**Forty Years of Urban Economic Development:
A Retrospective**

INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

The Power of Knowledge and Leadership

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Preface

We would like to thank the many benefactors who supported this project. The William Penn Foundation, PNC Bank, the Pennsylvania Industrial Development Corporation, Exelon Energy and the New Jersey State Chapter of the Council of Urban Economic Development (now IEDC) provided generous support to bring the together the pioneers of urban economic development to a retrospective forum in Philadelphia. The Bank of America kindly sponsored the development of this report, enabling us to share the findings of the forum more broadly. We are very indebted to Walt D'Alessio, one of these urban pioneers, who hosted the event and spearheaded its development.

We are also grateful to WHYY which blogged the entire forum for Philadelphia's Next Mayor Website and the Pennsylvania Economy League which has agreed to help us disseminate our results.

The paper, authored by Shari Garmise Ph.D, Shari Nourick, and Elizabeth Thorstensen is indebted to the contribution and engagement of the urban pioneers who participated in Philadelphia. A full list of these courageous, dynamic individuals is found in the appendix.

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I. Executive Summary

The International Economic Development Council assembled a group of urban development pioneers together in Philadelphia for an in depth retrospective on the past 40 years of economic development. The two-day event served as an important mile marker in bringing together the leaders of the urban economic development field to pause and reflect upon where they have been, what they have learned and by extension where the discipline needs to go. This paper captures and develops those lessons.

To fully understand the emergence, maturation and contribution of urban economic development, it was necessary to first provide a detailed historical overview. The overview emphasizes the importance of a number of key events that fueled the urban challenges, which compelled the emergence of the urban economic development field. Those events included the Housing Act of 1934, Home Loan Banks, Brown vs. Board of Education and the Highway Act. Taken together, these events established redlining, enabled white flight, and ultimately undermined urban neighborhoods. Even while the Highway Act supported infrastructure that created a single integrated market in the United States, the highways circumscribed the cities, disconnecting neighborhoods from the regional economy.

By the 1960s, a number of events signaled the nation of the problems brewing in the cities. In particular, President Kennedy’s tour of Bedford Stuyvesant and the urban riots of the late 1960s revealed the deterioration of urban neighborhoods. In response, the Economic Opportunity Act, Johnson’s war on poverty, the creation of the EDA in 1965 and the Model Cities in 1966, and the HUB club in 1966, composed of the mayors of the largest 20 cities, started to create the infrastructure and capacity to respond. The urban economic development era had now begun. The 1970s and 1980s saw more resources developed and targeted to urban problems. These benchmark programs including the Housing and Community Development Act of 1974 which created the Community development block grant program (CDBG), the Urban Development Action Grant (UDAG), the Recovery Tax Act of 1981 which created historic tax credits and the SBA 504 program in 1986, were instrumental in building both institutional and human capacity in communities to deliver economic development activities.

Having reviewed the reasons and major events that caused the rise of urban economic development strategies and professionals, the urban pioneers worked collectively to identify what they learned over the years, especially what worked and needs to be preserved, and what did not work and should be improved. The following lessons were identified as to what worked in urban economic development.

- Programs that leverage and enable private sector investment are the most effective economic development approaches.
- Programs that build capacity of institutions and individuals to better deliver economic development worked to promote economic development.
- Engaged local leadership was critical for economic development success.
- Well-designed tools that meet economic development challenges are essential to make economic development work.
- Partnerships were, and remain, the most important innovation for governance and economic development effectiveness.

There were four areas that did not work, which must be addressed to advance the effectiveness of economic development today.

- There has been an insufficient attention to land use policy, creating sprawl, which remains a critical economic development challenge.
- Economic development focused on commercial and residential development to the exclusion of housing, which is surfacing as a challenge in many cities.
- Economic development has worked in a silo and has not been sufficiently engaged in other urban issues that effect the overall health of cities.
- Economic developers have not engaged sufficiently or satisfactorily with urban neighborhoods.

From these lessons, the urban pioneers made numerous recommendations to improve current urban economic development practice. These are:

- Create a new UDAG program
- Re-engage with low-income and distressed neighborhoods
- Create a national-level technology investment program based on Pennsylvania’s Ben Franklin Technology Partnerships Program
- Connect to workforce development to enlarge the pool of knowledge workers
- Do More with Less: Build partnerships
- Develop innovative financing mechanisms that leverage or enable private investment
- Focus on human capacity development: Recruit and train the next generation of economic developers
- Embrace technology research as an urban development tool
- Add housing to the economic development investment portfolio

- Preserve eminent domain
- Focus on density and incorporate smart growth approaches
- Implement a national urban strategy for cities

II. Introduction

Over 40 years ago, the U.S. was rocked by a series of urban riots that spread through the country, alerting the nation to the declining conditions of its cities. Responding to the cry, a new breed of professionals emerged in cities nationwide that were committed to reinvesting in urban assets and communities. As we move rapidly into the first urban century, where significant need for urban revitalization continues unabated, it is vital to review what we have learned over these 40 years to mine it for new, innovative and productive ideas and preserve that learning for current and future generations.

The International Economic Development Council, a non-profit membership organization dedicated to helping economic developers do their job more effectively and develop more vibrant communities, assembled a group of these original urban development pioneers together in Philadelphia, to accomplish this goal (see the list of participants in appendix d). The two-day event aimed to capture many of the invaluable "lessons learned", and to create a living history of their experiences to inform the next steps within the field of economic development and in effect -the next generation of urban economic developers. In a field that must be focused on the future, seldom is there time taken to look back at what lessons history has to teach. This paper captures and develops those lessons. It is has several parts. Section III provides an extensive history of urban economic development from its seeds in Roosevelt's New Deal until today to understand how it evolved, and the factors that shaped it. Section IV sums up the assessment of what worked in urban economic development as elaborated by its pioneers. Section V relays their recommendations for the future. An appendix provides case studies of pioneering cities and leadership profiles of mayors who have spearheaded economic development efforts to further explore these issues.

III. Urban Economic Development Overview

Antecedents of Urban Economic Development

In order to fully capture the era, we need to look further back in history to the time period between 1929 and 1945. At that time, the US underwent the Great Depression and World War II and the federal government became involved in the cities by providing funding and initiating policies to reverse the trends that were depleting jobs, businesses, and residents from the urban areas. From 1929 to 1933 alone, unemployment increased from 4% to 25% and manufacturing output dropped by almost a third. President Franklin D. Roosevelt was elected in 1932 and launched a series of programs between 1933 and 1938 under the New Deal. These programs were intended to provide relief, recovery, and reform and created dozens of federal agencies that greatly expanded the role of the federal government in American life.

The first years of the New Deal were marked by the passage of banking reform laws, emergency relief, work relief, and agricultural programs. President Roosevelt expanded the previous administration's Federal Emergency Relief Administration, which distributed millions of dollars of direct aid to unemployed workers. The Civilian Conservation Corps (CCC) and the Public Works Administration (PWA) were established in 1933 to stall unemployment and stimulate the economy. The CCC sent 250,000 young men to work camps to perform reforestation and conservation tasks, removing the surplus of unemployed workers from cities and providing money for their families. The CCC projects resulted in the construction of many buildings and trails in city, state, and national parks, and the installation of telephone and power lines. The Public Works Administration (PWA) was created under Title II of the National Public Works Administration and was designed to stimulate industrial recovery by pumping federal funds into large-scale construction projects. The PWA spent $6 billion enabling contractors to employ approximately 650,000 workers building schools, libraries, roads and highways. The agency also financed the construction of warships for the Navy and was credited for building one-third of the hospitals constructed between 1933 and 1939.

Notably, the Tennessee Valley Authority Authority Act of 1933 led to the creation of a federally owned corporation, called the Tennessee Valley Authority (TVA). The TVA was envisioned as a regional economic development agency that would use federal experts and electricity to rapidly modernize the region's economy and society. It was the first large regional planning agency of the federal government and TVA-generated electricity dramatically changed the quality of life in the Valley, making everyday life easier and farms more productive, as well as attracting business to the area.

The Home Owners Loan Corporation (HOLC) was established in 1933 to help people keep their homes through the refinancing of mortgages for middle-income homeowners. This was followed by the National Housing Act of 1934 established by the Federal Housing Administration (FHA) to insure loans for construction, renovation or repairs of homes, thus increasing federal support for new housing outside of the inner city cores. In addition, *redlining*, or the practice of denying or increasing the cost of services, such as banking and insurance to residents in certain, often racially determined areas began with the FHA, in terms of mortgage discrimination.[1] In 1935, the Federal Home Loan Bank Board (FHLBB) asked the HOLC to look at 239 cities and create "residential security maps" to indicate the level of security for real estate investments in each surveyed city. In these maps, the areas considered the most desirable for lending were outlined in blue, while those deemed to be the worst for lending were outlined in red, and were predominantly minority neighborhoods. The damaging effects of *redlining* on the cities would become noticeable in the following decades in terms of housing discrimination with the banking and insurance industries.

A second series of New Deal programs was introduced in 1935 including union protection programs, the Social Security Act, and programs to aid tenant farmers and migrant workers. The Works Progress Administration (WPA) was established in 1935 as the largest New Deal agency, employing over 8.5 million people between 1935 and 1943. The majority of those hired through the WPA worked in manual labor, constructing roads and parks. Additionally, unemployed artists and writers were given work through a branch of the WPA known as the Federal Writers' Project. While the WPA represented the largest employment base in the country, the New Deal’s expansion stalled in 1937 and many of its programs were abolished by 1943. The programs were significant however as they helped improve the lives of people suffering from the Great Depression and set a precedent for the federal government to play a vital role in the economic and social affairs of the country.

After World War II, urban areas continued to evolve and the GI Bill, officially known as the Servicemen's Readjustment Act, was signed in 1944 through the Veterans Administration (VA). The bill was designed to provide greater opportunities to returning war veterans, including low interest, zero down payment home loans. Along with the National Housing Act, this enabled millions of American families to move into suburban homes, abandoning the urban centers. The mortgage market greatly increased between the middle 1940s to 1950s, with most of the new homes underwritten by FHA/VA loans, fueling post World

[1] Zenou, Yves and Nicolas Boccard, *Racial Discrimination and Redlining in Cities*, Université du Maine, Université Catholique de Louvain, February 1999.

War II suburbanization in places like Levittown, NY and the San Fernando Valley of Los Angeles, CA which were transformed from farmland into suburban communities occupied by tens of thousands of people.

Furthermore, the Housing Act of 1949 provided federal funds to cover the costs of purchasing blighted areas within the cities, allowing private developers to build new housing there, and igniting the urban renewal program that would ultimately reshape American cities. This policy negatively impacted city cores, where older neighborhoods were demolished to make way for new land use. The 1956 Federal Highway Act further exacerbated the displacement of urban residents and business, diminished the tax base of many cities, and led to isolation, as commuters circumvented urban commercial districts.

Ironically, many city mayors had fought to gain urban expressway links in the anticipation that these highways would contribute to downtown renewal, but instead the expressways augmented the exodus from the cities and created traffic congestion. The urban renewal process cleared out low and middle-income housing and adjacent commercial areas for the new highways and housing projects, and decimated city neighborhoods. Older cities were forced to concentrate on infrastructure intensive redevelopment plans to attract visitors and maintain the cities' position as a cultural/business center, generally at the detriment of the residents. Racial segregation intensified with upper and middle class American whites moving away from inner cities, finding new homes in nearby suburbs. The Brown vs. Board of Education US Supreme Court decision had an important impact on whites moving from the cities as well, and the term 'white flight" was coined. [2] The decision led to Court ordered busing that intended to remedy racial discrimination in public schools by assigning and transporting children to specific schools, integrating school age ethnic minorities with the larger community. This however made the suburbs more attractive to those who wished to avoid "race-mixing", and white flight from the cities increased. The busing was used mainly in large, ethnically segregated school systems, including Boston, Cleveland, Kansas City, Pasadena, Richmond, San Francisco, and Detroit, and the enrollment in private schools increased in some metropolitan areas at this time, particularly in Boston and California, where higher land values and property tax structures were less favorable to relocation, making enrollment of their children in private or parochial schools, an attractive alternative.

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[2] Brown v. Board of Education of Topeka**,** 347 U.S. 483 (1954) declared that state laws which established separate public schools for black and white students denied black children equal educational opportunities. Stating that "separate educational facilities are inherently unequal." This victory thereby paved the way for integration and the Civil Right's Movement.

By the 1960s, Lyndon B. Johnson's Great Society and War on Poverty brought national focus on urban issues, addressing the demise of the older cities and the civil rights movement. The Office of Economic Opportunity (OEO), Housed in the Department of Health, Education and Welfare, was created in 1964 by the Economic Opportunity Act with the intention of engaging community stakeholders in the War on Poverty. The structure of the OEO was linked to the Kennedy Administration's Mobilization for Youth Program which was funded by the President's Council, the Ford Foundation, and the City of New York, and involved local officials, service providers, and community members to carry out plans on the local level with community action agencies. The OEO coordinated the Jobs Corps, work training and study programs, loans for the rural poor and small businesses, Volunteers in Service to America (VISTA) and allowed for organizations to receive funding as Community Development Corporations (CDCs), as well as putting into place hundreds of credit unions.

The Economic Development Agency (EDA) was also created in 1965, under the Public Works and Economic Development Act of 1965, as an agency within the Department of Commerce, headed by the Assistant Secretary of Commerce for Economic Development. With six regional directors responsible for coordinating with local communities about economic planning and development, the EDA was created to help generate jobs, retain existing jobs, and stimulate industrial and commercial growth in distressed areas of the country. Its basic principle that distressed communities must be empowered to develop and implement their own economic development and revitalization strategies was crucial to uplifting these communities and remains essential to economic development today.

In the same year, the Department of Housing and Urban Development (HUD) became a Cabinet-level agency after President Johnson signed the Department of Housing and Urban Development Act. HUD's mission was to increase home ownership and the access to affordable housing, and the Model Cities Act of 1966 declared that "improving the quality of urban life is the most critical domestic problem facing the United States".[3] The Model Cities Program thus created a new program at HUD to improve the coordination of existing urban programs and provide additional funds for local plans that would include not only rebuilding, but also rehabilitation, social service delivery, and citizen participation. Through the program, funds went directly to community organizations, such as churches, settlement houses, universities, civil rights groups, and newly formed CDCs. The program was criticized for exaggerated promises and was terminated after a few years, but the fact is that for a short time, millions did benefit from it.

[3] Demonstration Cities and Metropolitan Development Act of 1966, Public Law 89-754, 89th Congress

This all set the stage for what began to take place in 1967. Widespread urban violence, disillusionment with the urban renewal program, and bureaucratic difficulties in the first years of the War on Poverty led to calls for the reform of federal programs. Most cities did not have economic development departments or agencies, and federal policies were centered on social programs, aiding the poor, but without any real plans for stimulating urban economic growth or halting urban blight. The Watts Los Angeles riot of 1965 was followed by the riots in 1967-68 in Detroit, Newark, Washington DC, and Cincinnati, among others. The riots in Detroit and Newark were among the worst in US history and the cities erupted in flames amid economic distress. Both majority white in 1960, over 22,000 residents, predominantly whites, left Detroit the year before the riots, and this figure reached 80,000 by 1968. Today Newark's white population stands at 22% and Detroit's at 11%.

The table below illustrates the decline in real numbers of populations in Cleveland, Detroit, Baltimore, Philadelphia, Milwaukee, Washington, DC, between 1960 and 2000:

City	1960	2000
Cleveland	876,050	478,403
Detroit	1,670,144	951,270
Baltimore	939,024	651,154
Philadelphia	2,0002,512	1,517,550
Milwaukee	741,324	596, 974
Washington, DC	763,956	572,059
Newark	405,220	273,546

U.S. Census Bureau, Statistical Abstract of the United States 2003

The riots also left suburbanites fearful of traveling into downtown districts and the commercial highways allowed them to avoid doing so with ease, further crippling businesses. In Newark, 13% of the stores in the riot area closed immediately, and an additional 19% within a year. Coupled with the decline of manufacturing jobs and the swell of gang violence in the following decades, both cities increasingly became synonymous with urban decay with the loss of residents, tax bases, and jobs. These catalyzing events swirling out of control in US cities roused mayors and government officials, as well as engineers, journalists and academics to join forces to resolve the issues of urban distress.

The Early Years in Urban Economic Development

The HUB (Helping Urban Business) Club, developed from a group of city development leaders who were committed to fixing the declining conditions of the cities, attempting to deal with the flight of business and racial riots. Initiated by Ed deLuca, Baltimore’s Director of Economic Development in 1966, deLuca began his career as an industrial engineer and was an executive for the Gardner Manufacturing Company in the 1950s and then became a free-lance management consultant. His primary client was the US Agency for International Development, for whom he organized training seminars and studies aimed at increasing the productivity of allied nations by the export of American management techniques.

When during the Johnson Administration state and federal funds were made available to stem the economic decline of American cities, deLuca again changed careers and devoted his expertise to urban economic development. In 1964 he became Director of Economic Development for the City of Baltimore, where he remained until 1977, and then was Director of Pittsburgh's Department of City Development until 1982. Thus, in 1966, Ed deLuca organized the first HUB Club, inviting 20 big city mayors and other leaders to attend a meeting in Baltimore that year, encouraging the formation of similar clubs in other cities. Reacting to the crisis at hand, these trailblazers all agreed that economic development practices were key to bolstering the cities and drawing them out of decay. What they did not know at the time was that this would be the start of a movement, establishing the field of urban economic development.

The government role in economic development at that point entailed negotiating deals for physical development projects and providing infrastructure and support for them. The meeting in Baltimore was the basis of an ongoing relationship among these leaders to work together, sharing information and best practice ideas in confronting the urban challenges, and retaining business in their cities in the face of rioting and the flight of manufacturing to suburban and outer city areas. Successive meetings took place in Washington DC, Philadelphia, and Chicago, and the HUB Council was officially established on April 20, 1967, with the main objective being the creation of an urban economic development policy particular focus on industrial development. The founding officers were Ed deLuca, President, Ken Fry of

Milwaukee, Paul Zimmerer of Chicago, and Louis Thomson of Toledo, Vice Presidents, and Mel Roebuck, with the Greater Cleveland Growth Association, Treasurer.[4]

While this was taking place, the OEO program's structure was causing some tension between city officials and community action agencies. Mayors were up in arms over the fact that funds did not have to go through city hall and felt that OEO representatives were running the city without even consulting them. A few big-city mayors communicated their concerns to Vice President Hubert Humphrey (former Mayor and President of the US Conference of Mayors), to President Johnson, and to Congress. They felt that political accountability was essential and could only be recuperated by placing leadership in the hands of local and or/state officials. In 1967 Congress passed the Green Amendment and later the Quie Amendment. These amendments restructured the management of community action agencies and set forth the requirement that an agency's board of directors select locally elected officials to make up one-third of the board's directors, increasing the participation of city officials. As a result, mayors of several big cities took over the agencies, converting them into public agencies, marking an important transition whereby city hall would work more closely with community leaders. The formal connections between the political, economic, and community power structures proved to be a tremendous strength for the cities.

The changes in national political leadership in the country in 1967-68 prompted HUB Council members to attempt to acquire a more secure funding base in order to prevail and have a lasting impact on urban affairs. Several months after its formal creation, the HUB Council submitted a proposal to the EDA for funding in October 1967. In 1968, EDA made its first grant to the Council for $151,530, as well as technical assistance and information and research over a 2-year period, marking a long-standing relationship that continues today. As more cities began to join the Council, the HUB Council changed its name to the Council for Urban Economic Development (CUED) in December 1971. The offices were moved from Baltimore to Washington, DC and in 1972, Ken Fry, who had been Milwaukee's commissioner of city development, became CUED's Executive Director and Ed deLuca was a director until 1980. With continued funding from EDA, CUED has worked diligently with the agency to expand the scope of economic development.

The Nixon Administration curbed funding for the urban renewal programs that had been used for almost 25 years, and President Ford signed the Housing and Community Development Act of 1974 that introduced the Community Development Block Grants (CDBG), administrated by HUD. While initially meant to give cities ample freedom with funding, economic developers fought for more stringent CDBG

[4] Kysiak, Ronald, C., "A History of CUED", *Commentary*, Vol. 16 No. 4, Winter 1992.

requirements with Congress, resulting in stipulations that communities use the funds to benefit low and moderate-income people, prevent or eliminate blight, or for other community development activities to address an urgent threat to health or safety. CDBG funds may be used for community development activities such as real estate acquisition, relocation, demolition, rehabilitation of housing, and commercial buildings: construction of public facilities and improvements such as water, sewer, and other utilities, street paving, and sidewalks; construction and maintenance of neighborhood centers, and the conversion of school buildings, public services, and economic development and job creation/retention activities; and the preservation and restoration of historic properties in low-income neighborhoods. The significance of this program rests in its focus on redeveloping existing neighborhoods, instead of simply razing distressed urban areas. The 1974 Act also changed the way HUD functioned, by shifting some of its authority to state and local government officials, denoting a clear break with the Great Society programs of the Kennedy-Johnson era.

President Ford also dismantled the OEO Program in 1975, replacing it with the Community Services Administration (CSA). OEO employees were transferred to the CSA with many of the same functions. Furthermore, the racial tensions in the cities were far from over, and the *Milliken v. Bradley* 1974 US Supreme Court Case decision limiting the busing to within metropolitan areas further increased the middle class flight to the suburbs. The soaring price of gasoline, a major concern when President Nixon took office, continued to rise thus further deteriorating public confidence. The energy crises had a disastrous effect on the US economy and the 1970s marked the highest unemployment rate since 1941 and the lowest industrial production since 1937. Inflation caused many Americans to doubt the "American dream" and high prices throughout the period exacerbated these concerns with a barrel of crude oil costing $2.75 in 1973 increasing to $34 dollars in 1981.

The Carter Administration of 1976 sought to take a strong role in improving urban conditions and actively involved practitioners in urban economic development policy, inviting key pioneers of the profession to work with HUD, EDA, and the administration directly. The most significant program of the Carter Administration was the Urban Development Action Grant (UDAG) program, created in 1977 to complement the CDBG program. The program became the primary urban development program for the following 10 years. The main aims of UDAG were to give distressed communities funds for residential or non-residential use and to stimulate meaningful public-private partnerships. Public officials were expected to compete for scarce grant dollars on the basis of criteria meant to foster such partnerships between government and private developers. As part of the application for UDAG funds, proposals needed to include the cooperation of the city government and private investors. Funds were provided only after there was a commitment from private sector investors. The UDAG program came into existence just as federal grants to states and local governments peaked in 1978, but were still able to make a significant positive impact. Over an eleven-year period, the UDAG provided $5 billion toward the revitalization of distressed urban areas by stimulating private sector investment. In the late 1970s, cities competed for UDAG funds four times a year and top-ranking administrators at HUD judged development projects using practical tests of market feasibility and ratios of public to private investment leverage.

It is worth noting that while the energy crisis was putting strain on the US economy at the time; ironically it also put more focus on the cities as their concentrated districts were more energy efficient, thus rousing extra attention from private investors. The economic development community played a vital role in creating these partnerships between the public and private sectors, initially tackling public-private initiatives for land redevelopment projects. Strategic partnerships between the public and private sectors that began with downtown redevelopment in the 1970s expanded to a wider range of city revitalization initiatives that helped to build new infrastructure. This included the revitalization of downtown districts, transit oriented development, and the development of mixed-income housing. To assist with implementation of these projects, new institutional structures were often created, such as public authorities, quasi-public development corporations, and financial tools such as UDAG and tax-increment financing (TIF). Winning a UDAG grant was a great victory for mayors at the time, providing them with a necessary financial boost from the public as well as the private sector for downtown revitalization. Well known public-private land redevelopment projects ranged from single development parcels like Navy Pier in Chicago to large scale urban projects like Battery Park City in New York City, and these partnerships became even more prevalent in the 1980s. The use of TIF, which began in California in 1952 as a way of providing matching funds for federal urban renewal plans, became an important alternative to funding redevelopment projects as the federal dollars for urban renewal declined in the 1970s. Cities and redevelopment authorities were able to use the TIF to lower the initial expense for a new business to enter the market, in the hope that a company would accept to proceed into a risky economic climate if the initial costs were reduced. Thus, by improving infrastructure assets such as utilities, roads, and sidewalks, the value of the real estate in surrounding areas increases, and new investments usually ensue, ultimately increasing city tax revenues.

New Federalism and Urban Economic Development

In 1981, the Reagan Administration's economic policies were based on supply-side economics and aimed to 1) reduce government spending, 2) reduce marginal tax rates on income from labor and capital, 3) reduce regulation, and 4) control the money supply to reduce inflation. The Administration further reduced spending to federal programs, threatening the EDA and the Small Business Administration (SBA), among others. However, most notably, the Administration put forth the Economic Recovery Tax Act of 1981 to amend the Internal Revenue Code of 1954 in order to encourage economic growth through reductions in individual income tax rates, incentives for small businesses, and incentives for savings, and for other purposes, as well as tax credits for investment in historic properties. Hence, despite the affronts to the federal programs, the federal tax policies and tax credits for investment became tools for economic development in the early 1980s, leading to public and private partnerships that improved many historic buildings and created new spaces in the cities for retail and entertainment based activities as well.

In addition, the huge urban manufacturing losses were in the spotlight at this time, and the rust belt States were hit particularly hard by the losses in steel manufacturing. Between 1979 and 1985, employment in manufacturing declined by 21%, with steel related industries representing 40% of those losses and from 1974 to 1999 actual manpower decreased from 521,000 to 153,000. Cities such as Youngstown, Cleveland, Pittsburgh, Wheeling and others in the region suffered population losses and economic decline as a result. In Youngstown for example, the ripple effects of industry, workers, and residents leaving the city reduced the population by half of what it was in the 1970s.

The federal government employed a variety of subsidy programs to support the steel industry, including extraordinary grants by the Department of Energy and the EDA's special guaranteed loan program for the basic steel industry, as part of a steel industry aid program of the Carter presidency. EDA committed to guarantee loans up to 90% of $100 million for steel makers that did not have reasonable access to regular capital markets. EDA required participating lenders to provide funds to the steel industry at interest rates charged to preferred customers and there was a high default rate. Federal and state programs totaling more than $30 billion during the 1980s were instrumental in improving the competitiveness of the US steel industry by reducing costs for R&D, labor, capital, taxes, environmental protection, other input costs, and by increasing sales volumes. Notably in 1982, the Economic Recovery Tax Act, restricted "safe harbor leases" for companies that had unused investment tax credits and depreciation allowances for capital assets. The 1984 Steel Import Stabilization Act established steel "voluntary restraint agreements" (VRAs) restricting imports of steel into the US, costing $1.3 to $1.9 billion annually from 1984-1992.[5]

A wide array of cooperative technology programs were created by the states to promote economic development through technology development and deployment under the Reagan Administration. In 1982 in Pennsylvania, the Ben Franklin Technology Partnership (BFTP) Program was created in order to help build a technology driven economy. The BFTP's main mission was to generate public-private investment with industries and universities in order to spur economic growth. The success of the program led to the creation of similar programs in Ohio, Indiana, and Connecticut. By 1994 more than $3 billion was spent by the states and federal government to sponsor cooperative public-private technology development programs, with much of this public support matched by private sector funds.[6]

While attracting and retaining business was high on the agenda, the ability to procure loans for business improvements and expansions was made easier in 1986 when Congress created the SBA 504 program, replacing the SBA's 503 program, which was hindered by bureaucratic procedures. Through the SBA 504 program, loans are financed through the private sector rather than the Treasury. As the first federal financing tool to recognize the importance of small businesses in the job creation process through their physical plant expansion, the program was designed for community improvement. Loan eligibility includes either job creation or retention or a public policy goal such as business revitalization, export expansion, minority business development expansion, as well as a community development goal for businesses with less than 500 employees. Certified Development Companies are non-profit corporations set up to work with the SBA and private sector lenders to provide financing to small businesses, contributing to the economic development of its community. Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50% of the project cost, a loan secured with a junior lien from the certified development company (backed by a 100% SBA-guaranteed debenture) covering up to 40% of the cost, and a contribution of at least 10% equity from the small business being helped. The key benefit to this program is in its ability to leverage private debt and provide 90% debt financing through a large subordinate loan. The Program has greatly assisted American small business owners across the country in purchasing land and constructing new buildings, acquiring and installing machinery, or remodeling buildings on leased land.

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[5] The American Institute for International Steel, *Subsidies to the US Steel Industry: An Analysis of US Federal, State, and Local Assistance to Help US Steel Companies Maintain to Add Steelmaking Capacity*, Washington, D.C.
[6] Coburn, Christopher and Dan Berglund." Partnerships: A Compendium of State and Federal Cooperative Technology Programs", Battelle Memorial Institute, Ohio, 1995.

The tax credits of the 1980s complemented the UDAG Program and facilitated the work of urban practitioners. Moreover, in spite of cuts to federal housing programs in 1982, Congress passed the 1983 Urban Rural Recovery Act, providing new funds for the CDBG and UDAG over a three-year period. The historic tax credit, giving 20% tax credit for historic rehabilitation, also became a driver of downtown real estate equity and community revitalization. However, the 1986 Tax Reform Act greatly reduced the tax advantages and many of the public-private partnership incentives were eliminated. This Tax Reform Act was intended to simplify the income tax code, broaden the tax base, and eliminate many tax shelters and other preferences. In addition, capital gains faced the same tax rate as ordinary income.

Focus was additionally on the Enterprise Zones (EZs) that the Reagan Administration was advocating to stimulate investment and employment in the cities. The concept originated with British planner Peter Hall as a means to encourage business growth in declining industrial and commercial centers in urban areas by providing tax incentives and reduced government regulations to businesses. Margaret Thatcher began an enterprise zone program in Great Britain in the 1980s to lure large and mid-sized corporations into abandoned industrial and mining areas; the concept was later elaborated on, emphasizing small business job creation. Therefore, in contrast from UDAGs that were so widely used to stimulate public-private partnerships, EZs were intended to provide tax breaks in designated zones in urban areas as an incentive for business attraction. A series of bills was introduced in Congress during the 1980s proposing to reduce corporate income taxes and eliminate capital gains taxes for businesses that located in the zones. Moreover, federal agencies would be authorized to suspend certain regulations that hindered private investors from considering these areas. The Administration however was not able to secure passage of effective enterprise zone legislation, and during this time the economic development community continued to cooperate with the states to ensure that state tax incentives spurred private investment in distressed areas. Between 1981 and 1991, 38 states and the District of Columbia passed enterprise zone legislation. By 1995, 34 of those programs remained active, and in those states, 2,840 zones had been established. [7]

The early 1980s marked yet another threat to the EDA, and leaders in the urban economic development field worked with Congress to maintain funding (successfully). In addition, the Reagan Administration terminated the CSA in 1981, but many CSA/OEO programs continued to receive funding under the Community Service Block Grants. Vestiges of OEO can be traced today in state economic opportunity

[7] W.E. Upjohn Institute for Employment Research, *State Enterprise Zone Programs Have They Worked?*, 2002**,** Kalamazoo, MI.

offices and the Head Start Program. Congress also enacted the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA or Superfund) in 1980 to deal with industrial clean up of hazardous sites, as well as the Job Training Partnership Act (JTPA) in 1982. The JTPA addressed workforce development issues, establishing federal assistance programs for youth and unskilled adults for entry into the workforce and job training to economically disadvantaged individuals. Moreover, the CDBG program continued to be a widely used tool in economic development and in 1983 individual states took control of the Small Cities Program, which is now the CDBG Program.

Between 1974 and 2004 CDBG leveraged nearly $324 billion in new private investment, for housing, roads, public building, and sewer and water systems and the Section 108 program has been an important feature of the CDBG. Section 108 allows CDBG grant recipients to use CDBG funds as loans to leverage additional public and private investment for projects, which would very likely not be done otherwise, making it one of the most potent and important public investment tools that HUD offers to local governments. It allows cities to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods. This sort of public investment is often needed to attract private sector investment in distressed areas. Usage is flexible, as it can be used to fund direct loan projects or firms, provide loan guarantees towards private financing, and capitalize new or existing lending programs, thus in sum, expanding a city’s economic development funds.

States and localities have also long used tax exempt bonds, but during the 1980s, the use of them grew dramatically, while the real value of grants-in-aid diminished. These bonds can be issued without federal constraint on capital facilities as the general public enjoys most of the benefits. They provide financing solutions to small and mid-size companies and certain nonprofit organizations, giving them access to capital they cannot obtain on their own and enabling them to borrow money more cheaply. These bonds may be used for facilities such as 1) wastewater, solid waste treatment, pollution control, water, local heating and cooling installations, and government owned transportation facilities, 2) multi-family and single family housing for low-income households, and 3) qualifying businesses and projects in federally designated empowerment zones.

The federal tax code also allows tax exempt industrial development bonds (IDBs) to be used to finance buildings and equipment for manufacturing firms. First made available in 1936, by the 1980s all states offered IDBs, with each state operating under a cap for the amount of tax exempt bonds that can be used for IDBs, multi-family housing and other uses. Regardless of limitiations, IDBs are important in allowing for small manufacturers to access lower-cost debt and long term fixed-rate loans, helping to promote job creation in the manufacturing sector. IDB interest rates are substantially lower than commercial financing rates, and amortization periods can be up to 30 years (depending on the useful life of the assets financed), so a growing company will also devote less cash-flow to service loan principal repayment. The use of IDBs increased exponentially in the 1960s with issuance incrementing from $46 million in 1960 to $1.59 billion in 1968. This growth was due to the use of IDBs to finance various types of private facilities, ranging from discount stores and restaurants to sports facilities. These bonds are usually issued through state, local or city government, or by an EDO. IDBs are subject to special IRS rules governing the tax exemption of interest, and the Tax Reform Act of 1986 eliminated the tax exemption on many of these bonds. The qualified redevelopment bond was created in 1986, which permitted a municipality to clear blight with the proceeds from a tax-exempt issue.

Under the first Bush Administration, HUD Secretary Jack Kemp aggressively pushed for a national EZ program (without success), and funding for UDAG was terminated in 1988, leaving cities without a strong program to boost development. Urban economic development leadership collaborated with HUD to make the CDBG program a more efficient economic development tool, in order to compensate for the loss of UDAG funding. Additionally in 1988, the Omnibus Trade and Competitiveness Act was enacted, creating a National Institute of Standards and Technology (NIST) within the Department of Commerce, as well as the Manufacturing Technology Extension Partnership (MEP) and Advanced Technology Programs (ATP).

The MEP is a nationwide network of not-for-profit centers whose sole purpose is to provide small and medium sized manufacturers with the services they need to succeed. The centers are linked together through the Department of Commerce's NIST and are funded by federal, state, local and private resources to serve manufacturers. The MEP makes it possible for even the smallest firms to tap into the expertise of manufacturing and business specialists all over the country, addressing needs that range from process improvements and worker training to business practices and applications of information technology. Centers often help small firms overcome barriers in locating and obtaining private-sector resources and have a vital role to play in increasing and retaining jobs in the economy, as well as attaining investments for modernization and training in manufacturing. The ATP is also part of the NIST and bridges the gap between the research lab and the market place by engaging in partnerships with the private sector, universities, and non-profits. ATP's early stage investment is critical to accelerating the development of innovative technologies that promise significant commercial payoffs and economic benefits for the US. Projects focus on the technology needs of industry, not those of government, and more than half of the

ATP awards have gone to individual small businesses or to joint ventures led by a small business. Both the MEP and the ATP are viewed as a way to ensure that the government encourages technological advance in the private sector.

New Opportunities and Challenges for Urban Economic Development

In the spring of 1992, a core group of urban economic developers met at the CUED annual conference to set forth an agenda to tackle problems of distressed urban areas. The CUED Federal Polices Working Group was formed to develop recommendations for action to be carried out by the government on public-private partnerships; these recommendations were distributed among policy makers, federal agencies and the White House and by the time the Clinton administration came into office in 1993, the role of the economic development professionals in advancing the economic development agenda had increased. The Clinton Administration's economic strategy included: 1) establishing fiscal discipline, eliminating the deficit, boosting private sector investment, and keeping interest rates low, 2) investing in people through education, science, training, and research, 3) opening foreign markets so Americans could compete abroad. Its focus on a wide range of issues, including technology development, workforce development, manufacturing, and community reinvestment opened the door for economic developers to broaden their scope, helping to transform communities for the New Economy.

The administration got the North American Free Trade Agreement (NAFTA) enacted by Congress and a national export strategy led by the Department of Commerce, the Export-Import Bank, and the SBA was developed. Economic developers had a role in assisting local and regional EDOs create export programs to help area business enter into new markets. Moreover, legislation was enacted to create a national fund for local community financial institutions (CDFI) and the Community Reinvestment Act was also promoted during this period resulting in increased private sector funding to distressed communities. Banks made $18.6 billion in community development loans in 1997, increasingly to minority and low-income borrowers. The One-Stop Shop initiative, in cooperation with the SBA, was established as a means to encourage entrepreneurship on the neighborhood level.

At the same time, Congress released restrictions on the Section 108 loan guarantee programs of the CDBG program which for a short period of time, allowed cities to gain grants. Between 1994 and 1998, the Economic Development Initiative and Section 108 loan guarantee funded $3.5 billion for over 650 separate project commitments. A federal Empowerment Zone/Enterprise Community (EZ/EC) program was instituted in 1993 as part of the Omnibus Budget and Reconciliation Act, and practitioners worked with government officials to raise awareness of the program and facilitate the subscription process for interested cities. The Act raised taxes on the wealthiest 1.2% of taxpayers and cut taxes on 15 million low income families. Tax credits were also made available to small businesses. Additionally, the EZ/EC program emphasized community participation at the local level and was intended to build on human capital in distressed areas.

In 1994, the EDA and federal programs were once again under attack, as a new Congress sought to decentralize economic development entities. As in the past, the economic development community fought to retain the distinctiveness of the EDA and was able to keep the federal program in place. Additionally, in 1994 the Environmental Protection Agency (EPA) launched the first brownfields project, acknowledging the economic potential in jobs and increased tax base for communities by redeveloping these abandoned and polluted sites. The redevelopment of brownfields became a vital tool in economic development, and securing finance is critical to the process. Financing tools including grants, loans, tax credits, bond financing, and TIF are all implemented to achieve this. In addition, transfer/purchase of development rights, easement donations, land write-downs, and infrastructure improvements can be used to help developers reduce the cost of the redevelopment project. However, attracting private investment is difficult, due to the heavy cost on time and finances to clean-up the sites, as well as by the ease of obtaining affordable Greenfield sites as an alternative.

In 1996, the Clinton Administration announced an ambitious goal of moving 2 million people from public assistance to employment by 2000. The formation of the Welfare to Work Partnership meant that major companies would commit to hiring welfare recipients and the Welfare to Work Jobs Initiative provided welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term welfare recipients find and keep jobs. The Administration also enacted the Welfare to Work tax credit in the 1997 Balanced Budget Agreement to encourage hiring and retaining long-term welfare recipients. Further emphasis was placed on workforce development, as well as supporting innovation and entrepreneurship to enhance competitiveness. The Workforce Investment Act (WIA) was enacted in 1998 replacing the JTPA 1982 and was intended to consolidate programs, introduce competition, and fully engage employers. The WIA legislation stipulates that training and employment programs be designed and managed at the local level, better meeting the needs of business. This was particularly important for urban areas facing aging populations and unemployed workers who lack the proper skills for a new job. Retaining and strengthening the workforce became a key tool in economic development, as keeping existing firms in business allows for further economic growth.

Between 1993 and 1999, the number of welfare recipients dropped by 7.2 million (51%) to 6.9 million, which was the lowest level since 1969. Moreover, in 1999 the Administration unveiled landmark regulations covering Temporary Assistance for Needy Families (TANF) that promote work and help those who have left the rolls to succeed in the workforce and stay off welfare. Guidelines were released on how states and local governments can use welfare block grant funds to help families move from welfare to work.

Throughout the Clinton Administration, the White House and Congress were in disagreement over the proper role of the federal government in promoting technology development. The Administration argued that government was needed to encourage the development of innovative technologies and in 1996 outlined five main federal policies: 1) creating a business environment conducive to technological innovation, 2) encouraging private-sector technology development and commercialization 3) investing in infrastructure 4) integrating the military and civilian industrial bases, and 5) and maintaining a world-class workforce. The Administration's 1996 proposals to improve education and training included the Goals 2000 program, which sought to strengthen K-12 education and direct federal loans and tax deductions for higher education and training, job training, and lifelong learning. Additionally, in continued efforts to improve the nation's workforce capabilities, the Administration's 2000 budget included $4.6 billion for research and education investments at the National Science Foundation (NSF), representing a 17% increase in funding at the time. This included investing in the educational infrastructure to prepare the nation's workforces for the 21st century, with focus on math and science.

Since the Clinton Administration has left the White House, interest in economic development and the urban agenda has shifted with the George W. Bush Administration. The terrorist attacks of September 11, 2001 led the administration to withhold funding for urban projects in order to pursue Homeland Security policy initiatives. The MEP and ATP, programs that historically have had strong support in Congress, have been increasingly under attack, as questions have been raised concerning the proper role of the federal government in technology development and the competitiveness of US industry, thus threatening the budgets for these programs. The EDA however was bolstered by $47 million in additional funding in 2007 to support President Bush's new American Competitiveness Initiative (ACI) in order to assist communities integrate their development strategies with ACI activities such as investment in science, R&D, and workforce training.

Brownfield redevelopment remains an important issue for urban revitalization and in 2003, 252 US cities had 24,987 brownfield sites awaiting redevelopment, according to a 2003 US Conference of Mayors survey. More than 150 cities had successfully redeveloped 922 sites, resulting in $90 million in new tax revenue to 45 cities and more than 83,000 jobs in 74 cities. Mayors have taken a lead in pressuring the

Administration to focus on this issue and establish a new Brownfields Redevelopment Action Grant (BRAG) investment program to leverage private investment in brownfield sites.

In 2006, the Administration proposed limiting funding for CDBG completely, but Congress saved the program; nevertheless, funding was decreased to $4.22 billion. Notably, following the disastrous hurricanes that hit the Gulf States and Florida in 2005, President Bush appropriated $11.5 billion in additional CDBG funding to those areas impacted by Katrina, Rita, and Wilma through the FY 2006 Defense Appropriation Act. Despite the increased aid for those troubled areas, the Administration proposed a 25% cut in the program for fiscal year 2007 to $3 billion. Again, Congress intervened, appropriating $3.9 billion to the program. Under current budgetary proposals, HUD financing would decrease by 1.3% in the 2008 budget. At a time of higher oil prices and higher rent prices, these proposals will negatively impact the elderly, the disabled, and public housing in general, with the Public Housing Capital Fund losing 18% of its budget and a 20% cut for the CDBG program.

Notably for the economic development community, in May of 2001, the American Economic Development Council (AEDC) and CUED merged, forming the International Economic Development Council (IEDC) with headquarters in Washington, DC. The new organization was formed to provide education and technical assistance to people and businesses in rural, suburban, and urban areas. Aligning the two entities has meant a stronger advocacy and access at the federal level, improved access to resources and information, and expanded networks and alliances in the for the field economic development. Jeff Finkle of CUED assumed the title of CEO with the new organization, while Paul Lawler, CEO of AEDC became the CFO. Kurt Chilcott of CUED served as co-chair of the new organization along with AEDC Chairman Jim Griffin for the first three months, followed by Kurt Chilcott and Jay Garner servicing as co-chairs for the first fiscal year of the organization with Rick Weddle serving as Chairman-elect, Rick Weddle.

IV. Lessons Learned: What worked and what did not

The history outlined an evolution shaped by Federal action and local response, both of which were also reacting to a globalizing, increasingly more complex and volatile economic and political environment. At its inception, urban economic development represented a partnership between the federal government, which furnished programs and financing, and local leadership, often centered on the mayor, which leveraged and coordinated those resources to deliver economic development strategies. One of the most enduring themes of the event was the importance of the public sector for promoting economic development successes. From this overarching insight that the pioneers returned to again and again, come clear direction on what cities did that worked.

Lesson 1: Programs that leverage and enable private sector investment are the most effective economic development approaches.

Over this long period, the federal government has implemented a cornucopia of programs relevant to economic development. According to the pioneers, the federal activities with the greatest impact for stimulating development were those that required or incentivized private investment into economic development activities. Federal examples such as the UDAG program, the Recovery Tax Act of 1981 (Historic tax credits), as well as low-income tax credits, all encouraged private investment and enabled private capital—acting as market stimuli within a particular place. The same is also true of local programs. The case studies of Dayton and Philadelphia in the Appendix document these practices. Thus, what works are programs aimed specifically at leveraging and enabling private investments to meet public development objectives.

Lesson 2: Programs that built institutional and human capacity worked to promote economic development.

In the early years, one of the most important contributions of the federal programs to the cities was their ability to help the cities build institutional and human capacity to better deliver economic development. Federal programs provided the bulk of the funding in the starting years for very large projects, and the EDA, for example, set up regional offices to work more closely with grantees. Large investments by the federal government thus enabled cities to gain new tools, strategies, new institutions and train people in this emergent new field. What works is that best programs actively seek to build capacity for institutions and individuals to manage large projects and leverage the region’s assets for economic development.

The need for capacity-building remains as true today as it was then, as many communities struggle to transform their economies and their economic delivery systems to meet the demands of globalization. Cities require the capacity to pursue new development strategies, including R&D research and commercialization, alignment with the workforce system to develop a larger pool of knowledge workers, and entrepreneurship development. Addressing these new challenges means investing in building the capacity of agencies, institutions and economic developers themselves.

Lesson 3: Engaged local leadership works.

The pioneers all agreed that historically, when mayors took a leadership role in economic development, things got done. The mayor can play multiple roles including governing from the bully pulpit, acting as a city entrepreneur, taking on the role as a city developer or simply being a competent chief executive. See the appendix for details on many of these economic development-oriented mayors. While it is unclear if the mayor will take this role directly in the future, the lesson is plain: engaged public leadership is critical for urban redevelopment. In particular, what works is when local leadership: 1) become investors in their economic future and share investment risk with the private sector; 2) create and align systems to make things happen; 3) create a sense of urgency within the public and private sector that stimulates both action and innovative thinking; and 4) hires well-trained, professional economic development staff. Philadelphia and Dayton have some of the best economic development delivery systems in the country, due in part to the work of these urban pioneers and strong local leadership. Their stories are detailed in the appendix.

Lesson 4: Well designed financing tools are essential to make economic development work.

Urban economic development needs tools. The participants agreed the most effective tools in their toolbox were eminent domain, TIFs, UDAG and historic tax credits. Many of these tools have been eliminated, limited or are now highly controversial. Eminent domain, currently facing many threats to eliminate it, when used prudently remains the most powerful leverage a city has to assemble land to meet public purposes. UDAG, which many participants noted was an excellent development catalyst, no longer exists. Only TIFs and historic tax credits remain. TIFS, while popular, fall into the realm of incentives. While incentives have always been a critical tool for economic development, they are controversial within the practice and outside it. Their notoriety has more to do with their overuse and mis-use. In actual practice, good incentive use requires appropriate targeting, evaluation, cost-benefit analysis and careful consideration of the merits of the project. Their purpose is to leverage private investment to go where the market WILL NOT TAKE IT. To meet that goal, incentives have been essential for directing private investment into areas of the city ignored by the market.

Moreover, the design of many incentives reflects our industrial past, and do not address the differing needs of emergent industries. Within the urban core, they remain a necessary tool, but require more prudent usage, including greater transparency, updated eligibility criteria, return on investment calculations and regular oversight. Thus, what works are tools designed to solve economic development challenges. The incentives model needs to be rigorously evaluated, pruned back extensively and better targeted, but not eliminated, because it can work.

Lesson 5: Partnerships work.

Partnerships in 2007 are now common wisdom. Forty years ago they were revolutionary. Public-private partnerships were one of the most important innovations that the urban development pioneers fostered and remain an essential strategy to meet a variety of urban development goals. Partnerships have been, are and will remain as essential ingredients in urban economic development. This includes partnerships among levels of government, and among government, the private and community sectors. Partnerships allow cities to leverage and layer financial, physical, human, knowledge and social capital assets to meet larger goals. Partnerships are particularly important to align and harmonize economic development approaches with other core activities such as social services, education, urban design and security, which together form the quality of life and the range of economic opportunities that mark a particular region. Partnerships also form the basis of regional approaches, embracing sustainability, and grappling with globalization; all key issues identified as defining the future of urban economic development.

Lesson 6: We have not focused sufficiently on land use policy, which has created significant challenges for urban economic development today.

While many things did work, and provide important lessons for current economic development practice, we also need to learn from what did not work. The first lesson is our overall failure in the area of land use and its instigation of sprawl, which is one of the most significant current challenges to urban economic development. While failed land use policy is not reducible to economic development activity, intra-regional competition among local economic developers to attract investment has added to this problem in some places. Issues of density, a more restricted use of incentives, and regionalism emerge in part to address this ongoing problem. As well as better land use planning, combating sprawl also will require resurrecting and reinforcing some of the tools that succeeded such as eminent domain, innovative financing, and targeted incentives as well as new ones such as tax-based sharing.

Lesson 7: Economic development has focused on commercial and residential development to the exclusion of housing, which is surfacing as a challenge in many cities.

Economic development has focused on commercial and industrial development but neglected residential development. Housing can be both a stimulus to development and critical infrastructure for a competitive workforce. Today, in many places, the workforce does not have access to housing they can afford, nor with the demographic and environmental challenges afoot, do existing homes necessarily meet the demands of future generations. Add the need for housing density to counter sprawl into the mix, and the lack of attention to housing becomes an even more apparent as a gap in economic development of the past.

Lesson 8: Economic Development has worked in a silo and not sufficiently engaged in other urban issues

Economic development has been too long in its own silo, and not sufficiently involved in the range of other urban issues that influence the overall health of the cities, such as workforce development, security, day care, health care, social services, and the big gorilla at the urban table, education. While it is certainly not an economic development role to reform the education system, it is in economic development's best interest to see it happen and use its connection to the business community to support these range of goals. Economic developers traditionally have focused more on business climates and less on people climates, which include these varied urban issues. Globalization is making people-centered climates critical, and economic developers are playing catch-up in this area.

Lesson 9: Economic developers have not engaged sufficiently or satisfactorily with urban neighborhoods.

Finally, the last thing that has not worked well are the tools and methods to connect neighborhoods and their residents into broader urban and regional strategies. Neighborhood development including the provision of goods, services and infrastructure to neighborhoods as well as economic opportunities has not been the priority it needs to be. It also includes issues such as race, ethnicity, and culture. Economic development has not invested sufficient time and resources to determine how best to engage neighborhoods into the wider economy nor how to best leverage the key assets that neighborhoods offer to economic development.

V. Core Tactical Recommendations for Urban Economic Development

In the concluding session of the reunion, participants were asked to share their "pearls of wisdom" that transform lessons learned from the past into directions to focus on for the future. The participants engaged in a passionate discussion about the future of urban economic development and outlined several areas that urban economic developers need to set their gaze on. Many of the pearls were shared between multiple participants, and many of the pearls are interconnected with each other. These are not intended to serve as silver bullets for urban economic development, but rather as vital guides for moving forward towards new and old challenges.

1. Create a new UDAG program

The Urban Development Action Grant (UDAG) program served as an important financial tool for large projects as well as the marking of a crossroads for urban economic development. UDAG was the first competitive program that required projects to leverage private investment and build partnerships. It also served to provide $5 billion of revitalization to distressed urban areas to aid in stimulating their path towards economic recovery. The program ran from 1978 to 1989 and served over 1,200 cities [8]

The program was groundbreaking in that it was one of the first successful attempts of its time to depart from a charitable approach to one that embraced a market-based and entrepreneurial outlook on economic development. Rather than the typical plug and play programs of the time, which took public funds and injected them into large infrastructure and welfare programs, the UDAG program was designed to act as a direct economic catalyst. In effect, the program aimed to build on local strengths and resources, rather than to try and reinvent the wheel through grandiose new projects. Because the program was well designed and focused on catalyzing economic development, it resulted in a very low cost investment with a high return output of private investment.

Many of the reunion attendees sited the need for a new UDAG program; one that would be modeled upon the strengths of the prior program, but also adjusted to the modern conditions of urban economic development. Such a program would provide innovative financing, build up capacities for new approaches, and incentivize private capital.

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[8] Economic Development Quarterly, Vol. 6, No. 2, 150-172 (1992)

The program would be centered on the idea of recapturing public funds through market investment, while giving project control to the local level. By extension, this formula would enable projects to have a high return on public investment dollars spent. The program would be setup based on a competitive process for the awarding of funds; and select awardees based on how well they propose to form partnerships with the private sector. Further, the project funds would be awarded only after there is a commitment from private sector investors. Potential projects would be measured based on their market feasibility and ratios of public to private investment leveraging.

Programmatic areas that would diverge from the original UDAG program would lie in building a common vision for the program; whereby multiple projects awarded within a given metropolitan area would be required to coordinate their efforts towards a set of agreed upon goals and objectives. There should also be funding streams within the program to finance several different types of development: commercial, industrial and residential, rather than solely focusing on the traditional avenue of commercial development.

2. Re-engage with low-income and distressed neighborhoods

When assessing the challenges and opportunities of low-income and distressed neighborhoods, the central question at hand is: how we can continue to grow our urban economies given the growing divide between the haves and the have-nots? Distressed neighborhoods do not get developed economically *solely* through building up property and real estate. In order to truly develop, there is a need to plug distressed neighborhoods directly into the greater regional economy, but distressed neighborhoods are often left out of urban economic development discussions. Many low-income residents function on a day-to-day survival basis, which prevents them from participating in many aspects of civic and economic life. Allowing the market to lead economic development in these neighborhoods can be a challenge, as there is often fear of investing in such neighborhoods, and a lack of understanding for how much economic potential resides within them. However, when these communities are *not* engaged in the economic development process, there is a devastating loss of human, social and financial capital to us all. There is a critical two-way street of community development that includes both the physical development of real estate, but also the socio-economic development of community engagement and job linkages. Therefore, the role of urban economic development must be to fill the gaps within these neighborhoods that have gone unaddressed by the market.

Real estate development is the most traditional economic development approach to distressed neighborhood engagement. Oftentimes such neighborhoods are suffering from severe conditions of blight and degradation. Conditions can encapsulate anything from a breakdown of basic infrastructure services, to vacant properties and contaminated industrial sites. Therefore, a critical first step towards revitalizing distressed communities is to engage with the real estate tools and strategies which can drive forth the physical redevelopment of the neighborhood.

Beyond the physical and infrastructure needs of distressed neighborhoods are the numerous socio-economic challenges that people face. Oftentimes low-income and distressed neighborhoods are lacking access to meaningful job and career opportunities. There is a two-fold challenge to employment for many people within these communities. 1) Many small and medium sized enterprises don't want to locate in these areas, and as a result local access to employment is virtually non-existent; and 2) Meaningful employment opportunities are often so far away and disconnected from transit linkages, that getting to them on a daily basis is a challenge in and of itself. Therefore, urban economic developers should be facilitating strategies that can bring in meaningful employment opportunities into these communities as well as job training programs that can build critical skill and knowledge gaps that are preventing disadvantaged populations from entering the job market.

Further to physical and direct socio-economic development is the need to collaborate and dialogue with communities throughout the development process. While low-income and distressed neighborhoods can hold many hidden assets, outside professionals often tend to categorize such neighborhoods only by their many challenges and needs, and are at a loss for how to assist them. By working with local community leaders and citizens, such assets can be easily identified and mobilized with an action plan. Local assets could be anything from a specialized local skill set to untapped historical sites. This is especially relevant for neighborhoods that suffer from contaminated and Brownfield sites. Oftentimes investing in these neighborhoods is an enormous challenge, and engaging with the local community is all the more important in working towards potentially successful economic development strategies.

Engaging with distressed neighborhoods can serve to empower such neighborhoods to be part of the dialogue towards innovating solutions to meet their own economic development challenges. Engaging with communities can also give context to economic development efforts, rather than simply reaching for the lowest hanging fruit. This bottom-up approach allows for a feedback mechanism that can help to reinforce the validity of economic development strategies. Further, engaging with local neighborhoods can create robust and more diverse economic development due to the fact that there are more people taking ownership over the development process. Additionally, it fosters social, institutional, and economic stability by giving people an investment in local outcomes.

Whatever may be the context, it is the local people that hold key insights as to what the neighborhood needs and what has the potential to work. Working hand in hand with distressed neighborhoods not only gives the community a practical level of input towards economic development, but it also allows them to directly hear the insights and advice of economic development professionals. This process can lead to community “buy in”, which is critical to the success of any economic development effort.

3. Create a national-level technology investment program based on Pennsylvania’s Ben Franklin Technology Partnerships program

Technology is a key component of today’s knowledge-based economy, and the role of technology is a critical contributing factor in business creation and expansion through the development of innovative services and products. Further, technology can play a significant role in improving the efficiency of firms, thereby advancing their level of competitiveness and by extension contributing to the creation of a more robust economy. Additionally, high-tech firms have a high potential for growth and spillover into other areas of the economy. Technology firms are also highly influential in research and development, and add to the depth of the workforce pool through the training of highly skilled knowledge workers in science-based fields.

In order to engage in technology-led development, capacity must be built on the local level. Most importantly, a community’s capacity to create an environment that attracts, retains and creates technology industries and workers serves as the base for technology-led economic development. This includes the creation of policies and program that serve to encourage the development of technology into commercial products and services. Further needed are programs and services that serve to assist and empower entrepreneurs with the contacts and capital needed to successfully launch start-up firms. Communities should also be prepared to absorb technology into more traditional, non-tech related industries.

The Ben Franklin Technology Partners (BFTP) serves as a critical element of the Commonwealth of Pennsylvania’s technology-led economic development strategy. Formed in 1983, the program has assisted over 2500 companies. The organization offers a variety of services to entrepreneurs in technology related fields with the aim of supporting job growth and innovation in Pennsylvania. BFTP does this through assisting entrepreneurs with access to seed capital; technical assistance and business mentoring; and a network of regional and national resources and contacts. Critically, these services are delivered regionally, through institutions that comprise the BFTP network.

In 2002, an independent firm evaluated the organization. Their findings are the following:

“The report, which studied the period from 1989 to 2001, found:

- Every dollar invested in BFTP yielded nearly $23 of additional income in the state.
- BFTP generated 93,105 job-years at a cost to the Commonwealth of $3,342 per job-year*.
- The state garnered more than $400 million in additional tax revenue as a direct result of the program, which more than covered the operating costs of the program over the same period.
- BFTP boosted Pennsylvania’s economy by $8 billion”[9]

The program can arguably be viewed as a best practices model for state led economic development in the realm of technology and entrepreneurship support. As such, reunion attendees recommended that the program be modeled across the nation. Further, the program would be tailored to meet the particular needs of the local level. There is especially the need for such a program in the northeast and Midwest, where entrepreneurship is low. “Entrepreneurial activities are lagging in the Midwest especially, but also in the Northeast, and the bulk of new jobs are being created in small and medium-sized firms. The result is twofold: an inability to replace the jobs lost to foreign competition and an out-migration to other parts of the country, reinforcing the downward spiral.”[10]

A national program would capture all of the strengths of the BFTP, while recognizing the differences in scale of service:

- Provide seed capital to promising entrepreneurs
- Provide technical assistance in developing business plans to ensure the ability of the project to succeed
- Provide regional, as well as potentially national mentors to help business grow locally and integrate into national and even international markets
- Introduce and assist entrepreneurs with regional and national networks of contacts
- Create a national database of best practices to support learning among agencies

[9] http://www.benfranklin.org/
[10] DeVol,R; Bedroussian, A; Kim, S. 2007. Best Performing Cities: Where America’s Jobs are Created and Sustained. Milken Institute.

- Create a national database of entrepreneurship mentors
- Deliver the program regionally to enable program to be customized to meet regional needs
- Build institutional and human capacity tools to support technology and entrepreneurship

4. Connect to workforce development to enlarge the pool of knowledge workers

As we move forward into the 21st century and globalization becomes an ever-present reality, there is a pervasive need to develop and deepen a pool of talented and skilled workers. The responsibility that lies ahead for urban economic developers is to link to workforce development, technology development and education in a very strong way. These connections should be working together in a systematic, synergistic process to support one and other, and by extension to support the ladder of youth into the workforce.

Workforce systems serve as vital structures for 1) talent creation; 2) strengthening existing workforce; and 3) adapting to economic shifts and labor demands. Part in parcel of this is strong regional institutional structures and colleges and universities, which can play a supportive role in growing, attracting and retaining a talented workforce. Further, job quality and local amenities are finally coming into recognition as significant drivers of workforce and technological development. Those practicing urban economic development should be serving as the primary actors to build relationships with social, educational and workforce services with the aim of preparing communities to gain, retain and grow quality jobs.

The role of the economic developer in this capacity should function primarily as that of a recruiter and facilitator. Those in economic development should be working to better align their goals with the workforce development system so that there can be a functional partnership in recruiting and engaging with businesses with the aim of linking them to critical economic development activities. Further, partnerships are critical to the mission of engaging with youth. Economic developers should be encouraging local partnerships that target very young at-risk children so that they're "wired" to compete by the time they get to school. Also, with entrepreneurship continuing to play such a strong role in U.S. urban economic development, it would only make sense to be teaching and instilling entrepreneurship skills in young people. Not least among the issues that involve training youth is the need to direct youth towards science, technology, engineering and math (STEM) fields.

5. Do more with less: build partnerships

As of late, our local and national budgets have been diminishing while deficits are growing, which has meant fewer public dollars for urban economic development. With no end in site to this trend, there should be a greater focus on ways to be more innovative and by extension, less reliant on public dollars. The focus should be a concerted effort to collaborate across the invisible boundaries of politics and recognize that economies don't stop at city borders. Partnerships should cross agencies, layers of government, jurisdictional boundaries, and sectors (public, private, and community). The profession of urban economic development deals with such a broad swath of issues that it should be standard practice to be constantly collaborating with a variety of actors. These include but are not limited to: land use planners, zoning officials, architects, social service leaders, education leaders, political leaders, business leaders, community leaders, and workforce development coordinators.

Oftentimes there are impediments to collaboration, including sensitive information involved or a history of competition for resources between departments and agencies. The current model creates divisions that prevent separate departments from knowing what the other is doing and from working in more efficient collaborations that would better serve the needs of the people. In moving forward it is imperative to recognize that working together in collaboration will not lessen access to resources, but will enhance them. Working together also fosters capacity building and a transfer of skill sets, knowledge and perspectives amongst actors who maybe coming from different points trying to solve the same problems. With less and less funding coming from local, state and federal government for urban economic development, sharing ideas and innovations will aid in solving the challenges of doing more with less.

Part in parcel with being collaborative is being nimble. Urban economic development should be flexible enough to be able to respond to issues as they arise. The more collaborations and partnerships that are formed, the more economic development practitioners can see the "big picture" of local conditions and be able to respond appropriately by being informed through various channels. Two-way communication with the people on the ground not only allows for drawing consensus, but it also enables for feedback that can assist and guide in making appropriate decisions, and by extension empower others.

6. Develop innovative financing mechanisms that leverage or enable private investment

The provision of traditional sources of capital that have historically supported urban economic development activities is increasingly limited. Targeted programs and mechanisms, such as TIFs, UDAG, eminent domain, and historic tax credits have all served to fill critical gaps in the market. These tools leveraged and directed private investment into urban areas that have historically gone underserved by the market. With shrinking public budgets, there is a need for alternative ways of getting financial capital back into urban economic development projects, outside of the traditional ways and means. This requires a broadening of the sources of capital, particularly harnessing the power of individual private capital.

Economic developers have several roles to play in improving the access to capital:

- Advocating for tax reform at the state level for policies that are supportive of urban economic development and revitalization. Namely, those policies that pertain to small and medium sized businesses; education; and enable private investment.
- Advocating for prudent, responsible and targeted incentives for business location/relocation into strategic areas and neighborhoods.
- Advocating for revenue sharing arrangements among city and suburbs for large-scale projects
- Encouraging smarter, more targeted incentive use
- Stimulating the growth of venture and seed options, including development venture capital
- Organizing private sector engagement (e.g. Angel Networks)
- Form partnerships to leverage dollars from multiple federal agencies and find creative ways to layer and blend them with private sector financing
- Engage with foundations as a new source of capital
- Conduct fundraising on the local level for economic development activities
- Learn from the creative uses of standard tools (i.e. TIFs have evolved to include more imaginative uses beyond their original intent)
- Evaluate existing incentives for their role, eligibility and other criteria to ensure their relevancy and potential effectiveness

7. Focus on human capacity development: recruit and train the next generation of economic developers

Economic developers like to speak of the importance of globalization and the knowledge economy and their influence on how workers are trained. However, rarely is there time to reflect upon the importance of the profession and its relevance to the well-being of our cities and communities. Those in the field need to be recruiting and addressing the next generation of economic developers who will be filling their shoes. With shifting demographics and new economic development strategies coming into the mix, there is a strong need to be building up capacity within the profession to be able to adapt to these changes. Further, as we have learned, the most effective city governments have well-trained economic development professionals. As such, economic developers need to share what economic development is and why it is important. Further, economic developers should be sharing their wisdom and lessons learned from the job, so that they are in effect arming the next generation the background and history of knowledge needed to be effective practitioners.

In addition to words of wisdom, economic developers have a role to play in advocating for the future of urban economic development. There is a need to develop and encourage effective ways to build up a talented pool of the next generation of urban economic developers. Without them, the future survival of the profession remains threatened. This can happen through a myriad of efforts, not the least of which is to provide outlets for professional growth by utilizing internships in economic development organizations to build up interest on the local level for the profession. There should also be partnerships with local universities and colleges to teach economic development, and to develop and offer degree programs. Part in parcel with this is developing personal relationships with academics that can help to identify talented students who could potentially be recruited to such organizations. While it may be daunting to take on and train a younger professional, their flexibility to change and modern skill sets can function as an asset to any economic development organization. Additionally, there should be a continued effort to develop mentorship opportunities for the next generation and assist them in regional networking. Last but far from least, economic development practitioners should serve aid in organizing the younger generation to build a national cohort, which will serve in sustaining them throughout their professional endeavors.

8. Embrace technology research as an urban development tool

As knowledge becomes a fundamental part of our growing economy, technology-led economic development continues to be an important area of investment. Technology and innovation work as a virtuous cycle of economic growth, which spur jobs and move forward innovation, both vital to competitiveness.

Critical to developing technology-led economic development are 1) knowledge-based partnerships that foster the transfer of technology from research to marketplace; 2) capital for technology entrepreneurs; 3) access to capital for harnessing real estate hard infrastructure to support technology-based ventures; and 4) the recruitment, retainment and training of a talented and skilled workforce.

Urban economic developers should foster knowledge-based partnerships that bring together actors at local research institutions, including: universities, hospitals, community colleges, federal labs and private R & D. These relationships must be integrated with entrepreneurs and industry leaders and those in the public sector. Oftentimes technology entrepreneurs face many critical gaps, which prevent them from transferring a viable technology to the marketplace. Chief among them is often a lack of access to R & D and technology transfer facilities. These real estate projects also serve as catalysts for further development (see Appendix c for more details). Urban economic developers can serve to fill this gap through leveraging the capital needed to support land-based project development, such as incubators. These efforts are most often done using tax increment financing (tifs) as well as venture and seed to support entrepreneurship that emerges from the research.

A local level example of cultivating innovation and generating technology-related entrepreneurial opportunities can be found in the South Bethlehem Keystone Innovation Zone (KIZ) of Pennsylvania. The program has been created to foster a “knowledge neighborhood” that brings together a variety of local partners, namely Lehigh University and Northampton Community College. The zone acts as a physical space that enables startup ventures to have appropriate facilities, which are in close proximity to universities. By extension, the universities provide access to academics, students, and training resources, not to mention opportunities for internships and mentorships.

9. Add housing to the economic development investment portfolio

Traditionally, housing has not been part of the urban economic development mix of tasks, especially affordable housing and workforce housing. While community development corporations have been playing a significant role in housing development, economic development organizations have historically not done so. However, housing in the U.S. is currently facing several challenges, including: an aging and energy inefficient stock, and the rise of a national housing affordability crisis taking place throughout our largest metropolitan areas. Given these serious threats, the economic implications of not having access to workforce and affordable housing are becoming clear.

Access to workforce and affordable housing is directly correlated to regional competitiveness and the ability to attract and retain talented workers. The New Economy demands knowledge workers, and in turn those workers demand a high standard of living. Without the availability of housing that is affordable to these workers, they are likely to find reason to settle into smaller and more affordable regions. In fact, this trend has already begun. Therefore, the inability of many metropolitan areas to confront this issue will result in a severe opportunity cost to their ability to pool talented workers and build knowledge economies that can compete in the global economy. Urban economic developers have spent significant energy developing tools to engage in property development, and it is now being recognized that these tools can be transferred to the housing arena. Therefore, the drive towards housing as an urban economic development tool in and of itself represents a fundamental change that requires new and innovative approaches.

Housing is a critical element to urban economic development as it brings people back into the center city and provides a catalyst for redevelopment. With a stable population of residents, investment in commercial properties and overall reinvestment in neighborhoods begins to occur. Additionally, the development of housing often provides an incentive for cleaning up previously contaminated sites and Brownfield areas, in effect creating an opportunity out of what was previously a stifling weakness. Further, through housing initiatives, a mix of incomes can be encouraged within city centers, rather than being solely for the very poor or very rich.

One of the preeminent tools to achieving affordable and workforce housing initiatives is through inclusionary zoning. One of the first models of inclusionary zoning still continues today in Montgomery

County, Maryland. In the early 1970's Montgomery County, Maryland began to enter a housing crisis. As the Washington Metropolitan region began to peak in population, housing demand began to spike due to a previously limited stock, this in turn led to an overall increase in housing prices. Feeling pressure from all ends, Montgomery County eventually adopted what is now a model county-wide, inclusionary zoning and density allowance program known as the Moderately Priced Housing Program.

The basis of the program requires that developers within the county provide a required percentage of moderately priced dwelling units; in exchange for providing these units the county provides the developer with density bonuses. These moderately priced dwelling units are sold or rented at lower rates in order to provide affordable housing to people whose incomes are no greater than 65 percent of the County's average income. They are intended to provide housing for those employees who support the needs of the communities within the county. Writer David Rusk of *Cities Without Suburbs* elaborates on this point, "Many buyers are local school teachers, county police officers, office workers, supermarket clerks, fast food cooks, - in short, the very civil servants, retail trade, and service industry workers who serve local communities"[11]. In exchange for the provision of these moderately priced dwelling units, the county allows the developer up to a 22% increase in density allowances for the proposed development.

10. Preserve eminent domain

Eminent domain is a tool that allows for private property to be taken to benefit the public good, with the overall aim of improving the wealth of cities and communities. Through public takings, eminent domain has allowed for the transformation and revitalization of neighborhoods and communities. In cities where there are high concentrations of blight, utilizing eminent domain can serve as the main tool to building up the city's local economy through business, commercial and residential development.

The old model of eminent domain often involved crass 'bulldozer' techniques which allowed for large swaths of land to be completely demolished, yet much of it was left to never be redeveloped. However, eminent domain has since evolved into the much more surgical approach of today. Now, economic development professionals only focus their sites on eminent domain when there is a specific market opportunity and acquisition of distressed properties is needed to fulfill the needs of the specific project.

[11] Rusk, D. *Cities Without Suburbs*. Woodrow Wilson Center Press, Washington D.C.: 1995.

Many cities struggle with lack of competitive land sizes, which are essential to supporting the needs of modern businesses. As such, eminent domain is a critical tool in underserved and low-income market areas where the perceived or actual higher costs of doing business can be absorbed by higher sales volumes. Further, eminent domain is an essential tool for those neighborhoods that have a high amount of abandoned and tax delinquent properties. While eminent domain should always serve as a last resort tool, without it the public would be unable to support many inner-city retail projects, and traditionally underserved neighborhoods would continue to decline. Assembling land for redevelopment helps revitalize local economies, create much-needed jobs, and generate revenues that enable cities to provide essential services.

One especially effective use of eminent domain is its significant influence in bringing back supermarkets into inner cities. Many supermarkets began to abandon inner-city core areas during the 1970's and relocate to the edges of cities. Since that time many of these neighborhoods have become 'food deserts', with virtually no access to affordable and nutritious food options. Eminent domain has served a crucial role in encouraging these retailers to enter back into these markets.

In order to retain eminent domain as a tool, the definition of what qualifies as a public purpose needs to become clearer. There have been issues as to whether or not private developers can develop on land assembled thru eminent domain. Furthermore, several states have started to restrict the criteria for defining blighted areas, making it more difficult to use eminent domain.

As Kelo continues to be challenged by several individual states, the survival of eminent domain is under question. Those within the field of urban economic development must serve as advocates to ensure that eminent domain remains as a vital tool for aiding in the transformation and revitalization of our neighborhoods and cities.

11. Focus on density and incorporate smart growth approaches

Historically, urban economic development has played a back seat role in the plight for density and "smart growth" goals. However, with shrinking public budgets and environmental concerns moving to the forefront of urban America, the benefits to density and smart growth policies are becoming clearer to urban economic development. Cities can no longer afford to subsidize the urban sprawl of their respective suburbs. As such, there is a need to recognize density and smart growth approaches as part in parcel of urban economic development, rather than a separate entity.

When urban growth and development are managed improperly, they can negatively affect a community's quality of life, leading to automobile congestion, pollution, pedestrian-hostile neighborhoods, and sprawl. All of which detract from the economic vitality of cities and regions. Conversely, smart growth is based on mixing land uses, using land and infrastructure efficiently, creating walkable neighborhoods that are attractive and distinctive, providing transportation and housing choices, and encouraging community and stakeholder collaboration in development decisions.

As quality of life has become an essential business location factor, smart growth has found a high stage within the urban economic development arena. Key elements that smart growth provides such as available infrastructure, proximity to employment, and access to transit are among factors that make communities attractive to developers, businesses and residents.[12] Further smart growth encourages economic benefits to cities and regions through savings in economies of scale, primarily those related to infrastructure costs. Higher density areas use less land than traditional sprawl models and by extension, reduce the budgetary burden of having to service populations far out from major centers.

Smart growth policies also address economic development by increasing the value of properties and redeveloped areas, and by extension deepening the city or region's tax base. This occurs as focus is put on creating places rather than sprawling undefined areas. Further, smart growth encourages development on idle or underutilized sites, thus capitalizing on their financial opportunity to contribute to a city's tax roles.[13]

Also, density can positively affect the productivity of the regional economy by creating a catalyst for job opportunities and overall economic competitiveness. Muro and Puentes explain,

> *"Regional economic performance is enhanced when areas are developed with community benefits and the promotion of vital urban centers in mind. Studies show that productivity and overall economic performance may be improved to the extent compact, mixed-use development fosters dense labor markets, vibrant urban centers, efficient transportation systems, and a high*

[12] *Economic Development and Smart Growth*. 2006. International Economic Development Council.
[13] *Economic Development and Smart Growth*. 2006. International Economic Development Council.

'quality-of-place'. Productivity increases with county employment density"(Muro and Puentes, 2004).[14]

Further to this is the encouragement of housing development in dense and mixed-use areas, which serve to further enhance quality of life as well as act as catalysts for further commercial and business growth.

The days of "no growth" are no longer relevant, nor are they realistic. Clearly growth is inevitable as our society continues to shift towards a more globalized paradigm. It is in how we choose to react to this growth that will determine the sustainability and vitality of our regions.

12. Implement a national urban strategy for cities

As we continue to face many national and global shifts, how are our cities to respond? With the knowledge economy continuing to expand, where is the compass that will guide our cities in their response to this meeting this central challenge? Focusing on intra-regional competitiveness continues to be a losing strategy, which plays itself out as a zero-sum game. Competition has and will continue to go global, yet arguably our focus as a nation has thus far only been a response from the private sector. Too often, globalization becomes relegated to a far away abstract "problem" to deal with, when in reality its effects are taking place on the local level – in our regions, cities and communities. Leadership is of vital importance if our cities and urban areas are going to move forward to meet new challenges and opportunities.

There has been a gap in the vision needed to connect urban economic development to globalization processes. As one participant put it, "There is no Marshall Plan for Urban Economic Development". There is still too much time spent in the day to day trap of wasting resources and valuable time on competing against our neighbors, rather than pausing to stop and think about if such competition makes any difference in the long run. While some degree of local competition is healthy, particularly for inner city neighborhoods, its role as one of the primary foci of urban economic development is no longer practical or entirely desirable. Rather, the focus should be towards a more dynamic future, one that fosters local and regional cooperation to work together to compete globally.

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[14] Muro, Mark and Puentes, Robert, 2004. *Investing in a Better Future: A review of the fiscal and competitive advantages of smarter growth development patterns.* The Brookings Institution, Center on Urban and Metropolitan Policy: Washington.

Traditionally, campaigns that have mobilized cities towards a unified agenda have come from the federal level. Urban problems require the same level of public policy attention that they required in the 1960's and 1970's. Cities are essential assets with enormous challenges that require immediate attention. As such, the federal government needs to re-engage with economic development in order to meet these new challenges. However, in today's world of heightened devolution, states may more realistically be able to lead us towards a more unified urban vision. States can be the champions for urban economic development through encouraging partnerships, leveraging capital for local economic development and serving as a mobilizing institutions to bring together urban leaders and urban agendas from different regions. We are now at a critical juncture of history, and a new dialogue is needed if our cities are going to the fill the gaps and meet the opportunities of the 21st century.

VII. APPENDICES

a. The Role of the Mayor in Economic Development

Mayors have played an important role in urban economic development. The riots and urban violence, as well as white flight and the diminishing industrial base presented new challenges to Mayors in the 1960s and 1970s. While federal grants to state and local governments increased from $7 billion to almost $445 billion between 1960 and 1974, many federal policies of the 1960s were more centered on social programs and aiding the poor without addressing how to stimulate urban economic growth or tackling the issue of urban blight. Mayors at the time had to bring about civil order and quell the anger simmering in their cities, as well as secure resources to restore economic prosperity. Clever Mayors who were able to obtain federal funds and direct them to urban economic development initiatives were in stronger positions to retain residents and business in their respective communities. The Community Development Block Grants and Urban Development Action Grants of the 1970s further paved the way for significant redevelopment efforts in the cities.

The economic recession of the 1980s and a decline in federal funding put further pressure on the Mayors to adapt to fluctuations beyond their control in attempting to maintain and revitalize their cities. From the late 1980s to the present, Mayors have struggled to do more with less funding, shouldering many of the responsibilities that were formerly taken care of by the federal government. In addition to the common challenges of managing city finances, reducing crime, increasing economic development, dealing with property abandonment, and overseeing welfare and civil society, today's cities are involved in initiatives to reform public education, build citizen capacity and skills, safeguard the drinking water supply, and address global warming. Furthermore, as Mayors seek to create and sustain high paying jobs and build the city's tax base, they must do so without excluding the less advantaged in the inner cities. With scarce resources to contend with these issues, Mayors need to collaborate with all levels of government as well as the private and non-profit sectors to secure the both the patronage and funding to deliver successful revitalization plans.

Types of Urban Governance

Cities have different structures of municipal government. The city council-manager government is common among medium sized cities from 25,000 to several hundred thousand and in this case the Mayor is the first among equals at the city council, but without any special legislative powers. This system is appropriate for rural and suburban cities, often with a part-time mayor and city council. In the second type, under a mayor-city council system, the Mayor acts as an elected executive with the city council functioning with legislative powers. It is the system used in most of the large cities, placing the Mayor in a strong position. Lastly, in a ceremonial mayor system, the mayor has appointing power for department heads, but is subject to checks by the city council. This is common in smaller cities, often in New England, but notable examples of larger cities with a ceremonial mayor are Charlotte, NC and Minneapolis, MN.

While this paper examines solely those Mayors who have been elected into the executive position, these Mayors have different styles of governing. Mayoral action may vary depending on the governmental structures within each city and state, as well as the circumstances they have to deal with and notably, their personality traits. Some Mayors may govern from the bully pulpit, using their influence to foster cooperation and partnerships, make deals and grab headlines; others may be categorized as civic entrepreneurs, leveraging funds on behalf of the community with the public, private, and non-profit sectors, focusing on the less advantaged and minorities. There are also Mayors that act as city developers. These urbanists focus on revitalizing downtown districts and neighborhoods, as well as selling the city to attract business. Yet other Mayors approach governing the city as a chief executive officer, a competent manager seeking to run the city government more efficiently for less money and in less time.

The style may be easier to discern in some cases than others, and the styles may overlap or change over time, particularly in the case of a long tenure. For example, governing from the bully pulpit for a long period, if successful, may also imply that the Mayor is a good manager and/or city developer as well.

Regardless of the style, the actions taken by the Mayor can be crucial to a city's growth or decline. The conviction that they are doing the "right thing" and the ability to remain optimistic in the face of fierce criticism are common characteristics of the city executives that leave a distinctive impact on their cities, as can been seen in the following profiles.

Mayor Henry Maier: governing from the bully pulpit, a competent manager

In Milwaukee, Henry Maier was elected as Mayor in 1960 and remained the city executive for 28 years until 1988. He is recognized as a dean of American Mayors and is the only Mayor to head all three national municipal organizations: the U.S. Conference of Mayors, the National League of Cities, and the National Conference of Democratic Mayors. Some of the most dramatic days in Maier's career came in the late 1960s and early 1970s. Mayor Maier governed from the bully pulpit but also became known as a competent manager over time.

By the 1960s, the inner City of Milwaukee was in a state of decay and urban blight covered large sections of the city. In the mid-1960s the city's population reached nearly 750,000, but by the late 1960s, like so many rust belt cities at the time, Milwaukee saw its population start to decline due to various factors, including the loss of manufacturing jobs and white flight. In addition, thousands of people, especially in the black community, had lost their homes as whole blocks were demolished make room for new housing projects, high rises, and freeways through the urban renewal programs.

While the city had formerly prided itself on its progressive past and its diversity, the violent riots in other cities at the time triggered unrest in Milwaukee as well, bringing focus to the problems that originated with the open housing legislation in 1962 and de facto segregation in Milwaukee public schools (1963 to 1965). Therefore, when riots in Milwaukee broke out on July 30, 1967, Mayor Maier declared a state of emergency, announced a 24-hour curfew, and requested the National Guard to be brought in, swiftly stifling the disturbance.

Prior to and after the riots, Mayor Maier fought to win financial grants for the city even at the expense of its suburbs. He sought to create "suburbs within the city" using recently annexed land to help counteract the urban sprawl that was damaging the city's economy, and accused the suburbs of shirking responsibility for the needs of the poor and minorities. Notably, under Mr. Maier's edict, city workers were required to live in the city.

The vast increase in federal grants to state and local governments between 1960 and 1974 gave smart Mayors the opportunity to benefit from these newly available resources. Henry Maier became well known for his ability to mobilize an urban coalition to support the crusade for federal funds throughout his tenure. He was successful in securing federal and state aide for the city, and was instrumental in promoting the establishment of the Federal revenue-sharing program, which brought billions of dollars into Milwaukee and other cities in the 1960's. While the Maier was often at odds with the state capitol in Madison, accusing them of neglecting the city, he was able to forge alliances with other big cities in state as well as rural counties by explaining to them that they all were facing the same challenge: losing jobs to the suburbs.

The Mayor opened an economic development office for the city and in 1968 the Milwaukee Model Cities Development Corporation (MMCDC) was established as an outgrowth of Mayor Maier's 6 Year Plan for Economic Growth in Milwaukee. The start up was originally funded under the Model Cities program. The management agreement between MMCDC and the city stayed in place and became the Milwaukee Economic Development Corporation in October of 1974.

The Mayor's 6 Year Plan additionally included such initiatives as Summerfest, Winterfest, the Pabst Theater restoration, and a "Green Power" economic development corporation to be formed to act on behalf of small businesses and minority owned businesses. By the end of the 1970s, Milwaukee was receiving multi-million dollar Urban Development Action Grants to develop small industries, largely due to the Mayor's dexterity and persistence in securing the funds.

Summerfest's central location was chosen in 1970 at Milwaukee's lakefront and today's annual event draws one million people from metro Milwaukee and approximately 19% from other states, mostly from Illinois. Summerfest's boost to the city's economy is impressive, generating more than $126 million annually and supporting 1,720 full-time jobs. Maier also established the Science and Technology Utilization Council and undertook large downtown redevelopment efforts including the Bradley Center, Grand Avenue Mall, and MECCA.

In the mid-1980s, Maier fought with Governor Tony Earl over state aid and shared taxes, and Maier's prudent fiscal management was credited with keeping Milwaukee's bond rating sound. Supporters credited Mayor Maier with presiding over a city where streets were cleaner and safer than those in many other cities, where the police and fire departments were generally considered honest and efficient, and where garbage was collected on time and snow was promptly plowed. Milwaukee residents still enjoy a level of city services unmatched in most places.

Mayor John Lindsay: a civic entrepreneur

John Lindsay was Mayor of New York City from 1966 to 1973 and though he can be described as a civic entrepreneur, from his first day in office, he faced a series of incessant battles. Along with the civil unrest, housing and public school problems, high crime, and antiwar rallies that were impacting other major cities in the nation, New York was also plagued with serious fiscal and economic issues. The manufacturing jobs that supported generations of uneducated immigrants were disappearing, millions of middle class residents were fleeing to the suburbs, and public sector workers had won the right to unionize and were organizing strikes.

The union activism in the public sector was destabilizing to the city and became the bane of Lindsay's administration. On his first day as Mayor, the transport Union Workers of America (TWU) shut down the City of New York, completely halting all subway and bus service. The settlement of the strike, combined with increased welfare costs and general economic decline, forced Mayor Lindsay to push through tax hikes in the New York State legislature in 1966. These included a municipal income tax hike, higher water rates for city residents, and a new tax on commuters targeted to people who worked in the city but resided elsewhere.

Mayor Lindsay's concern for racial minorities and the poor in New York however helped guide the city through the volatile years between 1965 and 1969, and he was able to avert the massive and violent unrest that took place elsewhere. His "ghetto walks" of 1967 and 1968 were credited with maintaining racial peace in the nation's biggest city and he cultivated good relations with New York's minorities and sought to decentralize city government with neighborhood city halls. The Mayor reorganized and consolidated 50 city departments and agencies into ten and sought to make the departments more efficient with strong leadership heading them.

The Mayor additionally explored new ways to spur economic development in the city in the wake of job losses in the manufacturing sector, and in 1966 he gave the Department of Commerce the authority to ease restrictions on film shooting on city public property. He appointed an aide to help the film industry negotiate for shooting at privately owned sites and established a police unit specifically to control crowds during filming, all as a means to encourage New York-based production and add jobs through the film and commercial television industry. The result was spectacular and in 1966 alone, production in New York increased by 100% over the previous year, bringing an estimated additional $20 million to the City.

The Lindsay administration defined itself by its attempts at redistribution to the city's less advantaged and Lindsay's first administration saw a doubling of welfare spending and in the number of city workers, with the city budget growing from $3.8 to $6.1 billion. Between 1960 and 1975 spending tripled, with the money going towards public assistance, health and social services, and housing. Public employment rose by about 25% during the early Lindsay years and increases in employment were particularly high among minority and lower income groups.

The campaigns against racial discrimination and poverty led to more public subsidies and tax investments, which stimulated private investment in publicly assisted housing programs. New York State had been the first to create a Housing Finance Agency in 1960, providing low interest mortgage loans to developers. In 1965, Mayor Lindsay established the Housing Development Administration to coordinate and consolidate the city's urban renewal programs and to construct new housing. Lindsay's Housing Commissioner, Ed J. Logue, applied the Section 236 program of the National Housing Act, whereby HUD subsidizes the interest payments on mortgages for rental or cooperative housing owned by private non-profit or limited-profit landlords and rented to low-income tenants to stimulate private investment in the Mitchell-Lama Program.[15]

In 1967 New York created a municipally financed industrial renewal program that assembled land and made it available for developers, and the Bedford Stuyvesant Restoration Corporation was also founded in 1967 by Senators Robert F. Kennedy and Jacob Javits. The Bedford Stuyvesant Restoration Corporation (BSRC) was the first local development corporation in the nation, and has proven to be a catalyst for neighborhood revitalization through partnerships with a wide spectrum of community organizations. From its streetscape improvement collaboration with the Brooklyn Chamber of Commerce to its financial fitness workshops for community residents, the BSRC executes a multi-pronged economic development strategy to this day.

In 1968, Governor Rockefeller and Mayor Lindsay pledged in a joint statement that "the city would earmark funds it would normally receive from new commercial and luxury developments to underwrite land costs for new low and middle-income housing.[16] By 1969, the Mayor reached an agreement with other city officials that two-thirds of the 15,000 apartments set to rise at Battery Park City would be for people with low or moderate incomes. The construction of the 92-acre landfill was completed in 1976.[17]

While the administration worked to improve housing and social issues, the summer of 1970 ushered in more strikes in New York. One of the most notable was the American Federation of State, County and Municipal Employees (AFSCME) strike, when over 8,000 workers walked off their jobs for two days. The strikers included workers on the city's drawbridges and sewer plants. Drawbridges were locked in the

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[15] The New York State Mitchell-Lama Housing Program was created in 1955 for the purpose of building affordable housing for middle-income residents.

[16] Eric Lipton, "Missing Element/A special report: Battery Park City Is Success, Except for Pledge to the Poor", The New York Times, Jan 2 2001.

[17] After Lindsay's term, when the city had slumped into a fiscal crisis, and the idea of developing Battery Park City as a mixed-income community was abandoned as "quaintly utopian".

elevated position, barring automobile transit, and thousands of gallons of raw sewage flowed into area waterways. Adding to the turmoil, the Lindsay Administration had little cooperation neither from the state legislature, nor from Governor Nelson Rockefeller. Other riots followed that year and to secure the unions' political support, Lindsay offered large concessions; the transit workers got an 18% percent salary increase, an extra week of vacation, and fully paid pensions, while the teachers received wage increases ranging from 22 to 37%.

Residents paid heavily for the union settlements and welfare costs, and by 1970 New Yorkers were paying $384 per person in taxes, the highest in the nation at the time. (In comparison, Chicago residents paid $244 per person).[18] Some big corporations gave up on New York at this time, including corporations like American Can, Pepsi-Cola and Olin Mathieson, discouraged by the high cost of doing business and inconveniences caused by the strikes.

Critics argue that the bargains Lindsay made with the unions later contributed to the fiscal crisis of next mayor, Abe Beame's administration. While private sector jobs increased rapidly during Lindsay's first term, government jobs, the welfare rolls, and the taxes and debt needed to pay for them increased even more rapidly. However, many consider Lindsay's desire to overcome the pressing social and racial issues at the time a tremendous feat given the circumstances.

Mayor Coleman Young: a civic entrepreneur using the bully pulpit

In 1973 Coleman Young was elected the first black Mayor of the City of Detroit, where he remained after four consecutive re-elections until 1989. However, Young inherited a city in economic decline and on the brink of bankruptcy. While Mayor Coleman was a civic entrepreneur he also governed from the bully pulpit and was considered one of the country's most controversial mayors, known as a fiery and testy leader.

The riots had put Detroit on a fast track to economic desolation that was hard to reverse, and most of the white, middle-class residents and many of its businesses and investors abandoned City in the decades after the 1967 riots. By 1973, when Young was elected Mayor, the population had fallen to 1.39 million from its peak of 1.85 million in 1952. The proportion of whites in Detroit dropped from 56% in 1970 to

[18] Pettengill, R., and J. Uppal, "Can Cities Survive? The Fiscal Plight of American Cities", New York: St. Martin's Press, 1974.

22 % in 1990, the smallest of any of America's 150 largest cities. The Detroit of the 1970s and 1980s was reeling from the rapid decline of the domestic auto industry, which had previously made the city world-famous as the Motor City. With almost all its auto factories closed, the city struggled with massive unemployment, abandoned housing, poor schools, lack of public transit, and high crime.

The Mayor needed to tackle all of the these deep-rooted problems just at the time that urban issues had moved from near the top of the national agenda to near the bottom. His first four years included a fiscal crisis in 1975, a near riot, police confrontations over lay-offs and residency rules, and the threat of plant closings by Chrysler.

Young’s major strategy to reverse Detroit's decline was to court business leaders in efforts to rebuild downtown, hoping to recapture businesses and jobs to the city. He forged solid relationships with top automotive and financial leaders and tried to promote Detroit as a "renaissance city." An initiative that epitomized his strategy was his deal to bring a new General Motors assembly plant to an area known as Poletown. The city, state, and business leaders devised a plan to demolish an old but relatively stable mixed-ethnic community to clear land for the plant, vaunting the potential of thousands of jobs. Community activists opposed the destruction of the neighborhood, but the Mayor and his coalition prevailed, touting the new GM plant as a symbol of the city's revival. While jobs were created, the promised economic spin-off promised never materialized however, with less than half of the promised jobs created once the plant opened.

The Mayor’s early successes were the integration of the police department and the promotion of black officers into administrative positions, the creation of a business and labor coalition for the preservation of the industries remaining in the city, and a tax adjustment plan to attract new businesses to the area. He managed to bring the city back from the brink of bankruptcy and revitalized the city’s riverfront. He is credited with the completion of the Renaissance Center complex, the building of Joe Louis Arena, and the PeopleMover.

The Renaissance Center, known as the RenCen, is a group of seven interconnected skyscrapers in Detroit located on the riverfront. The RenCen became the world's largest private development with an anticipated 1971 cost of $500 million. Civic leaders were hopeful that this urban renewal project would curb white flight and revitalize the economy. In 1970, Ford Motor Company Chairman Henry Ford II teamed up with other leaders to form Detroit Renaissance, a private non-profit development organization and the group announced the first phase of construction for RenCen in 1971. The complex opened in 1976 and by 1980, the RenCen had helped the city raise its convention revenues from $56 million in 1970 to almost $115 million in 1980.

The symbiosis between Detroit and the auto industry is unique and the city always placed the needs of the auto industry as a high priority. When in 1980 General Motors Chairman told Mayor Young that the Cadillac division and the plant that supplied it might have to leave Detroit in a search for more space, the city assembled a land package of more than 500 acres in a deal with Hamtramck, a municipal enclave surrounded by Detroit, within a week. While it was crucial to retain these companies in the city, balancing business needs with the wishes of residents was not always an easy task for Young. He was criticized for granting tax concessions to developers willing to build in the area at a time of high city deficits, but Young defended his actions, arguing that tax abatements were not meant to make developers rich but to make the developments possible and to save the city.

Coleman was a proponent of Affirmative Action and economic redevelopment and was additionally credited with helping Democratic presidential candidates in their campaigns. His ties with Washington helped Detroit obtain vast amounts of federal aid, which helped turn the city around financially during an era of decreasing aid to cities from the federal and state government. At the time of his first election in 1973, Detroit’s black population was about 50%, and he was seen as a heroic figure. In the state of Michigan however, he became a symbol of the deep racial divisions, despised by many white suburbanites and praised by black and liberal whites. His reorganization of the police force also helped to decrease crime in the city and by 1979 the number of crimes in “Murder City” had significantly dropped.[19]

Despite some of the notable developments along the Detroit River waterfront and some building in the core downtown area, many neighborhoods continued to decline as middle-class families moved to the suburbs. As the city's population decreased, and as the real value of its property tax base declined, the tax rates continuously rose. The property tax rate hit the highest level Michigan law allows, and Detroit also slapped an income tax on residents, corporations, and non-resident workers, all at the highest rate allowed by the state, even adding a 5% tax to all utility bills. These taxes were debilitating to residents that were already among the poorest urban population in the country, with a median income of $19,390 when Young left office.

[19] In 1973, the 714 homicides constituted the highest per capita rate of any major US city. 1979 the murder toll was down to 451.

Mayor William Schaefer: the ultimate city developer

William Schaefer was Mayor of Baltimore from 1971 to 1987, winning national fame due to his “do it now” efforts to revitalize the city’s blighted downtown waterfront and grim slums, as well as his ability to attract business. Schaefer governed as a city developer and his support for economic development in Baltimore was notable. In his first run for Mayor in 1971, he ran in support of City bond issues, including a $3 million bond issue to fund a land banking-industrial park development program. His extensive knowledge of the City and its bureaucracy led to some calling him, “the only elected city manager in the country”.

In 1972 Mayor Schaefer established a council of economic advisors consisting of leaders from Baltimore’s business community, key government officials, and economists from local universities. This group advised Schaefer on the establishment of an administrative organization to carry out industrial land and related programs, which led to creation of the Baltimore Industrial Development Commission (BIDC). The BIDC became the Baltimore Economic Baltimore Economic Development Corporation (BEDCO) in 1975, a quasi-public agency established to manage the city’s $3 million industrial land-banking fund, which packaged land for manufacturing projects throughout the city. Between 1976 and 1986, BEDCO acquired over 500 acres for industrial use, created six city-owned industrial parks (such as Fort Holabird Industrial Park and the Seton Business Park), made improvements to older industrial parks, and converted vacant factory buildings.

As the city lost population, it also lost industrial jobs. In 1950, Baltimore was one of the country’s leading industrial centers. Over 34% of the city’s workforce was employed in manufacturing and over 75% of jobs in the region were located in the city. Between 1950 and 1995, Baltimore lost 75% of its industrial employment. As the city’s manufacturing base eroded, it aggressively promoted tourism and the redevelopment of the downtown central business district.

Mayor Schaefer worked hard to promote the idea of using public-private partnerships to pursue economic development and maintained a close working relationship with the Greater Baltimore Committee and other business groups throughout his tenure, effectively using EDA and UDAG grants and loans as well as state and city financing programs to lay the groundwork for a downtown-focused strategy. The Mayor additionally made great efforts to ensure that the city be seen as business-friendly and focused on real estate, retailing, and tourism offering below-market loans, land write-downs, sale lease-back agreements, preferring financial incentives over tax abatements.

Mayor Schaefer's strategy is exemplified in the redevelopment of the Inner Harbor, of which he became the leading promoter. He arranged for the City to pour public funds and resources into the project and the City acquired and demolished more than 400 structures to provide land. Ninety percent of the first phase of the project in the 1970s was funded with public money. Between 1975 and 1981 Baltimore spent 35% of its $296 million in UDAG and CDBG grants and special grants on Inner Harbor-related projects. These projects included public and non-profit facilities such as the Maryland Science Center, the World Trade Center, the Convention Center, and the National Aquarium. Baltimore's UDAG grants alone totaled approximately $100 million, which leveraged $450 million in private investment.

Additionally, changes in tax policies in the 1980s that allowed for accelerated depreciation on commercial real estate contributed to economic growth, and $1.6 billion was invested in the Inner Harbor on projects such as office buildings, luxury housing and hotels, with a large portion coming from the private sector.

The Inner Harbor is the most visible and successful redevelopment effort in the city, and in the 1970s and 1980s, Baltimore successfully transformed the Inner Harbor into a popular tourist destination. Other efforts include the city's attempts to revitalize retail and housing in the West Side area near Lexington market. The city has continued a downtown-oriented strategy by devoting significant resources to tourism, parking, the redevelopment of Inner Harbor East and the West Side. Since the 1970s, the city's net job growth has been in the downtown area, with the bulk of this in tourism related jobs, accounting for an 80% increase in employment between 1970 and 1995.

Mayor George Voinovich: the city's trustworthy CEO

George Voinovich was Mayor of Cleveland from 1979 to 1989. As he began his tenure the city was in default on $110 million of its financial obligations. As a competent manager the Mayor's first priorities were to balance the city budget and reorganize the city's administration. He immediately met with Ohio Governor James Rhodes to solicit the state government's help in clearing up the city's debts and negotiated a debt repayment schedule. By October 1980, eight local banks, with the state guaranteeing the loans, lent Cleveland $36.2 million, allowing the city to emerge from default.

To reduce administrative costs, he organized an Operations Improvement Task Force made up of local private industry executives, the start of Cleveland's Public-Private Partnerships. The city reorganized 10 city departments and set up a new accounting system with internal auditing capability.

Highlights of the Voinovich administration included neighborhood revitalization that started with the Lexington Village housing project. A $149 million UDAG grant leveraged $770 million in private investment, as well as $3 billion for construction. Two of Cleveland's worst east side neighborhoods, Hough and Fairfax, benefited from this initiative and new houses built and crime decreased. Mayor Voinovich also oversaw a huge scale urban renaissance downtown. Ohio Bell and the Eaton Corporation built new offices in the downtown district, and the Mayor lured the Key Bank Company, which eventually led to the construction of Key tower, the largest skyscraper Cleveland and the 15th largest in the nation.

In 1981 the Mayor sought an increase in the city income tax from 1.5% to 2%, which voters approved. However, the national recession in the 1980s and cuts to federal funding curtailed the Mayor’s initiatives to balance the budget and trim spending, and the city's economy continued to decline. The city suffered a progressive decrease in population and problems with the public school system. In 1985, as outgoing head of the National League of Cities, Mayor Voinovich, called on federal leaders to reduce the national deficit by raising taxes instead of cutting programs.

Despite difficulties, the accomplishments the Mayor made a difference in the community and it is noteworthy that the National Civic League awarded Cleveland the All-American City Award three times, in 1982, 1984, and 1986, based on Mayor Voinovich’s achievements in improving the quality of life in the city.

William Hudnut: a cunning city developer

William Hudnut was Mayor of Indianapolis from 1976 to 1991 and established a reputation for revitalizing Indianapolis. He governed as a shrewd city developer and entrepreneurial leader willing to take prudent risks. He spearheaded the formation of a public-private sector partnership that led to the emergence of Indianapolis during the 1980s as a major American city.

A past president of the National League of Cities and the Indiana Association of Cities and Towns, Indianapolis recorded spectacular growth during his sixteen years in office. His ability to think out-of-the-box led to a long list of priorities for the city that included neighborhood redevelopment and downtown revitalization, improvement of police-community relations, improved finances, and a strategy for economic development that emphasized sports as a point of leverage. The Mayor promoted public-private partnerships, established Labor and Neighborhood advisory councils, and upgraded the role of minorities in the city decision-making process.

Shortly after being elected, the Mayor' office devised a plan to use a combination of public and private funding to take advantage of what was identified as the city's existing and potential strengths: health, medical facilities, education, the agricultural industry, arts and culture, and amateur sports. One of the first and most important results of the implementation of the plan came in 1974, when a decision was made to build the Market Square Arena (with 16,000 seats) downtown rather than in a suburb. A few years later, the Lilly Endowment[20] patriarch, ordered an increase in donations to local projects and over the next 10 years the endowment contributed between $50 million and $60 million to the city. With the endowment money, in addition to federal, state and local government funds and other private contributors, the city was able to build a new tennis center, a swimming center, a track and field stadium at Indiana University and the Hoosier Dome.

The concept of using sports as a magnet to revitalize the City was initially seen as an economic development strategy to attract mid-sized athletic events to Indianapolis, and by 1987 the Pan American Games were held in Indianapolis pouring $1.75 million into the local economy. However, the Hoosier Dome helped lure the Colts of the NFL from Baltimore in 1984, and the city has hosted four NCAA championships, and in 1999 the National Collegiate Athletic Association.

City and State magazine proclaimed him the "nation's best mayor" in 1988 and Hudnut further contributed to the city's downtown revitalization by using the stadium to lure new shops and businesses to attract people downtown. The most significant development project was the Circle Centre Mall, a retail and entertainment complex that was built with public and private money and which replaced vacant and semi-vacant buildings.

Hudnut was Mayor of Chevy Chase, Maryland for two years and is senior fellow at the Urban Land Institute in Washington, D.C.

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[20] Lilly Endowment Inc. is one of the world's largest private foundations and is among the ten largest such endowments in the US. Founded in 1937 by J.K Lilly Sr. and his sons with gifts of stock in the pharmaceutical company Eli Lilly and Company, the Lilly Endowment is unique in that it funds almost exclusively in its home city and state: Indianapolis, Indiana.

Mayor Ed Rendell: an invigorating CEO, managing the city with tough love

Edward Gene "Ed" Rendell was elected as Mayor of Philadelphia in 1991 and remained in the position until his resignation in 1999 in order to Chair the Democratic National Committee. Upon his election in 1991, Rendell inherited a City with massive fiscal problems. The situation was in such disarray that the state legislature established the Pennsylvania Intergovernmental Cooperation Authority (PICA) in 1990 to monitor Philadelphia's fiscal issues.

Known for his high-energy and informal style, Mayor Rendell was a deft city manager, taking a “tough love” approach to turning the City around. He cut a $250 million deficit, balanced Philadelphia's budget, and oversaw five consecutive years of budget surpluses. The Mayor additionally reduced business and wage taxes for four consecutive years, implemented new revenue-generating initiatives that increased the City's revenue collection by approximately $70 million a year without increasing taxes, and dramatically improved services to Philadelphia neighborhoods. His cost-cutting policies brought him strong opposition from labor unions however, and less than a year into his first term, the Mayor offered municipal workers an unpopular contract that would freeze wages for almost three years and cut benefits.

The cornerstone of the Rendell Administration was the unprecedented public-private partnership that he developed between the city government and the local business community. This partnership included the creation of the Mayor's Private Sector Task Force, composed of more than 300 volunteer-loaned executives that engaged in a comprehensive management overview of the operations of the City of Philadelphia government. The task force generated over 400 recommendations for change and virtually all were implemented. Furthermore, the Office of Management and Productivity monitored vendor activity and ultimately saved the City more than $150 million.

Mayor Rendell was adamant about not going to Washington or the state capitol for financial aid, but knew that without outside assistance to stimulate growth, cities like Philadelphia would continue to decline. He strongly believed that the federal government should reinvest in the cities and in 1994 he packaged some of his ideas into a 13-point plan he called the New Urban Agenda and presented it to President Clinton and Vice President Gore at the time.

Despite the tension from the municipal unions, Mayor Rendell was re-elected with nearly 80% of the vote in 1995. While some grumbled that the Mayor could have done more to improve the schools and housing, or made more of an impact to curtail job losses, by the time the Mayor left office, Philadelphia was a far different place. The Mayor tried to generate the type of economic development that would employ local residents, and the City's fiscal health was much better. Center City and areas immediately west, north, and east were home to new hotels, restaurants, cafes, and arts attractions.

The New York Times described the Mayor's first term as "the most stunning turnaround in recent urban history", and he was nicknamed "America's Mayor" by Al Gore. *Time* magazine called him "the Rocky Balboa of American Mayors", and he was additionally named Municipal Leader of the Year for 1996 by *American City & County* magazine.

The former Mayor of Philadelphia believes that fiscal cooperation between a city and its suburbs is the only hope for cities in the 21st century and he has carried these ideas to the state capitol. He was elected Governor of the Commonwealth of Pennsylvania in 2002 and is currently serving his second term.

Mayor Hazel McCallion: the distinguished CEO

Hazel McCallion is the Mayor of Mississauga, Ontario, Canada's sixth largest city. She has been Mississauga's Mayor for almost 30 years, holding office since 1978. She is affectionately called "Hurricane Hazel" by supporters for her vibrant outspoken style of no-nonsense politics. She is one of Canada's best known and longest serving mayors and at the age of 86, she was easily re-elected in November 2006 for her 11th consecutive term, holding a 91% majority of the votes.

Mayor McCallion had been in office only a few months when a public health and safety crisis occurred in 1979 in Mississauga, when a train carrying toxic chemicals derailed in a heavily populated area of the city. A large explosion and fire ensued as hazardous chemicals spilled. McCallion, along with the regional police and other governmental authorities, oversaw an orderly and peaceful evacuation of the entire city. With no loss of life or serious injuries reported during the week long emergency, Mississauga and the Mayor gained international renown for the peaceful evacuation of its 200,000 residents.

The Mayor believes that a city should be run like a business and she encourages the business model of governance. Mississauga is one of the few cities in Canada that is debt-free, and it has not had to borrow money since 1978. The Mayor has overseen the growth of the city from a small collection of towns and villages to one of Canada's largest cities and as Toronto grew in national standing, Mississauga politicians worked to define their community beyond a bedroom community of Toronto. While

McCallion has fought to make the city a single tier municipality, the Ontario government has denied the request. Mississauga did obtain two additional seats on the regional council, but this still gives it less representation than its proportionate share by population or by municipal tax base, creating controversy in the region.

Despite this, Mississauga today is home to a mix of commercial, residential, industrial, and recreational areas. The McCallion administration also spearheaded the development of a downtown Mississauga area. The building of the shopping center Square One during the 1970s has evolved into a center of commercial and recreational activity, helping to unite residents of the different towns that made up Mississauga without destroying the smaller villages. Additionally, the Hershey Centre, first opened in 1998, has become Mississauga's premiere sports and entertainment facility.

Mayor McCallion also established the Greater Toronto Area (GTA) Mayors' Committee in 1992, bringing together the region's 30 mayors and the four regional municipality chairs in one coordinating body**.** From 1992 to January 2000, the Committee, chaired by Mayor McCallion, was a strong voice on key issues affecting the future of the GTA. In addition, the Mayor represented the Association of Municipalities of Ontario (AMO) on the Electricity Transition Committee for the Ministry of Electricity, Science and Technology. In February 2002, Mayor McCallion was appointed Chair of the Central Ontario Smart Growth Panel by the Hon. Chris Hodgson, Minister of Municipal Affairs, advising the provincial government on how to plan for growth for the central region in both the short and long term.

Mayor McCallion is described as hands-on and sympathetic and is actively involved in health and youth initiatives in the city. Her reputation over the past quarter century has hinged on her financial acumen and political pragmatism, endearing her to constituents and alienating some opponents. Her awards are numerous and she was named "Women of the Year 2001" by an international business lobby, she ranked second in the 2005 international World Mayor poll, and the University of Toronto at Mississauga has named their new library and academic learning center after McCallion, in appreciation for the support she offered the campus in its growth and development. She additionally received the Cross of the Order of Merit of the Federal Republic of Germany for her role in bringing German companies to Canada. She is past chair of the World Health Organization Symposiums on Healthy Cities and past vice-president of the World Conference of Mayors.

Mayor Jerry Abramson: a progressive and popular city developer

Jerry E. Abramson was elected as Mayor of the City of Louisville for the first time in 1985. Popular in the community, he served 3 terms and in 2002 was elected as the consolidated City of Louisville's first Metro Mayor. As a strong believer in regional cooperation, Mayor Abramson was instrumental in designing the merger plan of the Louisville and Jefferson county governments, including the business community in the process. Currently in his second term as Mayor of Louisville Metro, he locally has the nickname of "Mayor for life".

Throughout his tenure, Mayor Abramson has taken an aggressive stance on improving opportunities for economic growth in the community, notably with the $700 million expansion of the Louisville International Airport, and the creation of the Waterfront Park to revitalize the city’s waterfront. The Mayor’s business attraction and retention campaign focuses on both big and small companies, including the knowledge-based sector and those that still exist in manufacturing. The recruitment of the international headquarters of Yum! Brands, Inc. and the UPS Air Hub in 2000 brought thousands of jobs to the region, and recent focus on bioscience and technology firms led to the creation of the MetaCyte Business Lab in 2002. MetaCyte works with the City as well as other regional anchors and state government to foster the development and commercialization of health science businesses and create high paying jobs in the region.

This progressive Mayor has also taken bold steps to attack the issue of concentrated poverty in the City and to give low-income families access to better housing. Under Mayor Abramson, Louisville has used the federal HOPE VI program to transform highly impoverished neighborhoods into mixed-income communities, particularly the Park DuValle neighborhood. The Administration focuses on community development finance to stimulate business investment in the city's distressed areas and Louisville Metro additionally boasts one of the most successful municipal campaigns to connect low-income workers to benefits like the federal Earned Income Tax Credit, coordinated by the Louisville Asset Building Coalition, thus enabling families to afford better housing. Furthermore, the City has established an Affordable Housing Trust Fund to provide low interest loans to developers for the construction of affordable homes.

In an effort to extend economic opportunities throughout all neighborhoods, the Mayor additionally launched the COOL initiative (Corridors of Opportunity in Louisville), incorporating retail development into all of the City’s economic development strategies. COOL has been successful in bringing retail business to areas that have sparse or no retail, and the Abramson Administration has also made great strides in bringing big projects to the downtown area with a downtown renaissance plan that has already pumped $800 million into recent redevelopment. The Mayor has undertaken key initiatives to reduce the size of government without raising taxes and find innovative solutions to repair and replace old and decrepit infrastructure in the community, particularly through a $70 million project (Project DRI), to solve serious drainage problems, as well as improve roads and bridges.

Beyond the traditional projects of a Mayor’s office, Mayor Abramson has also made a commitment to confront the crisis of obesity in his community through the Healthy Hometown Movement (MHHM). Among the numerous recognitions and awards for the Mayor and the community, Mayor Abramson was President of the US Conference of Mayors From 1993 to 1994, and Louisville Metro was named as one of America's 50 "Hottest Cities" for business expansion and relocation, by *Expansion Management* magazine in 2006 and 2007. Most recently, the Mayor received the 2007 Leadership Award for Public Service from the International Economic Development Council.

Mayor Meyera Oberndorf: a savvy saleswoman and accomplished manager

Meyera Oberndorf was first elected Mayor to the City of Virginia Beach in 1988. In addition to being the first woman Mayor in Virginia Beach’s history, Mayor Oberndorf’s initial election to City Council in 1976 was also significant, as she became the first woman elected to public office. As Mayor she has emphasized the importance of economic development and the City made significant progress on economic development matters in the 1990s.

One of the most important accomplishments under the Mayor’s Administration was the City of Virginia Beach’s Economic Development Strategic Plan initiative in 2001. The city’s proactive work approach includes the promotion of technical training and higher education as key elements of Department of Economic Development’s agenda. This plan is continually updated and revised to capitalize on changing markets, recognizing that a skilled labor force is the number one site selection criteria used by site selection consultants. Under Mayor Oberndorf’s leadership, the city places a high value on team building and interdepartmental cooperation and the economic development strategy is framed with a full understanding of its connectedness in the City’s total effort. These include: improving workforce skills, marketing the City internally as well as externally, targeting businesses that support income growth, redeveloping older parts of the City, and enhancing tourism activities.

Mayor Oberndorf has additionally pursued new development for Virginia Beach including a new Town Center, which is located in the heart of Virginia Beach, the most populous city in the Commonwealth of Virginia. In April 2004, the City of Virginia Beach was recognized by *Site Selection Magazine* as having one of the ten best economic development groups in the nation and was honored for closing several major projects in 2003 under the Mayor's direction.

Mayor Oberndorf's efforts have paid off and new businesses are relocating to the city, existing businesses are expanding, and new jobs are being created. She has traveled to China, Japan, Ireland, England, and Norway to further economic development and cultural relations with other nations. *USA Today Weekend Magazine* named Virginia Beach the "Best Place to Live in America" and Mayor Oberndorf was recognized by *Newsweek* magazine as one of the 25 most dynamic Mayors in the US. During her tenure the city has been awarded one of the five best managed cities in the country by *Syracuse University/Governing Magazine* in 2000, as the #1 city for Women in 2002 by *Ladies Home Journal*. The Mayor is also a strong advocate of e-government, and since the formation of her e-government commission, the City has won numerous awards for its web site, www.vbgov.com.

Mayor Ronald Loveridge: a keen city developer, champion for the environment

Ronald O. Loveridge was first elected Mayor of Riverside, California in 1994 and he was elected to an unprecedented fourth term in 2005. A champion of neighborhood rebirth, visionary thinking, and the entrepreneurial development of California's Inland Empire, he plays a key developmental role in Inland Southern California, one of the fastest growing regions in the US. Mayor Loveridge has made attracting new business and retaining existing businesses a city priority and actively participates in meetings with industry, including the "Red Team" program designed to assist business in overcoming obstacles.

The Mayor has a flair for mixing city development with good environmental practices and the City of Riverside is on the cutting edge of the clean fuel-clean air movement. In 2004 the city featured the opening of one of the largest public access Compressed Natural Gas (CNG) fast-fill fueling stations in the state of California. CNG is a cleaner burning fuel than gasoline and more cost efficient, allowing consumers to collectively save approximately $413,640 a year by utilizing this facility. Furthermore, Riverside recently became the first city in the state to create an incentive-based California Green Builder program. The City Council adopted the program and provided participating home builders with guaranteed processing timelines, overtime inspections, and priority electrical design. These incentives will expedite the process of building a green home, saving time and keeping homes competitively priced.

The Mayor also unveiled an ambitious plan called the Riverside Renaissance Initiative in 2006, the most inclusive infrastructure and capital improvement program ever financed and led by the City. The Mayor considers the $781 million project to be a proactive approach to growth and an investment in the City's future. The plan is designed to meet community and business needs while enhancing the quality of life for residents and attracting culturally diverse firms to do business there. The list of approved projects includes redevelopment of the downtown, expansion of the convention center, major freeway and railroad improvements, and new parks, libraries and other municipal buildings, all of which are expected to be completed in the next five years. Plans encompass renovation of the Fox Theater into a 1,600-seat performing arts center and the rehabilitation of the Riverside Metropolitan Museum, among others.

The Mayor currently serves as president of the California League of Cities and as president, he took the lead in promoting a statewide ballot initiative measure to protect local government revenue from being diverted to state purposes. He is also a member of the boards of directors of the Southern California Association of Governments (SCAG) and the South Coast Air Quality Management District (SCAQMD). In 2005 Loveridge received the prestigious Tom Bradley Leadership award from the National Association of Regional Councils, which recognizes leadership excellence in advocating regional concepts, approaches, and programs at any and all levels of government. Previously, the American Lung Association honored the Mayor for his leadership in protecting public health from air pollution.

Mayor Richard M. Daley: governing from the bully pulpit, the top urban CEO

Richard M. Daley was first elected as Mayor of Chicago in 1989, to complete the term of the late Harold Washington, and was re-elected in 1991, 1995, 1999, 2003 and 2007 by overwhelming margins. Governing from the bully pulpit, Mayor Daley has earned a national reputation for his innovative, community-based programs to address education, public safety, and neighborhood development. His straight forward no nonsense manner that reassures his constituents and *Time* magazine proclaimed Daley as “the nation's top urban executive”, in its April 25, 2005 issue.

As a strong manager as well, the Mayor controls public housing, public schools, and the city council and has used his power to steer Chicago into a period of stability, with declining unemployment and growth.

Hiring skilled managers has improved the professionalism and efficiency in the city and the Mayor has concentrated on enhancing the city's image to business, persuading global firms like Boeing to relocate to the downtown area, as well as luring financial and law firms. His political capital has enabled him to take big risks and during his tenure, and as a city developer, Mayor Daley has transformed the city into a vibrant boomtown, with a newly renovated football stadium, a new downtown park. There is a marked increase in redevelopment projects, and the Mayor uses his influence to persuade the private sector and the wealthy to help fill the funding gaps for big development projects, such as the $475 million Millennium Park.

Daley's focus on quality-of-life concerns has led to greater emphasis on the delivery of basic services and since he became Mayor, the City has planted more than 500,000 trees, created 100 school campus parks. His influence extends past his jurisdiction and he has organized US and Canadian mayors to cooperate on initiatives to protect the Great Lakes. His Administration has additionally invested more than $3 billion toward more than 125,000 affordable housing units, establishing aggressive plans to rebuild public housing and end homelessness in Chicago. The City has tripled the number of available beds for the homeless and established the largest locally funded rental subsidy program in the nation.

Mayor Daley firmly believes that keeping the middle class in the city is the best way to remain competitive and that providing a good educational system is the key to alleviating other social issues. Since 1995, the Administration has brought graduation rates up from 51% to 54%, and in 2004 the Mayor introduced the Renaissance 2010 plan to create 100 new schools by 2010, providing new educational options and relieving overcrowding. In 2006, he announced Modern Schools Across Chicago, a $1 billion plan to build 24 new schools, using TIF.

Daley was President of the U.S. Conference of Mayors in 1996 and his numerous awards range from the *American City and County* magazine's Municipal Leader of the Year in 1997, to the Public Service Leadership Award from the National Council for Urban Economic Development in 1999, to the National Trust for Historic Preservation National Preservation Award for Chicago in 2000 and 2002, and the Kevin Lynch Award from the Massachusetts Institute of Technology "to an individual or organization whose work has improved our understanding of the built environment" in 2005, among others.

Mayor Francis Slay: a city developer and skilled manager

Francis G. Slay was elected Mayor of the City of St. Louis in 2001 and was re-elected by a large margin in 2005. He is proving to be as much as a city developer as a skilled manager.

Mayor Slay is a staunch believer in fostering cooperation among the city's civic, commercial, and political leadership in order to attract residents and businesses from throughout the region and beyond. Key initiatives have focused on improving the quality of life in neighborhoods, the revitalization of the downtown district, public education, poverty, and the efficient delivery of city services. Redevelopment initiatives have been highly successful and more than $4-billion has been invested in the City, spurring confidence in the city's future. As a result property values have risen by almost 70% and for the first time since the 1960s, the city's population is increasing, with an additional 18,000 residents since 2003.

A great deal of residential redevelopment took place within the city during Slay's first term in office. A state tax credit program that was adopted in 1998 provided financial incentives for the redevelopment of historic buildings, which facilitated the financial feasibility to redevelop many building in the Washington Avenue Loft District. The neighborhood is located on the northern and western edge of the city's downtown and is listed on the National Register of Historic Places. Most of the buildings in the area were built between 1880 and 1920, when the area served as the city's garment district. The decline in domestic garment production after World War II, and the preference more modern facilities led to the vacancy of most of these buildings. Under the Slay Administration, local and national developers have acquired many buildings along Washington Avenue and in other parts of downtown. The city is also rebuilding its retail business base and both small and large retailers have found a renewed interest in St. Louis, where more than 60 restaurants have opened on the last two years.

Other notable development projects during the Mayor's first term include some controversial proposals, including construction of a new St. Louis Cardinals baseball stadium in downtown St. Louis and a plan to redevelop the historic Old Post Office. The redevelopment of the post office included the demolition an adjacent historic office building, the Century Building, one of the city's largest and beautiful limestone buildings, for a parking garage in 2004. Downtown residents fought hard to preserve this landmark building, even attempting to sue the state, city and developers after it had been demolished.

To increase the effectiveness of the city government, Mayor Slay initiated the CityView program in 2002 in cooperation with the Washington University. The program is intended to help tackle problems facing local governments today and hold managers within city departments accountable, saving taxpayers millions of dollars by running the city more efficiently. The Slay Administration, along with its public and private partners, have received national and international recognition for St. Louis's renaissance and in May 2007, downtown St. Louis's received the Preserve America Presidential Award, the nation's highest award for historic preservation. Additionally, the World Leadership Forum awarded St. Louis its World Leadership Award in the category of urban renewal in 2006 and the City was also awarded "Best Tasting City Water in America" in 2007.

Shirley Franklin: a clever manager, revitalizing trust and economic growth

Shirley Franklin became Mayor of Atlanta in 2001. In her first role as an elected official, she also became the City's first woman mayor, and the first African-American woman to serve as mayor of a major southern city. She won re-election in 2005 in a landslide victory with more than 90% of the vote.

While Mayor Franklin is a clever manager, she also took on the difficult task of restoring trust to a city that was skeptical of City Hall, following a previous administration that was rife with scandal and corruption. She inherited an $82 million budget deficit, which was about 20% of the entire city budget and $37 million more than initial estimations had indicated. The city's infrastructure was fraying and the sewers were leaking so badly that state and federal environmental agencies were fining Atlanta $20,000 a day. To balance the budget, she cut her own salary by $40,000, cut the Mayor's department staff by 50%, eliminated 277 jobs, removed over 600 vacancies, and got the city council to approve a 1% sales-tax hike and a 50% increase to property taxes.

The Mayor combines no-nonsense business acumen with unconventional style and has a flair for fostering public-private partnerships. She sees herself as a driver for change and has initiated over twenty public-private task forces, which have brought in more than 75 private firms to help shape policy with City officials. Notably, she was able to get these firms to participate on a pro-bono basis, examining issues of the budget, infrastructure, and homeless problems. Her task force on the sewer issue, the Pothole Posse, in cooperation with the county and state officials, resulted in a complex set of loans and agreements to cover approximately $3 billion in upgrades and repairs to Atlanta's sewer system.

Critics argue that the Mayor's pro-business policies, which have resulted in increased property values and higher real estate taxes, are pushing the poor out of the city. However, the Administration has made affordable workforce housing is a key feature of new development activities within the City including the Franklin-supported BeltLine project. The BeltLine project is an ambitious initiative that seeks to increase transit connectivity and foster affordable and livable communities along 22 miles of historic rail segments that encircle Atlanta's urban core. The project is currently the largest and most wide-ranging urban redevelopment plan currently underway in the US, calls for 30,000 new jobs and a $20 billion increase in Atlanta's tax base over the next 25 years.

Since 2002, Franklin has turned in three balanced budgets, and in 2005 she reported an $18 million revenue surplus. The Mayor's interest in promoting the City extends across the globe, as was witnessed in her 2006 trip Mayor Franklin to China, with the Atlanta Chamber of Commerce, to help Delta Air Lines win a direct route to country and lobby officials to open a Chinese consulate in Atlanta.

During her first term, Mayor Franklin the first sitting Mayor to be awarded the John F. Kennedy Profile in Courage Award this year by the John F. Kennedy Library Foundation for her achievements.

Recommendations for Effective Urban Governance

As the profiles of the Mayors indicate, Mayors may encounter unique problems in their respective cities, but they all need to cope with the similar issues of physical and social infrastructure, as well as the attraction of investment and development. Like those before them, today's Mayors need to balance the demands of both business and residents, of big business vs. small, and the more affluent vs. the less advantaged in the community. Furthermore, globalization has changed the way the world does business, and Mayors are challenged to increase their competitiveness in terms of other cities, both in the US and beyond.

Whether the Mayor governs from the bully pit, acts as a civic entrepreneur, takes on the role as the city developer, or approaches the office as a competent chief executive officer, there are lessons that urban leaders can learn from all of them to make a positive impact on a city and increase the economic opportunity:

- Hire skilled and prominent professionals in top level city department positions;
- Open the lines of communication and accountability among city departments;

- Build strong networks between the public, private, and non-profit sectors;
- Join forces with anchor institutions in the community to devise and implement economic development strategies;
- Collaborate and meet regularly with business and other major institutions in the region to assess workforce and education needs;
- Be willing to take risks, think out-of the-box, and implement innovative strategies to spur economic development;
- Promote the city and leverage public and private funds for redevelopment;
- Focus on maintaining and attracting middle-class residents to the city;
- Forge alliances with other cities for regional growth;
- Balance business and residential quality of life requirements;
- Make business retention and expansion efforts a priority;
- Take steps to improve the city's public education system.

Effective Mayors know that economic development is the driver to successful revitalization efforts. Accelerating the growth of business and employment in the cities will help to leverage the success of other initiatives, leading to a fruitful cycle of economic growth. Above all, the Mayor should provide leadership between the economy and the community, believe in the initiatives, and remain optimistic and go forward in the face of criticism.

b. Case Study- Lessons from Dayton, OH

During the two-day Philadelphia forum, Steven Budd –President, CityWide Development Corp. and Gary Conley – President, TechSolve, Inc. presented a case study of the past thirty years of economic development efforts within the city of Dayton, OH. Their observations provide an intimate insight into the economic development trials and tribulations of Dayton. Further, they provide transferable lessons on urban economic development, which other cities can learn from.

In 1972, Dayton was facing numerous challenges. It had lost 20,000 non car related manufacturing jobs, and major cutbacks were underway at GM, Frigidaire, Dayton Tire, and Dayton Press. While Dayton was home to many stable neighborhoods, over 20%of the City's housing stock was in blighted areas. Also, there were strong remains of the poor race relations, which had began with the events of the 1960's.

However, in spite of these many challenges, Dayton had strong local institutions to draw on, both in the public and private sectors. The private sector was well organized and very supportive of development. They engaged with the community primarily through the Area Progress Council (CEO Organization), and the Dayton Development Council (regional economic development organization). The public sector was also highly professional and innovative and included a strong city manager/ non-partisan tradition. The city developed a well-rounded development agenda including: an exceptional track record in the model cities program; planned variations ($20 million in discretionary funding); the CityWide Development Corporation; and the Miami Valley Housing Low Income Dispersal Plan. What made the public sector stand out was its ability to creatively engage with many real estate tools that we take for granted today. When many other medium sized cities were still focused on the civil engineering traditions that came out of the urban renewal of the 1950's and 1960's, Dayton was asking what more could be done to redevelop those properties via newer finance incentive tools. Through these various efforts, the relationship between the public and private sectors was well evolved and created a positive stage for economic development initiatives to take place.

The biggest challenges that the city faced were the loss of manufacturing jobs, the instability of city neighborhoods, and the ability of the city to influence the political economy of the region. Over the course of several years, the city undertook major initiatives to try and curtail many of its weaknesses and challenges. To address downtown redevelopment the city focused on developing an office center, retail facilities, a convention center, and hotels. To address industrial development the focus was on industrial park and site development, Dayton City well fields, urban renewal areas, and the airport. Neighborhood development programs included improvement loans, direct rehabilitation, urban living promotions, and historic district development. Further there was an aggressive legislative program that included tax abatement, tax increment financing, extra-territorial annexation, joint economic development zones, and tax base sharing.

Arts Investments in Downtown: Leveraging and enabling private sector investment

To create reinvestment and redevelopment in the downtown, the city knew it had to get people living, working, and playing in downtown Dayton. As a starting strategy, the city first focused on the arts as way to get people to recreate downtown. Dayton has a long history of fine arts including the oldest regional ballet company in the U.S.; the Dayton Opera; the Dayton Philharmonic Orchestra; and numerous small theatre groups. Given this history, it was clear that Dayton had the needed fine arts “software”. However, what was missing was a significant amount of hard infrastructure to house these groups in an effective and clustered way that would play to the vibrancy of the downtown.

The flagship to this infrastructure effort was the grassroots rescuing of the Victoria theatre in 1975 with assistance by CityWide Development Corporation for funding. The renovation updated the theatre to a state of the art facility, while preserving its historical features. Further to this was the conversion of an old department store into a mixed use project which primarily consists of office and studio space for major local arts groups and smaller arts-oriented organizations. This facility has proved hugely successful for the sustainability and growth of local arts groups, and by extension has spurred the growth of mixed-use development downtown. Following this tide was a plan for the Schuster Performing Arts Center, which was to primarily serve the Dayton Philharmonic Orchestra. However, in addition to being an arts venue the facility also has a mixed use tower with condo space and condo housing. Most of the arts infrastructure now resides within a one block area and has served as a virtuous circle in sustaining the life blood of arts and activity in downtown Dayton.

Minor League Sports: Leveraging and enabling private sector investment; Building partnerships; Innovative Financing

While Dayton has always been a sports town, particularly with the presence of the University of Dayton basketball team, it hasn’t historically had a strong presence of professional teams. The effort to bring the minor league baseball team, The Dayton Dragons, has proved extremely fruitful. Since its inception in Dayton eight years ago, the team has been sold out for every game. Also, the stadium was strategically located one block off of a historic central business district, and five blocks from heart of downtown

Dayton. This prime location has served to spawn downtown development. Currently, final negotiations with team owner are taking place regarding a nearby lifestyle center, which would focus heavily on entertainment, housing, and a small amount of retail. In effect, the stadium has served to awaken a larger spectrum of people to all that downtown Dayton has to offer, simply by getting them into the downtown to watch the games.

Investing in Downtown Housing: Building partnerships

Numerous downtown housing efforts have taken place over the past thirty years. The first project that had significant impact was “The Landing”. The project, which was done with McCormack Baron, took the historic YMCA that had transient style housing and converted it into a large market rate housing development. Next door to this was a blighted six acre site which no one believed could become a successful housing conversion. The project, which required working with several banks, turned out to be extremely successful. Together, these two projects were the catalyst for several significant housing redevelopments in the downtown. Since these efforts began, over 2000 residential units have been brought to downtown Dayton. While these units were predicted to largely attract empty nesters, they have also attracted many twenty-somethings as well. This demographic has helped to spur a great deal of ancillary entertainment businesses and venues, which is serving to now attract housing developers into Dayton from other Ohio cities.

Historic District Development: Creating well-designed tools that meet economic development challenges

Dayton’s historic district neighborhoods began to flourish when they became organized and their assets became recognized and supported. Principal among the historic neighborhoods of Dayton is the Oregon Historic District. This district, along with six other neighborhoods spurred their own development by branding themselves and forming local neighborhood organizations. Probably most significantly, the incentives that the city offered to the neighborhoods’ development efforts were groundbreaking. Namely, the neighborhoods became federally designated to allow for tax credit utilization. Currently, these historic districts represent many of the nicest places to live in Dayton, with high appreciation rates and quick selling turnover of properties.

Targeted Neighborhood Rehab: Engaging with low-income and distressed neighborhoods

In the mid 1990's, led by Mayor Mike Turner, Dayton began to institute "Rehab-a-rama". Rehab-a-rama is a redevelopment program which selects approximately ten blighted homes within specific neighborhoods and works with home builders and interior designers to essentially over invest in the individual homes. Each project takes four to six months to complete. Afterwards, the homes are displayed in a home show and resold. Out of all eight neighborhoods targeted, seven of them experienced post-rehab success, while one neighborhood showed no net change.

Meds & Eds Centered Redevelopment: Building capacity of institutions and individuals to better deliver economic development

Following the winds of Rehab-A-Rama, a more diverse redevelopment approach was undertaken. This initiative, dubbed the Genesis Project, has worked in neighborhoods near the Miami Valley Hospital and University of Dayton to go after the "softer" side of development. While standard redevelopment projects focused solely on home building projects, the Genesis project took a different approach in providing a "neighborhood life team" to support community development. The neighborhood life team, managed by CityWide Development, hired two additional police officers to help with crime prevention; developed a neighborhood organization from scratch; and made social and healthcare workers available to members of the community. Due to its success, the program maybe expanding into other nearby neighborhoods in the near future. Not only has the program worked, it has led to a new source of capital, found in the university and the hospital who both contributed $3 million as free money, in return for getting a safer environment around their respective institutions.

Lessons Learned for the Future:

The economic development experiences of Dayton provide key areas of focus for the future. First, with continuing shifts in global and national economic trends, Dayton must push itself to embrace these changes rather than to resist them. When these shifts peaked in the 1980's and 1990's, Dayton managed to target its resources such that it was able to hang on to its traditional wealth of manufacturing industries. However, now that the economy has almost exclusively shifted to being knowledge based, this strategy has resulted in good and bad news for Dayton. The benefit to this strategy was that it allowed Dayton to hang on to robust blue-collar jobs longer than many other cities were able to. However, now that the reality of globalization has arrived and Dayton has been hurt by higher unemployment and lower-than-average salaries, hind site reveals that Dayton may have been better off targeting its resources towards the knowledge economy rather than towards the preservation of manufacturing. Part in parcel of this shift is a transition towards different private sector leadership. Traditionally, private sector leaders were from Fortune 500 companies, utilities and banks. However, there should now be greater focus on Universities, Hospitals, and technology-related entrepreneurs for local leadership and partnerships.

Additionally, Dayton faces the same challenge as many other metropolitan regions in that a greater level of regionalism needs to be embraced in order to create a more dynamic economy and higher quality of life. Part in parcel of this is a need for racial reconciliation, which would benefit from a greater level of collaboration between the communities of the Dayton metropolitan region.

As Budd and Conley look back on their many Dayton experiences, they apply their lessons learned to the future ahead. Chief among Dayton's successes was its ability to hire and retain cutting edge people in both the public and private sectors. These are the people who had the vision throughout the past thirty years to think beyond the status quo and develop innovative strategies. Further, the flagship development organization, CityWide Development Corporation, has been led by the private sector, which has allowed it an unusual level of flexibility. The organization has been able to focus and retain the core values of the original staff, while getting the job done and trying to learn from professionals in other areas. It is this type of institutional sustainability and leadership that will empower the Dayton community to meet the demands of its future economic development challenges.

c. Case Study- Philadelphia: "Believe in the Basics"

In many ways, the economic development story of Philadelphia's past 40 years is representative of the experience of many U.S. cities. As such, it provides for many universal lessons that can be easily understood and transferred. Philadelphia has also been a pioneering city, leading in the field of urban economic development practice. Urban pioneers, Walt D'Alessio - Chairman and CEO, NorthMarq Advisors, and Peter Longstreth – President, Philadelphia Industrial Development Corporation, led the dialogue on the Philadelphia case.

Philadelphia has built upon a strong approach to economic development which has resulted in the city being a model for urban economic development. It has focused on developing the basics of all key areas of development, including: attracting new jobs, training people for new and emerging jobs, developing and strengthening its tax base, capitalizing on key geographic areas of opportunity, and direct investment to under served areas.

The changes and shifts in the national and global economy have impacted Philadelphia in several classical ways. These changes include suburbanization, industrial consolidation, poverty, productivity gains, the shift from a manufacturing to a service-based economy, and a large reduction in federal funds for economic development activities.

With these many national trends and global shifts come many local challenges. One large challenge has been a steep decline in population. Throughout the 1950's Philadelphia held a population of about two million people; however, today that population has shrunk to 1.5 million. Further, the forces of globalization aided in a net change from 330 thousand manufacturing jobs in Philadelphia to now less than 35 thousand. Graduation rates continue to lag as roughly 45 percent of high school students dropout or fail to graduate. An integral part of these challenges are lingering issues of race, class and opportunity. Approximately half of Philadelphia's population is minority represented, and tend to not fully participate in the economy. Also, Philadelphia remains inordinately dependent upon wage and business taxes, despite several tax reform efforts over the past 13 years. This tax structure has been charged with creating an unfriendly business environment, which has brought challenges to economic development. Additionally, Philadelphia has a shortage of industrial land, particularly in 50-60 acre pieces which are particularly important for bringing in newer industries. Lastly, there is an image problem that Philadelphia continues to suffer from with regards to the physical level of cleanliness found throughout the city, along with vacant lots and a trend of numerous abandoned cars.

However, in spite of these challenges Philadelphia stands on a strong history and holds several unique assets that work to the city's favor. Today Philadelphia is the sixth largest city in the nation with over 1.5 million people in the city proper and over 5 million people in the metropolitan statistical area. Additionally, with its numerous cultural amenities and reasonable cost of living, Philadelphia has a thriving center city that is ranked third largest in residential population in the nation. Further, Philadelphia stands at a beneficial geographic junction and is well positioned between the political and financial capitals of the nation, Washington D.C. and New York City respectively. Also, with a strong road, sewer, and regional transit system, infrastructure is one of Philadelphia's key strengths. Further, Philadelphia has robust institutional clusters in the healthcare, corporate, tourism and education sectors from which it has capitalized on, and continues to use towards strengthening the economic health and vitality of the region.

Philadelphia's Urban Economic Development History:

During the 1950's and 1960's Philadelphia had many initiatives tied to urban renewal. This included the creation of the integrated rail system, which allowed downtown to become "everyone's employment center". In the 60's came the *Plan for Center City,* developed to combat the growing trend of decentralization that was beginning to take hold. The plan was intended to strike a balance between preserving the core elements of the city that made it livable, and modernizing infrastructure so as to engage with emerging industrial and commercial development. The city was able to maintain a middle class downtown population, with 40 percent of the downtown population walking to work. Further, 60 percent of the city's population worked in downtown.

<u>Institutional capacity building</u>

In addition to physical investments, the city was ground-breaking in its institutional capacity approach to economic development. Firstly, Philadelphia became an active member of the HUB council and was aggressively involved urban economic development. The city was ahead of its time in bringing together a unique team of local partners, all focused on different but related aspects of development. These included the Philadelphia Industrial Development Council (PIDC), the Philadelphia Housing Development Corporation (PHDC), and the Philadelphia Commercial Development Corporation (PCDC).The creation of the Philadelphia Industrial Development Council (PIDC) in 1958 was pioneering in that it was one of the first urban economic development organizations in the country to develop a governance structure that fostered a true public-private partnership. The organization's board is appointed by both the mayor of Philadelphia and the president of the chamber of commerce. With this governance structure, both the policy and the political interests of the city government are to be balanced by the market realities of the private sector.

Further, local leadership, namely the mayor's role has a strong history of engaging with local economic development professionals. The state also played a role by offering more funding support for local economic development initiatives than did most states at the time. Finally, the federal government also played a strong role in this area, including Model Cities, and the placement of the regional EDA office in Philadelphia among others.

Urban Economic Development in Philadelphia Today:

Today, Philadelphia's vision for its economy is three-fold and is centered on technology, hospitality and health care. Philadelphia is aggressively going after its part in the knowledge economy as it works to harness the growth industries of healthcare and education. Connecting with these industries has largely come through strong relationships with local educational institutions.

Connecting economic development and workforce development

The city's number one challenge has been identified by many as its workforce. In the knowledge-based economy, an educated and trained workforce is critical. In order to address this challenge, the city has taken on unique economic development strategies with the aim of growing and keeping knowledge-based jobs within Philadelphia. One unique strategy is through the Knowledge Industry Partnership (KIP), a student retention initiative which now serves as a national model. Through several local and regional partnerships, KIP works to attract new students to Philadelphia, and to retain those students in the local workforce after they graduate.

Building new partnerships

Further, the relationships with local universities have been vital to the continuing redevelopment efforts of the city, namely the University of Pennsylvania (U Penn), Drexel and Temple have all played especially significant roles. The universities have served as nodes of development and have influenced significant projects, such as Avenue of the Arts. Arguably the principal institutional stakeholder in Philadelphia, U Penn, is now the largest employer in the Commonwealth of Pennsylvania. Through a multitude of projects, the University has become a key player in the economic development of Philadelphia. However, the University is often struggling to contain its growth, and a lack of available land within the city has actually stifled its expansion at different points in recent history.

Notably, the assistance that U Penn has received in managing its expansion needs has had important impacts on other physical developments in Philadelphia. For example, the site of the old United States Post Office (USPS) building at 30th St. was seen as a key area of expansion for U Penn. The site included a one million square foot building and a 14 acre site. The city worked with USPS to relocate out near the airport to a site that would better serve their needs. The old site was then negotiated for U Penn to buy. However, U Penn decided to turn the building portion of the site over to a real estate investment trust. At the same time the IRS had been considering moving out to Bucks County, Pennsylvania. However, they were instead brought into the 30th St. station building, thus retaining 3,000 knowledge jobs within the city. In addition to retaining key government and knowledge-related jobs in the city, the presence of the IRS and U Penn in the 30th St. area have sparked further opportunities for growth.

The downsizing of the military has simultaneously created numerous economic development headaches and opportunities for Philadelphia over the past several years. Philadelphia went from a peak of roughly 20 thousand military workers to only 8 thousand today, which has created a great deal of underutilized real estate, especially in the south part of the city. With 1,000 acres, the navy yard represents the flagship opportunity of military land use realignment within Philadelphia. Half of the project is being developed as heavy industrial/shipyard activities and the other half as research-based office and retail amenities.

<u>Embracing technology & research</u>

Another major economic development effort is the continued growth of the science and technology sectors. The city began with the development of a science center in west Philadelphia and now continues the tradition with an additional science center at the Navy Yard in collaboration with U Penn. The Science Center is a non-profit organization managed by over a dozen universities. The center has struggled in its focus and its ability to capture and retain firms. While there has been some significant return on investments that the Science Center has made, there still remain outstanding opportunities to strengthen the return. In addition to the efforts of technology and science-based development is the crucial presence of the healthcare sector, which is expected to expand significantly through the efforts of Temple University, U Penn, and Children’s Hospital.

Engaging with low-income and distressed neighborhoods

Neighborhood development is another facet of the local economic development strategy of Philadelphia. Key reinvestment partnerships with banks and community development corporations (CDC) continue to emerge to support the revitalization of Philadelphia neighborhoods. The Neighborhood Transformation Initiative, a division of the city government has emerged as a best practices model in urban development. The initiative is multi-faceted in that it focuses on planning, blight elimination, redevelopment through land assembly, neighborhood preservation, and the leveraging and strategic investment of resources into neighborhoods. Together these efforts are working to bring capital into these neighborhoods, along with improving local service delivery.

Leveraging Private Investment

The growing of the tourism industry has also played a significant role in the urban economic development strategy of Philadelphia. Investments have included the construction of the new convention center, the significant growth of the airport, the construction of three new sports centers, and a doubling in the number of hotel rooms. Further, there are many tourism expansion opportunities already beginning to take place including: the expansion of the convention center, new hotels, and the relocation of the Barnes Foundation's nine thousand piece art collection into downtown. A new element to Philadelphia's economic development efforts that will soon take place is gaming. With recently passed Pennsylvania legislation, two casinos will enter the Philadelphia market. While both are expected to bring several thousand jobs into the city, there are the related challenges of transportation, as well as a question of how much related growth can be spurred from the casinos.

Innovating new financing tools

As is the case with many cities in the New Economy, Philadelphia's economic development strategies have faced difficulty in attracting capital. With limited funding coming from the federal and local levels of government, there is a need for all cities to expand their pool of capital. Philadelphia is now starting to look to federal home loan banks, immigration funds, tax credits, and opportunities such as the keystone opportunity zone.

Conclusions on Philadelphia:

Philadelphia urban development leader, Walt D'Alessio, closed the two-day reunion with a forward looking vision for the future of economic development in Philadelphia. Walt spoke of the importance of both focus and resolve. The connection between economic development and workforce development was cited as being a critical urban issue; part in parcel of this being the connection between education and the local business community. Philadelphia recently completed a program which worked with the local business community to commit to hiring 1,200 public high school students for summer internships and mentorships over a three month period.

Believing in basics is the tie that binds for Philadelphia's economic development past and present. Namely, economic developer's critical role in engaging the private sector has served as chief among many successful strategies. It is in fact the role of economic developers to demonstrate to the private sector the advantages of partnering with the public and non-profit sectors in various programs and projects. Further, economic developers need to have inclusive and collaborative discussions amongst those who were traditionally competitors. Walt reiterated that if economic developers are going to successfully implement new and dynamic economic development strategies, they must think and act beyond political borders, acting regionally to take full advantage of economic development opportunities. Collaboration and working horizontally to meet the many challenges that the world presents in the New Economy is essential. There are always new conditions presenting themselves, and there must always be space made to grow and to meet these essential challenges.

d. Philadelphia Forum Attendee List

Mr. Herbert Bailey
Retired, Assistant City Manager
City of Miami, FL

Mr. Thomas D. Blanchard, HLM
Director, Research and Planning
Empire State Development

Mr. Paul Brophy
Principal
Brophy & Reilly LLC

Mr. Steven J. Budd, FM, HLM
President
CityWide Development Corp.

Mr. William E. Claggett
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Mr. John P. Claypool, HLM
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Mr. Gary Conley, HLM
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Mr. Jack Corrigan, HLM
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Ms. Janet Cypra
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Mr. Walter D'Alessio, HLM
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Mr. Jim DeLuca
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Mr. Kenneth E. Dobson
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Mr. Theodore Dorand
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Mr. Jeffrey A. Finkle, CEcD
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Mr. Vernon George
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George Henry George Partners

Mr. Richard Hage
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Mr. James C. Hankla, HLM
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