cities performed better in the 1990s than in previous decades. For most cities, their worst days seem to be behind them. However, the 1990s hardly stifled the centrifugal forces in metropolitan areas that have made the United States the suburban nation it remains today.

## Lines between cities and suburbs have blurred

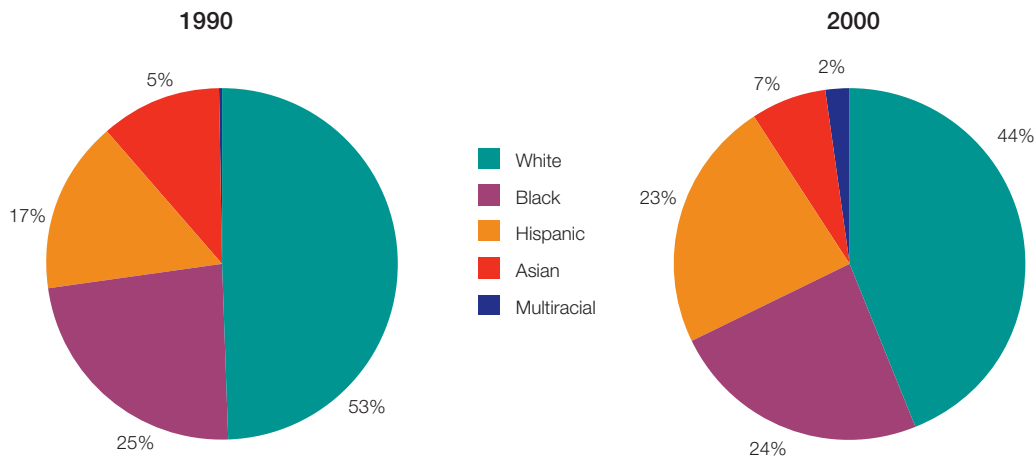
- 2.17 The decentralisation of jobs and population in metropolitan America has proceeded to the point where many suburbs themselves are coming to resemble central cities in their demographic and economic makeup. Where in previous generations, restrictive covenants and exclusionary housing development kept suburbs the exclusive province of middle- and upper-class white families, today more and more suburbs are diversifying along racial and ethnic, income, and household lines, especially in rapidly growing parts of the nation. These developments are slowly changing perceptions of what ‘urban’ really means in the US context.

## Immigrants made cities ‘majority minority’

- 2.18 Cities do remain at the forefront of the nation’s growing racial and ethnic diversity. Between 1990 and 2000, the 100 largest cities in the United States transitioned from being majority non-Hispanic white to ‘majority minority’ – that is, whites went from representing more than half to less than half of the overall population of these cities. The transformation was far from marginal, as their combined white share of population dropped dramatically from 52 percent in 1990 to 44 percent in 2000 (Figure 11).<sup>40</sup>

<sup>39</sup> Ed Glaeser and Matthew Kahn, “Job Sprawl: Employment Location in US Metropolitan Areas” (Washington: Brookings Institution, 2001).

<sup>40</sup> Alan Berube, “Racial and Ethnic Change in the Nation’s Largest Cities.” In B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume I* (Washington: Brookings Institution, 2003).

**Figure 11. Large cities became 'majority minority' in the 1990s**

Source: Alan Berube, "Racial and Ethnic Change in the Nation's Largest Cities." In B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000*, Volume I (Washington: Brookings Institution, 2003).

2.19 Immigration fuelled this landmark transition in urban America. The arrival of residents from abroad helped boost population growth in US cities in the 1990s, and in several cases prevented them from losing residents overall. To wit: older cities including New York, Chicago, Minneapolis, and Boston, all emblematic of the urban 'comeback' in the 1990s, would each have lost population if not for their net gains in foreign-born residents. Even a high-flying city like Dallas, which grew by 18 percent over the decade, would have experienced anaemic 2 percent growth absent the addition of immigrants to its neighbourhoods.

### Minority groups are also moving to suburbs

2.20 Diversifying populations were hardly confined to big cities, however. The decade saw a dramatic increase in minority suburbanisation, especially in what Frey terms 'Melting Pot Metros'. These large, multi-ethnic metropolitan areas, like Los Angeles, Chicago, San Francisco, and Houston are major ports of entry for immigrants, where the impact of rising Hispanic and Asian populations are most evident. Non-whites and Hispanics accounted for the bulk of suburban population gains in most large metropolitan areas. In 2000, they represented 27 percent of suburban populations, up from 19 percent one decade prior. Today, the majority of Hispanics and Asians in large US metropolitan areas live in suburbs rather than cities.<sup>41</sup>

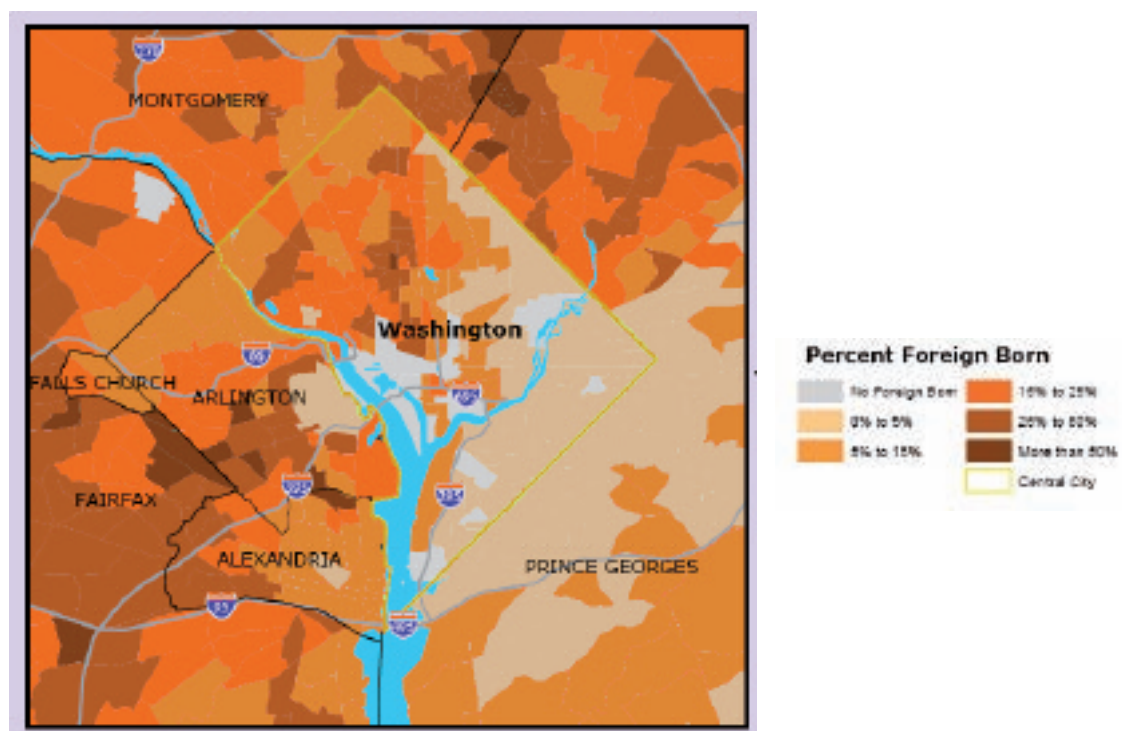
2.21 A signal development in the past 20 years contributing to increased suburban diversity is the presence of immigrants in these communities. While there have always been foreign-born individuals in the suburbs, the traditional model saw immigrants locating first in central-city 'enclave' neighbourhoods upon their arrival in the US, and moving out to the suburbs as their income grew, a process social scientists referred to as 'spatial assimilation'.<sup>42</sup> Singer notes that this occurred

<sup>41</sup> William H. Frey, "Melting Pot Suburbs: A Study of Suburban Diversity." In B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000*, Volume I (Washington: Brookings Institution, 2003); Roberto Suro and Audrey Singer, "Latino Growth in Metropolitan America: Changing Patterns, New Locations." In B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000*, Volume I (Washington: Brookings Institution, 2003).

<sup>42</sup> Richard D. Alba and others, "Immigrant Groups in the Suburbs: A Re-examination of Suburbanization and Spatial Assimilation." *American Sociological Review* 64 (1999): 446–460.

throughout the 20th century in ‘continuous gateways’ such as New York, Chicago, and San Francisco. The latest wave of immigration to the US, however, has produced a set of ‘new gateways’ including Atlanta, Dallas, and Washington, D.C., where fast-growing immigrant populations have bypassed cities altogether, and moved directly to older suburban communities. Indeed, immigrants accounted for more than one in six residents of Washington’s suburbs in 2000, and over 90 percent of the region’s immigrants lived in suburbia (Figure 12).<sup>43</sup>

**Figure 12. Immigrants in the Washington, D.C. area are concentrated in the suburbs**



Source: Audrey Singer, “The Rise of New Immigrant Gateways.” In A. Berube, B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005).

2.22 The impacts of a diversifying suburban population were evident in the nation’s decreasing levels of racial and ethnic segregation in the 1990s. Glaeser and Vigdor show that the 1990s were the third straight decade in which neighbourhood-level segregation between blacks and other Americans declined. Though several older Rust Belt cities remain ‘hyper-segregated,’ with blacks confined predominantly to inner-city areas, segregation levels are low and falling in fast-growing areas of the West and South. Importantly, Glaeser and Vigdor find that the decline in segregation stems from blacks’ integration of once-white neighbourhoods.<sup>44</sup> In the 10 largest metropolitan areas in the US, the number of neighbourhoods in which whites made up more than four-fifths of the population fell by 30 percent during the 1990s, as more integrated neighbourhoods surfaced in their place.<sup>45</sup>

<sup>43</sup> Audrey Singer, “The Rise of New Immigrant Gateways.” In A. Berube, B. Katz, and R. Lang, *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005).

<sup>44</sup> Edward L. Glaeser and Jacob L. Vigdor, “Racial Segregation: Promising News.” In B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume I* (Washington: Brookings Institution, 2003).

<sup>45</sup> David Fasenfest, Jason Booza, and Kurt Metzger, “Living Together: A New Look at Racial and Ethnic Integration in Metropolitan Neighbourhoods, 1990–2000” (Washington: Brookings Institution, 2004).

## Suburban diversity extends to household types

- 2.23 Race and ethnicity represents just one of the dimensions in which suburbs are diversifying. Increasingly, the suburbs are taking on households traditionally associated with city living. They now contain more ‘non-family’ households – largely young singles and elderly people living alone – than married couples with children. Lone-parent families, as well, are growing at high rates in the suburbs. Meanwhile, cities in high-immigration metropolitan areas registered strong growth in two-parent families with children, further blurring the urban/suburban demographic divide.<sup>46</sup> Increasing numbers of elderly households are expected to ‘age in place’ in the coming decades, further transforming the suburban household profile and challenging conventional notions of who lives in cities and suburbs.<sup>47</sup>
- 2.24 In these several ways, the demographics of cities and suburbs are beginning to converge in most parts of the United States. It is not surprising, then, that the economic condition of suburbs and their residents is also beginning to resemble that of cities.

## Poverty is suburbanising

- 2.25 The shifting geography of poverty demonstrates this growing economic similarity between many cities and suburbs. The US ‘poverty line’ is an absolute income threshold adjusted for family size and updated annually for inflation. In 1999, the year for which Census 2000 collected income information, the poverty line for a two-parent family with two children equalled roughly \$17,000, or just 34 percent of median family income. People living below this threshold thus subsist on very low incomes. Census 2000 recorded a national poverty rate of 12.4 percent, down only marginally from 13.1 percent in 1990, despite the strong economy of the mid-to-late 1990s.
- 2.26 Historically, cities and rural areas have been home to the nation’s poor. As recently as 1967, these areas contained 81 percent of all Americans living below the poverty line.<sup>48</sup> A little over one generation later, suburbs today contain more than 40 percent of the nation’s poor. In major metropolitan areas, half of the poor reside in suburbs. And while the poverty rate in cities (18.4 percent) remains more than twice as high as that in suburbs (8.3 percent), the city-suburb poverty rate gap narrowed slightly in the 1990s. Fewer than half of the nation’s big cities saw their poverty rates increase in the 1990s, compared to three-fourths in the 1980s.<sup>49</sup>
- 2.27 Perhaps the best news for cities, though, was that the pockets of extreme poverty that have long characterised many inner cities dissipated significantly during the 1990s. In cities such as Chicago, Detroit, Milwaukee, Houston, and Memphis, the number of people in neighbourhoods of high poverty – where at least 40 percent of

<sup>46</sup> Frey and Berube, “City Families and Suburban Singles.”

<sup>47</sup> William Frey, “Boomers and Seniors in the Suburbs: Aging Patterns in Census 2000” (Washington: Brookings Institution, 2003).

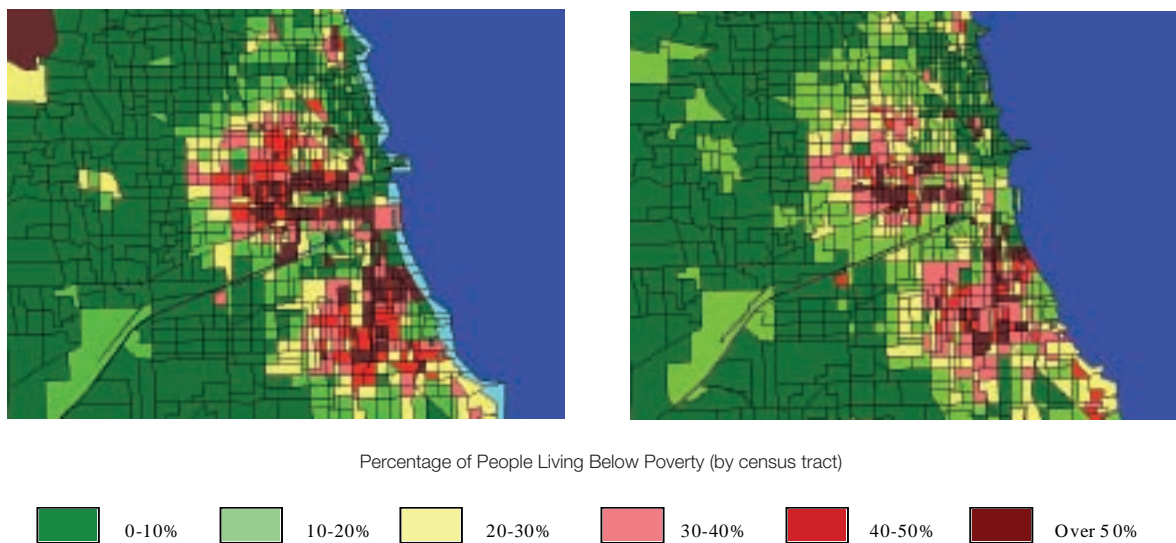
<sup>48</sup> US Census Bureau, Historical Poverty Tables, Table 8: Poverty of People, by Residence.

<sup>49</sup> Alan Berube and William Frey, “A Decade of Mixed Blessings: Urban and Suburban Poverty in Census 2000.” In A. Berube, B. Katz, and R. Lang, *Redefining Urban and Suburban America: Evidence from Census 2000*, Volume II (Washington: Brookings Institution, 2005).



the population lives below the poverty line – declined by dramatic amounts, after increasing for two decades. Figure 13 shows the pattern in Chicago, where the population of high-poverty neighbourhoods dropped by nearly 200,000 over the decade. Nationwide, there were 24 percent fewer high-poverty neighbourhoods in 2000 than in 1990.<sup>50</sup> Even though many cities experienced only moderate declines in their overall poverty rates, the strong economy and other policy tools seem to have broken up many of the worst concentrations of economic distress plaguing inner cities during the late 20th century.

**Figure 13. Concentrated poverty declined in Chicago in the 1990s**



Source: Brookings Institution analysis of Geolytics data.

2.28 These concentrations of poverty did not exactly re-emerge in suburbia, though the decline of high-poverty city neighbourhoods far outpaced that for suburbs. However, among the few metropolitan areas where concentrated poverty actually increased in the 1990s, Los Angeles exemplified this new geography of economic deprivation. The poverty rate in greater Los Angeles rose steadily over the past three decades, from 10.4 percent in 1970 to 15.6 percent in 2000. As it did, poverty increasingly suburbanised. By 2000, nearly as many people lived in poor neighbourhoods (where the poverty rate exceeded 20 percent) in suburban Los Angeles County as in inner-city Los Angeles.<sup>51</sup>

2.29 Other metropolitan areas exhibit a similar pattern of suburbanising poverty. As Puentes and Warren demonstrate, many of America's 'First Suburbs' – those areas closest to central cities and part of a metropolitan area for at least 50 years – have experienced steady increases in poverty over the last few decades. In addition to Los Angeles County, Sunbelt suburbs like Dade County outside Miami, FL and Sacramento County, CA, have poverty rates approaching those in their central cities.<sup>52</sup>

<sup>50</sup> Jargowsky, "Stunning Progress, Hidden Problems."

<sup>51</sup> Shannon McConville and Paul Ong, "The Trajectory of Poor Neighbourhoods in Southern California, 1970–2000." In A. Berube, B. Katz, and R. Lang, *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005)

<sup>52</sup> Robert Puentes and David Warren, "One Fifth of the Nation: A Profile of Change in America's First Suburbs" (Washington: Brookings Institution, 2006).

Swanstrom and colleagues further show that in many metropolitan areas, a set of ‘poor suburbs’ have emerged where median incomes are below 75 percent of the metropolitan median.<sup>53</sup>

## Lower-income families benefit from suburban locations

- 2.30 On one hand, Americans should be concerned about the spread of economic stress beyond inner cities to suburban jurisdictions sometimes less well-equipped to help individuals and families in need. On the other hand, they should also welcome the news that suburbs are no longer the sole province of white, higher-income households. With improved access to the suburbs, many traditionally disadvantaged households have improved their proximity to an increasingly suburbanised employment market. Raphael and Stoll find, for instance, that the physical separation between African Americans and jobs, while still higher than for other races, declined in the 1990s thanks to that group’s increased residential mobility.<sup>54</sup> Moreover, the de-concentration of poor households away from inner-city neighbourhoods has arguably given these families access to safer local environments and better public services, a main thrust of housing and poverty policy in America over the past two decades.<sup>55</sup>
- 2.31 Important questions remain as to whether the blurring of traditional demographic/economic lines between cities and suburbs augurs more metropolitan-wide efforts to address shared challenges, such as aging infrastructure, fragmented governance, and declining economic mobility for lower-income workers.<sup>56</sup> In any case, it is evident that in the nation that invented suburbia as we know it, those suburbs are undergoing constant reinvention through demographic change.

## Population and economic dynamics are widening gaps across cities and metro areas

- 2.32 As cities and suburbs converged in some important respects in the 1990s, however, cities and regions themselves diverged on major indicators of economic and social health. A widening gap among US cities and metropolitan areas in the 1990s and beyond appeared along a range of outcomes: population growth, migration, human capital, income, and wealth. This section documents that the resurgence and continued growth of some cities and regions occurred alongside social and economic decline in other areas.

## Population

- 2.33 Though the 1990s saw population increase in most cities, not every city grew by the same degree, or even grew at all. Patterns of population change were not random, and research by Glaeser and Shapiro reveals that several underlying characteristics of cities helped explain their divergent growth across the decade.

<sup>53</sup> Todd Swanstrom and others, “Pulling Apart: Economic Segregation among Suburbs and Central Cities in Major Metropolitan Areas” (Washington: Brookings Institution, 2004).

<sup>54</sup> Steven Raphael and Michael Stoll, “Modest Progress: The Narrowing Spatial Mismatch Between Blacks and Jobs in the 1990s” (Washington: Brookings Institution, 2002).

<sup>55</sup> Bruce Katz, “Neighbourhoods of Choice and Connection: The Evolution of American Neighbourhood Policy and What It Means for the United Kingdom” (Washington: Brookings Institution, 2004).

<sup>56</sup> See, eg, Manuel Pastor and others, *Regions That Work: How Cities and Suburbs Can Grow Together* (University of Minnesota Press, 2000).

2.34 Glaeser and Shapiro note that the region of the country (ie, Northeast, Midwest, South, West) in which cities were located explained roughly one-fourth of their variation in growth over the decade. The rise of Sunbelt cities, they argue, resulted from technological advances like air conditioning that have made living in America's warmer climates more appealing. Warm, dry cities grew, while cold, wet cities shrank.<sup>57</sup> In addition, Glaeser and Shapiro point to three factors that helped explain the remainder of the wide disparity in city population trajectories:

- High human-capital cities – those with larger shares of college-educated residents, higher median incomes, and lower poverty rates – tended to grow faster. They note that the relationship between education and city growth has held in every census dating back to the late 19th century. Even cold and/or wet places like Boston and Seattle grew in the 1990s, thanks in part to their high stocks of human capital.
- Industrial mix mattered; cities with high percentages of workers employed in manufacturing tended to grow much more slowly. Conversely, cities specialising in trade and services grew rapidly on average. While this factor mattered somewhat less in the 1990s than previous decades, a heavy manufacturing legacy clearly contributed to the continued population decline in Rust Belt cities such as Buffalo, Cleveland, and Detroit.
- Newer cities grew faster than older cities. In particular, Glaeser and Shapiro find that population increased more in cities where people tend to drive to work, and in cities with more recently constructed housing. These effects hold even after controlling for region, and reflect fundamental American proclivities for new things, and for car travel.

2.35 These patterns continued through the early part of the 2000s (Figure 14). Sunbelt areas continue to dominate the list of fastest-growing places, while metropolitan areas losing the most population are mostly located in northern regions once dominated by manufacturing employment (with a couple of exceptions). In addition, rising 'natural amenity destinations' in the Western states of Utah, Colorado, and Oregon are witnessing rapid growth. Thus, the factors affecting city population in the 1990s seem to reflect longer-term drivers of growth and decline.

<sup>57</sup> Ed Glaeser and Jesse Shapiro, "City Growth: Which Places Grew, and Why" (Washington: Brookings Institution, 2001).



**Figure 14. Western areas still lead population growth**

Ten Fastest-Growing metro areas		Ten Fastest-Declining metro areas	
Metro Area	Pop Change 2000-04	Metro Area	Pop Change 2000-04
1 St. George, UT	21.7%	Danville, VA	-1.8%
2 Greeley, CO	21.2%	Santa Cruz, CA	-1.9%
3 Las Vegas, NV	20.0%	Anderson, IN	-2.1%
4 Naples, FL	18.0%	Youngstown, OH	-2.1%
5 Cape Coral, FL	16.6%	Wheeling, WV	-2.4%
6 Bend, OR	16.6%	Wichita Falls, TX	-2.4%
7 Riverside-San Bernardino, CA	16.5%	Johnstown, PA	-2.7%
8 McAllen, TX	15.6%	Decatur, IL	-3.2%
9 Gainesville, GA	15.5%	Weirton, WV	-3.3%
10 Stockton, CA	15.3%	Lawton, OK	-3.9%

Source: Brookings calculations of US Census Bureau data

## Migration

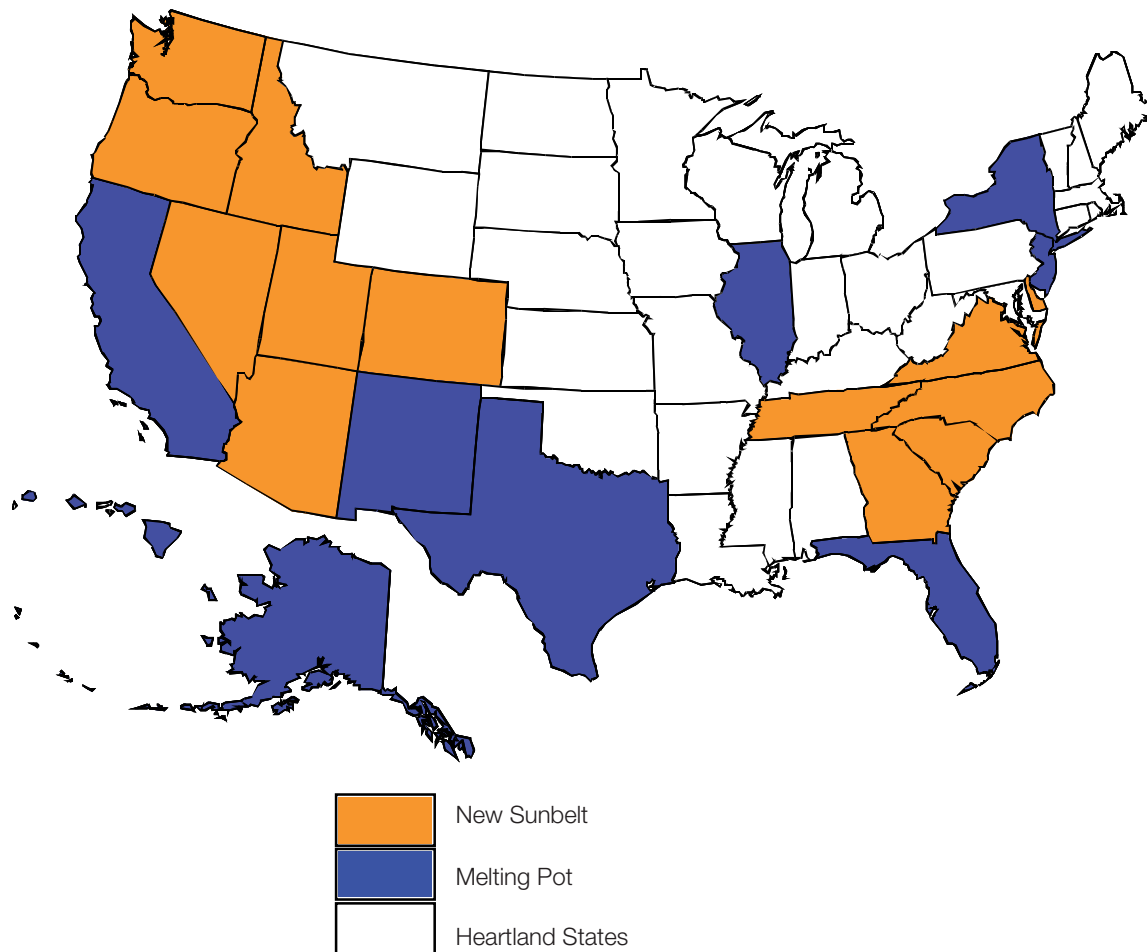
- 2.36 Population growth and decline at the local level occurs based on the combination of three basic processes: international migration (immigration), domestic migration, and natural increase (excess of births over deaths). These components of population change played out very differently in different parts of the US in the 1990s creating sharp demographic distinctions among what Frey terms the “Three Americas.”<sup>58</sup>
- 2.37 Frey terms the first group of states the “New Sunbelt” (Figure 15). These states are America’s most rapidly growing, spanning the South Atlantic, the Pacific Northwest, and the Inner Mountain West. Their growth derives from all three forces – immigration, domestic migration, and natural increase – but depend especially on domestic migration. Nevada, for instance, grew by a staggering 26 percent in the five years between 1995 and 2000. People moving from elsewhere in the US accounted for 75,000 of its 107,500 net new residents over that period. Another New Sunbelt state, Colorado experienced gains of at least 130,000 residents from each of the three components over those five years. These states, especially their suburbs and ‘exurbs’ (fast-growing, low-density communities at the urban/rural fringe) are building homes rapidly, often at more affordable prices than in other coastal states, and witnessing rapid job growth.<sup>59</sup> Seventy-nine percent of the nation’s increase in white population in the 1990s was absorbed by these thirteen states. Blacks, too, are decamping from the North for New Sunbelt suburbs in Georgia and Virginia, in a reversal of the Great Migration to northern cities that occurred for most of the late nineteenth and early twentieth centuries.<sup>60</sup>

<sup>58</sup> William H. Frey, “Three Americas: The Rising Significance of Regions.” *Journal of the American Planning Association* 68 (4) (2002): 349–255.

<sup>59</sup> William H. Frey, “Metropolitan Magnets for International and Domestic Migrants” (Washington: Brookings Institution, 2003).

<sup>60</sup> William H. Frey, “The New Great Migration: Black Americans’ Return to the South, 1965–2000.” In A. Berube, B. Katz, and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005).

Figure 15. Migration patterns have given rise to three 'demographic regions'



Source: Frey, "Three Americas."

2.38 The second group of nine states constitutes Frey's "Melting Pot", containing 74 percent of the nation's combined Hispanic and Asian populations, versus 41 percent of its total population. In contrast to the New Sunbelt states, growth in the Melting Pot states owes primarily to immigration, and births to immigrant families. Many are actually experiencing an outflow of residents to other parts of the nation. California and New York are the prototypical Melting Pot states, each growing modestly in the late 1990s thanks to continued immigration, but losing several hundred thousand people due to out-migration. Many of these migrants have headed for the New Sunbelt. In 2002 alone, the state of California lost an estimated 38,000 residents to the state of Arizona, 8,000 of them from Los Angeles County.<sup>61</sup>

2.39 The final group of slow-growing states forms Frey's "New Heartland". These states are largely white/black in their racial composition, and are not attracting many migrants from abroad or from other parts of the nation. As a result, their populations are older than those in the New Sunbelt and Melting Pots. Pennsylvania, a state of

<sup>61</sup> Brookings analysis of 2002 IRS county-to-county migration files.

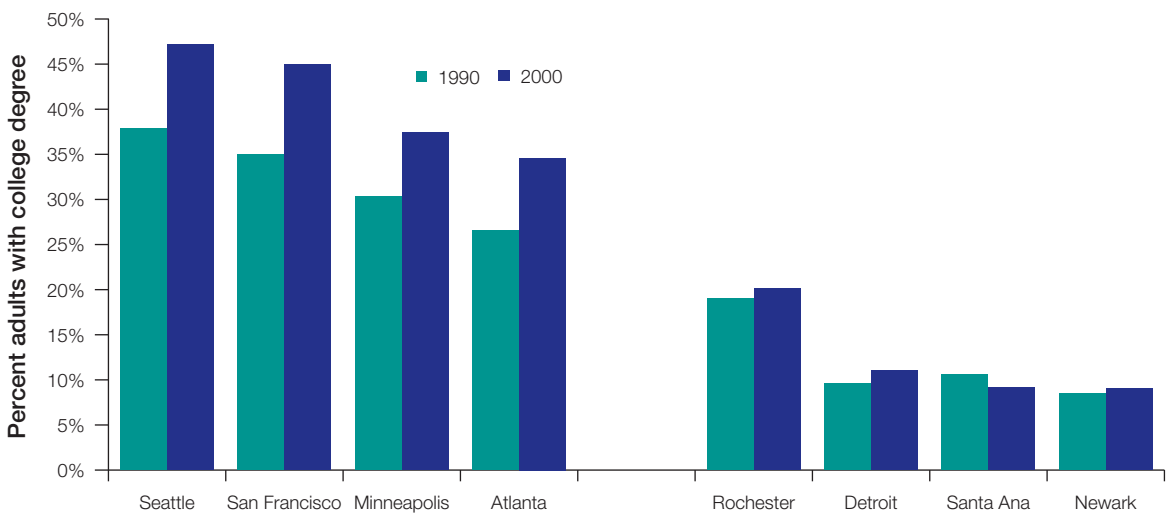
more than 12 million people, added only 50,000 residents from natural increase in the late 1990s, while it lost 130,000 out-migrants. It and other New Heartland states grew largely because they managed to attract modest numbers of immigrants. This growth pattern predominated in the North, though it was also evident in Deep South states like Alabama, Louisiana, and Mississippi.

Human Capital

2.40 Frey’s work indicates that the mobility of American households, and the selective destinations of immigrants, are contributing to widening divides on growth, race, and age among regions of the US. Buttressing those trends, other research finds that the 1990s saw an increasing separation of US labour markets on the educational attainment of their workers.

2.41 Overall, the US population is growing more educated over time. The number of college graduates in the US increased 38 percent in the 1990s, compared to 13 percent population growth overall. Weissbourd and Berry show that while these workers are not segregating themselves from the rest of the population educational attainment is rising rapidly in some metropolitan areas, and barely at all in others.<sup>62</sup> Cities with the highest rates of college degree attainment among their adult populations – places like San Francisco, Minneapolis, and Atlanta – experienced much more rapid increases in attainment over the 1990s than places at the bottom of the scale, such as St. Louis, El Paso, Miami, and Detroit (Figure 16). Moreover, a disproportionate share of the most highly-educated cities’ college graduates in 2000 were younger adults. To the extent that these cities are able to retain those workers over time, they will place increasing distance between themselves and urban areas currently struggling on this measure.

Figure 16. The highest-educated cities grew more educated in the 1990s



Source: Brookings calculations of US Census Bureau data

<sup>62</sup> Robert Weissbourd and Christopher Berry, “Grads and Fads: The Dynamics of Human Capital Location.” Draft paper, 2004.

- 2.42 Migration patterns, especially among younger workers, helped widen the gap between highly educated cities and suburbs and less dynamic labour markets. Metropolitan areas such as Charlotte, Atlanta, Denver, Dallas, Portland, and Seattle all experienced net gains of at least 10,000 single, college-educated, 25 to 39 year-olds between 1995 and 2000. The San Francisco Bay Area, at the height of the internet boom, netted nearly 50,000 of these migrants.<sup>63</sup> Meanwhile, the Rust Belt states of Pennsylvania, Ohio, Michigan, and Indiana all had net losses of at least 10,000 young, educated workers.
- 2.43 What attracted these workers to certain cities and not others? Gottlieb finds that at the city-region level, job growth – especially in the high technology sector – and a healthy supply of “cosmopolitan amenities” were associated with increases in young, educated workers in the 1990s.<sup>64</sup> Richard Florida and others have highlighted the role that labour market density plays in attracting these “young and restless” workers.<sup>65</sup> With today’s typical US worker remaining at her job for under five years, these cities may be appealing for the wide range of industry-specific employment options they offer within easy reach. Weissbourd and Berry also find that these workers tended to migrate towards larger, more diverse metropolitan areas, perhaps reflecting a higher degree of tolerance and appreciation for diversity (a theory shared by Florida). In the end, though, they point to the role of labour demand in attracting educated workers. These workers left regions with high unemployment and low wages in the 1990s, and flocked to regions with low unemployment and high wages.<sup>66</sup>

## Income and Wealth

- 2.44 These dividing lines on population, migration, and human capital had obvious consequences for the economic health of cities. Because higher-income, higher-educated households are generally more mobile, and can exercise greater choice in their metropolitan location, struggling cities lost these households over the past two decades. Meanwhile, other cities and regions have enjoyed income growth at the high end of the spectrum, though that comes with its own set of challenges.
- 2.45 Overall, one-fourth of households in the nation’s 100 largest cities in 2000 had incomes that, adjusted for cost-of-living differences, placed them in the bottom fifth of households nationally. Most had incomes that fell below or near the federal poverty line. The disproportionate location of low-income households in cities is nothing new, of course; cities had a similar household income profile at the time of the 1980 census.
- 2.46 Yet during the intervening 20 years, some cities suffered an enormous increase in the share of their population living on low incomes – typically at the expense of high-income households. Rochester, NY, a mid-twentieth century technology hub, saw the share of its households on low incomes increase from 28 percent in 1980 to 35

<sup>63</sup> Rachel S. Franklin, “Migration of the Young, Single, and College Educated: 1995 to 2000.” Census 2000 Special Report 13 (US Census Bureau, 2003).

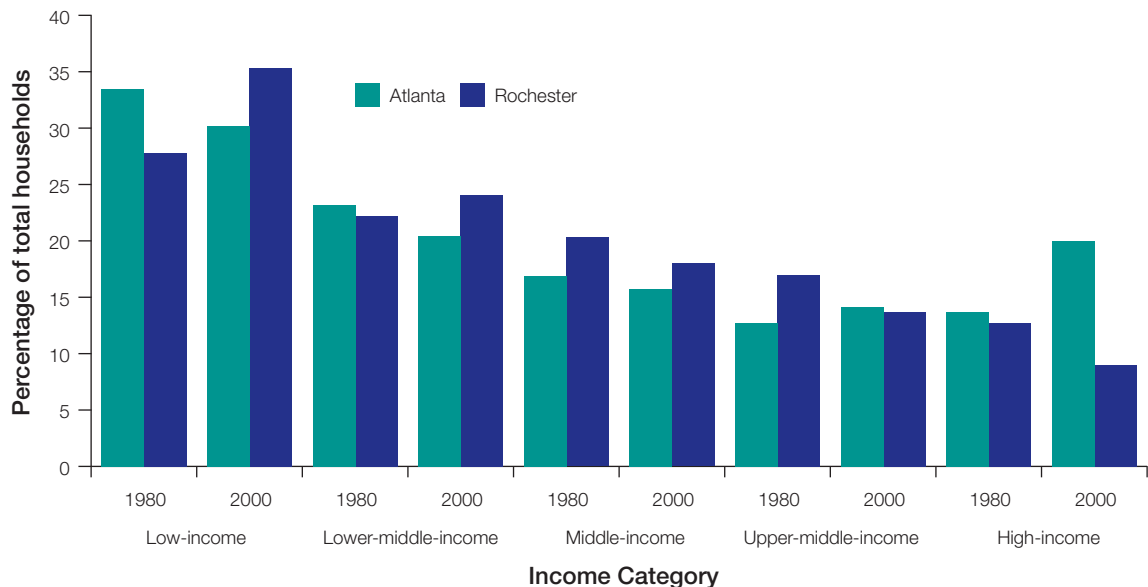
<sup>64</sup> Paul Gottlieb, “Economy Versus Lifestyle in the Inter-metropolitan Migration of the Young: A Preliminary Look at the 2000 Census.” *International Journal of Economic Development* 5 (3) (2003) (June).

<sup>65</sup> Richard Florida, *The Rise of the Creative Class* (New York: Basic Books, 2002); Joseph Cortright and Carol Coletta, “The Young and the Restless: How Portland Competes for Talent” (2004).

<sup>66</sup> The exact contribution that these young and educated workers make to metropolitan economic health remains open to debate. Some researchers contend that larger economic gains at the city-region level are associated with larger proportions of workers closer to prime earning age. Weissbourd and Berry, “Grads and Fads.”

percent in 2000. Meanwhile, high-flying cities like Atlanta, GA, experienced significant increases in their high-income household populations, consistent with their increased human capital profile.

**Figure 17. Atlanta and Rochester diverged on household income distribution**



Source: Alan Berube and Thatcher Tiffany, "Shape of the Curve: Household Income Distributions in US Cities, 1979–1999." In A. Berube, B. Katz and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005).

2.47 Reflecting on these household income distributions, Berube and Tiffany classified Rochester and 12 other cities, including St. Louis, Baltimore, Philadelphia, and Birmingham, as "stressed" cities. These cities contained twice as many households living below middle-income as above middle-income in 2000. Atlanta and six other "divided" cities including San Francisco, Washington, and Los Angeles, had significant proportions of low- and high-income households, but relatively few middle-income households. A larger number of cities ranked somewhere in between, with significant numbers of lower-middle-income households – Chicago, New York, Boston, and Houston all fit this category.<sup>67</sup>

2.48 Cities like Atlanta and San Francisco may confront special challenges in ensuring that housing and other basic necessities remain affordable to their lower-income residents. In other cities like Boston and New York, these affordability problems may be localised in certain neighbourhoods. Yet most cities still lack a representative number of middle- and higher-income households to contribute to their fiscal base and support local market vitality. This is particularly the case in the "stressed" cities of the Northeast and Midwest. Widening income gaps across cities, then, highlight the challenge for most urban areas: to attract, retain, and grow from within a larger base of middle-income workers and families.

<sup>67</sup> Berube and Tiffany, "Shape of the Curve."

- 2.49 The widening income gap among cities also extended to their surrounding suburbs. In growing metropolitan areas in the South and West such as Phoenix and Dallas, high-income ‘boomburbs’ like Scottsdale, AZ, and Plano, TX emerged. There, suburban-style development takes place within the confines of one geographically expansive municipality. By contrast, depopulating northern cities such as Philadelphia and Milwaukee saw increases in poverty in their inner-ring suburbs, and consequent declines in the capacity of often-small suburban governments to fund adequate public services. Orfield and others have noted the relationship between the fragmented governance systems that prevail in older northern metropolitan areas and the emergence of poor suburbs near their urban cores.<sup>68</sup> Moreover, Paytas finds that governing through a diffuse set of small municipalities may hold back the economic performance of entire city-regions, further expanding the income gap between the Rust Belt and Sun Belt areas of the country.<sup>69</sup>
- 2.50 Rises and declines in metropolitan home ownership rates in the 1990s amplified these growing regional income disparities. Myers and Painter focus on trends among households headed by 35 to 44 year-olds, a prime age for moving into home ownership, thus controlling for demographic differences across the nation that can influence overall rates. While this age group did much better in the 1990s than the 1980s, when their overall home ownership rate fell 5 percentage points, the story varied dramatically in different parts of the country. Myers and Painter find that among the 100 largest metropolitan areas, this age group’s home ownership rate rose in a little more than half, and declined in the rest. Nineteen of the top 20 areas for gains were located in the South and West (only the Chicago area broke ranks), where ownership rates were already substantial. Northeastern metropolitan areas, on the other hand, dominated the list of those experiencing home ownership declines over the decade (Figure 18).<sup>70</sup>

<sup>68</sup> Myron Orfield, *American Metropolitcs* (Washington: Brookings Institution, 2002).

<sup>69</sup> Jerry Paytas, “Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness” (Pittsburgh: Carnegie Mellon University Center for Economic Development, 2002).

<sup>70</sup> Dowell Myers and Gary Painter, “Homeownership and Younger Households: Progress Among African Americans and Latinos.” In A. Berube, B. Katz, and R. Lang, eds., *Redefining Urban and Suburban America: Evidence from Census 2000, Volume II* (Washington: Brookings Institution, 2005).

**Figure 18. Home ownership grew in the South and West, and dropped in the Northeast**

<b>Ten Metro Areas with Largest Homeownership Gains</b>		<b>Ten Metro Areas with Largest Homeownership Losses</b>	
<b>Metro Area</b>	<b>Homeownership Change 90-00*</b>	<b>Metro Area</b>	<b>Homeownership Change 90-00*</b>
1 Austin, TX	6.9%	Hartford, CT	-2.0%
2 Melbourne, FL	5.8%	Los Angeles, CA	-2.1%
3 Colorado Springs, CO	5.0%	Johnson City, TN	-2.3%
4 Las Vegas, NV	4.1%	San Diego, CA	-2.3%
5 Fort Myers, FL	4.0%	Honolulu, HI	-2.6%
6 McAllen, TX	3.8%	Syracuse, NY	-2.7%
7 Sarasota, FL	3.6%	Allentown, PA	-3.1%
8 Denver, CO	3.5%	Rochester, NY	-3.5%
9 Daytona Beach, FL	3.1%	Providence, RI	-4.1%
10 West Palm Beach, FL	2.9%	Albany, NY	-4.8%

Source: Myers and Painter (2005).

\* Change in percentage of households headed by 35 to 44 year-olds owning home

2.51 Thus, the story for cities and metropolitan areas remained a positive one overall, but deep divisions and further divergence in the 1990s on several indicators suggest a more complicated, uneven picture of urban health.



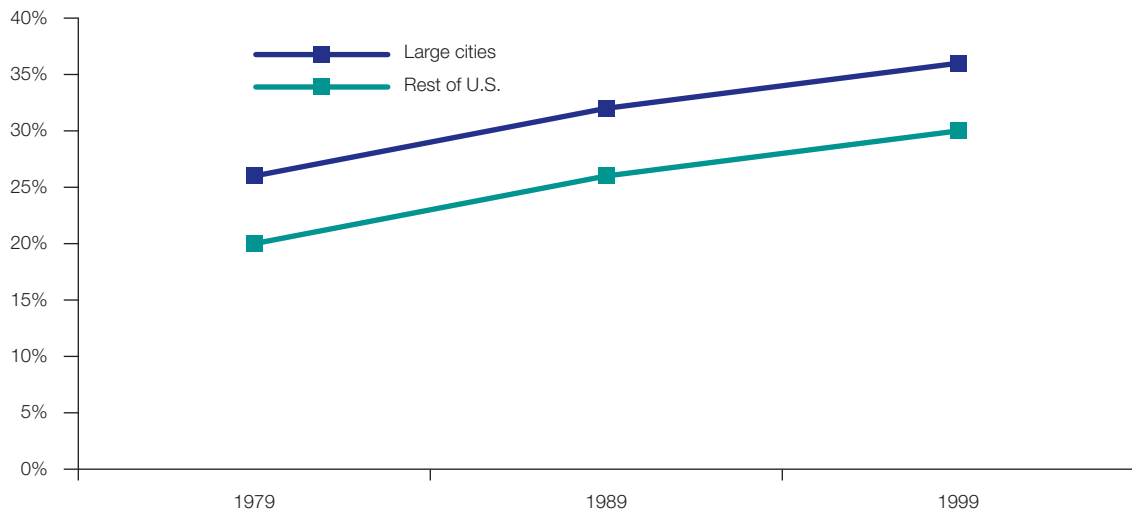
## Part 3 – Factors driving the uneven urban recovery

- 3.1 Even in a nation as suburban as the United States, cities and their broader regions remain at the forefront of the national economy and identity. The resurgence of some cities, the continued decline of others, and the widening separation among city-regions themselves owe to several underlying factors that have contributed to an uneven, yet still emerging, urban recovery.

### **Cities and their broader metropolitan areas anchor the US economy and regional identity**

- 3.2 By almost any measure, the US is a less ‘urban’ nation than its counterparts in Western Europe. Yet many basic indicators suggest that cities and the metropolitan areas that surround them are vital to the operation of the national economy, and remain significant markers of American local and regional identity:
- Roughly one-fifth of US population lives in its 100 largest cities, and two-thirds live in the urban areas surrounding large cities. Whilst the US is not as urban a nation as the UK in this respect, its inhabitants are at least as likely to live in and around big cities as their former colonial counterparts in Canada and Australia.
  - The nation’s 100 largest central cities employed 31 million workers in 2001, accounting for roughly 27 percent of all US jobs. In this sense, employment remains more concentrated in cities than population.
  - US metropolitan economies, anchored by large cities, account for the bulk of the nation’s economic output. In 2003, the 318 US metropolitan areas generated aggregate output valued at \$9.4 trillion, more than 85 percent of total US output, slightly exceeding their share of US population.
  - High-value growth industries in the US are largely located in big cities. Urban areas have led the nation’s transition to a services-dominated economy (Figure 19). Finance, business services, and engineering/management employment have all grown faster, pay higher wages, and are more concentrated in cities than employment generally.
  - Metropolitan areas, particularly the cities that lay at their core, remain an important geographic lens through which Americans identify their communities. Newspapers, sports teams, and cultural institutions reinforce residents’ connections with their broader city-regions. In an increasingly global society, American travellers at home and abroad are much likelier to identify themselves as hailing from their nearest big city than from their actual suburban hometown.

**Figure 19. Urban areas have led the nation's transition to a service-based economy**



Source: Alan Berube and Alice Rivlin, "The Potential Impacts of Recession and Terrorism on US Cities" (Washington: Brookings Institution, 2002).

- 3.3 Of course, these enumerated strengths are found in varying degrees in individual US cities today. They are more characteristic of America's global and national cities – New York, Los Angeles, Chicago, Atlanta, Washington, D.C. – than its regional cities, especially those dealing with a legacy of heavy industrial employment – places like Cleveland, St. Louis, and Baltimore.
- 3.4 Yet across the board, cities remain crucial to the success of their metropolitan areas. Indeed, in a country as large as the US, the metropolitan context is far more relevant than the national one for defining and measuring the performance of cities; and population and economic growth in suburbs remain highly correlated with trends in their respective central cities.

### **Several demographic, cultural, and economic forces are working in cities' favour**

- 3.5 Several of the broad trends outlined in the first section will continue to make the US population more diverse than in generations past, which may bode well for cities and urban places. Related to these population trends, perceptions of cities, and tastes for city living, have undergone important shifts over the past 20 years. Moreover, the changing shape of the US economy has heightened the demand for density and the amenities that cities offer.

## Demographic trends favour cities

- 3.6 Twin national trends – declining household size, and increasing racial and ethnic diversity – have the potential to benefit cities and urban places.
- 3.7 Cities start at somewhat of a disadvantage, in that no major household type lives in cities at a greater rate than in suburbs. Smaller households, however, including those headed by single persons, show a greater propensity for city locations than other household types.<sup>71</sup> Between single-family homes (both attached and detached), condominiums, and private rental apartments, housing stock in US cities offers a more diverse range of options than that in suburbs. Cities may thus be better suited over the long term for attracting two of the nation's fastest-growing household types: younger singles and couples who are increasingly delaying marriage and childbirth, and older childless couples seeking cultural amenities and shorter commutes.
- 3.8 Indeed, real estate surveys confirm a palpable shift in consumer demand toward city living among several demographic segments of the US population. Myers and Gearin, for instance, find that households aged 45 and older show particular interest in denser, more walkable environments in central locations. Due to the aging of the Baby Boomers, these home buyers will account for 31 percent of homeowner growth during the period 2000-2010, double that segment's market share in the previous decade.<sup>72</sup>
- 3.9 Racial and ethnic minorities, too, live in cities at greater rates than the population at large. Assuming no dramatic changes in their locational choices, the growth of the nation's minority populations in coming decades will benefit central cities. Though more immigrants are locating in suburbs today than in previous generations, the bulk of America's rising immigrant tide still selects central-city locations for their longstanding tolerance and acceptance of foreign-born populations, and for the access they provide to dense social networks of similar individuals. The size, diversity, and affordability of cities' rental housing stock also appeals to moderate-income minority families, many of whom are still moving up the property ladder.

## Perceptions of cities have shifted

- 3.10 While the phenomenon is difficult to quantify, cities have reasserted themselves in the national consciousness in recent years, reflecting – and arguably fuelling – improvements in their popular perception.
- 3.11 American television provides a useful window on these cultural shifts. In the 1980s, family-oriented, often suburban-set situation comedies ruled the US airwaves: *Family Ties*, *The Cosby Show*, and *Growing Pains* were notable examples. In the 1990s and this decade, however, the most popular comedy programs have depicted 'singles in the city': *Seinfeld*, *Friends*, *Frasier* and dozens of copycat programs all chronicled the lifestyles of unmarried urban dwellers. MTV spawned the 'reality TV' movement in

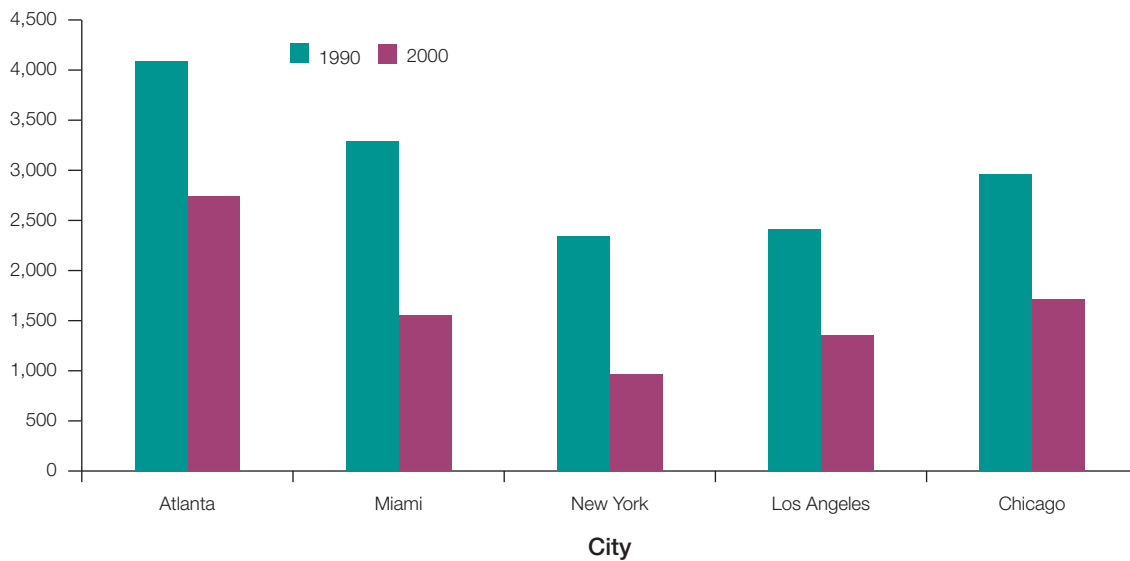
<sup>71</sup> Martha Riche, "The Implications of Changing US Demographics for Housing Choice and Location in US Cities" (Washington: Brookings Institution, 2001); William Frey and Alan Berube, "City Families, Suburban Singles: An Emerging Household Story." In B. Katz and R. Lang, eds. *Redefining Urban and Suburban America: Evidence from Census 2000, Volume I* (Washington: Brookings Institution, 2003).

<sup>72</sup> Dowell Myers and Elizabeth Gearin, "Current Preferences and Future Demand for Denser Residential Environments." *Housing Policy Debate* 12 (4) (2001): 633–659.

1992 with the debut of *The Real World*, which saw a changing cast of seven twenty-somethings live together in a new city each year (typically in a fantastic loft space). Even with the continued aging of the US population, it is hard to imagine a return to the mid-1980s, when *The Golden Girls* – which followed four older women living together in a suburban-style Miami home – topped the network ratings.<sup>73</sup>

- 3.12 Young people were at the vanguard of this 1990s urban resurgence in film as well. As ‘Generation X’ took over the mantle of the nation’s 25-to-34 year-old demographic from the Baby Boomers, some of its members openly rejected the suburban lifestyle embraced by their parents. Gen-X films like *Singles* (Seattle), *Reality Bites* (Houston), *Swingers* (Los Angeles), and *High Fidelity* (Chicago – replacing London in the Nick Hornby novel), while of varying artistic quality, reaffirmed the primacy of cities as coming-of-age locales in the 1990s. They also represented a sharp departure from the John Hughes suburban oeuvre of the mid-1980s (*Sixteen Candles*; *The Breakfast Club*; *Ferris Bueller’s Day Off*) and late 1970s/early 1980s dystopian visions of a crime-ridden urban America (*Escape from New York*; *Fort Apache, the Bronx*; *Taxi Driver*; *Blade Runner*).
- 3.13 Not coincidentally, the changing depiction of cities in popular culture owed in no small part to dramatic decreases in violent crime occurring in almost all big American cities in the last decade. In cities like Atlanta, Los Angeles, Chicago, and Miami, violent crime rates fell precipitously during the 1990s from their staggering heights at the beginning of the decade, near the peak of the crack cocaine epidemic (Figure 20). The rate dropped by more than half in New York, where Mayor Rudolph Giuliani famously led the transformation of seedy Times Square into a family entertainment destination, and development advanced into once-troubled neighbourhoods throughout the city’s five boroughs. Arguments abound as to whether increased enforcement, improved economic conditions, demographic trends, or other factors explained these striking declines, but the image of cities at the end of the decade clearly bettered that ten years prior.

<sup>73</sup> A 1993 ITV remake of *The Golden Girls* – imaginatively titled *The Brighton Belles* – failed miserably after only six episodes.

**Figure 20. Violent crime fell dramatically in major cities in the 1990s**

Source: Brookings analysis of FBI Uniform Crime Reports

## Economic trends support urbanity

- 3.14 As with changing demographics and perceptions, the restructuring of the American economy gives cities and urban places a renewed economic function and purpose, alongside a set of new challenges.
- 3.15 Globalization has accelerated the economy's shift from the manufacture of goods to the conception, design, marketing and delivery of goods, services and ideas. This transition has made knowledge and innovation the primary drivers of high wage growth, placing a premium on acquiring higher and higher levels of education and skills – for families, communities, states and ultimately the nation. It also alters competition between communities, so that more and more cities are now fighting to attract talented workers rather than individual firms or facilities.
- 3.16 In essence, an economy based on ideas and innovation changes the value and function of density. The large number of employers found within urban areas allows their workers to change jobs more easily, giving them both greater flexibility and stability than employees in non-urban locales. Firms in large metropolitan areas value their workers more highly, as evidenced by Glaeser and Maré's finding that workers in the 30 largest metropolitan areas earn 33 percent more than their non-urban counterparts. These higher wages reflect more than higher costs of living in cities; in fact, worker productivity is higher in cities. These researchers further show that the urban wage premium owes to more than ability differences between urban and non-urban workers – living in a big city actually leads to faster wage growth over time.<sup>74</sup> Ciccone and Hall echo these findings, demonstrating that a doubling of employment density is associated with average productivity gains of around six percent.<sup>75</sup>

<sup>74</sup> Edward Glaeser and David C. Maré, "Cities and Skills." *Journal of Labor Economics* 19 (2) (2001): 316–342.

<sup>75</sup> A. Ciccone and R. E. Hall, "Productivity and the Density of Economic Activity." *American Economic Review* 86 (1) (1996): 54–70.

- 3.17 Greater innovation among city firms and workers helps drive this urban productivity edge. Urban environments provide a ‘quality of place’ that attracts highly skilled workers, and enable interactions and knowledge sharing among workers and firms within and across industries. As Gerry Carlino has shown, the concentration effect is significant: for every doubling of employment density, the number of patents per capita increase, on average, by 20 to 30 percent.<sup>76</sup> Cities also contain more diverse mixtures of firms and workers. Jane Jacobs suggested that this urban diversity contributes to intellectual breakthroughs by combining ideas from different industries.<sup>77</sup> Work from Glaeser and others finds that diversity contributes to knowledge spillovers across industries, and increased employment growth in cities.<sup>78</sup>
- 3.18 The decline in production industries, and the increasing wealth of American households, has also helped to remake many cities as consumption centres. As Glaeser has written, cities possess many distinctive amenities that are valued by wealthier households:
- “The Internet ... means that manufactured goods are national goods. However, restaurants, theatres and an attractive mix of social partners are hard to transport and are therefore local goods. Cities with more restaurants and live performance theatres per capita have grown more quickly over the past 20 years both in the US and France.”<sup>79</sup>
- 3.19 One sign of the “consumer city” is the path of real estate prices in older, dense urban areas. The real estate booms in cities such as New York, Boston, and Chicago confirm that demand for many of these cities remains strong.
- 3.20 Finally, the long-term fiscal challenges facing the nation, and its cities and states, born of an aging population and strong sentiment against higher taxation, favours greater efficiency in land use. Evidence shows that the urban form is not only competitively wise, but fiscally sound. For decades, research has shown that compact development is more cost efficient, both because it lowers the cost of delivering essential government services (eg police, fire, emergency medical, school transportation) and because it removes the demand for costly new infrastructure. The cost differential is substantial; the most cited study in the field finds that building high density developments reduces infrastructure costs by 47 percent.<sup>80</sup> More recent research from the state of Kentucky confirms that the costs of service delivery are significantly lower in counties with more geographically concentrated development.<sup>81</sup>
- 3.21 Economic restructuring, increasing consumption, and long-run fiscal pressures do not, however, guarantee city renewal and urban prosperity. The density required for agglomeration economies can be found in dispersed economies like Silicon Valley

<sup>76</sup> Gerald Carlino, “Knowledge Spillovers: Cities’ Role in the New Economy.” *Business Review* Q4 (2001): 17–24.

<sup>77</sup> Jane Jacobs, *The Economy of Cities*. New York: Vintage Books.

<sup>78</sup> Edward Glaeser and others, “Growth in Cities.” *Journal of Political Economy* 100 (6) (1992): 1126–1152.

<sup>79</sup> Edward Glaeser, Jed Kolko, and Albert Saiz, “Consumer City.” NBER Working Paper 7790 (2000).

<sup>80</sup> Real Estate Research Corporation, *The Costs of Sprawl: Environmental and Economic Costs of Alternative Residential Development Patterns at the Urban Fringe* (1974). As discussed in Robert Burchell and others, “The Costs of Sprawl – Revisited” (Washington: National Academy Press, 1998).

<sup>81</sup> Christopher Bollinger, Mark Berger, and Eric Thompson, “Smart Growth and the Costs of Sprawl in Kentucky: Phase I and II” (University of Kentucky Center for Business and Economic Research, 2001).



and North Carolina's Research Triangle Park as well as traditional business districts like central Manhattan and downtown Chicago. The premium placed on education also puts some cities at an initial disadvantage, since their educational attainment levels tend to be lower than that of suburban communities. For every Seattle, Denver, or Washington, D.C. that boasts high concentrations of college-educated workers, a Miami, Cleveland, or Newark lags far behind. Cities' very different endowments of human capital, household wealth, and industrial mix drove the unevenness in city performance over the past decade, described in the next section.

## **Cities must confront several barriers to further success**

- 3.22 The preceding sections conclude that the prospects for American cities have strengthened in recent years. Profound demographic and market shifts favour urban areas; popular perceptions of cities have improved; and cities possess a range of assets and amenities that give them a competitive niche in this emerging economy. Before cities ready themselves for further 'renaissance', however, they must acknowledge that substantial barriers impede their continued growth and development. If left unaddressed, these barriers will limit the ability of some cities to realize their true potential, and will accelerate the continued decline of other cities. Every city, irrespective of geographic location, economic condition, government effectiveness, and the number of advancing reforms, exhibits at least some physical, economic, and governmental obstacles to regeneration that demand the attention of policymakers.

### **Physical barriers to regeneration**

- 3.23 Many American cities exhibit a physical form designed for the needs and dictates of an earlier economy. Urban development in the early to mid twentieth century was shaped by a series of profound interventions that continue to underwrite the physical landscape of cities today. While considered appropriate for an earlier economy, recent shifts in America's economic and fiscal structure are changing what is considered to be the 'best and highest use' of a city's physical environment.
- 3.24 On housing, the federal government did its best during mid-century to replicate the European model of 'towers in the park' in order to maximize the use of land and make room for economic interests. In the United States however, the concept was applied almost exclusively to people living in poverty. In cities throughout the country, blocks and even entire neighbourhoods were razed under Urban Renewal to make way for replicable barracks-style townhouses or vertical high rises of publicly subsidized housing. The basic infrastructure of blocks and sidewalks was removed or re-configured, interrupting the natural social and physical connectivity between neighbourhoods and isolating their residents. Open spaces and parks, intended to serve as outdoor common areas, fell victim to crime and vandalism and were subsequently removed from the cognitive map of most urban residents. Aesthetically unimaginative design, shoddy construction, and a lack of on-going maintenance only further isolated these areas.
- 3.25 At about the same time as Urban Renewal, America's Interstate highway system began to re-draw the urban landscape in another way. Across the country, over 5,000 miles of urban roads and elevated highways were constructed, followed by the new feeder routes and urban collectors necessary to complete the system.<sup>82</sup> The goals of

<sup>82</sup> Jane Holtz Kay, *Asphalt Nation* (London: University of California Press, Ltd, 1997).



the Interstate system were clear: to strengthen national defence, improve access from rural places and between metropolitan areas, and create jobs and economic opportunities. While these massive physical investments quickened the movement of people, goods and services, they sliced apart the physical building blocks of cities – waterfronts, downtowns, neighbourhoods, and parks. Cities tore up their streetcar lines to re-configure themselves for the automobile age, undermining the ‘walkability’ of many neighbourhoods. This awesome display of civil engineering in the name of American progress effectively re-configured urban functionality in just about every city in the country. For today’s economy, however, it has interrupted the connectivity necessary to cultivate innovation and competitiveness.

- 3.26 Cities’ basic infrastructure, meanwhile, was constructed before suburbia became a reality. Aging and the bias of federal and state resources toward suburban development over the last 50 years have eroded cities’ basic capital assets – roads, bridges, waterlines, sewer systems, schools and public transit. As residents and workers sought the modernized versions found in suburbia, vacant lands and abandoned properties became the visual remnants of a more prosperous time. Instead of focusing on how to recapture these urban assets, cities responded by replicating suburban-style amenities. National chains and ‘big box’ stores, surrounded by seas of car parks, were inserted into the urban landscape, incrementally eroding the unique identity of cities. Collectively, these actions and reactions over time have left cities with fragmented and uneven patterns of development served by deficient infrastructure.

### Economic barriers to regeneration

- 3.27 Even as the nation’s continued economic restructuring has placed many cities on a more competitive footing, some market trends and economic development strategies in recent decades have worked against cities.
- 3.28 Standardisation in American capital markets has generated enormous efficiencies and lowered the price of development. Yet with most of the development action in recent decades occurring in suburbs, these markets have acquired a built-in bias against sustainable urban development. Leinberger argues that this type of development, more urban in its nature, lacks the long track record of suburban development, which translates into a higher cost of capital and difficulty obtaining conventional financing. Moreover, pedestrian-oriented ‘progressive’ development generates financial returns along a different time horizon than suburban development. As Leinberger notes, “Investors are not willing to commit to a specific site for the long-term since sprawl may take demand further out in less than a decade anyway. And so, in essence, they build disposable developments.” When development has occurred in and around downtowns, the market has often pushed it towards standardised suburban-style product, which lacks the character essential for promoting defensible urban space.<sup>83</sup>
29. Other development occurring in American cities in recent decades has suffered from a myopic approach. Many cities, of course, have limited long-term vision and tend to focus on day-to-day service delivery needs. Those cities that do adopt a longer view, however, often fail to ground their vision in rigorous data and trend analysis, and

<sup>83</sup> Chris Leinberger, “Financing Progressive Development” (Washington: Brookings Institution, 2001); “Turning Around Downtown: Twelve Steps to Revitalization” (Washington: Brookings, 2005)

their bold moves are ultimately the wrong ones. Time and again, cities place expensive bets on big projects (such as a new stadium or convention centre) or in places that ultimately garner little return. Sanders documents that public capital spending by cities and states on convention centres has doubled to \$2.4bn annually, even as the convention business has essentially flat-lined over the past decade.<sup>84</sup> Cortright and Mayer show that the overwhelming majority of the nation's biotechnology industry concentrates in just nine metropolitan areas, but hardly a city-region in the US today does not devote significant time and resources to cultivating its biotech future.<sup>85</sup>

- 3.30 In major American cities, development strategies have not been designed by government alone. Historically, business leaders – through local chambers of commerce and similar organisations – played a major role in these decisions. In recent years, however, changes in corporate organization and governance resulting from globalisation and consolidation have led to declining engagement of corporate leaders in civic affairs. In 1962, the Pittsburgh region was home to 25 of the nation's 500 largest firms, including industry leaders in manufacturing (US Steel, Westinghouse, and ALCOA), food (H. J. Heinz), and banking (Mellon). While some of these firms remain, by 2003 only seven Pittsburgh-headquartered firms placed in the top 500 nationally.<sup>86</sup> More than devastating the region's employment base, these economic trends robbed Pittsburgh and similar cities of a civic leadership class long dedicated to urban well-being.
- 3.31 At the same time that some economic forces reassert the advantages of agglomeration and density, others forces encourage further decentralisation and deconcentration of certain business activities. With technology, firms can scatter their various divisions around the country, and even the world. Firms are increasingly disaggregating their location decisions by function, placing their "command-and-control" functions (eg headquarters, marketing) in one place, research and development in another, consumer servicing in another, and distribution centres in still another. Apgar positions corporate deconcentration as a "strategic imperative," noting that technology, coupled with organisational flexibility, allows companies "to redistribute work to numerous single- and multi-purpose sites, within cities, across regions and globally, without compromising the collaboration and efficiency of co-location in a specific facility". More and more firms, he notes, are "trading down" from high-cost cities to second- and third-tier cities to reduce their fixed costs.<sup>87</sup>
- 3.32 Deconcentration is evident throughout the American metropolitan landscape, no more so than in the "Edgeless Cities" that account for the bulk of office space found outside city centres. Robert Lang shows that in the greater Miami area, only

<sup>84</sup> Heywood Sanders, "Space Available: The Realities of Convention Centers as Economic Development Strategy" (Washington: Brookings Institution, 2005).

<sup>85</sup> Joseph Cortright and Heike Mayer, "Signs of Life: The Growth of Biotechnology Centers in the US" (Washington: Brookings Institution, 2002).

<sup>86</sup> Royce Hanson and Hal Wolman, "Corporate Citizenship and Urban Problem Solving: The Changing Civic Role of Business Leaders in America's Cities" (Washington: Brookings Institution, 2006).

<sup>87</sup> Mahlon Apgar, "Deconcentration: A Strategic Imperative in Corporate Real Estate." *Journal of Real Estate Portfolio Management* 8 (4) (2002): 50–60.

13 percent of office space is located in the major downtown. By contrast, two-thirds can be found in edgeless locations – small-scale, scattered office development that never reaches even a moderate critical mass reminiscent of urban density.<sup>88</sup> The proliferation of this low-rise ‘exit ramp’ economy poses serious challenges for city-regions on issues such as traffic congestion, and paying the higher infrastructure costs associated with such dispersed development.

- 3.33 Finally, the economic landscape of inner-city neighbourhoods can represent a drag on family and community prosperity. In these places, market forces and public policies combine to raise the prices that low-income consumers pay for a whole range of basic necessities: housing, food, insurance, utilities, and transportation. In Philadelphia, for instance, residents of the city’s many working-class neighbourhoods pay over \$400 more annually to insure an automobile (a necessity for accessing most jobs in the region) than higher-income suburban residents pay to insure the same car.<sup>89</sup> Weak enforcement of regulations, limited information available to consumers, and monopoly provision of certain public services all contribute to a market environment that keeps middle-class families out of the city, and impedes the city’s aspiring middle-class families from building savings and assets.

### Governmental barriers to regeneration

- 3.34 Governments play a crucial role in the development of cities, but cities have also grown and developed in response to policy and political failure. In some cases, the problem lies with the policymaking process at the local government level. In other instances, federal and state governments tilt the playing field in favour of new development, thereby undermining the health of cities and older suburbs.
- 3.35 Some of the policy barriers to city revitalisation have existed for nearly a century now. Zoning powers and building codes, adopted in the early twentieth century to preserve and protect nineteenth century assets, have long governed the form and function of uses and the standards for construction in cities. Although the metropolitan landscape and the rules of the development game have changed radically in the intervening decades, cities remain largely constrained by these rigid rules. By segregating residential, commercial and retail, and industrial uses within cities, Euclidian zoning continues to inhibit the integration of activities that consumers and businesses demand in the new economy. While well intended, most building codes in US cities were written with a bias for new construction, and have often frustrated their efforts to rehabilitate historic older buildings essential to the ‘quality of place’ in their downtowns and older neighbourhoods.
- 3.36 What is more, market-driven actions to infill, redevelop, or rehabilitate land assets can be slowed, if not stopped, by local government inefficiencies. Quite often, the administrative functions associated with land development fall under the auspices of multiple agencies, boards, and commissions, such as those overseeing planning, zoning, economic development, community development, historic preservation, or

<sup>88</sup> Robert Lang, *Edgeless Cities: Exploring the Elusive Metropolis* (Washington: Brookings Institution, 2003).

<sup>89</sup> Matthew Fellowes and Bruce Katz, “The Price is Wrong: Getting the Market Right for Working Families in Philadelphia” (Washington: Brookings Institution, 200).

public works. Fragmented and duplicative government functions have created an unpredictable, lengthy and cumbersome development environment in many cities. Moreover, some city governments lack the systems needed to maintain and redevelop their land assets. Many cities still learn about vacant and abandoned land from “calls from neighbours” and other “informal feedback.” Pagano and Bowman find that tax delinquency information, a strong indicator of abandonment, was used by only 24 percent of cities surveyed to identify these properties.<sup>90</sup>

- 3.37 Where city governments have the will and wherewithal to take decisive action, they can also face frustrations with a political process often designed to maintain the status quo. For more than 30 years, most local governments have been required by law to involve citizens in public policy and physical planning decision-making processes. Many were understandably adopted in the wake of Urban Renewal, which forced many long-time city residents from their homes and neighbourhoods in the name of progress. Still, cities find it difficult to design public processes that foster collaborative decision-making without eroding projects’ underlying intent. They have attempted to strike this balance, but many ultimately had city projects stalled, killed or watered down by citizens in the name of neighbourhood protection and preservation. Some projects across the country were rightfully dismantled, but the future success of many cities hinges on their ability to undertake bold, transformative efforts too often impeded by current processes.

### Continued suburban bias by state and federal governments

- 3.38 The relationship of cities to the federal government and state governments is a complicated one in the United States. These higher levels of government have a substantial influence on the health and vitality of city economies, the shape of metropolitan growth and development and the prospects and opportunities of working families. The choices they make on economic policy, regulatory and administrative decisions, tax and spending programs all send strong signals to consumers and the market about what and where to build.
- 3.39 There is substantial evidence that federal and state policies, on balance, principally encourage the decentralization of people and jobs, the concentration of urban poverty, wealth creation in newer communities, and subsistence in the metropolitan core.
- 3.40 Federal and state transportation policies, for example, support the expansion of road capacity at the fringe of metropolitan areas and beyond, enabling people and businesses to live miles from urban centres but still benefit from metropolitan life. On housing, the deductibility of federal and state incomes taxes for home mortgage interest and property taxes favours suburban communities, particularly those with higher-income residents and more expensive homes. Federal and state environmental policies make the redevelopment of polluted brownfield sites prohibitively expensive and cumbersome, increasing the attractiveness of suburban land. State building codes often make it cheaper to build new rather than renovate older properties. State tax policies leave many cities stranded with tax-exempt properties, saddled with the costs of maintaining older infrastructure and responsible for supporting a large portion of school expenses through their property taxes.

<sup>90</sup> Michael Pagano and Ann O’M. Bowman, “Vacant Land in Cities: An Urban Resource” (Washington: Brookings Institution, 2000).

- 3.41 Other federal and state policies have concentrated poverty rather than enhancing access to opportunity. Until recently, federal public housing catered almost exclusively to the very poor by housing them in special units concentrated in isolated neighbourhoods. Even newer federal efforts, for example, the low-income housing tax credit program, the nation's largest affordable housing production program, are generally targeted to areas of distress and poverty, not to areas of growing employment. Fifty-eight (58) percent of these credits during the 1990s went to central cities, though these places have 30 percent or so of the population.<sup>91</sup>
- 3.42 In almost all states throughout the country, the intersection of these disparate powers and policies has created 'rules of the development game' – rules that favour the creation of new communities over the redevelopment of older ones; rules that promote and even subsidise greenfield development rather than brownfield remediation; and rules that often consign low-wage workers and minorities to the 'wrong side' of the region.

<sup>91</sup> Lance Freeman, "Siting Affordable Housing: Location and Neighborhood Trends of Low Income Housing Tax Credit Developments in the 1990s" (Washington: Brookings Institution, 2004).

## Part 4 – The new competitive agenda for US cities

- 4.1 The trends discussed above obviously don't exist in a vacuum. City growth dynamics are profoundly affected by federal, state and local policies and demographic and market trends, in turn, have substantial impacts on the nature and scope of policy.
- 4.2 The past fifteen years have been characterized by a wave of local policy innovation in the United States. This innovation is a product of strong local governments and entrepreneurial leaders and has helped fuel the partial resurgence of American cities. It has also enabled cities to respond more effectively to the new competitive pressures that they and their cities face.
- 4.3 This section will cover two related topics. First, it will provide a brief overview of the powerful roles played by local governments and their political, corporate and civic leaders in the United States. Then, it will describe how urban leaders are using these powers to fashion a new competitive agenda at the local level and how this agenda connects to broader changes at the federal and state levels of government.

### US cities are powerful entities

- 4.4 The backdrop for an American urban policy discussion is the federal nature of the US government system. The American union of states means that enormous power resides at the state level and the states in turn devolve powers and responsibilities to cities, counties and other municipalities. Some of these powers are formal, many are informal. Though the powers vary considerably across cities, they generally break down as follows:
- 4.5 First, local governments deliver a range of local basic services: police and fire protection, trash collection, parks and recreation, libraries, support services for youth and elderly, and in a growing number of big cities, schools. In the US, cities help finance these services with locally raised revenues that they control. On average, some 60 percent of local revenues are raised through a wide variety of local tax and charging schemes: property taxes, income taxes, business taxes, sales taxes, tourist taxes, and user fees of all kinds.<sup>92</sup>
- 4.6 Second, local governments oversee the delivery of large numbers of programs financed in major part by the federal or state governments: affordable housing, workforce development and job training, homeland security, community and economic development. Sometimes these programs are administered through executive agencies overseen by elected officials; other times they are administered by separate authorities or non-profit intermediaries.
- 4.7 Finally, local governments have substantial economic development powers. They have the power over local land use, zoning and planning. The use of these powers helps set the framework not just for the physical landscape of the city but industry structure and residential patterns in the city. How a city plans physically has a major impact on how it grows economically.

<sup>92</sup> Robert Tannenwald, "Are State and Local Revenue Systems Becoming Obsolete?" (Washington: Brookings Institution, 2004).



- 4.8 Given these fiscal tools, local governments also commonly use innovative financing techniques – tax increment financing, bonding of dedicated revenue streams – to support specific economic development schemes. These financing schemes help catalyse market activity and leverage private sector resources.
- 4.9 The powers described above are often carried out by a rich network of government, corporate, civic, and community leaders and institutions. Local elected officials (particularly directly elected mayors) play critical agenda-setting and co-ordinating roles. They help set, with corporate and civic communities, the broader competitive vision for the city and the policy agenda necessary for achieving the vision. They have the principal responsibility for advocating for necessary federal and state support of this vision – spending, tax, regulatory and administrative.
- 4.10 The significance of directly elected mayors has expanded over the past several decades for a number of reasons:
- Business leadership in cities, while still critical, has diminished due to global pressures, mergers and acquisitions, the decentralisation of the economy. Thirty years ago, most cities had a small clique of business leaders – major employers, all white – who set and drove the agenda. All that has changed.
  - Changing demographics have also enhanced the role of the mayor. The combination of ‘white flight’ and immigration means that most cities are now ‘majority minority’. Mayors increasingly act as brokers among diverse racial and ethnic groups.
  - Because of broader specialisation in the US, cities have seen a proliferation of interest groups and not-for-profit organisations at the city and regional levels. Again, the mayor is the only city figure who has the ability to stand above the fray.
  - The complexity of modern life also calls for policymakers who can ‘connect the dots’ between issues that are clearly related but kept separate and distinct by government bureaucracies. Recent research in the United States, for example, has shown the strong connection between neighbourhoods of high poverty, schools of low or moderate performance and bad health outcomes.<sup>93</sup> Yet programmes on housing and schools and health are often delivered by separate agencies – ‘silos’ or ‘stovepipes’ in American parlance. Directly elected mayors are enormously helpful in pulling these disparate actors together and realizing the potential synergies of joined-up action and collective effort.
- 4.11 The bottom line is this: cities (and their elected leadership) have enormous powers and responsibilities in the United States and they play multiple roles that grow in significance as the nation changes.

<sup>93</sup> Katz, “Neighborhoods of Choice and Connection.”

## Cities are pursuing a new competitive agenda

- 4.12 In the past fifteen years or so, American cities have begun to use their enormous powers to pursue bold, systemic, transformative strategies to unleash their potential in the marketplace and, in the words of former US Housing Secretary Henry Cisneros, to act as “instruments of social change”.
- 4.13 In particular, the more far-sighted urban leaders have begun pursuing five broad strategies aimed at priming cities to take advantage of new market, demographic, and governance realities. These five closely related strategies involve:
- fixing the basics of city governance and services;
  - building on the core economic and physical assets of cities;
  - creating neighbourhoods of regional choice;
  - growing a strong, resilient urban middle class; and
  - driving balanced metropolitan growth.
- 4.14 These strategies form a holistic and integrated competitive agenda. They are inextricably linked and connected with success in one strategy generally driving success in others. Improving the delivery of basic government services, for example, is critical to establishing a climate for business investment that leverages the economic assets of cities. Creating neighbourhoods of choice is central to growing and retaining a strong middle class in cities and driving balanced metropolitan growth patterns is obviously dependent on cities realising their true potential as economic and residential centres.
- 4.15 In the end, however, each of the competitive strategies is highly distinct and separate, and each is discussed in turn.

### Fixing the basics of cities

- 4.16 More than any urban policy, the fundamentals – good schools, safe streets, competitive services, timely real estate transactions – dictate residential location choices and business investments in the US. In the past, however, many of these fundamentals were ignored as local political and corporate leaders almost uniformly followed (and in many cases continue to pursue) ‘Starbucks and Stadia’ strategies of neighbourhood and economic renewal. These strategies tend to turn on attracting creative workers (generally a good strategy) and building mega-projects like new sports facilities and convention centres (generally a fiscally wasteful strategy).
- 4.17 One of the more positive trends over the past 15 years or so has been the emergence of mayors who are determined to pay attention to fixing the basics. What these and other mayors are coming to understand is that inept local government and an indifferently maintained urban setting discourage everyone interested in living, working or investing in their cities and leave the impression that a city incapable of managing the basics will never be able to meet the larger challenges it confronts.

4.18 Examples of the new pragmatic focus abound. Mayors in New York City and Boston proved that innovative policing strategies could produce safe and orderly cities. Mayors in Chicago and Cleveland assumed responsibility for the schools as part of comprehensive school reform initiatives. Mayors in Indianapolis, Fort Wayne and Washington, D.C. brought sound fiscal management and market discipline back to City Hall. Mayors in Cleveland and Philadelphia have made the removal of blight (such as abandoned cars) a high priority. Mayors in Atlanta and elsewhere have spent enormous political and public capital on upgrading and preserving urban infrastructure – roads, transit, streets, sewers, drinking water. All these efforts entail a dramatic break from past practices and reflect the fact that local elected officials increasingly view ‘fixing the basics’ as a prime focus of their jobs. If these efforts continue, the resurgence of cities will have a stronger chance of continuing.

### Spotlight: Philadelphia's Neighborhood Transformation Initiative

One of the least appreciated 'basics' of local government involves establishing transparent, accessible systems for the disposition of land and the smooth operation of the real estate market. Such systems are particularly critical in economically struggling cities that generally have high levels of housing abandonment, land vacancy and urban blight.

In 2001, the City of Philadelphia – one such 'weak market city' – launched an innovative citywide planning approach called the Neighborhood Transformation Initiative (NTI). One of Mayor John Street's signature programs, the NTI is a five-year strategy to make the city more competitive with its suburbs by using the reclamation of vacant structures and land as a means to generating market recovery.

The Initiative was jumpstarted with the issuance of a \$275m bond to pay for a wide range of reclamation and preservation activities, including the demolition of obsolete properties. To ensure that these bond proceeds were strategically invested, the city undertook a major effort to understand housing market conditions in the city's neighbourhoods. The City commissioned The Reinvestment Fund (TRF), a development finance corporation that conducts policy research on related issues, to conduct an extensive census tract level analysis of housing and economic data. Based on this data, TRF identified six real estate market clusters:

- *Regional Choice* neighbourhoods have the highest average housing values;
- *High Value/Appreciating* neighbourhoods have high housing values and population stability but less commercial activity;
- *Steady* neighbourhoods also have healthy housing values but limited appreciation;
- *Transitional* neighbourhoods have steady values, but a higher incidence of vacant housing and lots;
- *Distressed* neighbourhoods have lower-than-median values and older, more deteriorated housing;
- *Reclamation* neighbourhoods have the lowest housing values and highest levels of vacancy and decline.

The Mayor's initiative targets an appropriate set of resources to each of these market types. These tailored strategies aim to meet the immediate and long-term needs of the individual neighbourhoods, while prioritizing actions that will stimulate investment and ultimately benefit the city at large. This goal is articulated as one of the key principals of NTI: "A long-term citywide vision must prevail and will require resources to be allocated in a manner that facilitates the market development it hopes to produce".

### **Spotlight: Philadelphia's Neighborhood Transformation Initiative (*continued*)**

Over the past five years, NTI has made significant progress in removing neighbourhood blight and building new housing. From 2000 to 2004, the city used NTI bond proceeds to clean almost 61,000 vacant lots – 3 million square feet of space – and demolish over 6,000 abandoned and dangerous buildings. It also removed almost 225,000 abandoned cars and cleaned over 385,000 properties of graffiti.

In addition, the city has already built over 6,000 affordable units, 5,000 market-rate housing units and over 2,000 mixed-income units under the initiative, with an additional 8,000 units either planned or under construction. NTI has also made 19,000 grants and loans targeted toward preserving and upgrading existing housing units citywide.

Over the next few years, the city will continue to clean properties and build new housing, as well as focus on assembling parcels for large scale redevelopment. These efforts will be facilitated by a new Vacant Property Management Information System; a tool the city is currently developing to track the acquisition, assembly, and disposition of parcels.

Source: Paul Brophy and Jennifer Vey, "Ten Steps to Vacant Land Reform" (Washington: Brookings Institution, 2002); John Kromer, "Vacant-Property Policy and Practice: Baltimore and Philadelphia" (Washington: Brookings Institution, 2002).

## **Building on city assets**

- 4.19 Many cities possess the physical and economic assets that the changing economy needs and rewards. As in Los Angeles or Atlanta, they manage the seaports and airports essential to trade. As in Denver or Pittsburgh, they have the amenities – the distinctive downtown, restaurant, cultural, historic neighbourhood and waterfront areas – that are so attractive to young, educated workers of the new economy and other key demographic cohorts. As in Boston or Seattle, they host a concentration of the universities, professional firms, medical centres, research labs, banks and investment companies that drive innovation and underlie the emerging economy. With some notable exceptions, they assemble in close quarters an aggregation of people with drive, talent and ideas, who, in their own exchanges with one another produce what Sir Peter Hall calls "a dynamic process of innovation, imitation and improvement".<sup>94</sup>
- 4.20 Over the past 15 years, urban leaders have begun to recognize that their communities' success will require converting existing assets into engines capable of powering a new urban agenda. Rather than reinventing the wheel or lobbying Washington to fix their imperfections, they have taken an honest look at what they have – history, geographic position, old economic expertise that can be shifted into new channels – and then considered what they can realistically achieve. Some cities have shown particular genius in taking areas where they were merely good and making them great, as opposed to starting all over to try to attain some goal they could never reach.
- 4.21 For instance, Chicago has taken advantage of its position near the centre of the country to anchor a region where Fortune 500 companies understand they need to have a presence, either with a headquarters – as the Boeing Corporation decided in its move from Seattle – or with a major installation. Boston has used its abundance of

<sup>94</sup> Sir Peter Hall, *Cities in Civilization: Culture, Innovation, and Urban Order*. New York: Pantheon.

colleges and universities not only to give it a leg up in the high-tech economy, but to convince young people from all over the country to invest their lives and careers in the city and its surroundings. Washington, D.C. put its new MCI Arena in the middle of a frayed downtown neighbourhood and set off an explosion of office buildings, restaurants and retail complexes (one of the few examples of a stadium-driven recovery strategy that worked). Milwaukee has led the national effort to return cities to their rivers by tearing down or reshaping freeways that block access to the water.

### **Spotlight: Albuquerque's downtown revitalization**

One key asset that most cities hold is the traditional city centre, or 'downtown'. Albuquerque, New Mexico provides an instructive example of the kinds of public policies and private-sector actions necessary to transform traditional central business districts into lively, mixed-use centres of residential, office, retail and cultural activities.

In 1998, the newly elected Mayor of Albuquerque, Jim Baca, made revitalizing downtown his number one priority, building upon initiatives started by his predecessor, Mayor Martin Chavez. He convened civic and business leaders to ask whether they would contribute the necessary financial and other support to kick off a strategic planning process. Within 15 minutes, \$150,000 in contributions had been pledged, and the strategic planning process took off.

The strategy process resulted in 17 task forces to implement plans for constructing new parking structures, creating a business improvement district, building a new arena, sparking the development of new housing, developing a signage program, and replacing the existing zoning code with a 'form-based' code that was easy to understand and resulted in building approvals in a rapid 21 days. In addition, a development company, the Historic District Improvement Co. (HDIC), was identified to help re-introduce private real estate development to downtown, where no private-sector building permits had been issued in 15 years.

HDIC is a for-profit/non-profit joint venture, organized as a for-profit limited liability corporation. It is partly owned by two non-profit, with a for-profit managing development company committed to 'new urbanism'. HDIC combines the long-term, social perspective of its non-profit partners with the 'get it done yesterday' perspective of a for-profit firm.

The McCune Foundation's 'program-related investment' in HDIC has been unique, providing below-market interest rate loans to HDIC to spur downtown development in an attempt to align its charitable mission with its investments. The foundation offered a type of investment capital that is crucial for downtown redevelopment yet is extremely rare: patient capital. Combined with the social mission of the foundation, this patient capital allows for much higher-quality projects to be built with the kind of construction that promotes density and walkability.

HDIC developed over \$50m in new projects between 2000 and 2004, including a 14 screen movie theatre, restaurants, specialty retail, office, and for-sale housing. It has an additional \$60m in the planning pipeline, primarily housing. In 2003, National Public Radio's Smart City program called downtown Albuquerque "the fastest downtown turnaround in the country", due to the implementation of its complex strategy for downtown. Downtown Albuquerque has benefited from over \$400m of new public and private sector development since the development and initial implementation of the 1998 strategy.

Source: Christopher Leinberger, "Turning Around Downtown: Twelve Steps to Revitalization" (Washington: Brookings Institution, 2005).



## Creating neighbourhoods of choice

- 4.22 No city can succeed if people don't want to live in it. And where they live is in a neighbourhood; it's how they identify 'home'. The strongest cities have demonstrated that they can build strong neighbourhoods of every variety, and are trying to invigorate the local businesses and commercial corridors around which diverse neighbourhoods grow. They understand that neighbourhoods need to be integrated economically with the rest of the region, especially in terms of the access they offer to regional labour markets. They are beginning to think in terms of 'neighbourhoods of choice' – that is, places where people want to live because they have access to the full range of goods and services provided by the mainstream economy, not just the 'parasitic economy' that preys on too many poor neighbourhoods. They are coming to understand that neighbourhood leaders and organizations have become crucial catalysts for change, leading education reform efforts, working to link workers with jobs, pressing banks, supermarkets and other mainstream businesses to set up shop in neighbourhoods they have long ignored.
- 4.23 Some of these efforts are ambitious, wholesale attempts to reinvent a city's neighbourhood profile. Richmond, Virginia's Neighbourhoods in Bloom Initiative, for instance, developed a complex profile of each of the city's neighbourhoods and then targeted scarce housing and other resources to a few select communities to heighten the possibility of market and social impact.
- 4.24 A few 'weak market' cities, such as Baltimore and Pittsburgh, have noticed that some of the best examples of neighbourhood revival in the U.S. – the Pilsen neighbourhood in Chicago, the South Bronx in New York – have been driven by an in-pouring of new residents from other countries, immigrants who have boosted local businesses, started their own enterprises, and bought and fixed up dilapidated housing. So they are trying to re-establish themselves as immigrant gateways, experimenting with a range of strategies to attract immigrants to their cities and help recent arrivals negotiate local school systems, housing markets, and job opportunities.
- 4.25 Finally, there are cities like St. Louis, Atlanta, and Louisville, where the redevelopment of failed public housing projects under the federal HOPE VI program has been the catalyst for large-scale public and private sector investment in housing, business and schools.

### Spotlight: Murphy Park

The promise of the 'neighbourhood of choice' strategy can be glimpsed in Murphy Park, a new community of townhouses, garden apartments, and single-family homes on the near north side of St. Louis. The 413-unit development replaced the much larger (656 unit) Vaughn public housing project, a collection of four nine-story buildings that were typical of the high-rise public housing towers constructed in the 1950s as part of Urban Renewal.

The development is centrally located in St. Louis, in close proximity to the traditional downtown. Yet like much of the Northside, the neighbourhood has all the hallmarks signs of distress. In 2000, the population of 3,000 individuals was 97-percent minority (almost entirely African American), and 46-percent poor with a median income of only \$14,636. The homeownership rate in the community languished at an abysmal 7 percent.

Significantly, the centrepiece of the new Murphy Park development is not the attractive housing, but a reconstituted neighbourhood school. The developer Richard Baron has been an articulate spokesperson for school-centred housing development.

**Spotlight: Murphy Park (*continued*)**

Working closely with residents of the neighbourhood, Baron engineered a complete overhaul of the local school, Jefferson Elementary. He raised \$5m from corporate and philanthropic interests to modernize the school, making it one of the most technologically advanced educational facilities in the region. He lobbied the local school board to appoint a new principal and allow her to implement an instructional program of smaller classes, new curriculum, teacher continuity and year-round schooling. He also raised funds for a host of after-school programs, particularly centred around the arts.

By all accounts and against many odds, Murphy Park has been an unqualified success. The development has succeeded in attracting a mix of incomes. For the most part, the development is serving poor and working-poor households, the target clientele of the traditional public housing program. Thirty-one percent of the residents have incomes below \$10,000 and 44 percent of the residents have incomes between \$10,000 and \$30,000. Yet the development is attracting moderate and even middle-income residents as well. Sixteen percent of the residents have incomes between \$30,000 and \$50,000. Another 10 percent of the residents make more than \$50,000.

The development is also spurring positive movement in a range of neighbourhood indicators – spurring growth in median household income, employment, home values and private sector investment.

Finally, the community's intervention in Jefferson Elementary School has yielded some astonishing results:

- The school now attracts 75 percent of the neighbourhood's children. Before the redevelopment, many children in the neighbourhood were bussed outside the neighbourhood to both city and county schools, as part of a broader racial desegregation decree.
- The new curriculum's focus on math and science has borne fruit. In 1999, only 1.6 percent of third graders were categorized as "advanced and proficient" in science. By 2003, 44.4 percent of the students were so categorized, nearly reaching the state average of 47.8 percent.
- In 1999, only 2.5 percent of the fourth graders were categorized as "advanced and proficient" in math; by 2003, that number had risen to 18.2 percent, a dramatic improvement but still half the state average of 37.2 percent.

The Murphy Park experience shows the potential to transform the physical, economic, and social landscape in neighbourhoods of deprivation and distress. The catalytic role of these investments cannot be underestimated. The success at Jefferson Elementary, for example, has influenced a broader effort to transform the elementary, middle schools, and high school in the Northside area of St. Louis. Once completed, the Vashon Compact (named for the local high school that serves the area) will serve almost 10 percent of students across the entire city.

Source: Valerie Piper and Mindy Turbov, "HOPE VI and Mixed-Finance Redevelopments: A C

## Growing a strong middle class

- 4.26 In the end, cities are only as strong as the families and individuals who live there. Though many cities have set great store in wooing the ‘creative class’, most remain home primarily to low- and moderate-income working families. Their challenge is to find ways of helping these residents access the education they need to make their way in the new economy; boost their incomes through skills and training programs that connect them to sectors of the economy with advancement opportunities; reduce the costs of basic goods and necessities (which are generally higher in low-income neighbourhoods) and build the sort of real wealth that gives them both a financial cushion and options for themselves and their children. In short, they are seeking to help their residents enter and stay in the middle class.
- 4.27 In recent years, more and more American cities have embraced the challenge of growing a strong middle class. Denver has become a national innovator in welfare-to-work programs, streamlining the benefits process and organizing tuition assistance and training programs that steer low-income residents toward education and jobs. Seattle and Milwaukee have sponsored workforce intermediaries that strengthen the link between firms in particular sectors of the economy (eg health care and manufacturing) and low-skilled workers. Chicago and Miami have ongoing “prosperity campaigns” designed to link low-wage workers to the federal work benefits (such as the Earned Income Tax Credit and nutrition assistance) for which they are eligible. Philadelphia is moving aggressively (with state help) to attract major grocery chains to the inner city, thereby increasing the quality and lowering the price of food and daily goods. And Indianapolis has been a national leader in using home ownership as a vehicle to create assets for low- and moderate-income families.

### Snapshot: Imagine Miami

The lack of a strong middle class has impeded fiscal stability and economic growth in US cities for the past few decades. Beyond trying to attract middle-class families back to their jurisdictions, more city leaders are taking the initiative to grow their middle class ‘from within’ by helping their low- and moderate-income families climb the economic ladder. In 2004, a new collaboration was launched in Miami, Florida – one of the poorest metropolitan areas in the country. The goal of Imagine Miami, a strategic planning and visioning project, is to move Miami from its number one ranking on poverty to a number one ranking on community prosperity by addressing issues that have reduced the size of the region’s middle class.

A major thrust of the initiative is improving access to in-work benefits. These programs are key tools for ‘making work pay’ in the low-wage economy. Evidence confirms, however, that many eligible families miss out on these programs due to lack of knowledge or administrative burdens associated with enrolment. More and more cities like Miami are taking it upon themselves to connect workers to these benefits, thereby increasing the amount of federal money circulating in their local economies.

For example, boosting participation in programs such as the Earned Income Tax Credit (EITC) – similar to the UK’s Working Tax Credits – helps put more money in the pockets of low-income residents, and increases their ability to meet their basic needs and save for the future. By reaching out to employers, who in turn work to connect all of their eligible employees to these benefits, the campaign helped increase the amount of federal EITC dollars flowing in to the county by 13 percent in its first year.

**Snapshot: Imagine Miami (continued)**

Imagine Miami is undertaking similar initiatives to promote access to nutritional supports and health care insurance for children. It also provides free tax preparation assistance to low-income households, which reduces the high fees families pay to tax preparation firms to gain access to the EITC.

The initiative is a cross-industry, cross-sector effort, chaired by the president of Miami Dade College, the county's largest polytechnic; the executive director of the local Human Services Coalition and a bank vice president who formerly chaired the region's chamber of commerce. Imagine Miami has also created a leadership council that includes more than 100 community leaders that represent eight distinct sectors of community life: academia, arts, culture and heritage, business, community, government, media, philanthropy, and youth leadership.

Source: Brookings Metropolitan Policy Program, *Growing the Middle Class: Connecting All Miami-Dade Residents to Economic Opportunity* (Washington: Brookings Institution, 2004).

## Influencing metropolitan growth

- 4.28 In the end, cities are not islands unto themselves. They exist as part of broader metropolitan communities and economies. They operate as labour markets, since their residents invariably work throughout the broader region. For that reason, urban policies need to operate in and relate to the metropolitan geography – the true geography of housing markets, of labour markets, of educational opportunity. Practitioners need to treat the borders of cities as porous boundaries rather than fixed barriers. The corollary to this notion, of course, is that cities need to understand their own metropolitan context and their position in the metro area.
- 4.29 In recent years, urban leaders have begun to position their cities within the broader metropolitan landscape as well as to link residents to the broader geography of opportunity. The more far-sighted urban leaders are looking for ways to link central-city strengths to the metropolitan economy by collaborating with their suburbs on everything from improving transportation and infrastructure to promoting trade to developing regional workforce training systems. Business leaders in metropolitan areas have known for years that local economies and the challenges they face are regional in scope; political leaders have begun to catch on. This is true not only for central-city mayors, who understand that their own progress on economic development or environmental quality depends on co-operating with their neighbours, but for suburban leaders as well.
- 4.30 The metropolitan area that has gone farthest toward putting teeth in a regional approach is Minneapolis-St. Paul. There, the Metropolitan Council, rejuvenated during the 1990s by new legislation and the dynamic leadership of Ted Mondale, used its powers over transportation, housing and water resources to combat sprawl and encourage transit, pedestrian redevelopment, and affordable housing. But other regions are headed in that direction as well. In 2003, Louisville merged with surrounding Jefferson County to become the 16th largest city in the country – a move vigorously promoted by the local business community, which was interested both in competing in a bigger league (Louisville ranked 64th in size before the merger) and in making economic development efforts run more smoothly. Other cities and urban counties are considering similar steps based on that effort's success.

- 4.31 These are all crucial developments, a signal that sharp, clear-eyed thinking and institutional expertise are part and parcel of successful local governance now. In particular, they indicate that cities recognize they are in an entirely new ballgame, and that the economy in which they operate, the people who live in and around them, the politics of funding and running them – all have created the potential for a new urban dynamic.

### **Spotlight: Metropolis 2020**

Created in 1999 by the Commercial Club of Chicago, Chicago Metropolis 2020 is a business-backed civic organization that promotes better land use planning, investments, and quality of life for the region.

In 1996, the Commercial Club – a membership organization of business and civic leaders – undertook the Metropolis Project to look at social and economic issues in the Chicago region. The Commercial Club has a legacy of developing big, bold plans – Daniel Burnham’s 1909 Plan of Chicago was published by the Club – and they wanted to develop a significant new plan for the 21st century. To this end, more than 200 members of the Club examined issues in special committees organized around education, economic development, taxation, governance, transportation and land use, and housing. The committees consulted with experts and met with community, civic, and government representatives, ultimately drafting approximately 180 recommendations. This two-year effort culminated in a report, “Chicago Metropolis 2020: Preparing Metropolitan Chicago for the 21st Century,” released in March 1999.

One of the major outcomes of the Metropolis Project was the recognition that many of the issues the group identified had to be addressed regionally. With this in mind, the report called for the creation of a new regionally-based organization – Chicago Metropolis 2020 – to implement its recommendations.

Chicago Metropolis 2020 is an independent organization. The unifying vision of the group is that the region’s governments, businesses, and residents must work together to make choices that will make the region attractive and economically competitive in the decades to come.

They seek to raise public awareness of the issues, and change public policy by:

- conducting quality analytical work;
- disseminating information to media and stakeholders on important policy topics;
- participating in the political process at the city, county, state, and federal levels;
- encouraging business leaders to speak out and act on issues of regional importance.

To accomplish its mission, Chicago Metropolis 2020 focuses on five program areas.

The goal of the first program area – Regional Learning – is to get the Chicago community to think about how to solve problems that transcend local political boundaries. This involves constantly repeating the ‘regionalism’ theme in speaking engagements, to the media, and in other public outlets. Their ‘learning’ effort is further grounded through the Metropolis Index which has provided an updated assessment of the state of the region every year since 2001, using the latest data on housing, education, economy, environment and other economic and quality of life indicators.

**Spotlight: Metropolis 2020 (continued)**

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Chicago Metropolis 2020's other programs centre on specific issue areas, including Transportation and Land Use, Early Childhood Education, Justice and Violence, and Housing. The goal is to influence the political process on these issues, particularly state policy. Chicago Metropolis leaders meet frequently with individual legislators, to whom they have access because of their Senior Executives. Metropolis also works at the local level through the Mayors Caucus, which is comprised of the mayors of the six Chicago-area counties.

Chicago Metropolis 2020's work on these five issues is an iterative process that changes and grows over time as needed. The group is sensitive to political issues and the feasibility of pursuing initiatives when the time is appropriate and the moment is ripe.

Since its inception five years ago, Chicago Metropolis 2020 has been influential in both the business community, and in several policy arenas. On the local level, the group has persuaded over 100 area employers to sign a pledge that they will consider affordable housing and mass transit when making business location decisions. It has also lobbied for and won several big state legislative successes. In 2005, for example, the organization was critical in the enactment of major new legislation to establish a new Regional Planning Board designed to address the development and transportation challenges in northeastern Illinois. Metropolis 2020 was also instrumental in gaining state action on the region's affordable housing challenges. Recent state legislation requires housing as part of local comprehensive plans, creates a state-funded rental assistance program, and allows localities to develop intergovernmental agreements with nearby municipalities to address affordable housing problems.

4.32 The competitive strategies described above share some unifying themes, in theory and in practice. What initially unites these efforts is their focus on transformation: of the physical landscape, of the economic landscape, and of the social landscape. These are big, entrepreneurial efforts at a time when both national parties rarely offer solutions to the daily challenges – housing, congestion, jobs, sprawl – that bedevil working families living in metropolitan areas.



- 4.33 What also unites these efforts is their intense focus on competitiveness. Urban leaders in the United States generally embrace the proposition that a strong economy is a necessary precondition for achieving a wide range of social and environmental objectives – growing a middle class, reducing racial and ethnic disparities, promoting balanced growth patterns. They also accept the reality that cities must compete with each other, with their suburbs and with places abroad for talented workers, quality firms, and the enhanced fiscal base that accompanies them.
- 4.34 A corollary theme is the reliance on local, ground-up innovation. In a world of devolution, cities understand that they – not the federal government or state governments – are primarily responsible for their own economic destinies. This understanding (and the substantial powers that have been devolved to cities) lays the foundation for the intrinsic ‘can do’ attitude that permeates the urban leadership class in the United States. This reliance on local innovation, of course, has its limits; city strategies, no matter how strategic or well executed, cannot undo structural changes in the economy.
- 4.35 Finally, the implementation of these disparate strategies confirms the significant role played by a broad cross section of government, corporate, civic and community leaders. Many of the actions described above (eg school reform in Chicago, community policing in New York, service delivery in Fort Wayne) have helped cement in the American consciousness an image of the ‘new mayor’ – pragmatic, entrepreneurial, no nonsense, above politics. This highly favourable image stands in sharp contrast to the public’s perception of elected officials at higher levels of government.
- 4.36 Yet as illustrated by several of the examples, the design and implementation of the new competitive agenda does not rest with local government or directly elected mayors alone. Even with economic restructuring, many American cities still have a rich network of non-government leaders in the private for-profit and not-for-profit sector: business improvement districts, community development corporations, philanthropists, business alliances. These institutions play an active role in the development and implementation of transformative initiatives and investments and are a major reason that cities have performed relatively well.

## **Federal and state ‘urban policy’ is evolving**

- 4.37 The historic view in the United States is that federal and state policies have primarily had a negative impact on the fortunes of cities and their residents. While there is much evidence to support this assertion (see section 3), the view of an anti-urban federal government and of hostile states, while largely correct, is too simplistic and static. Many of the positive changes that have occurred in cities, for example, over the past several decades can be directly attributable to broad policy changes at the national level on issues of demographic and economic growth.
- 4.38 In many respects, the population resurgence in the nation (and in cities) during the 1990s can be traced to the transformative impact of the Immigration Reform Act of 1965. Similarly, the rise of globalization – and the concomitant decline in American manufacturing – has its roots in a myriad of federal policies affecting international trade, finance, communications, and currency. And the development resurgence in the 1990s and this decade are rooted in monetary policy that has kept interest rates low on a sustained basis.

- 4.39 In addition, signs abound that the federal government and the states are beginning to reconsider the traditional policy tilt towards greenfield development. Since the early 1990s, for example, federal transportation laws have started slowly to level the playing field between highways and alternative transportation strategies and between older and newer communities. Federal laws have devolved greater responsibility for planning and implementation to metropolitan planning organizations, thereby aligning the geography of transportation decision-making with the geography of regional economies, commuting patterns, and social reality. At the same time, the newer laws have introduced greater flexibility in the spending of federal highway and transit funds, allowing states and metropolitan areas to shift portions of their highway funds to transit purposes and vice versa. Both of these reforms have the potential to curb sprawl, promote reinvestment in older communities, and, consequently, stimulate the revival and transformation of neighbourhoods of poverty.
- 4.40 The changes in federal housing policy were equally ambitious during the 1990s. Public housing reforms mandated the demolition of the nation's most troubled projects and supported (through the multi-billion dollar HOPE VI program) the development of a new form of public housing – smaller scale, economically integrated, well constructed, and better designed. Other housing reforms enhanced the ability of low-income residents to move to areas of growing employment and high performing schools. The rules governing housing vouchers (now the nation's largest affordable housing program) were streamlined, making this rental assistance tool more attractive to private sector landlords. Regional counselling efforts were initiated to provide voucher recipients with the kind of assistance they need to make smart neighbourhood choices.
- 4.41 These transportation and housing reforms, while still relatively new, have already shown some positive results. Federal money spent on transit almost doubled during the 1990s and new light rail systems are being constructed in metropolitan areas as diverse as Salt Lake City, Denver, Dallas, Charlotte, and San Diego. For the first time since World War II, growth in transit ridership has outpaced the growth in driving for five straight years. As discussed above, the public housing reforms became the catalyst for urban regeneration as cities like Atlanta, Louisville and St. Louis leveraged the HOPE VI funding with other private and public investments to modernize local schools, stimulate neighbourhood markets and rebuild local infrastructure, parks, and libraries. These reforms also contributed to one of the real success stories of the 1990s – the precipitous decline in the number of high-poverty neighbourhoods in major American cities.
- 4.42 Several states complemented federal changes in the 1990s by targeting direct spending and tax incentives to communities where infrastructure is already in place. In 1997, for example, Maryland enacted laws to steer state road, sewer, and school monies away from farms and open spaces to Priority Funding Areas. Some of these zones are designated in the law, including Baltimore City and certain areas within the Baltimore and Washington beltway interstate highways. Other priority funding areas may be designated by individual counties if they meet certain guidelines. More recently, other states – Pennsylvania, Michigan – have begun making 'fix it first' the central focus of their transportation decisions.

- 4.43 Several states are experimenting with efforts to stimulate redevelopment of older urban areas. New Jersey, for example, has adopted Smart Codes that place the renovation of existing buildings on a level playing field with new construction. Michigan has altered the rules governing the disposition of foreclosed properties, enabling cities and their community allies to expedite the sale and renovation of blighted properties. Minnesota has passed “liveable communities” legislation to provide greater incentives for balancing growth. Vermont has become a leader in the revitalization of small- and mid-sized city downtowns.
- 4.44 Finally, several federal and state policies have helped improve the opportunity structure for workers in the United States. During the 1990s, for example, the federal government greatly expanded support for low-wage workers, primarily by using the federal tax code to reward work through incentives like the earned income tax credit (EITC), and subsidies for lower-income families’ child care and savings. (Annual spending on the EITC doubled in the 1990s and now surpasses that of all the programs of the US Department of Housing and Urban Development.) States like New Jersey, Nevada and Florida all recently passed increases in the minimum wage. Other states like North Carolina, Michigan and Pennsylvania have taken strong action to protect low-wage workers from predatory lending and financial institutions.
- 4.45 These federal and state efforts are early, uneven, and subject to the vagaries of political change. The Bush Administration, for example, has called for the elimination of HOPE VI and has proposed converting the housing voucher program to a block grant to the states, a move that would ultimately result in the reduction in the number of vouchers over time. In addition, the Bush administration’s fiscal policies were designed to compel deep cuts in a series of programs – housing vouchers, Medicaid, supplemental health insurance, nutrition assistance, welfare – that help working families.
- 4.46 At the state level, recent policy setbacks in Oregon, Maryland and Minnesota have shown that progressive, pro-city efforts on land containment, smart growth and metropolitan collaboration are not etched in stone and are subject to major reforms as political winds shift.
- 4.47 Despite these recent changes, the broader point remains the same. Federal and state policies have enormous impact on the health and vitality of cities and their citizens. And recent changes in a broad range of policies hold out the promise that cities will ultimately be able to compete with their suburbs on a more level playing field than in the past and that low wage workers will receive the support they need to build income and make ends meet.

## Part 5 – Lessons for English cities from their US counterparts

- 5.1 Contemporary demographic, economic and policy trends in urban America have enormous implications for the future of English cities. Five learnings seem most relevant.
- 5.2 The primary lesson for England from this review of the state of American cities regards the realm of local governance. As discussed above, local governments in the US have powerful responsibilities – education, law enforcement, land regulation – and the ability to raise local funds (within limitations) to carry them out. This has created an entrepreneurial culture within local government and a climate of experimentation and innovation.
- 5.3 The direct election of mayors in England could be a positive step in the drive to realize and leverage the potential of its cities and city-regions.
- 5.4 The creation of a new accountable centre of power in English cities could help urban places adapt to and position themselves in the changing economy. As in the US, directly elected mayors have the potential to identify the competitive assets of their places, develop competitive strategies that are tailored to their unique markets, and harness the resources and energies necessary to move to a higher level.
- 5.5 Directly elected mayors could also help central government deliver on national priorities. They would be in a unique position to reach across myriad programmes and constituencies in a particular place. Through the power of persuasion and coalition building, they have the potential to “connect the dots” between issues and initiatives that are clearly related but kept separate and distinct by different government bureaucracies. Efforts like local strategic partnerships and regional development agencies could, in particular, benefit from the introduction of an accountable and elected official who can take the ‘big-picture’ view, act as a generalist, and encourage agencies to recognise and act upon cross-sectional issues.
- 5.6 It is important to note that the powers assigned to mayors vary widely across the United States. The discussion of directly elected mayors has mostly revolved around the American experience with ‘strong mayor’ systems. But many cities (like San Antonio) have ‘weak mayor’ systems where powers reside formally with the City Council or an appointed city manager. In these cities, the mayor – whether directly elected by voters or fellow legislators – essentially plays a public visionary and consensus building role rather than a day-to-day managerial role. Many English cities could perhaps experiment with this type of system before deciding whether to graduate to the powerful mayor model employed by cities like New York and Washington, D.C.
- 5.7 England should also consider introducing a metropolitan dimension to the direct election of mayors. Given that the geography of economy is relentlessly metropolitan, the artificial borders of traditional cities may no longer be the right geography for mayoral elections. In short, the time is ripe for innovation and experimentation in the geography of governance. England may want to consider the direct election of mayors for larger conurbations, as with the Greater London Authority, rather than individual cities.

- 5.8 In addition, almost all US metropolitan areas contain formal councils of governments – with representation from local governments in the region – that are increasingly given responsibility for the management of such cross-border activities as environmental protection, transportation planning, and homeland security. In some metropolitan areas, like Denver and Chicago, these formal organizations are augmented by informal metropolitan mayors caucuses, where mayors of cities and towns can regularly meet to discuss issues of regional significance. These governance arrangements could also be tested, particularly in ‘weak market’ areas of the country where governmental fragmentation may impede the development of a central vision for economic recovery.
- 5.9 A second lesson from the US is that governance reform cannot stop with direct elections. Building cities that innovate, experiment, and continuously learn requires that direct election be accompanied by substantial local government reform and, most importantly, the devolution of greater powers to localities. In the U.S, fiscal power is a necessary foundation of, and impetus for, the entrepreneurial posture of mayors.
- 5.10 Local fiscal powers are particularly useful to achieve an urban renaissance that is shared widely. Compare Manchester and Washington, D.C. Both cities have witnessed strong business and residential growth in their city centres in the past decade. Market growth has been accompanied by appreciating real estate prices which, in turn, has raised fears of residential displacement.
- 5.11 Given broader governance structures, the cities of Manchester and Washington, D.C. have radically different tools to respond to these market pressures. To catch the development wave in Washington, D.C. Mayor Anthony A. Williams established a Housing Production Trust Fund. This fund effectively channels 15 percent of residential property sale taxes to fund affordable housing projects across the city. While initial projections anticipated approximately \$10m to \$12m per year for affordable housing, recent allocations have been over \$40m per year. To date, over \$45m has been spent or obligated for the production of affordable housing units across the city.
- 5.12 Manchester does not have this option. For the most part, surging tax revenues in Manchester – or Sheffield or Leeds or Birmingham – go directly to Whitehall. This creates a “fiscal circuitry” that is broken.
- 5.13 On the one hand, the current fiscal arrangement between cities and central government sets up a perverse incentive system. Cities that take innovative steps to regenerate markets are not rewarded for their good behaviour. Cities that don’t ‘have their act together’ can still count on a revenue system that is essentially equalized between places. Why should cities travel the innovative path under the current system?
- 5.14 In addition, the English system frustrates a timely response to market pressures. Cities with gentrifying neighbourhoods need to wait for central government to recognise the problem and respond with enhanced funding or other tools to stimulate the production or preservation of affordable housing. The ‘natural’ corrective action taken by Washington, D.C. and other American cities is just not possible.



- 5.15 Beyond fiscal devolution, government reform must also come in the form of more flexibility and less micromanagement. There should be greater focus on performance measures and rewards, less on centrally driven prescriptions and requirements. This means that central government is going to have to do the most difficult thing and ‘let go the reins of power’.
- 5.16 The transformation of public housing in the United States during the 1990s offers lessons on how the federal government achieved ‘responsible devolution’. During the 1970’s and 1980’s, the public housing system, managed by thousands of local public housing agencies, became a victim of federal micromanagement. Successive Congresses and Administrations enacted legislation and promulgated rules that were highly prescriptive and ‘bound the hands’ of local agencies on issues such as admissions and eviction rules, rent restrictions, demolition and capital replacement, and public/private financing partnerships. These federal laws did ensure certainty and uniformity, but at the expense of creativity and innovation.
- 5.17 During the 1990s, the Clinton Administration, aided by Congress, began to devolve greater power and flexibility to local agencies. Many federal statutory provisions and rules were either repealed or substantially modified, under the theory that local agencies were in a better position to tailor policies to their local markets and objectives. The federal government then established a public housing management assessment program to assess the performance of individual agencies on a wide range of criteria. Agencies that fail their assessments are subject to federal interventions that aim to correct managerial deficiencies and introduce market principles into governance.
- 5.18 The public housing effort – and other efforts underway in other domestic programs and systems – offers a more appropriate division of responsibilities between different levels of government on the delivery of services. Higher levels of government must appropriately set basic goals and rules for disparate programs as well as accountability systems to assess whether goals are being met and rules are being adhered to. But, localities should be given the ‘running room’ to set policies and manage programs in ways that reflect and respect local priorities.
- 5.19 Third, urban policy cannot only be about government. As illustrated above, the wave of policy innovations in the United States draws from a rich network of non-government leaders in the private and not-for-profit sectors. Nurturing the growth of these institutions, and encouraging them to play an active role in agenda setting and policy design and implementation, is critical.
- 5.20 Many non-government institutions are formed and supported locally, either at the city level or around specific geographies like the central business district or individual neighbourhoods. Many cities, like New York, Philadelphia and Washington, D.C., have successfully created Business Improvement Districts in their downtown areas to bring direction and coherence to revitalization plans; represent networks of local merchants and businesses; liaise with local government entities like the police department; and even supplement city functions on garbage collection and street cleanup. Many city neighbourhoods and commercial corridors have similar, if less powerful, organizations.



- 5.21 These organizations supplement and complement the powers of formal government and constitute, in essence, a networked approach to governing that taps the expertise of a broad base of corporate, civic, constituency and citizen leaders. In many cases, these organizations evolve from the ‘ground up’, supported by local philanthropies and collections of individuals and firms that share a common interest (usually around a definable piece of city territory).
- 5.22 Yet the building and sustaining of local institutional networks does not just happen locally. Many federal policies and programs support network building, a fact that is particularly relevant to England given the primary role of the central government.
- 5.23 For example, federal funding for many government services (eg affordable housing, transportation and workforce development) is often allocated directly to localities through the use of predictable formula. Most of these ‘block grants’ require localities to prepare and submit plans as a condition of receiving federal funds. These plans, in turn, require localities to reach out to local citizens, practitioners, and activists in the preparation of their plans. In this way, decisions on the local allocation of federal funds are often made through governance arrangements that involve many actors outside local government.
- 5.24 In addition, the federal government employs several policy tools, particularly through the tax code, that build the capacity of not-for-profit and for-profit institutions to carry out various government sponsored efforts. For example, the low income housing tax credit program has emerged as the largest affordable housing program in the United States. Developers are able to syndicate tax credits to institutional investors, thereby raising equity for affordable housing deals. Developers are also able to use some of the resources to pay for organizational infrastructure. In this way, the federal program has created a vital network of national housing intermediaries like the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation, as well as local community development corporations. The benefits from this network extend well beyond the production of affordable housing. In many cities, these national and local institutions have become key civic leaders, advocating for reforms to critical local and state policies (eg urban land practices) as well as engaging in such disparate efforts as the reform of local schools and the rebuilding of neighbourhood economies.
- 5.25 One last example of network building occurs through the enforcement of various regulatory regimes. The Community Reinvestment Act, for example, assesses depository institutions on, among other things, their lending in low-income areas. Federal regulators and a network of community institutions use these assessments to hold these financial institutions accountable, particularly in the event of bank mergers and consolidations. In this way, a regulatory regime has helped catalyze a network of watchdog community entities to spur private sector investment in areas of distress.
- 5.26 Fourth, there is the challenge of economic and demographic diversity. Is England embracing economic integration and immigration as keys to revitalizing communities? No doubt, the nation’s growing policy support for mixed-use, mixed-income, mixed-tenure development embodies healthy signs of attention to economic integration. The

key is to make these burgeoning efforts the norm in neighbourhood and housing policy over the next decade. In this regard, the practices and lessons of HOPE VI – and the broader American debate over economic integration – seem particularly appropriate and timely.

- 5.27 The HOPE VI successes – the creation of dozens of economically integrated developments in some of the most troubled neighbourhoods in the country – were spurred by an adherence to key principles that could have relevance in the UK. The creation of mixed-income, mixed-tenure communities that can attract and retain moderate- and middle-income households requires a commitment to quality architecture and design (not normally associated with government owned housing), amenities that are comparable to private sector housing, and solid management (particularly in tenant screening and eviction). Market discipline is critical and can be enhanced through the leveraging of private sector capital, the use of private sector management firms and the introduction of risk. The production of housing can stimulate the revitalization of broader neighbourhoods, by connecting new and ongoing interventions on housing, transportation, land use, economic development, crime reduction and school reform.
- 5.28 Some of these approaches and tools are directly transferable to England, particularly given the role that the state plays in establishing the framework for affordable housing construction, renovation and management. Yet other approaches, particularly policies concerning the rights and privileges of residents, will be more difficult to transport across borders.
- 5.29 In similar vein, the acceptance of immigration as a strategy for city and neighbourhood transformation relates to broader societal impulses and issues; the United States, in rhetoric and reality, is a nation of immigrants, and the liberalising of immigration rules has met with broad cultural receptivity. Thus, it is a natural extension to apply immigration attraction strategies to cities in America. In England and the UK generally, the broader legitimacy and acceptance of immigration remains a matter of national and societal debate. It is difficult to imagine that city strategies around enhancing demographic diversity in Britain will be a systemic solution until that broader debate is resolved.
- 5.30 Finally, the American experience issues a stark warning about the nexus between national policy and local innovation. In the end, the United States has devolved too much power and responsibility to local levels of government. Even the strongest locality lacks the fiscal wherewithal to address the multiple infrastructure, housing, education and health care challenges of urban governance. The challenges of modern life and a global economy demand the appropriate mix between the foundational investments of higher levels of government and the strategic stewardship of leaders closer to the ground.
- 5.31 Thus, the focus on devolution as a cornerstone of urban governance and prosperity is not a license for withdrawal of central government investment and interest. The resurgence of British cities owes substantially to the smart investments of central government in people and places and to the smart alignment of development and infrastructure policies. These investments and policies should continue as a matter of national priority.

This is one of a series of six thematic reports providing the detailed evidence which supported the findings presented in *State of the English Cities* report published by the then ODPM in March 2006.

The six thematic reports are:

- The Changing Urban Scene: Demographics and the Big Picture
- Social Cohesion
- The Competitive Economic Performance of English Cities

(the three reports above are available in print and on the Communities and Local Government website.)

- The State of American Cities
- Liveability in English Cities
- A comparison of Public Attitudes in Urban and Non-urban Areas Across Different Regions

(the three reports above are only available via the Communities and Local Government website.)

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