A NEW METROPOLITAN AGENDA

A CONFERENCE REPORT

Report from the Joint Meeting of Trustees of the Committee for Economic Development and Urban Growth Specialists at the Brookings Institution Center on Urban and Metropolitan Policy

September 20, 2002

CED is a nonprofit, nonpartisan organization of business leaders and educators that has worked for sixty years to address the critical economic and social issues facing American society

CONTENTS

JOINT MEETING ON URBAN AND METROPOLITAN POLICY HOSTED BY THE COMMITTEE FOR ECONOMIC DEVELOPMENT AND THE BROOKINGS INSTITUTION CENTER ON URBAN AND METROPOLITAN POLICY

September 20, 2002

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PURPOSE OF THIS REPORT

The Committee for Economic Development's interest in urban policy reaches back over five decades. In 1995, CED published a Policy Statement entitled *Rebuilding Inner-City Communities: A New Approach to the Nation's Urban Crisis*. In this Statement, CED argued that the health of the nation depends on the productive capacity of our urban areas, and laid the groundwork for addressing the "concentration of problems" that confront these communities. It cited seminal examples of partnerships between corporations and their surrounding communities as a vehicle for community development and building social capital. Targeting five cities – Boston, Chicago, Denver, Kansas City, and New Orleans – the Policy Statement aimed to provide practical recommendations for civic and business leaders to address problems faced in their communities.

Nearly a decade later, many of the nation's urban areas face problems both similar and different from those they did in 1995. State and local governments are facing unprecedented deficits and the federal government is dealing with budget constraints not imagined in the boom years of the 1990s. Moreover, national security is now of greater concern, and metropolitan areas have spent billions of dollars helping all Americans feel more secure. Thus, the Trustees of the CED have decided to revisit their agenda for addressing these issues. In September 2002, a group of Trustees and urban growth specialists gathered for a joint conference of the CED and the Brookings Institution's Center for Urban and Metropolitan Policy.

The following Conference Report, *A New Metropolitan Agenda*, is a result of that conference. It lays out both the historical and emerging issues that were raised then and that our nation's urban areas now confront. More than ever, urban areas face problems unique to their region, demographic make-up, geographic limitations, historic growth patterns, and other individual characteristics. This document is intended to inform CED Trustees and, more generally, business, civic, academic leaders, and the public of some of the trends that will influence future urban and regional policy, as well as provide some background for thinking responsibly and comprehensively about the future of our nation's urban areas. It refers to the recommendations of previous CED work, but offers no new recommendations.

On behalf of CED's Trustees, I wish to express our deep appreciation to Pres Kabacoff, President and Co-Chairman of Historic Restoration, Inc., and Thomas Klutznick, President of the Thomas J. Klutznick Company, for their leadership on these issues. Our gratitude also goes to Bruce Katz and the Brookings Institution Center for Urban and Metropolitan Policy. Special thanks to those Trustees and invited guests who attended the September 2002 conference and helped drive the discussion. Lastly, special thanks to Everett M. Ehrlich, CED Senior Vice President and Director of Research, Nora Lovrien, CED Research Associate and Project Director, and Melissa Gesell, CED Research Associate, for their work in preparing this document.

Charles E. M. Kolb
President and Trustee
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Chapter 1

INTRODUCTION

Cities are centers of commerce, cultural activity, and government, and a backdrop for goods and services to be traded, new ideas in technology to emerge, and greater integration and competition among firms to transpire. Over the last half-century, cities in the United States have evolved into metropolitan regions usurping the traditional role of central business districts and creating a host of new phenomena with which economists, politicians, sociologists, business people, academics, and others now find themselves grappling. The Committee for Economic Development, as a group of business and academic leaders, has been intimately involved over the last five decades in trying to understand metropolitan growth and its effects on business and the community.

In 1959, CED published two studies that marked the beginning of the organization's interest in the topic. *The Changing Economic Functions of Central Cities* and *Metropolis Against Itself* described the early effects of post-war suburbanization and urged business and government to adopt more regional perspectives and think strategically about the ramifications of these trends for their communities and business health. In Policy Statements published throughout the 1960s, 1970s, and 1980s, CED continued to explore facets of urban growth, from metropolitan governance, federal policy, welfare reform and public education, to business partnerships with organizations in the surrounding communities.[1]

In 1995, CED released the Policy Statement *Rebuilding Inner-City Communities: A New Approach to the Nation's Urban Crisis*, which identified public-private partnerships as a vehicle for community development and building social capital. The goal of that Statement was to offer practical recommendations for business and community leaders to form enduring, self-sustaining partnerships built around specific development goals.[2] To do so, CED targeted five cities – Boston, Chicago, Denver, Kansas City, and New Orleans – engaging the expertise and experience of local officials, neighborhood leaders, businesses, and area residents. This approach distinguished itself from inner-city development initiatives that adopted top-down approaches, such as broad mandates.

While the recommendations of *Rebuilding Inner-City Communities* remain pertinent, CED's Trustees have discussed the need to revisit the issue of balanced economic, social, and fiscal development policy in metropolitan regions, harkening back to earlier CED Policy Statements. Since the end of the Second World War, America's metropolitan regions have experienced common patterns of growth – sprawl into rural lands or smaller towns, and in some cases unilateral annexation of older suburbs and open space expanding the legal city limits, matched by decline or slower growth in central cities and older suburbs – that can become fiscally, socially, and environmentally damaging. Moreover, ensuring homeland security has emerged as an issue facing every urban area in the nation, an endeavor that is both expensive and essential. This CED Conference Report, *A New Metropolitan Agenda*, lays the groundwork for considering further research and outreach efforts for CED and among federal, state and local policy makers, business leaders, community groups, and others to address the problems posed by burgeoning metropolitan regions.

As technology has advanced and physical infrastructure has expanded outward from traditional central cities, firms and people have found it easier to locate farther from the central city and older suburbs. Rapidly developing outer suburbs have begun to capture a majority of employment and population growth in many metropolitan areas of the United States. These areas frequently offer the benefits of lower taxes, access to green space, and quieter, less congested lifestyles. Zoning restrictions, in turn, limit the

development of affordable housing in these new areas, thus excluding families of low to moderate-income. Cities and older suburbs have found it difficult to compete. As more businesses and higher-income families move from these older areas, the municipal tax base shrinks and the cycle of deterioration continues.

The costs of sprawl are numerous. Residential relocation to suburbs has taken place predominantly among white, middle- to upper-income, educated households, leaving most inner-city neighborhoods populated by low-income, low-skilled, minority households; hence the growth of suburbs has created increasingly segregated communities. Workers commute longer distances to newly created jobs in outlying suburbs or into the central business district from outlying regions. Not only does this put pressure on the time and energy of the worker, but metropolitan transit systems and highways also become increasingly congested and the cost to maintain them has increased. Businesses face costs associated with greater congestion that may affect their competitive prospects. Environmental costs also mount. Along with increased levels of air pollution from congestion and industrial development, water supplies used by city residents are already stretching to more distant regions, taxing the capacity of watersheds and making entire regions more sensitive to drought. Moreover, far-flung residential areas may be less able to build strong communities, which may have immeasurable social and economic repercussions. And limited tax revenue in inner cities is stretching to pay for public goods such as education, the quality of which suffers without adequate resources.

CED has long recognized that healthy inner cities have a direct relationship to healthy metropolitan regions, and this symbiosis is essential for maintaining the economic vitality of the entire area. CED has a potentially unique role to address these concerns and present clear, actionable strategies for addressing them. But individual cities and regions often face vastly different issues that cannot be addressed uniformly.

Likewise, finding a single definition of a metropolitan area is challenging. This is particularly true as suburban "ring cities" grow in importance and as metropolitan areas extend to previously rural areas. The economic premise of a region is co-dependence; the outer rings require a vibrant center just as the outer rings enrich the center. But people experience their "region" through entirely different means, such as shared media, sports or arts events, or language and customs. Building regional identity is an essential first step in the process.

To overcome these barriers, this Conference Report tries to discuss the problems faced by metropolitan regions generally, but also offers specific examples. It is based on the joint conference CED held with the Brookings Institution Center for Urban and Metropolitan Policy in September 2002 to discuss these issues.

That conference addressed issues of metropolitan growth and coherent responses to them. The view of balanced economic, social, and fiscal policy that emerged from the discussion included a variety of points that reflect CED's historical involvement in the area. These responses have been expressed in past CED Policy Statements and excerpts are included in the following descriptions.

RESPONSES TO THE ISSUES OF METROPOLITAN GROWTH

Most importantly, an integrated approach by federal, state, local, and regional government is vital in strengthening the health of metropolitan areas. The role of governance should be to collect and disseminate accurate information about what is happening in metropolitan areas and work to regionalize decision making so that cities, suburbs, and exurban areas all participate in designing their future growth. Getting to that point requires federal, state, regional, and local government input and collaboration. CED's views on this matter go back as far as 1966:

> *"The bewildering multiplicity of small, piecemeal, duplicative, overlapping local jurisdictions cannot cope with the staggering difficulties encountered in managing modern urban affairs...If local governments are to function effectively in metropolitan areas, they must have sufficient size and authority to plan, administer, and provide significant financial support for solutions to area-wide problems."*
>
> **CED, *Modernizing Local Government*, 1966**

CED has also traditionally viewed the federal role as one of addressing the overarching themes of metropolitan growth and has supported a comprehensive approach to address such issues as environmental degradation, affordable housing, income disparities, and access to public transportation. However, recognizing state, regional, and local diversity is also important for federal legislation.

> *"The federal government should encourage - at the very least it should not frustrate – both active efforts and developing potential of local leadership to bring together public and private resources for the productive resolution of the problems of cities...*
>
> *...We believe that the time has come for federal policy to recognize the diversity of local areas, to be prepared to respond to local needs, and to make use of all that can be learned at the local level about how improvements can be made. The federal government needs an approach that is both more flexible than categorical grants and more focused on specific plans than general revenue sharing. It must make a commitment to well-planned improvements in the nation's central cities."*
>
> **CED, *An Approach to Federal Urban Policy,* 1977**

CED has historically supported the role of state governments in assessing their state's needs with respect to metropolitan growth, and encouraged them to take a more active role in defining the goals and parameters of growth and sprawl. This role should include building cooperative and democratic regional governance structures to engage the larger metropolitan community in long-term growth plans and address the existing challenges of urban sprawl. As CED said in 1970:

> *"Aware of the need for change, enlightened business and civic leaders in metropolitan areas have spearheaded campaigns to replace small-scale, overlapping local governments with consolidated, federated, or other forms of metropolitan government. These campaigns have stressed the fact that the economic and social interdependence of metropolitan areas has created problems which can only be solved on an area-wide basis."*
>
> **CED, *Reshaping Government in Metropolitan Areas,* 1970**

In 1995, CED stressed that government at all levels should work in cooperation to address the problems of core urban areas through concerted policy efforts:

> *"Across all programs and policies that have an impact on inner cities – housing, criminal justice, environmental management, social services, and others – federal, state, and local governments should review and modify policies that concentrate social and economic problems in distressed communities."*
>
> **CED, *Rebuilding Inner-City Communities: A New Approach to the Nation's Urban Crisis,* 1995**

Beyond a vision of intergovernmental cooperation, the CED-Brookings conference examined the role of business in shaping urban and regional economies. Today policy makers, community members, and business recognize the need for conscious urban planning and development. Across the country, business is becoming involved in the issues of metropolitan regions, from supporting ailing school districts and participating in various community service efforts, to thinking about growth as a multifaceted problem that affects both the community and their own business health. CED has traditionally encouraged business to think strategically about metropolitan growth trends and invest in ways that are helpful and sustainable for the greater community. CED also supports the efforts of regional business councils to affect change in their communities and encourages such councils to work as a nationwide network to address the problems of metropolitan growth.

> *"Businesses should view the improvement of social and economic conditions in the communities in which they operate as a goal tied so closely to their bottom-line interests that it requires direct and effective action. This means going beyond traditional corporate philanthropy. It means more active and effective involvement by the corporation including:*
>
> - *Use of the full range of resources available for community purposes, including employees, facilities and services, operation and investment decisions, and leadership, as well as financial contributions.*
> - *Integration of the public-involvement function into the corporate management structure.*
> - *Establishing standards of performance and procedures for accountability in the public-involvement function akin to those applied to the traditional business functions of the corporation."*
>
> **CED, *Public-Private Partnership: An Opportunity For Urban Communities,* 1982**

Finally, the CED-Brookings discussion led to ways of thinking creatively about leveraging federal, state, and local fiscal policy to drive a new metropolitan agenda. Policy makers at all levels have a role to play in redefining budgets to incorporate responsible, long-range metropolitan growth policies and programs. This also raises a theme of CED's involvement. As CED noted three decades ago:

> *"There is urgent need for a greater and more equitable state aid contribution and more attention by the states to the adequacy of their local government systems...Both state and federal aid systems should be restructured in order to put resources where they are most needed...we recommend that state and federal aid should be used as an incentive to promote the kind of restructured government outlined in this statement."*
>
> **CED, *Reshaping Government in Metropolitan Areas,* 1970**

Chapter 2

WHAT IS HAPPENING IN OUR METROPOLITAN REGIONS? INFORMING FUTURE METROPOLITAN POLICY

Envisioning a new metropolitan agenda requires understanding past and present trends in urban growth. The following section describes some of the main challenges facing urban areas.

Metropolitan regional growth has caused or exacerbated segregated communities, disparate job locations, inadequate and unequal educational opportunities, environmental stressors, and increased inner city crime, among other problems. Data collected from the U.S. Census, academic surveys, and other sources reveal many of these phenomena. Building the connection between these trends and the health of the regional economy is important in determining sensible plans of action for future recommendations.

In 2000, over 80 percent of the U.S. population lived in a metropolitan area. About 70 percent of those lived in metropolitan areas with more than one million residents. Between 1990 and 2000 the population of the 100 largest cities in the U.S. increased more than eight percent.* Not all cities in this sample experienced growth. For example, Dallas grew by 18 percent while Baltimore lost 11.5 percent of its population.[3] Moreover, patterns of central city growth and suburban growth have diverged in most parts of the country; across the nation, growth in suburbs significantly outpaced growth in center cities (even when center cities did experience growth, as in the case of Dallas and other metropolitan areas in the South and West), in spite of efforts to revitalize city neighborhoods. New job creation has also been widespread in suburban areas, especially for jobs requiring low skill levels.

In addition to the changing location of jobs and population decline or growth is a change in demographic patterns in metropolitan regions. Low-income communities and new immigrant populations increasingly live in the city center or (as often found in the Northeast) in semi-rural "satellite cities" on the border of encroaching outer-ring suburbs, while middle- and higher- income populations live further from the city center. This income segregation has become more stark over the last thirty years and the effects are numerous for both regional economic health and community well being.

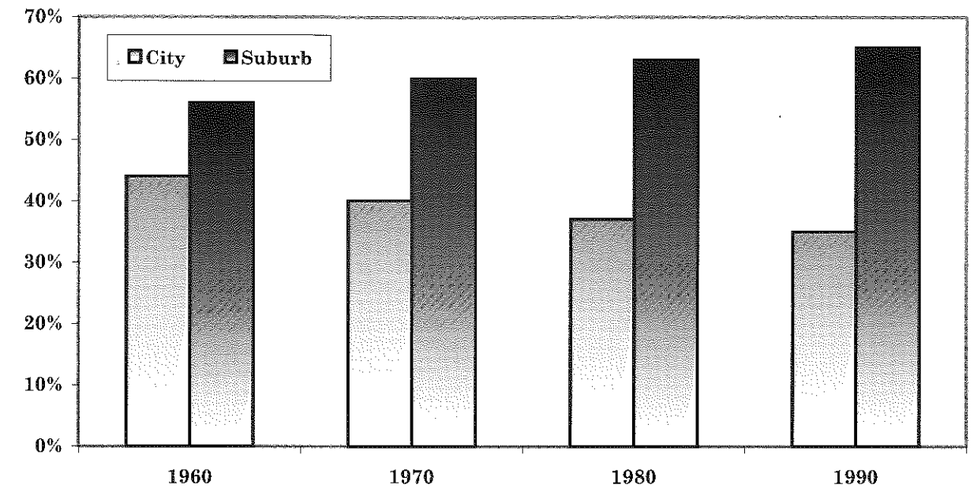
The following pages outline the specific areas of concern in our nation's metropolitan regions. The section begins with metropolitan growth patterns in the last 50 years and then discusses changes in the demographics of metropolitan regions. These topics are followed by an overview of some environmental effects resulting from urban growth. The section finishes with observed patterns of business location decisions within metropolitan areas. Together, these describe the many issues metropolitan regions face today and outline the problems government and business confront when constructing a new metropolitan agenda.

METROPOLITAN GROWTH

In the late 1940s, as the armed forces returned from the war and settled into civilian jobs, new homes, and new families, the development of metropolitan areas took an untraditional turn. Sparked by advances in transportation infrastructure and increased affordability of the automobile,[4] most residential development happened in "bedroom communities," or newly formed suburbs. Tracts of single-family homes were built overnight to accommodate the booming family population. In the years 1946-47, 62 percent of all home construction happened in new suburbs.[5] Planners and developers intended for these communities to provide schools, parks, and basic

* Total U.S. population rose by 13 percent during the same period. This statistic is in marked contrast to declining central city populations in parts of the country in the 1970s and 1980s.

In Metropolitan Regions Suburban Population Was on the Rise, While Inner City Population Declined Between 1960 and 1990



Source: Janet Rothenberg Pack, *Growth and Convergence in Metropolitan America* (Washington, D.C.: The Brookings Institution, 2002), p. 4.

amenities for families, but assumed jobs would remain in the central city with workers commuting in their cars each day. Through the 1950s and 1960s (predominantly white) families from the inner cities with the financial ability to move to suburbs did so at high rates. However, traditional downtown areas still remained the center of commerce in most cities.

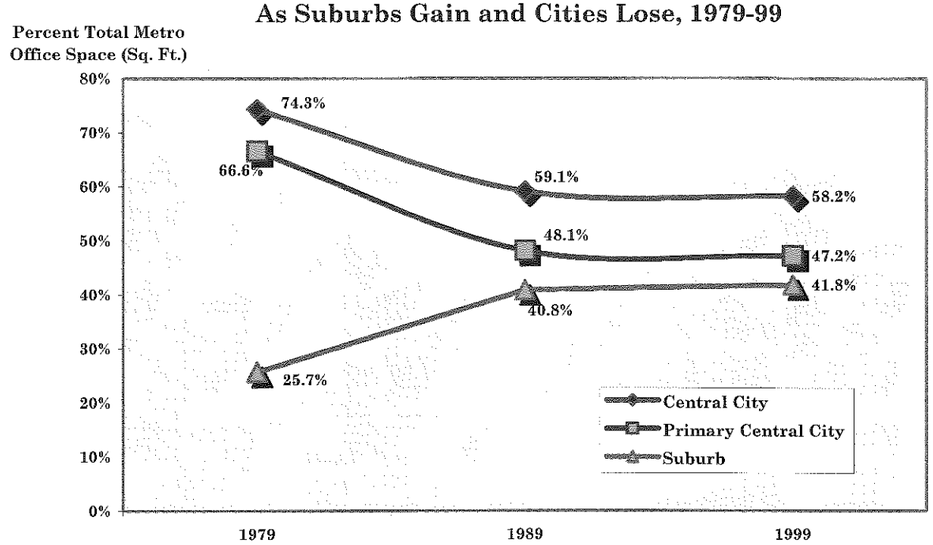
As recessions hit in the 1970s the eroded tax base of many cities quickened the pace of dilapidation in inner city neighborhoods, often leading to increased crime and poverty among the remaining residential communities. Flight from the city continued through the 1980s. But as city population was declining, overall regional population was either staying the same or in some cases increasing. Populations once living in the city mostly moved to pre-existing suburbs or to newly created, second-ring suburbs. Even with efforts to "revitalize" the nation's inner cities, flight remained strong in the last decade. According to the Census Bureau, 6.9 million people moved out of central cities nationwide between 1999 and 2000 alone, while only 3.7 million moved into cities, resulting in a net loss of 3.2 million people in central city population.[6]

Business has followed these population shifts in many cases, benefiting from lower costs for land and office space further from the city core. The once predominantly residential "bedroom communities" provided the necessary infrastructure, such as roads, sewerage, electricity, etc., both for families and for business to locate outside the city while still reaping benefits from proximity to an urban area. In 1979, for instance, 74 percent of metropolitan area office space was located in central cities and 26 percent was found in suburbs. By 1999 those numbers had shifted, with 58 percent located in traditional downtowns while the suburban share grew to 42 percent.[7]

Expanding business in suburban areas is an important phenomenon, but it does not affect all types of businesses equally. Recent studies have shown that high technology and financial service sectors choose to locate in central cities in spite of higher property costs, while manufacturing firms more often choose locations further from the city center. This phenomenon will be discussed in more detail below.

Growth in the four geographic quadrants of the United States has been markedly different between 1960 and 1990. While the trends of suburbanization reflect the experience of the entire nation, net increases in population of metropolitan areas in the South and

Shares of Metropolitan Office Space Have Converged As Suburbs Gain and Cities Lose, 1979-99



Source: Robert Lang, *Office Sprawl: The Evoloving Geography of Business* (Washington, D.C.: The Brookings Institution, 2000), Figure 2, p. 4.

West has accompanied the decline in population in older central cities of the Northeast and Midwest. Between 1950 and 1996, the metropolitan population of the Northeast and Midwest declined from 63 percent to 45 percent of total national metropolitan population. During the same period, the metropolitan population living in the West and the South increased from 40 percent to 55 percent.[8] Although Southern and Western cities did not experience negative growth rates during this period, as did the Northeast and Midwest, their surrounding suburbs gained the most population between 1960 and 1990; in each region the suburbs more than doubled their population, while the cities grew more modestly at 30 percent and 61 percent respectively (much of this growth was attributed to the influx of immigrants from Latin America and Asia).

Growth patterns determine the way in which land is used. Some metropolitan areas have grown to encompass several counties and even areas in neighboring states. Other areas have become denser, hemmed in by geographical barriers that limit expansion. Still others have strong regional governance to regulate land usage and prevent "urban sprawl." In a survey of 281 metropolitan areas between 1982 and 1997, the majority were found to be sprawling, while only 17 were becoming denser.[9] The West was home to the densest metropolitan development; analysts attribute this to the mountains or ocean that hem in most cities located there. During this time, the South consumed land for urbanization at roughly the same rate its population expanded and the older metropolitan areas of the Northeast and Midwest consumed the most land to accommodate their most modest population growth. One extreme example of this sprawling effect is Detroit, where the vast majority of the metropolitan population lives outside the city, stretching to the north, south, and west (incorporating cities as distant as Ann Arbor and Flint into a single metropolitan statistical area) and leaving the central core of the city virtually deserted.

Urban Sprawl: *Defined by the Brookings Institution Center on Urban & Metropolitan Policy "in terms of land resources consumed to accommodate new urbanization. If land is being consumed at a faster rate than population growth, then a metropolitan area can be characterized as 'sprawling.'" The opposite term in relation to metropolitan development is "densification," which happens when the population is growing more rapidly than land is being consumed for urbanization.*

There are some clear trends in how metropolitan areas grow, either sprawling or densifying. According

Population Growth and Decline: The Older Cities of the Northeast and the Midwest Lost While the "Sunbelt" in South and West Increased in Population, 1960-90

		Percentage Change			
Area		*1960-70*	*1970-80*	*1980-90*	*1960-90*
All MSAs*		17	10	11	**43**
	Cities	7	-2	5	**10**
	Suburbs	25	18	15	**69**
Northeast		10	-1	3	**13**
	Cities	-3	-12	0	**-14**
	Suburbs	20	5	5	**31**
Midwest		13	3	3	**19**
	Cities	2	-10	-3	**-11**
	Suburbs	23	12	6	**46**
South		22	22	17	**74**
	Cities	18	5	5	**30**
	Suburbs	25	36	25	**112**
West		28	22	24	**95**
	Cities	19	13	20	**61**
	Suburbs	35	28	27	**119**

* *Metropolitan Statistical Area, term used by the U.S. Census*

Source: Janet Rothenberg Pack, *Growth and Convergence in Metropolitan America* (Washington, D.C.: The Brookings Institution, 2002), p. 7.

to the Brookings Institution, metropolitan areas with fast rates of population growth due to sudden influxes of immigrants or areas that depend on public water and sewer systems (rather than relying on abundant natural resources) experience modest sprawl. On the other hand, cities that have been highly dense and have fragmented regional government to control movement of preexisting residents to areas of unregulated new development tend to sprawl more.

Moreover, the largest, most populated metropolitan areas, such as Chicago, Los Angeles, and New York City, also tend to be denser as much of their economies depend on the benefits of agglomeration.[10]

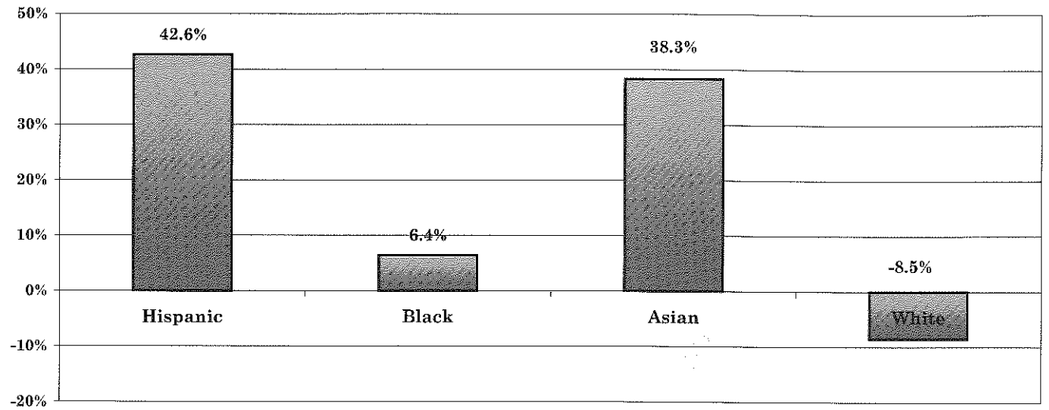
CHANGING DEMOGRAPHICS

The growth of metropolitan areas has been affected by changes in the demographic composition of the United States. Some changes have resulted from migration patterns within regions, as mentioned in the previous section. However, changes are also due to new immigrant populations, fertility and mortality rates, and choices made by families, singles, and retired people.

The migration of families to suburbs since WWII is sometimes known in popular jargon as "white flight." Though not uniform, it has often been the case that families with the financial means to move away from the city are Caucasian and the low-income families left in the city are predominantly African-American, Hispanic, Native American, and Asian. This reality has succeeded in spatially segregating many metropolitan areas in ways they had never been before the creation of suburbs. The rate at which "white flight" has been occurring has subsided in recent years, but it is still a relevant concept. In a study of people who moved during a year's time between March 1999 and March 2000, the Census Bureau found that White, non-Hispanics were most likely to move from their county of origin, while African-Americans and Hispanics were more likely to make moves within the same county. In urban areas, this trend would suggest that White households left the city core, but African-American and Hispanic households remained.[11]

Migration from central cities has been explained in both *pull* terms and *push* terms. *Pull* factors include single-family homes, zoned acreage for yards, good schools, green space, and other amenities found outside older city centers. This theory contends that people desire these things regardless of race or ethnicity and the only barrier to moving toward this option is financial. *Push* factors, on the

The Population of Hispanic and Asian Households has Exploded while Black Population Grew Modestly and "White Flight" Continued in the 100 Largest Cities, 1990-2000



Source: U.S. Census Bureau, Bruce Katz Presentation September 20, 2002

other hand, are more normative and suggest those who migrate to suburbs are leaving the ills of the inner city, such as crime, deteriorating buildings, poor educational facilities, etc. The rationale for moving from the city for most households is probably a combination of both *pull* and *push* factors; the result has been economic and racial segregation irrespective of motivation. While the pattern of white people moving from the city center is still prevalent, the population of first-ring suburbs is rapidly changing to incorporate more minority groups.

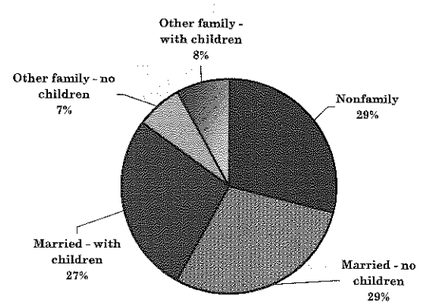
Percentage Change in Population in Metropolitan Areas by Race, 1990-2000

	Hispanic	*Black*	*Asian*	*White*
Central City	47%	5%	37%	-9%
First-Ring Suburbs	72%	36%	63%	5%

Source: U.S. Census Bureau, Bruce Katz Presentation September 20, 2002

In addition to demographic changes due to socioeconomic and racial migration, metropolitan areas are also changing in terms of the age and types of households living in central cities and the suburbs. With advances in medical technology allowing elderly people to live longer and the aging of the "baby boomers," population and household demographics have changed.[12] This change means that the number of households occupied by age groups ranging from 25-34 to 75-84 will become more evenly dispersed with time, which will affect the traditional composition of city and suburban households. Since suburban development began, families with children have traditionally comprised the largest number of suburban households, while single people without children, or older people, populated cities. As the nation's demographics change, these patterns have begun to change. Married families with children are less represented in

Household Demographics are Nontraditional for Suburbs, 2000



Source: William H. Frey, *Melting Pot Suburbs: A Census 2000 Study of Suburban Diversity* (Washington, D.C.: The Brookings Institution, June 2001).

Rivers. Lakes & Estuaries Highly Polluted Nationwide, 2000

Waterbody Type	*Total Size*	*Amount Assessed* (% of Total)	*Good* (% of Assessed)	*Good but Threatened* (% of Assessed)	*Polluted* (% of Assessed)
Rivers (miles)	3,692,830	699,946 (19%)	367,129 (53%)	59,504 (8%)	269,258 **(39%)**
Lakes (acres)	40,603,893	17,339,080 (43%)	8,026,988 (47%)	1,348,903 (8%)	7,702,370 **(45%)**
Estuaries (sq. miles)	87,369	31,072 (36%)	13,850 (36%)	1,023 (<4%)	15,676 **(51%)**

Source: U.S. Environmental Protection Agency, *Water Quality Conditions in the United States: A Profile from the 2000 National Water Quality Inventory* (Washington, D.C.: U.S. EPA, 2001).

suburbs than married households without children (retirement age) or non-families (usually single people living alone or together). The patterns will likely continue. The changing demographics of households will affect the composition of the income tax base in cities and suburbs and therefore affect the municipality's capacity to raise funds for public goods provision or ensure the existence of amenities that once attracted different household types to suburbs or cities

ENVIRONMENTAL CONCERN

Only a small fraction of total land in the United States is developed - less than 10 percent (New Jersey is the most developed state having about 30 percent developed land). This may suggest that natural resources are plentiful. However, concentrated population in metropolitan regions has begun to tax local resource bases. Decreased quality and quantity of natural resources have effects on the health of the population and the long-term competitiveness of certain business sectors. There are already measurable effects of growth on the environment, but it is likely that further problems will begin to surface in the near future.

Water

An average American household consumes approximately 500,000 gallons of fresh water per year.[13] Drinking water, flushing toilets, doing laundry, and bathing are all activities taken for granted. However, water resources are finite and susceptible to changes in climate and population. In metropolitan areas, natural water supplies are stretched to accommodate more people and more industry, which also discharge increased levels of municipal and industrial waste. With each new street, gutters allow household water pollutants, such as oil and fertilizer, to flow into underground water systems or into surface water sources, such as lakes and rivers.

In a survey conducted by state agencies for the U.S. Environmental Protection Agency, data showed that 78 percent of the Great Lakes shore line is "impaired."* The heavily industrialized cities of Detroit, Cleveland, Duluth, Milwaukee, Rochester, Buffalo, and Chicago have undoubtedly contributed to this degradation. Above is a summary of water quality for the nation. Only a fraction of the total water supplies was surveyed, but it is likely the trends shown here would be seen if all rivers, lakes, and estuaries were included in the study.

Air Quality

Air pollution may be caused by a number of factors, including factories, power plants, dry cleaners, cars, buses, and trucks, as well as windblown dust and wildfires.[14] In expanding metropolitan regions, these

* "Impaired" is defined as finding levels of pollutants in fish tissue at levels exceeding standards to protect human health. The study assessed 92 percent of Great Lakes shoreline.

Businesses Make Location Decisions Based on Their Sensitivity to Costs

Age of Product	Examples of Product	Location Priorities	Cost Sensitivity	Examples of Preferred Locations
Young	New Media; Internet product development; web-site design	• Urban Lifestyle • High face-to-face interaction • Availability of talent from multiple disciplines: designers, computer, technicians, advertising, telecommunications, etc.	Low cost sensitivity	Silicon Gulch (New York City), Silicon Valley
Mature	Small electronic goods manufacturing, athletic shoes	• Low cost entry level labor • Low cost space • Affordable low-income housing	Heavy cost sensitivity	Far East; less developed countries (In lieu of these choices, firms are more likely to locate outside the city center)

Source: Natalie Cohen, *Business Location Decision-Making and the Cities: Bringing Companies Back,* Working Paper (Washington, D.C.: The Brookings Institution, April 2000), Table B.

factors are increasing at high rates. Air pollution attributed to cars is especially relevant to metropolitan growth. According to the U.S. Environmental Protection Agency, there are six principal air pollutants, all of which list automobile emissions as a leading factor in their creation. These are: carbon monoxide, ozone, lead, nitrogen dioxide, sulfur dioxide, and particulate matter. During the past decade, the amount of these pollutants present in the atmosphere has declined due in part to improvements in industrial technology and government regulation. However, more environmentally friendly automobile technology (fuel efficient or hybrid vehicles) and practices (carpooling or using public transportation) have not been adopted on a large scale in the United States. In 2000, 75 percent of workers over the age of 16 commuted alone in cars to get to work, 12.2 percent carpooled, and only 4.7 percent used public transportation.[15] If metropolitan areas continue to grow and automobile consumption remains high, improvements in air quality may be reversed.

BUSINESS LOCATION CHOICES IN METROPOLITAN REGIONS

Generally businesses have followed the same growth trends as population. As suburbs were created fifty years ago, infrastructure was built to accommodate the population. New highways, electric networks, and sewer systems needed to serve new households, schools, and small businesses could also accommodate manufacturing and commerce and were exploited by larger businesses and industry. Not all sectors of business have reacted in this manner, however. Managers calculate various factors when deciding where to locate, and the nature of the business determines what type of location will be the most profitable.

Firms benefit from agglomeration. This means firms close to other firms trade raw materials, final goods and services, and ideas and therefore benefit from lower transaction costs than they would otherwise incur if they needed to travel long distances to do business. However, "distance" and "proximity" have expanded as technology, especially transportation and computer technology has advanced. For example, firms that once depended on river transportation for their products now use semi-trucks or airplanes to do so. Technology, has been able to shrink the time and distance from the firm to the market for goods and services, thus reducing transaction costs and making physical proximity less important. Other firms depend highly on sharing ideas and benefit from being closer together for inter-firm meetings, or close to universities to access knowledge or highly

qualified workers. In this case, physical proximity is still important. These two examples paint different pictures of how firms benefit from agglomeration and affect the choices made about where to locate within metropolitan areas and regions.

The two largest factors that drive business location are land costs and labor costs.[16] However, the relative importance of these costs varies by sector and thus determines where a firm will choose to locate within a metropolitan area. Other factors that affect this decision are technological innovation and governmental regulatory policy.[17] It is impossible to make absolute statements about any sector, but in general it has been seen that high-tech and financial service sectors, staffing highly educated, white-collar workers, tend to factor the preferences of their employees into their location decisions. Their choices have usually been either central cities or dense suburban "office parks." These location decisions can be explained by the nature of the business – close proximity to other companies allows for continual contact and trusting relationships to be built which may serve the long-term health of the company – and by the nature of the employees. The preferences of these often young and cosmopolitan professionals are to be located in a city, or within close proximity, with attractive amenities. Companies have recognized that employee productivity is affected by the quality of life they lead and many firms will pay a premium price accordingly, both for office space and salaries.[18]

Large manufacturers must factor a larger proportion of land into their total costs and therefore tend to locate further from the city center where taxes and land costs may be lower. Warehouse businesses, such as Amazon.com or suppliers for stores like Wal-Mart that comprise the "just-in-time" economy, also tend to locate further from the city center. For these companies, proximity to transportation, ground, air, and rail is often more important than employee preference.[19]

Product and industry maturity also factor into business location decisions. Younger businesses rely more on "face-time" with clients and vendors and may be more likely to hire younger employees with the latest knowledge of technology and business expertise. In the last several years these businesses have often been in the high-tech service sector. Older, more established products and businesses, such as small electronic goods and domestic durables, have established production processes, hire lower-skilled workers, and tend to be more sensitive to changes in production costs.

In addition to these reasons, some businesses are also beginning to calculate domestic security into their location decision. While there is scant literature or experience to describe this phenomenon, some corporate executives have expressed a desire to grow in a more dispersed manner in metropolitan areas to protect their investments from being targets in an attack on a single geographic area.

Chapter 3

THE COST OF SPRAWL

Many elements of metropolitan growth are cause for concern. Even with plentiful data describing urban areas, trying to distinguish the actual cost of sprawl is complex. There are costs associated with commuting time and congestion, maintenance of infrastructure and cost of new infrastructure development, maintenance of older communities facing an eroding tax base, encroachment into rural areas, and the loss of a sense of community and social cohesion in both "cookie cutter" suburbs and dilapidated inner city neighborhoods. All of these costs have some relation to regional business development.

TRANSPORTATION AND CONGESTION

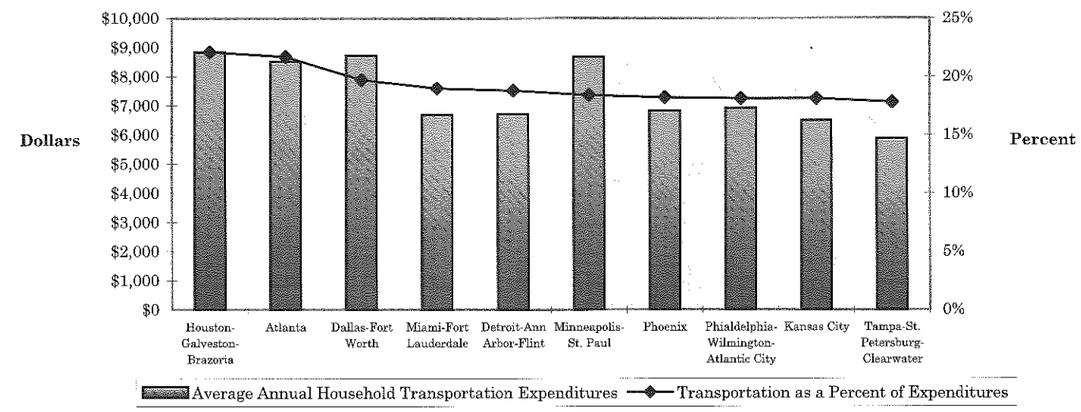
Sprawling metropolitan areas consume land for development faster than the population grows. As such, older transportation infrastructure like roads, commuter railways, and other mass transit cannot expand fast enough to accommodate more widely dispersed residential development. Therefore, in expanding metropolitan regions automobiles are the most practical mode of transportation for individuals and families.[20] The average American household spends 18 cents of every dollar of income on transportation, 98 percent of which goes to the purchase, operation, and maintenance of cars. Costs are highest in metropolitan areas where there is little or no public transportation system. In 1998, families in Houston, Atlanta, Dallas-Fort Worth, Miami, and Detroit had the highest transportation costs, all spending above 18.8 percent of their annual income. These metropolitan areas also happen to be among the cities that are sprawling at high rates. The least expensive metro areas in 1998 were New York (a large and dense city), Honolulu (a dense city by geographic limitation), and Baltimore, the populations of which spend about a third less than the highest cost cities.

As more traffic crowds highways, federal, state, and local governments pay for the continued maintenance of these infrastructure networks. Between 1980 and 1999 state and local highway expenditures increased 59 percent (in constant 1996 dollars) from $42 billion to just over $67 billion. Federal highway expenditures during the same period increased less than one percent.[21]

Businesses located within these areas are also affected by sprawl. The cost of transportation for their employees directly affects how much a firm must pay in order to attract them. This is especially important because the majority of low-skill, low-wage jobs are located in the outer regions of metropolitan areas, while the majority of their employee base lives in the city center and may not have access to car transportation. For example, studies have shown that in some cities, 45 to 50 percent of former welfare recipients (characteristically possessing low skill levels) do not have access to a car or do not have a driver's license.[22] Business pays directly through either the inability to find enough employees to hire at the wages it offers, or by paying higher wages to compensate for the expenses and time of traveling to and from work. Indirectly, long commute times likely affect the vitality of the employee and may limit his or her efficiency. Socially, this "spatial mismatch" may cause low-income workers living in the central city not to seek work in far reaching suburbs because the costs are too high. With a dearth of low-skill jobs left in the center city, spatial mismatch contributes to the unemployed and welfare recipient populations. Individuals and firms pay for this through taxes and other means.

For manufacturing firms with large, established plants located toward the center of metropolitan areas, sprawl can mean suddenly being hemmed in by new housing development, or highways that may help initially but eventually could hinder their bottom line as

Where Households Spend the Largest Portion of Their Budgets on Transportation



Source: Surface Transportation Policy Project, *Driven to Spend* (Chicago, IL: Center for Neighborhood Technology, 2001), p. 6.

necessary production materials are stuck in traffic – literally. Between 1990 and 1998 the ton-miles of freight delivered by intercity truck and rail travel both increased more than a third.[23] And high levels of congestion may affect high-technology service sector firms, whose potential employees view the "quality of life" in a metropolitan area as important.

Since 1982, passenger miles traveled in 75 urban areas increased by 85 percent. More people are driving longer distances, thus contributing to urban congestion. The Texas Transportation Institute has tracked the direct "cost of congestion" by calculating the value of the idle hours spent in traffic plus the value of excess fuel used during this time. According to their calculations, metropolitan congestion costs reached 67.5 billion dollars in 2000 (using a sample of 75 metropolitan areas), an increase of over 200 percent since 1982; and an increase of more than 40 percent since 1992 alone.[24] This is in part attributed to changes in commuting patterns. The original highway designs in most metropolitan areas were intended to accommodate the "bedroom communities" so, like spokes on a wheel, highways connected the outer-rim to the central city. However, since the early 1980s especially, commuter patterns have shifted dramatically in the direction of suburb-to-suburb commuting,[25] taxing smaller roads and provisional highways or "beltways" meant for long distance travelers to by-pass the central city.

COMMUNITY COSTS

It is harder to quantify the costs of sprawl for communities. One possible measurement is to calculate the erosion of central city tax bases. As lower income residents become the primary source of income and property tax revenue, cities are strapped for funds to provide often much-needed improvements to roads, parks, school buildings, and public housing. Local businesses move from these neighborhoods to where the market for their products exists, thus lowering commercial tax bases as well. The spatial mismatch of jobs and low-skill workers has caused unemployment and poverty to rise in many center city neighborhoods, which can lead to higher crime levels, drug use, and the cultural separation of "majority" and "minority" populations, leading to further stereotyping and alienation.

Schools receive limited funding since the majority of public school funding comes from the local tax

base. Underfunded schools lack appropriate textbooks, qualified or adequate staff, and are frequently located in older buildings that fail to pass basic health and safety inspections. This is an extreme picture of the inner city, but often true.

Communities in Poverty = Children in Poverty: The Reality of Schools in Low-Income, Inner-City Districts

According to the U.S. Department of Education:

- Children, aged 5-17, in poverty are concentrated in urban areas; 34 percent of all school-age children in major Northeastern central cities lived in poverty in 1997.
- Fourth-graders in high-poverty schools had significantly lower (NAEP) achievement scores in mathematics in 2000 than their peers in low-poverty schools. The average score of students in high-poverty schools was in the bottom third of all students' scores, while their low-poverty peers average in the top third of all students' scores.
- One or more teachers left before the end of the school year in 35 percent of the high-poverty schools participating in the 2000 fourth grade mathematics assessment, compared to 6 percent in low-poverty schools.

Source: National Center for Education Statistics, *The Condition of Education 2002, NCES-2002-011* (Washington, D.C.: U.S. Department of Education, 2002).

New suburban or outer-rim communities usually have more amenities and income, but may also lack the sense of community often envisioned in smaller rural communities or well-established, thriving inner-city neighborhoods. While offering more private space for individual households, suburbs often conjure images of identical tract housing with large yards and high fences, streets with no sidewalks, and strip malls with large, indistinguishable stores where it is unlikely to meet your neighbor.

Thus, socioeconomic and racial segregation is an alarming characteristic of sprawling metropolitan areas. These distinct spatial and economic divides do not allow for equal access to quality education, jobs, or some markets for goods and services.

Environmental effects are numerous and mounting. Drought caused by overtaxed water supplies affects the amount of water consumed on a daily basis and restricts activities such as gardening, swimming in area lakes and ponds, etc. that have provided entertainment and added to the quality of life of all citizens. Polluted air and industrial waste affect the health of the public; studies reveal, for example, that children are being diagnosed with asthma at younger ages and faster rates in central cities.[26] Air pollution also leads to acid rain that further contaminates ground water supplies and the health of vegetation.

Chapter 4

WHAT BUSINESS AND GOVERNMENT CAN DO – *A New Metropolitan Agenda*

CED is committed to addressing the many detrimental effects of unfettered metropolitan growth and exploring coherent solutions. Balanced economic, social, and fiscal policies should be designed and implemented so that metropolitan regions can fully benefit from their development. Business, government, and cooperative public-private partnerships around the country are already dealing with some of these issues. America's metropolitan regions should adopt more concerted efforts for comprehensive and long-range planning. In the next section, ideas that were laid out at the CED-Brookings conference are presented, accompanied by examples in practice today.

ROLE OF GOVERNANCE

An integrated approach to metropolitan policy by federal, state, local, and regional government is vital to strengthening the health of metropolitan areas. This type of policy has been implemented in the past and in areas across the country. The ultimate role of governance should be to collect and disseminate accurate information about what is happening in metropolitan areas and work to regionalize decision making so that cities, suburbs, and exurban areas all participate in designing their future growth. Getting to that point requires federal, state, regional, and local government input and collaboration.

Providing the Umbrella Regulation: The Role for Federal Government

The federal government began to implement laws affecting growth trends in urban areas early in the 20th century, and increased efforts during the Franklin D. Roosevelt Administration (through programs like the Work Projects Administration). The most significant legislation has been passed, however, within the last 50 years, and is discussed below. These laws have served as steering mechanisms for metropolitan and regional growth. In some cases they have improved certain conditions discussed in previous sections and spawned creative regional cooperation; in other cases, federal legislation is responsible for the challenges metropolitan regions now face. Still, some issues remain unresolved by federal legislation and will either need amendments or further regulatory measures. The federal government has shaped urban policy through environmental, fair housing, transportation, and civil rights legislation. **Federal legislation is an important mechanism in tackling the overarching themes of metropolitan growth and an important part of a comprehensive approach to addressing the ill effects of urban growth such as environmental degradation, affordable housing and income disparities, and access to public transportation.**

Congress first introduced environmental policy in 1969 with the passage of the *National Environmental Policy Act*. The purpose of this Act was to establish national policy for the environment, support new research and understanding of natural systems and resources and their importance to the nation, and to establish the Council on Environmental Quality under the auspices of the Executive Branch.[27] This opened the floodgates for more than a dozen environment-related laws during the 1970s, 1980s, and 1990s. Among the most influential for metropolitan policy is the *Clean Air Act* of 1970, amended in 1977 and 1990. This law regulates harmful emissions from area, stationary (industrial manufacturing plants), and mobile sources (transportation vehicles); authorized the U.S. Environmental Protection Agency to establish the National Ambient Air Quality Standards; requires states to create an implementation plan to meet these standards; and requires that they subsequently and consistently do so. State and local gov-

ernments enacting the law must consider the amount of pollutants due to cars driven and industry present in the state and regions. This has meant regulating industrial factory location and the amount of pollution existing factories are allowed to emit. Approximately 35 states have chosen to regulate air pollution by implementing an industrial permit system and by adopting automobile emissions testing and standards.[28]

The *Clean Air Act* has also affected the way states regulate housing and transportation systems since pollution has been linked to household gas and electric heat emission, chemicals from air conditioners, and exhaust fumes from buses used in metropolitan transit systems (see Text Box below on the Atlanta regional response). Other relevant federal environmental policies include: *Safe Drinking Water Act* of 1974; *Toxic Substances Control Act* of 1976; the *Clean Water Act* of 1977; and the *Pollution Prevention Act* of 1990.

Creative Regional Solutions Under the *Clean Air Act:* The Georgia Regional Transportation Authority

The Atlanta, GA region has grown to encompass several counties and is often touted as the "poster child of urban sprawl." A result of this expansive development: 13 of the metropolitan counties have surpassed allowable levels of air pollution as defined by the National Ambient Air Quality Standards of the *Clean Air Act.* Under the law, Georgia must step up its efforts to curb vehicle emissions by providing viable transportation alternatives in the large metropolitan area. The state, in the meantime, receives almost no federal subsidies to support new highway construction.

The Georgia Regional Transportation Authority strives to educate the community about existing transportation options as well as promote new development of more environmentally friendly modes of mass transit, such as light-rail, High-Occupancy-Vehicle traffic lanes, van pools, and larger networks of bike paths and sidewalks to encourage pedestrian travel. Tied to their efforts is an annual air quality assessment, which allows the region to gauge if progress is being made to achieve the National Ambient Air Quality Standards.

Source: Georgia Regional Transportation Authority, *Welcome to the website of the Georgia Regional Transportation Authority,* available at <http://www.grta.org/default.asp> Accessed October 28, 2002.

The federal government has encouraged the development of mass transportation in metropolitan areas through financial assistance, dating back to the Public Works Administration in the 1930s. Perhaps the most significant investment by the federal government to date, however, was the creation of the interstate highway system beginning in the mid-1950s.[29] In addition, in 1958 Congress removed state control over the regulation of existing commuter trains, trolley, and bus systems. The immediate result was the closing of several commuter systems in metropolitan areas, which forced greater reliance on cars and the interstate highway system.

During the Kennedy Administration, fiscal support was extended to mass transportation systems in conjunction with the *Omnibus Housing Act* of 1961 and subsequent urban renewal legislation. In 1968 the Johnson Administration created the Urban Mass Transportation Administration (now called the Federal Transit Administration). This group aids metropolitan areas in designing and developing working transit systems, using public-private partnerships to do so. It also subsidizes state and local funds to meet needed revenue for project completion.[30] By the early 1990s, the federal government had already contributed more than $100 billion to urban mass transit systems under the FTA.[31]

This investment by the federal government has encouraged many metropolitan areas to maintain their mass transit systems. However, some studies have shown that even with this large investment the number of riders has not significantly increased. This could be a residual effect of earlier government encouragement of car ownership through highway subsidies and the association between mass transit investments and (low-income) community reinvestment efforts. In many urban areas the mass transit system is not efficient or convenient enough to entice high-income workers to use it instead of their cars and so becomes stigmatized as the mode of transportation for the poor.

The federal government has also assisted states in providing a social safety net for the nation's poorest citizens since the 1930s. This support has affected the growth patterns of metropolitan areas in many ways. One of the most prominent is federal policy regarding

affordable housing. In 1937, Congress passed legislation allowing states to build, own, and operate, through Public Housing Authorities, low cost housing for qualified low-income people. The first two communities opened in Atlanta and Austin. The *Housing Acts* of 1965 and 1968 amended public housing laws to provide private housing contractors and property managers with direct subsidies for building and maintaining public housing. Both government and privately constructed public housing created large high-rise and/or multiple city blocks of "housing projects," much like the tenements of turn-of-the-century New York. Chicago's famous Cabrini-Green was an example of this type of public housing. These often became havens for crime and unemployment and faced criticism from concerned areas residents by the mid-1970s. In 1974, President Nixon introduced the Section 8 Rental Assistance Program, which gave low-income families rent certificates allowing them to find and rent apartments in any area they chose. This program operated under the auspices of the *Fair Housing Act* of 1968, which outlawed discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin.[32] President Regan established the Low Income Housing Tax credit with Congress in 1987 as an incentive system for private investors to invest in new low-income housing.[33]

Integrating Low-Income Households: The Federal Government's Involvement in Creating Affordable Housing Opportunity

The Section 8 Rental Assistance Program aims at integrating low-income residents into mixed income neighborhoods. It does so by giving individual households rental certificates that are used to supplement rent for privately owned and operated property. Qualified households are expected to spend no more than 30 percent of their income on housing. If the rent exceeds this figure, Section 8 certificates make up the difference. The rationale for the program is based on providing low-income households with greater choice and decreasing the social ills that often result from concentrated poverty.

In recent years, the federal government has passed more responsibility for the program to state and local government and emphasized the importance of providing short-term housing assistance instead of supporting multiple generations of public housing residents.

Many metropolitan areas face affordable housing crises in the wake of this devolutionary trend. For example, the national median wage per hour to pay 30 percent of income for a typical 2-bedroom apartment is $14.66. Most low-income households are not making more than minimum wage, which has stayed at $5.15 since 1997. Section 8 does not have the funding to meet the needs of all families. In many states there are long waiting lists for housing through this program.

The 108th Congress is considering changing the design of the program to give states more control. The new proposed program would block-grant funds and allow states to distribute the money in the way they feel is most efficient. If passed, the federally-defined Section 8 voucher would no longer be guaranteed.

Source: National Low Income Housing Coalition, *Rental Housing for America's Poor Families: Farther Out of Reach Than Ever 2002,* available at <http://www.nlihc.org/oor2002/index.htm> Accessed October 29, 2002.

Dense poverty remains a problem as Section 8 and other state level programs fail to satisfy demand for affordable housing. Low-income households, by virtue of the real estate market, often live in neighborhoods beset with crime and poverty with no readily available way of moving elsewhere. One solution to the dearth of affordable housing in most cities is public-private partnerships to develop mixed-income and/or mixed-use neighborhoods. By integrating different types of households with different types of property (rental, owner-occupied, and commercial) developers are ensured a certain percentage income through various affordable housing incentive programs and invest in higher quality developments to attract tenants willing to pay market value for the same property. Combining these income groups and commercial properties establishes a more diverse tax base, disperses low-income households, and creates a community with attractive amenities. The commercial property can be earmarked for certain types of businesses, such as non-profit organizations serving the community, or first-time small business owners. Larger commercial properties also benefit by having the potential employee base in close proximity to the business, effectively reducing labor costs. This type of growth may also provide social and economic incentives for all

households to build a sense of ownership and community in their neighborhood.

Regulating Land Use: The Role of State Government

Many of the issues of metropolitan growth are particular to states and regions. Federal legislation is effective in providing overarching policy to steer trends at lower levels of government. State government is more intimately aware of the issues facing its population, land, transportation infrastructure, etc. Moreover, states are often held responsible for implementing federal legislation and should be considered a main force for designing the roadmap for metropolitan growth policy. **State governments need to assess the unique needs of their state with respect to metropolitan growth and take a more active role in defining the goals and parameters of growth and sprawl.** States have taken the lead role in implementing federal and state laws on land use regulation. As the chief operators of systems like interstate highways, state parks, public education, and deciding where industries may locate, states can think more strategically about land use and the integration of systems to implement a new metropolitan agenda. For example, New Jersey began to acquire open space through its *Green Acres* program in the 1960s to preserve natural resources and govern the extent to which urban areas were able to expand. Each year under this program approximately $55 million is spent on buying land for state use.[34] Maryland takes a different approach with its *Smart Growth and Neighborhood Conservation Initiative* (1997), which, among other regulations, "supports existing communities and neighborhoods by targeting State resources to support development in areas where the infrastructure is already in place."[35]

Generally, regulatory measures have been effective, but have tended to cause friction between state and local governments. Local governments feel they have greater knowledge about local needs than the state, while state governments have felt local governments have too narrow a focus, ignoring larger regional issues.[36] In recent years, state legislation has been less regulatory and more focused on providing incentives for investments in green space, supporting movements to curb urban sprawl, and suggesting that municipal governments work cooperatively. Several states are thinking about ways to promote local control while encouraging municipalities to work together. In Pennsylvania, the *Municipalities Planning Code* (first enacted in 1968) was amended with the *Growing Greener* and *Growing Smarter* programs. These new state programs support projects to preserve green space and farmland in metropolitan areas, encouraging municipalities to make decisions together by providing state funds rather than relying on (often uneven) local tax bases to pay for joint projects.[37]

Regionalizing Decision Making: The Role of Local and Regional Government

As metropolitan areas have grown, the traditional roles of state and local governments have been compromised. New suburban development has meant new municipal and/or county-level government structures. Residents of the area often have feet in both the city and the suburbs by living in one and working in the other. Highways connect neighboring municipalities, but their upkeep is financed and directed by separate government entities. Income tax bases in suburban areas pay for amenities used by residents of other areas and the city. Eroded tax bases of inner cities are expected to maintain amenities used by the population of the entire region. Metropolitan growth has challenged the primacy of local government and the concept of locally-funded public goods. Many local government structures protect their role of representing the very immediate needs of their constituents and often feel apprehensive about state planning input or cooperative efforts with neighboring municipalities. However, studies have shown that metropolitan areas with weak regional governance tend to sprawl more than unified metropolitan areas and are therefore more subject to the associated problems of sprawl. **Cooperative and democratic regional governance structures are needed to engage the larger metropolitan community in long-term growth plans and address the existing challenges of urban sprawl.** Finding ways to build effective regional governance into the framework of metropolitan areas is paramount in determining the future of America's cities.

The nation has long understood the need for regional governance, but has been challenged to find effective means of doing so. Beginning in the 1920s,

New York City and northern New Jersey realized the need to work as a cooperative seaport or risk losing valuable business. Together they created the Port Authority of New York and New Jersey (known at that time as The Port of New York Authority). During the Great Depression, the Roosevelt Administration encouraged states, counties, and cities within the same river valley to think systemically about flood protection, soil erosion, river trade, and other common issues. From this movement sprung the Tennessee Valley Authority, a landmark in planning on a regional basis. Yet, regional collaborations have consistently been challenged, often lacking true decision-making power, compromising the oft-guarded power of local government, and running into contradictions with the interests of private business. In the mid-1960s President Johnson worked to increase the power of regional governing bodies. In a speech before Congress shortly after being elected, Johnson encouraged metropolitan planning to "teach us to think on a scale as large as the problem itself and act to prepare for the future as well as repair the past" when confronting housing, transportation, and other urban problems.[38]

The main impetus for early regional governance was to better understand and develop regional transportation plans. The 1950s saw rapid construction of the interstate highway system with the federal government funding not only the main routes, but also subsidizing construction of secondary highways. It is not hard to see how this system led states and regions to interact. In the federal *Highway Acts* of 1961 and 1962, specific stipulations were made that grants for highways, mass transit, and preservation of open space be tied to continuous, comprehensive, and cooperative planning by state and local governments. These "three-Cs" have continued to be goals for regional planning associations.

Today there are over a thousand Metropolitan Planning Organizations and Regional Councils of Governments in operation around the country. Many are still struggling with the challenges of cooperation, but they are beginning to see the tangible effects of non-cooperation and are working to change the traditional relationships. While many have political representation from participating municipalities, almost no regional planning organization yet has the political power to enact its comprehensive plans. Rather, they rely on the logic of plans leading to favorable referendums or votes conducted in the separate municipalities. Many have non-profit status and are funded through various public and private sources. This has meant less continuity than was originally envisioned or expected due to limited and/or sporadic funding.

Regionalizing decision making is, however, an important goal to strive for. Metropolitan regions have challenged the traditional divisions among municipalities and created larger communities faced with problems that transcend the boundaries of city and suburb. Finding the right method to move forward in creating workable regional governance is an important step in creating a better future for metropolitan area populations and the competitiveness of local business.

ROLE OF BUSINESS

Growth in metropolitan areas has been fueled by consumer demand and entrepreneurial private business. Generously aided by federal government subsidies through the *Servicemen's Readjustment Act* of 1944 (the "G.I. Bill") and the *Housing Bill* enacted a decade earlier, private contractors across the country were guaranteed payment if they invested in affordable housing. One of the most famous and oft-cited private contractors was Levitt and Sons, who transformed potato farms on Long Island into a 17,000 unit pre-fabricated housing community that came to be known as "Levittown."[39] The major accomplishment of Levitt and Sons and other companies like American Community Builders was to create housing that was affordable for soldiers returning from the war and their families. Levitt and Sons succeeded in developing a house inexpensive enough to produce that the selling price was affordably under $7,000. Raw materials and production costs were streamlined to the point that by 1950, according to one estimate, Levitt and Sons was able to create one 4-room house every 16 minutes.

Sixty years ago, business looked at current or short-term prospects with little consideration of the effect development might have on competitiveness in the long-term. Today policy makers, community members, and businesses realize the need for conscious urban planning and development. Across the country,

business is becoming involved in the issues of metropolitan regions, from supporting ailing school districts and participating in various community service efforts to thinking about growth as a multifaceted problem that affects both the community and their own business health. In the words of Bank of America's former Chairman and CEO Hugh McColl, Jr., "If we're going to change our country's landscape as much in the next hundred years as we have in the past hundred years...we would be wise to think long and hard about how we can achieve that growth while building strong communities and protecting our environment at the same time." [40]

Private Business Took the Lead in Integrating Planning into New Community Creation

American Community Builders, co-founded by Philip M. Klutznick, was responsible for the creation of Park Forest, Illinois. This community was comprised primarily of rental units with families initially moving in during August of 1948. During the Great Depression and WWII there had been minimal housing development. Returning G.I.'s, many who lived with their parents before the war, created a huge influx in demand for housing. After the war, existing landlords judiciously chose who they would rent to and often discriminated against young or low-income families. Park Forest welcomed such families and provided amenities like schools and parks for its residents. In this way the community was different than Levittown because it concentrated on the rental market and developing the necessary accompanying amenities for families at the same time as producing housing. In its 1946 building proposal, the vision of the community was to "produce an integrated community of homes, shopping centers, schools and recreational facilities, and non-nuisance industry bound togetherby a road system distinguished for its safety and facility, public transportation of adequate dimensions, and a safety system to serve the populations...all this will lend itself admirably to a healthy, self-governed town."

Source: Park Forest, Links to Related Sites, *An Illinois Planned Community,* available at <http://findit.sos.state.il.us/PFS/links.html> Accessed February 6, 2003.

The Economic Rationality for Anti-Sprawl Development: Continuing Business Leadership

Continuing in the footsteps of Levitt and Sons, business has continued to seize profitable opportunities in metropolitan development. These opportunities increasingly relate to the long-term social and economic health of the region. Managers realize the importance of investing in the community to ensure their access to a qualified workforce and a healthy market for their products. Transportation, education, affordable housing, and other urban sprawl issues are becoming integral pieces of business location and production decisions. Involvement ranges from investments in mixed-use development to relocation of facilities to help ease employee commuting time. **Business must think strategically about metropolitan growth trends and invest in ways that are helpful and sustainable for the greater community.**

Two Ways of Investing Smarter: BellSouth and Bank of America

The Southeast is home to some of the country's most expansive metropolitan areas. Atlanta, Georgia and Charlotte, North Carolina face serious problems related to their size. BellSouth and Bank of America have chosen to play active roles in reversing some of these damaging trends using different techniques.

BellSouth employs 19,000 people in the Atlanta metro area. Concerned with the growing congestion in the vast region and the lack of federal funding to build more highways (due to non-compliance with the Clean Air Act), the company felt it best to relocate its facilities so they would be accessible to the area's mass transit system MARTA. Rather than spread across many offices, BellSouth now operates three principal sites, all within easy reach of buses and trains. 13,000 employees were positively affected by the move and future labor needs have been secured by making the company more accessible for future workers.

Bank of America is active in promoting smart growth in many ways, but is also looking for ways to make profitable investments. To this end, BOA has worked with a property development company to invest $350 million in the "Gateway Village." This is a 15-acre mixed-use downtown Charlotte technology and retail center employing thousands of BOA workers and providing several hundred apartment homes. The development also includes amenities like child care and medical facilities to help attract residents and workers and discourage long commuting. For employees not living in the new development, Gateway Village is easily accessible by mass transit. The success of Gateway Village will not only be a success for BOA, but will also aid in promoting new investment in Charlotte's struggling central business district.

Regional Business Councils

Several metropolitan areas around the country are host to regional business councils. These councils bring the strategic skills of business leaders to the planning table, as well as the influential role business can often bring to the political process. Many have put together long range plans for their communities and are working with policymakers, advocates, and community groups to put the plans into action. **Business can play an important role in shaping the future of metropolitan regions. As business and academic leaders, CED Trustees understand the importance of maintaining healthy inner cities to ensure the productivity of the region, and support the efforts of regional business councils to affect change in their communities. CED encourages such councils to work as a nationwide network to address the problems of metropolitan growth.**

Regional business councils are often invaluable in identifying and advocating solutions to important metropolitan issues. They provide research, work to develop consensus on key issues, and promote financing for community redevelopment projects. Traditional broad range business councils are complemented by those focused on addressing metropolitan growth from a narrower viewpoint. The Bay Area Council represents over 275 major area employers and concentrates its efforts on the issues surrounding the economic well-being and quality of life in nine counties, including areas of transportation, the environment, and housing and land use. The Sierra Business Council (SBC), meanwhile, addresses sustainable development and regional planning within the Sierra Nevada Region with an emphasis on the environmental health of the region. In 1997, the SBC published *Planning for Prosperity: Building Successful Communities in the Sierra Nevada* to help rural communities plan growth strategies. This reference guide received recognition from the American Planning Association.

Business Helping to Build a Strategic Plan: Chicago Metropolis 2020

The Commercial Club of Chicago came together in 1996 and began the Metropolis Project to ensure preeminent competitiveness for the region in the 21st century. The members realized the destinies of the prominent area counties were inextricably intertwined and that to increase and maintain socio-economic well-being it would be imperative to address them in a unified and cooperative manner.

Chicago Metropolis 2020 resulted from this original work done by the Commercial Club. Today the group is comprised of business leaders, policy makers, and labor, civic, and religious leaders. The main focus areas of the group are: low-density sprawl; concentration of impoverished and minority communities; spatial mismatch between jobs, affordable housing and transportation; and accessibility of quality education. The group hopes to foster cooperative working relationships among various stakeholder groups and make progress on implementing the plans put forth in the report Chicago Metropolis 2020: Preparing Metropolitan Chicago for the 21st Century.

Source: *Chicago Metropolis 2020,* available at <http://www.chicagometropolis2020.org/index.htm>, report available for download on Chicago Metropolis 2020 website or in hardcover at Amazon.com.

FISCAL POLICY

Reforming the trends of metropolitan area growth not only takes strategic planning, it also requires funding. In the current era of federal tax cuts and cash-strapped state budgets, it is hard to designate funds for comprehensive metropolitan growth plans. Yet the need for such plans is great and finding the ways and means to pay for new metropolitan agendas is essential. **Policymakers at all levels have a role to play in redefining budgets to incorporate responsible, long-range metropolitan growth policies and programs.**

Policymakers at all levels must begin to think strategically about how funds are raised and distributed. Federal subsidies have played a significant role in shaping metropolitan regions, from highway construction to housing developments. In some cases these subsidies have had dramatic and unintended effects on the shape of cities, and federal subsidies were a driving force behind most all changes made in urban areas in the last 75 years. If more responsible and long-range urban legislation is enacted at all levels of government, federal subsidies will be paramount in bringing them to fruition.

The main fiscal outcome of metropolitan growth has been the erosion of inner city tax bases. Without a substantial middle-income population, local tax

bases cannot support basic services. As a result, commercial and industrial tax rates are often much higher in the inner city than in the suburbs in an attempt to equalize some of the disparity. Businesses have often fled high taxes and relocated beyond the city's fiscal jurisdiction. However, metropolitan regions are just that – regions – and public goods provided by one municipal government are often consumed by a great number of people outside the jurisdiction. Local property or commercial/industrial taxes could be allocated in ways that better reflected the true consumption patterns of metropolitan regions. Minnesota was the first state to enact a law that redistributes tax revenue around the Minneapolis-St. Paul metropolitan area to curb the extent of fiscal disparity between the cities and their surrounding suburbs. To this day, it remains the largest such program and has spawned similar programs in other urban areas around the country.[41]

Metropolitan growth has already spawned the need for new organizational schemes for fiscal policy. In a number of regions throughout the country, state governments have been faced with court challenges citing an unequal provision of public goods, such as quality public education. In New Jersey, 30 urban school districts were plaintiffs in a series of state supreme court cases.[42] The ruling declared that these school districts were not providing the "thorough and efficient" education explicated in the state constitution. As a result the state has been required to invest millions of dollars reforming these schools, subsidizing the meager local tax base that was previously responsible for the entire bill. New Jersey is the nation's first case, but Arizona, North Carolina and Kentucky have followed with similar suits, resulting in state fiscal intervention in the funding of some public school districts. **Policymakers at all levels should think proactively about ways to leverage fiscal policy to help fund comprehensive metropolitan growth plans without court mandates.**

Minnesota Fiscal Disparities: 30 Years Ahead of the Curve

In 1971 the Minnesota State Legislature passed the Twin-Cities Tax Base Sharing Law. After several court challenges it was enacted in 1975. Since that time the 61 communities of the Minneapolis-St. Paul region have contributed 40 percent of the growth in their commercial/industrial tax base to a regional "fiscal disparities" pool. The pool is then redistributed to the separate municipalities based on a formula accounting for their populations and total property market values. If a community's market value per capita is greater than the regional average if receives less from the pool and becomes a net contributor. If the per capita market value is less than the regional average, the municipality receives more from the pool. Of the communities involved, 20 received less from the pool, and 41 received more in the last year. Special grants are given to municipalities working to promote "livable communities," mixed-use development, and affordable housing projects, working closely with the region's Metropolitan Council.

St. Paul has consistently been the top net receiver of funds from the pool, with a gain of nearly $19 million in 2001. Minneapolis comes in second place. The other three communities in the top five net receivers are older, inner-ring suburbs. Outer-ring and newly developed suburbs comprise the top-five net contributors. Remarkably, only three cities experienced an overall commercial /industrial tax base decline of more 10 percent as a result of the fiscal disparities law, while 12 cities had more than a 10 percent increase in their tax bases – St. Paul's overall tax base increased by 13 percent. The law is accomplishing the original goal: to ameliorate fiscal disparity by "metropolitization" of the tax base.

Source: Phil Jenni, "Tax Reform Drains Fiscal Disparities Pool," *Minnesota Journal,* vol. 19, no. 2 (February 2002).

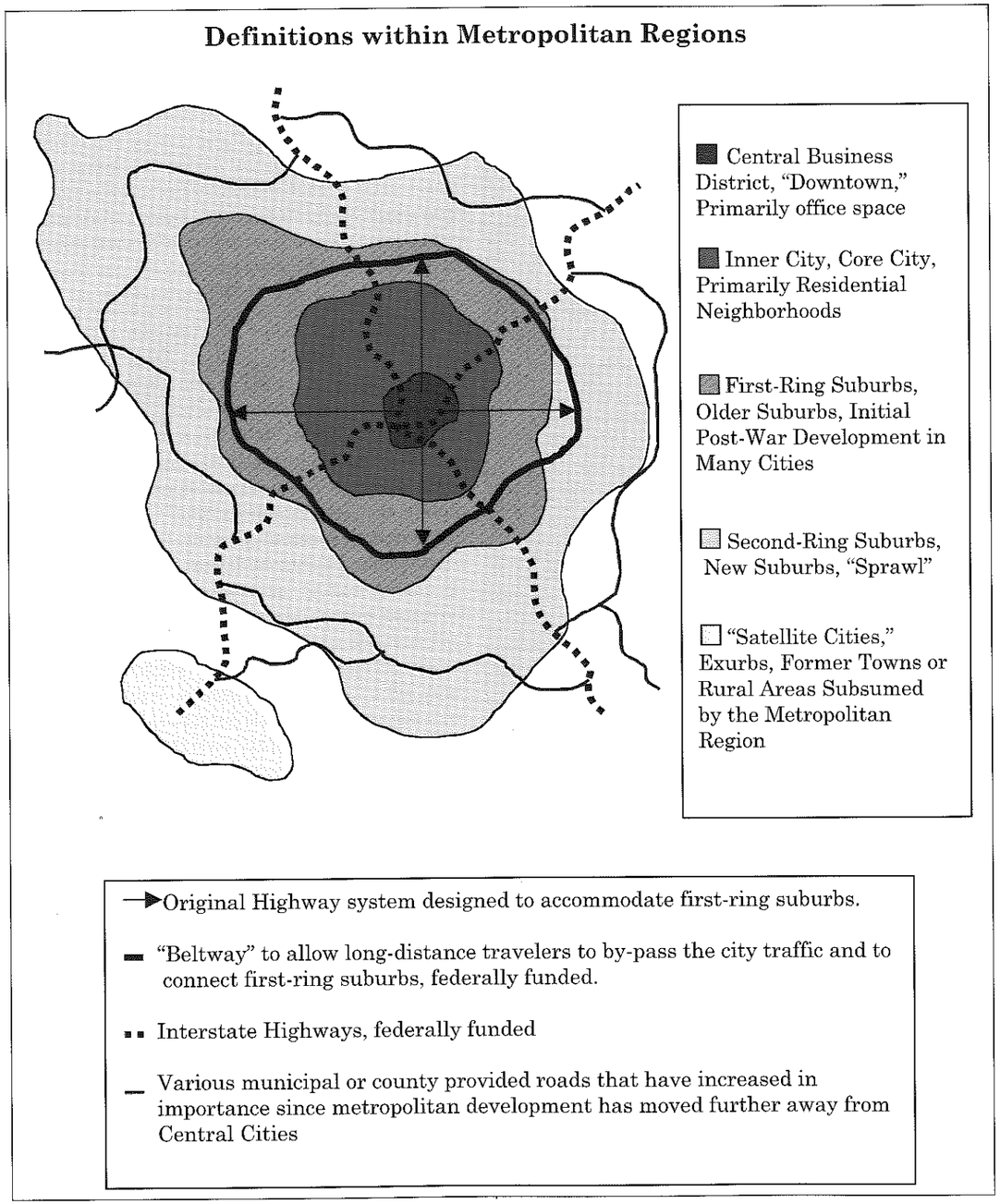
Chapter 5

CONCLUSION

Strong, healthy cities are essential for the economic and social vitality of the United States. As illustrated, cities have grown in the past century to become the hubs of entire metropolitan regions. Along with this growth has come prosperity, but also a host of unintended consequences that have lead to social and economic segregation, environmental degradation, increasing infrastructure maintenance costs, and immeasurable social costs. Together, these consequences have implications for regional economic competitiveness. Policy makers, community members, and business leaders have realized the importance of rethinking the way our metropolitan regions grow. CED has a long history of involvement and research related to long-term economic health and understands the present circumstances of America's metropolitan regions are potentially dangerous for our nation's economic prospects.

A New Metropolitan Agenda has painted a picture of myriad issues facing metropolitan regions and offered broad recommendations about how policymakers, business leaders, and members of the community can work toward solving these problems. States, organizations, and firms across the nation already offer a host of fine examples to be used as a blueprint for change. All metropolitan regions face slightly different problems, but CED offers this Conference Report to provide some insight for implementing positive initiatives around the country.

APPENDIX: Map of Definitions within Metropolitan Regions



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