

The Brookings Institution

Metropolitan Policy Program

Bruce Katz, Director



Revitalizing Weak Market Cities in the U.S.

The Council on Foundations

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Revitalizing Weak Market Cities in the U.S.

I What is the Brookings Weak Market Cities Project?

II What are our preliminary research findings?

III What is our preliminary framework for policy reform?

IV What does this mean for foundations?



I

What is the Brookings Weak Market Cities Project?

Brookings is engaged in a research and policy development effort that aims to...

→ Develop an empirically-based inventory of weak market cities

→ Establish an argument for why cities matter to state and regional competitiveness

→ Create a state and local policy agenda to strengthen weak market cities

→ 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

- U.S. population growth in the 1990s was much stronger than in previous decades, with immigration fueling much of this growth
- Men and women are delaying marriage, families are having fewer children, and household size is declining
- The country is going through a profound economic transformation marked by increasing firm fragmentation, globalization, technological innovation, and demand for highly skilled workers
- Urban crime decreased markedly over the past decade
- Over the next 30 years, billions of additional square feet are projected to be developed or replaced



Demographic changes give cities a chance to compete for new residents



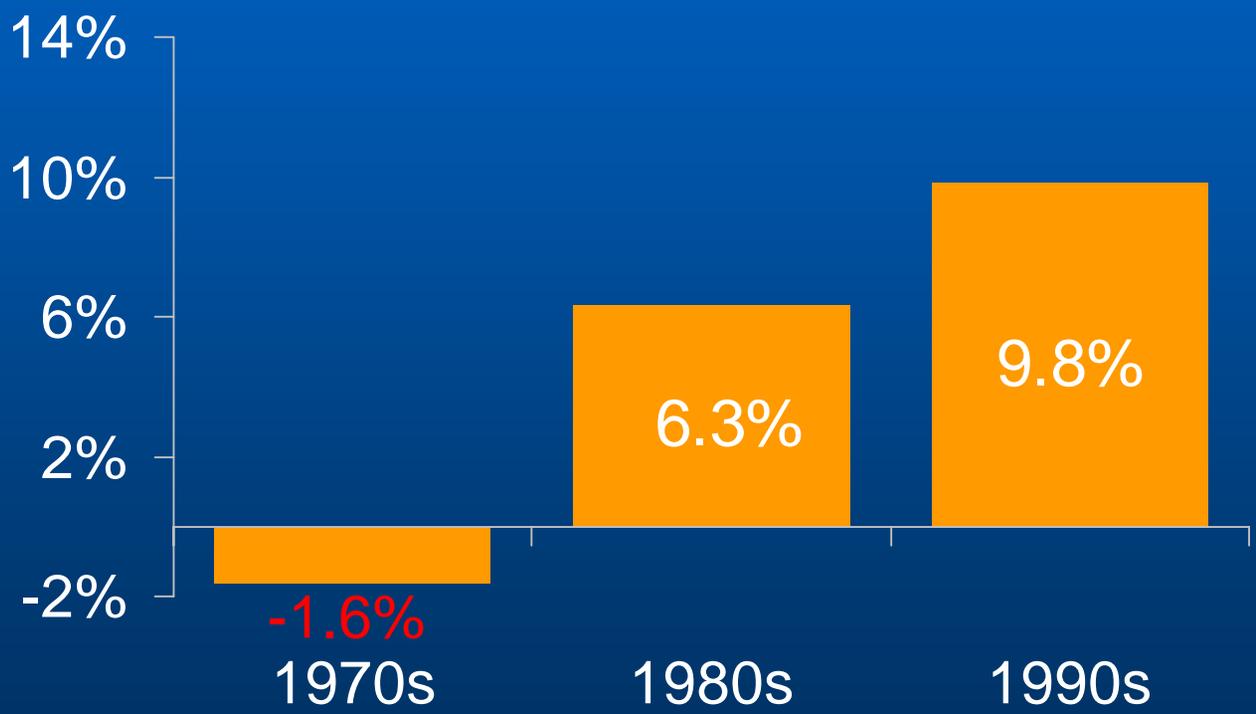
- Young professionals
- Childless couples
- Baby-boomers
- New immigrants
- Empty nesters
- Elderly individuals



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

Population growth in 50 largest cities, 1970-2000

Source: U.S. Census Bureau

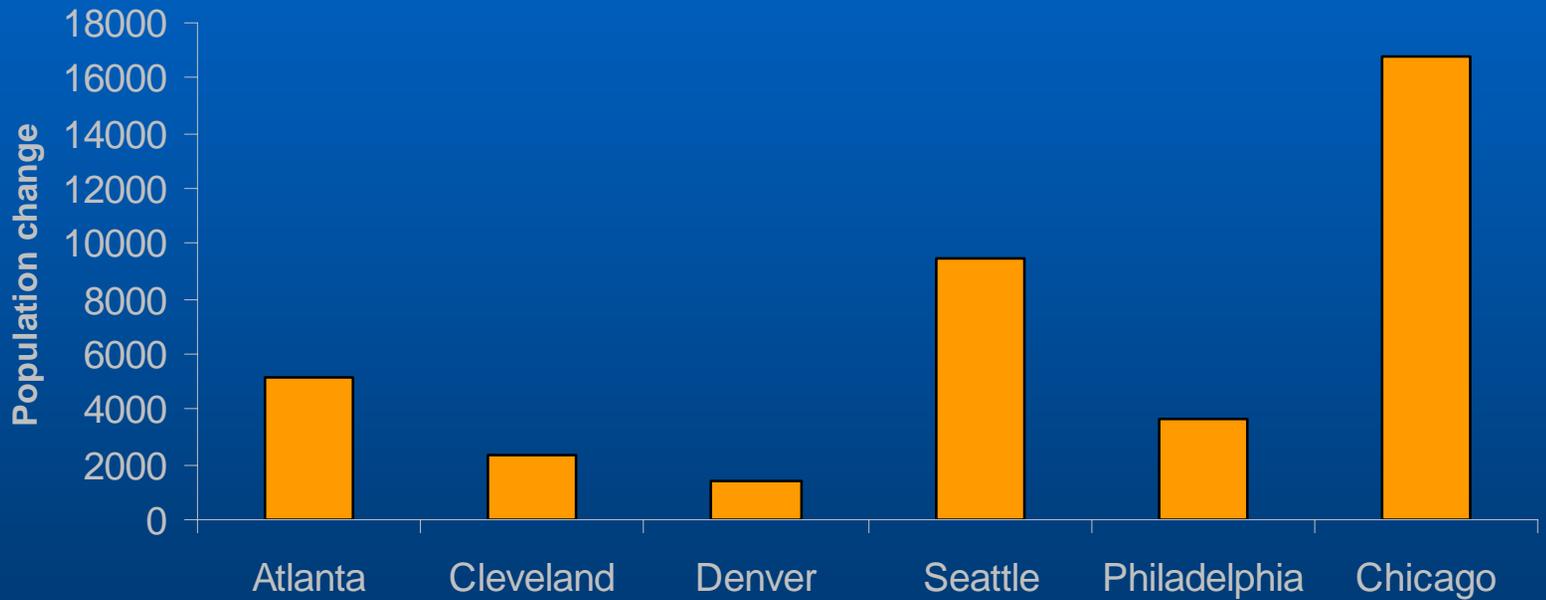




...And have also contributed to the downtown revitalization in cities

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
- Dense local economies are linked to increased patenting

...And because many people want a range of choices in neighborhoods that are walkable



Urban neighborhoods downtown



Neighborhoods with mixed density



Single family neighborhoods



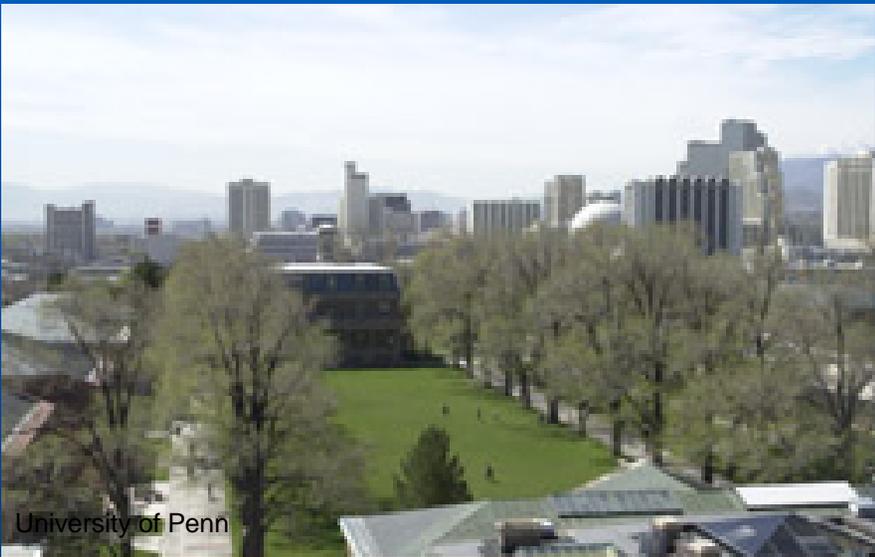
Historic neighborhoods



A concentration of research institutions give cities an advantage in the Knowledge Economy

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 and tourists



Mix of restaurants, services, and retail



Entertainment



Seattle Art Museum

Cultural amenities



Tourism



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



Based on a rigorous empirical analysis, we have defined 59 cities as “weak market”

- Large and medium-sized cities nationwide were ranked based on their **long-term employment growth, per capita income growth, unemployment rate, poverty rate, and labor force participation**
- Weak market cities were those that **ranked in the bottom third** across both sets of economic and labor force indicators
- Weak market cities are also usually located within economically weak metropolitan areas (MSA)

Weak Market Cities



Weak Market Cities

Population

- 1 Million or More
- 500,000 to 999,999
- 250,000 to 499,999
- 100,000 to 249,999
- 50,000 to 99,999

Source: Hal Wolman and Kimberly Furdell, George Washington University



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

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



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

Weak Market Cities	MSA Economic Condition - Moderate	
	Allentown, PA	Kansas City, KS
	Chicago, IL	Lancaster, PA
	Cincinnati, OH	Macon, GA
	Detroit, MI	Miami, FL
	Fresno, CA	New Haven, CT
	Gary, IN	Newark, NJ
	Hartford, CT	Philadelphia, PA
	Jackson, MS	Stockton, CA
	Kalamazoo, MI	



...and 39 weak market cities are located in an economically weak MSA

Weak Market Cities

MSA Economic Condition - Weak

Albany, GA	Fall River, MA	Odessa, TX	Shreveport, LA
Albany, NY	Flint, MI	Pine Bluff, AR	Springfield, MA
Baltimore, MD	Huntington, WV	Pittsburgh, PA	Springfield, OH
Beaumont, TX	Long Beach, CA	Port Arthur, TX	St. Louis, MO
Birmingham, AL	Los Angeles, CA	Providence, RI	Syracuse, NY
Buffalo, NY	Merced, CA	Reading, PA	Terre Haute, IN
Canton, OH	Milwaukee, WI	Rochester, NY	Trenton, NJ
Cleveland, OH	Muncie, IN	Saginaw, MI	Utica, NY
Dayton, OH	New Bedford, MA	Schenectady, NY	Youngstown, OH
Erie, PA	New Orleans, LA	Scranton, PA	



16 weak market cities have populations over 250,000...

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



...while nearly three-quarters (43) have less than 250,000 people

100,000 to 249,000 (19)		Under 100,000 (24)	
Allentown	New Haven	Albany, GA	Odessa
Beaumont	Providence	Albany, NY	Pine Bluff
Birmingham	Richmond	Bridgeport	Port Arthur
Dayton	Rochester	Canton	Reading
Erie	San Bernardino	Fall River	Saginaw
Flint	Shreveport	Huntington	Schenectady
Gary	Springfield, MA	Kalamazoo	Scranton
Hartford	Stockton	Lancaster	Springfield, OH
Jackson	Syracuse	Macon	Terre Haute
Kansas City		Merced	Trenton
		Muncie	Utica
		New Bedford	Youngstown



Signs of hope? 10 of the 59 weak market cities have seen their relative performance improve considerably...

Strong Residential Economic Well-being Performance (change from 1990 to 2000)	Strong City Economic Performance (change in growth rate from 1980-1990 to 1990-2000)	
	Canton, OH	New Orleans, LA
	Chicago, IL	Saginaw, MI
	Cleveland, OH	Shreveport, LA
	Detroit, MI	Terre Haute, IN
	Gary, IN	Youngstown, OH



...but 15 of the 59 have seen their relative performance decline

Weak Residential Economic Well-being Performance (change from 1990 to 2000)	Weak City Economic Performance (change in growth rate from 1980-1990 to 1990-2000)	
	Albany, NY	Miami, FL
	Bridgeport, CT	New Haven, CT
	Fresno, CA	Richmond, VA
	Hartford, CT	Rochester, NY
	Los Angeles, CA	San Bernardino, CA
	Long Beach, CA	Stockton, CA
	Macon, GA	Syracuse, NY
	Merced, CA	



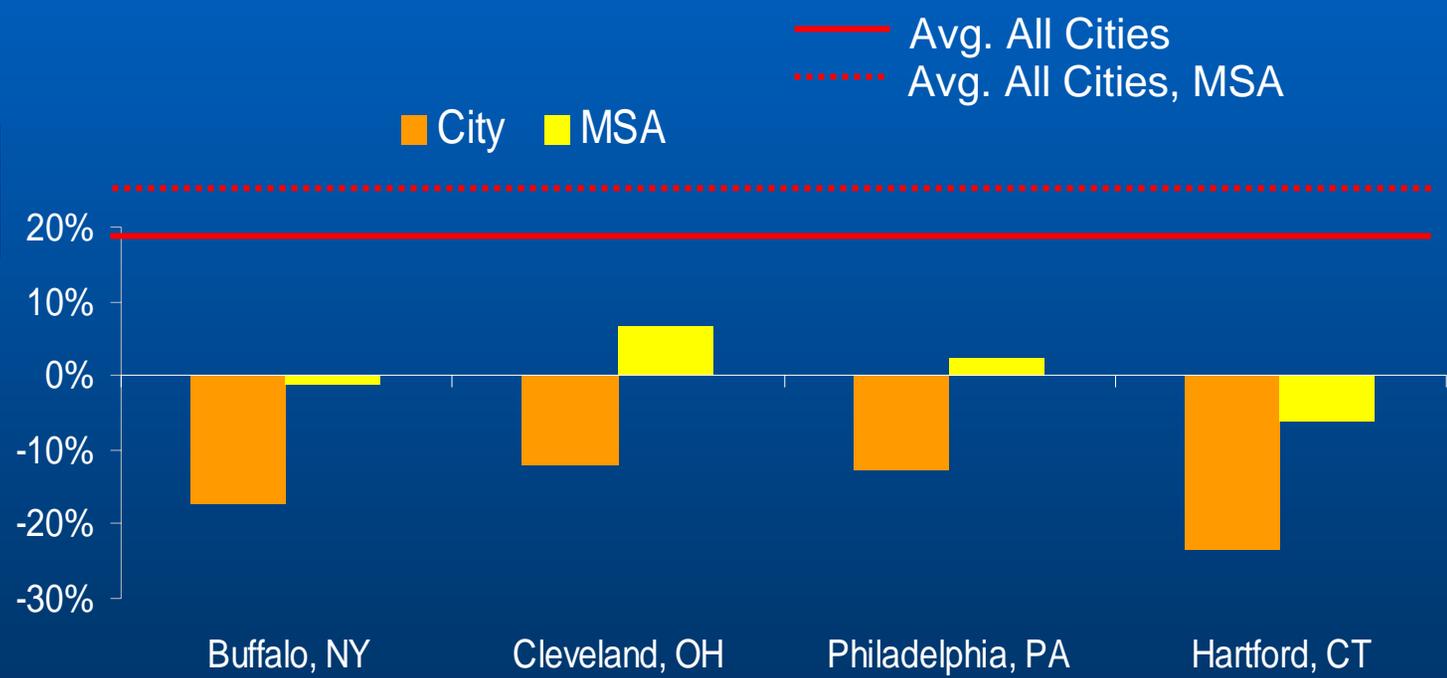
Comparing a sample of four weak market cities (Buffalo, Cleveland, Philadelphia, Hartford) to U.S. cities as a whole reveals a number of trends...



During the 1990s, these four cities experienced a decline in employment coupled with little/no employment growth in their metros

Employment growth 1990-2000

Source:
U.S. Census Bureau

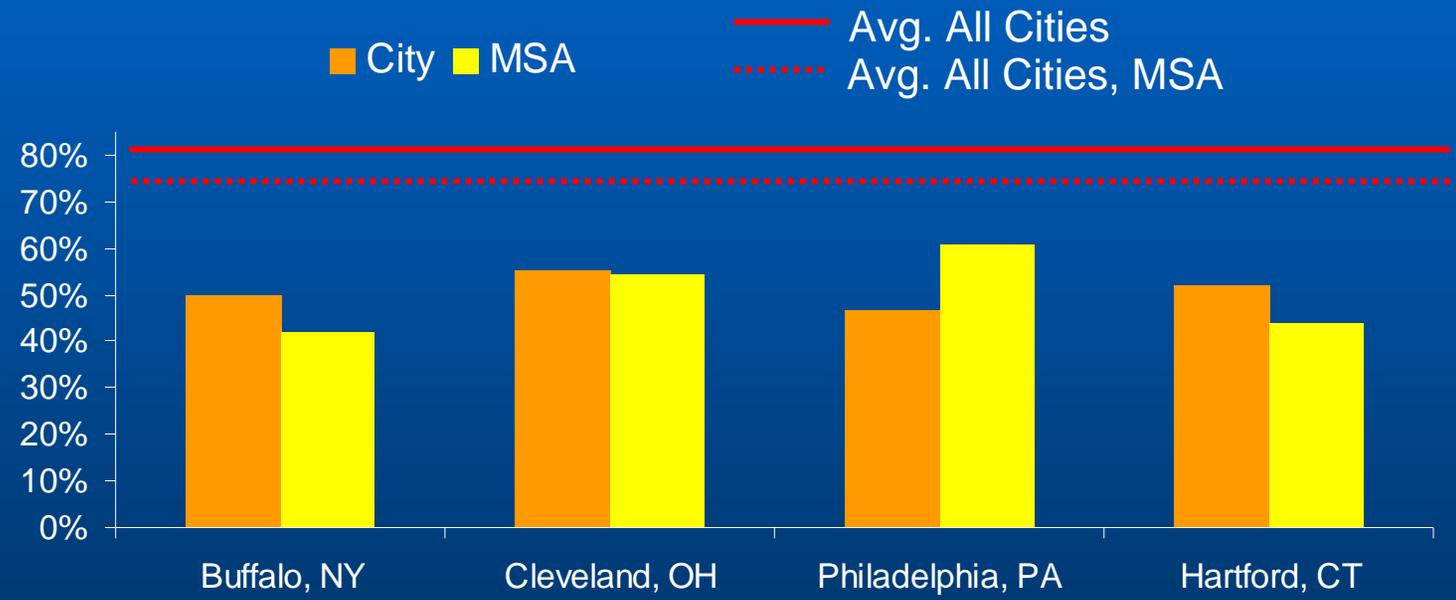




City and MSA earnings growth during the 1990s were also relatively slow....

County earnings growth, 1990-2000

Source: U.S. Census Bureau

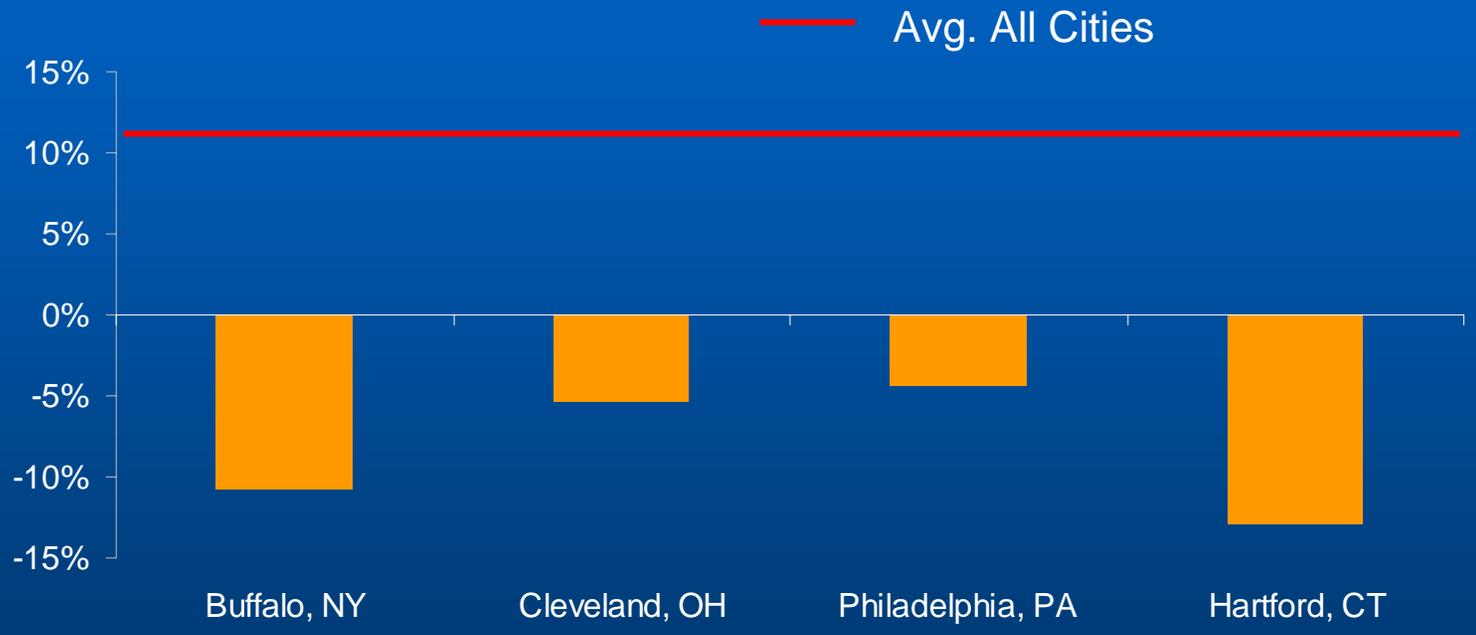




...And these cities generally lost population

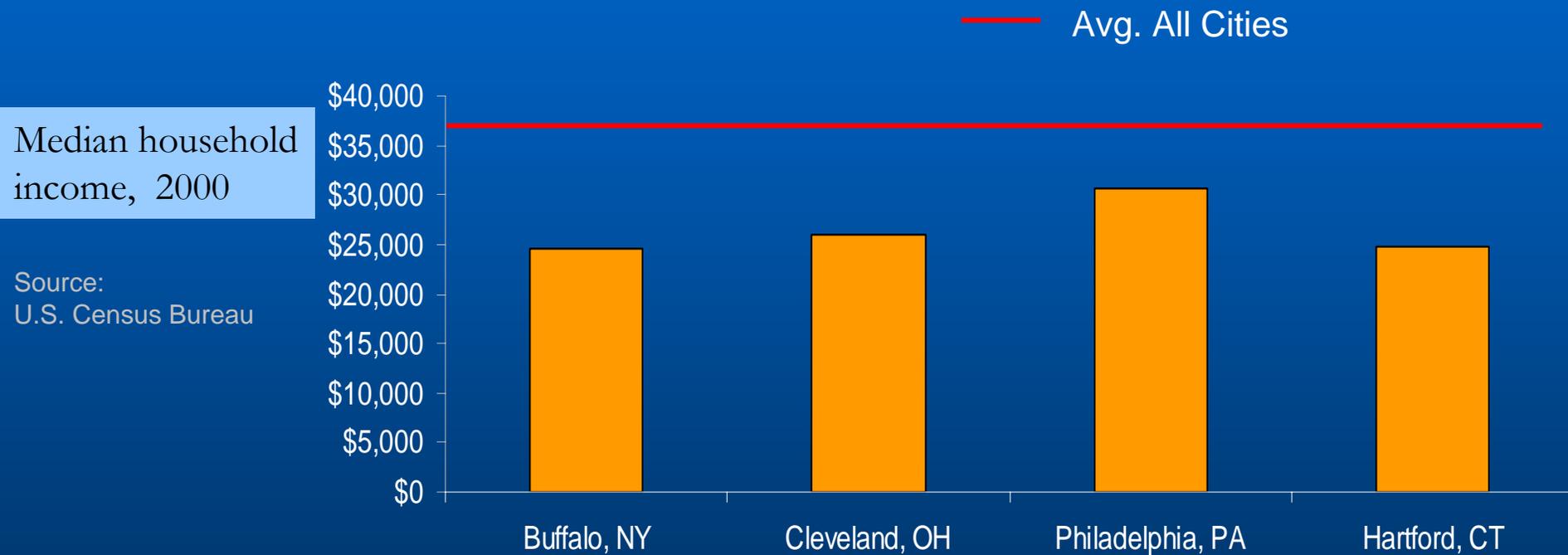
Population growth
1990-2000

Source:
U.S. Census Bureau





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

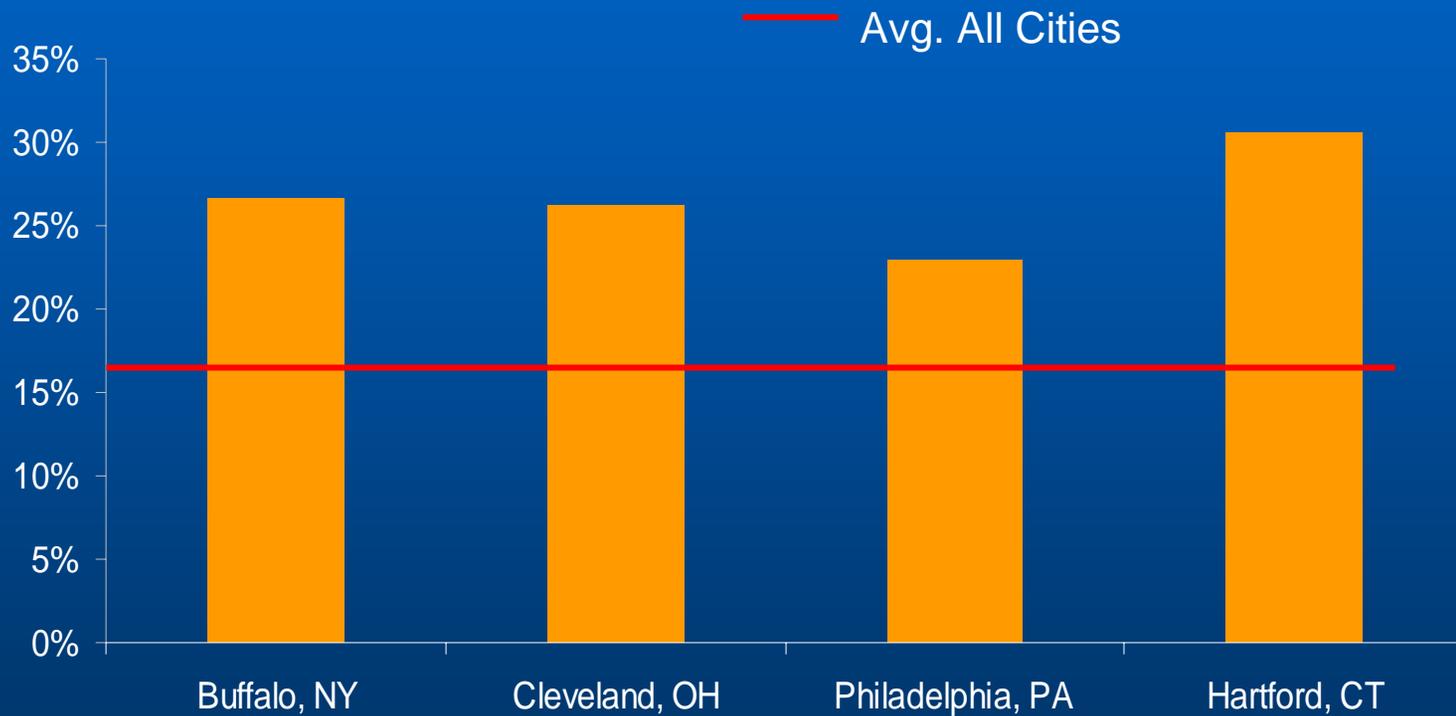




...And poverty rates are high

Poverty rate,
2000

Source:
U.S. Census Bureau

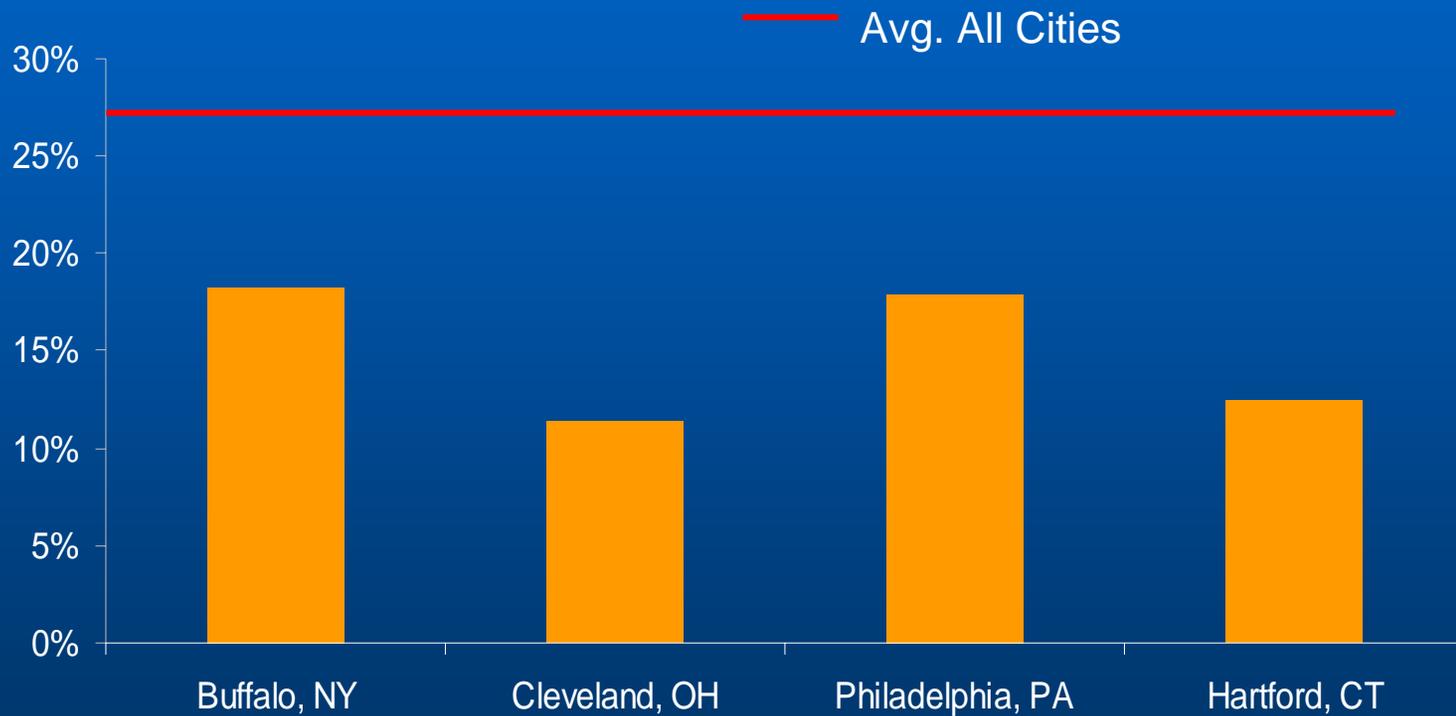




Levels of educational attainment are also below the national average for cities...

BA Attainment,
2000

Source:
U.S. Census Bureau

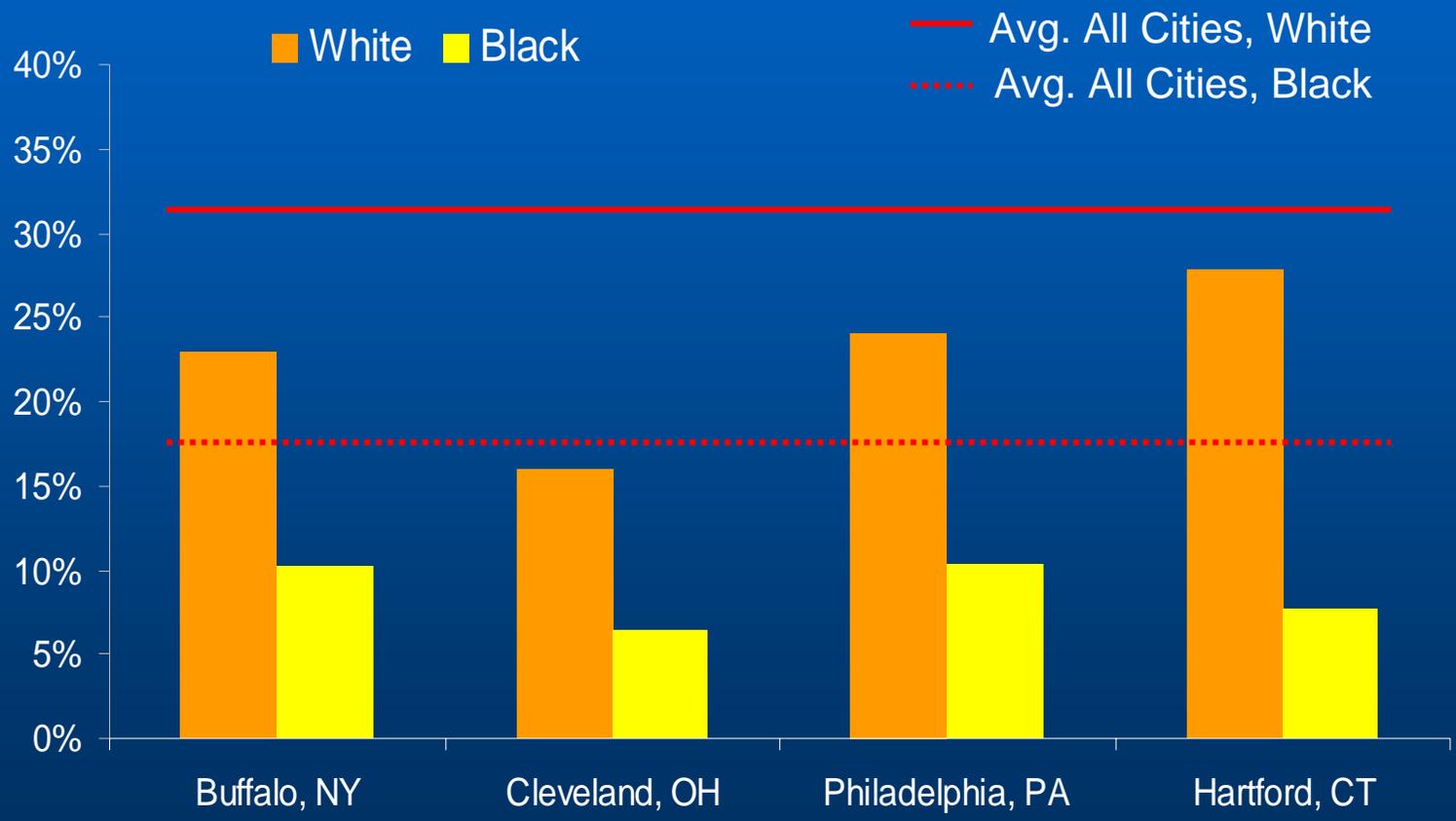




...And as in most cities, there are large disparities between white and black educational achievement

BA Attainment,
2000

Source:
U.S. Census Bureau

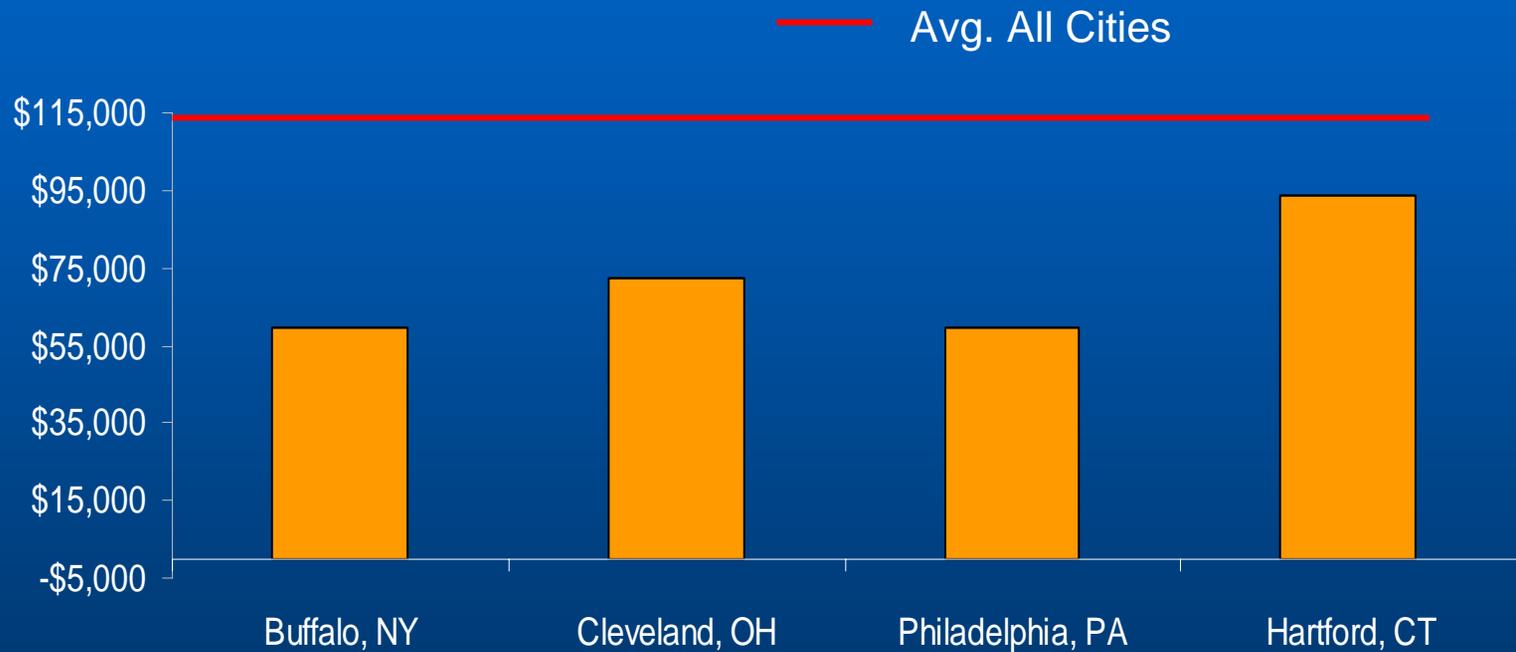




Home values are low...

Median home value, 2000

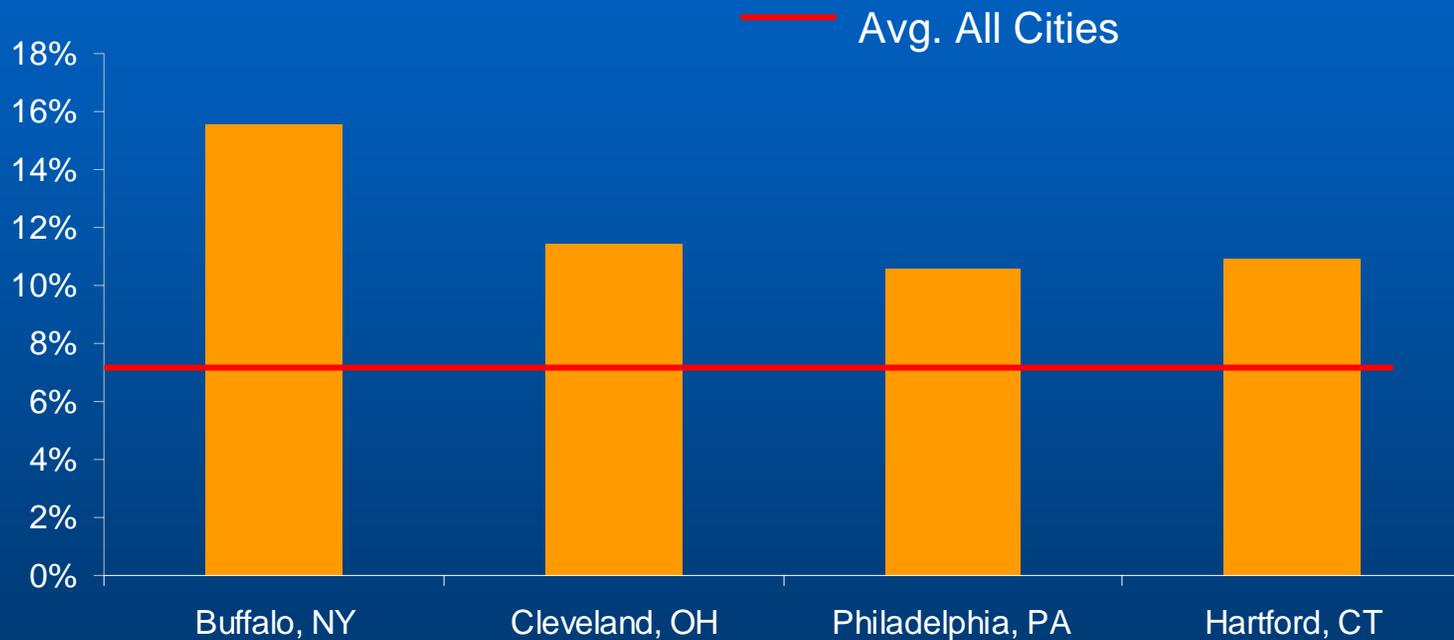
Source:
U.S. Census Bureau





...And vacancy rates are extremely high

Share of all housing units that are vacant, 2000

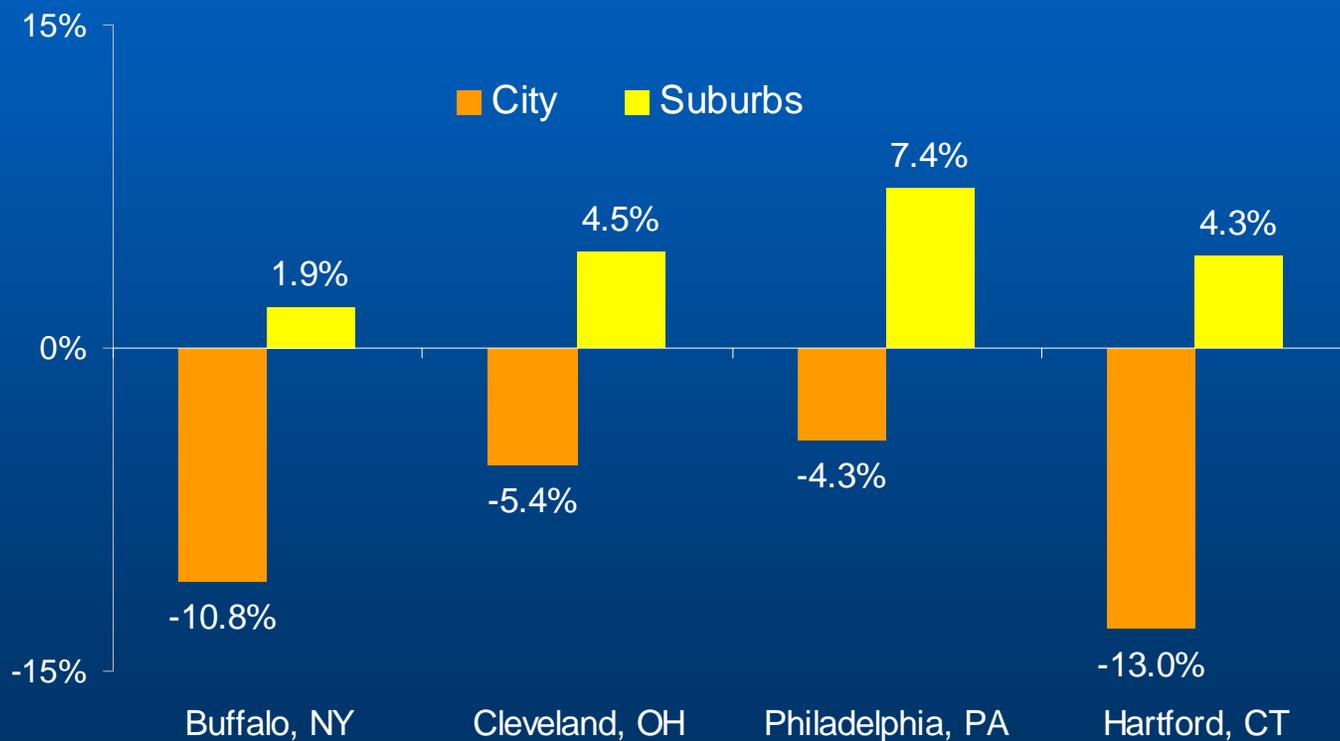




These metros have also decentralized, both in terms of people...

Selected cities and suburbs, population growth 1990-2000

Source:
U.S. Census Bureau

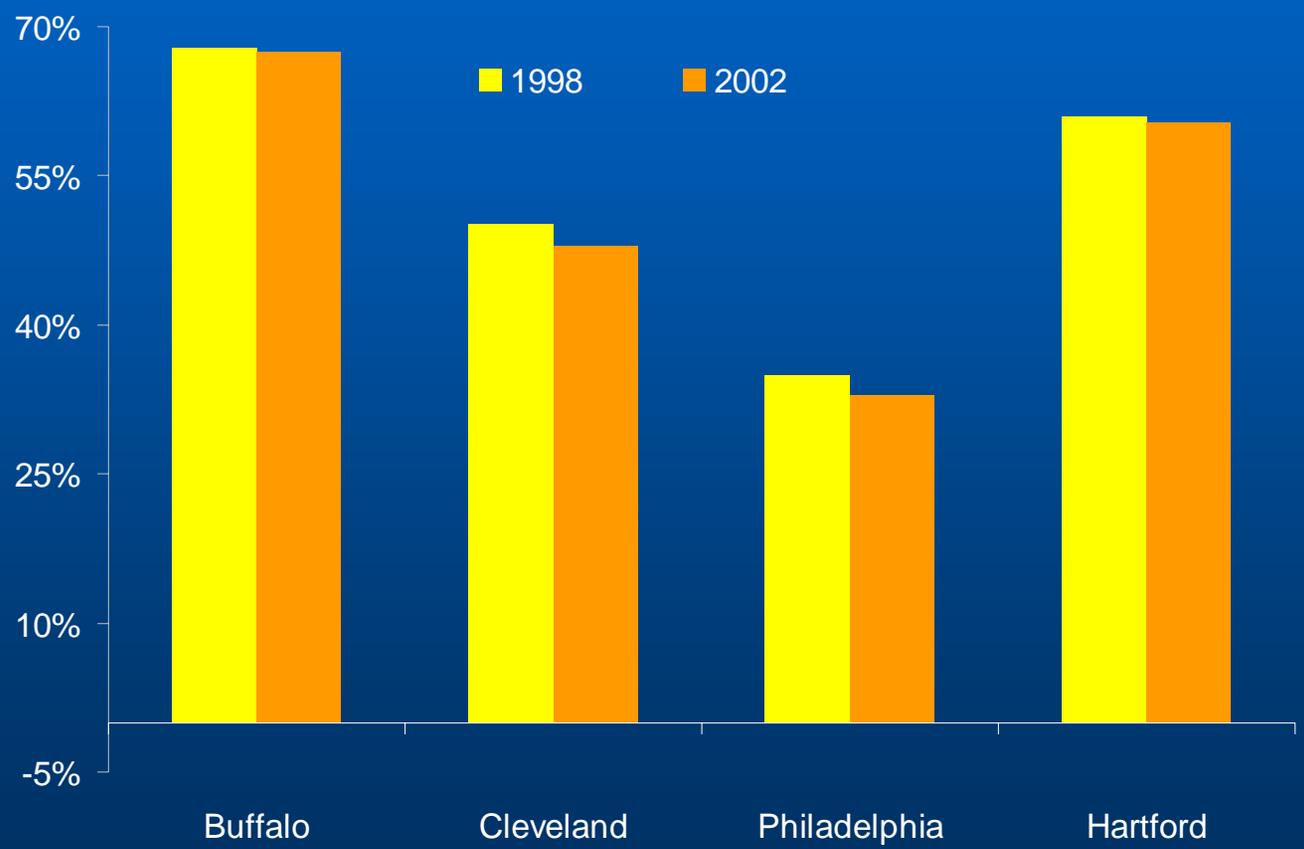




And jobs...

Percent employment within 10 miles of metro CBD, 1998 and 2002

Source:
U.S. Department of Commerce
County Business Patterns





...Leaving the poor concentrated in the core

Percent of poor population living in neighborhoods of extreme poverty (rate of 40 percent or higher), 2000

Source:
Brookings analysis of
U.S. Census data

Central City	Poor in Neighborhoods of Extreme Poverty
Buffalo	27.8%
Cleveland	28.5%
Philadelphia	25.4%
Hartford	26.7%



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



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**

→ **Size matters:** small- and medium-sized cities and metros may be disadvantaged by fewer agglomeration benefits, a lack of large research centers, and a weak civic/economic infrastructure



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

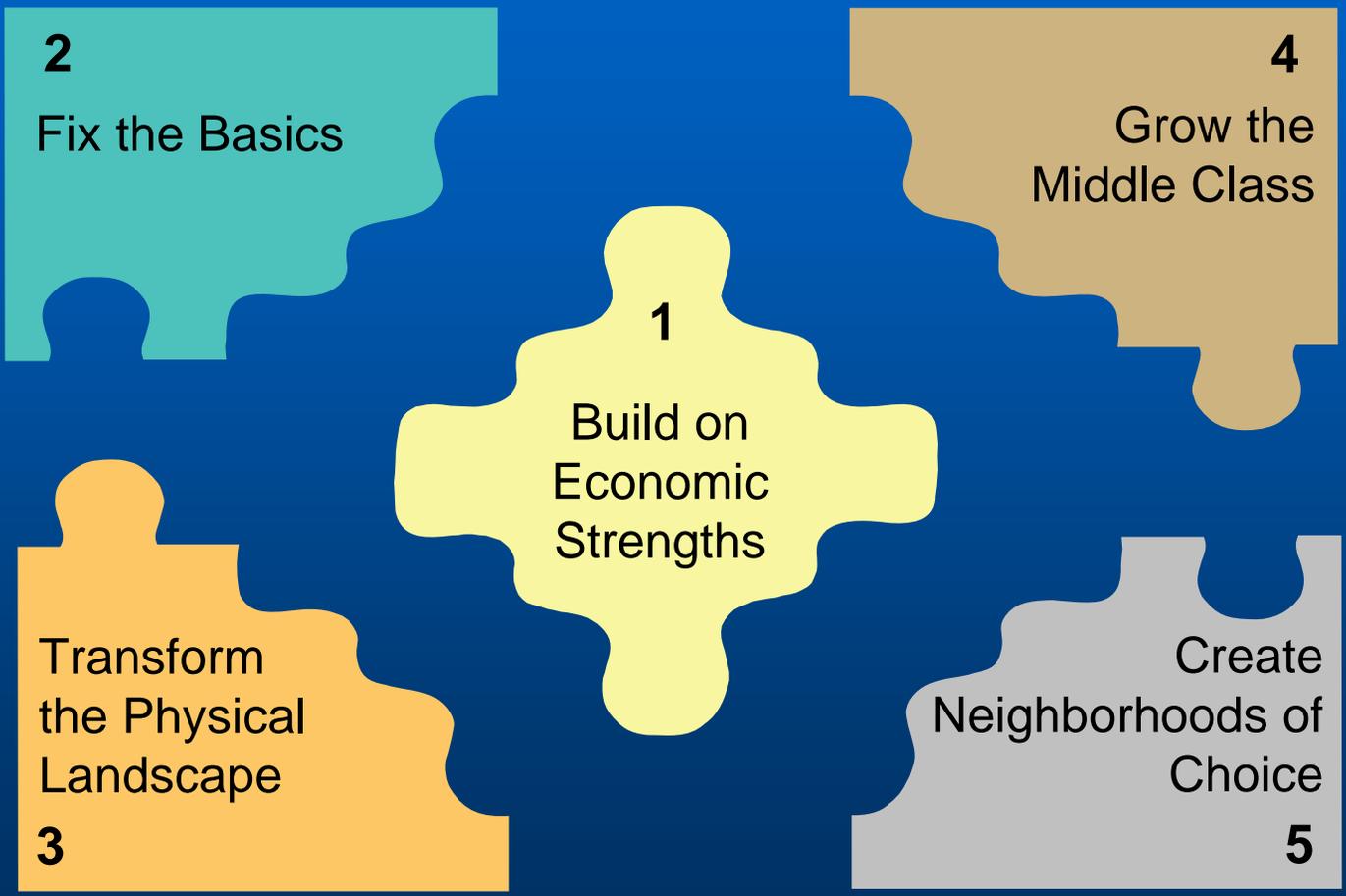


So how can city and state leaders fix what's broken, capitalize on urban assets, and help foster city and regional prosperity?



III

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



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



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

Chattanooga Downtown Revitalization

→ 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 aimed at making a walkable connection from downtown to the Tennessee River

→ 14 task forces focused on building an aquarium and children's museum; improving the streetscape, retail, and transportation; introducing housing; and creating a vibrant river walk

→ A nonprofit development firm helped spur the private sector market; as a result, the downtown has continued to develop and thrive



Example – Tear down obsolete freeways

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



Before

After



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 – Ensure Access to Quality Skills Training

Wisconsin Workforce Reform

- ➔ Wisconsin began addressing workforce reform issues early and now has one of the best systems in the nation
- ➔ Sector-drive, customer-oriented system combines local job centers with state-level planning and “Regional Training Partnerships”
- ➔ Wisconsin is now beginning to address performance management and measurement



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



Example – Support Mixed-Income Housing

Public Housing Redevelopment in St. Louis

With support from the state of Missouri, high-rise low-income housing was replaced with mixed-income townhouses, garden apartments, and single-family homes

A partnership with corporate and philanthropic groups led to the improvement of the local elementary school, resulting in dramatically improved student reading levels

The new development resulted in an economically diverse community that has already attracted private residential and commercial investment in the surrounding area

Neighborhood incomes increased 18% from 1989 to 1999 compared to 4% regionally, while unemployment fell 35% during the same period compared to a 3.7% city-wide increase



Example – Support Mixed-Income Housing

Public Housing Redevelopment in St. Louis



Vaughn High Rises in 1995



Murphy Park Homes



IV

What does this mean for foundations?



As respected civic leaders and investors, foundations are uniquely situated to have a major impact on the public policy discourse



Foundations can.....

→ Lay the intellectual foundation for reform by building networks of researchers who identify trends and ask the right questions

→ Create the institutional infrastructure for policy reform by supporting organizations and campaigns that advocate for urban revitalization

→ Assist government with its own policy evaluation processes by supporting task forces, blue ribbon commissions, and retreats

→ Use their convening power to bring together diverse constituencies of researchers, advocates, and others through public forums and private roundtables

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METROPOLITAN POLICY PROGRAM

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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

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