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Brookings Metropolitan Policy Program A Review of 2004's Trends and Challenges

This year, the Metropolitan Policy Program at Brookings changed its name, adopted a new mission statement, released 32 reports, churned out 28 newspaper and web commentaries, and published two books. We also delivered more than 220 presentations in the last 12 months.

But what did all this add up to? What were the truly important new insights, big ideas, and key takeaways contained in all this productivity?

Well, not every publication announced the next big thing in metropolitan thinking.

Still, a significant number of our trend pieces and policy analyses did generate significant buzz, so we thought we'd inaugurate a new tradition this holiday season and review the year's work to catch readers up on what we've been learning and to help you make better sense of how our various lines of research cohere.

Along those lines, we can say right off that over the past year we:

- gleaned new insights into the titanic demographic and market forces affecting cities and metropolitan areas
- better illuminated the big challenges facing these places
- offered local, state, and federal policymakers a greatly expanded notion of a progressive metropolitan policy agenda

It's been a good year, in short. But let's take a closer look.

Trends

In 2004, to start with, we continued to probe the substantial diversity of metropolitan areas with demographic and economic research designed to set the context for informed policymaking. Our work proceeded on a number of fronts.

Demographic and economic currents

Most notably, we began to round out our investigation of Census 2000 by continuing the Living Cities Census Series. Aimed at using the census to describe how urban and suburban America have changed in the last two decades, this three-year effort has encompassed detailed comparative analysis of the major social, economic, and demographic trends affecting the 100 largest U.S. metropolitan areas.

And so we learned some interesting things about the nation's incredibly kinetic population and development dynamics.

Audrey Singer demonstrated how unparalleled immigration in the 1990s has transformed many new destinations into immigrant gateways and changed the character of more established immigrant enclaves. The shifting location of immigrants and other minority groups implicit in this process meant that, by 2000, mixed-race neighborhoods were the norm in America, as reported another paper.

Visiting Fellow Bill Frey, for his part, showed that the "Great Migration" by blacks that began in the early part of the 20th century had reversed by the 1990s, when many areas of the South started experiencing large net gains in black migrants. And Paul D. Gottlieb gave new specificity to the "brain drain" phenomenon, describing how in the 1990s 25-34-year-olds continued decamping from the North East and Midwest and migrating to high-amenity, high-human-capital metropolitan areas almost exclusively in the South and West.

Nor was the picture any less dynamic within metropolitan areas, where households were also picking up and moving around with profound effects on the economic geography of urban places. Most notably, Alan Berube and Thacher Tiffany reported in a paper entitled "The Shape of the Curve" that between 1979 and 1999, the proportion of households with high incomes fell in 79 of the 100 largest American cities. This dovetailed with increased "economic segregation" of central cities and suburbs, especially during the 1980s, as concluded another report. During that decade, massive urban-suburban gaps in per-capita income emerged and then held steady in the 1990s, draining fiscal resources away from cities and older suburbs in most metropolitan areas.

State and regional impacts

The on-the-ground impacts of these trends, meanwhile, have been dramatic-and kaleidoscopic. While some areas of the country thrived due to these changes, others waned.

At the state scale, Rolf Pendall continued his series on the demographic and economic drift of Upstate New York, for instance, and found that the Upstate economy worsened by all major measures in the 1990s. Upstate's earnings and employment growth slipped farther below national averages in the 1990s; personal income in the region grew at just half the national rate in the 1990s.

"Similarly, the program's widely covered report on Pennsylvania growth and development trends, "Back to Prosperity," confirmed that that rust belt state ranked 48th in the nation in population growth and 47th on employment growth as well as fifth for net out-migration and ninth for its percentage loss of young workers in the 1990s. Perhaps not coincidentally, the report also confirmed that in Pennsylvania slow growth has been accompanied by fast sprawl, as every one of the state's metro areas simultaneously spread out and "hollowed" out.

At the metropolitan scale in another region, meanwhile, a report on metro Miami for Living Cities depicted a decidedly mixed experience. This report concluded that within the fast-growing

Miami region the city of Miami-even while continuing to serve as a major gateway to new immigrants-saw its share of middle-income households in the region drop significantly between 1979 and 1999. A major reason: Miami-Dade County on balance exported middle-class families to neighboring Broward County and other destinations.

Many realities

In sum, metro program trend analysis in the last year described not just a single "metropolitan reality" in America but many-a variety that was captured most clearly in a series of 23 city-focused "databooks" keyed to the 23 diverse cities in which the Living Cities consortium targets its investments. Witness the astonishing diversity of the demographic and social environments depicted in the databooks' ranking tables. During the 1990s, metro Phoenix's population grew by 45.3 percent while metro Cleveland's grew 2.2 percent. In 2000, immigrants represented 59.5 percent of the city of Miami's population but 4.6 percent of Baltimore's. And finally: While 47.2 percent of Seattle residents possess a bachelor's degree just 9 percent of Newark residents do.

Challenges

Implicit in such flux are tough challenges for states and metropolitan areas-challenges that the metro program sought to clarify in 2004 as a prerequisite for useful problem-solving.

Unbalanced growth patterns

To begin with, the nation's generally unbalanced development patterns-which in most areas feature fast, sprawling growth at the periphery twinned with decline or anemic growth at the center-have serious fiscal and competitive implications.

That was the conclusion of a wide-ranging literature review by Mark Muro and Robert Puentes, which documented the relatively higher costs of low-density development as well as the competitive disadvantages faced by regions lacking vital urban centers. And it was a key assertion of the Pennsylvania report, which documented the enormous fiscal and competitive cost of that state's sprawl and abandonment, as felt through \$1 billion in excess infrastructure costs over 25 years, and the liquidation of some \$10 billion in urban market value tax base just in the 1990s. Further underscoring the challenges ahead was Arthur Nelson's paper "Toward a New Metropolis," which estimated that in 2030 about half of the buildings in which Americans live, work, and shop will have been built after 2000. In other words, nearly half of what will be the built environment in 2030 doesn't even exist yet, and will have to be accommodated somewhere. How that is done will have enormous fiscal and competitive consequences.

The missing middle class

A second challenge stems from the continued drift away from urban centers of middle- and high-income households at a time when "human capital" increasingly determines prosperity. Documented in both "The Shape of the Curve" and the Miami report, this trend requires leaders in many cities and older communities to attract, retain, and grow a new middle class. The

sticking point: America's older communities frequently possess ample stocks of aspiring lower-income families who nevertheless lack sufficient job skills and education to move ahead.

Neighborhood distress

Finally, the continued outward drift of economic activity during the past decade ensures that many urban municipalities continue to struggle with areas of acute distress characterized by heavy concentrations of low-income households living in often-dilapidated housing. This challenge—which finds a disturbing 6.7 million metropolitan residents still living in neighborhoods of "high" or "extreme" poverty despite important improvements in the 1990s—was the burden of an important paper Bruce Katz prepared for the Joseph Rowntree Foundation's Centenary Event in London. Entitled "Neighborhoods of Choice and Connection," Katz's review of the nature of American neighborhood distress and responses to it concluded that concentrated poverty is exacting a significant toll on families and regional economies. Children who live in concentrated-poverty neighborhoods face a greater risk of failing at school and ill health, according to the research. Likewise, concentrated poverty imposes a heavy drag on local and regional economic life, by isolating low-income residents from opportunity, impeding their accumulation of wealth, limiting workforce skill levels, depressing tax bases, and increasing the demand for public services. Unfortunately, some well-intentioned policies may nevertheless be exacerbating, rather than ameliorating, this malaise. A case in point may be the federal Low Income Housing Tax Credit (LIHTC), which as Lance Freeman demonstrated in a new paper functioned to concentrate affordable housing in urban neighborhoods in the 1990s rather than disperse it across the metropolitan area.

Also: The "information gap"

One additional note: Implicit in each of these major challenges for policymakers is an urgent demand for higher-quality information about metropolitan places, neighborhoods, and markets. In this sense, the rapidity and complexity of the demographic and market change we have been documenting make clear that unleashing the investment, human-capital, and housing potential of urban locations depends in large part on the development of far richer flows of data about those neighborhoods. To that end, the Metropolitan Policy Program, with the support of Living Cities, has launched the Urban Markets Initiative to improve the quality and utility of the information available on urban communities. By way of announcing the new initiative a pathbreaking brief by Pari Sabety and Virginia Carlson this year detailed an action-oriented approach for closing the urban "information gap" and unleashing the market potential of urban neighborhoods. Closing that gap represents another cause the federal government and every state and locality should adopt.

Towards a Metropolitan Policy Agenda

So how should federal, state, and regional or local leaders address these challenges?

Well, the sheer scale of the challenges facing metropolitan leaders in 2004 drove us here at the program to reconsider both the nature and appropriate agents of metropolitan policy in America.

In that vein, we took more seriously than before that in 2004 our "federalist" system demands that urban and metropolitan policy be advanced in appropriate, sometimes unconventional, ways at all levels of government-federal, state, and metropolitan or local.

Washington

At the federal level, we urged decisionmakers and constituencies to rethink the nature and implementation of key "urban programs" (particularly in the affordable housing area) and then to broaden their notions of what constitutes "urban" policy.

On housing, for example, the program forged a genuinely new vision of neighborhood renewal. Building on a series of systematic reviews of 70 years of local affordable housing, a decade of the HOPE VI program, and Freeman's work on the location of LIHTC housing developments, Katz's paper "Neighborhoods of Choice and Connection" argued that policymakers on both sides of the Atlantic should consider a new paradigm of neighborhood regeneration that looks far beyond bricks-and-mortar and seeks to attract residents of all strata to neighborhoods that link them also to good-quality education, training, and other routes to economic opportunity, including in the suburbs. In this respect, Katz declared that neighborhood development shouldn't simply build "units" for the poor, but must henceforth be pursued within a broad metropolitan context that creates the "geography of opportunity" for all.

As to Washington's people-oriented programs, the metropolitan program urged that many programs not typically viewed as "urban" or "metropolitan" in nature should be reconceptualized as such. In this connection, several Brookings reports-including a 50-state survey report-continued to emphasize that increasing participation in the Earned Income Tax Credit (EITC), which paid out benefits to one out of every seven low-income taxpayers in 2001, represents an important way to put more money in the pockets of urban residents, which then slices through the urban economy and catalyzes neighborhood markets. Similarly, another report noted that federal health spending represents a massive source of metropolitan economic activity, long-term sectoral growth, and jobs, with some of the fastest growth expected in the lowest-skill categories. The bottom line: Urban and metropolitan leaders should embrace the power of federal people-based entitlements to shape regional markets and bolster neighborhood economies. It could be, in this sense, that responsible federal health policy seems more important to cities and suburbs than another round of federal empowerment zones.

The states

At the same time, this was also the year in which we came to realize that, on a wide range of issues, state policies matter more to cities and metro areas than Washington does.

This was a key point of an interesting paper by a group led by Hal Wolman on the changing "calculus of coalitions" in metropolitan areas, but the insight pervaded our work this year. States define the powers and options available to local governments. States frame the land-use, tax, and administrative rules that tilt "the development game" either toward balanced growth and collaboration or sprawl and urban decline. And thanks to devolution states now have substantial control over the spending of critical federal programs: on transportation, welfare, workforce

development, and housing. For that matter, states are big investors themselves-on children's programs, on education, on public universities.

And so, when we developed a policy framework for our big Pennsylvania report (and associated follow-up), we focused it almost exclusively on the vast power of Harrisburg to shape a different future in the Commonwealth if it promoted better planning; focused its own spending; pursued large-scale reinvestment; invested in education; and sought to modernize the state's archaic tangle of tiny local governments. The popularity to that focus in Pennsylvania's many metropolitan areas confirms its general wisdom. When it comes to setting the stage for healthy communities and strong regional economies the game now lies largely at the state level.

Metropolitan areas and localities

At the same time, none of this is to minimize the important role of regional and local leaders in promoting balanced growth, implementing key federal and state programs, and enlarging the middle class.

On the matter of growth patterns, for instance, the Muro-Puentes literature review confirmed the fiscal and economic benefits of pursuing such "smart growth" values as compact development, and reiterated how many tenets of smart growth (such as the encouragement of higher densities, mixed-use zoning, and open space preservation) remain at least partly the preserve of local decisionmakers.

Similarly, Katz's Rowntree essay envisions a substantial local / metropolitan role in the creation of "neighborhoods of choice and connection," since the point of his vision is the transformation of distressed areas from isolating concentrations of malaise into mixed, well-connected segments of the wider metropolis. For example, local and regional leaders have played a critical role in the successful HOPE VI regeneration program by promoting strong linkages with nearby neighborhoods; providing amenities and quality services, especially schools; and taking the lead on neighborhood planning that uses the best market information to foster the local commercial and residential development necessary to create and sustain mixed-income communities.

And for that matter, a number of 2004 publications urged state and local leaders to make bolstering the middle class a top priority. Here again the Miami report was key. According to that release, local leaders would be remiss not to promote increased participation in federal "people-based" programs like the EITC. In addition, the report argued that leaders should work hard to make higher education a more affordable option; link urban workers to more and better-often suburban -jobs; and help low-income families build wealth by promoting central-city homeownership and better connections to mainstream financial institutions-an idea that was more fully described in Michael Barr's policy brief, "Banking the Poor."

Finally, in keeping with Wolman's paper on the need for cities and suburbs to forge new collaborations in order to promote common agendas, the program's Greater Washington Research Program continued its work in our home town with an important brief on the unusual financial structure of Metro, the Washington area's transit authority. That release showed that Metro's extraordinary lack of dedicated funding source has made it vulnerable to destructive

financial crises, and has prompted a major regional discussion of the need for a cooperative effort to shore up a critical regional asset.

In Sum

The year-that-was at the metropolitan program was a year of continued investigation, continued learning, and a deepened confidence that new thinking will be necessary to help redefine the challenges facing metropolitan America and propagate innovative solutions to them.

In 2005 we will further explore the responsibilities of states, the nature and nurture of metropolitan economies, the needs of what we call "weak market cities," and the question of how best to grow the middle class.

For more information on the Brookings Institution's Metropolitan Policy Program, please visit <http://www.brookings.edu/metro>.