



# **The Brookings Institution**

**Center on Urban and Metropolitan Policy**

**Bruce Katz, Director**

## **Growing Competitive Cities**

**Presentation to the Buffalo Branch of the  
Federal Reserve Bank of New York**

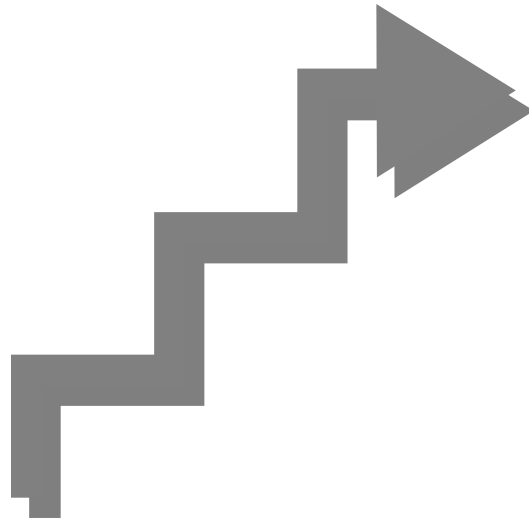
**May 1, 2001**

# Major Questions

- **What are the general trends affecting cities?**
- **What are the top competitive strategies for cities to pursue?**
- **What does a competitive cities agenda mean in 2001?**



**I. What are the general trends affecting cities?**

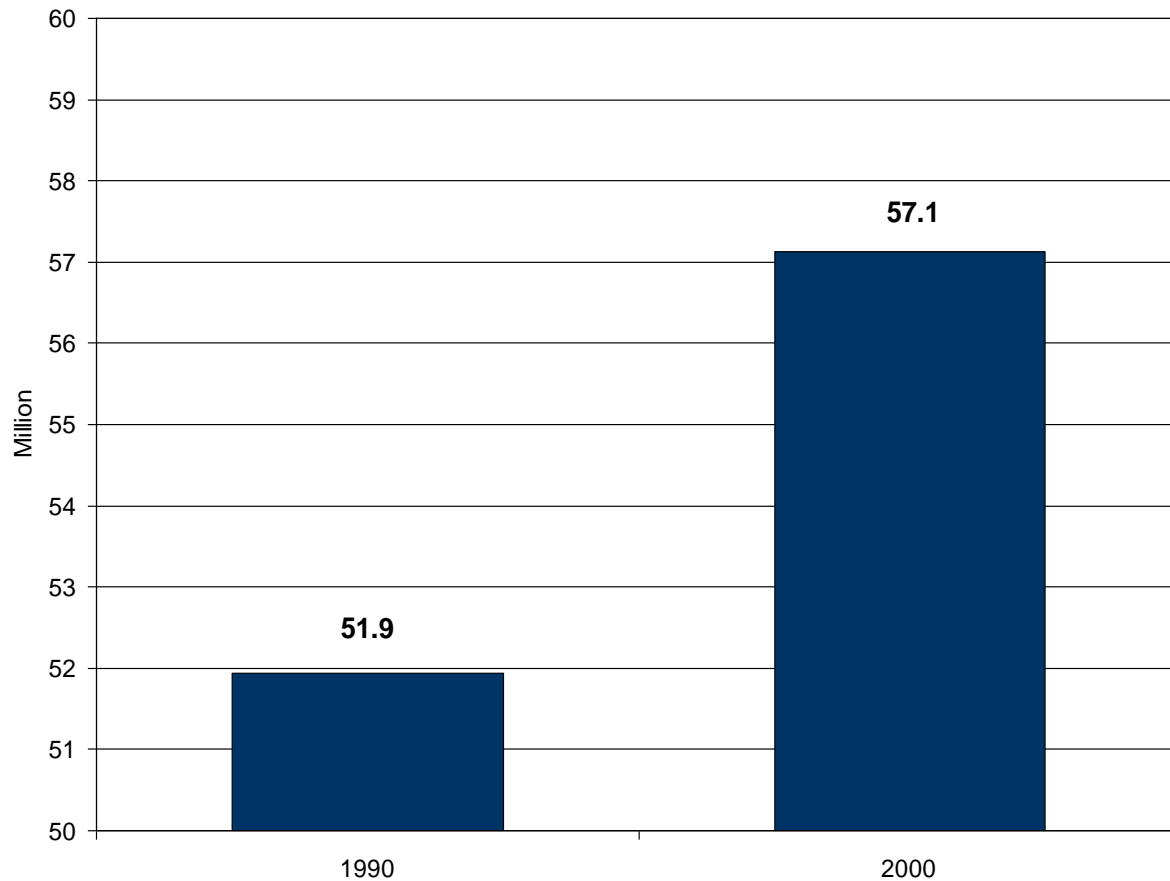


# **1. Cities are recovering**



# Cities Are Recovering

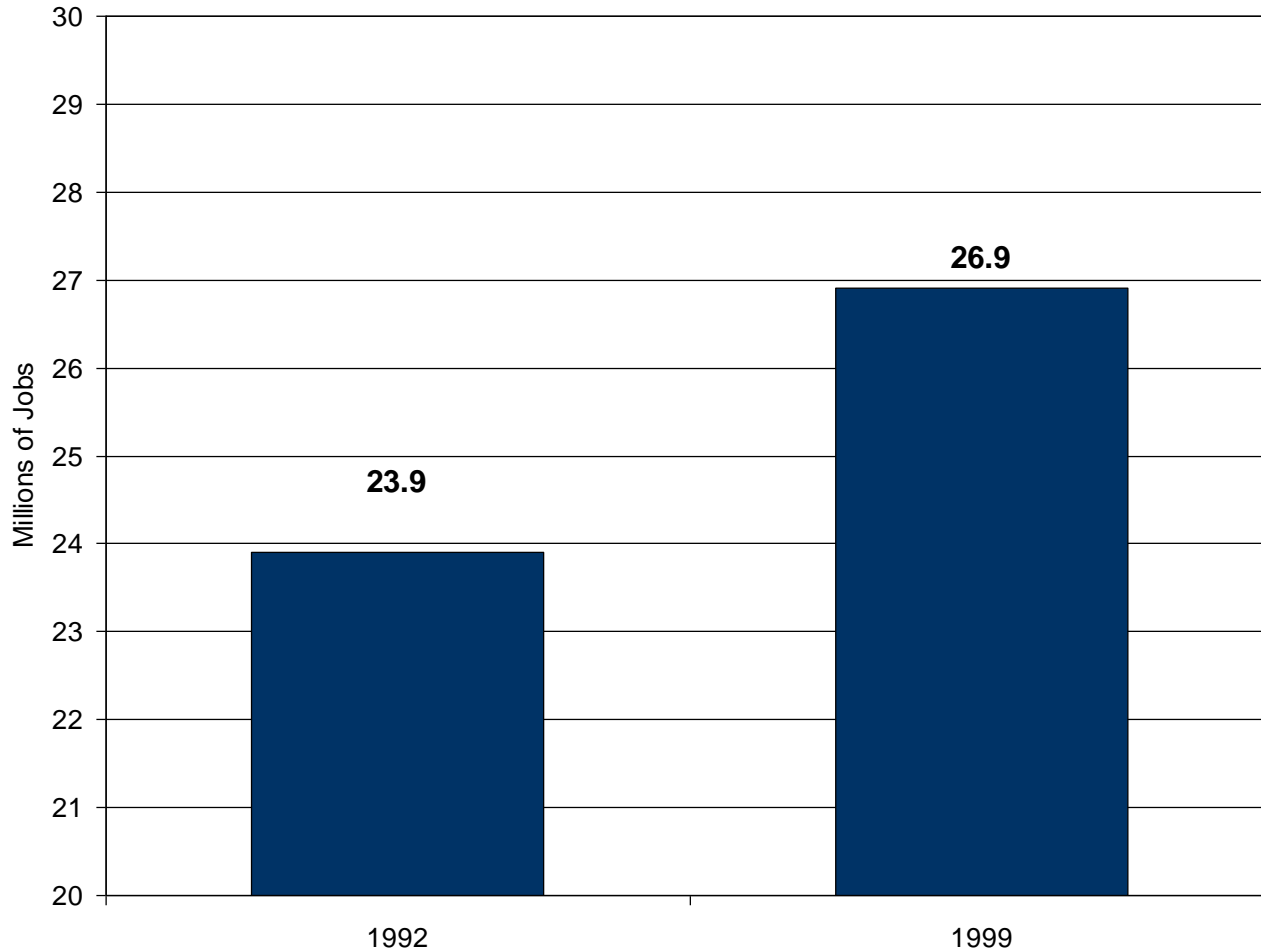
**Overall, city population grew during the 1990s**





# Cities Are Recovering

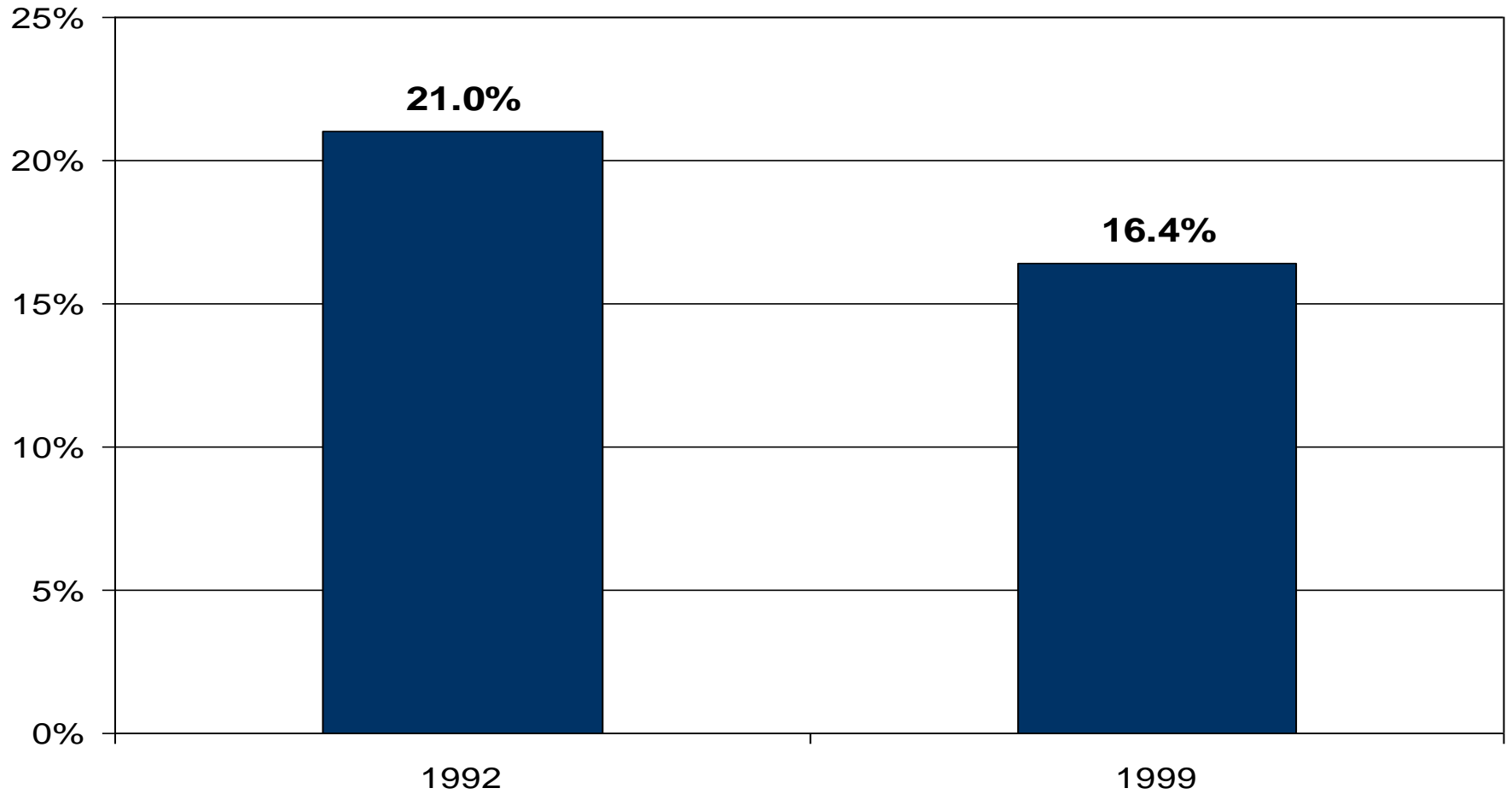
**Overall, central cities gained jobs during the 1990s**





# Cities Are Recovering

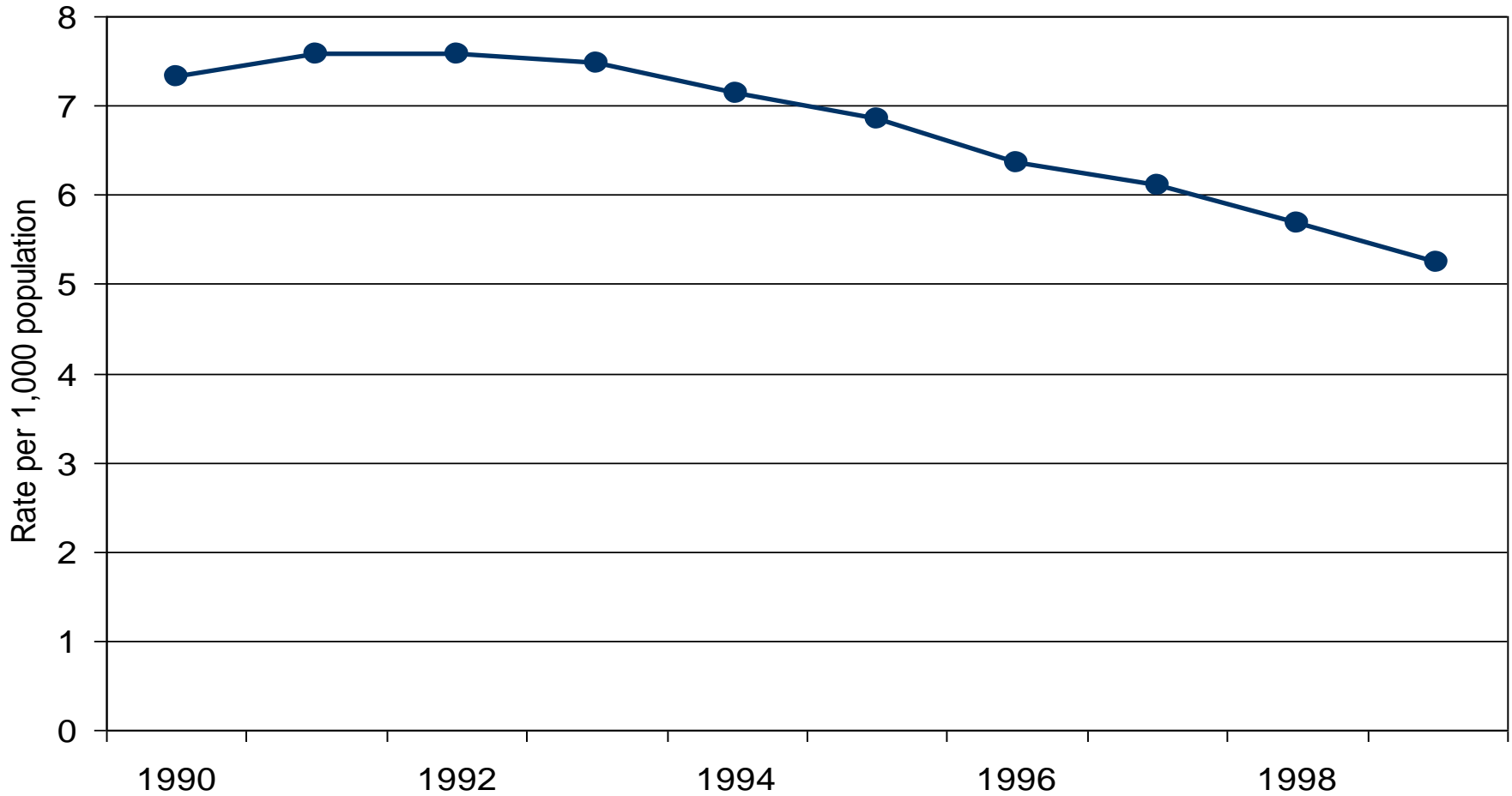
## Central city poverty rates fell



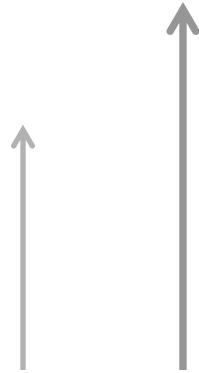


# Cities Are Recovering

**Violent crime fell during the 1990s nationally**





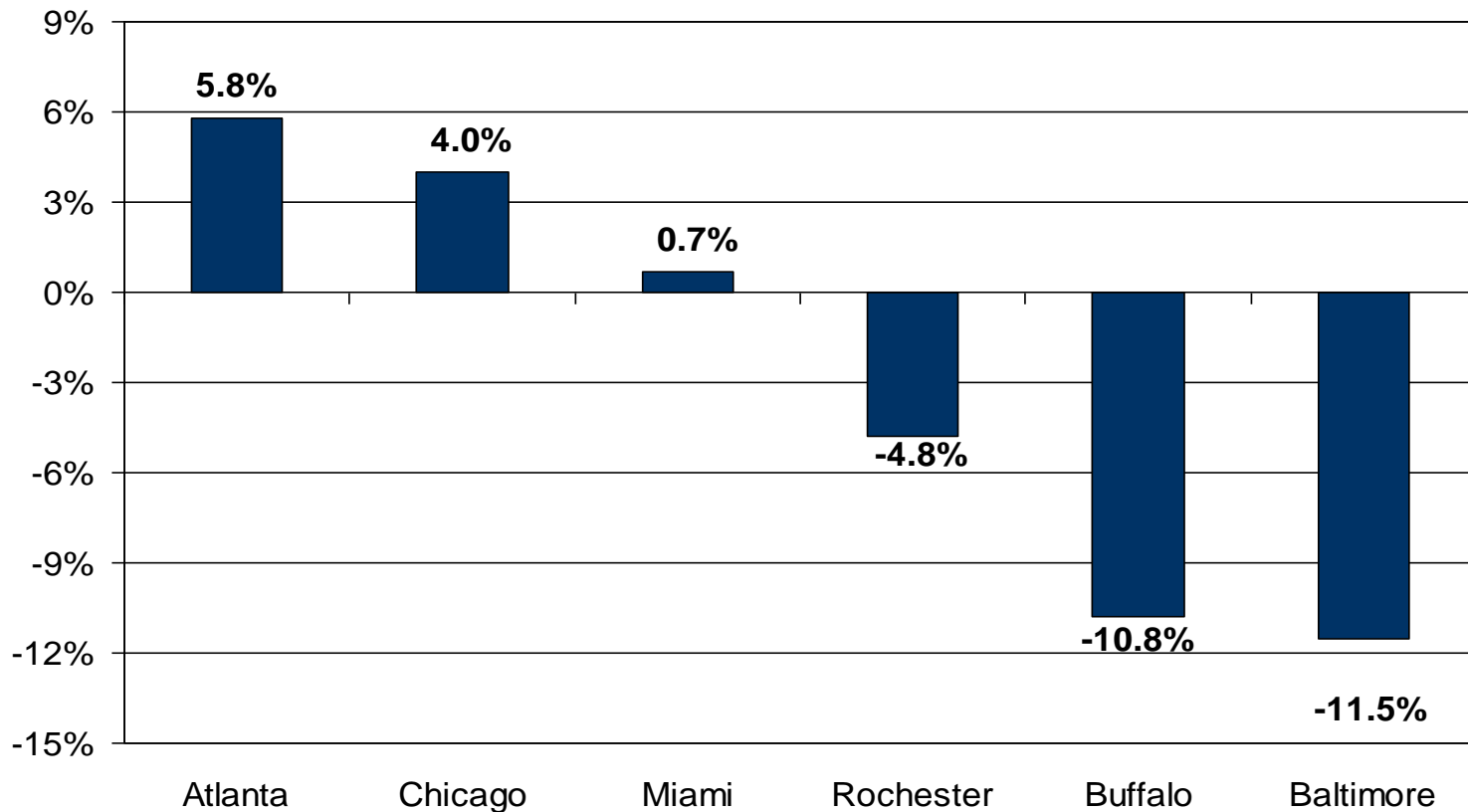


**2. But the recovery is highly uneven**



# But the Recovery is Highly Uneven

Some cities grew, but many cities lost population <sup>1</sup>



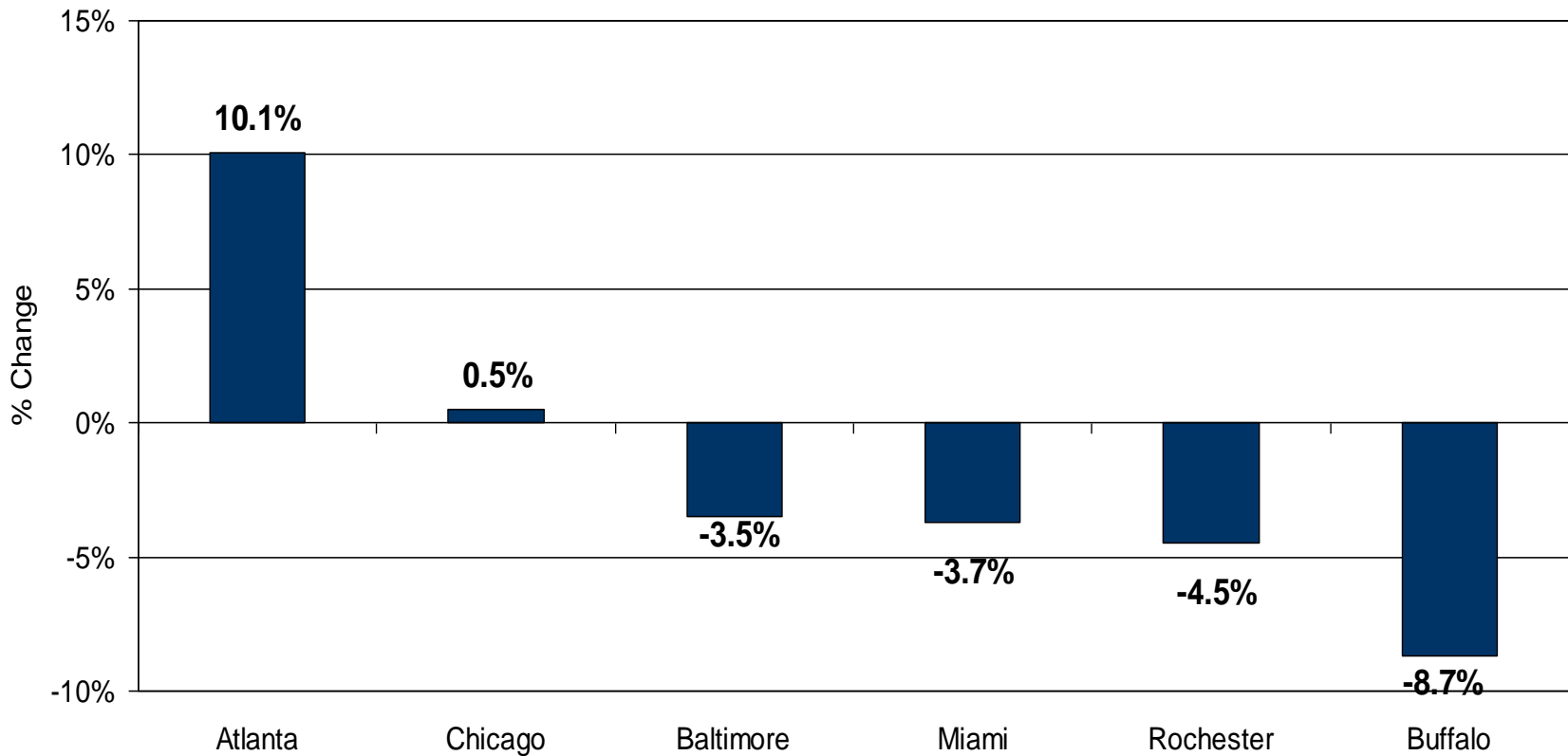
<sup>1</sup> 1990-2000

Source: U.S. Census Bureau



# But the Recovery is Highly Uneven

Some cities gained jobs, but other cities lost them <sup>1</sup>



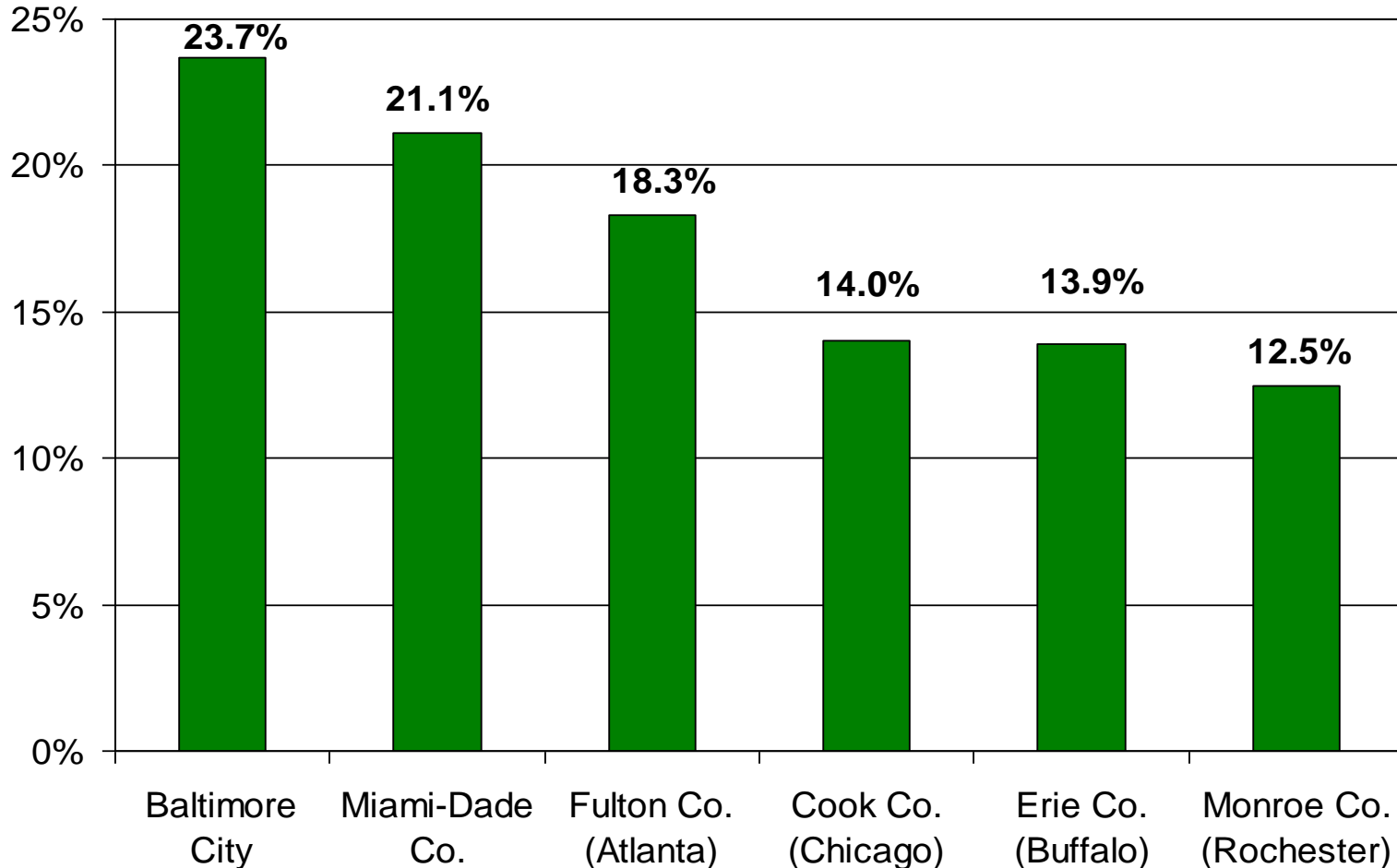
<sup>1</sup> Based on changes between 1993 and 1996.

Source: John Brennan and Ned Hill. "Where are the jobs: cities, suburbs, and the competition for employment," Brookings, November, 1999.



# But the Recovery is Highly Uneven

Poverty rates are disproportionately high in many cities <sup>1</sup>



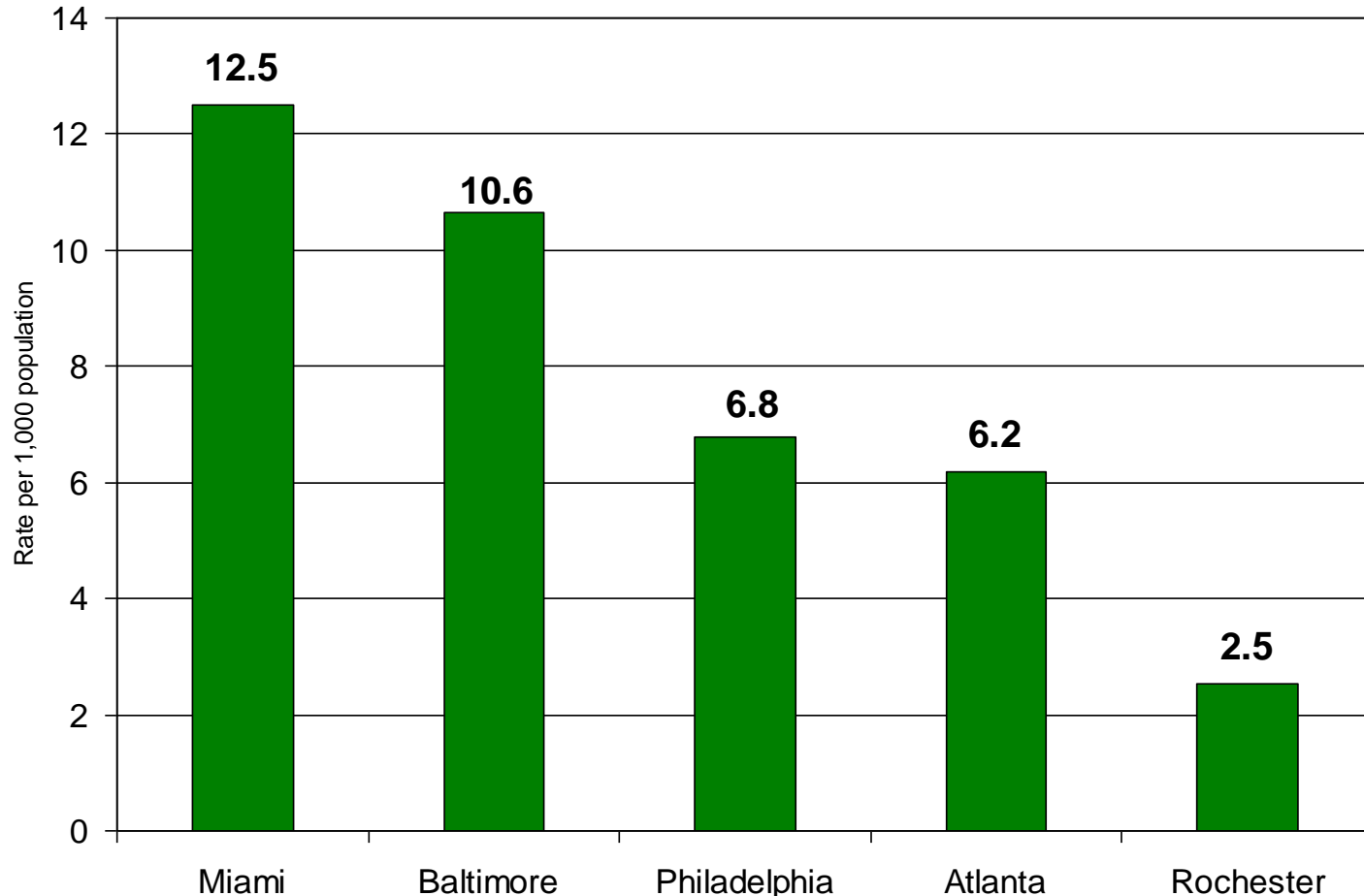
<sup>1</sup> Small area estimates are for 1997

Source: U.S. Census Bureau

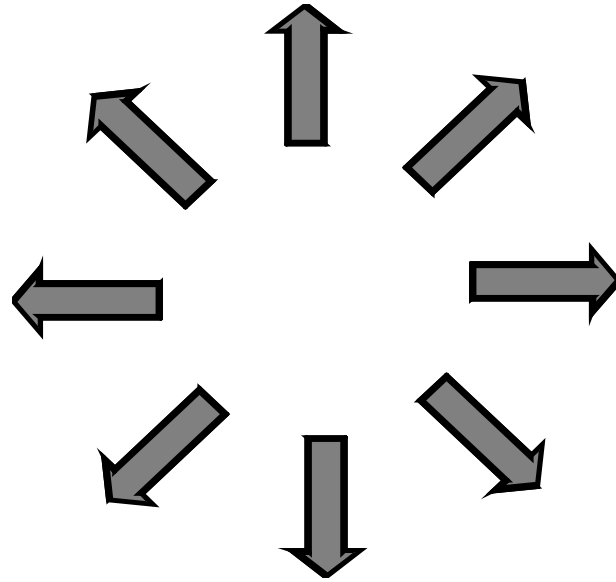


# But the Recovery is Highly Uneven

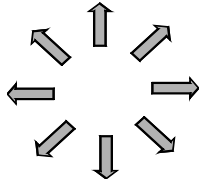
And violent crime is still high in many cities <sup>1</sup>



<sup>1</sup> 1999 counts for the MSA; Baltimore 1998.

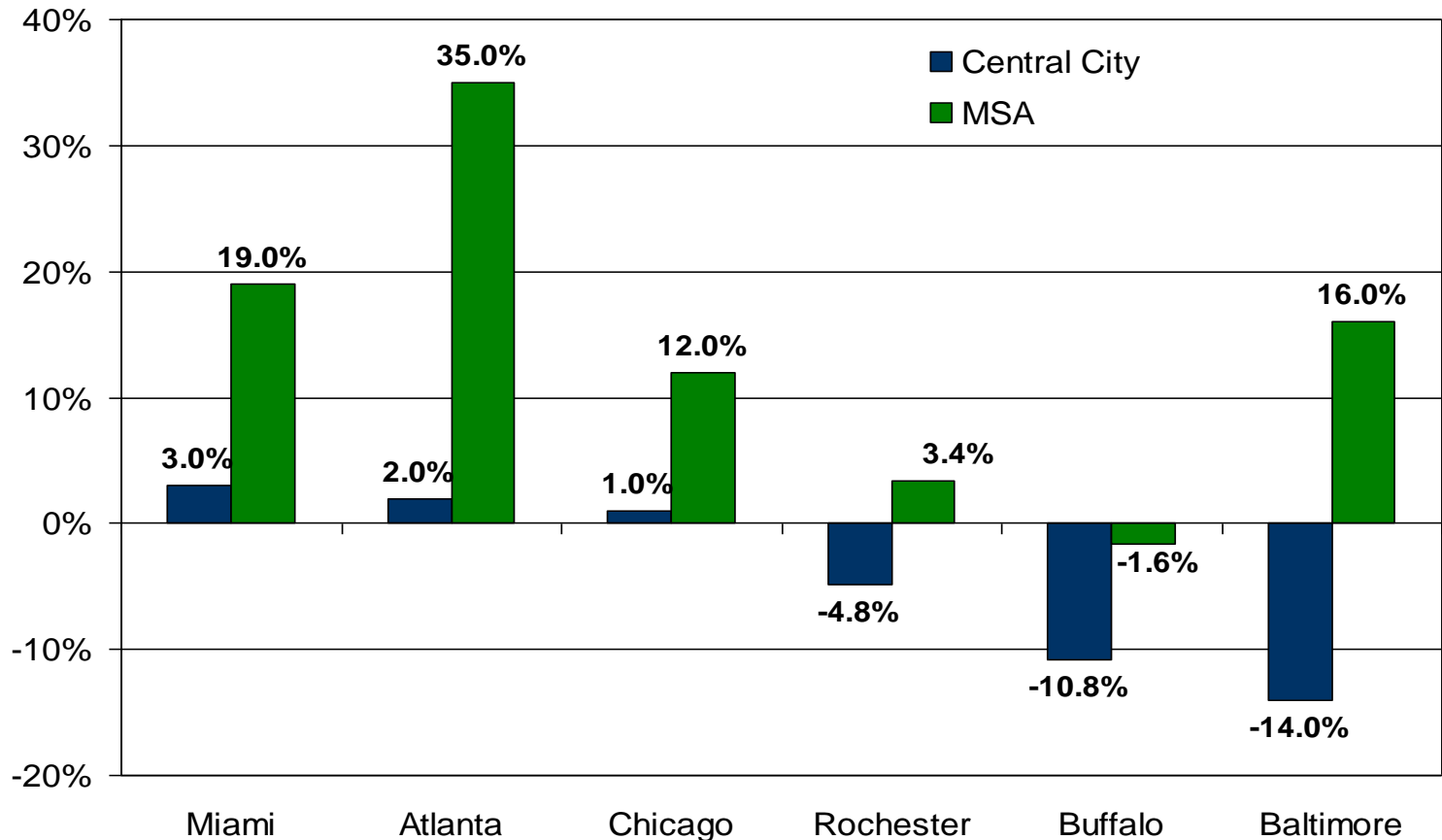


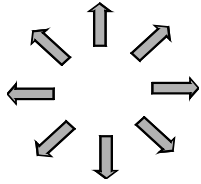
### **3. Metropolitan decentralization dominates**



# Population Is Decentralizing

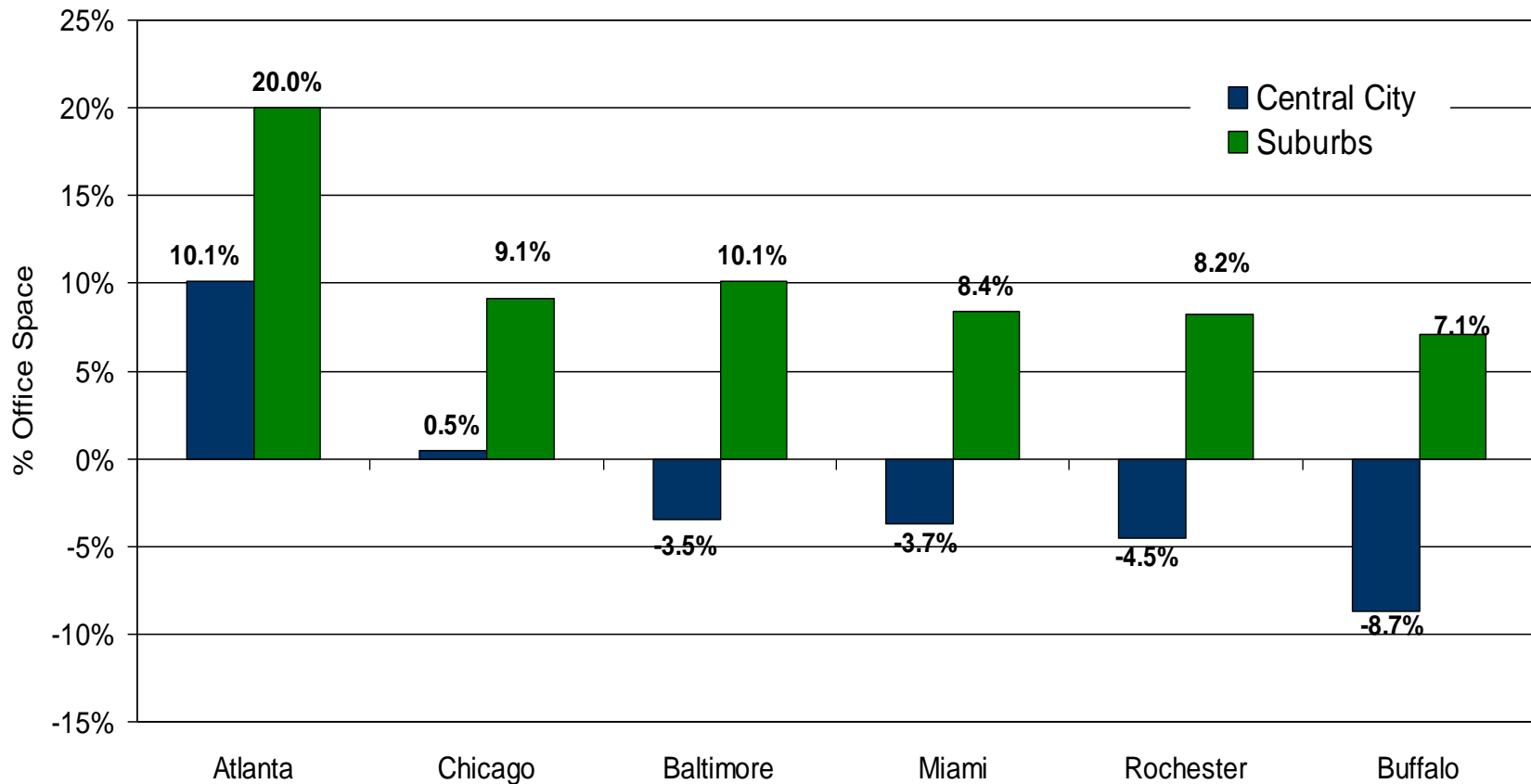
The suburbs outpaced cities in population growth





# Employment Is Decentralizing

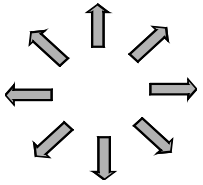
The suburbs outpaced cities in job creation <sup>1</sup>



<sup>1</sup> Based on changes between 1993 and 1996.

Source: John Brennan and Ned Hill. "Where are the jobs: cities, suburbs, and the competition for employment," Brookings, November, 1999.





# Metropolitan Areas Are Decentralizing

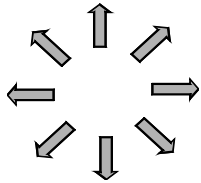
**Decentralization has had many negative consequences for areas outside of central cities**



- **Traffic congestion**
- **Air pollution**

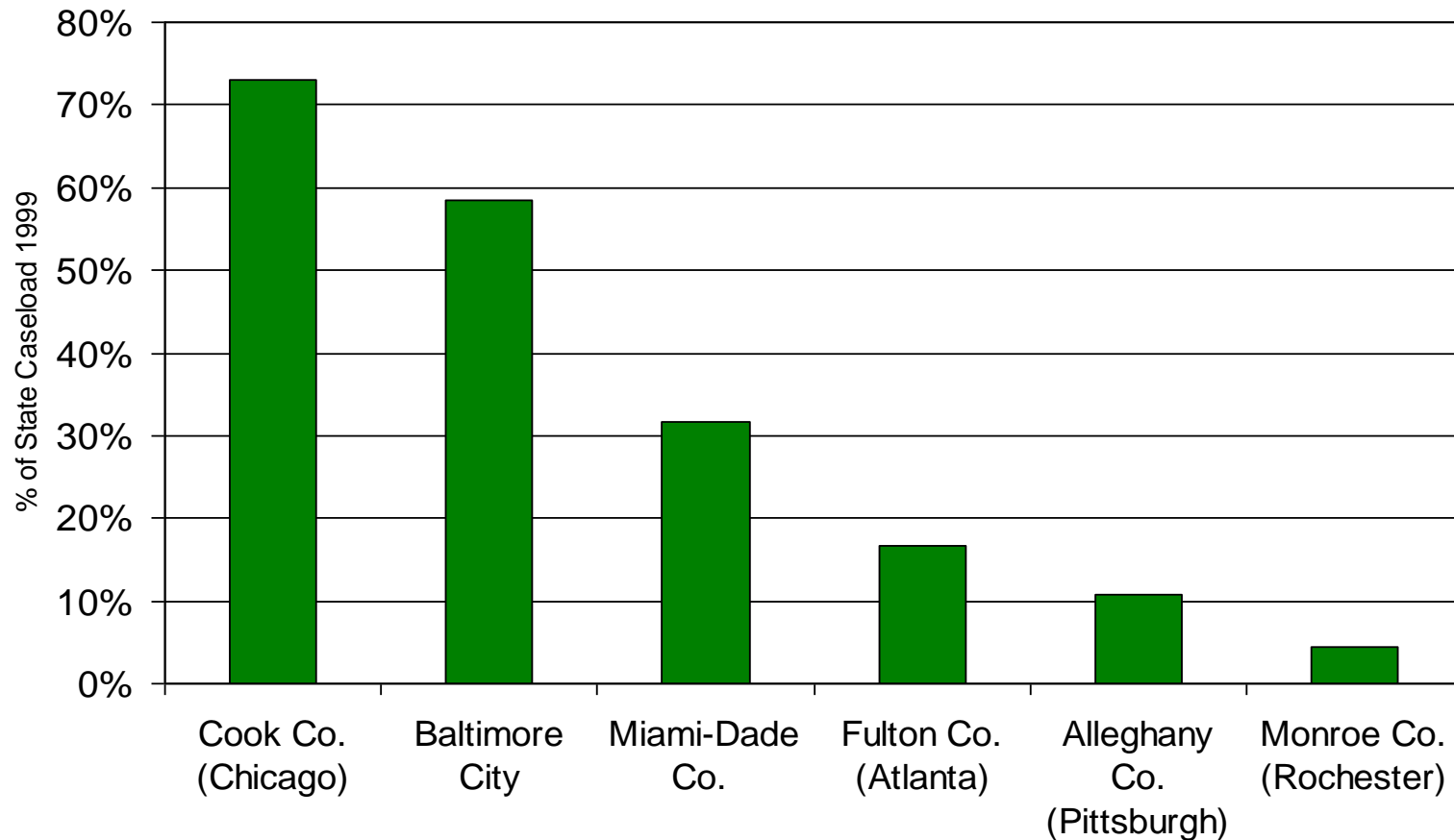


- **Loss of open space**
- **Overcrowded schools**



# Employment Is Decentralizing

**With decentralization, many cities bear a disproportionate share of welfare caseloads**

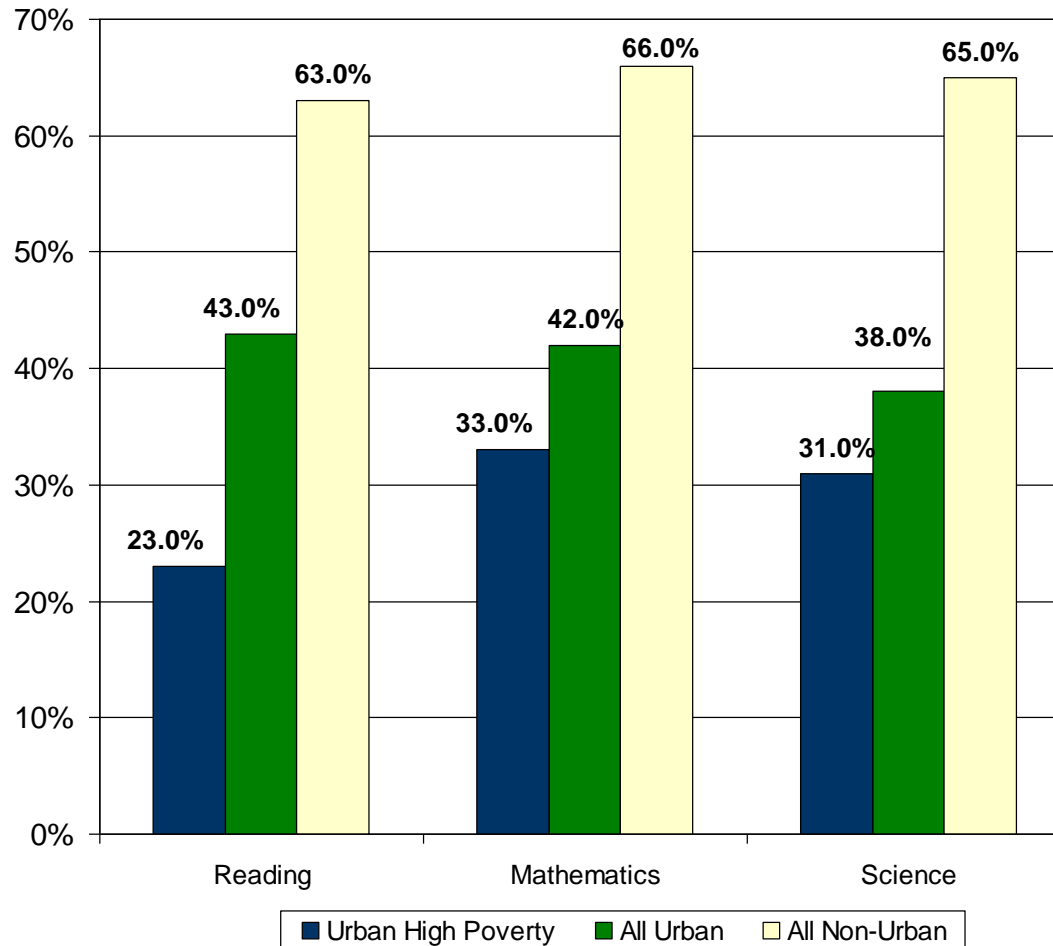


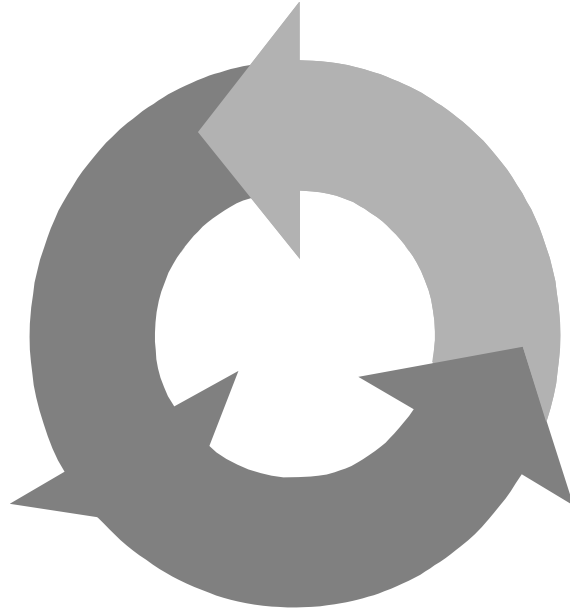


# Metropolitan Areas Are Divided

Students in high poverty schools are underperforming.

Percent of 4th grade students at “basic” level on NAEP, 1996



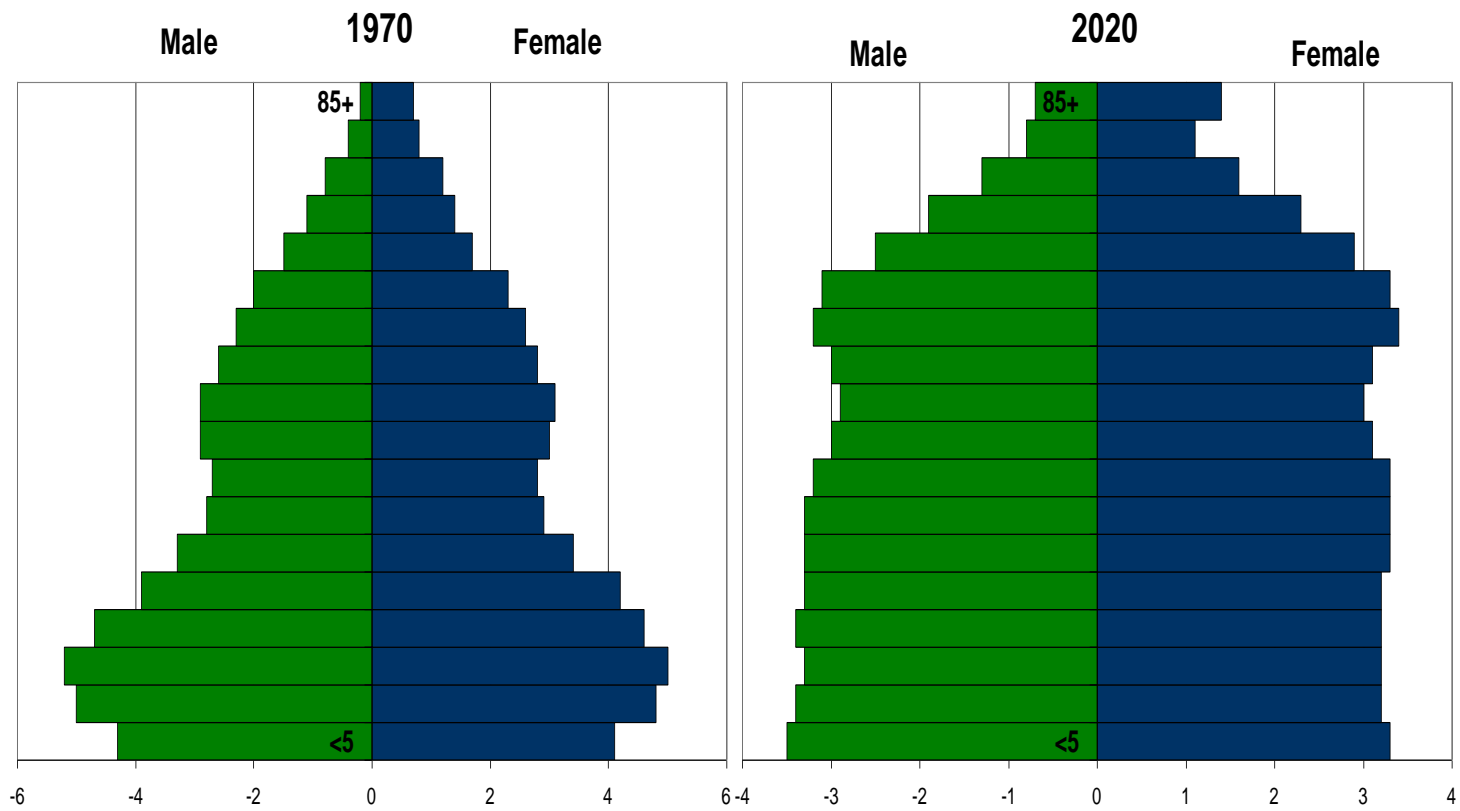


## **4. Demographics are changing**



# Demographics Are Changing

The general population is aging

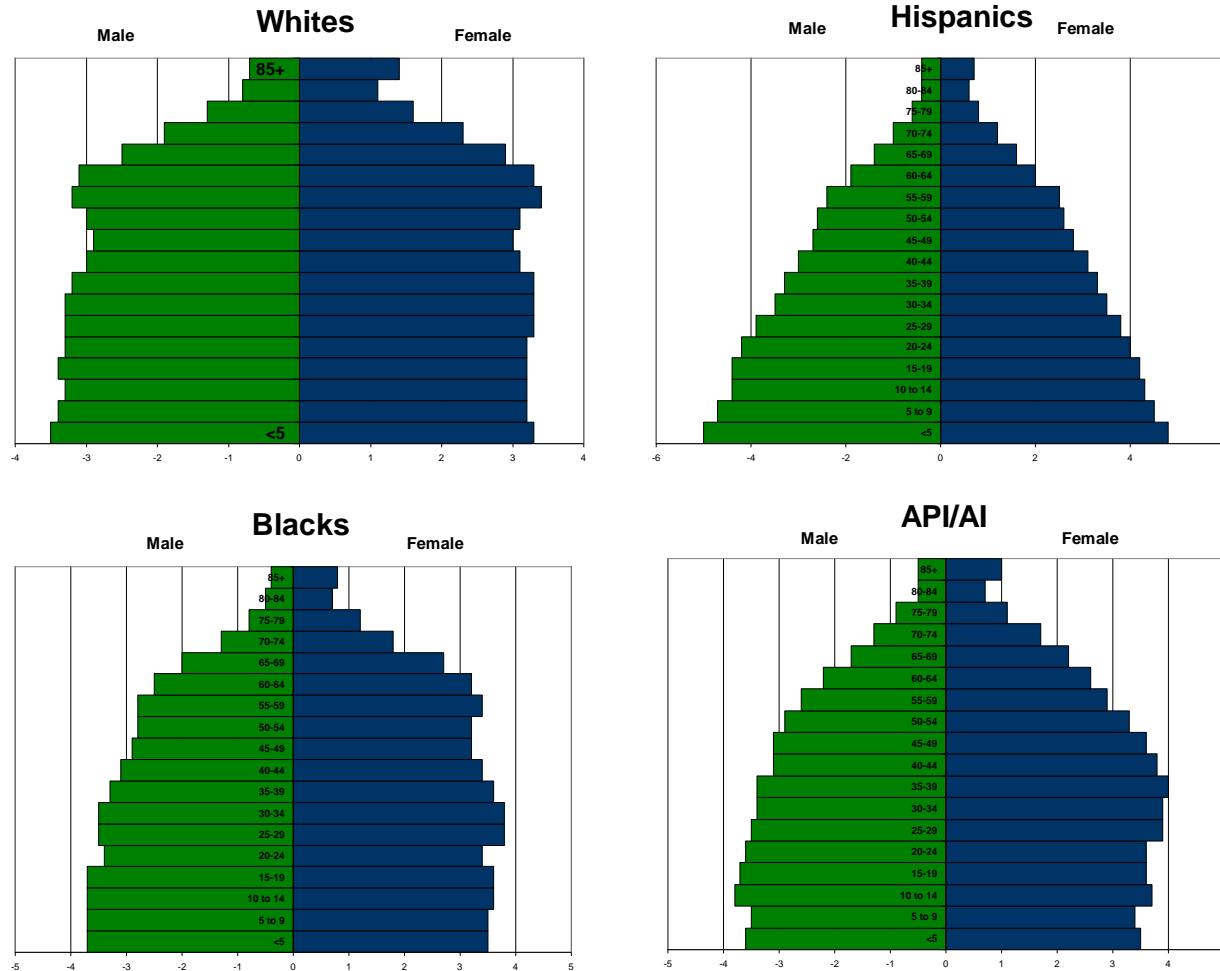


Source: Martha Riche. "The Implications of Changing U.S. Demographics for Housing Choice and Location in U.S. Cities" Brookings, Forthcoming.



# Demographics Are Changing

Age distribution will differ by race and ethnicity

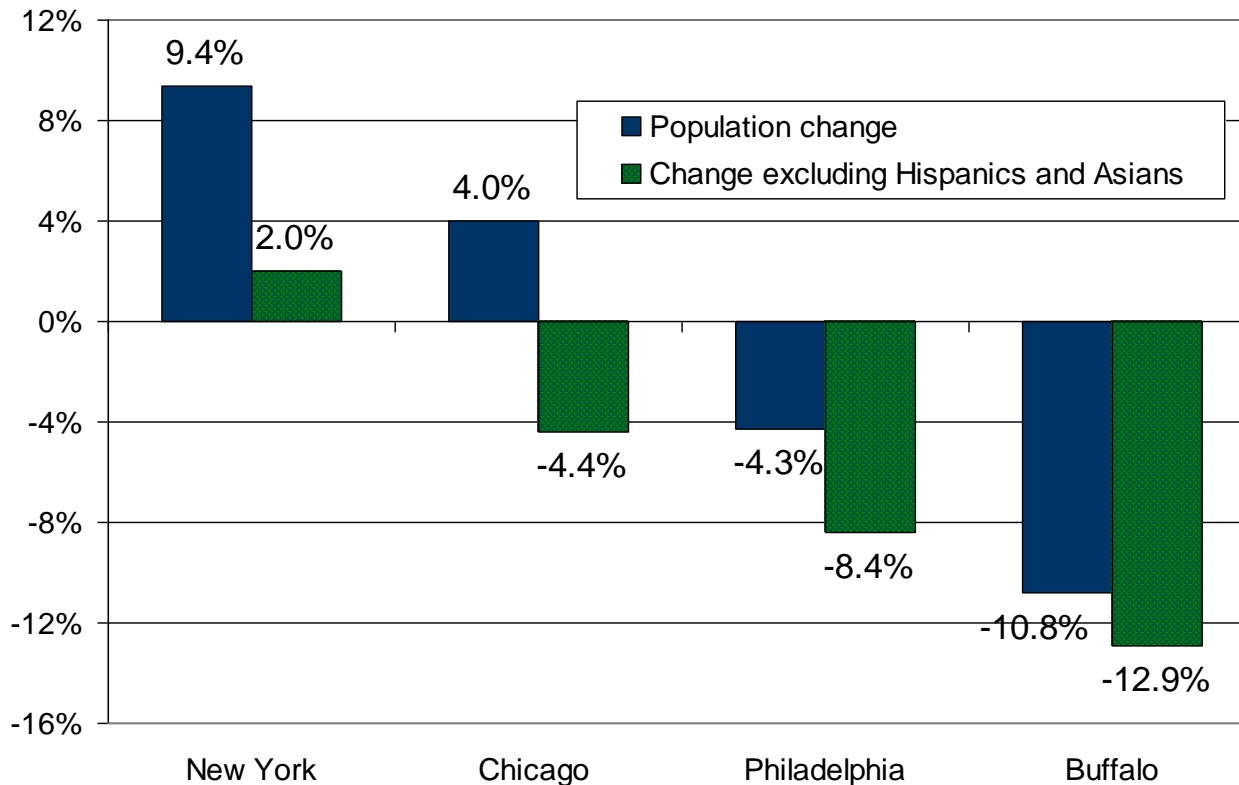


Source: Martha Riche. "The Implications of Changing U.S. Demographics for Housing Choice and Location in U.S. Cities" Brookings, Forthcoming.



# Demographics Are Changing

**“An influx of Hispanics and Asians has fueled the growth in big cities over the past decade and slowed the population decline in cities that experienced a flight to the suburbs.”**

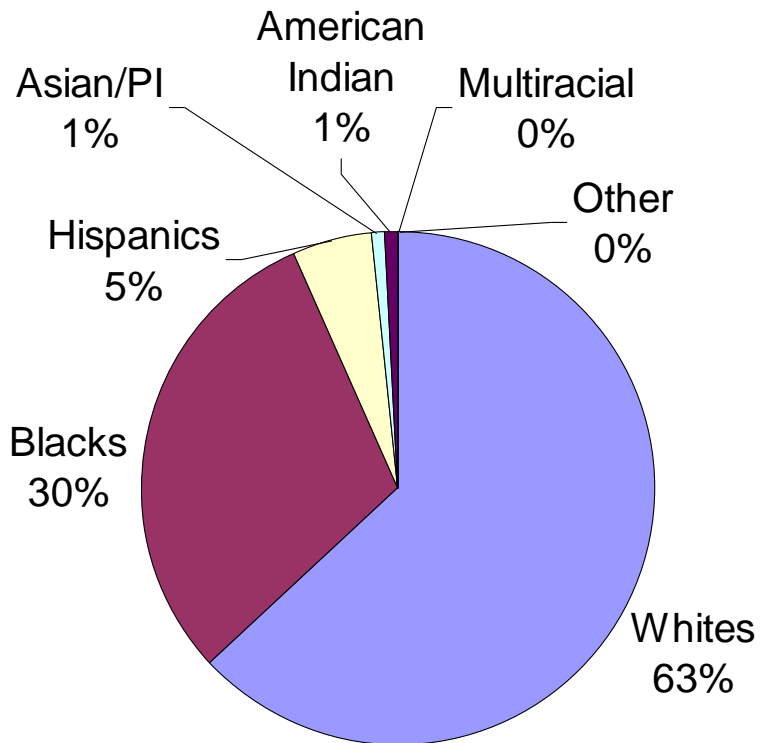




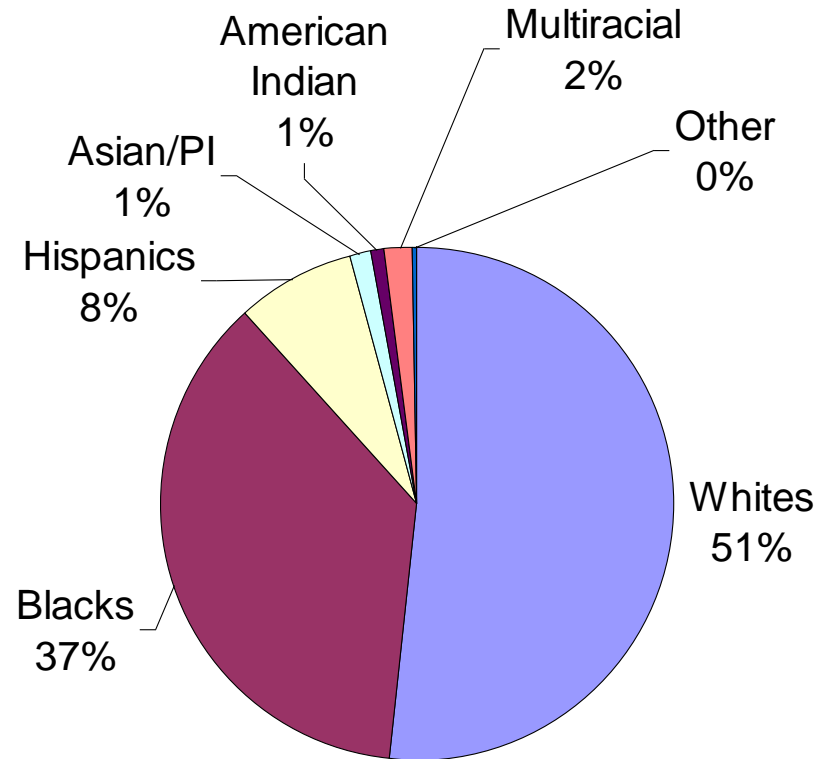
# Demographics Are Changing

## Buffalo's Demographic Profile

1990



2000







## **II. What are the top competitive strategies for cities to pursue?**

# Competitive Strategies

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## Current Strategy

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### What's Wrong

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#### **Policies are marginal**

-Microlending

#### **Policies focus on subsidies**

-Empowerment zones

#### **Policies are fragmented**

-Housing/schools

#### **Policies are geographically limited**

-Workforce/transportation

## Competitive Strategy

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### What's Needed

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#### **Focus on the “big stuff”**

-Identify reforms with systemic effect

#### **Fix the fundamentals**

-Land, capital access, crime

#### **Integrate strategies**

-Connect systemic reforms

#### **Think metropolitan**

-Implement reforms beyond borders

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# The New Competitive Cities Strategies

**2. FIX THE BASICS**

**3. BUILD  
ON ASSETS**

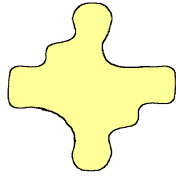
**1. KNOW THE CONTEXT**

**4. BUILD FAMILY  
AND COMMUNITY  
WEALTH**

**5. INFLUENCE  
METROPOLITAN  
GROWTH**



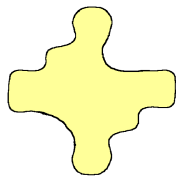
**1. KNOW THE CONTEXT**



# Know the Context

## Key Elements

- **Understand market and demographic trends in city and region**
- **Recognize assets - identify liabilities**
- **Re-envision competitive position**
- **Organize for success**



# Know the Context

## The Cleveland Example

*“Organizing for Success”*

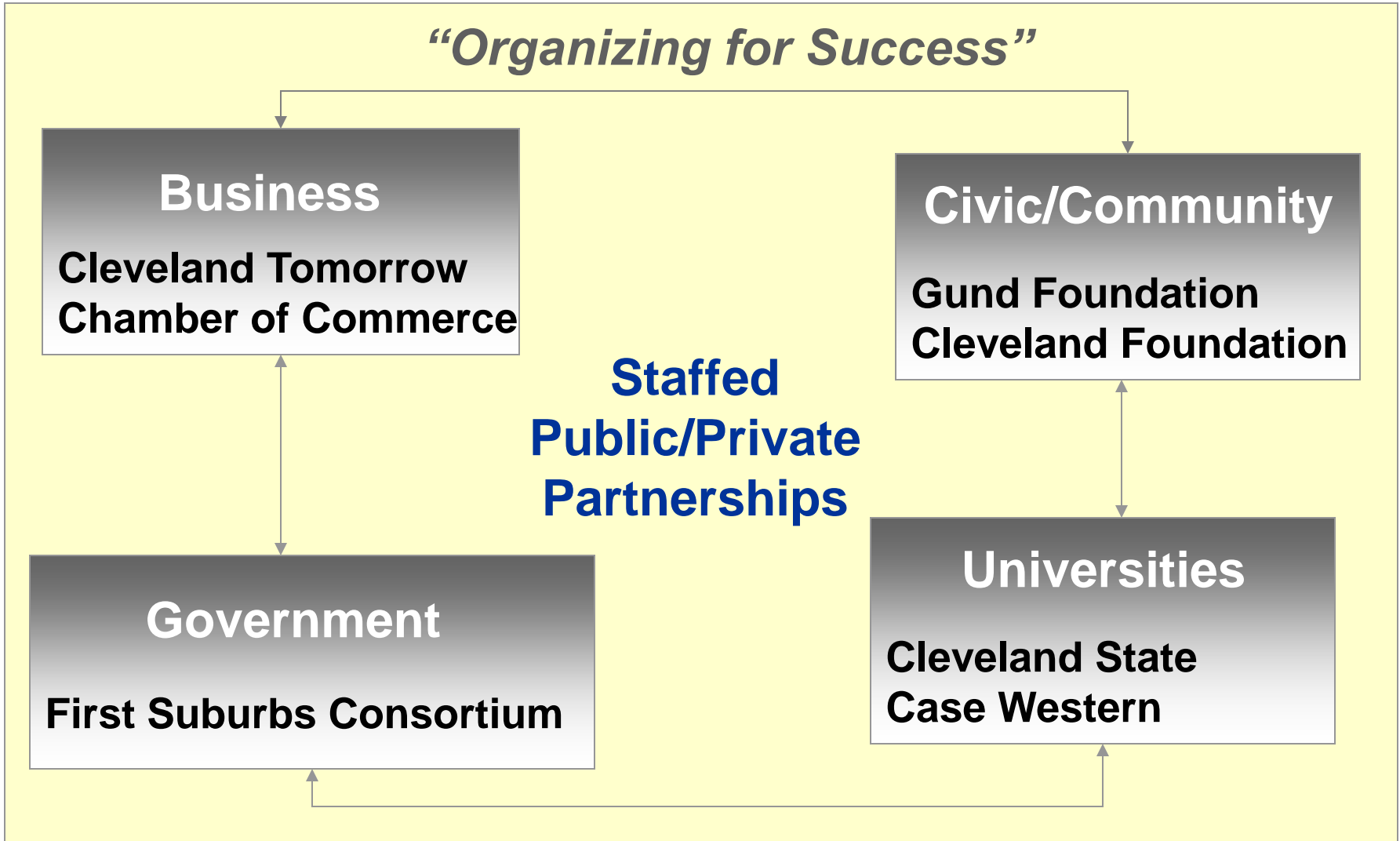
**Business**  
Cleveland Tomorrow  
Chamber of Commerce

**Civic/Community**  
Gund Foundation  
Cleveland Foundation

**Staffed  
Public/Private  
Partnerships**

**Government**  
First Suburbs Consortium

**Universities**  
Cleveland State  
Case Western



A teal-colored irregular shape with a black outline, resembling a stylized map of a region or a specific graphic element. The shape has a flat top edge, a vertical left edge, and a jagged bottom edge with several indentations and protrusions. The text "2. FIX THE BASICS" is centered within the shape.

**2. FIX THE BASICS**

# **Fix the Basics**

## **Key Elements**

- **Good schools**
- **Safe streets**
- **Competitive taxes and services**
- **21<sup>st</sup> century infrastructure**
- **Functioning real estate market**





# **Fix the Basics: Land**

## ***The Philadelphia Story***

- **In 1999, Philadelphia had 30,900 vacant residential lots**
- **The city had 36 abandoned structures per 1,000 residents compared to an average of 2.6 nationally**
- **Responsibility for vacant properties was divided between 15 public agencies**
- **Insufficient resources for demolition, site preparation, and brownfield remediation compounded problem**



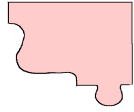
# **Fix the Basics: Land**

## **Philadelphia Neighborhood Transformation Initiative**

- **A \$1.6 billion dollar 5 year program to remove blight from Philadelphia neighborhoods.**
- **Reform of the city's delivery systems.**
- **Build 16,000 new houses and demolish 14,000 buildings.**
- **Rehabilitate 2,500 properties.**
- **Creation of a Philadelphia Land Bank.**
- **Clearing of 31,000 vacant lots in the first year.**
- **Facilitation of neighborhood planning in a citywide context**



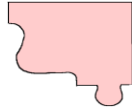
**3. BUILD  
ON ASSETS**



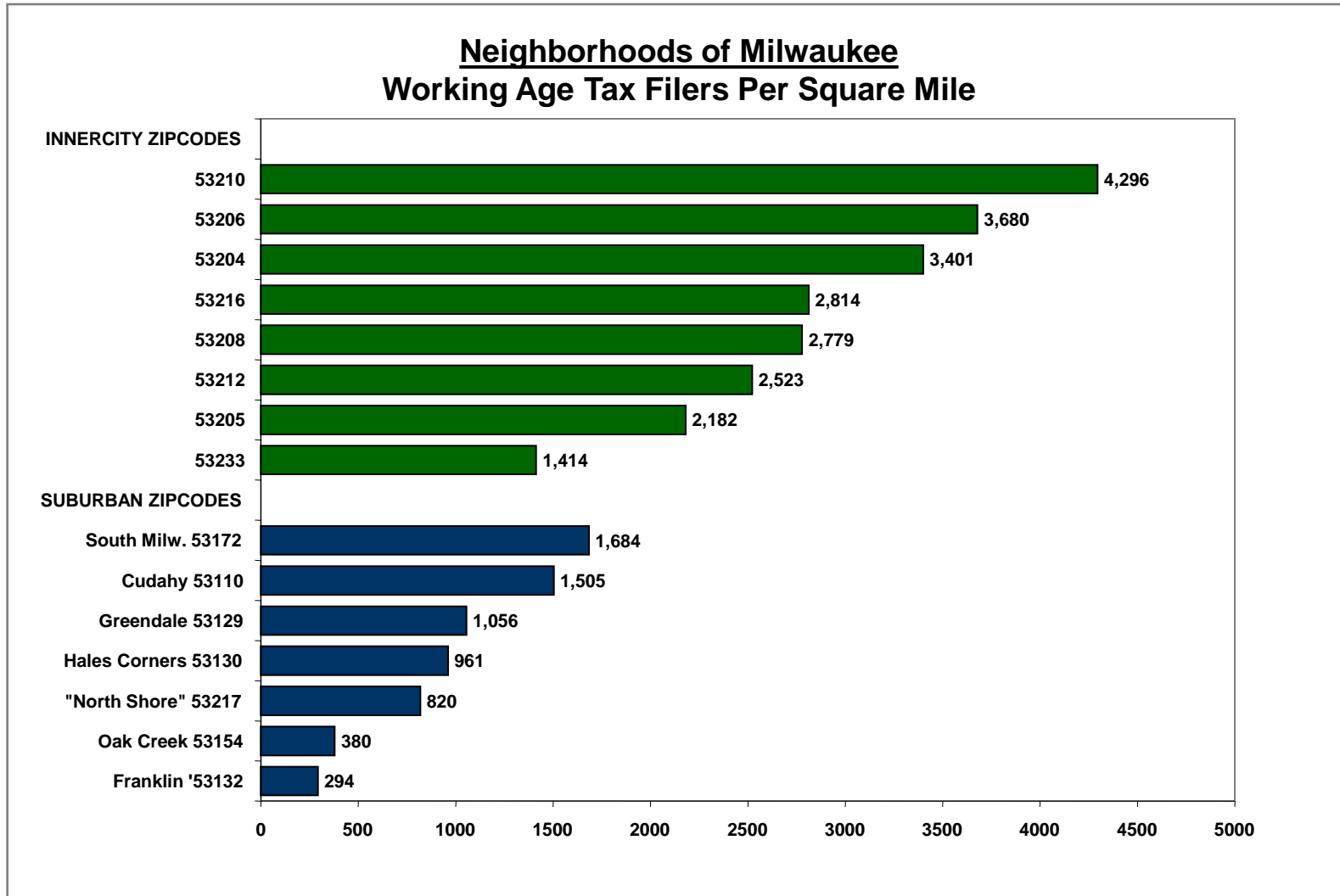
# Build on Assets

## Key Elements

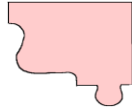
- **Fixed institutions  
(universities and hospitals)**
- **Employment clusters**
- **Downtown**
- **Waterfront**
- **Cultural institutions/parks**



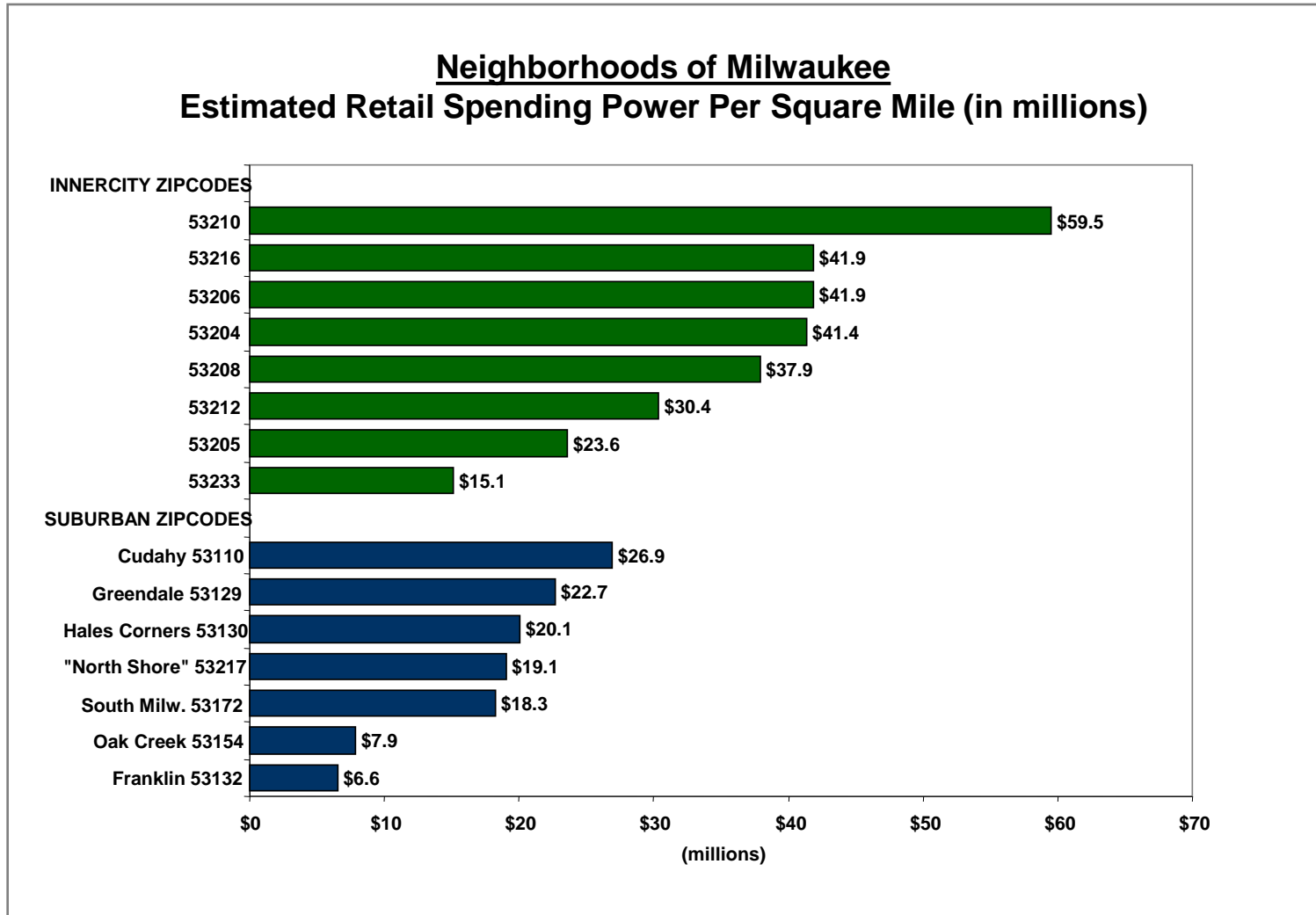
# Build on Assets



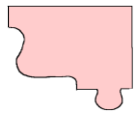
Source: Analysis of Wisconsin Department of Revenue income tax filing data, 1998.



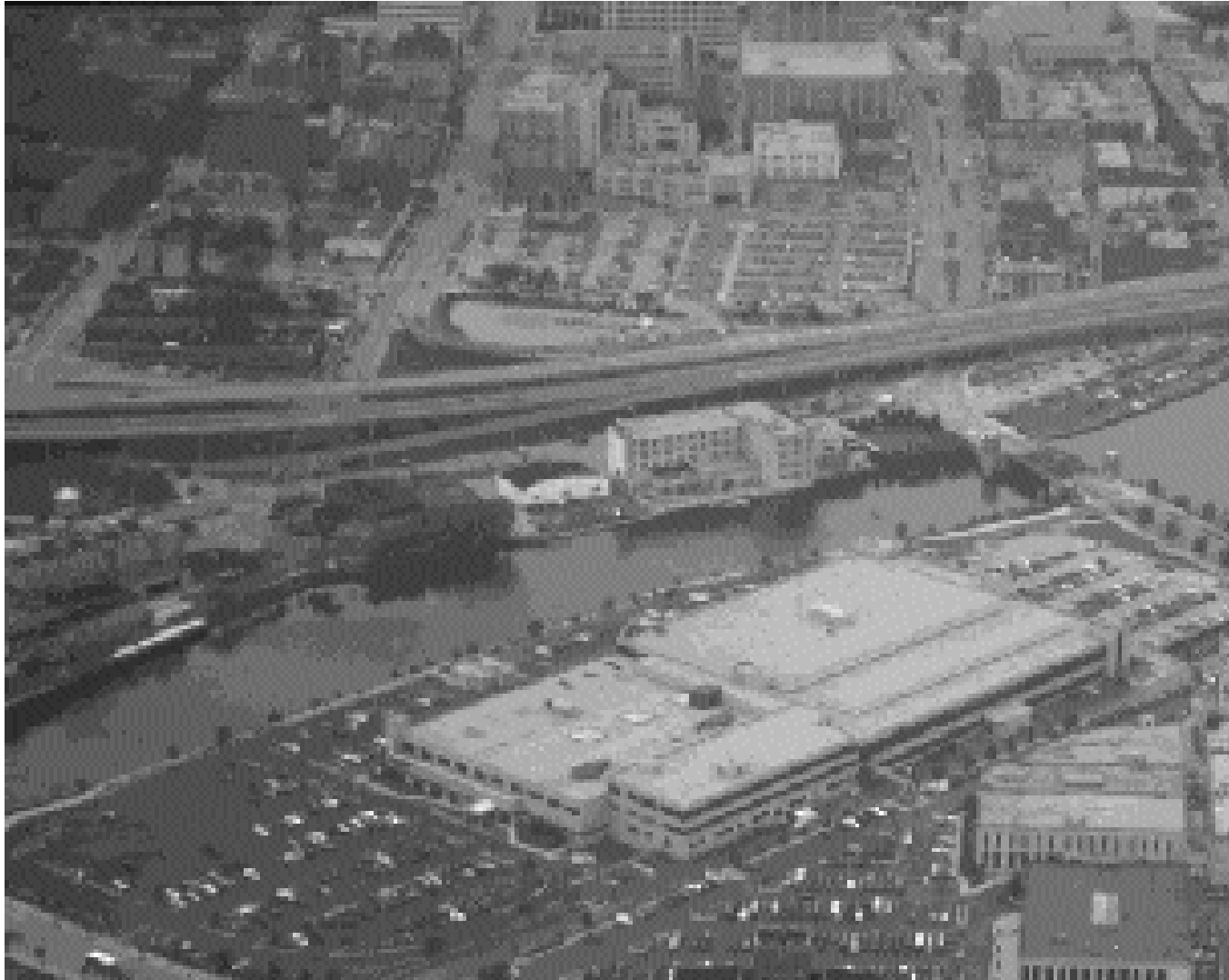
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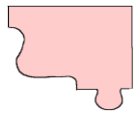


Source: CEX spending patterns for the Midwest urban region applied to adjusted gross income ranges and filing status of 1998 state income tax filers.



# Build on Assets: Waterfront





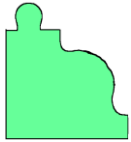
# Build on Assets: Waterfront







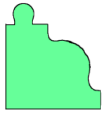
**4. BUILD FAMILY  
AND COMMUNITY  
WEALTH**



# **Build Family And Community Wealth**

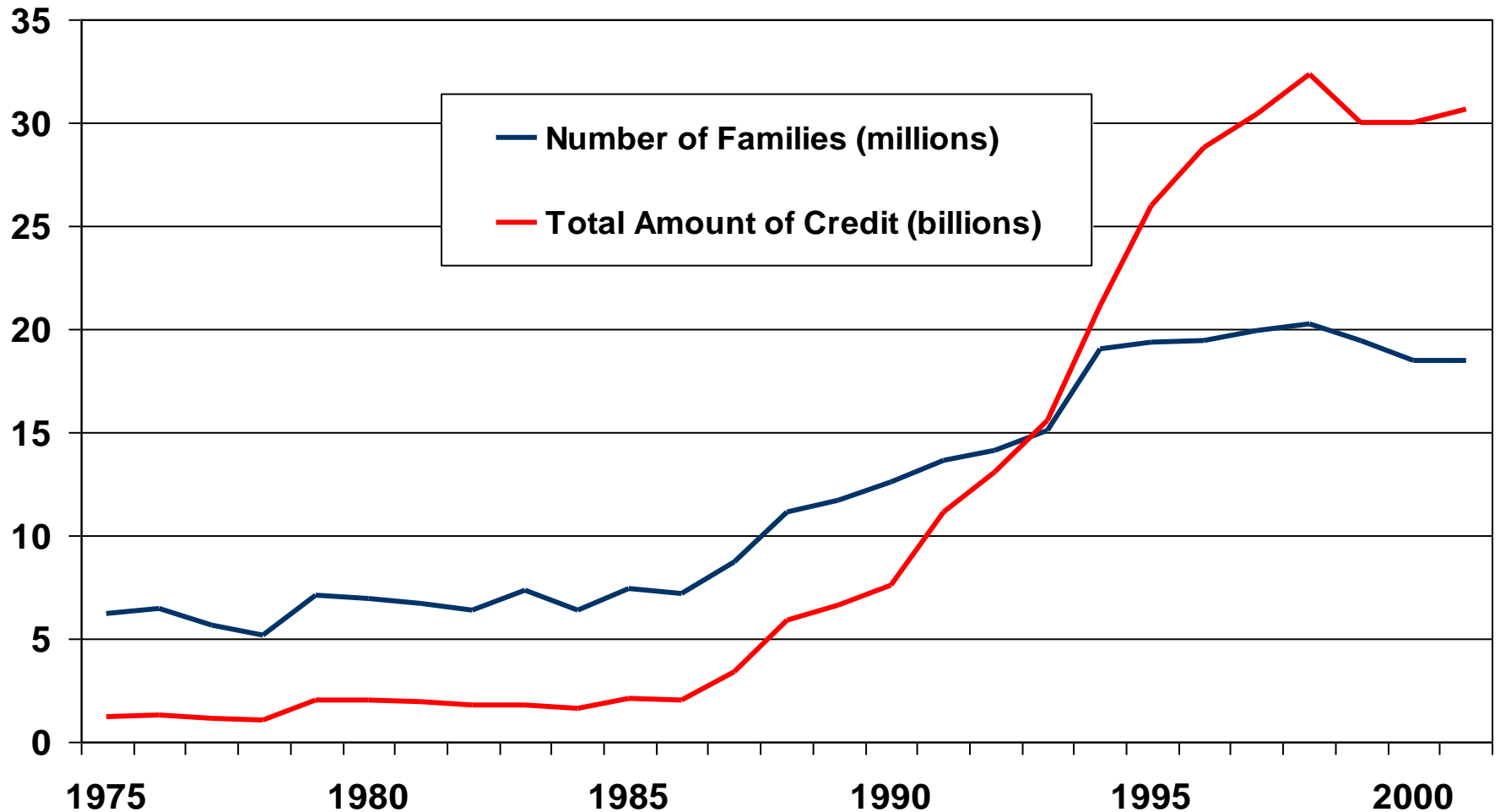
## **Key Elements**

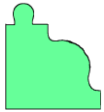
- **Income and work supports**
- **Asset building**
- **Neighborhood markets**
- **Mixed-income communities**
- **Access to capital**



# Build Family Wealth: Income Support

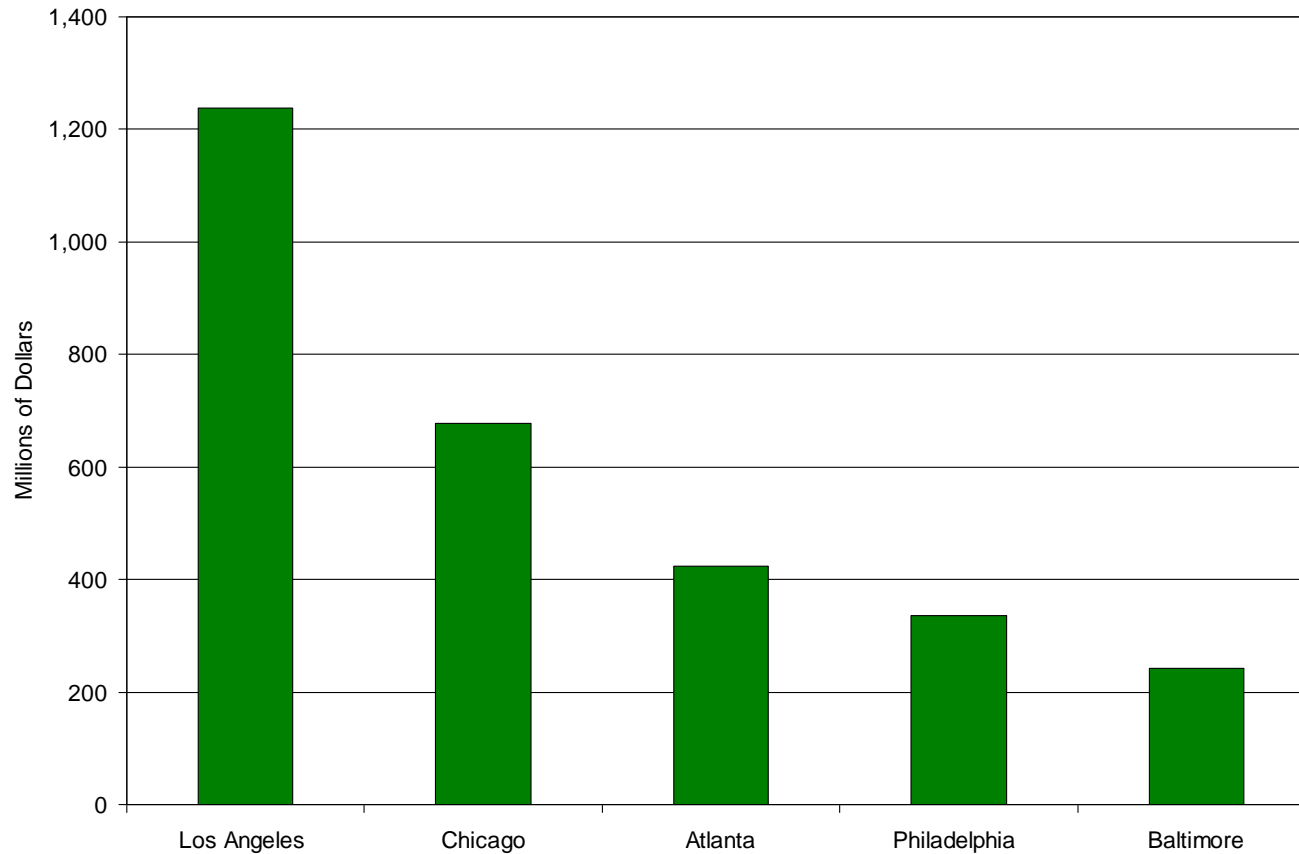
**The Earned Income Tax Credit Has Increased Substantially**





# Build Family Wealth: Income Support

## Billions of Dollars of EITCs Flow into Cities



1 Calculated by assuming that at least 10 percent of EICs go unclaimed (See Scholtz 1994).

Source: Data from 1998 are from Internal Revenue Service, E-File Demographics.  
1997 data are from Internal Revenue Service, Zip Code Files.



# **Build Community Wealth**

## **Vaughn Public Housing (St. Louis)**





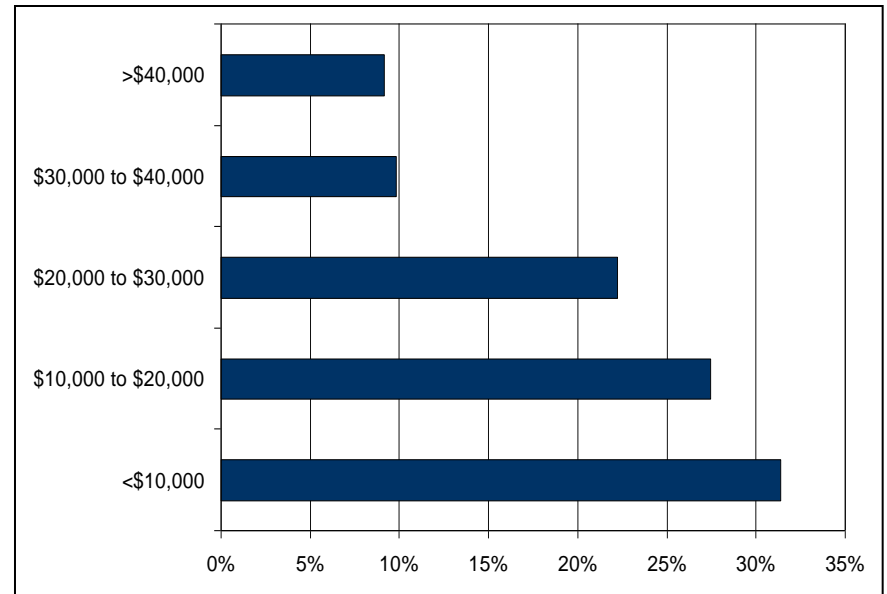
# Build Community Wealth

## *George L. Vaughn Residences at Murphy Park (St. Louis)*



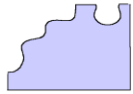
- **\$ 45 million**
  - public housing funds
  - first mortgage funds
  - tax credits
  - corporate donations
  - private equity

- **402 units of economically integrated public housing:**
  - 30% at market rate
  - 15% tax credits
  - 55% public housing





**5. INFLUENCE  
METROPOLITAN  
GROWTH**

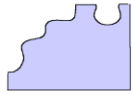


# **Influence Metropolitan Growth**

## **Key Elements**

- **Metropolitan governance**
- **Land-use reform**
- **Transportation reform**
- **Access to metropolitan opportunity**
- **Urban reinvestment**





# Influence Metropolitan Growth

## **Governance**

**Georgia**

*Georgia Regional Transportation Authority (1999)*

## **Land-Use**

**Ohio**

*The Clean Ohio Fund (2000)*

## **Transportation**

**Maryland**

*Smart Growth-Neighborhood Conservation Act of 1997*

## **Metro Access**

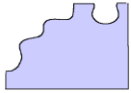
**California**

*Fair Share Affordable Housing Law*

## **Urban Reinvestment**

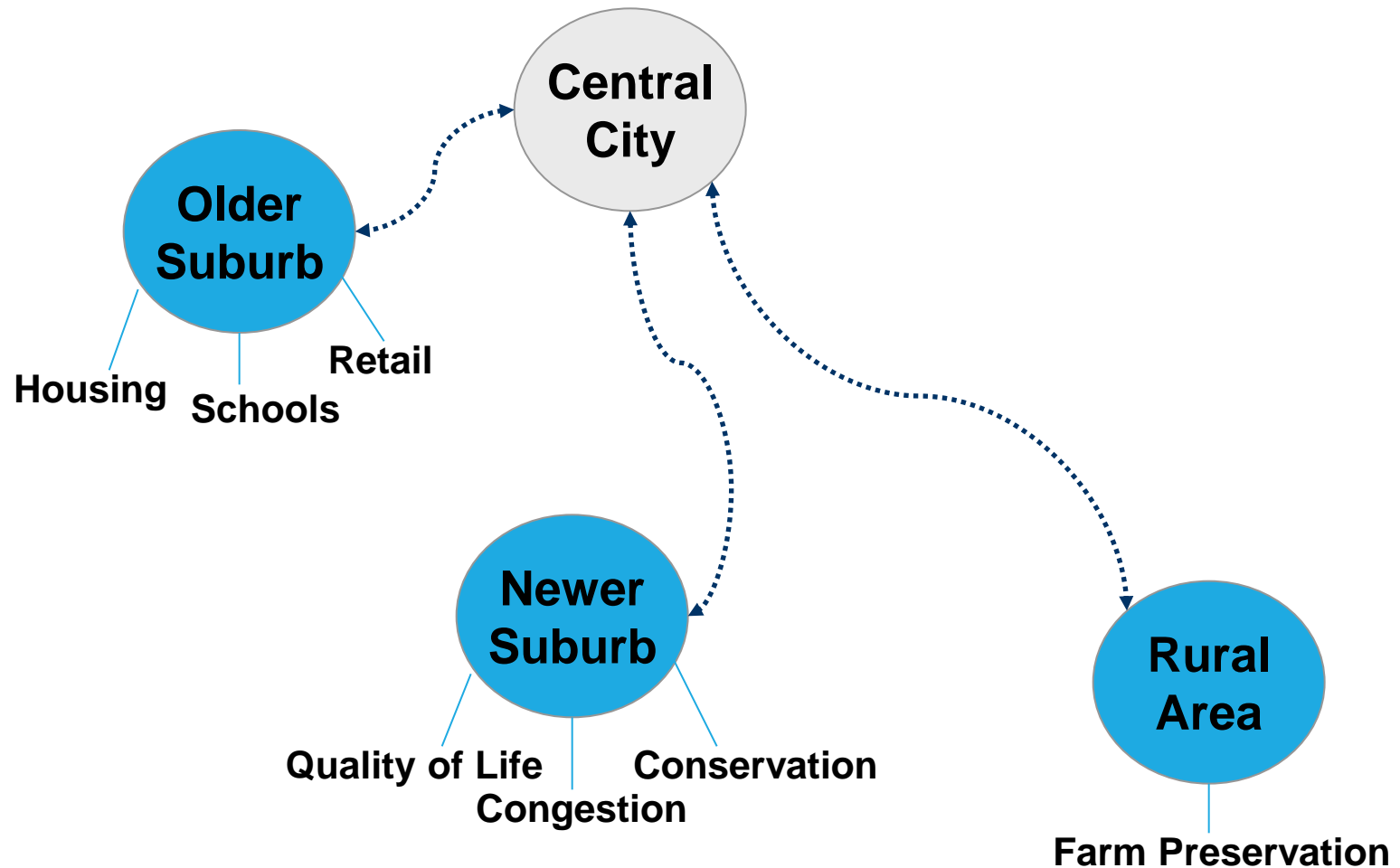
**New Jersey**

*The Rehabilitation Subcode of 1998*



# Influence Metropolitan Growth

## The New Metropolitics



# The New Competitive Cities Strategies

**2. FIX THE BASICS**

**3. BUILD  
ON ASSETS**

**1. KNOW THE CONTEXT**

**4. BUILD FAMILY  
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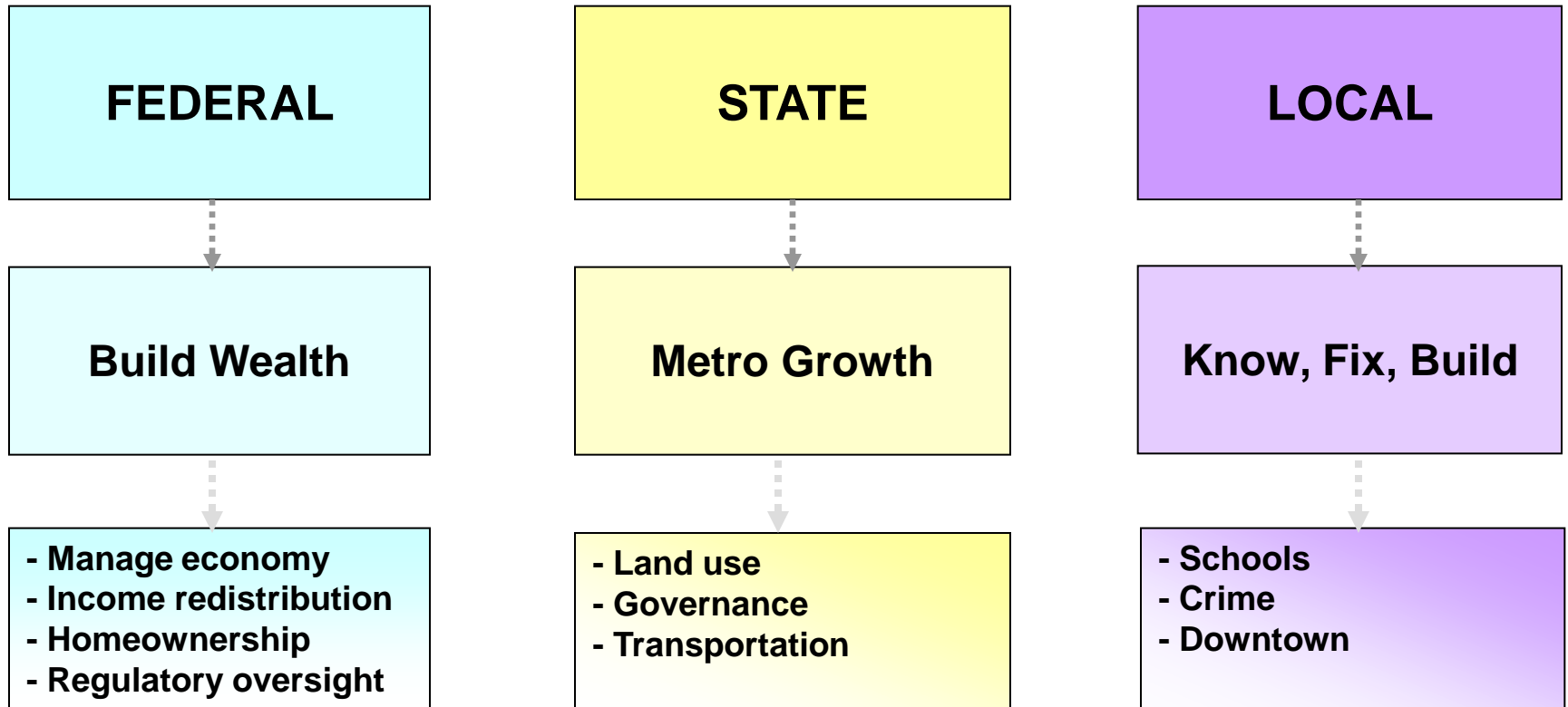


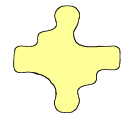
## **III. Where do we go from here?**



# Competitive Strategies

## Primary Responsibilities





# Know the Context

## What can local leaders do?

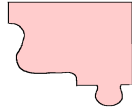
- Find out how many inner city residents file for the EITC
- Quantify the purchasing power of neighborhoods
- Calculate the homeownership rate of neighborhoods
- Determine what kinds of businesses already locate in these neighborhoods



# Fix the Basics

## What can local leaders do?

- **Reform urban land systems**
  - **GIS mapping and data collection**
  - **Land banking**
  - **Building codes**
  - **Streamline legal framework**
  - **Marketing land**
  - **Administrative reform/consolidation**

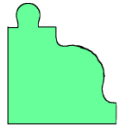


# Build on Assets

## What can local leaders do?

- **Provide existing businesses the tools they need**
  - **Access to qualified workers**
  - **Ability to expand**
  - **Safe streets**
  - **Access to local services**
- **Create Neighborhood Intermediaries**

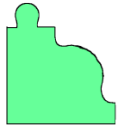




# Build Family And Community Wealth

## What can local leaders do?

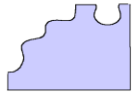
- Link residents to financial institutions
- Support mixed income housing
- Implement new markets tax credit



# Build Family And Community Wealth

## The New Markets Tax Credit

- Congress enacted the New Markets Tax Credit in late 2000.
- Like the Low-Income Housing Tax Credit, the New Markets Tax Credit will be a capped and competitively allocated tax credit.
- Over a 5 year period, the New Markets Tax Credit is expected to generate over \$15 billion in new equity for distressed communities throughout the country.
- Community Development Entities will apply to the Treasury Department for allocation of tax credits.
- Investors will be able to claim a tax credit for 7 years on their investment worth 30% in present value terms.



# Influence Metropolitan Growth

## What can local leaders do?

- **Align city and older suburbs around reinvestment**
- **Align city and newer suburbs around reform**
- **Align city and rural areas around preservation**
- **Link business networks**

# The New Competitive Cities Strategies

**2. FIX THE BASICS**

**3. BUILD  
ON ASSETS**

**1. KNOW THE CONTEXT**

**4. BUILD FAMILY  
AND COMMUNITY  
WEALTH**

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METROPOLITAN  
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