September 28, 2008

More than 40 years ago, the federal Model Cities Act declared that improving urban life was the nation's most important domestic issue. Today, that is even truer, although the presidential campaign has practically ignored cities. Many are in worse shape than they were four decades ago, when rage and suffering sparked a series of riots.

Detroit, the nation's poorest big city, is the poster place for a central city in a free fall, having lost half its population over the last 50 years, with no end in sight. Motown's economic losses have exceeded even those of its population. From 1970-2000, the city shed more than half its jobs.

The decline of cities like Detroit has undermined regional economies that support states and, collectively, the nation. Cities and their regions need a new set of federal policies and investments.

Healthy central cities attract and keep the young talent that drives the new knowledge-based economy. Members of the so-called creative class seek dense, diverse and walkable neighborhoods with access to mass transit. In other words, they want to live in cities that work -- and the lack of such places in Michigan has figured mightily in the exodus of young people from this state.

With their transit systems and population density, cities are also certain to become more attractive to energy-conscious businesses, residents and developers.

End policies of neglect

After decades of neglect, the federal government must become a more aggressive partner in the economic redevelopment of cities, as called for by the International Economic Development Council. In that regard, presidential candidate Barack Obama's plan for a White House office of urban policy is encouraging.

Government cannot replace the private-sector in retooling urban and regional economies. Private enterprise is the engine of growth. But government can prime the pump, taking the market to places it would otherwise shun, with tax credits, grants or low-interest loans that stimulate private investment, fund technology and research, or help pay for worker training and education.

The rebuilding of Detroit's historic Book Cadillac Hotel, for example, used government-assisted financing, including a range of state and federal tax credits, grants and low-interest loans, for more than half of the $180-million deal.

But this can't be just about handouts from Washington. Government assistance should require a showing of how projects fit in a regional development plan. More federal money and even state revenue sharing should be routed to regional agencies, instead of individual municipalities, and require that central cities are included in regional planning and development.

Any national agenda for urban economic development must greatly expand the use of federal tax credits for redevelopment projects and increase the amount of federal dollars used to stimulate private investment. The Urban Development Action Grant program should be revived. From 1977-88, UDAG generated billions of dollars to rebuild distressed areas by requiring commitments from private investors to trigger federal grants.

At minimum, federal funding for the Community Development Block Grant program should be restored to the levels of the 1990s, roughly $5 billion a year. These flexible grants, among many other things, helped cities demolish vacant buildings, improve roads, repair low-income housing, build sidewalks and beautify business districts. More important, between 1974-2004, the grants leveraged nearly $324 billion in private investment for housing and other public projects.

States, too, can become full partners in urban economic development by helping cities clean up contaminated brownfield sites and ensuring that cities have adequate powers to condemn and redevelop blighted areas.

Michigan has become a national leader in brownfield redevelopment over the last two decades, spending more than $900 million to clean up 1,800 contaminated sites. That has sparked an estimated $3.1-billion worth of investment and created more than 15,000 jobs, reports the Michigan Department of Environmental Quality.

Cleveland shows other cities how

In Cleveland, which has lost nearly half its population and jobs since 1960, Mayor Frank Jackson has made priorities of green and neighborhood development. Since Jackson took office in January 2006, the city has used $39 million in incentives, mostly low-interest loans and grants, to leverage $440 million in investments, create 3,900 jobs and retain another 3,300.

Cleveland has targeted brownfield cleanups in areas with the most potential for redevelopment, promoted regional cooperation and environmentally sustainable businesses, supported neighborhood gardens and assisted small neighborhood businesses, excluding check cashing and liquor-only shops. The city is focusing much of its development efforts in neighborhoods like Detroit Shoreway, where an art district is serving as an economic catalyst. Two miles west of downtown, the neighborhood has 17,000 residents and a poverty rate of 40%.

But after decades of decline, more than $500 million in construction projects are under way. The $100-million Battery Park redevelopment project, using city tax abatements, will put 300 housing units on 13 acres overlooking Lake Erie that were formerly occupied by an Eveready Battery plant.

An art district with three theaters will anchor the neighborhood. The city invested more than $1 million in low-interest and forgivable loans to help pay for the $5-million renovation of the 87-year-old Capitol Theater, scheduled to open next June. The theater, closed since 1985, will show alternative and independent films.

The city is also investing $1 million in a $7-million streetscape and public art project in Detroit Shoreway that will narrow streets and widen sidewalks, making an emerging commercial center more inviting to commuters. With help from the city's new Neighborhood Retail Assistance Program, 24 neighborhood businesses, mostly female- and minority-owned, have opened in the last two years, including restaurants, coffee shops, clothing stores and art galleries. Small grants and loans, usually of $5,000 to $20,000, pay for awnings, lighting, decorative painting, window glazing, fencing, outdoor seating and other improvements to make businesses visually appealing. The city spent $350,000 on the program last year.

"We're trying to eliminate blight in a variety of neighborhoods," said Economic Development Director Tracey Nichols. "We want places to look inviting so that people will make investments in their neighborhoods."

Maurice Christopher used the assistance to help convert an abandoned gas station into an upscale men's clothing store. The grants helped Serena Harragin turn a former used car showroom into a fine art and antique auction house. Niki Gillota used a $5,000 grant from the city to help remodel a vacant dollar store into a trendy restaurant, Gypsy Beans & Baking, using the money to pay for signage, hand-blown glass lights and other fixtures.

Traffic at Gillota's restaurant, which serves sandwiches and homemade pastry, is nearly double what she expected when it opened last year.

Cleveland also is pursuing green industries and improving the environmental standards of city operations. A new office of sustainability has audited city departments for energy savings. Mayor Jackson, who had his office lights dimmed and the air-conditioning off during a visit this month, has ordered all city departments to reduce energy consumption by 10% over the next three years.

Cleveland has doubled the recycling rate for city trash and started a curbside recycling program. Through loans and grants, the city offers incentives for green building initiatives, such as using permeable paving, and start-ups for new green industries like the manufacture of wind turbines and solar panels.

Tax breaks can help

Urban economic growth cannot occur in silos. Public safety, good schools, adequate mass transit and land-use policies that discourage sprawl all help attract investment and residents with disposal income. Ultimately, a city's economic development will depend largely on its ability to attract and retain middle-class and affluent residents. A city without a middle-class tax base cannot attract the private investment that puts people to work. Nor can it support anti-poverty programs, good public schools, adequate mass transit and other municipal services that benefit everyone.

The federal government should consider bold approaches, including exempting those living in distressed urban areas from paying federal personal income taxes, as proposed by Wayne State law professor and urban expert John Mogk.

"Resident income is the prime determinant of a city's economic health," he said. "As income declines, cities, or sections of them, begin to decline and, in time, collapse."

As cities seek to attract more affluent residents, they must also work to raise the incomes of their most disadvantaged. Cities must provide the tax incentives, worker training and, in some cases, investment capital and expertise needed to bring investment to their most impoverished neighborhoods.

Inner-city markets, with their concentrated spending power and populations, are clearly underserved -- both as consumer and labor markets. Despite problems with crime, drugs and poverty, central-city neighborhoods are filled with hardworking, well-educated residents with solid incomes.

In Milwaukee, for example, Capitol Court, a nearly vacant shopping mall in a poverty-stricken neighborhood, was recently redeveloped, renamed and, in 2005, sold for nearly seven times its purchase price, after attracting retailers like Lowe's, Firstar Bank and Starbucks.

The hard truth, however, for cities with enormous population loss is that not all neighborhoods can, or should, be saved. Older industrial cities like Detroit, population 900,000, and Youngstown, Ohio, population 80,000, two of the nation's poorest cities, still have the land mass and infrastructure that supported twice as many people. These cities should aim to stabilize and consolidate their populations -- that is, reduce the areas that must be maintained and served by the city. Youngstown, under 37-year-old Mayor Jay Williams, is providing a national model for downsizing a city. (See Friday's editorial, "Downsize for healthier, more attractive city," at freep.com/cities.)

Smart policies can reverse trends

Federal policies have shaped the development of cities, often adversely, for most of the last century. The startling flight of people, capital and jobs from urban areas did not occur by accident. It was partly the result of government policies, such as segregation, redlining, the National Housing Act and GI Bill, which started the exodus into the suburbs; and the 1956 Federal Highway Act, which isolated city businesses and divided and, in some cases, destroyed urban neighborhoods such as Detroit's Black Bottom.

The good news is that smart federal and state policies can help bring cities and their regions back by steering and stimulating investment. Given the energy and environmental needs of the 21st Century, the economic health of America's cities will determine the nation's strength. It shouldn't take fire and destruction to initiate a new national campaign to again make models of America's cities.