

Chattanooga, Tennessee

David Eichenthal and Tracy Windeknecht ¹

A May, 2007 Brookings Institution report, “Restoring Prosperity: The State Role in Revitalizing American’s Older Industrial Cities” examined how 302 U.S. cities fared on eight indicators of economic health and vitality. Based on this research, we identified 65 cities,

most of which are older industrial communities in the Northeast and Midwest, that are underperforming relative to their peers nationwide. The report describes why the moment is ripe for the revitalization of these communities, and lays out a comprehensive agenda for how states can—and must—assist in the process.

While the central focus of the “Restoring Prosperity” report was on cities facing the steepest economic challenges, analysis of the 302 database cities also revealed that a number were able to raise their economic status over time. In fact, 17 of the 302 would have been in the lower tier of cities in 1990, but by 2000 had moved off the “list,” including:

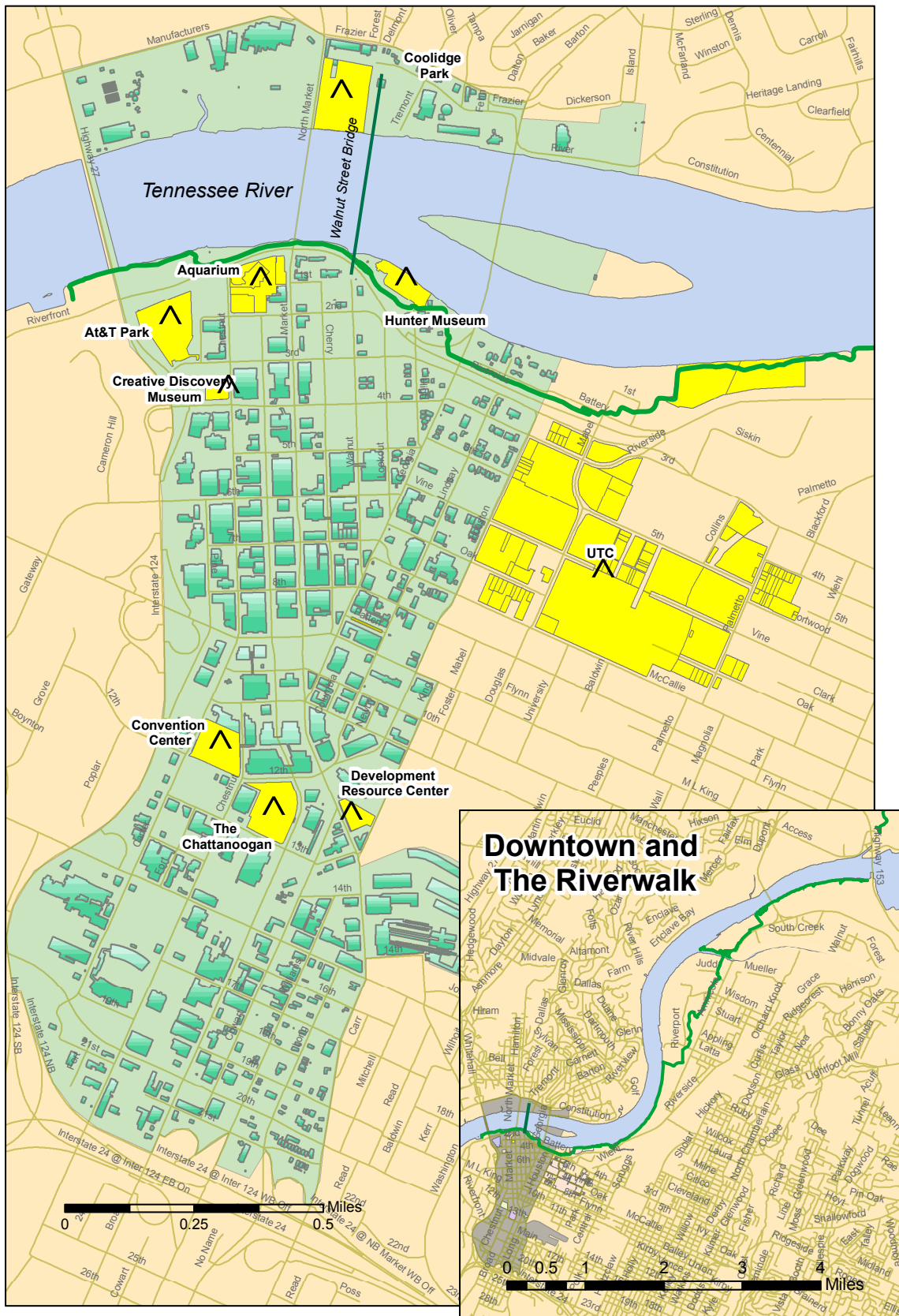
Akron, OH	Lafayette, LA	Spokane, WA
Anderson, IN	Lake Charles, LA	St. Joseph, MO
Battle Creek, MI	Louisville, KY	Toledo, OH
Chattanooga, TN	Mobile, AL	Waco, TX
Chicago, IL	Monroe, LA	Yakima, WA
Duluth, MN	Pueblo, CO	

To be sure, these cities’ relative performance improved for a wide array of reasons, some of which may be difficult to fully pinpoint. But to better understand the extent of recovery, and, importantly, some of the chief drivers behind it, Brookings commissioned in-depth case studies of three on the list—Akron, Chattanooga, and Louisville. While each city, and its story, is unique, together the studies help illustrate just what it takes to put a weak market region back on the road to economic recovery. In doing so, they provide important lessons, as well as hope, for other communities that are striving to compete in a new economic era:

- **Strong leadership is essential.** Vital to the revitalization of each of these communities was strong leadership, which, self-evident as its importance may be, can’t be taken for granted. In each city, civic and political leaders’ willingness to come together to develop and implement a bold vision for recovery was *the* key driver of change. Without such leadership, these cities would have been unable to move beyond the parochialism, conflict, and inertia that continue to weigh many older industrial regions down.
- **Success requires vision and planning.** While serendipity and luck are often cited as important, if underrated, components of economic success, bold vision and a clear strategy are stronger bets. In all three of these communities, strong leadership was manifested in the creation and implementation of a defined vision and plan for reaching it—whether focused on transforming the physical landscape, as in Chattanooga, uniting the political and economic region, as in Louisville, or promoting better cooperation between the city, its suburbs, and the broader region, as in Akron.
- **You’re all in it together now.** Strong leadership comes in many forms, and emerges most forcefully when leaders from different sectors work with one another toward common goals. These communities were able to turn their best laid plans into concrete actions—and concrete successes—because business, government, and the non-profit communities all recognized the dire need to change their city’s current trajectory, and put their respective strengths to work, collaboratively, for change.
- **Place matters—take advantage of it.** The history of where, why, and how cities grew as they did provides an important backdrop to their present economic, cultural, and social development. Just as cities can overcome the disadvantages of place—limited water supply, cold weather, earthquakes—so, too, must they recognize, and maximize, the advantages. Each of these cities has made capitalizing on their respective assets—the river in Chattanooga, the central location of Louisville, expertise in polymer chemistry in Akron, and downtown core of all three—a principal part of their recovery strategy.

While the above bullets describe major themes of the three studies, they only tell part the rich and distinctive narrative of how each has managed to overcome a host of economic obstacles over the past several decades, despite the challenges they still face. Still, together they demonstrate that with the right combination of leadership, cooperation, strategy, and ingenuity distressed cities—working together with regional and state leaders—can begin to reshape and reinvigorate their economies, and advance their future prosperity.

Downtown Chattanooga



I. Introduction

Chattanooga a few years ago faced what many smaller cities are struggling with today—a sudden decline after years of prosperity in the "old" economy. This case study offers a roadmap for these cities by chronicling Chattanooga's demise and rebirth.

Chattanooga is located in the southern end of the Tennessee Valley where the Tennessee River cuts through the Smoky Mountains and the Cumberland Plateau. The city's location, particularly its proximity to the Tennessee River, has been one of its greatest assets. Today, several major interstates (I-24, I-59, and I-75) run through Chattanooga, making it a hub of transportation business. The city borders North Georgia and is less than an hour away from both Alabama and North Carolina. Atlanta, Nashville, and Birmingham are all within two hours travel time by car.

Chattanooga is Tennessee's fourth largest city, with a population in 2000 of 155,554, and it covers an area of 143.2 square miles. Among the 200 most populous cities in the United States, Chattanooga—with 1,086.5 persons per square mile—ranks 190th in population density.² It is the most populous of 10 municipalities in Hamilton County, which has a population of 307,896, covers an area of 575.7 square miles, and has a population density of 534.8 persons per square mile.³

With its extensive railroads and river access, Chattanooga was at one time the "Dynamo of Dixie"—a bustling, mid-sized, industrial city in the heart of the South. By 1940, Chattanooga's population was centered around a vibrant downtown and it was one of the largest cities in the United States. Just 50 years later, however, it was in deep decline. Manufacturing jobs continued to leave. The city's white population had fled to the suburbs and downtown was a place to be avoided, rather than the economic center of the region. The city lost almost 10 percent of its population during the 1960s, and another 10 percent between 1980 and 1990. It would have lost more residents had it not been for annexation of outlying suburban areas.

The tide began to turn in the 1990s, with strategic investments by developing public-private partnerships—dubbed the "Chattanooga way." These investments spurred a dramatic turnaround. The city's population has since stabilized and begun to grow, downtown has been transformed, and it is once again poised to prosper in the new economy as it had in the old.

This report describes how Chattanooga has turned its economy around. It begins with a summary of how the city grew and developed during its first 150 years before describing the factors driving its decline. The report concludes by examining the partnerships and planning that helped spur Chattanooga's current revitalization and providing valuable lessons to other older industrial cities trying to ignite their own economic recovery.

II. Context and History

A. 1801 to 1860: Antebellum Chattanooga

In the late 1700s and early 1800s, the area around Chattanooga was home to the Cherokee Indian tribe. In 1816, white settlers, mainly missionaries and experienced settlers, arrived first in Ross's Landing, where downtown Chattanooga now sits. Cherokee native John Ross opened the first ferry trading operation in the area, trading with cities as far as Baltimore and Philadelphia.

Shortly thereafter, the federal government passed the Removal Act, forcing approximately 17,000 Cherokee from North Georgia and surrounding areas to move west to make room for new settlers. Ross's Landing was one of three principal points where the Cherokee began their journey along the Trail of Tears, where approximately 4,000 Native Americans died.

Chattanooga Historical Timeline

- 1819: Hamilton County established
- 1828: First steamboat travels the Tennessee River
- 1850: The first Western and Atlantic train travels through what is now Chattanooga
- 1861: Railroads to Chattanooga from Knoxville, Nashville and Memphis are completed
- 1871: Iron Industries in Chattanooga valued at approximately \$1,000,000
- 1878: Yellow fever epidemic strikes Chattanooga
- 1886: Chattanooga University established
- 1891: Walnut Street Bridge opens
- 1899: Coca-Cola bottling rights secured by Chattanoogaans Ben F. Thomas and Joseph B. Whitehead
- 1912: Ocoee Dam provides first hydroelectric power in Chattanooga
- 1915: Chattanooga is linked to Michigan and Florida by a new highway
- 1969: Chattanooga declared most polluted city in the nation
- 1982: Moccasin Bend Task Force created
- 1984: Chattanooga Venture established

By 1840, "8,175 persons, counting 93 free Negroes and 39 slaves" were living in Chattanooga.⁴ The growing popularity of steamboats had contributed to Chattanooga's economic prosperity. Many of the facilities used by soldiers during the forced removal of the Cherokees were later used for commerce, and the majority of business transactions during this time were completed on the river.

While the river remained important to Chattanooga, the railroad would change the face of its economy. The first Western and Atlantic train would travel through Chattanooga in 1850, followed soon after by a rail line linking Chattanooga to Nashville. Other major railroads would follow, including a line from Memphis to Charleston, giving Chattanooga access to the Mississippi River, enhancing river trade.

In 1885 the federal government made Chattanooga a port of delivery, and it was quickly becoming the economic center of the area for rural residents and others looking to trade their goods.⁵ The prospect of new visitors led Tom Crutchfield, Sr., to build the town's first hotel near the train depot. The Crutchfield House soon became the social and political center of the city.

B. 1861 to 1877: The Civil War and Reconstruction

At the outset of the Civil War, both Chattanooga and Hamilton County were pro-Union and voted to reject the Tennessee referendum for secession in February 1861, which was unsuccessful in the end. By the second referendum vote in June of that year, the City of Chattanooga reversed course and voted in favor of secession while the rest of Hamilton County remained pro-Union. As a result, many Union sympathizers soon left the city.

Chattanooga was strategically important to the war owing to its location and surrounding geography. The city was seen as the "gateway to the deep south," and Lookout Mountain and Signal Mountain were important territory to both armies.⁶ Soldiers on Signal Mountain signaled soldiers on Lookout Mountain, the location of the famous "Battle Above the Clouds."

During the war, Chattanooga was flooded with refugees and the city struggled to respond. Citizens turned warehouses into hospitals and strained to feed refugees. Tom Crutchfield, Jr., reportedly lost nearly \$10,000 feeding and housing volunteer troops passing through the area, and eventually was forced to sell Crutchfield House.⁷



Photo Courtesy Chattanooga-Hamilton County Bicentennial Library, Paul A. Hiener Collection

The war devastated Chattanooga's economy. Businesses burned and many of the railroad tracks were destroyed. The soldiers cut down vast numbers of trees for firewood. Homes were badly damaged or destroyed, and most prominent families fled at the beginning of the war and never returned. Many of those who did return were penniless with nowhere to live.

Chattanooga would, however, begin to rebuild, under the eye of occupying Union soldiers who remained in Chattanooga until the end of Reconstruction. In 1867, the largest recorded flood on the Tennessee River swept military bridges downriver, leaving the ferry as the only means of crossing. That same year, fires burned what remained of businesses, including the Crutchfield House. As a final blow, in 1873, cholera struck, followed by an outbreak of measles and smallpox.

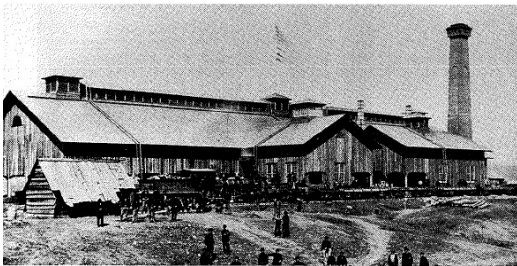
Despite the set backs, Chattanoogaans attempted to attract new residents to their town. An 1868 advertisement in the Chattanooga Daily Republican claimed a "high road to wealth, prosperity and power" to "Carpet-Baggers" willing to settle in the area, and a surprising number of Union soldiers moved to town.⁸ Many new businesses (mainly retail and wholesale) were established, and the business community began to realize the value of the area's natural resources.

In 1870, two former Union soldiers established the Roane Iron Works, which soon grew to be one of the city's largest employers—and signaled the rise of manufacturing in the area. By 1871, the city's iron industries were valued at approximately \$1 million.⁹ In 1875, the first horse-car walked what is now known as Main Street. Meanwhile, throughout the

Chattanooga Political Timeline

- 1801: First government official appointed to reside in the area of now known as Chattanooga.
- 1838: "Indian Removal" begins in Chattanooga; this is the start of the Trail of Tears
- 1839: "Town of Chattanooga" is established
- 1861: Tennessee votes to secede from the Union; Chattanooga favors the decision, although Hamilton County does not
- 1865: Reconstruction begins
- 1872: Chattanooga establishes a public school system
- 1905: Boycotts led by African American businessmen to protest forced segregation
- 1908: Construction of a new City Hall on 11th Street begins
- 1933: Tennessee Valley Authority created by President Franklin Roosevelt
- 1960: Riots and race problems sparked by a staged sit-in by Howard High School students
- 1990: Chattanooga moves to a council-mayor form of government
- 1997: Hamilton County Schools and City of Chattanooga Schools merge

Reconstruction period and into the turn of the century, Chattanooga focused on railroad expansion, building new passenger stations and depots, and completing the rail line to Cincinnati.



Building owned by Roane Iron Company
Courtesy of the National Archives

C. 1878 to 1919: Turn of the Century and World War I

In 1878, yellow fever struck the region. As infected refugees from New Orleans made their way through the mountains, many Chattanooga residents panicked and fled town. Only about 1,800 persons remained.¹⁰ Chattanooga was quarantined by neighboring counties. Many well-known doctors and nurses left Chattanooga to volunteer in afflicted cities, and few came back alive. One of the final deaths during the yellow fever epidemic was Chattanooga Mayor Thomas J. Carlile.

Again, however, the city recovered and advanced. Telephones gained popularity. Electric lights began to replace gas lamps throughout town. The first incline train ran on Lookout Mountain in 1887, and a year later electric street cars were the mode of travel in the city. In 1891 for the first time since the flood of 1867, the Walnut Street Bridge allowed Chattanoogaans to cross the Tennessee River on foot rather than ferry. Manufacturing continued to grow, and Chattanooga became known as the "Pittsburgh of the South" in the 1890s, although Birmingham, AL, later assumed the title.

At the end of the decade, a new industry arrived in the city. In 1899, two Chattanooga residents traveled to Atlanta to meet with Asa Candler, a pharmacist who owned the rights

to a new drink called Coca-Cola. Ben F. Thomas and Joseph Brown Whitehead sought the bottling rights for Coca-Cola in the United States. Candler, who envisioned Coca-Cola as “more a headache cure than a liquid refreshment,” was reluctant to sell the bottling rights, but eventually did.¹² When the two returned to Chattanooga, they joined with businessman John T. Lupton, and between 1900 and 1909, the three Chattanoogaans divided the nation into sales territories and sold bottling rights to local businesses. By 1909, there were 400 local Coca-Cola bottling plants, all tracing their rights back to Chattanooga.



Chattanooga's early role in bottling Coca-Cola brought both immediate prosperity and the opportunity for long-term civic investment. Lupton's Coca-Cola fortune eventually endowed the Lyndhurst Foundation. After his death, Ben Thomas' fortune and bottling rights passed to his nephew George T. Hunter, who later established the Benwood Foundation.

By the early part of the 20th century, Chattanooga was known as the “Dynamo of Dixie,” a nickname principally derived from the city's iron foundries and machine works. Labor unions began forming as early as 1897 with the Central Labor Union, and the Chattanooga Manufacturers Association, the nation's first, was formed in Chattanooga in 1902.¹³ It had also begun to focus on attracting the textile industry to the area.

With the rise of the automobile, Chattanooga opened its first auto sales establishment in 1903, and by 1909, “about 250 cars could be counted in town.”¹⁴ That year, the Lookout Mountain Automobile Club held a national race up the unpaved mountain. The race focused city attention on better roads and a new bridge to cross the Tennessee River. From this, the Dixie Highway Association was formed in Chattanooga, and was ultimately responsible for a major highway running from Detroit to Miami, directly through Chattanooga.

In 1904, Congress turned its attention to hydroelectric energy and the Tennessee River. Congressman John A. Moon sponsored legislation to build a dam on the Tennessee River in Marion County in 1904, 33 miles from Chattanooga. The dam was built by a private company and completed in 1913.

World War I would bring new construction and thousands of troops to the area, as nearby Fort Oglethorpe became a major training center. During the war, much of the population volunteered for the displaced soldiers, and women played an important role in the workplace. In 1917, neighboring Lookout Mountain, a municipality in Hamilton County, gave women the right to vote, the first to do so in the state of Tennessee.



Market Street in 1907

Photo Courtesy of the Chattanooga-Hamilton County Bicentennial Library

D. 1920 to 1950: Economic Boom, TVA, World War II

In the aftermath of World War I, manufacturing remained the primary source of local employment. By the 1920s, Chattanooga was also home to large textile mills such as the Davenport Hosiery Mills, the Richmond Hosiery Mills, and the Dixie Mercerizing Company.¹⁵ By 1930, there were 388 manufacturers in the Chattanooga area, making Chattanooga a regional leader in “the manufacture of foundry, oil well, and other iron and steel equipment,

and in hosiery, furniture and patent medicines,” according to a 1939 guide to the state¹⁶ Meanwhile, Chattanooga’s three major life insurance companies—Interstate Life and Accident, Provide Life and Accident, and Volunteer State Life Insurance—began to expand to a national client base, creating a source of nonmanufacturing employment, with more than 200 office workers.¹⁷ The Chattanooga business district expanded with new offices and new department stores, including Lovemans and Miller Brothers.

Although enjoying post-war economic prosperity, Chattanooga residents were already moving beyond the city limits. “Smoke and congestion caused many to move from the older residential sections of Cameron Hill, Alton Park, and Ridgedale to the suburbs of North Chattanooga, Missionary Ridge, Brainerd, and Shepherd Hills.”¹⁸ Between 1920 and 1930, the city’s population doubled to 119,798, but growth was largely attributable to annexation; Chattanooga increased in size to 16.2 square miles.¹⁹ By 1940, the city had added 8,400 residents, again largely the result of annexation, which expanded the city’s boundaries by nearly 70 percent.²⁰ The core of the city, meanwhile, was already beginning to decline.

Like the rest of the country, Chattanooga was hit hard by the Great Depression. Chattanooga was in the Tennessee Valley, “labeled as the number one economic problem of the country.”²¹ In 1933, President Franklin D. Roosevelt created the Tennessee Valley Authority (TVA), which provided the area with low cost, hydro-electric, public power. The City of Chattanooga’s Electric Power Board contracted with TVA and became its largest customer.²² In 1940, TVA completed the nearby Chickamauga Dam.

Massive unemployment overpowered the community as industry slipped into the doldrums. Men who had jobs often walked miles to work to save a nickel in carfare. “Old clothes days” were common; barter returned as a way of business...One bank failed to reopen after the bank holiday.

Chattanooga, James W. Livingood, Burns and Glass

In the short term, TVA created jobs in construction, engineering, and administration. By 1935, a conservative estimate of the TVA’s payroll in Chattanooga was \$1.5 million, and the millions spent on the project to develop the Chattanooga area helped stimulate economic growth of the city.²³ In the long term, TVA promised to make the Tennessee Valley even more economically competitive for manufacturing. By the 1940 Census, 34.5 percent of employed Chattanoogaans worked in manufacturing—almost double the share in the next largest sector, wholesale and retail trade. During World War II, manufacturing plants within a 25-mile radius turned out “textiles, blankets, shells, artillery parts, boilers, and alloys of steel products.”^w Immediately after the war, in 1945, Dupont constructed a major facility in the Chattanooga area. The site was chosen for its close proximity to the Tennessee River and TVA’s Chickamauga Dam, which provided the power needed for the facility.²⁴

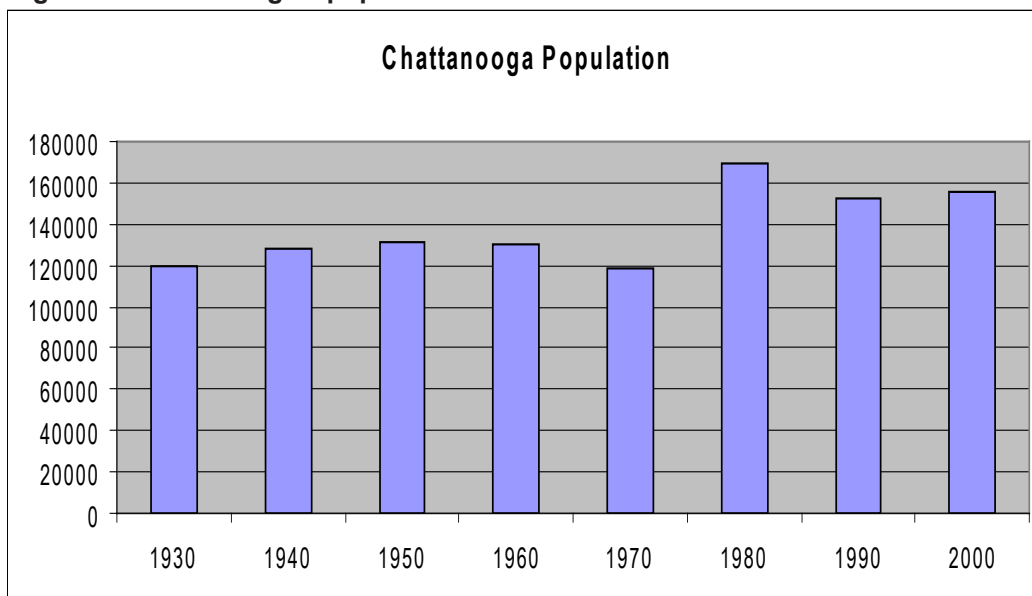
The city prospered during the postwar period, and its population grew without significant annexation. Between 1940 and 1950, the number of residents grew from 128,163 to 131,041 while the size of the city increased from 27.4 to 28 square miles.²⁵ But things would soon begin to change.

III. Chattanooga's Decline

Chattanooga's population started to dip, however slightly, in the 1950s—dropping from 131,041 to 130,009 between 1950 and 1960 (see Figure 1). Like other cities, Chattanooga was beginning to experience the first effects of suburbanization, a trend that would accelerate in the decades to come as racial tensions, affordable land, and expanded roadways pulled middle-income, mostly white residents from the urban core. In fact, from 1950 to 1970, the city's overall population dropped more than 9 percent, while the white population in the city declined nearly 17 percent. The population in adjacent parts of Hamilton County, meanwhile, increased 75 percent in just two decades.

Chattanooga's accelerating decline coincided with desegregation of the schools. In some respects, Chattanooga was more progressive than other parts of the South on issues of race. In 1948, for example, it became one of the first Southern cities to hire black police officers. Still, in 1960, efforts by Howard High School students to integrate downtown lunch counters ultimately led to a confrontation with white students and what was referred to as "the most massive racial clash in the history of Chattanooga."²⁶ That same year, litigation was filed that eventually led to the court-ordered desegregation of city schools.

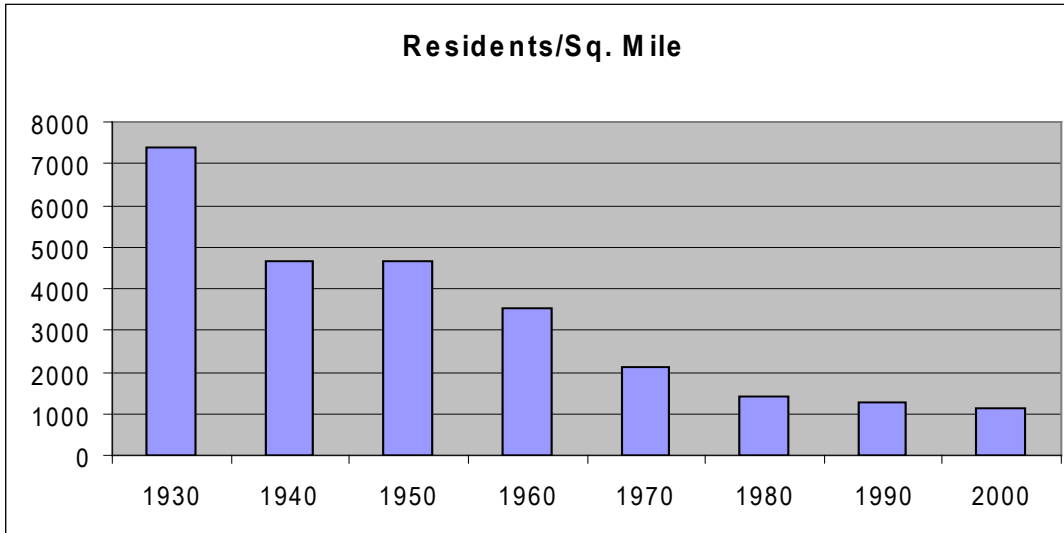
Figure 1. Chattanooga's population



Source: U.S. Census Bureau

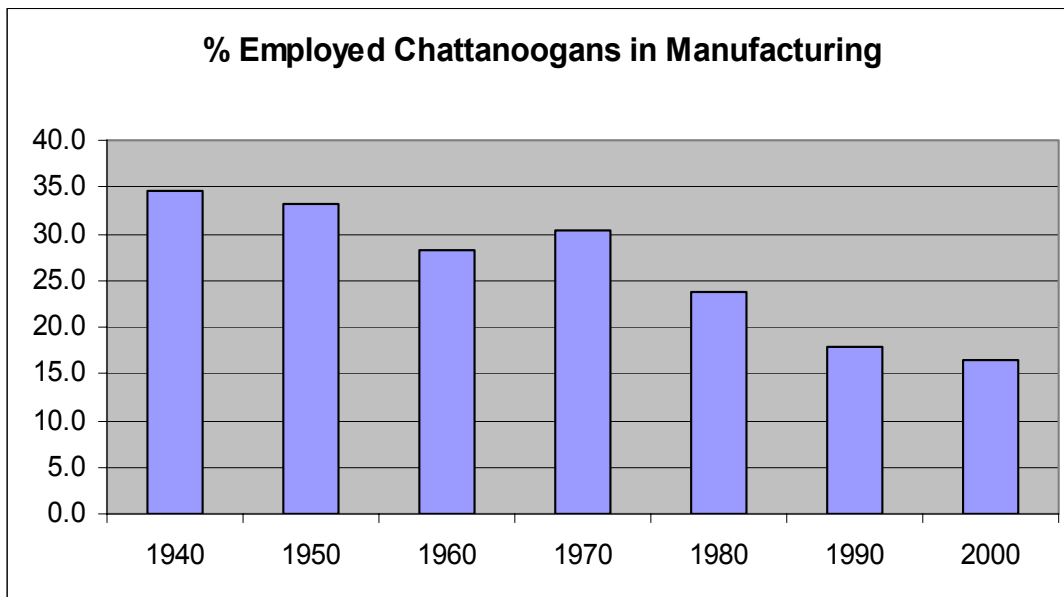
The city's population decline was also influenced by environmental conditions resulting from the continued concentration of manufacturing. In 1970, 30.4 percent of working Chattanoogaans were employed in manufacturing. In 1969, the federal government declared that Chattanooga had the dirtiest air of any city in the United States. The air was so polluted that people drove with their headlights on during the day. Walking to work left clothes covered in soot, and it was difficult to see the mountains from the city.

In the 1970s, the city's population decline was reversed—but only as a result of an annexation that more than doubled its physical size. In 1980, Chattanooga claimed 169,565 residents stretched across 120.1 square miles. Although the number of residents had grown, the city's population density of 1,412 residents per square mile was less than one-fifth that of 50 years earlier (see Figure 2). The 1970s annexation also changed the face of the city's workforce. Although the number of residents employed in manufacturing increased to 17,055, they declined as a share of the workforce to 23.7 percent. The expansion of the city's boundaries, unfortunately, could not reverse its trajectory of decline, and by the 1980s, Chattanooga was in both economic and population free-fall.

Figure 2. Chattanooga population density

Source: U.S. Census Bureau

Like many cities, Chattanooga was hit hard by deindustrialization. After reaching its peak in 1979, the country's manufacturing employment declined by more than 7 percent during the decade (see Figure 3). The loss of manufacturing had an even greater effect on Chattanooga. Between 1980 and 1990, the number of Chattanoogaans employed in manufacturing declined 28 percent, to 12,231, or about one in five workers. Fifty years earlier, more than one in three Chattanoogaans worked in manufacturing.

Figure 3. Manufacturing trends

Source: U.S. Census Bureau

As the number of manufacturing jobs declined, so did the number of city residents. After losing almost 10 percent of its population in the 1960s, Chattanooga lost another 10 percent during the 1980s, and for the first time in a century, Hamilton County's population declined as well. Downtown had—like many other U.S. downtowns—became a ghost town. Few families believed their college-bound children would ever return—there were no jobs and there seemed to be little future. At the beginning of the 1990s, Chattanooga was a hard-hit Rust Belt city.

IV. The Recovery Process

By the mid 1980s, Chattanooga's civic leadership realized that without change—and significant change—Chattanooga faced a fate of continued and ultimately irreversible decline. Chattanooga benefited greatly from having the right leadership at the right time to begin to meet this challenge. Ultimately, Chattanooga's recovery was the result of planning, citizen engagement, public-private partnerships, and smart investments in transformative projects—a process that came to be known as “the Chattanooga way.” At the same time, the recovery effort benefited greatly from changes in the local government structure that led to improvements in its efficiency and effectiveness.

A. Responding to the Crisis: Planning, Organizing, and Implementing the Comeback

In 1977, Thomas Cartter Lupton, heir to one of the Coca Cola bottling franchise-holders, left the bulk of his estate to a philanthropy he created in the 1930s. The foundation was renamed as the Lyndhurst Foundation and T. Cartter Lupton's son, John T. (“Jack”) Lupton became its first chair.

Jack Lupton hired his son-in-law, Rick Montague, and one of Montague's colleagues, Jack Murrah, to serve as the staff of the foundation. Initially, Montague sought to make Lyndhurst a regional foundation. But by the early 1980s, Lyndhurst turned its attention and resources to Chattanooga.

To many, the modern-day revitalization of Chattanooga started with the Moccasin Bend Task Force. In 1982, Lyndhurst, at the request of the local planning agency, funded an Urban Land Institute (ULI) assessment of Moccasin Bend, 600 acres of land on the Tennessee River and across from downtown Chattanooga.

ULI recommended that the community appoint a task force focused on the future of Moccasin Bend. Montague chaired the task force and Lyndhurst, the City of Chattanooga, and Hamilton County funded the study. The final report involved extensive community meetings and resident participation. Although the task force offered recommendations for Moccasin Bend, its principal recommendation was for the community to concentrate on the riverfront as the principal asset in any effort to revitalize the city.

The task force, working with an outside consultant, recommended the creation of the Tennessee River Park along a 22-mile stretch of the Tennessee River. The goal was to create a world class corridor of linear parks—both as a means of providing amenities to local residents and to begin the process of making Chattanooga a regional attraction. The plan for the Riverpark, completed in March 1985, concluded that “[I]f properly done, reconnecting the city with its river, not only physically but by active use, will strengthen community pride. Tourists will be attracted and the word will spread, an essential step in focusing business and investment interest on Chattanooga.”

As the Moccasin Bend Task Force was focusing on the river, another planning effort was focusing on downtown. In the late 1970s, the local chapter of the American Institute of Architects approached the Lyndhurst Foundation with an idea to create a design program associated with the University of Tennessee. In 1981, the School of Architecture set up an urban design studio, funded by Lyndhurst and led by an architect and member of the university faculty, Stroud Watson. Students of the studio focused on Chattanooga's downtown possibilities.

In 1982, the Urban Design Studio published “Images of the City,” in which it concluded that “[T]he vitality of Chattanooga's past, and the potential apparent in its present progress, in-

dicade that Downtown Chattanooga can more fully serve its inhabitants and the surrounding area.” The student exhibit included proposals for the revitalization of downtown Miller Park and Miller Plaza and more downtown housing, and highlighted the need for redevelopment along the riverfront. Specifically, the report noted that “a Tennessee State Aquarium would be one way to generate river front activity and provide pedestrian access to the river.”

The Urban Design Studio soon became a vehicle for implementing aspects of this initial planning for downtown revitalization. With the election of Mayor Gene Roberts in 1983, the Urban Design Studio established a formal relationship with the City. By 1985, the studio had created plans for the “Miller Park District” at the heart of the city’s downtown.

As physical planning went forward with both the Moccasin Bend Task Force and the Design Studio, civic leaders also moved forward in envisioning a larger-scale process for the community. In 1981, the Lyndhurst Foundation funded “Chattanooga in Motion” led by urban planner Gianni Longo. The initiative encouraged civic leaders to visit other cities seeking to turnaround their downtowns. As a result, several dozen community leaders traveled to Indianapolis and were impressed with both the city’s efforts and the role of one local organization—the Greater Indianapolis Progress Committee (GIPC). Founded in 1965, GIPC was created as a public-private partnership to act as a forum for solving community problems.

Inspired by GIPC, Chattanooga’s leaders created Chattanooga Venture in 1983 and began a series of public meetings in 1984 to lay out a vision for the city. The resulting *Vision 2000* detailed dozens of different initiatives to improve the quality of life in Chattanooga. *Vision 2000* joined the call for a downtown aquarium, but also advocated preserving the Walnut Street Bridge, creating more affordable housing, and a family violence shelter. Venture soon took the first steps in implementing these initiatives.



Reopening of Walnut St. Bridge in 1993
Photo Courtesy of the RiverCity Company

While Venture worked on a wide agenda of community revitalization, the RiverCity Company was created to implement the recommendations of the 1985 Moccasin Bend Task Force report. The RiverCity Company, chartered in February 1986, was initially capitalized with \$12 million in donations from eight local foundations and seven local financial institutions. The initial RiverCity board included representatives of the city and county, labor, and business, and the chair of Chattanooga Venture. The river park and the aquarium were RiverCity’s first two projects.

Developing Miller Plaza, the Riverpark, and the Aquarium

Between 1988 and 1993, Chattanooga made bold steps in implementing the plans generated in the 1980s. These signature projects were to be high-quality additions to the city’s physical environment, to inspire new self-confidence in the community, to provide amenities to make Chattanooga a more attractive place to live, and to build on the city’s natural assets and begin to attract visitors to the downtown area.

In 1988, Miller Plaza—developed by the Tonya and Lyndhurst foundations—opened at the corner of Market and MLK Boulevard as a complement to Miller Park, which had been built by the Tonya Foundation. Miller Plaza created a new meeting place in the middle of downtown. The two foundations gave the plaza to the RiverCity Company upon completion, along with an endowment for maintenance. Miller Plaza eventually became the site of Nightfall, a Friday night free concert series that now runs from May to late September.

In November 1988, the RiverCity Company broke ground for the Tennessee Aquarium, located on the Tennessee River on the site of abandoned warehouses. In November 1989, work was completed on the first phase of the Riverpark Plan. Both the Riverpark and the Aquarium benefited from the public-private partnership begun earlier in the decade.

Jack Lupton, an early champion of the aquarium, committed \$10 million from the Lyndhurst Foundation and \$11 million of his own money to its construction. Lupton also actively raised funds from other corporate, philanthropic, and individual funders. In the end, the aquarium was fully funded by private dollars.

In 1992, the Tennessee Aquarium opened as the world's largest freshwater aquarium. More than just a new physical development or a tourist attraction, it rose as a symbol of civic accomplishment. Despite all that Chattanooga had been through, the Aquarium and the Riverpark offered proof that the city was capable of coming together to complete what was widely regarded as a "world class project." Within its first five months, more than one million people visited the aquarium.

The following year, another component of the Riverpark was completed. Back in 1978, city leaders had planned to demolish the Walnut Street Bridge, which connected downtown and North Chattanooga. However, on recommendations of Vision 2000, the bridge reopened in 1993 as a link between the Bluff View section of downtown and North Chattanooga and connected the first phase of the River Park, which ran along the south shore of the river, to the north shore.

Downtown Revitalization and Housing

By the early 1990s, the revitalization of downtown was underway. The development of the Riverpark and the aquarium spurred interest and private investment in the downtown area. The city, county and civic leadership recognized they could begin to both plan for the city's future and see those plans come to fruition.

In 1989, developer Jon Kinsey bought a hotel on the brink of bankruptcy located on the site of the city's old railroad station at the southern end of downtown. After extensive restoration of the former terminal building, the hotel—the Chattanooga Choo Choo—reopened and became part of the Holiday Inn chain. Kinsey, who went on to serve as mayor, attributes his readiness to do so to the willingness of civic leaders like Lupton to invest in downtown.

Shortly before the opening of the aquarium in 1992, a new downtown restaurant, 212 Market, opened on the former site of a business-machine firm. Also around this time, the regional transit authority launched a free electric shuttle in the downtown, which eventually linked a parking garage at the south end of downtown to another parking garage near the aquarium.

In 1993, Kinsey completed work on the Riverset Apartments across from the aquarium. A RiverCity Company project, Riverset was the first new multifamily housing built downtown in 20 years. One month later, another new downtown restaurant—Big River Grille—opened its doors in the former trolley barns down the street from the aquarium.

In 1995, another new attraction for tourists—the Creative Discovery Museum (CDM), a children’s museum—opened two blocks from the aquarium, and in 1996, a new downtown movie theater opened as part of the new shuttle parking garage. Unlike CDM and the aquarium, the movie theater was a reason for area residents to come downtown at night. It therefore played a critical role in creating downtown life at night and attracting patrons for downtown businesses. In 2000, the minor league baseball team, the Chattanooga Lookouts, moved to a new downtown stadium, Bell South Park. The ball park was built on land acquired by the RiverCity Company, but all construction costs were privately funded. The stadium now attracts approximately a quarter million people every year. By 1996, the first of three new hotels near the aquarium opened as well. It was the first new hotel to be built in downtown in a decade.

Downtown Revitalization Timeline

- 1976: Miller Park, first downtown park, opens
- 1988: Miller Plaza opens
- 1992: Tennessee Aquarium opens
- 1993: Walnut Street Bridge reopens
- 1995: Creative Discovery Museum opens
- 1996: IMAX Theatre opens
- 1999: Coolidge Park opens
- 2000: Bellsouth Baseball Stadium opens
- 2001: Two new downtown schools open
- 2005: 21st Century Waterfront completed

As the area around the aquarium began to evolve into a district focused on entertainment, restaurants, and hotels, the community’s leadership turned its attention to other areas adjacent to the downtown core. In 1995, work was completed on a study commissioned by RiverCity Company (at that time known as RiverValley Partners) focusing on the South Central Business District. The plan, which also relied on public involvement, included a proposed new football stadium, expansion of the convention center, a new conference center, the revitalization of lower Market Street, environmentally friendly development, and new housing.

The South Central Business District (or Southside) plan moved forward, with substantial participation by local government. In 1996, city voters approved a referendum imposing a local option sales tax with the understanding that half the revenue from the new tax would be dedicated to supporting economic development. City officials also won the support of the State for a Tourism Development Zone (TDZ). The TDZ was a form of tax increment financing based on increased sales tax revenue. New sales tax revenue, TDZ funds, and other revenue supported a \$117 million bond issue to fund the expansion of the convention center, construction of an environmentally friendly building to house city and county offices, and construction of a new hotel and conference center, the Chattanooga.

Public investment in the Southside was complemented by private and further philanthropic investment. The commercial strip along Market Street was revitalized and included a mixed-use restoration and conversion project involving an old hotel that became a restaurant and the new home of the Community Foundation. But the greatest success may have been in the area of housing.

By the mid-1990s, with the exception of the Riverset Apartments, there had been little in the way of new housing investment in the downtown core. In the late 1990s, Chattanooga Neighborhood Enterprise (CNE)—one of the products of Chattanooga Venture—began work to renovate and create new housing in the Southside. The first project was the renovation of the old Grand Hotel into rental apartments. The old offices of the Southern Railway were converted into loft housing and also became CNE’s offices. But the clearest transformation was in the area around Cowart Place. CNE built new townhouse units and converted old units where previously there had been vacant lots. Many believed that it would be impossible to attract people to downtown market-rate housing in the Southside, but the success of Cowart Place spurred a host of new, privately funded, market-rate developments and conversions in the immediate area.

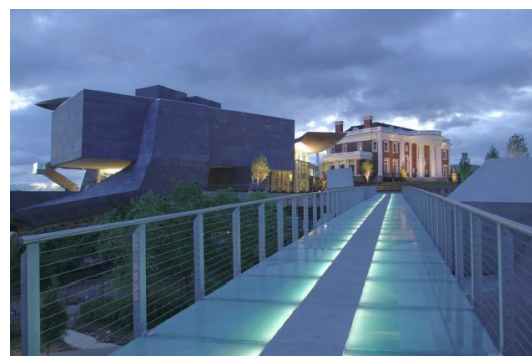
By the mid- and late 1990s, the north shore of the river was attracting attention as well. The Walnut Street Bridge had created a direct link between the commercial strip along Frazier Avenue in north Chattanooga with downtown, the Aquarium, and the Riverpark. However, for those who walked across the Walnut Street Bridge to the north shore, there was not much there.

Again, civic leaders, the local community, and city and county officials came together, this time to develop a plan for a waterfront park on the north shore of the Tennessee River to complement what was occurring on the downtown shore. A former Coast Guard reserve station was transformed into the ten-acre Coolidge Park, which opened in July 1999. The park features a carousel, stage, walkways, and a rock climbing area. As a result of this development, a series of shops and restaurants opened both along Frazier Avenue and along River Street, directly across from the park. Coolidge Park, in short, created a destination for people walking across the Walnut Street Bridge. The reopening of the bridge and the development of the park coincided with significant increases in the value of housing in North Chattanooga and new, market-rate housing development.



Coolidge Park
Photo Courtesy of the RiverCity Company

The \$120 million 21st Century Waterfront Plan was the most recent round of revitalization. The Plan was the result of a series of community planning meetings sponsored by the RiverCity Company. The heart of the plan called for continuing to fulfill the Moccasin Bend Task Force's vision of a return to the river. The significant next step was to reroute Riverfront Parkway, a state-owned road running between the river and the rest of downtown on the south shore. The plan also called for a change in grading along First Street and a glass bridge to link the Bluff View district and the aquarium. These street changes were complemented by new green space and marina space along the south shore, public art along First Street, a new park adjacent to Coolidge Park on the north shore, doubling the size of the Tennessee Aquarium, an expansion of the existing Hunter Museum of Art in the Bluff View district, and the creation of multiple additional sites for downtown housing.



21st Century Waterfront
Photo Courtesy of the RiverCity Company

The plan was announced in the 2002 State of the City speech by Mayor Bob Corker. The City worked with the RiverCity Company and local foundations to secure \$60 million in private and foundation contributions. In addition to federal and state funding, the bulk of the remaining \$60 million was obtained from debt issued by the Chattanooga Downtown Redevelopment Corporation, created by the city. The debt was backed by revenue anticipated over time from a new hotel/motel tax.

When Mayor Corker left office in April 2005, virtually all of the 21st Century Waterfront Plan was complete, including the rerouting of Riverfront Parkway, the connection between the Bluff View district and the aquarium, new green space and public arts on the south shore, and new housing. Subsequently, the new Renaissance Park—adjacent to Coolidge Park on the north shore—was also finished.

B. Political and Institutional Change in the 1990s

As Chattanooga underwent significant physical changes to its riverfront and downtown in the late 1980s and early 1990s, major political and institutional changes were occurring as well.

From 1912 until 1990, Chattanooga had operated under a commission style of government. Five city commissioners were elected; there was no district representation. Moreover, the mayor's power was limited by the legislative power and operational authority invested in the city commissioners over a department of city government. The five members of the commission were the mayor, the fire and police commissioner, the vice mayor and education commissioner, the commissioner of public works, and the commissioner of public utilities.

As part of Vision 2000, community leaders recommended a change in government structure, calling for the adoption of a Mayor/Council model to both empower the city's chief executive and to ensure greater representation for neighborhoods, particularly the city's minority neighborhoods. The commission structure had been a source of concern for the black community. Although blacks had historically composed approximately one-third of the city's population, the at-large election process meant that white voters were always in the majority. As a result, there had never been more than one black member of the commission.

After failed electoral and legislative efforts to change the structure of government, leaders in the black community filed, and won, a lawsuit in federal court challenging the legality of the structure under the federal Voting Rights Act, arguing that the at large commission structure diminished the representation of the city's black community. Under the court's order, Chattanooga ended the commission system and shifted to the structure recommended by the Chattanooga Venture—a mayor elected citywide and a nine-member city council with each member elected from districts.

The change in government had several effects. First, it increased the representation of nonwhites in city government. Currently, there are three black members of the council and one Latino member. Second, it allowed the mayor to function as a much stronger chief executive. Under the commission style of government, any effort to address a major issue in the city required intense coordination among multiple city departments—each of which was frequently under the control of a separately elected citywide official. Third, it opened city government to new ideas, as none of the nine newly elected council members had served in city government before.

Since 1960, two efforts to spur even more significant change in local government—the creation of a consolidated city and county government—had failed. In 1997, however, Chattanooga achieved a partial consolidation with the merger of the county and city school systems. The two systems were very different. Chattanooga's school system was 63 percent black and 59 percent of students were eligible for free and reduced lunch, while the county system was 94 percent white and only 20 percent were eligible for reduced and free lunch.²⁷ Although the consolidation of the two school systems did not have a direct impact on revitalization efforts, it again demonstrated the community's ability to take on difficult issues. It was also the precursor for a series of initiatives that have led to steady improvements in local public schools.

C. Investments in Social Capital

Although physical and political transformation played a key role in Chattanooga's turnaround, important investments in social capital played a role as well. For some, the transformation of Chattanooga and downtown predates the Moccasin Bend Task Force report.

Five Nights in Chattanooga—an early recommendation of city planner Gianni Longo, whom the Lyndhurst Foundation had brought to the city—effectively proved that the community could come together downtown in celebration. Skeptics had doubted that people would come to downtown for a performance or a celebration, and city officials had worried about crime and racial conflict.

But Five Nights was a success, and the following year, organizers launched the Riverbend Festival, again taking advantage of the riverfront. Riverbend is now in its 28th year and over nine nights attracts 650,000 attendees to downtown and the waterfront.

The same foundations that were investing in the riverfront and downtown revitalization were also beginning to invest in neighborhoods. With funding from the city, the Lyndhurst Foundation, and other sources, CNE, which played a role in the revitalization of the Southside, continued its initial focus on providing fit and affordable housing to all Chattanooga residents. CNE provided financing for homeownership and managed and developed properties in concert with neighborhood revitalization efforts.

In 1999, the City and local foundations launched the Community Impact Fund to work in select, weak-market neighborhoods in downtown Chattanooga, namely Bushtown, Highland Park, ML King, and Southside. These neighborhoods, which surrounded the newly revitalized downtown, were home to low-income, predominantly black residents. Without the revitalization of downtown, renewal efforts in these neighborhoods would have been difficult. The focus of the Community Impact effort was on civic engagement. The organization's mission is "to create an improving quality of life for participating neighborhoods through support of neighborhood associations and partnerships with other key organizations." As a result, residential investment in the four neighborhoods doubled between 1999 and 2005.²⁸

Finally, the community's leadership has also recognized the importance of investing in human capital, particularly through the school system. In 1988, civic leaders created the Public Education Foundation (PEF) as a means of providing support to both the county and city school systems. PEF also played a major role in the merger in 1997 of the two systems. Since then, PEF has been instrumental in providing private, local, and national, philanthropic support for the area's public schools.

The need for such support was great. In 2000, a state study found that nearly one-half of Tennessee's 20 lowest-performing schools were in Chattanooga. PEF, working in close partnership with the school system, was at the forefront of efforts to achieve an educational turnaround that complemented that city's physical transformation. Between 2000 and 2005, PEF provided \$25 million in support to Hamilton County public schools with large grants from the Annenberg, Carnegie, Lyndhurst, and Benwood foundations.

In 2001, the Benwood Foundation committed \$5 million to comprehensive reform of nine low-performing elementary schools. That same year, Carnegie and the Gates foundations committed \$8 million to improve achievement in the high schools. Another \$8.5 million from the Lyndhurst Foundation and National Education Association Foundation focused on middle-school reform. The results have been particularly noteworthy in the Benwood schools, where student reading scores have improved at almost double the rate of all schools in Hamilton County.

V. Today and Tomorrow

Chattanooga is not the only city to have invested in downtown or waterfront revitalization. It is not the only city that has tried to reverse the economic downturn resulting from the loss of manufacturing jobs. Nor is it the only city to have attempted improvements in housing and education. The difference between Chattanooga's efforts and the efforts of other American cities to reverse their fortunes can be found in its real results.

A. Signs of Recovery

In a recent study of America's older industrial cities, the Brookings Institution identified 65 cities of 302 nationwide that had the lowest scores on eight indicators of economic health and residential well-being. Chattanooga was one of 17 cities that was on the list on the basis of 1990 indicators but had moved off the list after changes during the 1990s.²⁹ The number of business establishments in Hamilton County grew by more than 6 percent during the decade, for example, while wages increased nearly 39 percent.³⁰ At the same time, median household income in the city grew by more than 9 percent, while its poverty rate declined slightly.³¹ But other changes are evident as well.

Chattanooga's Population Trends Have Reversed

Between 1990 and 2000, Chattanooga's population increase of 2 percent lagged behind the national average of 14.7 percent for mid-sized cities (those between 100,000 and 300,000). But Chattanooga was one of just 18 U.S. cities with more than 100,000 residents to experience a population increase during the 1990s after losing population in the 1980s. In fact, Chattanooga was the only U.S. city with a population of 100,000 or more to lose more than 10 percent of its population in the 1980s and reverse that trend in the 1990s.

Still, between 2000 and 2006, Census population estimates suggest that population has held steady or even declined slightly. A Community Research Council study in May 2007 urged the city to challenge the Census Bureau estimates. As a result of the challenge, the Census Bureau concluded that Chattanooga's population had continued to rebound in the first half of this decade—with population now estimated at more than 168,000, up by just over 8 percent since the last Census.

Other data confirm this growth. A Community Research Council analysis of residential migration on the basis of electric utility data found that between 2001 and 2004, the annual number of new Electric Power Board (EPB) residential customers in Hamilton County ranged from a high of 7,903 in 2002 to a low in 2004 of 6,947, with a four-year average of 7,440. In 2005, EPB received 9,224 applications for new residential service—24 percent higher than the four-year average.³² In 2006, there were 9,666 new residential service customers, up another 4.8 percent from 2005.

The resurgence of Chattanooga's downtown and surrounding neighborhoods played a role in the overall growth of the city's population during the 1990s. A 2005 study by the Brookings Institution analyzed downtown population change between 1970 and 2000 in 44 cities. It found that downtown population in these cities had grown by an average of 10 percent in the 1990s. In Chattanooga, downtown population had grown by more than 7 percent in the 1990s, after declining by nearly 25 percent in the 1980s.³³ This growth has continued. Between 2001 and 2006, there were 3005 new applications for residential electrical service in the downtown area, rising more than 26 percent between 2005 and 2006 alone.

Residential growth downtown is not simply a demographic accident. It is largely a response

to (and now a driver of) the city's revitalization efforts. More people are deciding to live downtown because of proximity to its and other nearby amenities. A survey of downtown residents found that 76 percent of respondents felt such proximity was a very important or somewhat important reason for moving downtown—more important than proximity to work or school, a desire to live in an urban setting, or to live in a new apartment. Only convenience to activities throughout the area—84 percent—was cited as a more important reason.³⁴

Chattanooga's growing population has not only helped spur a continued demand for housing and amenities, but it has also made the city more diverse. Although the increasing number of Mexicans and others from Latin America has brought many challenges, it has created new opportunities as well, opening up new markets, bringing new life to city streets, and creating new potential for entrepreneurs and small business growth.

The Number of Jobs and Firms Has Grown

Chattanooga's population turnaround also coincided with a transformation of the local economy. Between 1990 and 2004, manufacturing employment in Hamilton County declined 22.5 percent. By 2000, just 16.5 percent of employed residents worked in manufacturing.³⁵ During the 1990s, growth in other industries began to offset the loss of manufacturing. Employment directly related to tourism, for example—jobs in leisure, hospitality, accommodations, and food services—was up by more than 26 percent in Hamilton County.³⁶

Downtown revitalization also helped trigger growth in another key sector of the local economy: finance and insurance. Between 1990 and 2004, employment in finance and insurance in Hamilton County grew from 9,316 to 12,957, a 39 percent increase. Although not all of the new jobs went to Chattanooga residents, the number of Chattanoogaans employed in the sector increased by 13 percent between 1990 and 2000.³⁷

Three major insurers—Blue Cross/Blue Shield of Tennessee, Unum Provident, and CIGNA—are all located in Chattanooga's downtown. In 1997, CIGNA merged with Healthsource and considered leaving Chattanooga, imperiling 1,175 local jobs in the Chattanooga area. City officials worked hard to locate low-cost office space to meet CIGNA's current and future needs. The downtown revitalization, then well under way, also played a key role in keeping CIGNA in Chattanooga and downtown. As of 2006, CIGNA was the region's fifth largest private employer with a workforce of 1,975 employees.

Similarly, after the 1999 merger between Chattanooga-based Provident Insurance and Unum Corporation (based in Portland, ME), the city was concerned that Unum Provident—one of the nation's largest disability insurers—might leave Chattanooga. Provident had become a major downtown stakeholder and owned a considerable amount of land in Chattanooga. Again, the redevelopment of downtown—literally in Unum Provident's front yard—was important in retaining the new firm's corporate headquarters. As of 2006, Unum Provident was the region's third largest private employer with 2,918 employees. Meanwhile, after initially considering a new location beyond downtown, Blue Cross/Blue Shield is now building a \$300 million campus on a hill overlooking the downtown area. In its 2004 announcement, Blue Cross/Blue Shield's CEO called the decision a renewal of "our commitment to Chattanooga and its vibrant downtown area. We are proud to be part of the city's resurgence."³⁸

New opportunities are also being created. The University of Tennessee at Chattanooga (UTC) and downtown leaders are working to build closer relationships, to bolster the university's role in the city's development. One area of great potential is the Sim Center at UTC, a center of computational engineering that city officials and the university recruited from Mississippi State University in 2002. Sim Center creates an opportunity for Chattanooga to play a role in new technology and innovation and take the community's transfor-

mation to a new level. In 2007, state and university officials announced plans to expand the Sim Center into the National Center for Computational Engineering. Local foundations have already committed \$20 million in support of the effort.

Finally, the recent announcement by Volkswagen that it will open its United States manufacturing plant at Chattanooga's Enterprise South site will mean thousands of new jobs for the city and the surrounding region in years to come. While most of the directly created new jobs will be in manufacturing, a majority of indirect and induced jobs will be spread throughout the local economy.

Volkswagen's plans to begin construction of the \$1 billion plan in late 2008 and begin production in 2011, with a workforce of two thousand employees, are further testimony to the city's turnaround. In its announcement, Volkswagen noted that "[L]ike many other cities with an industrial past, changing times once threatened to leave Chattanooga in rust and decline. But unlike some other cities facing the same fate, Chattanooga's leadership and citizens chose to restore, reinvest and reinvent...The people of Chattanooga took responsibility for their city's future and made great things happen."

Educational Attainment Is Up

The city's economic turnaround has occurred as more new jobs require higher education attainment in the emerging economy. Between 2001 and 2004, 62 percent of net new jobs in the region demanded higher levels of education. When compared with 13 other regions anchored by a midsized city, Chattanooga ranked ninth in overall job growth from 2001 to 2004, but third in job growth for higher-income, higher-skilled jobs.³⁹

These improvements in education in the region are directly related to regional prosperity. As Glaeser and Shapiro stated in a 2003 article, "[S]killed communities rise, and unskilled communities fail. This has been true in every decade going back to the late nineteenth century."⁴⁰ Over a lifetime, individuals with a college degree are now likely to earn 75 percent more than individuals with a high school diploma and almost one-third more than individuals with an associate's degree.⁴¹

Since 1970, the first time that more than 10 percent of American adults age 25 and older had a college degree, Hamilton County has lagged behind the national average in college attainment, while consistently outpacing the statewide college attainment rate.⁴² Chattanooga's college attainment rate continued to trail that of Hamilton County and the nation throughout the 1970s, 1980s, and 1990s.

According to the 2005 American Community Survey, 28 percent of Hamilton County residents aged 25 and older have a college degree compared with 27 percent nationally. Nearly 25 percent of Chattanooga residents had a college degree. Moreover, Chattanooga's college attainment rate is 90 percent of the national average.⁴³

Attitudes Have Changed

As dramatic as the physical and demographic changes in Chattanooga have been, the change in attitude among Chattanoogans has been even more significant. This forward looking attitude and optimism is captured in a February 2008 survey:⁴⁴

- 60 percent of Chattanoogans are "very satisfied" with life in the Chattanooga area—up from 49 percent in 2006
- 61 percent stated that they are "not at all likely" to move away from the area in the next three years—up from 48 percent in 2006
- 71 percent believe that things in their neighborhood are going in the right direction

Most important, these findings demonstrate that Chattanoogaans believe in the future of their city, a faith that will be key to its long-term prosperity.

B. Remaining Challenges

Chattanooga's successful turnaround stands as a model for other weak-market cities in the United States. However, the city may have entered this century with a new momentum and confidence, it continues to face significant challenges to its future.

Although Blue Cross/Blue Shield is consolidating its operations to new facilities on nearby Cameron Hill, that move will create a glut of empty downtown office space. Government and business officials recognize the importance of attracting new business downtown to ensure continued animation and vitality and to create the market necessary to sustain existing restaurants and other businesses and to attract new retail.

Despite improvements in the local economy, Chattanooga's poverty rate remains higher than the national average. This is in part a reflection of the area's lagging wages. In 2005, the average annual wage in Hamilton County was 13.5 percent lower than the national average. It also demonstrates the lack of direct links between efforts at downtown and regional economic development and focused efforts at creating jobs in Chattanooga's poorest communities. Large stretches of Chattanooga still lack the most basic services—from banks to grocery stores.

Although Hamilton County's college attainment rate exceeded the national average in 2005, local employers continue to rank the ability to attract an educated workforce as a major obstacle to growth. Crime, meanwhile, remains another deterrent to potential businesses and residents. Among midsized U.S. cities, Chattanooga's murder rate is 75 percent higher than the national average.⁴⁵

Finally, as is the case in many U.S. cities, significant disparities between whites and black remain. For example, the unemployment rate in 2000 among black men in Hamilton County was more than two and a half times the rate for white men. In Chattanooga, it was more than double the rate for white men. According to a 2006 countywide survey, 45 percent of blacks feel they are in excellent or very good health compared with 60 percent of whites.

All told, these statistics show that, as far as the city has come, it will need a continued, focused drive for change to overcome its legacies.

VI. Conclusion

The transformation of Chattanooga during the last quarter century is a testament to a process more than any single investment in physical infrastructure. An aquarium or a park is no silver bullet to reversing the economic fortune in every community. Instead, Chattanooga's story is about bringing many factions, both public and private, to work together to move a city in a new and different direction. The "Chattanooga way"—public private partnerships, strong planning, bold implementation, and constant input from the public—could be replicated in other communities lacking the natural assets possessed by Chattanooga.

The importance of process and civic leadership is even clearer when one recognizes that the transformation is not yet complete. Although Chattanooga began to grow again in the 1990s, its rate of growth still lagged far behind most midsize cities. The challenge to the community and to its leaders is whether the Chattanooga way can continue to guide the city toward future growth or whether resorting to old habits will lead to stagnation and decline.

Twenty-five years ago, most Chattanooga residents undoubtedly believed that the city's best days were already behind it. Now, with the planned Volkswagen plant, Chattanoogaans ask "what's next?" In other words, given all that has been accomplished to date, what is the next chapter in this story? What is the next big, bold initiative that the community can unite behind?

Yet, as the community has righted its collective ship, questions persist as to whether it can begin to tackle the thorniest challenges—public education, poverty, crime, and the vast disparities between black and white residents. Its success or failure in these areas will determine just how far the future turnaround will go.

TENNESSEE'S ROLE IN THE REVITALIZATION OF CHATTANOOGA

Although local government, philanthropic, and business leaders were at the forefront of Chattanooga's turnaround, state officials played an important role in providing significant funding and support.

- In the 1980s, the leaders of Chattanooga Venture originally sought state funding for the renovation of the downtown Tivoli Theater. Governor Lamar Alexander urged them to be more ambitious and expressed particular interest in the aquarium proposal. Eventually, the state provided funding for the aquarium plaza, the Tivoli, the Riverpark, and construction of a museum and meeting venue dedicated to jazz singer Bessie Smith.
- During the most recent downtown revitalization effort, the state again provided funding for infrastructure components of the 21st Century Waterfront Plan, and the state Department of Transportation, after initial resistance to the City's new waterfront plans, eventually turned over a key highway to city control.
- Redevelopment of downtown's Southside and the Waterfront Plan were funded through state legislation. In part, the debt service on the Southside project was funded through tax increment financing based on sales tax revenue. In addition to funding from the state and federal governments, the only public dollars supporting the Waterfront Plan are from a state-authorized local hotel motel tax.
- Efforts to recruit and expand the Sim Center are the result of a direct partnership between local foundations, the city, and the University of Tennessee.

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- 1 David Eichenthal is the President and CEO of the Ochs Center for Metropolitan Studies, (previously the Community Research Council), a Chattanooga, Tenn. based not for profit organization that conducts independent data analysis and policy research to improve the quality of life in the Chattanooga Region. Mr. Eichenthal is also an Associate Professor of Public Administration at the University of Tennessee at Chattanooga and a Nonresident Senior Fellow at the Brookings Institution Metropolitan Policy Program.

Tracy Windeknecht is Special Projects Manager at Girls, Inc. in Chattanooga, Tenn. At the time of this study, she was a Project Assistant at the Community Research Council.
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About the Authors

David Eichenenthal is the President and CEO of the Ochs Center for Metropolitan Studies, a Chattanooga, Tenn. based not for profit organization that conducts independent data analysis and policy research to improve the quality of life in the Chattanooga Region. Mr. Eichenenthal is also an Associate Professor of Public Administration at the University of Tennessee at Chattanooga and a Nonresident Senior Fellow at the Brookings Institution Metropolitan Policy Program.

Tracy Windeknecht is Special Projects Manager at Girls, Inc. in Chattanooga, Tenn. At the time of this study, she was a Project Assistant at the Community Research Council.

For More Information:

David Eichenenthal
DEichenenthal@ochscenter.org
Phone: 423-425-5611

BROOKINGS

1775 Massachusetts Avenue, NW
Washington, DC 20036
telephone 202.797.6000
fax 202.797.6004
web site www.brookings.edu

Metropolitan Policy Program at BROOKINGS

telephone 202.797.6139
fax 202.797.2965
web site www.brookings.edu/metro