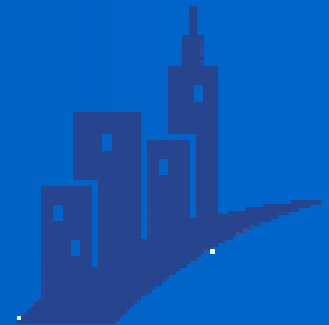


# The Brookings Institution

Metropolitan Policy Program

Jennifer S. Vey, Senior Research Associate



## Revitalizing Weak Market Cities in the U.S.

16th Annual Conference on the Small City  
October 16, 2006



# Revitalizing Weak Market Cities in the U.S.

I

What is the Weak Market Cities project?

II

What are our preliminary research findings?

III

What is our preliminary framework for policy reform?



# I

## What is the Weak Market Cities project?

*Brookings and several partners are engaged in a research and policy development effort that aims to...*

- Develop an empirically-based inventory of weak market cities
- Create a state and local policy agenda to strengthen weak market cities, informed by the European experience
- Organize a network of state and local reformers to advance the policy agenda
- Market this agenda in key states



## II

# What are our preliminary research findings?

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

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

Several forces are contributing to the weak performance of these cities

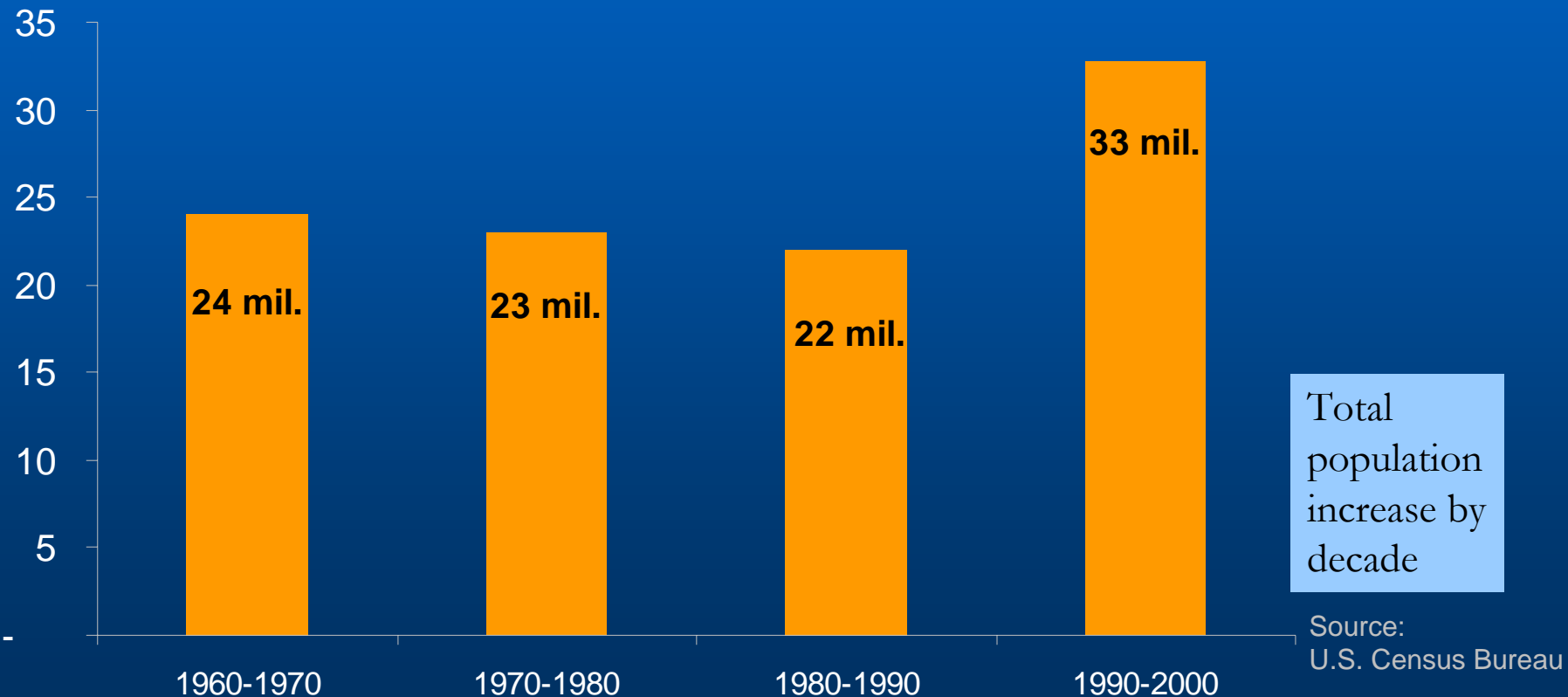


## There are profound demographic and market changes taking place in the United States

- Demographically, the country is growing, aging, and diversifying
- The country is going through a profound economic transformation marked by globalization, deindustrialization, increasing technological innovation, and demand for highly skilled workers
- Over the next 30 years, billions of additional square feet are projected to be developed or replaced
- Culturally, the nation is changing its attitude towards cities and urban living

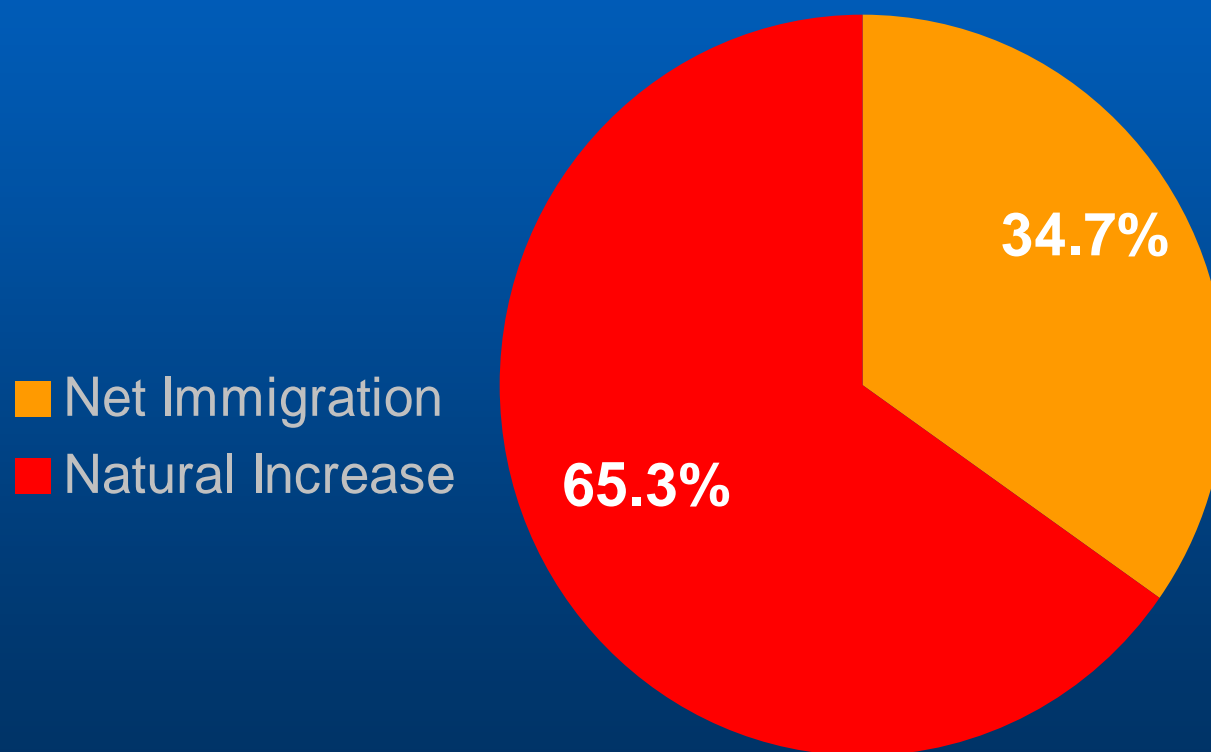


## The population of the United States increased dramatically in the 1990s





## Immigration explains a large portion of this population growth



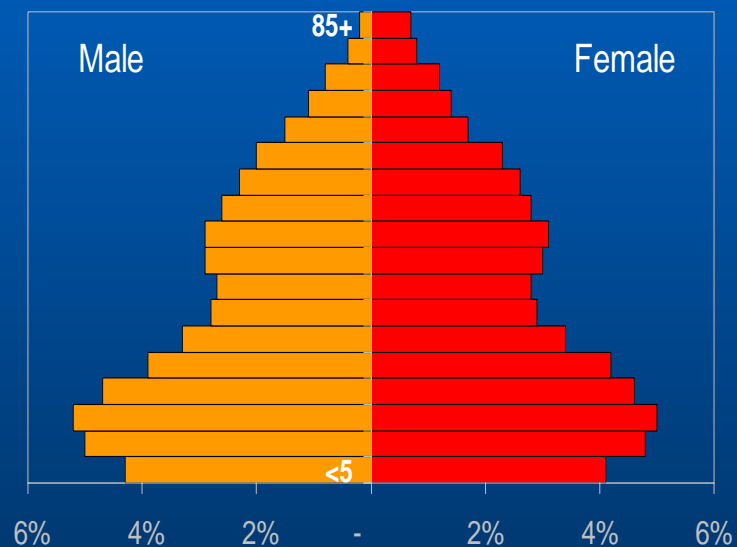
Components  
of population  
change, 1990-  
2000

Source:  
U.S. Census Bureau

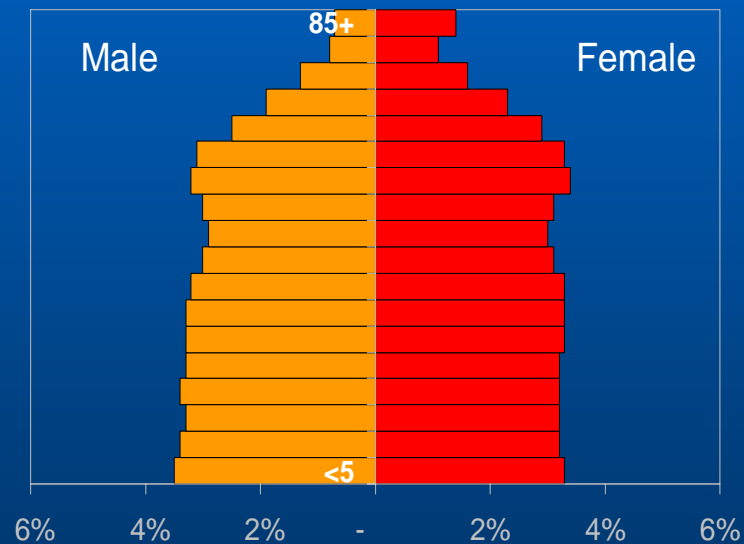


# As America grows, it is also aging

1970



2020



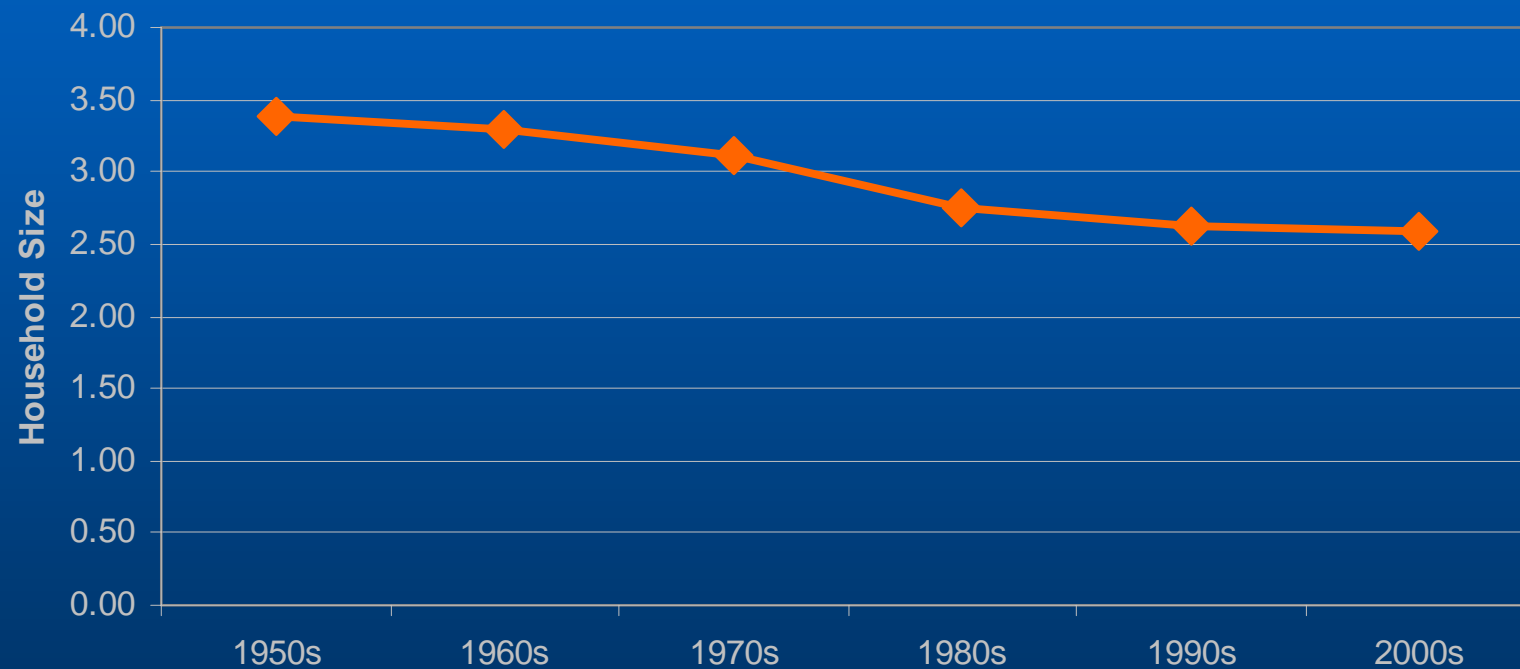
Share of  
population  
by age  
group

Source:  
U.S. Census  
Bureau





And as men and women are delaying marriage and having fewer children, household size is declining

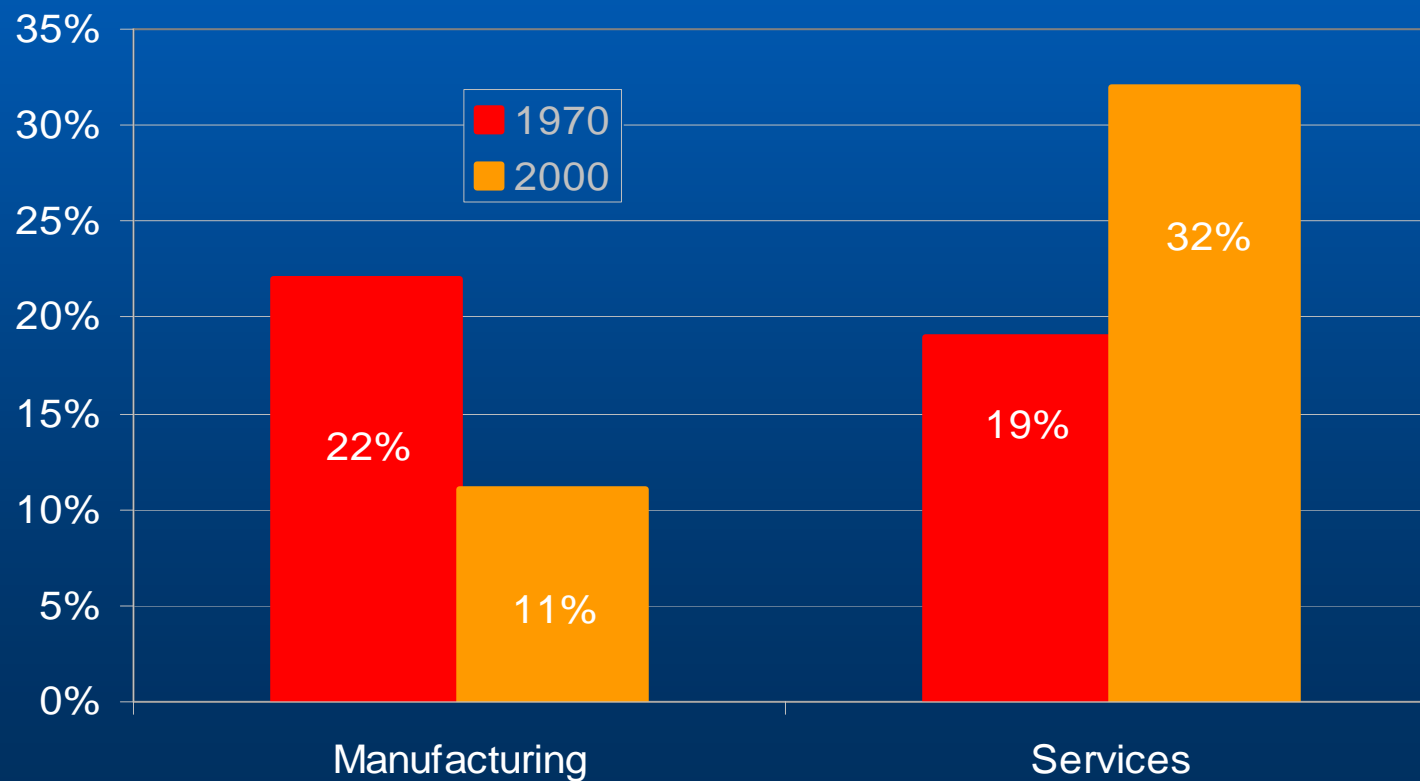


Persons per  
household,  
1950-2000

Source: U.S.  
Census  
Bureau



# The U.S. economy continues to transition from manufacturing to services

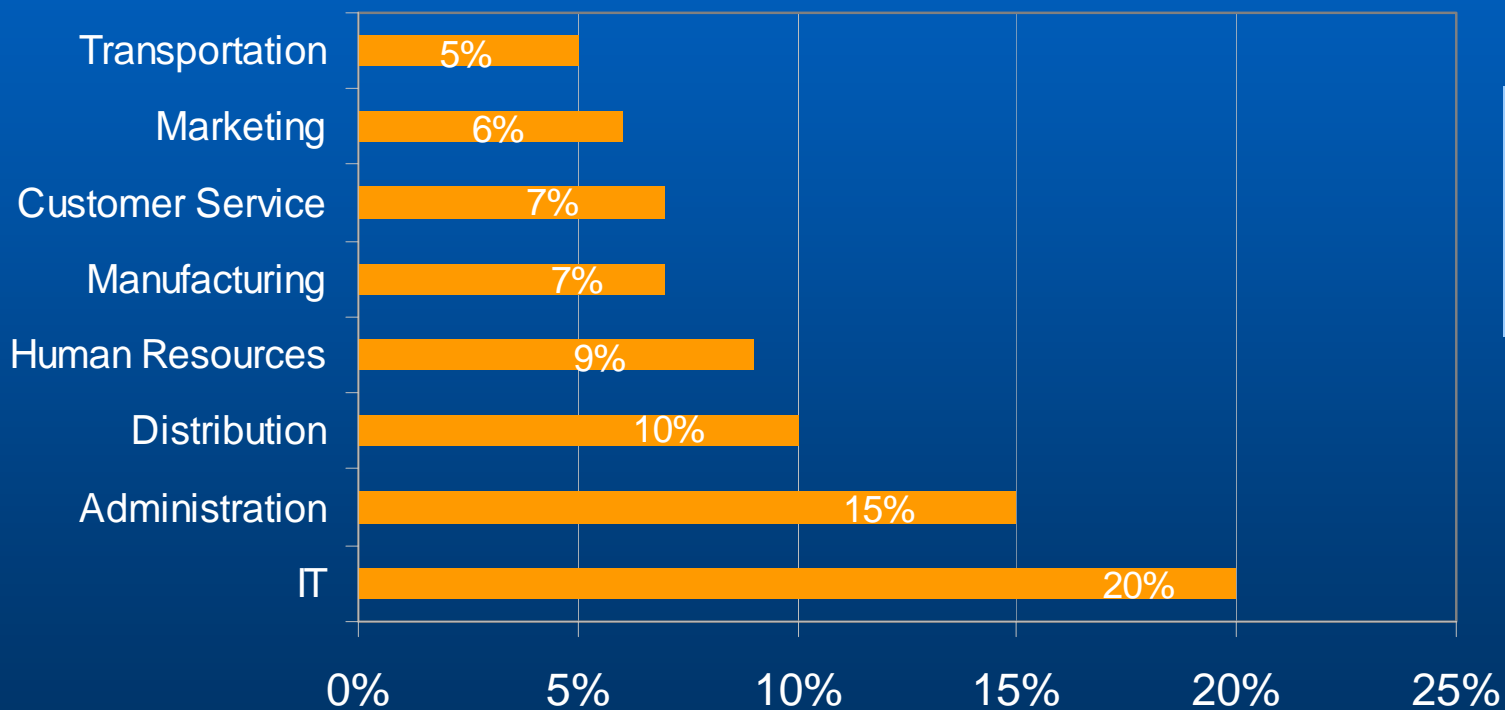


U.S. employment  
shares, 1970 and  
2000

Source: Bureau of  
Economic Analysis



# Globalization and technological innovation are forcing firms to focus on core competencies and outsource routine business activities

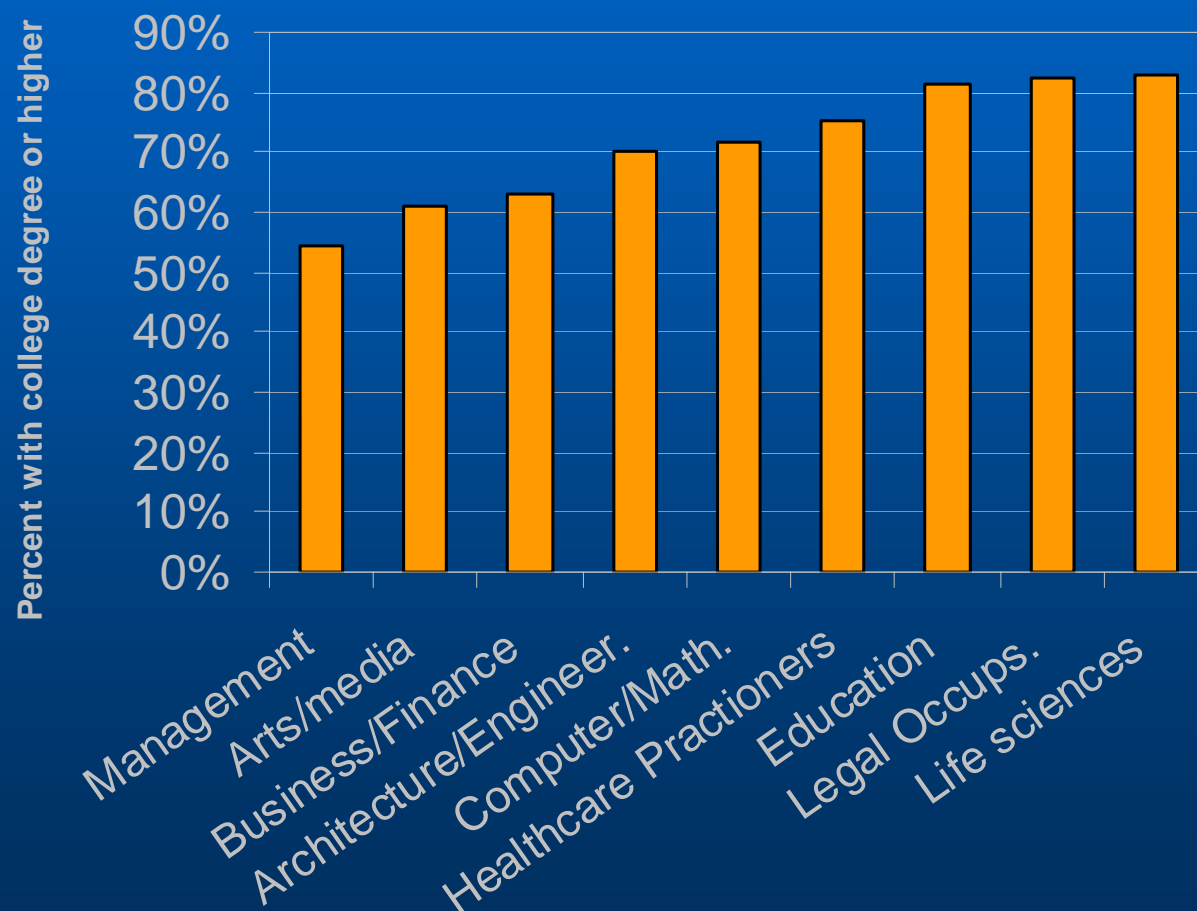


Percent of  
companies  
outsourcing  
services, 2000

Source: Outsourcing  
Institute



## These changes are placing a high premium on education and skills



Percentage of workers with a college degree or higher, selected occupations, 2002

Source: National Education and Attainment, National Bureau of Labor

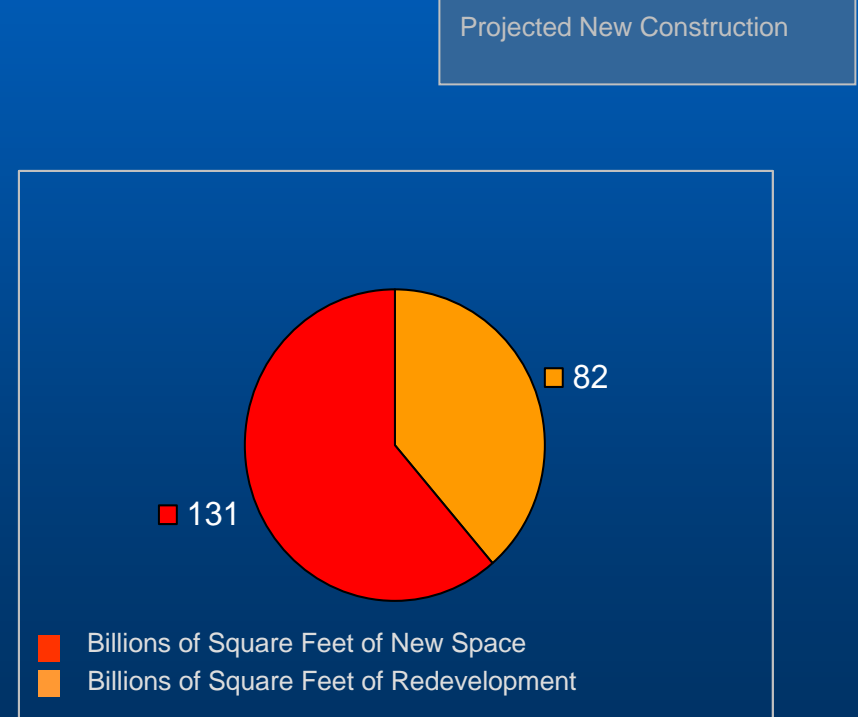


# Steady growth in the 1990s and into the future is fueling physical development and redevelopment

## Development in the 1990s



## New Development by 2030





Popular culture has played a role in glamorizing city life

F.R.I.E.N.D.S

GREY'S ANATOMY Thursday 9/8c





## A substantial decrease in urban crime has also attracted people back to cities

Percentage changes in crime rates according to per capita police reports, 1991-2001

	Homicide	Violent Crime	Property Crime
<b>Entire United States</b>	-42.9%	-33.6%	-28.8%
Within Metro Areas	-45.0%	-36.7%	-31.7%
<b>City size</b>			
Over 250,000 People	-49.2%	-43.2%	-36.1%
50,000-250,000	-41.4%	-37.5%	-31.9%
Less than 50,000	-34.9%	-22.7%	-23.2%

Source: Levitt, Steven D. "Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not"



So what does all this mean for cities?





## Demographic changes give cities a chance to compete for new residents



- Young professionals
- Childless couples
- Baby-boomers
- New immigrants
- Empty nesters
- Elderly individuals

This growing and diverse population desires a range of choices in housing...



Multi-family housing



Apartments for rent



Single family housing



Assisted living



## ...in walkable neighborhoods



Urban neighborhoods downtown



Neighborhoods with mixed density



Single family neighborhoods

Historic  
neighborhoods



...in shopping



Downtown



Big box



Neighborhood main streets



## ...and in transportation



Fixed rail



Walking and biking



Bus



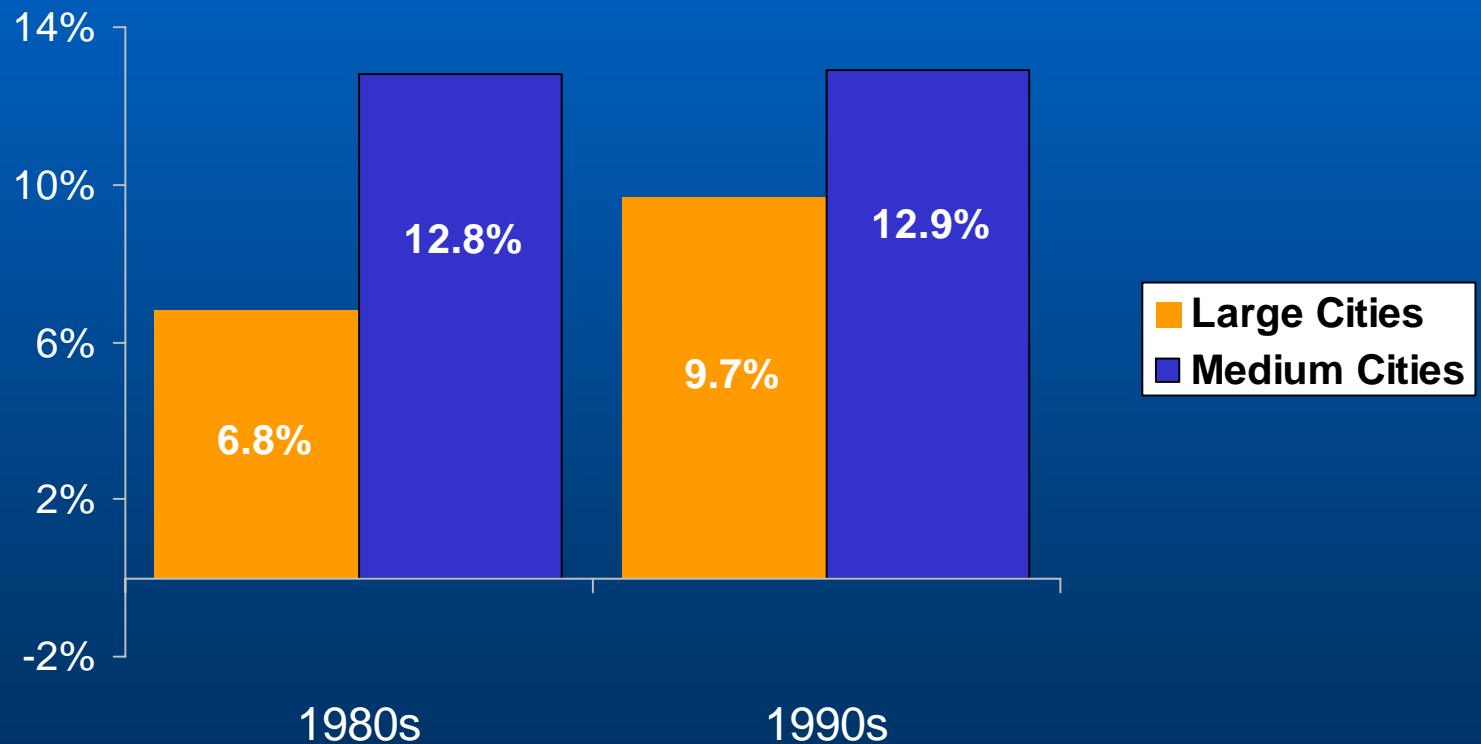
Automobile



## These changes and choices have already led to a population surge in urban areas...

Population growth  
in the 200 largest  
U.S. cities

Source: U.S. Census  
Bureau

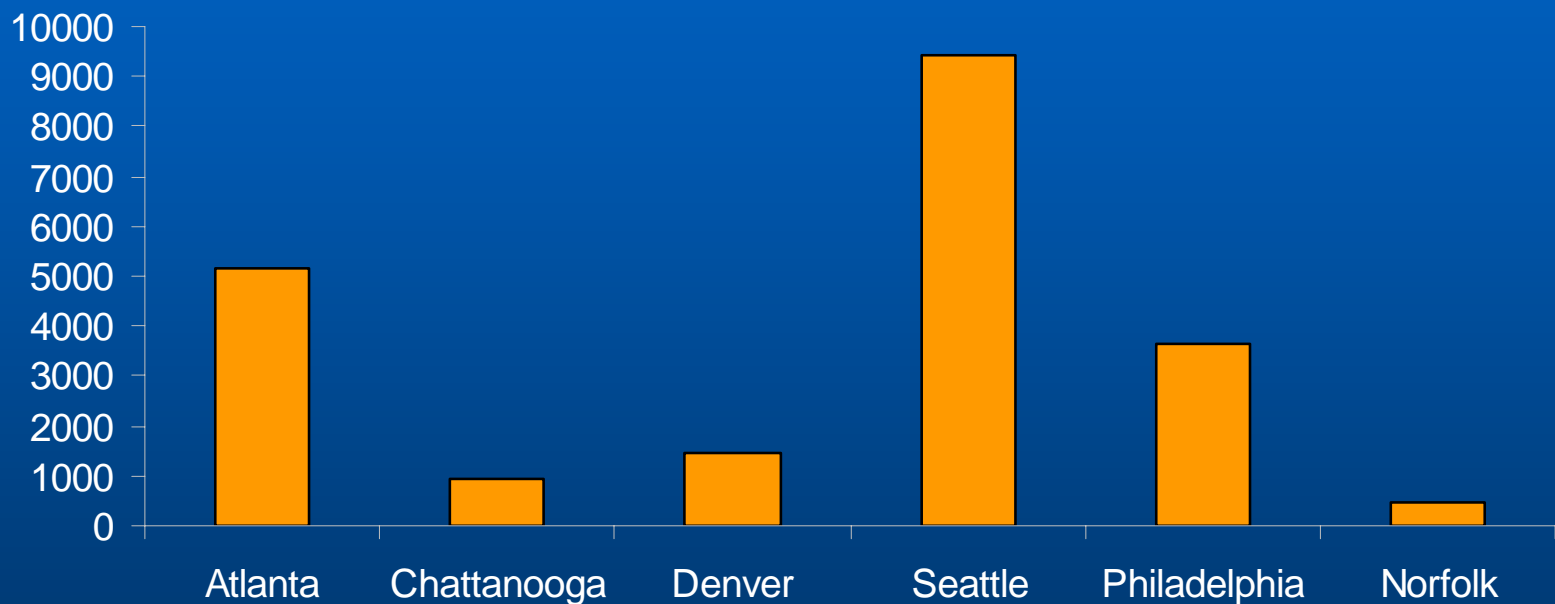




...and have also contributed to downtown revitalization in many cities

Absolute  
change in  
population,  
1990-2000

Source: "Who  
Lives  
Downtown,"  
2005





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



- Density
- Waterfronts and other amenities
- Educational and medical facilities
- Creativity
- Multicultural diversity
- Built infrastructure





## Density helps make cities competitive because the rules of the economy have changed



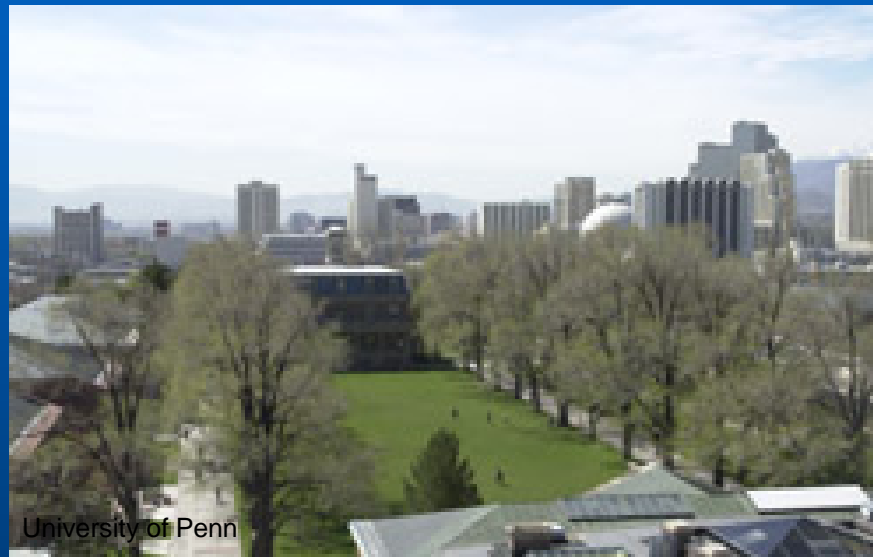
- Density contributes to innovation by attracting young educated workers
- Average labor productivity increases with employment density
- Dense labor markets and high clustering of jobs leads to knowledge spillovers



# Colleges and universities are a vital economic asset in cities of all sizes

**Employers:** Offer employment to local residents

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



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

**Real estate developers:** Use real estate to anchor growth

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

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

And urban amenities give them a competitive niche because they attract workers, tourists, and local residents



Mix of restaurants,  
services, and retail



Entertainment



Cultural amenities



Tourism



## What are our preliminary research findings?

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

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

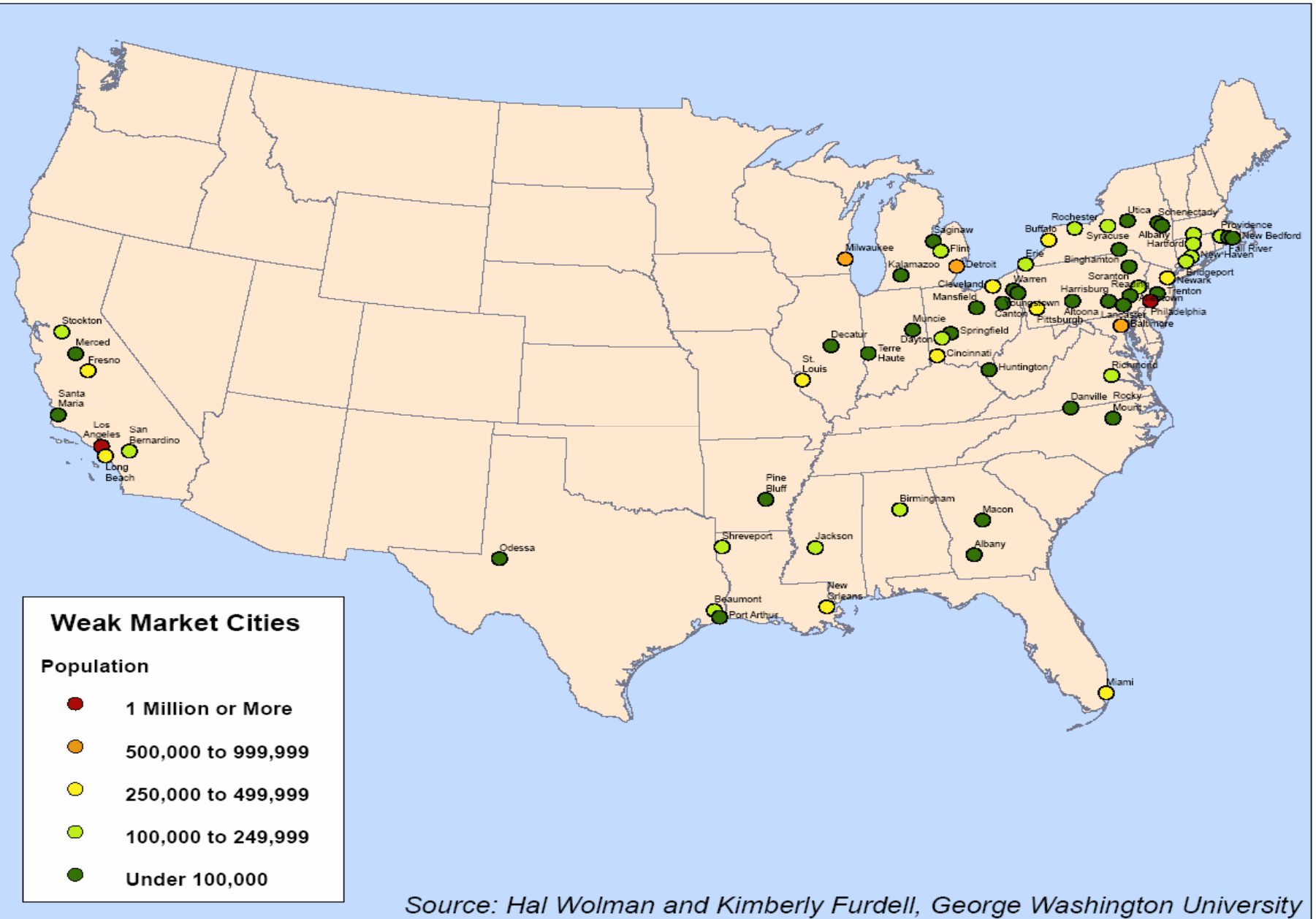
Several forces are contributing to the weak performance of these cities



Based on a rigorous empirical analysis, we have defined 65 cities as “weak market”

- 302 cities nationwide were ranked separately based on **economic** (employment growth, establishment growth, payroll growth) and **residential well-being** (income, unemployment rate, poverty rate, labor force participation) indicators
- Weak market cities were those that **ranked in the bottom third** across both sets of indicators

# Weak Market Cities





## 15 weak market cities have populations over 250,000...

1 million + (2)	500,000 to 1 million (3)	250,000 to 499,999 (10)
Los Angeles	Baltimore	Buffalo
Philadelphia	Detroit	Cincinnati
	Milwaukee	Cleveland
		Fresno
		Long Beach
		Miami
		New Orleans
		Newark
		Pittsburgh
		St. Louis



...while almost half (49 percent) have less than 100,000 people

100,000 to 249,000 (18)		Under 100,000 (32)		
Allentown	New Haven	Albany, GA	Lancaster	Saginaw
Beaumont	Providence	Albany, NY	Macon	Santa Maria
Birmingham	Richmond	Altoona	Mansfield	Schenectady
Bridgeport	Rochester	Binghamton	Merced	Scranton
Dayton	San Bernardino	Canton	Muncie	Springfield, OH
Erie	Shreveport	Danville	New Bedford	Terre Haute
Flint	Springfield, MA	Decatur	Odessa	Trenton
Hartford	Stockton	Fall River	Pine Bluff	Utica
Jackson	Syracuse	Harrisburg	Port Arthur	Warren
		Huntington	Reading	Youngstown
		Kalamazoo	Rocky Mount	



# The relative economic performance of small weak market cities is mixed

	Non Weak Market Cities	Weak Market Cities	Weak Market Cities Under 100,000
<b>City Economic Condition Index</b>			
Change in Employment	18.0%	-8.3%	-5.7
Change in Annual Payroll	45.1%	14.0%	13.4%
Change in Establishments	18.0%	1.4%	2.7%
<b>Residential Economic Wellbeing Index</b>			
Median Household Income	\$38,510	\$29,138	\$28,740
Per Capita Income	\$20,424	\$16,019	\$15,768
Unemployment Rate	6.5%	10.0%	9.5%
Poverty Rate	15.2%	23.0%	21.8%
Labor Force Participation Rate	65.5%	58.8%	58.7%



Only three weak market cities are located in an economically strong MSA...

Weak Market City	MSA Economic Condition - Strong
	Bridgeport, CT
	Richmond, VA
	San Bernardino, CA



....15 weak market cities are located in a moderately strong MSA...

Weak Market Cities	MSA Economic Condition - Moderate	
	Allentown, PA	Miami, FL
	Cincinnati, OH	New Haven, CT
	Detroit, MI	Newark, NJ
	Fresno, CA	Philadelphia, PA
	Hartford, CT	Santa Maria, CA
	Jackson, MS	Stockton, CA
	Kalamazoo, MI	
	Lancaster, PA	
	Macon, GA	

...and 46 weak market cities are located in an economically weak MSA, including 28 of the 32 small cities

Weak Market Cities	MSA Economic Condition - Weak			
	Albany, GA	Erie, PA	New Orleans, LA	Shreveport, LA
	Albany, NY	Fall River, MA	Odessa, TX	Springfield, MA
	Altoona, PA	Flint, MI	Pine Bluff, AR	Springfield, OH
	Baltimore, MD	Harrisburg, PA	Pittsburgh, PA	St. Louis, MO
	Beaumont, TX	Huntington, WV	Port Arthur, TX	Syracuse, NY
	Binghamton, NY	Long Beach, CA	Providence, RI	Terre Haute, IN
	Birmingham, AL	Los Angeles, CA	Reading, PA	Trenton, NJ
	Buffalo, NY	Mansfield, OH	Rochester, NY	Utica, NY
	Canton, OH	Merced, CA	Rocky Mount, NC	Warren, OH
	Cleveland, OH	Milwaukee, WI	Saginaw, MI	Youngstown, OH
	Dayton, OH	Muncie, IN	Schenectady, NY	
	Decatur, IL	New Bedford, MA	Scranton, PA	



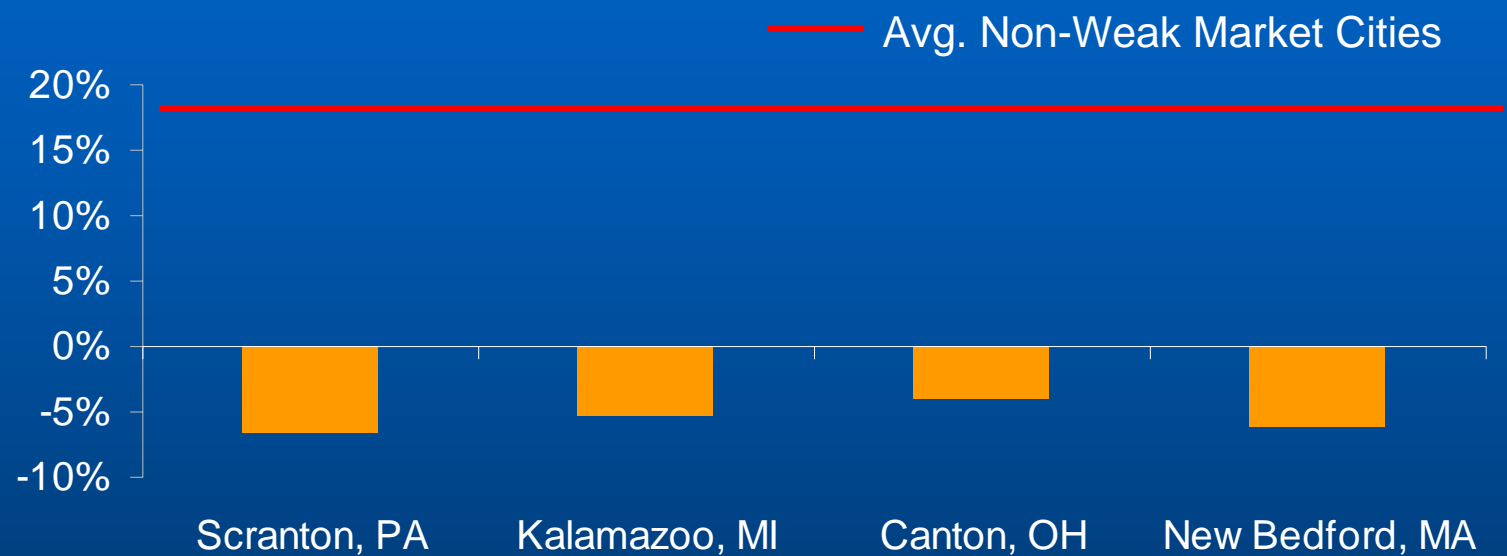
Comparing a sample of four small weak market cities (Scranton, PA; Kalamazoo, MI; Canton, OH; New Bedford, MA) to non-weak market U.S. cities illustrates these trends



## These cities lost population...

Population growth  
1990-2000

Source:  
U.S. Census Bureau

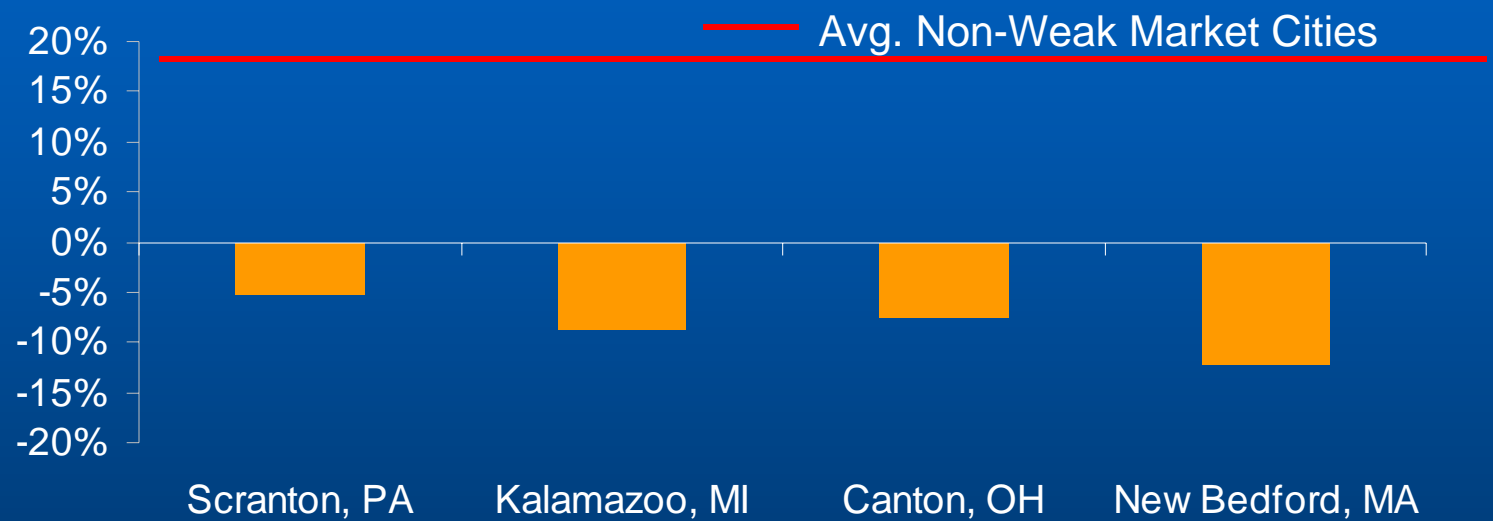




...as well as jobs

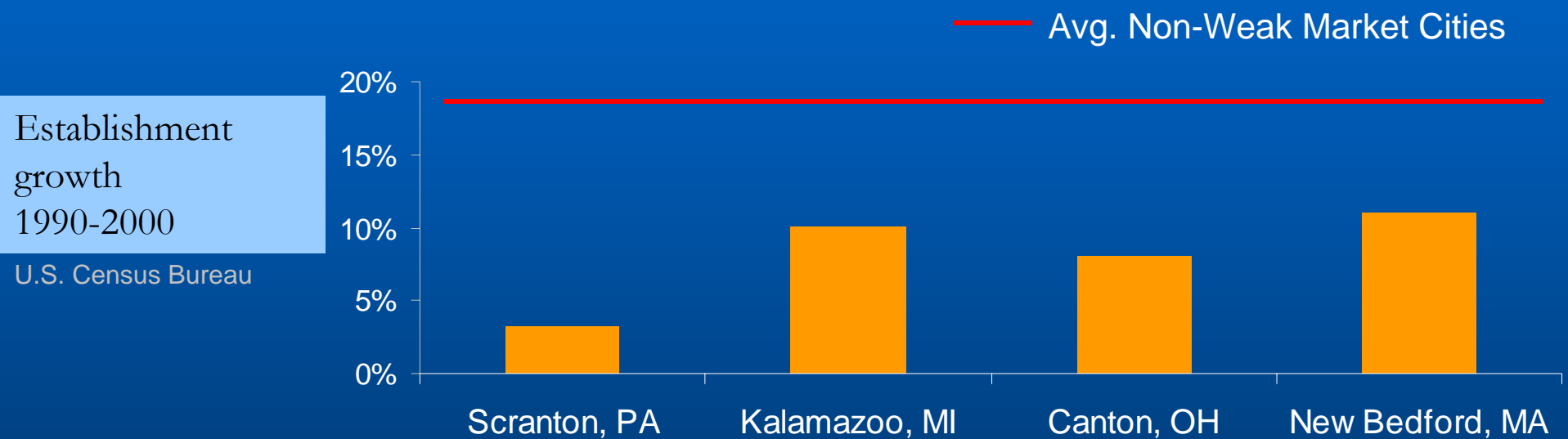
Employment  
growth  
1990-2000

Source:  
U.S. Census Bureau





## They saw relatively low establishment growth during the 1990s



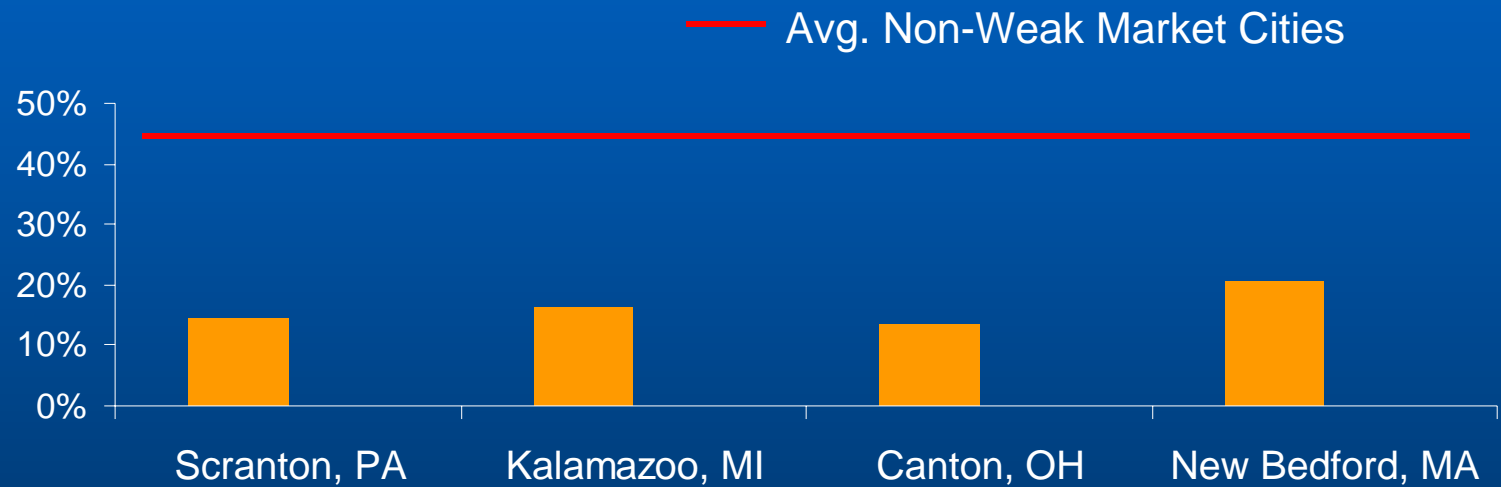




## And annual payroll growth was also slow

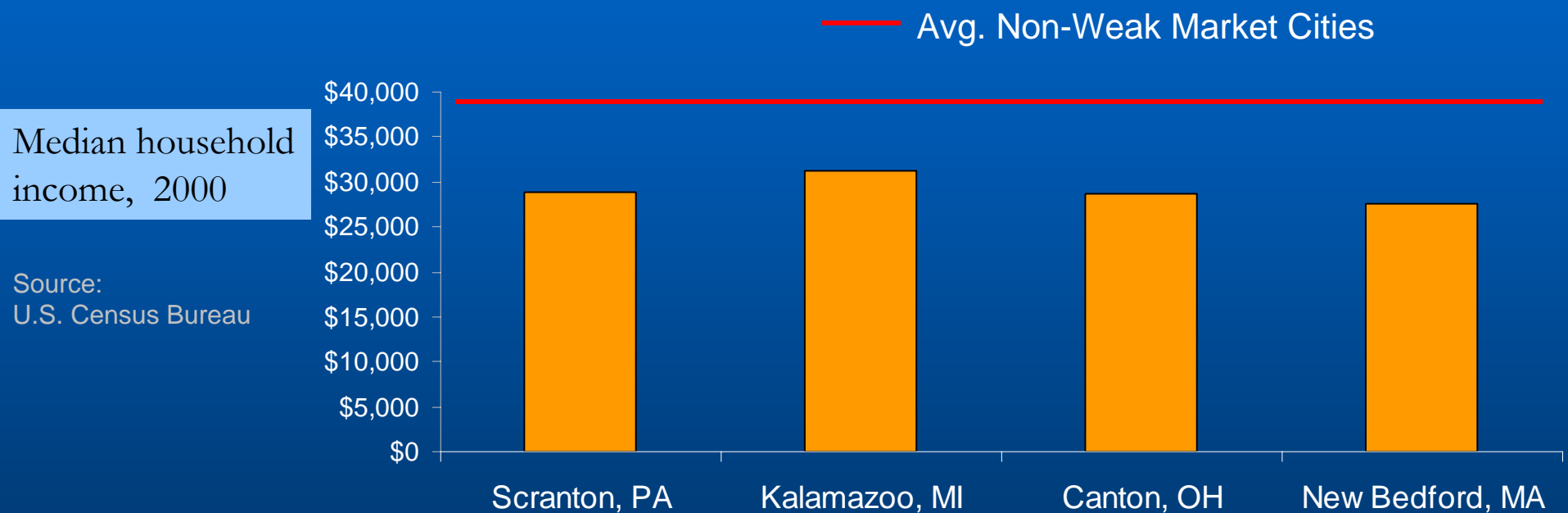
Payroll growth,  
1990-2000

Source:  
U.S. Census Bureau





## Today, median household incomes in these cities are comparatively low...

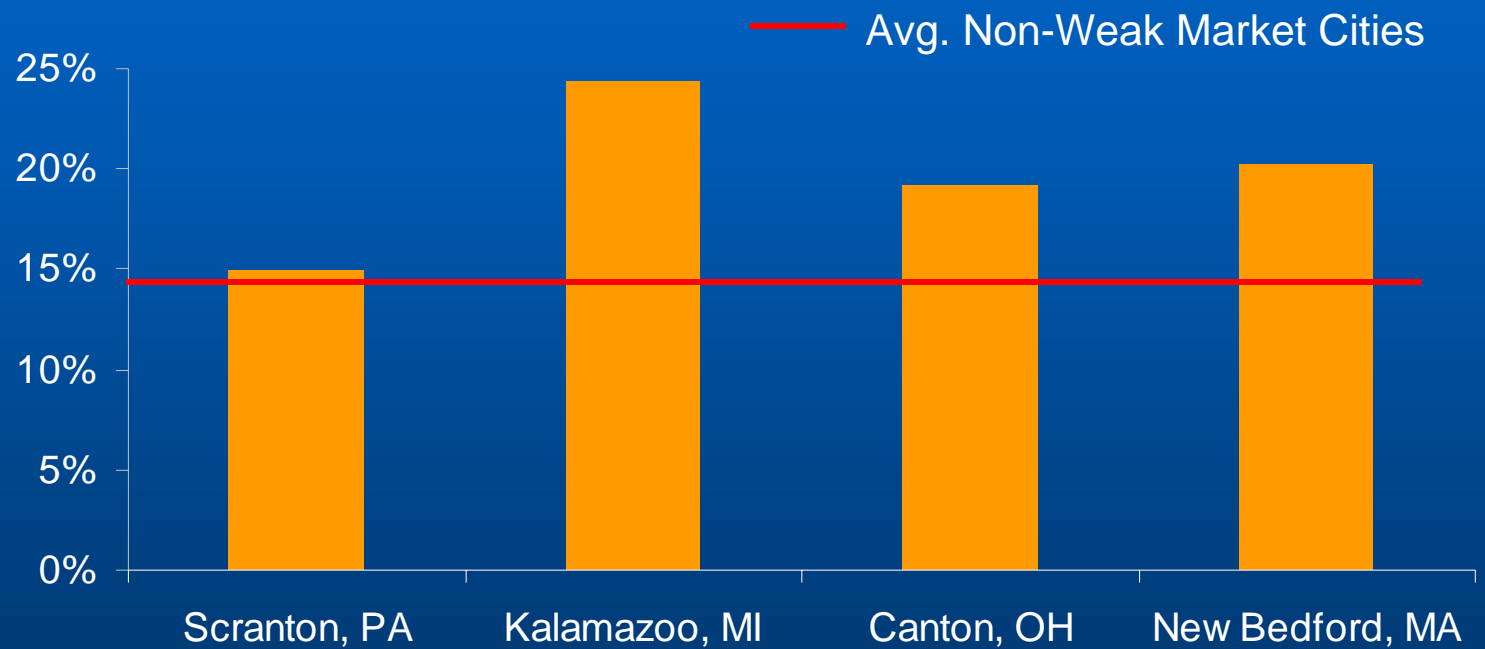




## ...and poverty rates are high

Poverty rate,  
2000

Source:  
U.S. Census Bureau





## What are our preliminary research findings?

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

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

Several forces are contributing to the weak performance of these cities



## The poor performance of weak market cities is largely a function of the shifting national economy

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

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



The economies of weak market cities are further exacerbated by negative demographic forces that can be self-reinforcing

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

→ As the quality of human capital, costs of doing business, and amenities are correlated with metro/city performance over time, these cities can become mired in a downward spiral



## In addition, major federal and state policies often stack the deck against cities

### Federal

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

### State

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



## And cities themselves are often dysfunctional

- Many local governments are inefficient/ineffective in their ability to deliver basic services
- Weak urban education systems don't adequately prepare students for skilled work or higher education
- Outdated zoning and building codes hinder development and reuse
- Cities' inability to cope with vacant land and aging infrastructure exacerbates blight and depresses the market
- Urban economic development – characterized by fads – doesn't leverage cities' unique assets
- High-cost labor laws deter business investment





## But size also matters: small- and medium-sized cities may be at a disadvantage relative to bigger urban areas

→ Small and mid-sized cities may be less resilient against economic downturns, plant closings and major downsizings, and generally have “thinner” job markets

→ In the wake of corporate mergers, many small- and mid-sized communities are becoming branch office locations, which in turn may weaken their civic infrastructure

→ They may be disadvantaged by fewer agglomeration benefits, a lack of large research centers, and fewer and less robust economic networks

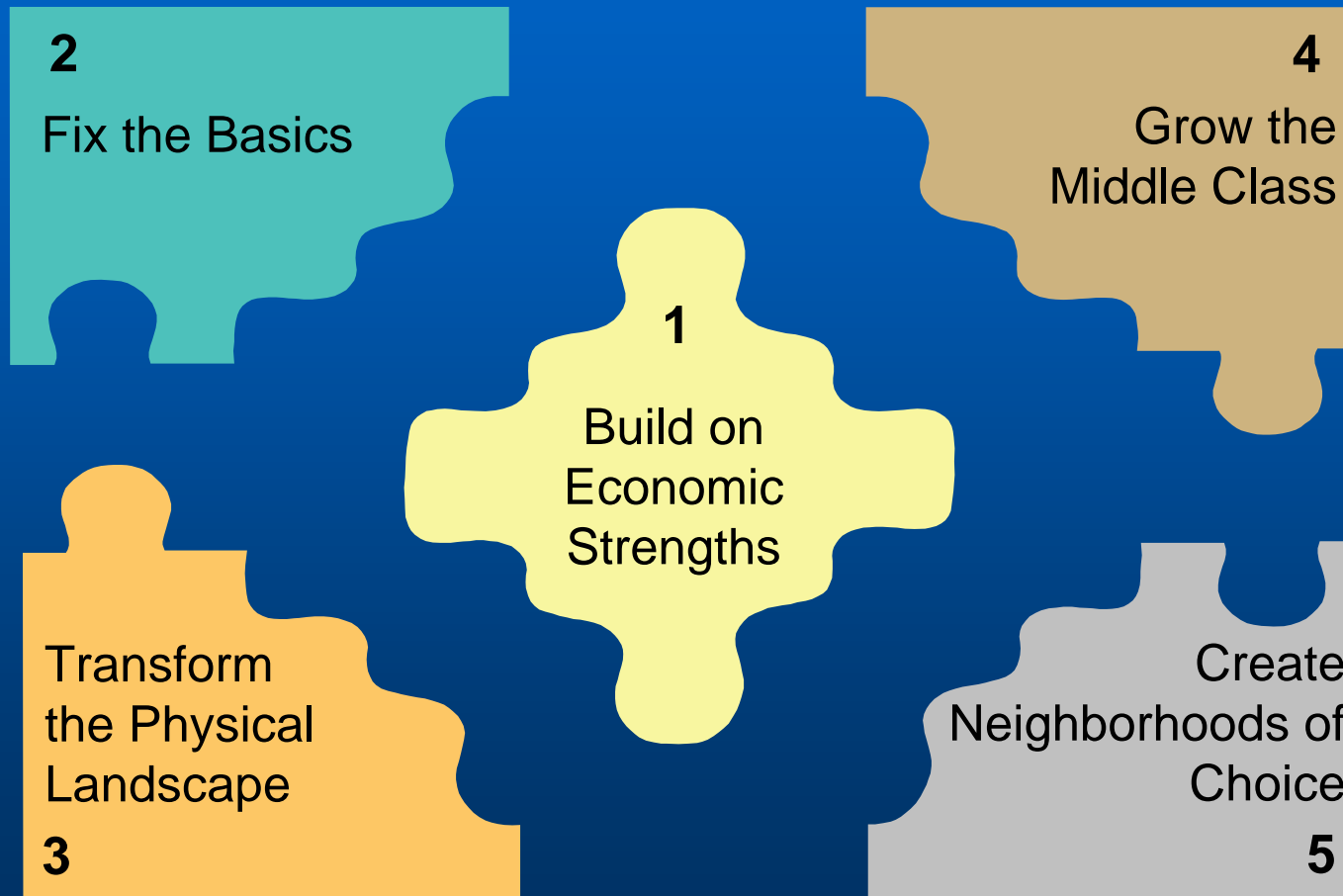
→ They often lack the growth-facilitating amenities desired by many professionals, have an aging population, and are less culturally diverse



So how can city and state leaders fix what's broken, capitalize on urban assets, and help foster city and regional prosperity?



## What is our preliminary framework for policy reform?





## Build on Economic Strengths

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


### POTENTIAL ACTION STEPS:

- Undertake a diagnostic
- Focus on competitive niches that play to the new economy
- Promote innovation and entrepreneurship




## Example – Perform Diagnostic


### ***Louisville Visioning Report***



Established in 1996 by a “Visioning Committee” of 40 community leaders to examine the area’s economy and develop a plan to promote future growth



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



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



## Example – Promote innovation and entrepreneurship

### *Lancaster, PA KIZ*

→ Franklin and Marshall was the first university in Pennsylvania to receive Keystone Innovation Zone (KIZ) status

→ The KIZ includes a partnership with Lancaster General Hospital, James Street Improvement District, and the county's workforce and economic development agencies

→ The KIZ will focus on healthcare, biotechnology, communication/information technology, and agriculture/food processing

→ The designation is intended to spur business development and investment, as well as create 50,000 new square feet of real estate in northwest Lancaster City



## Fix the Basics

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

### POTENTIAL ACTION STEPS:

- Make streets safer
- Improve K-12 schools
- Modify tax system
- Streamline government regulation and services
- Create marketable sites for development
- Improve infrastructure



## Example – Streamline Government Regulation and Services

### ***Fort Wayne Red Tape Committee***

→ After interviewing business owners, architects, and engineers, city found that the cumbersome permit approval process was a barrier to attracting real estate development or new businesses

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

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

→ The permitting process was reduced from 31 steps to 7, and processing time was cut considerably





## Example – Create marketable sites for development

### ***New Jersey Rehabilitation Subcode***

→ Under the old New Jersey building code, old buildings had to meet the same standards as new construction, making rehabilitation work uncertain, difficult, and costly

→ Rehab constitutes a large portion of building in New Jersey's cities. In Newark, about \$3 out of every \$4 of the estimated cost of construction authorized by permit is for work on existing houses.

→ Adopted in 1998 by a 30 member committee of code officials, architects and preservationists, the new subcode removes regulatory barriers and reduces the costs of rehabilitation

→ Rehab work has grown substantially in New Jersey's larger cities. During the first year the code was in effect, rehab spending grew 60 percent in Newark, and 84 percent in Jersey City



## Transform the Physical Landscape

GOAL: Undertake one or two major physical projects that transform the urban landscape in order to catalyze new development and stimulate economic growth


### ACTION STEPS:

- Reinvent downtown
- Tear down obsolete freeways
- Revitalize/transform the waterfront




## Example – Reinvent Downtown


### ***Reading Downtown Redevelopment***




In 2003 The Berks Business Executive Forum, with the support of local elected officials, launched a strategic planning process to both revitalize the region economy and the three downtowns (Reading, West Reading, and Wyomissing)



The downtown plans recognized the market uniqueness of each and proposed managing all three jointly to take advantage of economies of scale in marketing, management, and transportation



The plan includes the construction of market rate housing, regional and local serving retail, a new multi-plex movie theater, cultural and sports facilities, and implementation of a Riverwalk



The revitalization will be facilitated by an improved transit to and between the three downtowns, and revised building codes that “make the right thing easy”



## Example – Transform the Waterfront

### ***Chattanooga Waterfront Revitalization***

→ In the 1980s, Chattanooga had terrible air and water pollution, a declining economy and population base, and a 9-to-5 downtown

→ In 1985, Chattanooga's civic leaders developed the "Tennessee Riverpark Master Plan," a 20 year plan calling for \$750 million of mixed-use development along 22 miles of the Tennessee River

→ 14 task forces focused on building a visitor's center, aquarium, children's museum, and IMAX theater, and creating a vibrant river walk; private development followed

→ In 2002, the city launched a \$120 million "21<sup>st</sup> Century Waterfront" project that includes expanding the museums and aquarium, rerouting a riverfront road, and enhancing green space and public access to the water



## Grow the Middle Class

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

### ACTION STEPS:

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



## Example – Make Work Pay for Low-income Workers

### ***Hattiesburg, Mississippi EITC Campaign***

→ Prior to the campaign, the IRS estimated that approximately \$5 million was not being collected by EITC eligible filers in the city

→ Mayor DuPree, together with a local financial institution, the IRS, and AARP launched the Mayor's Financial Education Initiative

→ The Mayor and council members promote the EITC through local radio ads, newspaper and television interviews, pamphlets, and speeches, and volunteers help residents file returns

→ In the first year of this effort, an additional 499 residents took advantage of the EITC program, receiving more than \$1.8 million in refunds over prior year returns.



## Example – Reduce the Costs of Being Poor

### ***Kalamazoo, MI North Park Street Plaza***

→ For years, residents of Kalamazoo's Northside neighborhood - between 40 and 50 percent of whom live in poverty and less than half of whom have a car - identified the need for a large, affordable source of quality food as a top priority

→ By 2003, the Northside Association for Community Development (NACD), with help from LISC, was able to attract a 25,000 sq. ft. supermarket chain; the store has added 50 new jobs to the neighborhood and has helped catalyze retail development

→ The development is one of the success stories of Kalamazoo's "equity agenda," a major public-private initiative focused on neighborhood revitalization and poverty reduction in the city



## Create Neighborhoods of Choice

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

### ACTION STEPS:


- Support mixed-income housing
- Grow inner city markets
- Transform neighborhood schools






## Create Neighborhoods of Choice – Grow Markets


### ***Richmond Neighborhoods in Bloom Program***




The City of Richmond and multiple partner organizations changed the way federal and city housing resources were allocated by targeting funds in six neighborhoods most likely to benefit from intensive revitalization efforts



Since it began 5 years ago, \$15 million has been invested in the program with the hopes of building the critical mass of investment necessary to promote private-market interest



Community participation is a cornerstone of the initiative, with citizens taking an active role in deciding where and how community development dollars are spent



A 2005 study showed that NIB is making a difference: crime has decreased 19 percent, compared to 6 percent citywide, and housing prices have appreciated 10 percent faster than the city average



## Example – Transform Neighborhood Schools

### ***Buffalo School Reconstruction Project***

→ With the bulk of the funding from the state, the Buffalo City School District is undertaking a 10-year, multi-phase, billion dollar initiative to rehabilitate and modernize its aging school buildings

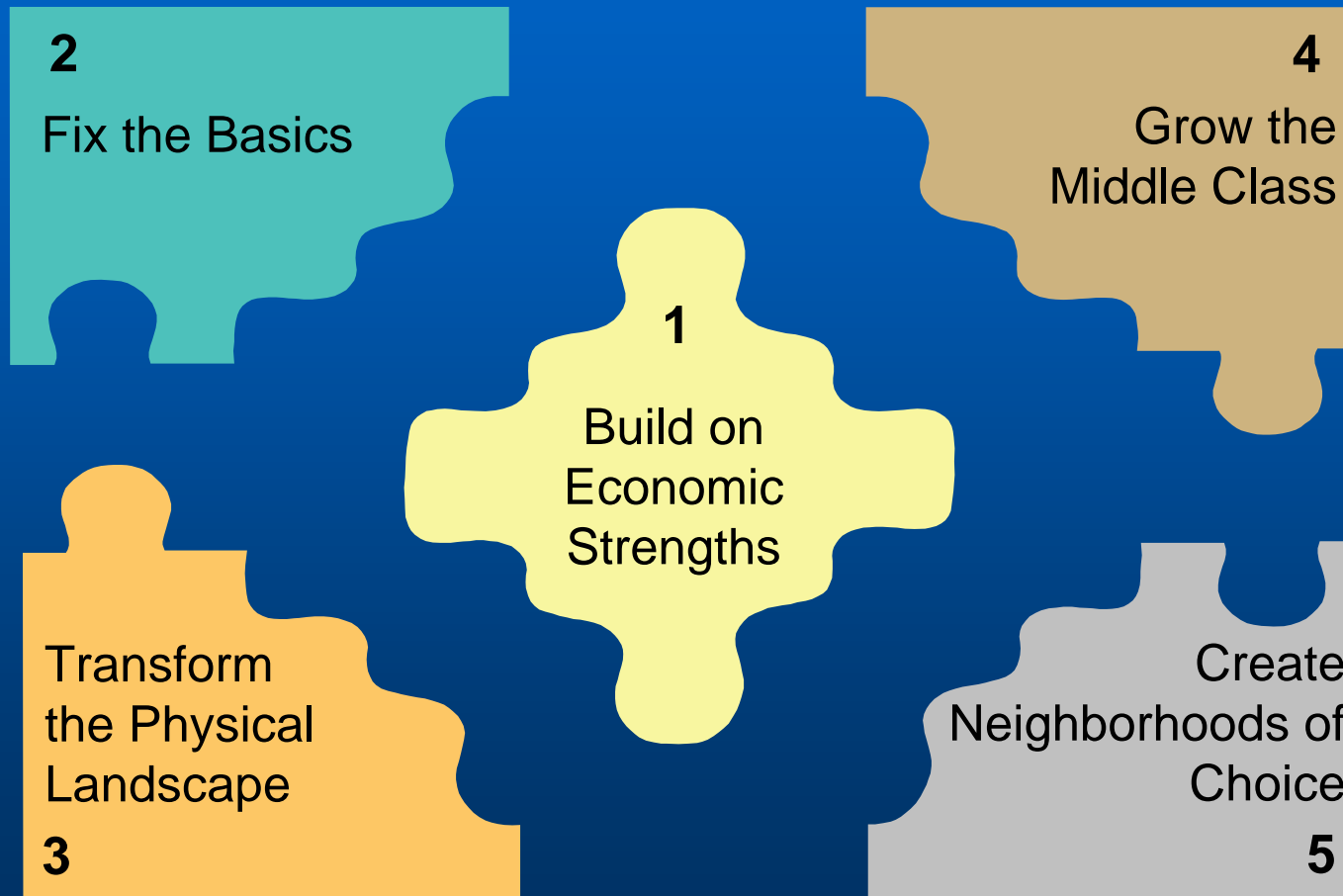
→ Revitalizing the surrounding neighborhoods is a major part of the long-term plan, with the ultimate goal of persuading suburban residents to move back to Buffalo; teachers, firefighters and police officers will receive incentives to move into the city

→ The Mayor has established a new chief of school safety, and police will patrol the surrounding neighborhoods; abandoned properties near schools will be cleaned up, boarded up, or demolished

→ The reconstruction project is more than half finished, with renovations completed or underway at 22 schools



## What is our preliminary framework for policy reform?



# www.brookings.edu/metro

**The Brookings Institution**

July 1, 2004

- Home
- News & Events
- Scholars
- Research Topics
- Programs
- Publications
- Bookstore
- Executive Education
- About Brookings

## METROPOLITAN POLICY PROGRAM

Brookings > Metropolitan Policy

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

### ANNOUNCEMENT

#### Urban Center Becomes Metropolitan Program

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

read an open letter from Brookings President Strobe Talbott

#### METROVIEW

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

[News Index](#)

#### METROPOLITAN GROWTH

#### Mechanisms for Market-Based Land Use Control

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

#### IMMIGRATION

#### Washington Goes Polyglot

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

**SEARCH BROOKINGS**

**GO**

Advanced Search

#### Metro Program

- Research by Topic
- Publications
- MetroViews
- Presentations and Events
- About Us

#### Metropolitan Policy Program

#### Greater Washington Research Program

**SUBSCRIBE TO:**

**Metro Program Listserv**

Stay on top of the latest releases, events, and web features.

First name:

Last name:

Email address:

**SUBSCRIBE**

[Access all lists](#)