Metropolitan Policy Program

Restoring Prosperity

The State Role in Revitalizing America's Older Industrial Cities

The Brookings Institution Metropolitan Policy Program

Restoring Prosperity

THE STATE ROLE IN REVITALIZING AMERICA'S OLDER INDUSTRIAL CITIES

| I | What is the Restoring Prosperity Initiative? |

| II | What are the findings of the report? |

| III | How can states restore prosperity to older industrial cities? |

The Restoring Prosperity Initiative has developed an empirically-based inventory of struggling older industrial cities

Cleveland

Milwaukee

Based on this research, the Initiative proposes a policy agenda for revitalizing older industrial cities

Hartford

Detroit

In the coming months and years, we will help to organize a network of state and local reformers in target states to advance this agenda

The *Restoring Prosperity* report, the initiative's first major product, advances three primary messages

Restoring Prosperity

THE STATE ROLE IN REVITALIZING AMERICA'S OLDER INDUSTRIAL CITIES

THE BROOKINGS INSTITUTION METROPOLITAN POLICY PROGRAM

Maryland and you are likely to
ow "I love city life" bumper
and inside store windows. In a
y suburban nation, this mes-
y—makes a bold statement.

g enjoyed by so many other urban
nation.
per sticker suggests, these cities are
than their economic woes.
illion people and nearly 8.6 mil-
dustrial cities remain a vital—if
undervalued—part of the economy,
particularly in states where they
re heavily concentrated, such as
Ohio and Pennsylvania. They also
ve a range of other physical,
ural attributes that, if fully lever-
platform for their renewal. In
phic and economic trends are
s with their best chance for a
, with changing household
on, and technological advances
of the density and diversity
apart from newer suburban

s are already experiencing
these changes: Many of
eing a new influx of private
e of their neighborhoods,
buildings, and new firms
y streets, and new revenues
ut in the face of wide-
, these pockets of recovery

METROPOLITAN POLICY PROGRAM

Given their assets, the moment is ripe for the revival of older industrial urban economies

Cleveland

States have an essential role to play in the revitalization of older industrial cities, but they need a new urban agenda for change

Providence

The overall benefits of city revitalization—for families, for suburbs, for the environment, and ultimately for states—are potentially enormous

Restoring Prosperity

THE STATE ROLE IN REVITALIZING AMERICA'S OLDER INDUSTRIAL CITIES

I	What is the Restoring Prosperity Initiative?
II	**What are the findings of the report?**
III	How can states restore prosperity to older industrial cities?

I What are the findings of the report?

We have identified 65 cities in 24 states that are underperforming economically

Several forces are contributing to the underperformance of these cities

But, the moment is right for change

Based on an empirical evaluation of 302 U.S. cities, we have identified 65 cities in 24 states that are underperforming economically

Population

- ◆ 1 Million or More
- ▲ 500,000 to 999,999
- ▶ 250,000 to 499,999
- ◀ 100,000 to 249,999
- ▼ Under 100,000

METROPOLITAN POLICY PROGRAM
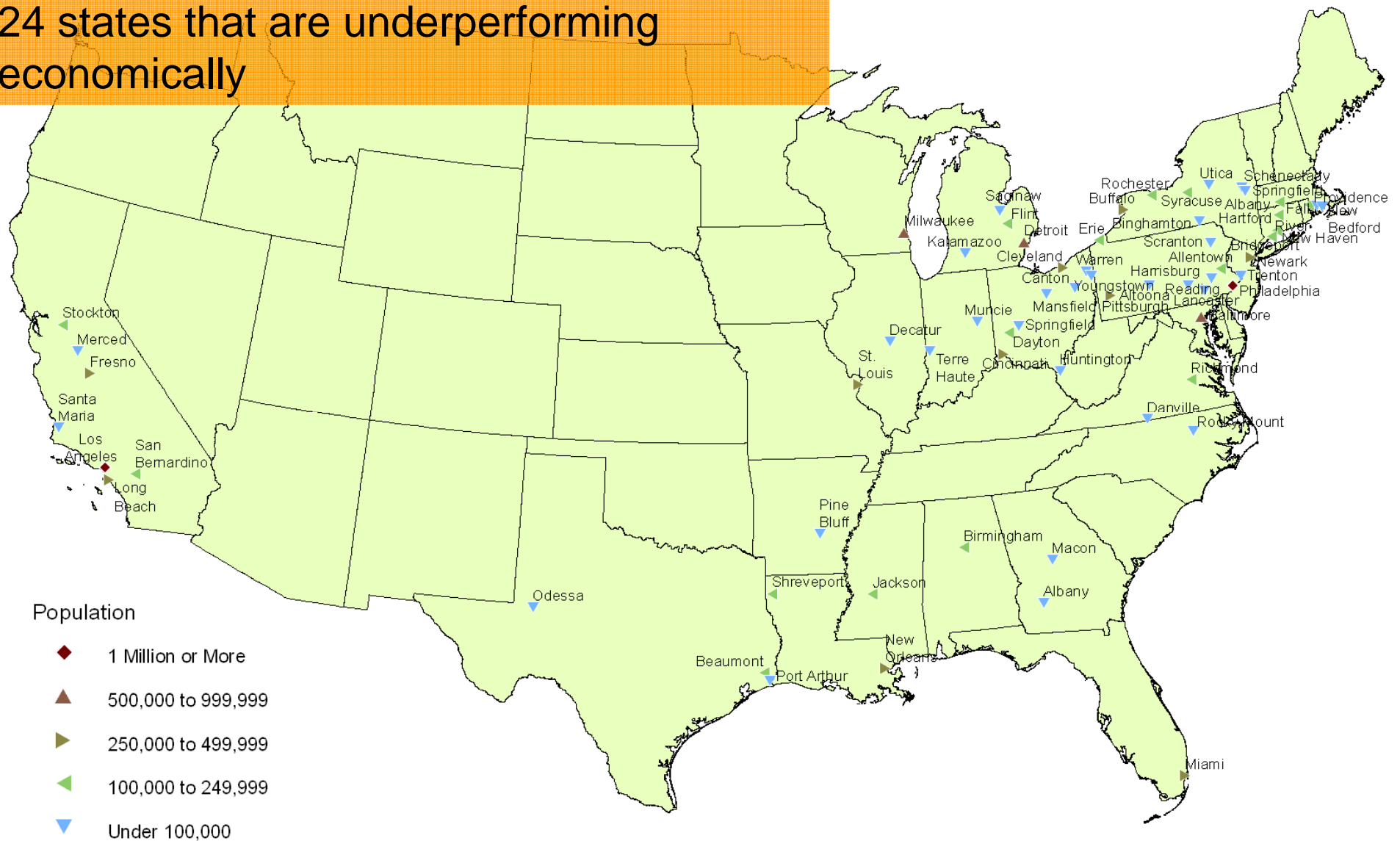
We expanded our list by adding cities with at least 30,000 people in 7 target states

Analysis of these additional 74 cities, 16 of which were in Michigan, found that many smaller cities share similar economic challenges with their larger counterparts

In Michigan, East Lansing and Muskegon were added through consideration of the expanded dataset

In all, 6 of the 24 cities in Michigan examined for this analysis are struggling

Midland

Bay City

Saginaw

Muskegon

Flint

Port Huron

Grand Rapids

Wyoming

East Lansing

Lansing

Pontiac

Troy

Farmington Hills

Warren

Livonia

Southfield

Kalamazoo

Battle Creek

Ann Arbor

Detroit

Jackson

Dearborn

Portage

Taylor

● Older industrial cities from the original dataset
■ Older industrial cities from the expanded dataset
▲ Other cities in the dataset
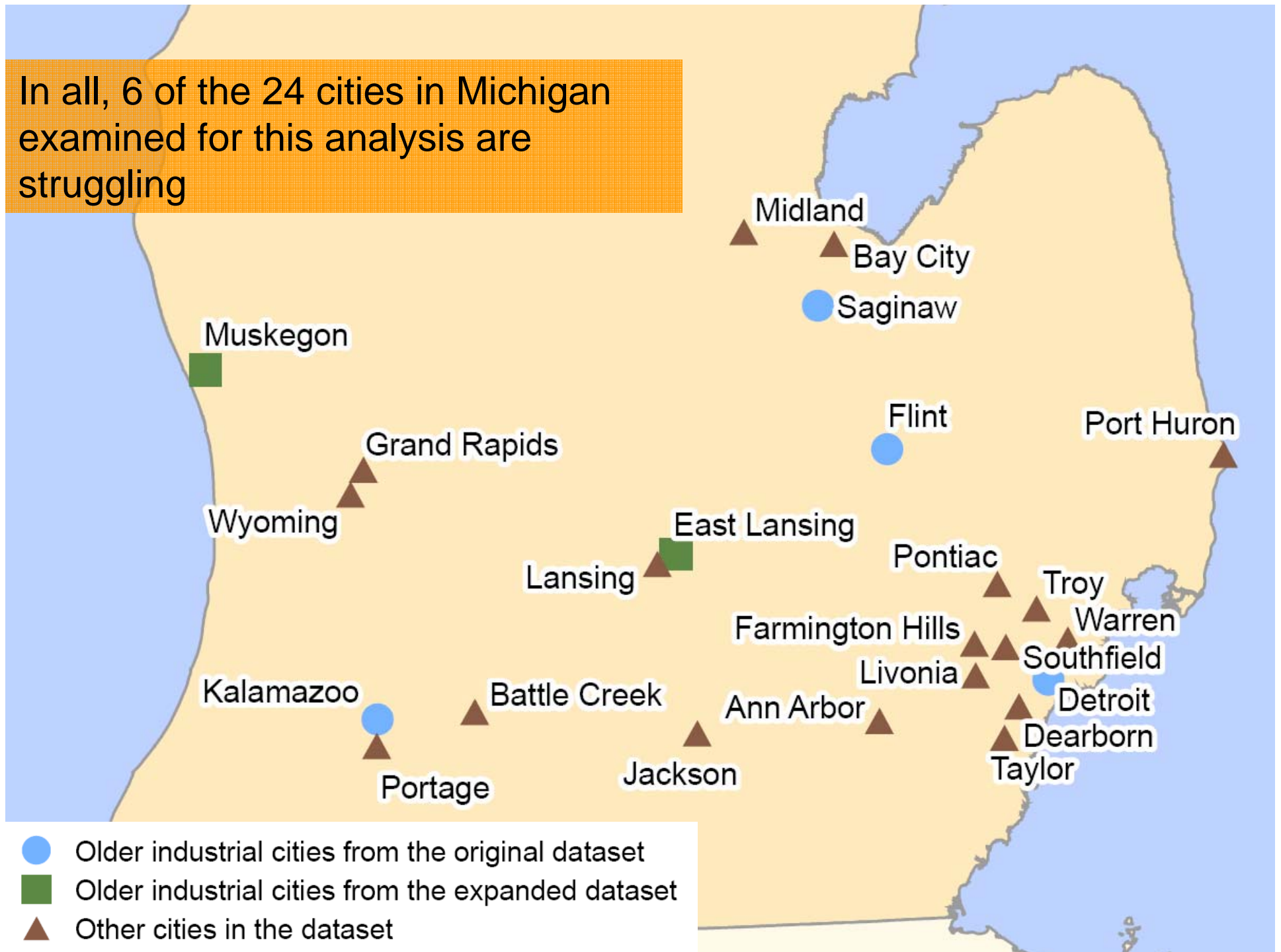
Three of Michigan's older industrial cities are located in economically weak MSAs

Detroit, Kalamazoo, and Muskegon are located in moderately-strong MSAs

East Lansing, Flint, and Saginaw are located in economically weak MSAs

Michigan's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being

Employment

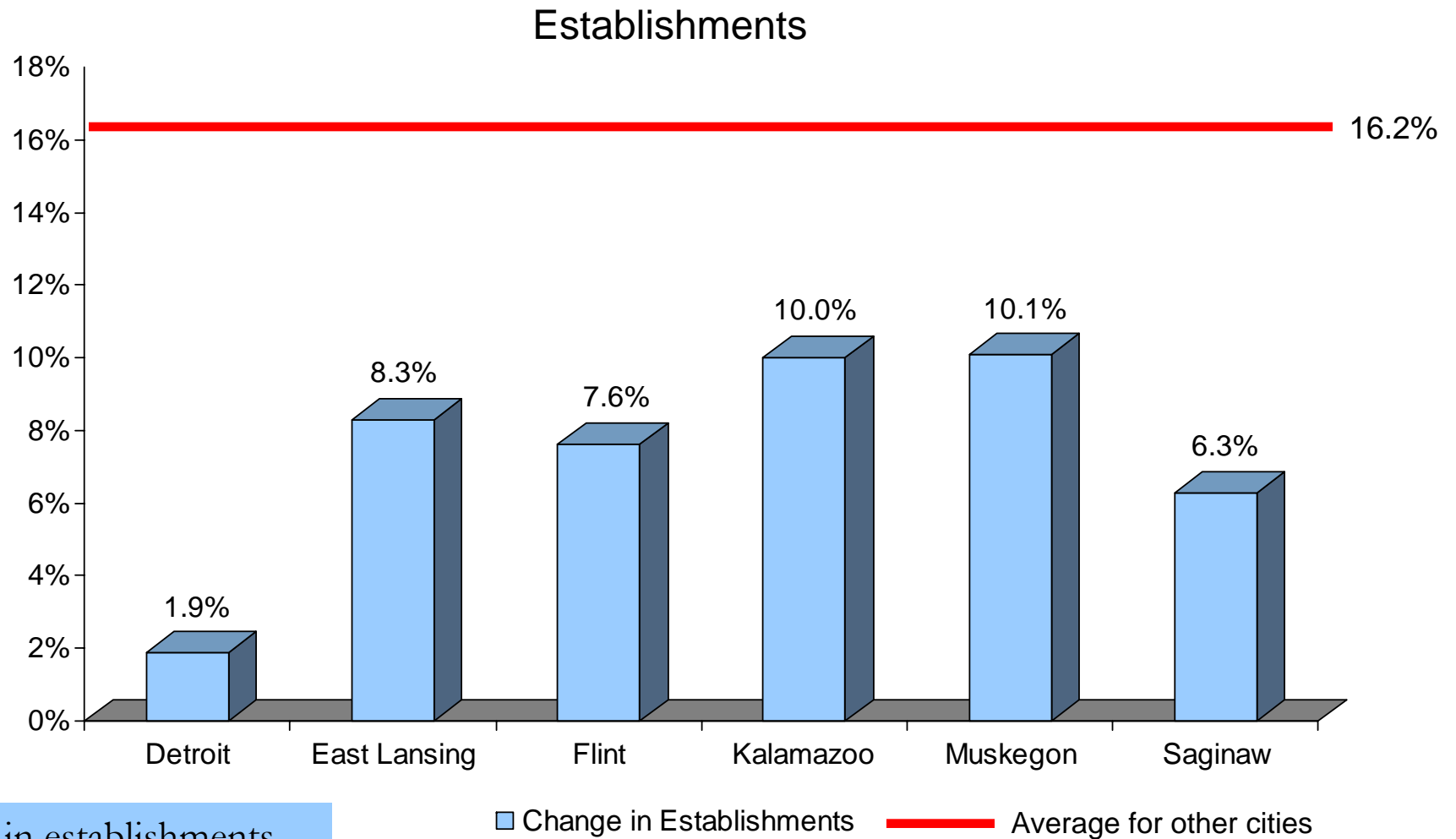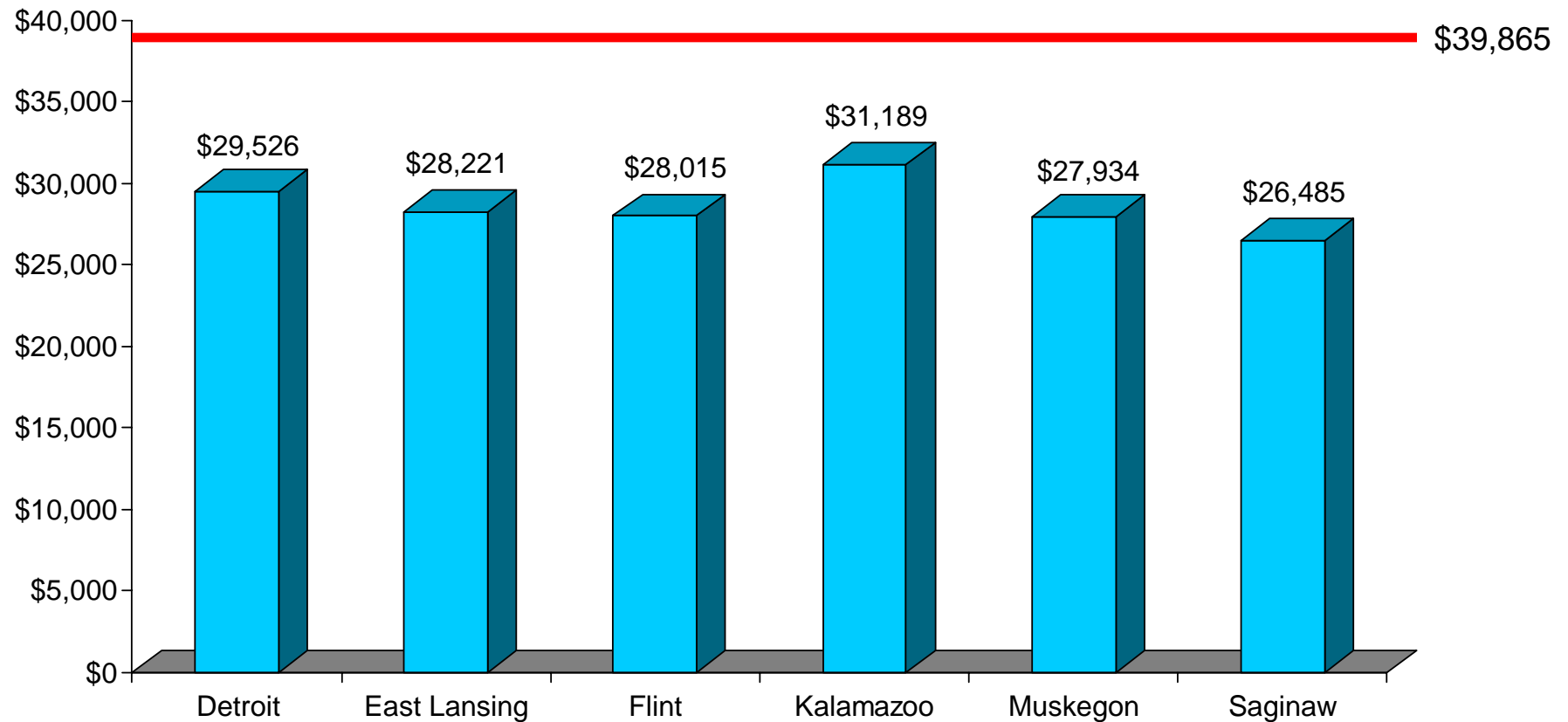Change in employment, 1990-2000
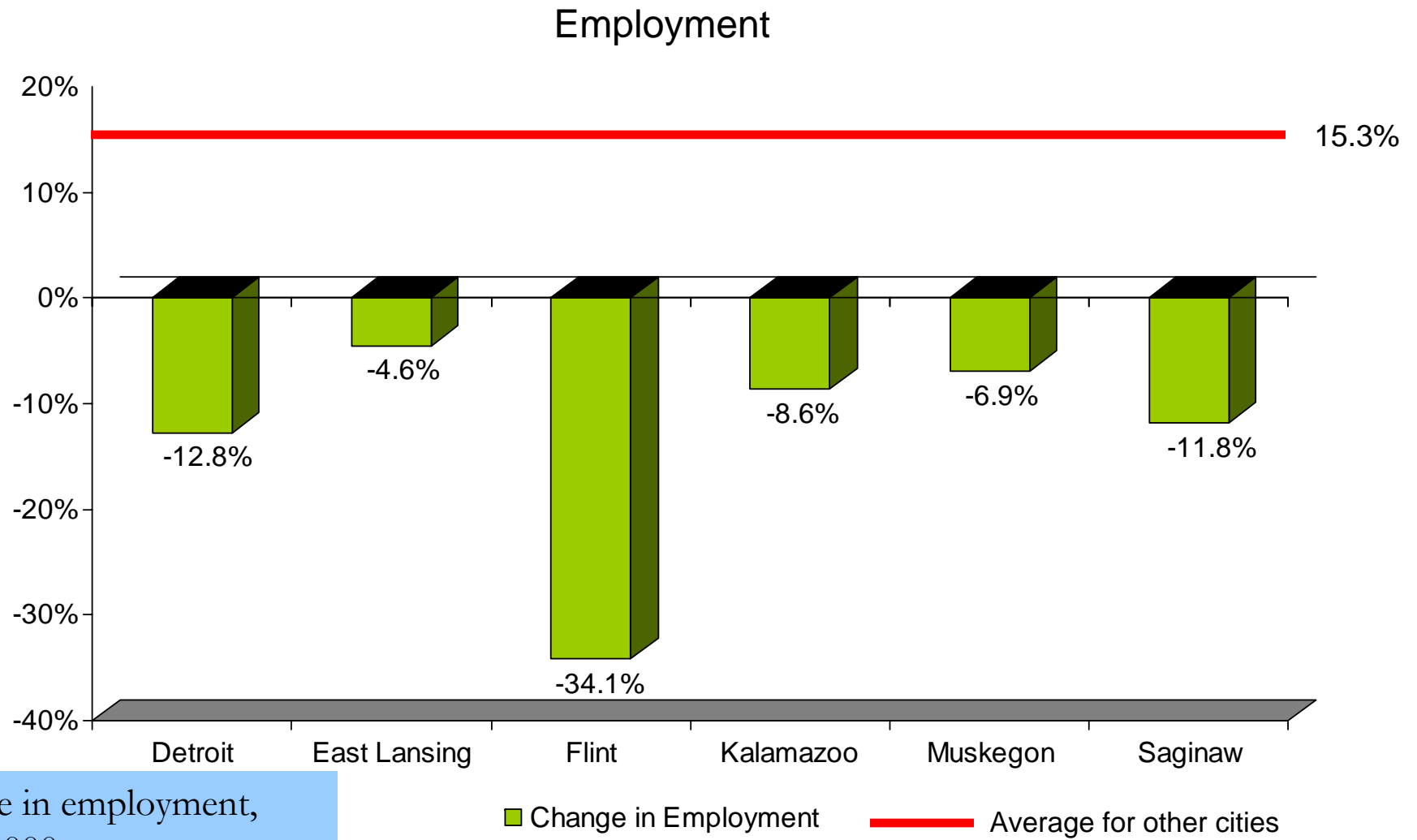
Source: U.S. Census Bureau

METROPOLITAN POLICY PROGRAM

Michigan's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being
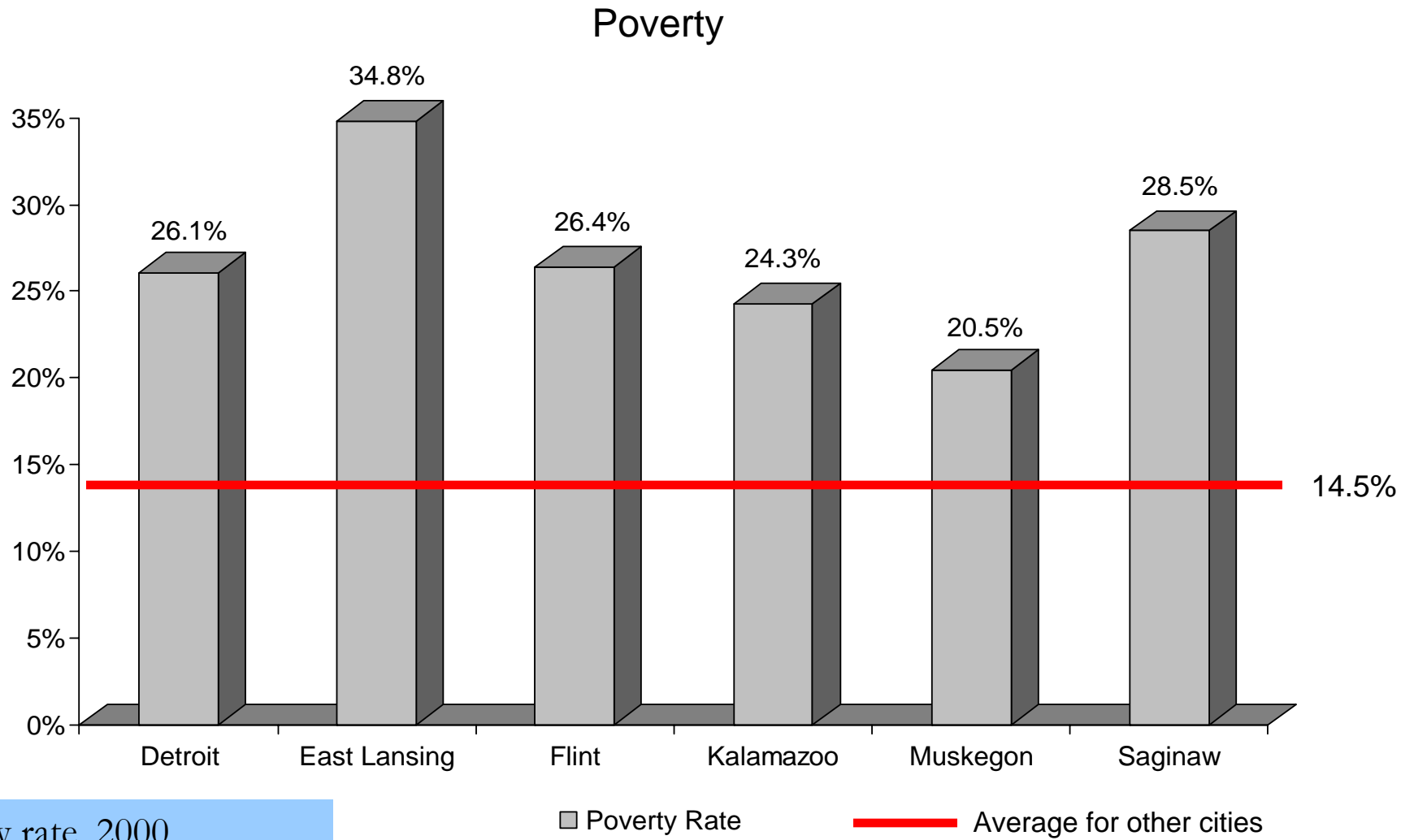
Annual Payroll
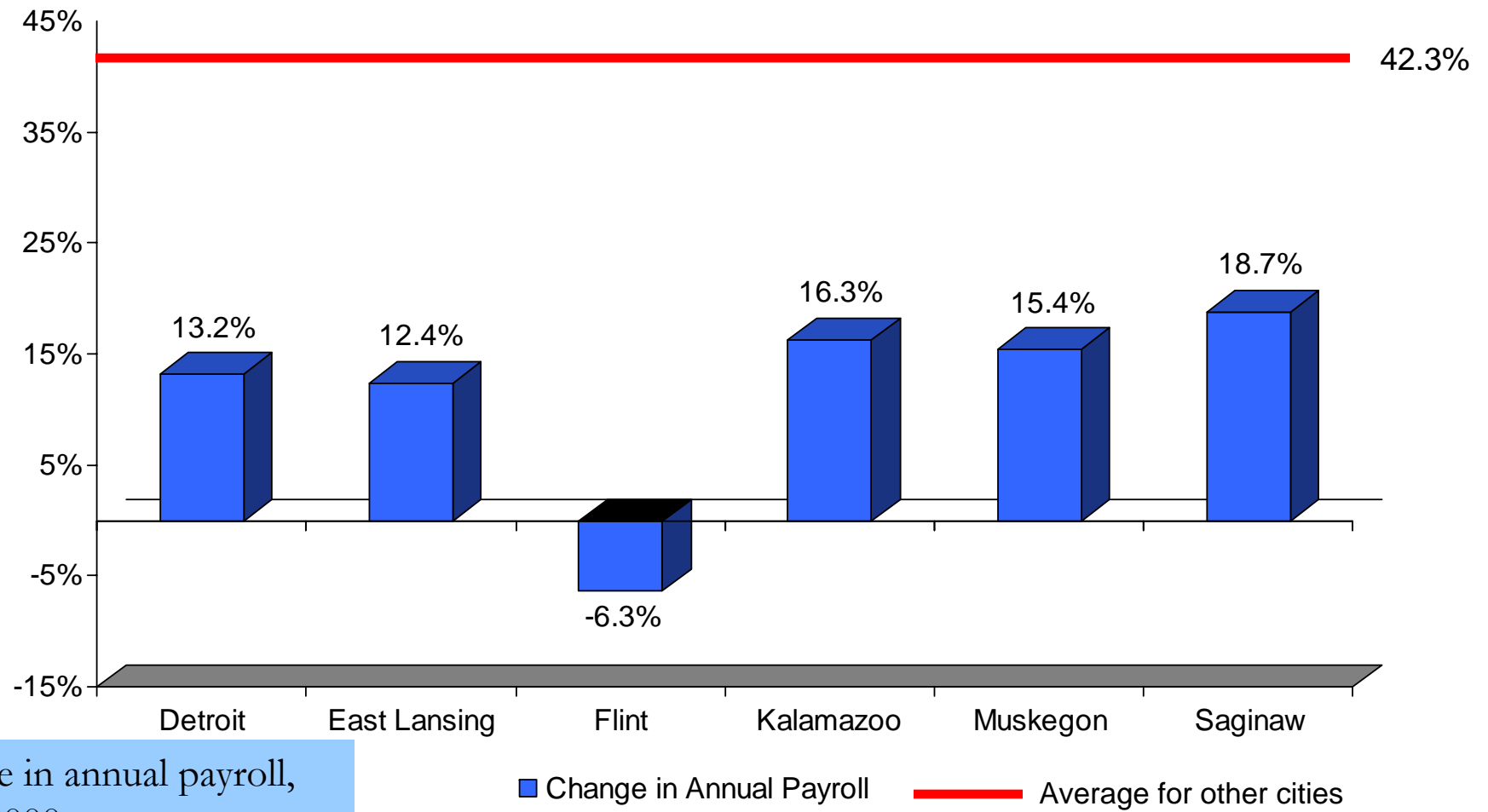
Change in annual payroll, 1990-2000

Legend:
- Change in Annual Payroll
- Average for other cities

Data values:
- Detroit: 13.2%
- East Lansing: 12.4%
- Flint: -6.3%
- Kalamazoo: 16.3%
- Muskegon: 15.4%
- Saginaw: 18.7%
- Average for other cities: 42.3%

METROPOLITAN POLICY PROGRAM

Michigan's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being

Establishments

- Detroit: 1.9%
- East Lansing: 8.3%
- Flint: 7.6%
- Kalamazoo: 10.0%
- Muskegon: 10.1%
- Saginaw: 6.3%
- Average for other cities: 16.2%

Legend: Change in Establishments | Average for other cities

Change in establishments, 1990-2000

Source: U.S. Census Bureau

Michigan's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being

Median Household Income

Median household income, 2000

Source: U.S. Census Bureau

METROPOLITAN POLICY PROGRAM

Michigan's older industrial cities are lagging other U.S. cities on several indicators of economic health and well-being

Poverty

Poverty rate, 2000

Source: U.S. Census Bureau

Since 2000, these trends have continued

On average, Michigan's older industrial cities continue to experience a decline in annual payroll, while other U.S. cities have grown 2 percent since 2000

Michigan's older industrial cities, with a few exceptions, continue to lose establishments

Poverty is still above 30 percent in Detroit, Flint, and Kalamazoo, the only cities for which 2005 data is available

I What are the findings of the report?

We have identified 65 cities in 24 states that are underperforming economically

Several forces are contributing to the underperformance of these cities

But, the moment is right for change

Deindustrialization has left older industrial cities struggling to find their economic niche

Older industrial cities haven't fully transitioned from an **industrial economy** to an **innovative, entrepreneurial one**

This economic shift began with **companies fleeing older industrial cities for their suburbs**

Decreasing transport costs, low-cost land, and the search for lower-skilled, lower-cost workers **took companies south and west**

More companies are **moving labor-intensive operations out of the country**, taking advantage of low-cost workers and reduced regulation

METROPOLITAN POLICY PROGRAM

Long-term legacy costs of the industrial economy continue to hamper the recovery of older industrial cities

The **dominance of older established industries** can hinder entrepreneurialism and diversification

Lower levels of educational attainment put these cities at a disadvantage in the competition for new firms

Many are saddled with a **tremendous environmental legacy**: there are an estimated 5 million acres of abandoned industrial sites and contaminated brownfields in U.S. cities alone

METROPOLITAN POLICY PROGRAM

Economic change has been exacerbated by negative demographic forces and unbalanced development patterns

City **population plummeted and poverty increased** between 1970 and 1990 in older industrial cities.

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

As the quality of **human capital and amenities decline and costs of doing business increase**, these cities can become mired in a downward spiral

Most older industrial cities have continued to lose population over the last three decades…

Percent change in population 1970-2000

Legend: Pop %Change (1970-80) ■ Pop %Change (1980-90) ■ Pop %Change (1990-2000)

Cities: Detroit, East Lansing, Flint, Kalamazoo, Muskegon, Saginaw

Source: U.S. Census Bureau

METROPOLITAN POLICY PROGRAM
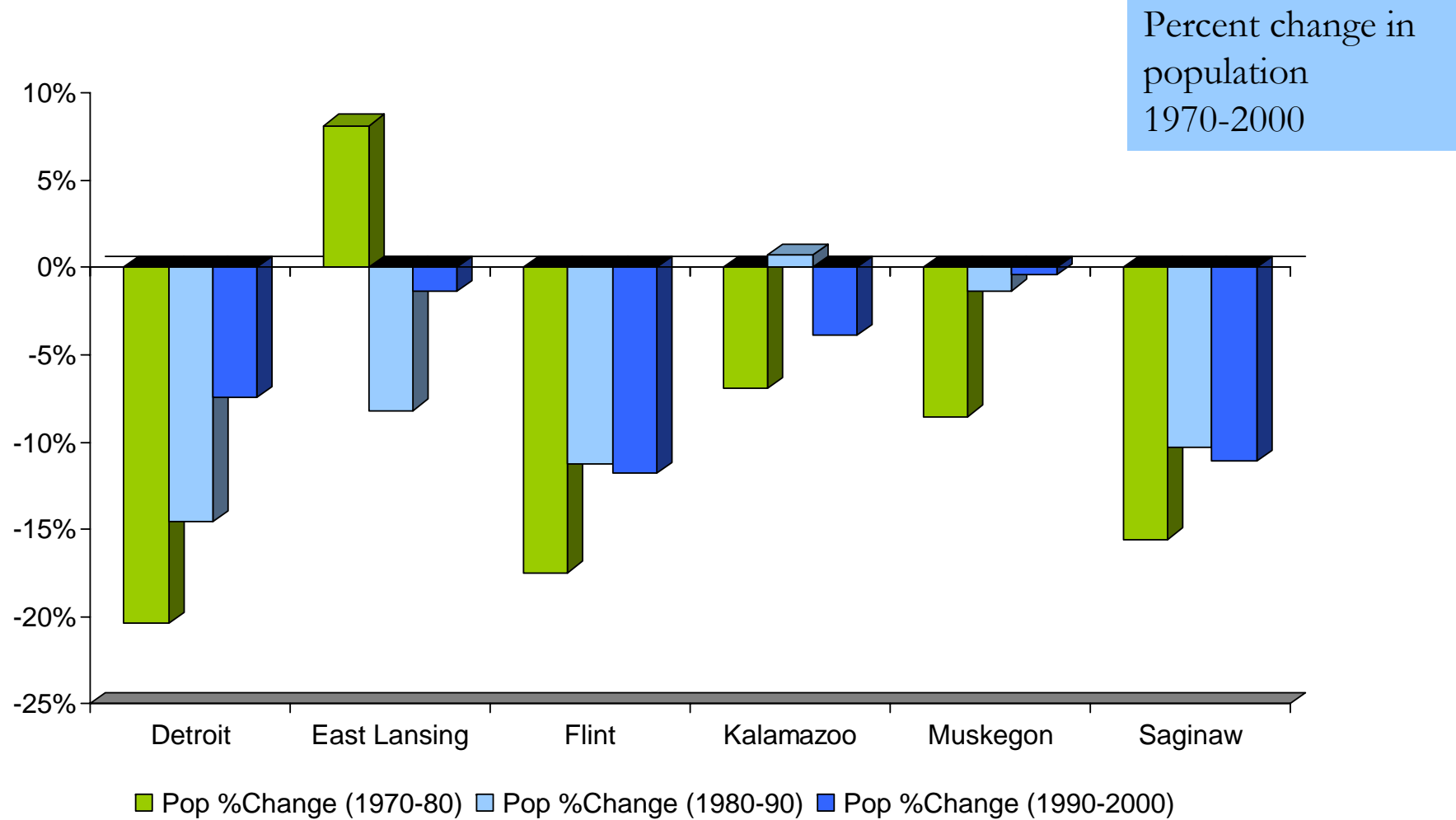
State policies and practices have generally been unfavorable to cities, compounding their troubles

States set the geography of fragmented local governance

State fiscal systems are often biased against cities and older suburbs

Many states distribute gasoline tax revenues in ways that disadvantage cities

State allocations of low income housing tax credits reinforce concentrated poverty

Cumbersome state tax foreclosure laws hinder property redevelopment and the productive re-use of existing sites

Major state spending programs have skewed funding to greenfields

Federal policy has long worked against urban areas in a broad range of issue areas

Despite improvements, transportation funding is still geared toward highway building

Subsidized housing policies reinforce concentrated poverty

Homeownership tax expenditures favor suburban buyers

Environmental regulations push growth outward

Local inefficiencies and lack of capacity also contribute to the challenge

Many local governments are inefficient in their delivery of basic services

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

I   What are the findings of the report?

We have identified 65 cities in 24 states that are underperforming economically

Several forces are contributing to the underperformance of these cities

But, the moment is right for change

Older industrial cities have numerous assets that set them apart

Physical assets: waterfronts, transit infrastructure, historic buildings

Economic assets: regional employment centers, downtown cores, concentrations of eds and meds

Cultural assets: cultural institutions, professional sports teams, vibrant street life

METROPOLITAN POLICY PROGRAM

Physical assets: waterfronts, transit infrastructure, historic buildings

86 percent of the older industrial cities have a waterfront – a river, lake, bay or canal

These 65 cities together have 4,209 properties on the National Register of Historic Places

All of these cities have public transit, 22 percent have a light rail system, and 70 percent are served by Amtrak

Pittsburgh

Economic assets: regional employment centers, downtown cores, concentrations of eds and meds

Home to just 26 percent of their metropolitan populations, older industrial cities claim 33 percent of the jobs in their metro area

Dense downtown cores still cluster high value jobs, and many have been experiencing growth

These 65 cities have 242 four-year colleges and universities, 164 two-year colleges, and 470 hospitals and medical research centers

Richmond

Cultural assets: cultural institutions, professional sports teams, vibrant street life

These 65 cities have nearly 300 museums, 60 orchestras, and 30 opera companies

They also boast 36 professional sports teams and numerous minor league teams

Older industrial cities retain the quality of city-ness, vibrant street life, and a strong sense of place

St. Louis

The country has experienced rapid growth, and is expected to add 67 million people by 2025

Total U.S. population increase, 1960-2006

- 33 mil.
- 24 mil.
- 23 mil.
- 22 mil.
- 17 mil.

1960-1970   1970-1980   1980-1990   1990-2000   2000-2006
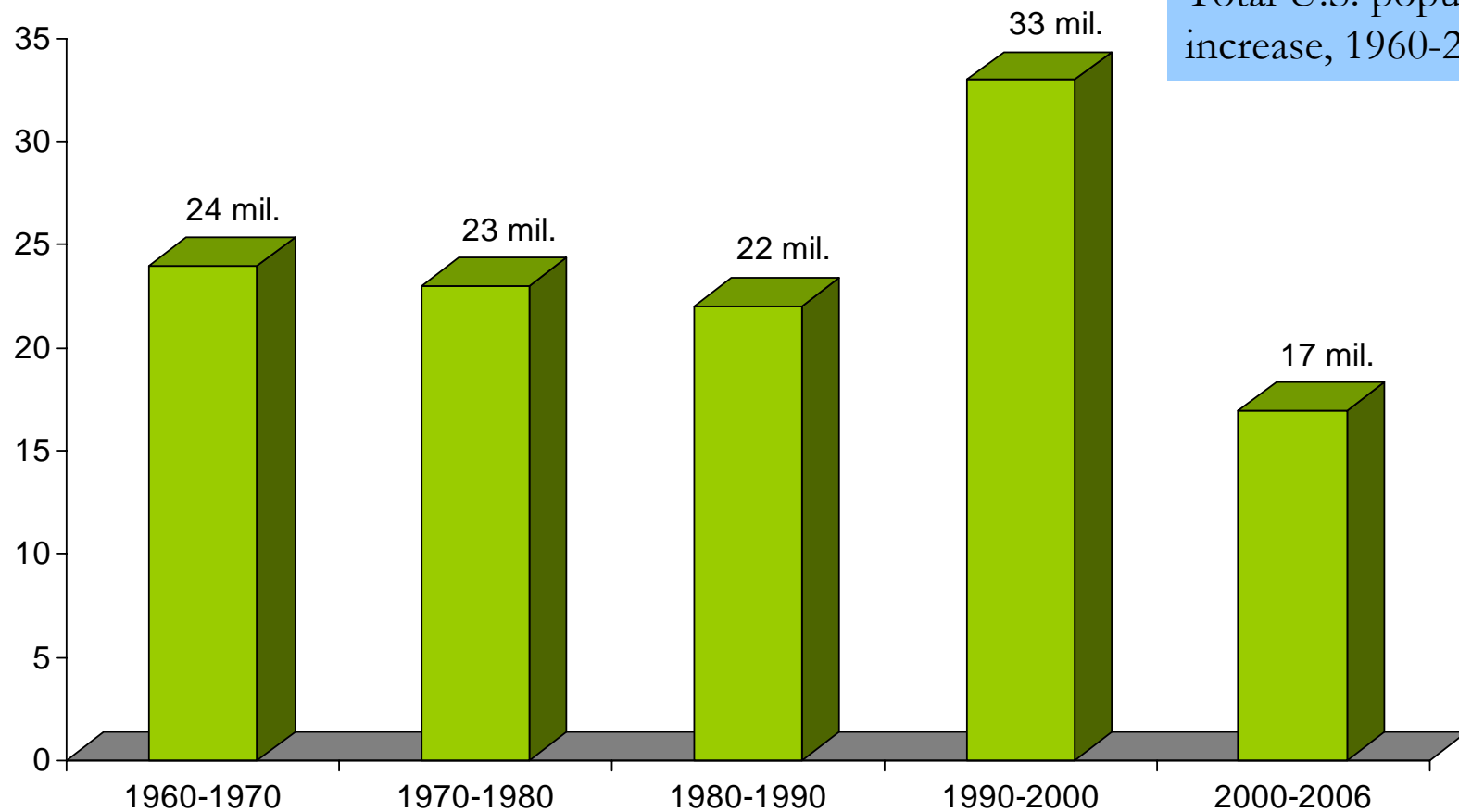
■ Population Growth (in millions)

Source: U.S. Census Bureau

METROPOLITAN POLICY PROGRAM

Immigration accounts for a large portion of this growth

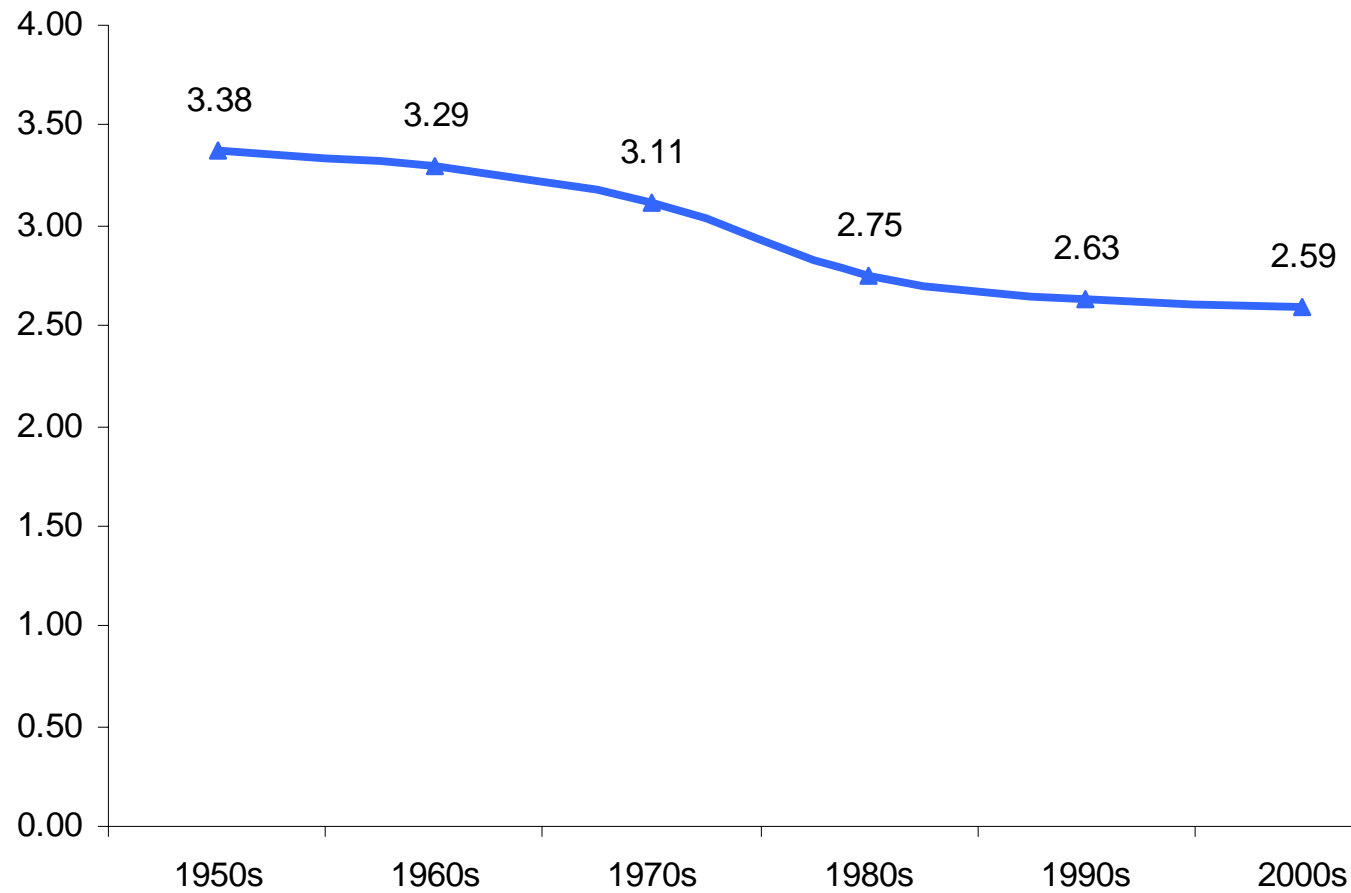Components of population change, 1990-2000

■ Net Immigration
■ Natural Increase

65.3%

34.7%

Source: U.S. Census Bureau

METROPOLITAN POLICY PROGRAM
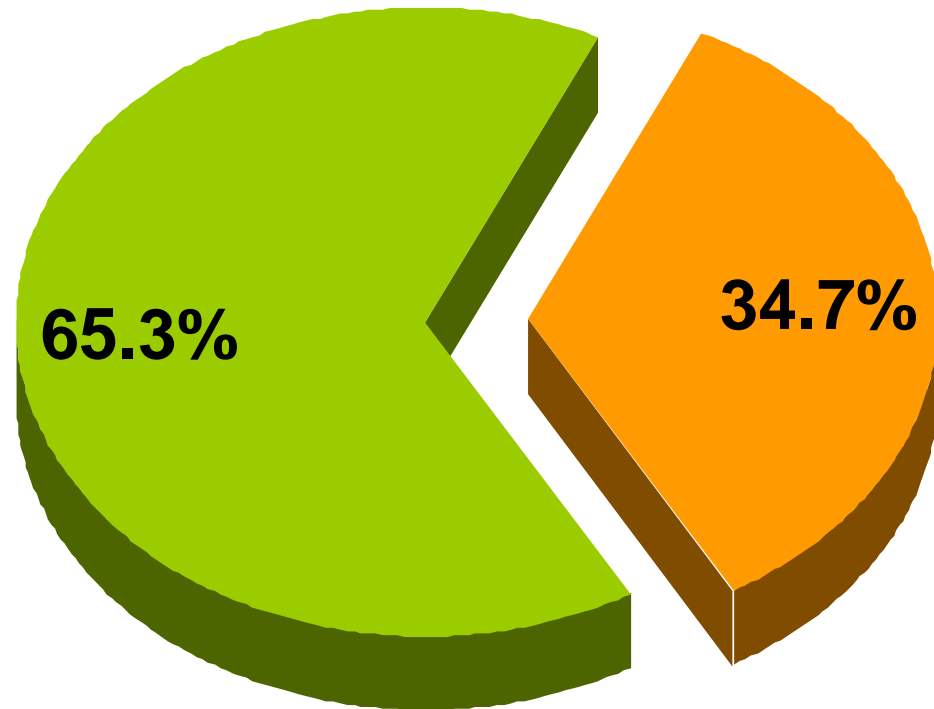
Adults over 65 make up more than 12 percent of the population

U.S. age distribution, 1970 vs. 2020

1970

Male   Female

85+

<5

6%   4%   2%   -   2%   4%   6%

2020

Male   Female

85+

<5

6%   4%   2%   -   2%   4%   6%

Source: U.S. Census Bureau

METROPOLITAN POLICY PROGRAM
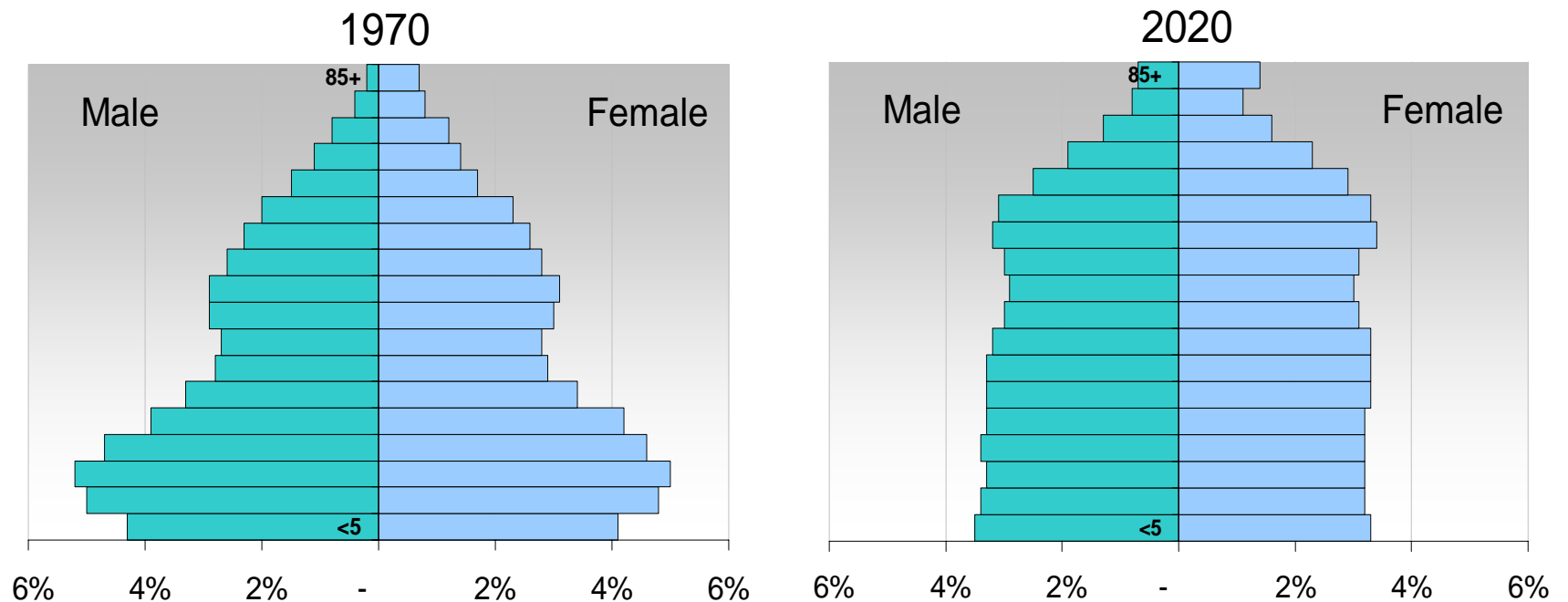
Men and women are delaying marriage, families are having fewer children, and household size is declining

Average family size, 1950-2000

3.38	3.29	3.11	2.75	2.63	2.59
1950s	1960s	1970s	1980s	1990s	2000s

Source: U.S. Census Bureau

METROPOLITAN POLICY PROGRAM

A growing and increasingly diverse population values the range of choices in housing, amenities, and transportation offered by cities

Housing Types

Shopping

Transport-ation

Young adults in particular are acting on renewed interest in urban living

From 1990 to 2000, the share of 25 to 34 year-olds choosing to live within 3 miles of a metropolitan area's center increased markedly

In 2000, this age group was 30 percent more likely than other metro residents to locate in central neighborhoods

METROPOLITAN POLICY PROGRAM

…and have also contributed to downtown revitalization in many cities that lost population overall
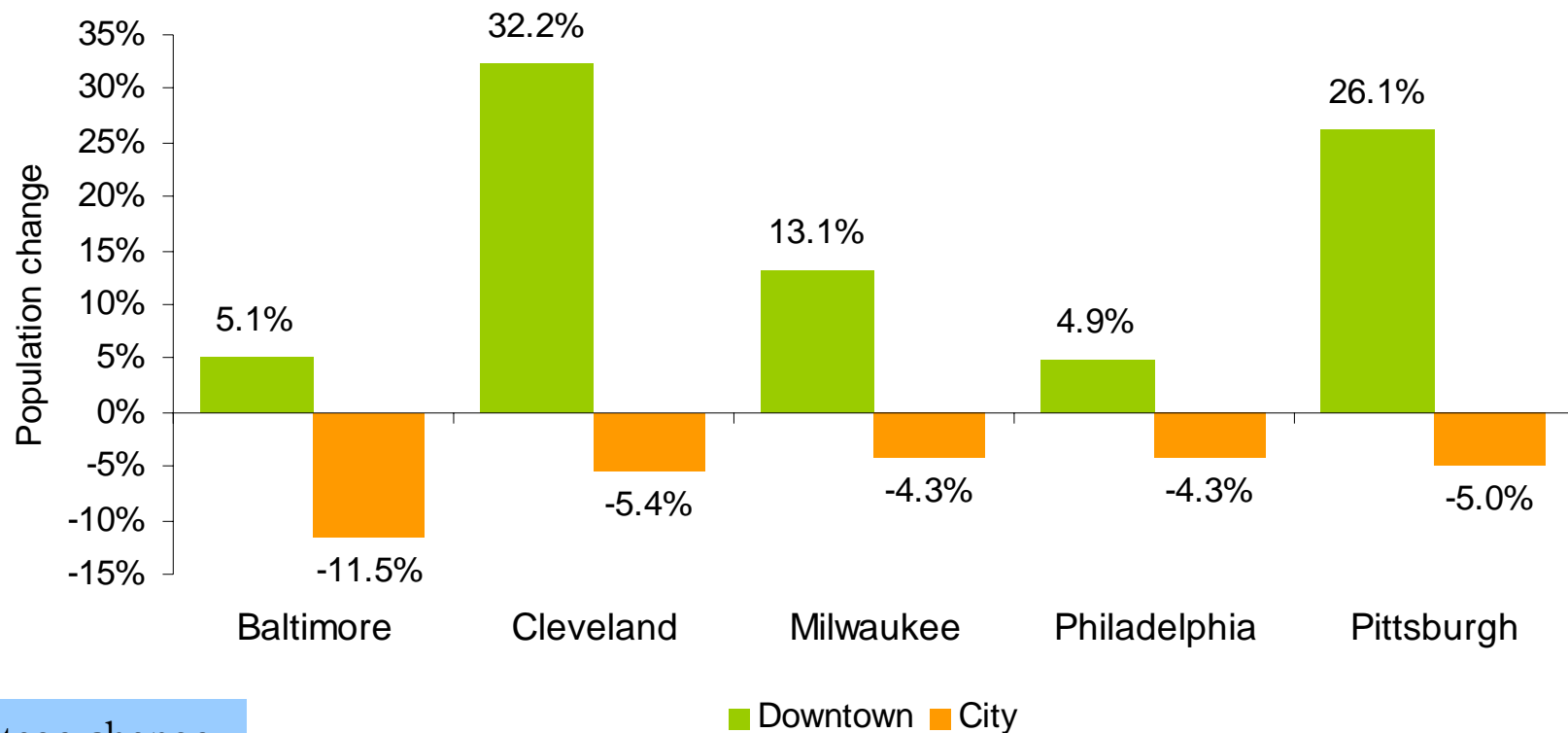
Percentage change in population, 1990-2000

METROPOLITAN POLICY PROGRAM

Globalization and technological innovation have accelerated the U.S. economy's shift from manufacturing to services

Share of workers employed in manufacturing and services, United States, 1970-2005

Services include professional/business, education/health, and leisure/hospitality

Source: Bureau of Labor Statistics

METROPOLITAN POLICY PROGRAM
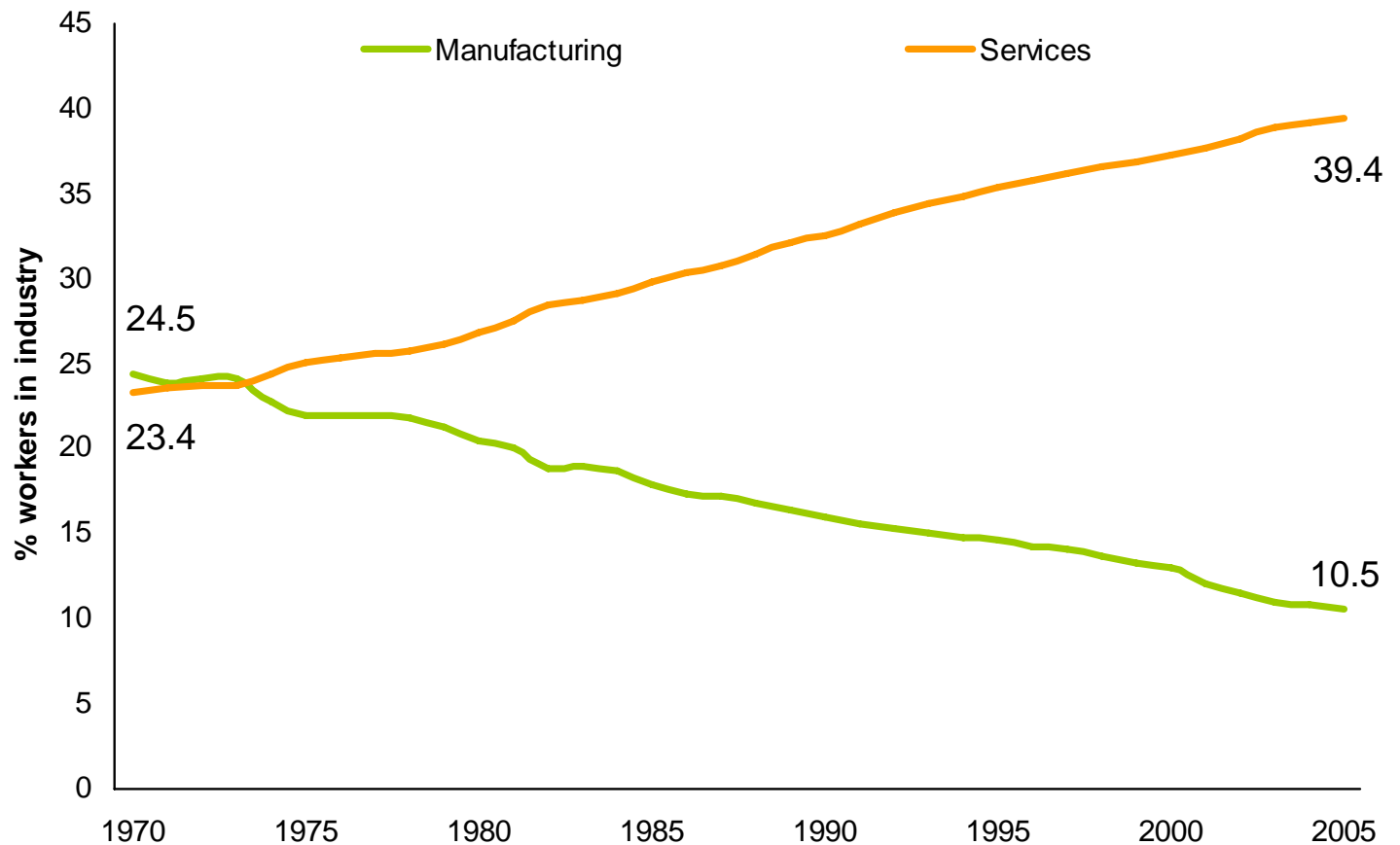
This transition demands greater numbers of highly-educated, highly-skilled workers

BA attainment by selected occupations, 2002

Source: Bureau of Labor Statistics
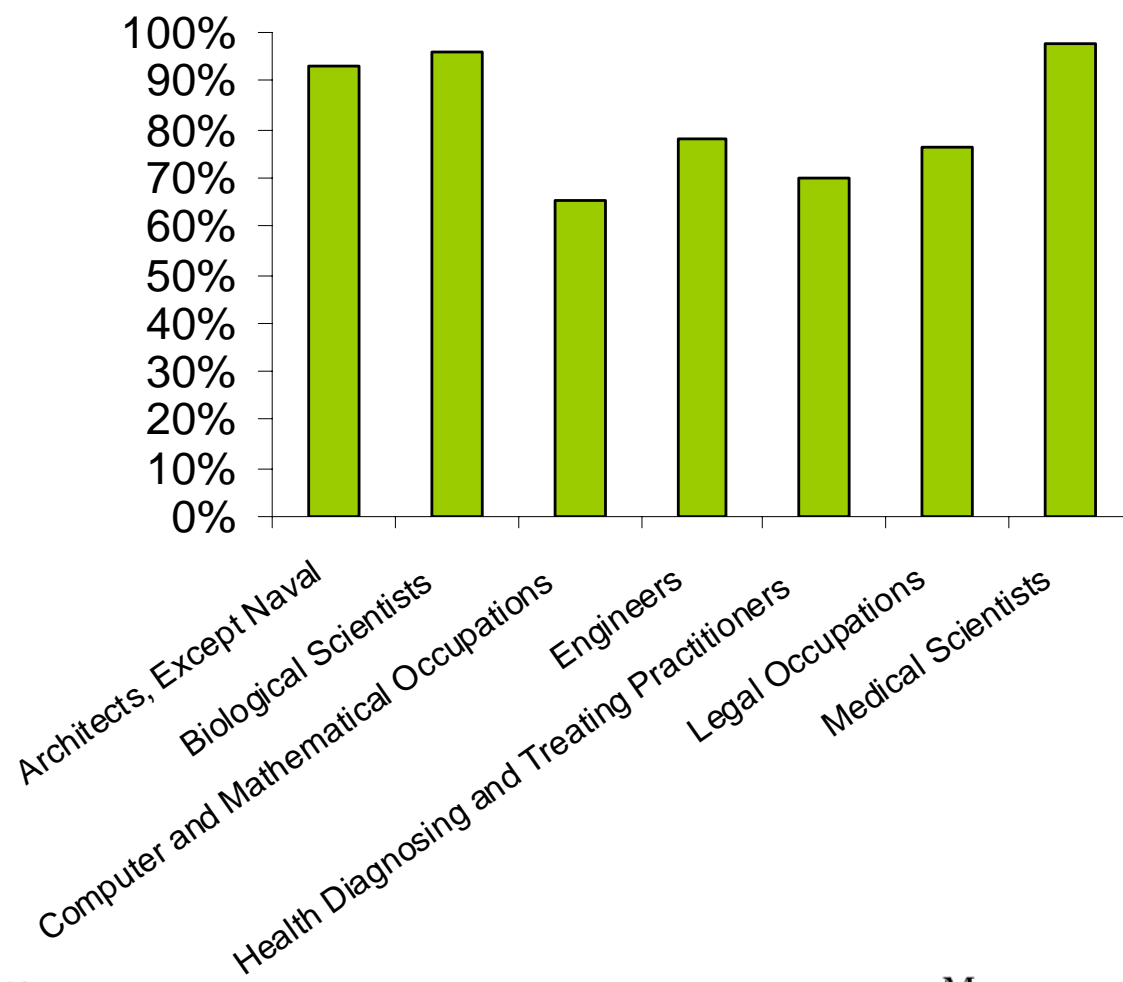
The role of universities, colleges, and medical research institutions in economic development and community revitalization is growing

Employers: Offer employment to local residents

Incubators: Offer services to support start ups

Purchasers: Redirect institutional purchasing towards local businesses

University of Pennsylvania

Work force developers: Address local/regional resource needs

Real estate developers: Use real estate to anchor growth

Network builders: Channel university expertise to increase local business capacity

METROPOLITAN POLICY PROGRAM

These changes have altered the value and function of density, which accelerates the transfer of knowledge and ideas between people and firms

- Density

- Waterfronts and other amenities

- Educational and medical facilities

- Creativity

- Multicultural diversity

- Built infrastructure

Lastly, cities have an opportunity to take advantage of a profound political and constituency moment

Progressive state leaders are recognizing—and acting upon—the link between strong cities and regional competitiveness

U.S. foundations and philanthropies are increasingly supportive of long-term projects to revitalize weak market cities

Community development organizations are increasingly interested in market-based solutions to building neighborhood wealth

Environmental and smart growth leaders are focusing on the critical role that cities play in reducing carbon emissions, enhancing energy efficiency, and conserving open space

METROPOLITAN POLICY PROGRAM

Restoring Prosperity

THE STATE ROLE IN REVITALIZING AMERICA'S OLDER INDUSTRIAL CITIES

| I | What is the Restoring Prosperity Initiative? |

| II | What are the findings of the report? |

| III | How can states restore prosperity to older industrial cities? |

States play a vital role in shaping urban and metropolitan growth

States establish the fiscal playing field for municipalities and school districts

States make huge investments in physical infrastructure, green space, housing, and downtown development

States shape the quality of economic growth though their investments in K-12 education, higher education, and workforce development

States also invest in higher-wage industries, including health care, high tech, corporate research, and high value producer services

To unleash the economic potential of older industrial cities, we propose five interrelated policy strategies

2
Build on Economic Strengths

4
Grow the Middle Class

1
Fix the Basics

Transform the Physical Landscape
3

Create Neighborhoods of Choice
5
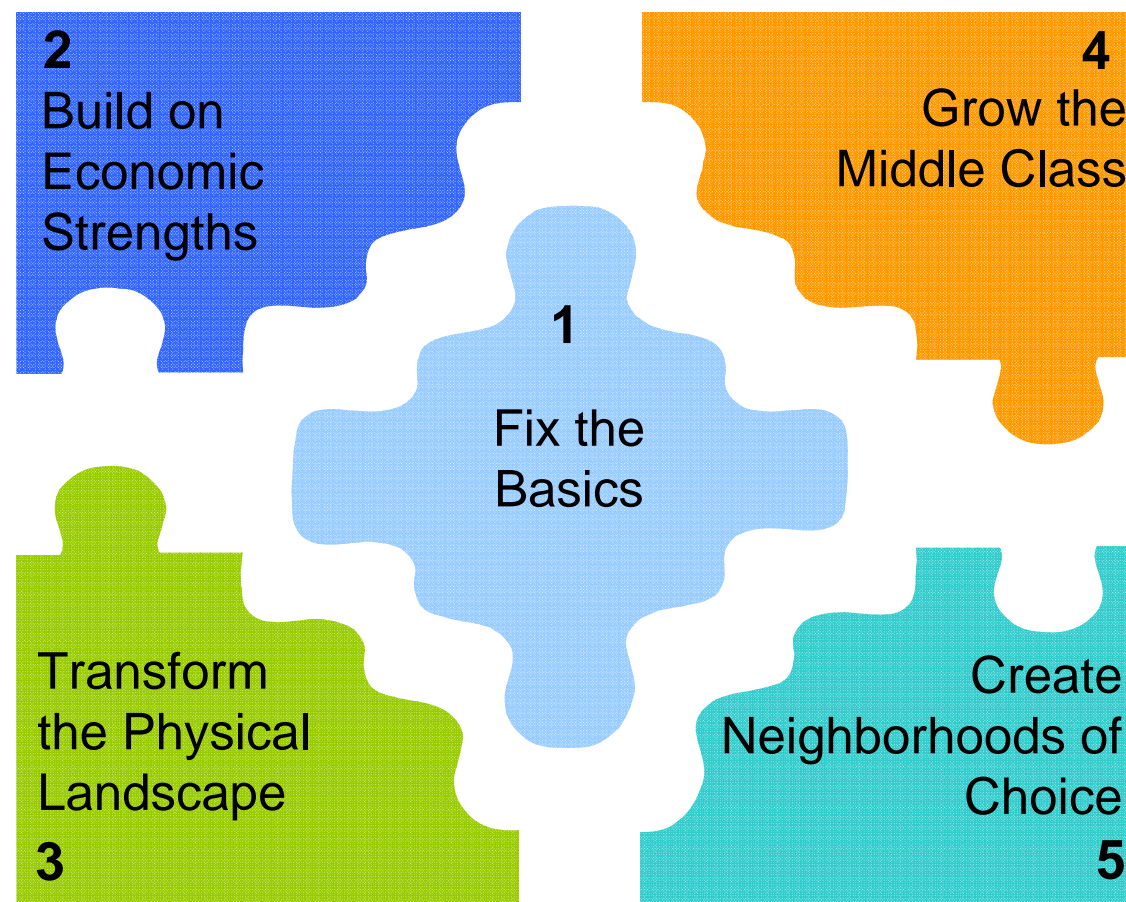
Fix the Basics

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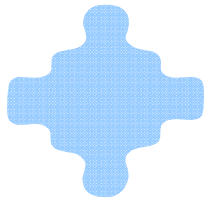
POTENTIAL ACTION STEPS:

➢ Make streets safe

➢ Create a competitive cost climate for businesses and residents

➢ Transform neighborhood schools

METROPOLITAN POLICY PROGRAM

Example – Make streets safe

New York Neighborhood Work Project

Program offers transitional employment, job development, and placement services to offenders leaving the state prison system

60 percent of participants graduate to permanent employment

Participants who are successfully placed in jobs exhibit a 30 percent reduction in recidivism over a three year period

Build on Economic Strengths

GOAL: Leverage existing strengths to build a "high road" economy of knowledge, innovation, and entrepreneurship
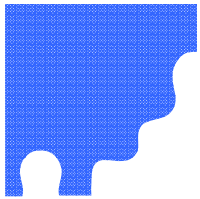
POTENTIAL ACTION STEPS:

➢ Invest in downtown revitalization

➢ Focus on cities' competitive niches

➢ Enhance connectivity between cities and regions

Example – Invest in downtown revitalization

The Chattanooga Turnaround

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

In 1987, Chattanooga's civic leaders initiated a strategic planning process to create a walkable connection from downtown to the Tennessee River

The State of Tennessee provided funding for new waterfront infrastructure and turned over a key highway to the city

In 2002, the city embarked on a $120 million 21st Century Waterfront Plan to create additional housing and open space on a thriving waterfront

Transform the Physical Landscape

GOAL: Undertake one or two major physical projects that transform the urban landscape, and give cities the tools they need to create marketable sites primed for reinvestment
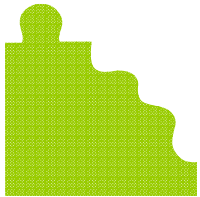
POTENTIAL ACTION STEPS:

➢ Fix it first

➢ Invest in catalytic development projects

➢ Create marketable sites

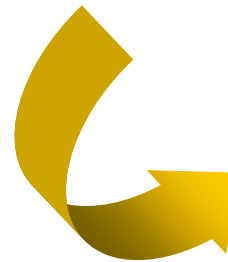Example – Invest in catalytic development projects

Milwaukee Freeway Demolition

Removal of a little-used spur of the never-completed Park East Freeway began in 2002 to reclaim 11 blocks of downtown land

Renewal project will add commercial and residential development of mixed types

Before

After

Example – Create marketable sites

Michigan Land Bank Fast Track Authority

Allows cities and counties to create land bank authorities to acquire, assemble, and redevelop vacant and abandoned land and buildings

Land banks also have the power to borrow money or sell bonds to raise revenue, buy and assemble land into larger parcels, and demolish, rehabilitate, or construct new buildings that can then be sold

Currently in possession of more than 9,480 properties, the Authority has restored and returned 693 properties to the market since 2004, with no state funding

Grow the Middle Class

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

POTENTIAL ACTION STEPS:

➢ Give residents the skills and connections they need to compete

➢ Make work pay for low-income workers

➢ Reduce the costs of being poor

Example – Give residents the skills they need to compete

Ohio Career Pathways Project

The project responds to the disconnect between labor markets and the state's community colleges and technical schools

Provides funding for six workforce intermediary-led partnerships that map career development pathways for Ohio's unemployed and low-income workforce

The KnowledgeWorks Foundation operates the program with foundation funding and discretionary funds from the Governor's Workforce Policy Board
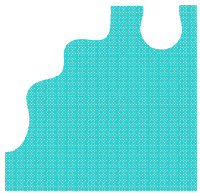
METROPOLITAN POLICY PROGRAM

Create Neighborhoods of Choice

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

POTENTIAL ACTION STEPS:

➢ Support mixed-income housing

➢ Grow inner city markets

➢ Invest in preservation and rehabilitation

Example – Grow inner city markets

New York Banking Development Districts

Partnership between local governments, private banks, and the State Banking Department to encourage banks to locate in neighborhoods that lack mainstream financial services

State provides below-market rate deposits, along with market rate deposits, to subsidize banks that open branches in designated neighborhoods

By August 2006, the program had commitments from 26 banks and thrifts to open new branches in underserved markets throughout the state
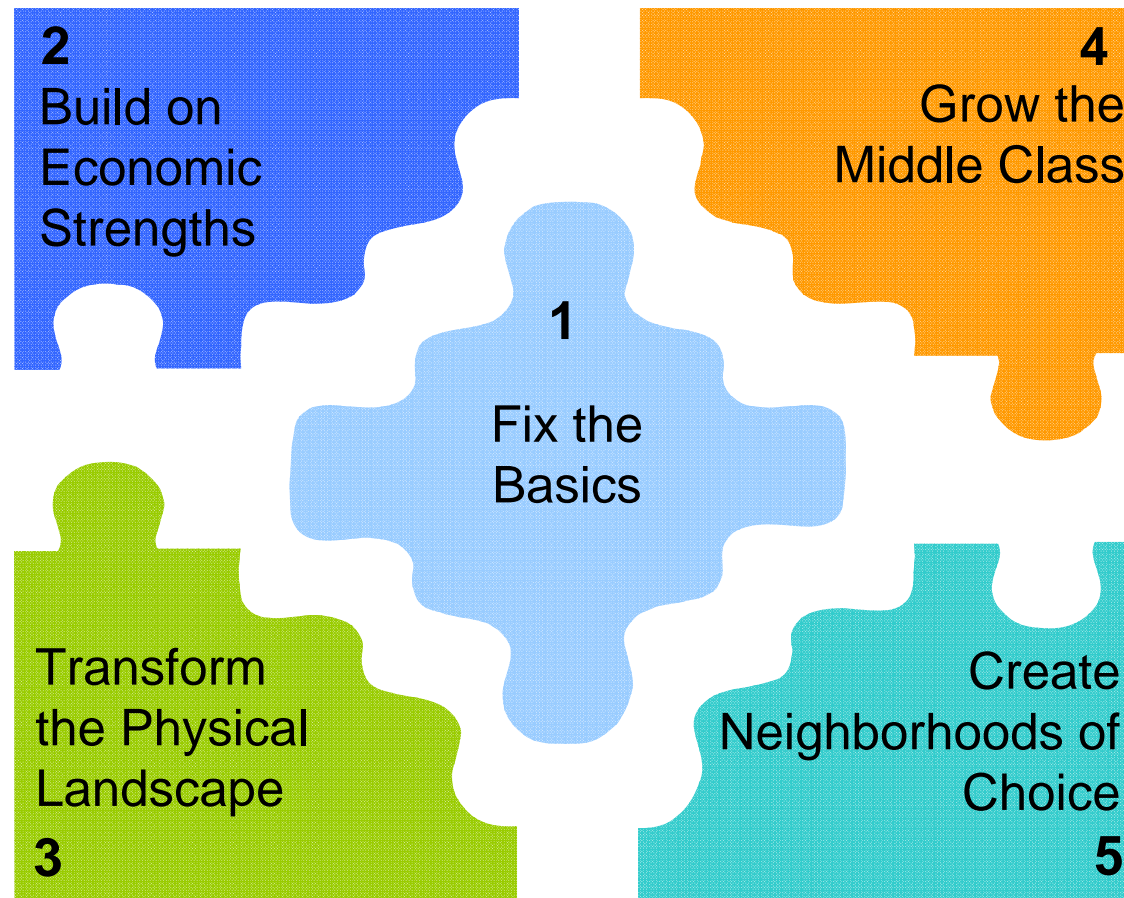
Organizing for success: Focus on long-term coalition building in target states

Local leaders must build strong coalitions of innovative thinkers, actors, and stakeholders within older industrial cities

City coalitions must work in close alignment with regional groups

Urban leaders must band together across cities to advance a state reform agenda that puts cities first

Over the next few weeks, we'll hold forums and meetings in 12 cities across five states

Next Steps: The release of the *Restoring Prosperity* report is part of a long-term research and policy reform effort

Organize/institutionalize networks for action: 2006/2007

Continue networking and research effort: 2007-2009

Participate in the American Assembly, multi-state convening chaired by Governor Rendell and Bank of America CEO Ken Lewis, Nov. 8-11, 2007

Older Industrial Cities Phase II: January 2008-2009

Expand and deepen the research and continue to pursue policy reform: Older Industrial Cities Policy series; policy advisory committee

Trends: Sector analysis, innovation and economic growth, city/metro analysis, immigration, human capital, real estate values

Comparative analysis: U.S.-E.U. analysis in partnership with the LSE; cross-state comparisons; diagnostics in Akron, Chattanooga, and Louisville

join us:

www.restoringprosperity.org

www.brookings.edu/metro

METROPOLITAN POLICY PROGRAM