

redefining rustbelt

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Redefining “Rust Belt”: An Exchange of Strategies by the Cities of Baltimore, Cleveland, Detroit, and Philadelphia June 18, 2013

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Jeremy Nowak: It’s a pleasure to be here and I’m glad I am able to see my friends in Philadelphia. And it is always a pleasure to be in Baltimore which is kind of an adopted town for me — a city I really admire.

My job is to take 20 minutes or so to throw out core themes that hopefully will animate the discussion during the day.

America’s more distressed cities, of which four of them are represented in the room right now, have lost remarkable levels of population and economic capacity, particularly over the last half of the 20th century. There have been some improvements, although the improvements are slow and uneven.

But today there are certain growth advantages for those cities and it is up to city leaders — public, private, and civic — to take best advantage of them. If I think about the growth advantages for those cities right now, I would put them into three buckets. Bucket number one would be demographic trends.

The demographic trends are, first, a large group of empty nesters who are retiring and want to move out of the suburbs and are attracted to downtown living if the amenities downtown are there for them. Second, there are lots of twenty- and thirty-somethings who are forming households and having families at a later age, and they are much more attracted to cities. They are renters by and large, and they will be making decisions as to whether they will stay in cities or leave cities over the next decade or so. In general, the trend in America is toward more, and smaller, households. There are many, many more singles today than there ever were, and to some extent that can be an advantage for cities due to what cities have to offer. And of course, America, in the last 20 or 30 years, has experienced a significant level of immigration. We proudly have a great level of social diversity and cities have always been the cauldrons for that kind of diversity over the past 150 years. So demographically, there are trends that are potentially good for cities.

Economically there are also advantages related to the location of institutions key to the knowledge economy.

Those cities that have world-class research centers, academic centers, and medical facilities are important drivers and users of technological change and play a role in the commercialization of the knowledge economy. If you're in Philadelphia and you look at West Philadelphia, you think about the University of Pennsylvania and Drexel and Children's Hospital. If you're in Baltimore you think about Hopkins and MICA. If you're in Cleveland, it's the Cleveland Clinic and many other institutions in their university and cultural hub. In Detroit it's Wayne State in the midtown area and the Henry Ford Hospital.

These have all become growth nodes in ways that are even more substantial than what they were 20 or 30 years ago because they have a different meaning to the economy moving forward. They are important, and of course, many cities have great arts and cultural amenities — and creativity in its variety of forms is also important to the new economy. So there's a potential driver there.

Finally, I'd say along with demographic and economic advantages, there are the advantages of certain kinds of cultural trends. I don't know when it was exactly, but sometime around the 1990s, sitcoms stopped being about suburban places and they started to become about cities and young people hanging out in cities. There was this flip. I don't remember why or when but it just happened. It became clear in the last 20 years, particularly in the last decade, that cities are aligned with an emerging set of values, and particularly those values that have to do with sustainability, such things as environmental conservation, walkability, and the reuse of an established built environment. These cultural preferences are critical. In a world where you could be anywhere, "place" takes on a different kind of a meaning. The question is: Why would I want to be here versus there, and is there something about the nature and density of certain amenities and social networks that would keep me there?

So demographics, economics potentially, and cultural factors have given some advantages to cities — including cities that are relatively distressed and have been quite distressed for 40 or 50 years — advantages they did not have before. But those advantages have to be captured by the cities. They're not passively received, and I think the best way to think about those advantages is to think of them as a set of windows that have opened up, and we don't know how

long the windows will stay open. You know baby boomers won't live forever. We will pass along at a certain point and the demography, the bulge in the demographics, will change. Twenty-somethings and thirty-somethings will make decisions. If they have children — many won't — but if they have children they'll ask: "Are the schools good enough for me to be here?" Others will decide our public safety. "Is public safety working for us?" So there are these possibilities, but the possibilities only work if cities can maximize trends that look like short-term advantages.

By short-term advantages I mean 10 to 20 years, but things do change quickly in the world that we're in now. You have to look at those short-term advantages even when we get a nice surprise bump in population in a city like Philadelphia, which lost half a million people in the 50 years before that. You have to look at those short-term advantages against the myriad of disadvantages that these cities still have, such as high levels of poverty: Philadelphia has a 25 percent poverty rate; one out of three people is on SNAP, on food stamps; it has degraded infrastructure, which is quite costly to repair.

And here I won't point out any one city, and if you're a politician in the room I don't mean you, but to be frank, poor governance just doesn't work in terms of growth. Low-quality schools, and in some instances tax systems that are often not competitive, simply will not work in the long run. And there are not going to be new federal programs that are going to transform this. This is not what will happen. It's not in the cards anytime soon, and it may not be in the cards in that way, in the way that we thought about it 20, or 30, or 40 years ago.

To succeed in a time when there are these advantages, cities have to come to terms with a variety of their own problems and their own issues if they want to maximize those short-term advantages. So let me lay out a few things that they have to come to terms with, and then let me talk a little bit about some of what has happened in cities in the last decade or two that gives me some hope.

So, first they have to come to terms with the cost of public goods, and here it is first the cost of those goods, but of course it's also the quality of those goods. People make cost-and-benefit decisions. Firms make decisions based on quality and cost. They will be willing to pay a little bit more if they have access to certain things and they get certain

qualities that work for them, for a firm or for a family. But if the relationship between quality and cost does not work, then they will opt out. The history for many American cities for 40 or 50 years has been the history of opting out. When you can opt out and go to the suburbs, go to other places, move, relocate your firm to other areas, then the city loses the advantage of your income, of what they can tax, and the city is defeated.

It's not a problem if you're in a city where there are always new companies forming and new companies coming in, but if you're not in an environment like that, then the problem of those losses is amplified. So the cost of public goods is the first issue, and the quality of public goods becomes the second important issue, and here quality... I'm going to use this term and it may sound loaded, and if it is so be it. This is when I say I'm not speaking for the Federal Reserve Bank of Philadelphia; I'm just speaking for myself. I think this is important. But when I say quality, I mean it's got to be a middle-class amenity. It's got to be something that works for everyone.

What I love about the metro in Washington, D.C., and what I love about the subway in New York City, is that everybody's riding it. Everybody's crammed in person to person. That is not true of the subway in the City of Philadelphia. I don't know about Baltimore. But at the point at which it is no longer a middle-class amenity, it loses in many ways for a variety of reasons. We can argue about this, but unfortunately, it's true. It loses its appeal. It loses its funding support in some instances. It goes into a cycle of disrepair and this is true not just for things like transportation; it's true for schools and other amenities. We should expect that any of these public services we create are public services that anyone would want to use, and poor people deserve public services of the same kind of quality that anybody would want, and that contributes to a virtuous circle that will move everything forward.

When I was at TRF, if I financed a grocery store, I wanted that grocery store in the inner city to be a grocery store I would shop in. If I financed a school, I wanted to finance a school that I would be willing to send my kid to. There's got to be that perspective about quality public goods and also not just about their costs. And this is, I think, important everywhere.

The Philadelphians in the audience can close their ears now because they've heard me tell this story too many times. I always tell the story of going to a foreign country that is increasingly advanced, like South Korea, and going to Seoul, and walking into their metro. I don't speak any Korean, but I can hit the machine there. It asks me what language I want. I hit English. It pops up and it says 'where do you want to go?' I hit the stop and it tells me to use my Visa card. I get a ticket and off I go. Then I fly back to Philadelphia and when I use the subway there are two guys sitting in a token booth asking for exact change. If you've got a choice, you don't go with the token booth, right?

In the short-term maybe you go with the token booth. But if you have a long-term growth perspective, you say: "What is the global standard that is going to attract and keep people and that everyone deserves?" What is the standard that we ought to have and how do we make sure those standards are there?

I think this is really important because I think that quality services are not only important to the growth nodes that are in all of these cities, whether it's midtown Detroit or the university and cultural corridors of Cleveland, but they're also important as mobility bridges for low-income people.

I would say the third thing that I think cities would have to understand to take advantage is that there's a revolution that's been going on for 20 or 30 years in the management of service delivery and in the very management of place. It's not an accident that there are now a thousand business improvement districts in America, that there are 67 business improvement districts in New York City alone. In Philadelphia, the revitalization of Center City could not have happened without the Center City District — and I see Paul Levy there, so hat's off to his fabulous work.

Forty years ago we would not have imagined that institutions would have emerged which have become parallel institutions to the public sector. They've emerged in low income communities, often as community improvement associations or community development corporations, and in commercial areas and in downtowns as business improvement districts. In university districts they've emerged because they had to compensate for the fact that many services weren't being delivered at a level that was needed.

That may be a way of the future. It may not be a way of the future. But what it tells us is that the old style of building a government — the old vertically constructed government which was in some ways a leftover from the mid-20th century industrial corporation — that is now being transformed, that the government that's going to make it and be effective at providing high-quality public goods at a reasonable cost will have to engage in new non-government partnerships. While it may pay for many of those goods, it very often can't be the provider of those. It doesn't have the ability to do that. It doesn't have the ability in its contracts, in its workforce, in its relationships, in its legacy, in its political entanglements, to do what needs to be done to innovate.

There are departments and cities, and I know of all these cities where you still can't get electronic information because you can't get the data. I mean, it's 2013 — who would run anything like that? So there is this understanding that is emerging that the old way of doing government doesn't work. It's a pragmatic understanding, and I think it's important. We see it everywhere. If you go to the City of Philadelphia — and if you are a student at Temple University, you are policed by the third-largest police force in the State of Pennsylvania, formed and managed by the University.

So what we're going through right now — you can see this among the best charter schools — what we're going through is a kind of deconstruction and reassembly of the public sphere. That reconstruction and reassembling I think will create opportunities for a more horizontally constructed government where there will be new roles for a civil society and for the private sector — and the imprints of that — the possibilities have already emerged over the last 5, 10, 15, 20 years.

Again, think of the functions of the business improvement districts. For one thing they market. Cities are remarkably bad at marketing because they viewed themselves as monopolies for so long. Every time I come to Baltimore there's a different banner hanging up. But at the end of the day, they don't really do the marketing that's got to be done. Places now have to be managed. Some of the great public spaces in Philadelphia are managed by nonprofit organizations. It's publicly owned. It's all public access.

It's free, but it's being managed by other organizations. This is an extraordinary shift in the way that we think about governance, and I think it's largely a reaction to the circumstances of decline and the potential advantages that we see around us.

Let me mention a few other things and then I'll sit down. It seems to me that all of this has to be supported by three things moving forward in order to get it done. The first thing is quality data, and Baltimore and the other cities here have been pretty good at that. I know Baltimore has been good. *CitiStat* provides services data that show us what is working, what is not, and how we will evaluate our progress not only as it relates to us, but as it relates to what other cities are doing. Cities need quality data and they must function in a transparent manner. Without data, you go nowhere. Second, we need a different kind of political leadership in the 21st century, and hopefully, it's emerging. We need a political leadership that can create and sustain a growth narrative that can speak not only to the downtown growth agenda, make sure the university-led growth agenda continues, but can also speak to communities of longtime poverty and can make the connections between those two, and can develop a substantive perspective and practice around inclusive prosperity. Without that we're going to be stuck in 1970s-era arguments about gentrification that don't seem to go anywhere. Third, we need a civil society, a civic center, including business leadership that can maintain a long-term agenda for change — and not have that long-term agenda be tied to any specific administration.

These are difficult things. I don't know how any city will make it without those three and without being willing to adopt the kinds of practices, and there are wonderful communities of practice going on right now that have begun to show us how we can make this turn. In the absence of that we will have a missed opportunity — a missed opportunity related to demography, culture, and the economy. Perhaps that missed opportunity will be privatized in hubs of growth around certain kinds of institutions, but will not spread enough. But with the right leadership and the right perspective, I do think it's possible over the next 20 or 30 years to have the kind of inclusive prosperity that I think we all yearn for. Thank you very much.