

EXECUTIVE SUMMARY

Rapid change is enveloping the American West.

States in the southern Intermountain West—Arizona, Colorado, Nevada, New Mexico, and Utah—are experiencing some of the fastest population growth and economic and demographic transition anywhere in the country.

The region is growing up, flexing its muscles, and distancing itself from California, which historically has had an outsized impact on the West's development.

In fact, thanks to such maturation, the southern Intermountain West is well on its way to earning itself the title moniker of the *New American Heartland* as its economy, people, and politics become more central to the nation. Politically, the Intermountain West could be home to several swing states in the 2008 election and in time play the storied "kingmaking" role the Midwest does now.

With its growth, the southern Intermountain West is also rapidly pioneering new urban forms. Most notably, the region is home to five emerging "megapolitan" areas—vast, newly recognized "super regions" that often combine two or more metropolitan areas into a single economic, social, and urban system. In the 1960s, Dallas and Fort Worth were clearly colliding, as were Washington and Baltimore by the 1980s. Now regions with more far-flung urban cores such as Phoenix and Tucson are exhibiting the same pattern, as are the urban spaces extending around Denver, Salt Lake City, Las Vegas, and Albuquerque.

In short, an extraordinary new settlement pattern has come to characterize growth in the nation's fastest-growing region.

Which is where this document begins: Prepared as part of the Brookings Institution's *Blueprint for American Prosperity* initiative, **"Mountain Megs: America's Newest Metropolitan Places and a Federal Partnership to Help Them Prosper"** describes and assesses the new super-sized reality of the Intermountain West and proposes a more helpful role for the federal government in empowering regional leaders' efforts to build a uniquely Western brand of prosperity that is at once more sustainable, pro-

ductive, and inclusive than the past eras dynamic of boom and bust.

Along these lines, "Mountain Megs" assumes that true prosperity is based on achieving three interrelated dimensions of prosperity—sustainable, productive, and inclusive growth—all at once. Such balanced growth depends, in turn, on the region assembling in its megapolitan areas sufficient stocks of the crucial assets that contribute to such prosperity: top-notch infrastructure, world-class innovation

"Mountain Megs" assumes that true prosperity is actually based on achieving three interrelated dimensions of prosperity—sustainable, productive, and inclusive growth—all at once.



inputs, vital human capital, strong quality-of-place, and as well as the necessary effective regional governance to put it all together.

From that standpoint, “Mountain Megs” surveys trends and federal policy challenges in the Intermountain West and draws a number of conclusions:

1. The Intermountain West—dominated by its five vast “megapolitan” areas—has emerged as America’s fastest-changing, most surprisingly urban region. In this respect, the Mountain West’s current development, economic, and social trends describe a region in the midst of massive transformation. The region is neither the Old West, nor the New West. It is the New New West, continuously unfolding:

■ **A surprisingly urban population explosion continues.**

Together, the “mountain megas” are home to more than 80 percent of their five states’ population, employment, and economic and cultural activity, and have captured almost all of the region’s recent growth. They include some of the fastest growing places anywhere in the country (Las Vegas) and have captured 13 percent of the nation’s growth so far this decade. What is more, the Intermountain States and their megas have grown surprisingly urban, with urban Denver and Salt Lake achieving densities as high as urban Chicago and higher than urban Boston

■ **The Intermountain West’s economy is rapidly changing.**

Job creation far above the national average in industries serving local markets (such as health services, real estate, and construction) has ensured that few workers remain in resource-extraction industries or in agriculture despite their historical importance to the region. At the same time, a new, high-value Intermountain economy has come into focus that is anchored by clusters of firms in critical, often well-paying “traded,” or export, industries such as hospitality and tourism, information technology, aerospace, or knowledge creation. The nature, size, and competitiveness of these strategic export clusters vary across the megas but they represent the shape of the future. However, while the region’s megas have been moving up the value chain, they still have a ways to go to achieve truly top-flight productive growth. Average labor productivity—a critical measure of economic potency—rose in the megapolitan West from about \$79,500 per year in 2001 to \$85,400 per year in 2005. But the 2005 figure in the region remained slightly beneath the national average of \$87,800, and only the Front Range among the megas exhibited above-average productivity. What is more, productivity *growth* across the megapolitan West also lagged national rates, with output per job rising by just 1.8 per-

cent on average each year from 2001 to 2005 compared to 2.3 percent nationwide. Not surprisingly, living standards—as measured by per capita income—have also been rising though they remain below the national average in all Mountain megas except the Front Range

■ **Rapid growth is changing the face of the region.**

On this front, the region’s demographic vitality reflects its robust dynamics on all components of population change. Strong natural increases of population continue to be complemented by rapid in-migration from other parts of the country (especially from the “old Sun Belt” states of CA, TX, and FL) and immigration from abroad (especially from Mexico and Latin America). Although the region remains 80 percent white, it has experienced steady and sizable increases in its Hispanic population. The region’s labor force, meanwhile, is quite well educated, but educational gaps have opened especially between the foreign-born and native populations and between non-Hispanic whites and Hispanics, blacks, and Native Americans. Finally, a once-egalitarian, middle-class region has seen its prominent middle class dwindle as stark income disparities have appeared

■ **The long boom of the Intermountain State megas will likely continue.**

Nationwide, projections completed for this report anticipate America may add its next 100 million residents by 2040, and by all indications the Intermountain West will gain a disproportionate share of the coming growth. Along these lines, the five Intermountain West megas are together projected to add nearly 12.7 million residents and more than 8 million jobs by 2040. This means the Mountain megas’ population and job bases could each roughly *double* by 2040 from 2005 levels. Such projected expansion will also have tremendous implications for the built environment and regional construction activity. Such growth, for example, would require the megapolitan West to nearly double the number of housing units that were on the ground in 2005 (5.6 million units) while replacing or upgrading another two million. Equally staggering, a total of 9.4 billion square feet of new or replacement non-residential space may need to be built to accommodate the coming new jobs. The estimated construction cost attached to this massive growth and replacement of structures in the megapolitan West could approach \$2.25 trillion for housing and \$916 billion for non-residential space

In short, the massive, ongoing change that has been convulsing the Intermountain West shows no sign of slowing.

2. These changes have brought many benefits to the Intermountain West but they also are posing a series of complex, mega-scaled challenges.

To date, growth has brought demographic vitality, rising incomes, and vibrant workforce growth. But it is also bringing stress. In this respect, the achievement by any region of truly productive, inclusive, and sustainable growth depends on its assembling in its megapolitan areas sufficient stocks of the crucial assets that contribute to prosperity: infrastructure, innovation inputs, high levels of human capital, and a strong quality-of-place (plus effective regional governance). However, the region faces hard work in achieving such critical mass, and will likely not be able to master events solely by itself:

- **Infrastructure:** Infrastructure networks provide essential linkages that knit together urban systems. However, the newness of the megapolitan West combined with hyper-growth leave the region facing major infrastructure challenges. Currently, the region lacks a robust and supportive surface and air transportation network. A critical interstate linkage is missing between Phoenix and Las Vegas. Intercity passenger rail is underdeveloped throughout the region. And transportation choices (such as parallel highways, commuter rail, and transit) are still uncommon in this New American Heartland. Likewise, the region's air network is underdeveloped, and serves mainly to support regional flights and few direct, international connections. In addition, the threat of global climate change raises vexing questions about water and energy systems and grids. Consumption patterns, planning, capture and reuse systems, and delivery are critical water issues regionwide; on energy, transmission grid capacity and expansion and the move to renewables loom large as huge issues. Alternatively, the threat of global climate change may help to speed development of new water conservation approaches and widespread renewable energy resources and technology to meet future demand for low-carbon energy
- **Innovation:** Not-yet-top-echelon productivity and productivity growth in the megapolitan West highlight the importance of assembling world-class innovation inputs in the megas. Innovation matters because innovation—the process of inventing and exploiting new products, processes, and business models—drives productivity growth which in turn enhances living standards. Unfortunately, while the Intermountain West is home to world-class research institutions and a number of strong industry clusters in export markets, the region must overcome two hurdles to unleashing the next stage of high-value economic growth. First, the region makes do now with the rather variable quality of the

Mountain West research complex as indicated by measures of R+D expenditures, the translation of inventions to job-creation, and the presence of highly educated workers. Second, the region currently contends with a somewhat underperforming portfolio of critical industry clusters in export “traded” sectors. These highly strategic clusters represent a potent source of quality jobs and productivity growth, but as yet only Colorado's Front Range ranks as a national superstar in assembling top-flight strong clusters and using them to drive regional wage growth. The challenge of the Intermountain West megas, then, is to enhance and leverage their research capacities and high-value industry clusters to move up the innovation and productivity curves so as to increase their overall economic competitiveness and so the local standard of living

- **Human capital:** The status of the megas' human capital stores—their greatest resource—also bears attention if the Intermountain West is going to produce balanced, broadly-shared prosperity. Plentiful and increasingly skilled people remain the key to economic growth. Likewise, how well all groups are integrated into society and can participate in its economy defines whether a place truly delivers on the American dream of upward mobility and middle-class stability. Unfortunately, on this front also, the megapolitan West is struggling with serious stresses. Rapid legal and illegal immigration in the context of the nation's unsettled immigration policies, has generated uncertainty and controversy among employers and communities alike, and is creating dislocations for firms, families, and local governments. At the same time, this new reality finds the training and education needs of an increasingly diverse population largely unmet. More and better English language classes, new ideas for educating the children of new Americans, and new strategies for securing the educational pipeline from pre-K through high school and beyond are needed. Similarly, widening income disparities and growing poverty rates give rise to concerns that the Mountain West—once a middle-class society—is developing into a society of haves and have-nots
- **Quality places:** Finally, the crafting of attractive, high-quality, and well-designed urban places also matters in the search for true prosperity. On this front, all of the Mountain megas have embarked on the important drive to craft a built environment to match the region's alluring scenery. What is more, their efforts have been aided by the existence of physical growth constraints such as mountains and Indian reservations that have facilitated the emergence of relatively compact, high density urban spaces in the West. And yet, the fact



remains that all of the region's megas face significant placemaking challenges largely tied up with mitigating or even undoing the legacies of auto-oriented development. Today, all of the Mountain megas experience most of the downsides of higher density development (e.g., congestion) with very little of the benefit (e.g., vibrant urban environments). Too often, the West's auto-dependent, segregated-use development mode provides few transportation or housing choices for workers and residents, fails to link residential or commercial building to public transportation, and fails to inspire much in the way of neighborhood cohesion. Crafting distinctive neighborhoods and workable urban systems will require retrofitting or transcending the autoscape of past decades

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And there is one other critical challenge the mountain megas face as they continue to grow and change is governance. In this regard, while leaders may want to promote mega-scale responses to mega-scale problems, they are frequently hobbled because they lack the super-scaled governance institutions and networks needed to shape their futures.

Nonetheless, region-minded leaders throughout the Mountain megapolitan West have begun to craft impressive, wider-reaching governance solutions in response to the emerging megapolitan reality.

And yet, the fact remains that the broad sweep of

megapolitan development in the West is in several of the region's megas outstripping the region's local governance structures and raising serious questions about the megas' ability to steer events. The upshot is clear: Designing innovative, smart, and effective new wide-area governance mechanisms for the new megapolitan reality will surely rank among the Intermountain West's most important challenges in the next decade.

3. Given these challenges, then, the time is right for leaders around the Intermountain West and their partners in Washington to fashion a new federal-state-mega partnership that will allow the region's pivotal megapolitan areas to surmount their common challenges and assert their leadership in the nation and the world. To be sure, self-help will

always remain the primary source of progress in the Intermountain West. After all, American's most vibrant new urban region has long relied on its own do-it-yourself spirit to begin the work of building a "civilization to match the scenery," to paraphrase Utah-born writer Wallace Stegner. And yet, the fact remains that while the West's megapolitan leaders and institutions can achieve a lot by themselves, they "cannot go it alone." Instead, at least at times, and on certain crucial, mega-scaled issues, Western leaders require a steady, supportive partner in the federal government to offer leadership on certain uniquely federal, border-transcending issues like inter-mega transportation, basic science research, immigration, and climate change responses even as it works more frequently to empower the rising megas of the West. Of top priority should be work aimed at bolstering the West's standing on the four fundamental drivers of prosperity and catalyzing continued regional governance innovation:

■ **Infrastructure:** Given the region's extraordinary coming growth, the time is now for the Mountain West's leaders to ask that the federal government become a more constructive partner with state and local governments and the private sector in helping the region make crucial investments in its stressed infrastructure and water and energy supply systems. For example, strategic, targeted, and reliable help from Washington will be critical if the Mountain West is going to effectively **build out its passenger and freight networks** both between and within the Mountain megas, using highways, high-speed and light rail, and air connec-

tions to improve connectivity and shape development. The region also needs Washington to lead where it must in investing in **better data and modeling on climate change, water, and energy issues; setting a national framework for reducing greenhouse gas emissions; and facilitating creative, collaborative regional water and energy agreements as well as progress on expanding the region's overtaxed energy transmission grid.** On all of this, help with direct investment will be critical, but so will related policy and attitudinal adjustments aimed at setting up a more supportive federal policy framework within which all parties can work together to provide America's fastest-growing region with the world-class infrastructure it needs to help America the nation prosper

■ **Innovation:** A new partnership is also needed on assembling world-class innovation inputs in the Mountain megas. To be sure, Western entrepreneurs, companies, workers, industry associations, universities, and investors will clearly play the largest role in building the high-performance economy of tomorrow in the Intermountain region. However, they will succeed best if they have a strong, supportive, and focused steward of innovation in Washington. To ensure that they do, Washington should bring greater purpose and rigor to the nation's currently diffuse innovation activities while respecting, enhancing, and empowering the distinctive and promising specializations of the Intermountain West's megapolitan economies. To that end, the federal government should **step up and better leverage its investments in science research and commercialization; establish a nimble, bottoms-up program to support and enhance the power of local industry clusters; and experiment with new paradigms for augmenting and commercializing alternative-energy innovation**

■ **Human capital:** Creating an inclusive, middle-class society where educational opportunity allows upward mobility also remains significantly the province of state and local leaders, in the West and elsewhere. But the Intermountain megas' acute human capital challenges are of a sort that call for federal engagement. Most notably, only Washington—as the ultimate authority on who can cross the nation's borders on what terms—can provide the nation the **balanced, comprehensive, and effective immigration reform** it must have. On this front, enhanced enforcement and expanded legal channels of entry should be complemented by an earned legalization pathway that encourages illegal immigrants to register for temporary legal status, after security checks and substantial

fees, and allows them to wait in line after legal immigrants to obtain permanent status. In addition, Washington should **compensate state and local governments** for the impact their immigrant populations have had on the costs of public service provision and **provide seed funding for regionally-scaled and regionally-tailored public-private partnerships to better integrate immigrants** through English language instruction, civics education, welcome centers, referral services, or other activities that regional leaders identify as necessary. Yet that is just part of a true partnership to ensure that the region continues to build the human capital necessary to generate true prosperity. In addition, Washington should serve once more as a “game-changer” on education as it has in the past, even if states and localities will retain the lead role. On this front, Washington should make catalytic **research and development on immigrant education** a core national education goal and help **secure the nation's now-leaky pipeline to post-secondary education** with a real-time data system that tracks individual outcomes from high school to college to help others monitor performance, pinpoint problems, devise interventions, and allocate resources. Finally, the federal government should complement efforts to increase educational attainment by working also to **boost the wages of the lower income workers and their families by expanding and modernizing the EITC.** This federal engagement would not only help bridge gaps between wages and living costs but may also promote greater labor market attachment and participation and skills growth—all important assets for the economic and social well-being of the nation and its regions





■ **Quality places:** Carving higher-quality, more walkable and accessible places out of the mass-produced and car-dominated suburbs of the Intermountain West will also require a long-time partnership of all relevant actors—public, private, and non-profit, and federal, state, tribal, and local. In this regard, while some may reject the notion of a federal role in placemaking, the fact is that the federal government is already heavily engaged in local and regional land use development in the Intermountain West because of its primary landowner status throughout much of the west, and because its water, energy, and transportation investments have widespread effects. But now it is time to imagine a new sort of involvement. And so, if the federal government is to become a more a constructive partner in the development of the Intermountain West, it needs to engage in three ways while respecting local autonomy and decision-making. First, it must **invest in and encourage public transportation in the megas**, and so help provide both outstanding inter-city and inter-mega rail links as well as top-flight intra-mega public transit networks. To support this goal, Washington must remove current federal policy and process biases that substantially favor highway construction over transit and in many ways intrude on metropolitan and megapolitan discretion in transportation programming. In addition, the government should also bolster public transportation by working to **refine existing performance standards** to ensure pedestrian-oriented design and a finer-grain mix of land uses at transit station stops and applying to road projects a new **performance standard for multi-modal connectivity**, to ensure the projects properly integrate with existing transit systems and into the local fabric. Second, Washington should undertake to incentivize energy- and resource-efficient land use and building design wherever possible by conditioning federal transportation dollars, land transfers, or other actions on partners meeting appropriate standards to encour-

age sustainable development and greenbuilding. And finally, the federal government should **issue a “sustainability challenge”** to catalyze bold Western problem-solving among state, mega-regional, metropolitan, local, and tribal actors. This challenge, delivered in the form of a competitive grant offer, would challenge all regions to figure out the boldest, most creative, and effective new ways to better **link up disparate housing, transportation, environmental, energy, and land use policies** to achieve sustainability goals, such as a reduced carbon footprint. The grant would be performance-based, and effectively award the most ingenious and creative solutions to widespread sustainability challenges with a substantial financial carrot and flexibility in implementing federal program requirements. In that way, Washington would appropriately reward Mountain State West innovation without pre-judging the possible solutions or micro-managing the details

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Finally, there remains the matter of supporting the emergence of new, wider-reaching and more interconnected governance networks to match the geographic scale and dynamism of the new reality.

Quite simply, the prosperous build-out of the Intermountain West—a matter strongly in the national interest—depends heavily on getting governance right within the megas, which argues in turn that Washington should support megapolitan leaders’ efforts to work out effective super-regional governance systems.

To that end, the federal government should provide a tactful mix of information and encouragement to help catalyze the emergence of more cross-boundary and mega-scaled problem-solving within and across U.S. megas. On the information and learning front, for example, federal agencies should move to **understand the new geography, provide relevant information, and support broadened understanding** of it—but not prescribe particular governance solutions. To further support the learning process, moreover, Washington could help Western leadership organizations like the Western Governors Association or the Council of State Governments West **create a West-wide learning network** tasked specifically with facilitating cross-mega understanding, dialogue, and best-practice exchange. Such a focused learning network could speed the spread of innovative new governance solutions, both those already underway and ones not yet envisioned.

To more directly encourage mega-scaled governance innovation, meanwhile, the federal government should materially reward initiatives that join-up local and metro institutions into super-regional webs. A start in this direction would be to **tweak federal metropolitan planning**

Organization (MPO) rules to provide new incentives and assistance to MPOs to support greater consideration of transportation patterns and development patterns beyond their specific territory. But Washington could go farther in fostering connections. First, it could establish a broad sort of **regionalism “steer”** to key categorical, block, and other grant programs that would give preferential treatment or funding to recipient states, municipalities, or other entities that embrace cross jurisdictional and regional or super-regional planning and problem-solving. Alternatively, and more creatively, the federal government could lay down—in partnership with state governments—a **“governance challenge”** aimed at boldly challenging megapolitan-area leaders to attempt deep-going experiments in organizing themselves. A governance challenge, like its sibling the sustainability challenge, would stipulate no particular policy goal. Instead, it would simply reward the most path-breaking proposals available for connecting regional and super-regional governance in such key domains as transportation planning or land use or housing with substantial grant money. In addition, the governance challenge would require the participation of state government in proposals, given that localities and even MPOs remain legally “creatures of the state.” Significant grant money would be awarded in a competitive process to the partnerships of states, localities, MPOs, regional business alliances, and other entities that devised the boldest, most multi-jurisdictional proposals for improving cross-boundary coordination, service and program integration, or regional decisionmaking.

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In sum, the time has come to make America’s emerging New Heartland in the West a prime test-bed for the nation’s next generation of pragmatic, far-sighted metropolitan policies.

With the Intermountain States West increasingly central to national affairs, Washington should look West and seek to craft with Mountain mega leaders a supportive new partnership that matches the size and promise of the nation’s newest urban places.