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
Overall, city population grew during the 1990s

Source: U.S. Census Bureau
Cities Are Recovering

Overall, central cities gained jobs during the 1990s

Central city poverty rates fell

21.0% in 1992
16.4% in 1999

Source: U.S. Census Bureau
Violent crime fell during the 1990s nationally.

Source: FBI, Uniform Crime Reports
2. But the recovery is highly uneven
But the Recovery is Highly Uneven

Some cities grew, but many cities lost population \(^1\)

\(^1\) 1990-2000
Source: U.S. Census Bureau
But the Recovery is Highly Uneven

Some cities gained jobs, but other cities lost them \(^1\)

\[\begin{array}{c|c|c|c|c|c|c}
\text{City} & \text{Atlanta} & \text{Chicago} & \text{Baltimore} & \text{Miami} & \text{Rochester} & \text{Buffalo} \\
\hline
\% Change & 10.1\% & 0.5\% & -3.5\% & -3.7\% & -4.5\% & -8.7\% \\
\hline
\end{array}\]

\(^1\) Based on changes between 1993 and 1996.
But the Recovery is Highly Uneven

Poverty rates are disproportionately high in many cities

1 Small area estimates are for 1997
Source: U.S. Census Bureau
And violent crime is still high in many cities \(^1\)

But the Recovery is Highly Uneven

\(^1\) 1999 counts for the MSA; Baltimore 1998.
Source: Federal Bureau of Investigations
3. Metropolitan decentralization dominates
The suburbs outpaced cities in population growth

- Miami: 3.0%
- Atlanta: 2.0%
- Chicago: 1.0%
- Rochester: 3.4%
- Buffalo: -1.6%
- Baltimore: -14.0%

Source: U.S. Census Bureau
Employment Is Decentralizing

The suburbs outpaced cities in job creation

1 Based on changes between 1993 and 1996.
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
The general population is aging

Age distribution will differ by race and ethnicity

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
- Whites: 63%
- Blacks: 30%
- Hispanics: 5%
- American Indian: 1%
- Multiracial: 0%
- Other: 0%

2000
- Whites: 51%
- Blacks: 37%
- Hispanics: 8%
- American Indian: 1%
- Multiracial: 2%
- Other: 0%
II. What are the top competitive strategies for cities to pursue?
## Competitive Strategies

<table>
<thead>
<tr>
<th>Current Strategy</th>
<th>Competitive Strategy</th>
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<tbody>
<tr>
<td><strong>What’s Wrong</strong></td>
<td><strong>What’s Needed</strong></td>
</tr>
<tr>
<td><strong>Policies are marginal</strong></td>
<td><strong>Focus on the “big stuff”</strong></td>
</tr>
<tr>
<td>- Microlending</td>
<td>- Identify reforms with systemic effect</td>
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<tr>
<td><strong>Policies focus on subsidies</strong></td>
<td><strong>Fix the fundamentals</strong></td>
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<tr>
<td>- Empowerment zones</td>
<td>- Land, capital access, crime</td>
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<tr>
<td><strong>Policies are fragmented</strong></td>
<td><strong>Integrate strategies</strong></td>
</tr>
<tr>
<td>- Housing/schools</td>
<td>- Connect systemic reforms</td>
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<tr>
<td><strong>Policies are geographically limited</strong></td>
<td><strong>Think metropolitan</strong></td>
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<tr>
<td>- Workforce/transportation</td>
<td>- Implement reforms beyond borders</td>
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</table>
The New Competitive Cities Strategies

1. KNOW THE CONTEXT

2. FIX THE BASICS

3. BUILD ON ASSETS

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
2. FIX THE BASICS
Fix the Basics

Key Elements

- Good schools
- Safe streets
- Competitive taxes and services
- 21st century infrastructure
- Functioning real estate market
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 the 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
Neighborhoods of Milwaukee
Working Age Tax Filers Per Square Mile

Source: Analysis of Wisconsin Department of Revenue income tax filing data, 1998.
Neighborhoods of Milwaukee
Estimated Retail Spending Power Per Square Mile (in millions)

INNERCITY ZIPCODES
- 53210: $59.5
- 53216: $41.9
- 53206: $41.9
- 53204: $41.4
- 53208: $37.9
- 53212: $30.4
- 53205: $23.6
- 53233: $15.1

SUBURBAN ZIPCODES
- Cudahy 53110: $26.9
- Greendale 53129: $22.7
- Hales Corners 53130: $20.1
- "North Shore" 53217: $19.1
- South Milw. 53172: $18.3
- Oak Creek 53154: $7.9
- Franklin 53132: $6.6

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
Key Elements

- Income and work supports
- Asset building
- Neighborhood markets
- Mixed-income communities
- Access to capital
The Earned Income Tax Credit Has Increased Substantially

- **Number of Families (millions)**
- **Total Amount of Credit (billions)**

Key points:
- The graph shows a significant increase in both the number of families and the total amount of credit from 1975 to 2000.
- The credit has grown substantially over the years, with a notable increase after 1990.
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)

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

- $45 million
  - public housing funds
  - first mortgage funds
  - tax credits
  - corporate donations
  - private equity
5. INFLUENCE METROPOLITAN GROWTH
Key Elements

- Metropolitan governance
- Land-use reform
- Transportation reform
- Access to metropolitan opportunity
- Urban reinvestment
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<th>Governance</th>
<th>Georgia</th>
<th>Georgia Regional Transportation Authority (1999)</th>
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<td>Urban Reinvestment</td>
<td>New Jersey</td>
<td>The Rehabilitation Subcode of 1998</td>
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Influence Metropolitan Growth

The New Metropolitics

- Older Suburb
  - Housing
  - Retail
  - Schools

- Newer Suburb
  - Quality of Life
  - Congestion

- Central City

- Rural Area
  - Conservation
  - Farm Preservation
The New Competitive Cities Strategies

1. KNOW THE CONTEXT
2. FIX THE BASICS
3. BUILD ON ASSETS
4. BUILD FAMILY AND COMMUNITY WEALTH
5. INFLUENCE METROPOLITAN GROWTH
III. Where do we go from here?
Competitive Strategies

Primary Responsibilities

**FEDERAL**
- Build Wealth
  - Manage economy
  - Income redistribution
  - Homeownership
  - Regulatory oversight

**STATE**
- Metro Growth
  - Land use
  - Governance
  - Transportation

**LOCAL**
- Know, Fix, Build
  - Schools
  - Crime
  - Downtown
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
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
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.
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
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