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State Government and Urban Revitalization: How States Can Foster Stronger, More Inclusive Cities

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Abstract

There are few actions that an urban municipality can take to further revitalization which are not directly or potentially subject to state laws, policies, and practices; while this is widely known, it has rarely been systematically explored. This paper offers a framework for the detailed investigation of the role of state policy in urban revitalization, breaking down that role into five discrete elements of revitalization: fiscal and service delivery capacity; economic competitiveness; building a stronger housing market; building stronger neighborhoods and quality of life; building human capital; and exploring how different state policies either hinder or help localities pursue revitalization in each area, as well as how state policies do or do not further inclusivity and equity in the course of urban revitalization. Based on that analysis, the paper offers guiding principles for state policy to further inclusive revitalization, as well as sixteen action priorities for state governments seeking to make their cities stronger, more inclusive places.

About the Author

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Introduction: The Cities and the States

This paper examines an issue which is widely known and recognized, yet which has rarely been systematically explored: how state laws, policies, and practices affect the course of urban revitalization. As I discuss in detail later, I use the term urban revitalization to refer to the process by which a distressed municipality carries out policies and programs designed to improve its condition in a number of distinct but interrelated spheres: building fiscal and service delivery capacity, building a stronger real estate market, building economic competitiveness, building resident human capital, and enhancing quality of life. While these are concerns of every local government, they are particularly important for the older industrial cities of the United States, and in particular those once-industrial cities which have lost much of their peak population and are known as legacy cities (American Assembly 2012).

"Creatures of the state" and the role of state policy

The central role of state law and policy in every aspect of municipal governance has long been encapsulated in the phrase that municipalities are 'creatures of the state.' Although Justice John F. Dillon of the Iowa Supreme Court did not originate that phrase,[1] his 1868 decision in *City of Clinton v. The Cedar Rapids and Missouri Railroad Company* contained what is considered the definitive statement of the relationship between states and municipalities in language that has come to be known as Dillon's Rule:

Municipal corporations owe their origins to, and derive their powers and rights wholly from, the legislature. It breathes into them the breath of life, without which they cannot exist. As it creates, so may it destroy. If it may destroy, it may abridge and control. […] We know of no limitations on this right so far as the [municipal] corporations themselves are concerned. They are, so to phrase it, the mere *tenants at will* of the legislature (emphasis in original).

Although Dillon's Rule has been modified in many states through constitutional or statutory provisions known as "home rule" provisions, it remains the foundational statement of the underlying constitutional relationship between states and local governments in the United States.

As a result, it is hard to think of any action that a municipality can take to further revitalization, whether demolishing a vacant building, selling city property, granting tax exemptions, or requiring developers to provide affordable housing units, which is not directly or potentially subject to state action. The state can give, as when it grants municipalities broad redevelopment powers; or it can take away, as when it limits use of eminent domain or imposes tax and spending caps. Moreover, as disparities grow between the financial resources available to state

[1] Its origin is generally attributed to an 1850 United States Supreme Court case, *Town of East Hartford v. Hartford Bridge Co.*

and local governments—the latter constrained not only by economic conditions but by state law—how states spend their resources, and the extent to which they make state funds available to supplement limited municipal resources, further drives the course of urban revitalization.

Municipalities are not, however, mere passive actors. Widely differing outcomes from one city to the next are far from simply a function of the policies adopted by their respective states. Local governments always retain the innate capacity to act. They act within the framework permitted by state law, to be sure, but even in the most restrictive state room exists for wide variation in local policy and practice, not to mention local capacity and leadership, and not least, what Reese and Ye (2011) have dubbed "place luck." Thus, a city may progress, albeit with difficulty, despite poor state policies; or fail despite strong, supportive ones. State policies strongly influence the outcomes of urban revitalization efforts, but do not unilaterally determine them.

Prior research on state policy and urban revitalization

Although much continues to be written about specific state programs and policies, few people in recent years have looked systematically at the role of state policy in urban revitalization. The most systematic study to appear in recent years has been Frug and Barron (2008), which, however, focused primarily on how states "stifle urban innovation," as their title indicates, rather than how they can further revitalization. This is in sharp contrast to the 1960s and 1970s, when considerable attention was focused on the role of the states in the context of the then-raging debates over federalism. At that time, when the expansion of the federal role toward the cities and the forging of direct links between the federal government and the cities was seen as all but inevitable, states were widely seen as the weak link in the system. One study of federalism gave its chapter on state government the title "A National Problem: Upgrading State Government" (Sundquist 1969), while political scientist Roscoe Martin wrote in 1965:

If a federal system […] is to function properly all members of the partnership must be strong and vigorous. It is a central conviction of this study that this pre-condition to success does not now obtain in America in that the states have not been able or willing to assume their share of federal responsibilities (47).

The most substantial body of work on the subject of state policies and urban revitalization was that done by the Advisory Commission on Intergovernmental Relations (ACIR), a bipartisan federal agency created in 1959. Although the ACIR survived until 1996, its main work was conducted from the 1960s to the early 1980s, when it generated a remarkable body of research and analysis on almost every facet of the American governmental scene. While the ACIR published dozens of reports on different aspects of state government, two reports entitled *The States and Distressed Communities* (ACIR 1980, ACIR 1983) represent their most significant contribution to the subject at hand. These reports utilize a serious conceptual framework within which to evaluate state programs and policies, and are far more than a compendium of state programs and policies.[2]

[2] A list of ACIR publications is available at http://onlinebooks.library.upenn.edu/webbin/book/lookupname?key=United%20States.%20Advisory%20Commission%20on%20Intergovernmental%20Relations. Digitized versions of these publications have been made available at the Hathi Trust Research Center https://www.hathitrust.org/

Since then, with the exception of Frug and Barron, the discussion of the state role in urban revitalization has become fragmented. While much valuable material is being produced, it tends to be specific to particular policy areas, such as the use of incentives to spur economic development[3] or state aid to education; or specific to the policies of a single state (e.g., Mallach and Sterner 2008 on New Jersey; Mallach and Brachman 2010 on Ohio). The Brookings Institution focused some attention on state issues and urban revitalization in their Restoring Prosperity initiative (Vey 2007). That work focused much more on recommending policy directions than on analysis of the underlying issues, and has not continued. The three national organizations representing state government (the Council of State Governments, the National Governors Association, and the National Conference of State Legislatures) appear to direct little policy or research attention to cities; while they address relevant issues such as workforce, health care, or public safety, they do not look at those issues through an urban lens or place them in a larger revitalization framework.

Who is this paper written for?

This paper has been written for three distinct, albeit overlapping audiences. The first is the large body of practitioners and policymakers engaged in urban revitalization who are working to build healthier, more dynamic and more resilient communities. Understanding the central role of state policy, both in urban revitalization generally and with respect to specific areas of concern, is not only important in itself, but even more important as a framework to help them pursue changes at the state level to specific laws, regulations, programs, and resource allocation decisions that affect their communities. Along those lines, I hope that the paper may also encourage those working at the state level, as well as in the many organizations that represent different facets of state government, to explore those same questions more extensively than is currently the case. Closely related to this group is the larger group of those, although not perhaps directly engaged in the work of urban revitalization, are deeply concerned with the future vitality of American cities, as informed residents, taxpayers, businesspeople, journalists and bloggers, and many more.

Smaller cities have unique revitalization challenges. A paper to be published later in 2017 by the Lincoln Institute, *America's Small and Mid-Sized Legacy Cities: Assessing Challenges, Assets and Strategies for Revitalization* by Lavea Brachman and Torey Hollingsworth, looks at existing conditions and promising revitalization strategies for small and mid-sized legacy cities, defined in this case as older, formerly industrial cities with populations between 30,000 and 200,000, including numerous case studies of creative and promising local government strategies.

Finally, this paper is directed toward the scholarly world, in the hope that it will prompt more scholars to look at the role of the states in urban revitalization, and to engage in the sort of systematic investigation of that role that is needed if we are to have a more comprehensive, more nuanced picture of the dynamics of urban revitalization, and the nature of the forces working both for and against better future urban outcomes.

[3] This is the particular focus of the advocacy organization Good Jobs First, which has published extensive reports on this issue; see http://www.goodjobsfirst.org/

Building a Model of Urban Revitalization

This paper is about the state role in urban *revitalization*, not the state role toward its cities generally. This is not a trivial distinction. States also play a major role in supporting what can be characterized as urban *subsistence*; in other words, the ability of the city, and of its lower income residents, to survive from day to day. States vary widely in their provision of such assistance, which takes many forms, including Medicaid, welfare support, and affordable housing;[4] such assistance is invaluable, yet it should not be conflated with policies designed to further cities' ability to rebuild their physical, social, and economic environments, or thwart their efforts to do so. It is this body of state actions that this paper addresses, beginning with a discussion of what we mean by urban revitalization.

Urban revitalization is not a thing; it is a process, or rather, the sum of a series of interrelated, ongoing processes. We see it as the sum of change across five broad and distinct elements, change in any of which can either reinforce or undercut any of the others, as shown in figure 1, and around which this paper is organized.[5] Each of these is defined briefly here, and then discussed in detail in the third section of this paper.

- Fiscal and service delivery capacity

  The extent to which a city maintains a sound fiscal balance, and raises enough funds to provide a robust level of public services to its citizens, businesses and visitors without imposing an undue tax burden on its residents and properties; and has the technical and managerial capacity to provide quality public services and foster revitalization efficiently and effectively.[6]

- Healthy real estate market

  The extent to which the city's property market, particularly its housing market and residential neighborhoods, competes successfully with other areas in its region, and is able to generate sustainable, ongoing investment by property buyers, owners, and developers.

- Healthy neighborhoods and quality of life

  The extent to which the city contains healthy neighborhoods and offers residents a good quality of life, reflected not only in the quality of the housing market and public services,

[4] There are many ways, however, in which state assistance of this sort interacts with revitalization. State Medicaid policies, for example, may both affect the health of the city's low-income citizens as well as the economic vitality of the city's health care institutions. Similarly, under certain conditions, affordable housing programs can become a revitalization tool.

[5] My approach here is conceptually similar to that in Grodach and Ehrenfeucht (2016), where they characterize it as 'robust urban revitalization'. I became aware of that work after most of this paper had already been written.

[6] The National League of Cities has been tracking municipal fiscal conditions on an annual basis since 1993; reports from 2003 to the present are available on line at http://www.nlc.org/find-city-solutions/city-solutions-and-applied-research/finance/city-fiscal-conditions/

but also in terms of quality of the physical environment, public safety, and public health conditions, as well as the level of amenities the community offers in terms of culture, arts, and public open space.

- Economic competitiveness

- The extent to which the city provides an environment conducive to economic growth and business success, and is competitive within and beyond its region with respect to new business formation, growth of existing economic activity, and attractiveness to firms moving to the region from elsewhere.

- Human capital development

- The extent to which the city maximizes its human capital and creates opportunity for its citizens through strong educational and workforce development programs, as well as by fostering job and business opportunities for city residents.

While each of these elements requires distinct strategies and investments, they nonetheless strongly interact with and reinforce one another. Without the economic competitiveness that can enable the city to grow jobs and businesses, or the quality of life that makes the city an attractive place to live and work, the ability to maximize human capital for the benefit of the city is sharply reduced; in such an environment, successful human capital development, as in many third-world countries, is likely to result not in revitalization, but in "brain drain" as the beneficiaries of education and skill development move elsewhere. That cuts both ways, of course, as the absence of a skilled, motivated workforce can become a brake on economic growth.

Similarly, a city's inability to provide good public services, or a tax structure that imposes a disproportionate burden on city residents and businesses compared to others in the region or in competitive regions, undermines the city's efforts to build stronger markets or greater economic competitiveness. Indeed, while any reviving city may at any given point be making more progress in some areas than in others, I would suggest that the relationships between them are so significant that if a city fails to make at least some progress in all of the elements, that failure will inevitably handicap the city's ability to make progress in others.

As figure 1 shows, all of these elements must be further assessed on the basis of what we call an "inclusivity screen" which measures the extent to which revitalization, whether increased economic competitiveness or stronger housing markets, benefits all of the city's citizens, rather than disproportionately benefiting a few. Recent trends in American cities strongly suggest that it is more often the latter than the former, and that benefits of recent growth are highly uneven. We argue that inclusivity should be seen not as a separate issue, but as part and parcel of the process of successful urban revitalization.

Except for the inclusivity screen, the model is agnostic with respect to *how* a city goes about pursuing revitalization. There are many different paths and strategies; should the development of human capital give priority to improving public education, or job-specific training programs, or linkages between educational institutions and employers? While one answer might be "all of the above," reality dictates that choices have to be made. Michael Katz (2013) has drawn a distinction between what he calls the Growth Model, "associated with the transformation of land and buildings into high-end uses and with rising real estate prices" and the Immigrant Model, driven by an increase in the residential population, made up of new immigrants. These models can be seen as representing different variants of market building strategies; as Katz points out, however, "the Growth Model contributes to the growing trend in the United States toward the economic inequality of places and of people even as it attracts population and increases tax revenue," a proposition with which I agree.

This breakdown allows one to understand, if not define in precise terms, what constitutes successful urban revitalization. Revitalization is a process, rather than an outcome, and the touchstone of success is sustained, meaningful improvement in all five elements, rather than a measurable endpoint. Moreover, it is unlikely that a city can ever find true equilibrium. Indeed, as a city like San Francisco shows, economic or housing market growth can arguably be *too* successful, to the point where fewer and fewer benefit, and more and more harmed. No successful city, moreover, can ever rest on its laurels, since both the external and internal conditions that create the framework for revitalization are constantly changing.

The model shown in figure 1 has two concentric rings. The inner ring, within the inclusivity screen, contains the five elements of urban revitalization. The outer ring represents the state policies that affect each element. While one can generalize about state policies as "affecting urban revitalization" writ large, such generalizations offer little to help understand the effect of a particular state policy. The model shows, albeit in oversimplified form, that *any given state policy affects one or more particular elements of urban revitalization;* by linking policies to the particular elements they affect, one can begin to see how policies affect those elements, and by extension the entire revitalization project.

Figure 1 illustrates only a few of many state policy areas and linkages between those policy areas and the elements of revitalization, as to show more would make an already unwieldy figure incomprehensible. What it shows, however, is that many state policies affect more than a single element. While education policies are a fundamental starting point for human capital development, they are also a critical factor affecting the quality of a city's neighborhoods, and by extension, the strength of the city's housing market, by virtue of their effect on education options available in the city. State policies, however, that might have the greatest impact on human capital development might not be those which would have the greatest impact on neighborhood stabilization or market-building. As with any other policy area, tough choices must often be made.

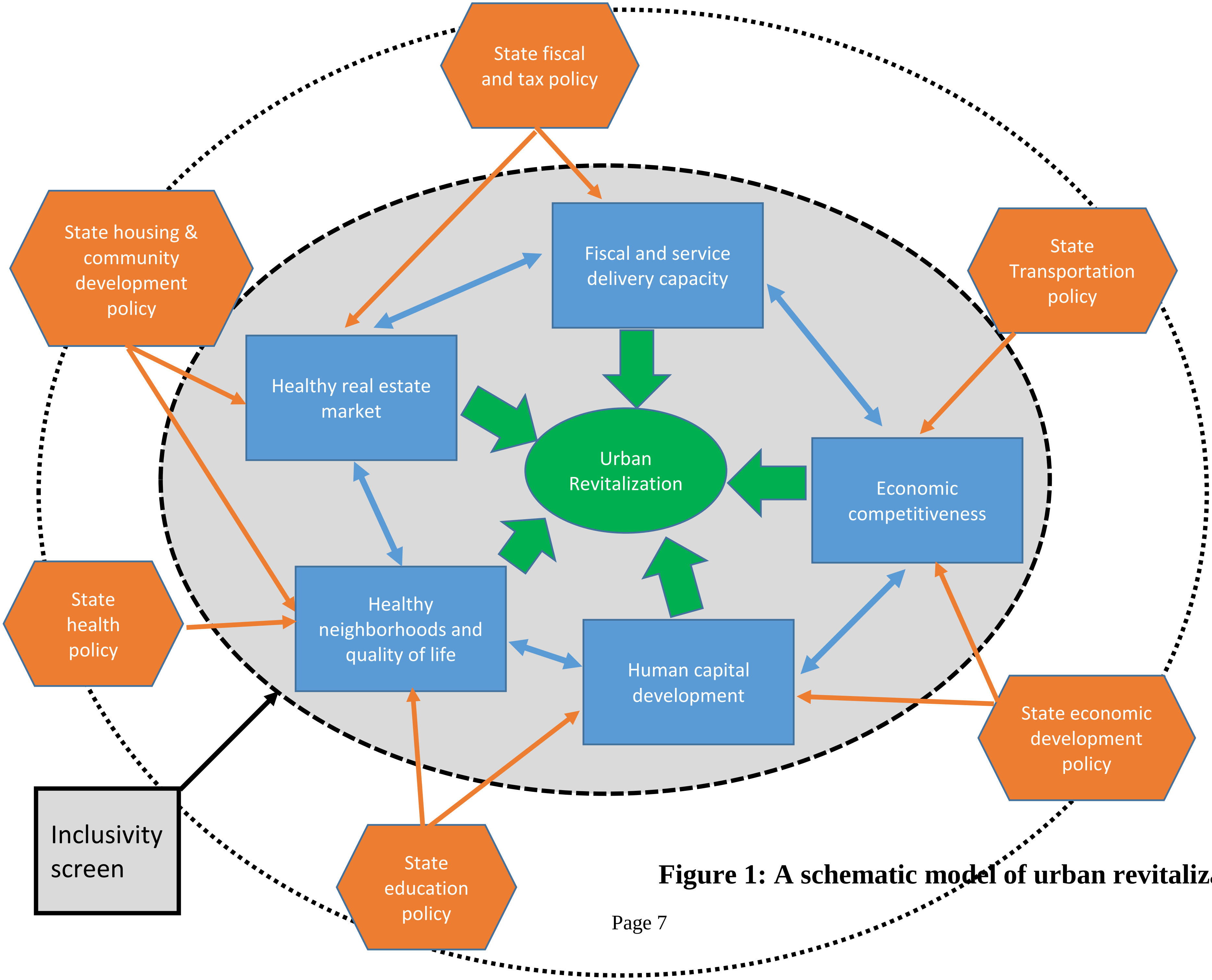


Figure 1: A schematic model of urban revitalization

America's legacy cities were once powerful manufacturing centers, whose downtowns were regionally dominant centers for retail, services, and business. After World War II, those cities gradually lost their competitive edge in both areas. More recently, some cities have had considerable success building a competitive position in economic sectors such as education and health care, while reconfiguring their downtowns increasingly as residential areas catering primarily to highly-educated members of the millennial generation. Their success has been driven by external factors such as the growth in health care spending or shifting preferences for urban living. None of these economic engines are guaranteed for the future, however, nor can all cities emulate the success of Pittsburgh or Baltimore, with their globally significant educational and medical centers. No city can assume, as many did in years past, that their current economic or housing market strength is unassailable, and that they "have it made." Revitalization is a never-ending work in progress.

The following section will drill down into specific policies and how they affect the different elements of urban revitalization. I will follow that analysis by offering some guiding principles to follow in crafting affirmative and inclusive state policy frameworks for urban revitalization, and offering specific priorities for state policy and action.

Drilling Down: How Specific Urban Policies Affect Each Element of Urban Revitalization

This section will describe how different state policies affect each of the five revitalization elements outlined in the model presented above. The discussion of each element begins with something of an annotated catalogue of important state policies that affect urban revitalization, followed by as an analysis of key issues arising from the relationship between state policy and urban revitalization for that element. It should serve as a framework for more detailed investigation of the particular ways in which these policies affect revitalization, or the ways in which they interact in terms of their effects, and I hope that it may prompt some readers to pursue such investigations.

Any assessment of the effect of state policies on revitalization must be grounded in assumptions about the relationship between those policies and revitalization outcomes; that is, assumptions about what does or does not constitute a 'pro-revitalization' policy. In some cases, what is 'pro-revitalization' may appear self-evident, but that is far from always true, and can be a matter for legitimate dispute. For example, is a state policy that prioritizes Low Income Housing Tax Credit housing developments to 'areas of opportunity' with high property values and job growth, rather than to distressed inner-city areas 'pro-revitalization' or not? Answering that question hinges in turn on one's assessment of the extent to which such developments, *when* built in distressed neighborhoods, either improve their quality of life or enhance their housing markets, both of which are subject to question.

Another example of an area of widespread disagreement is whether policies that encourage charter schools and other school choice alternatives are more or less pro-revitalization than policies that focus on improving the quality of traditional public school districts. In this case, the issue goes beyond revitalization as such to fundamental questions as the role of consumer choice in public education, and one's ideological views on public education generally. The question of what constitutes a pro-revitalization policy can be as much a normative or aspirational matter as an objective one.

In this section, I will explore issues associated with a variety of state policies that affect each of the five elements, in order to create a framework for setting forth a series of principles to govern what state policies can be seen to constitute a 'pro-revitalization' policy. I will not try to explore all of the many policies and strategies described in the tables that accompany this section, which would require a book, rather than a paper.[7] Rather, I will try to select a few that may be particularly important, raise significant policy or normative issues, or are strongly contested.

After discussing each of the five elements, the last part of this section will address the question of inclusivity as a cross-cutting issue, which, as noted earlier, should be seen as integral to the entire idea of urban revitalization.

Fiscal and service delivery capacity

In general terms, it is not difficult to state a reasonable goal for municipal fiscal and service delivery capacity: cities should have access to enough revenues to provide for a reasonable quality of public service delivery and public investment, without imposing a disproportionate tax burden on the city's residents. That statement, however, raises a host of issues:

- What is a reasonable quality of service delivery?
- What resources are needed to provide reasonable public services, and what levels of efficiency should reasonably be expected of local government?
- What level of public investment, in what areas, is appropriate for local government, over and above basic maintenance and repair of public infrastructure?
- What constitutes a disproportionate tax burden?

All of these are legitimate questions. State policies rarely grapple directly with these questions, but raise a further one, which is the extent to which municipalities should be given discretion to answer these questions, or strictly regulated by state laws or guidelines. In practice, as Frug and Barron note, "state law exerts significant control over nearly every aspect of the local budget" (2008, 75). While state laws may exert somewhat less control over specific municipal expenditures, beyond pervasive laws setting caps or limits on overall expenditures, their power is extensive although more uneven there as well. State law governs municipal revenues through three separate bodies of law, policy, or regulation.

[7] Such a book would be well worth the effort, but this is not the occasion.

Table 1: Policies Affecting Fiscal and Service Delivery Capacity

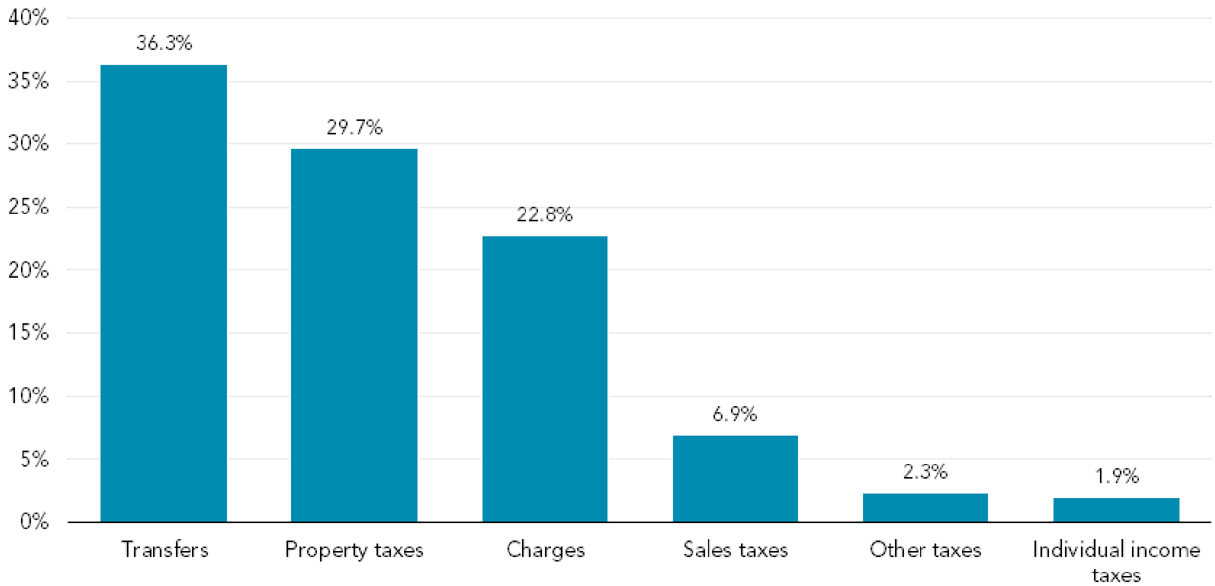
CATEGORY	DESCRIPTION	WHAT ARE PRO-REVITALIZATION FEATURES?
Local revenue sources available	Authority granted to municipality to use multiple revenue sources, including local property taxes, income or wage taxes, sales taxes, as well as other taxes and user charges.	Greater flexibility given to municipalities to utilize multiple revenue sources.
Constraints on access to local revenue sources	Limitations on local revenue sources such as caps on property tax rates and/or annual increases.	Absence of caps, or caps flexible enough to allow municipalities to address both service delivery and investment needs. Municipal authority to establish tax classification categories, as well as to vary tax rates on land and improvement, within clear state guidelines.
Level of and terms governing state aid to local governments	Extent to which states provide aid to supplement municipal own revenue sources, and terms governing that aid.	Municipal add that is need-based as well as meaningful in amount and budget impact, and where conditions for accessing municipal aid do not unreasonably impede municipal investment and service delivery.
Ability of municipalities to obtain host benefits	Extent to which states permit municipalities to obtain financial benefit from specialized facilities, including casinos and governmental facilities.	Provision of PILOTs from tax-exempt facilities, and significant sharing of specialized state revenues from local facilities such as casinos.
Rules governing municipal spending and service delivery	Laws and regulations constraining municipal spending; or alternatively, mandating municipal spending, imposing work rules, and the like.	Flexible laws governing municipal spending, within broad criteria, and minimum of state mandates dictating terms and conditions of local service delivery and investment.
Rules governing fiscal transparency and oversight of municipal finances	Manner in which state monitors municipal budgets and financial practices, and extent to which and terms under which municipality may intervene to address municipal fiscal issues and problems.	High level of local fiscal transparency, strong reporting requirements, and professional state oversight. Well-designed system permitting state intervention to address local fiscal problems, designed to help municipalities solve problems, with state control as last resort.

Fiscal capacity has become a particularly critical issue since the end of the housing bubble and the subsequent foreclosure crisis and Great Recession beginning in 2006 and 2007. As analyzed in detail by Howard Chernick, Sandra Newman, and Andrew Reschovsky in their Policy Focus Report *Housing and City Finances: How the Boom and Bust of the Housing Market Affected the Fiscal Condition of American Central Cities,* the collapse of housing values in numerous older cities, the wave of foreclosures that engulfed cities like Cleveland, Newark and Detroit, and the subsequent recession affected not only central city property tax revenues but other revenue sources as well, sending these cities into a fiscal crisis from which many have yet to recover.

<u>Municipal capacity to raise local tax revenues</u>

States determine what sources of income or wealth can be taxed by local governments and the ground rules by which they can be taxed. These sources vary from state to state. While, as figure 2 shows, the property tax is by far the largest source of locally-raised tax revenues, many states allow some or all municipalities to levy a sales tax, either as a separate tax or added onto the state tax, while a few allow some or all municipalities to levy a tax on individual incomes or wages, in some cases including wages earned within the city by individuals who may live outside the city. It is worth noting, however, that on average, locally-raised taxes account for only 40 percent of local general revenues.[8]

Figure 2: Local General Revenue by Source 2013



Source: Urban-Brookings Tax Policy Center, State & Local Government Finance Data Query System.

[8] This and much other data cited in this section comes from the analysis of the 2013 U.S. Census of State & Local Finance by the Urban-Brookings Tax Policy Center. The data in Figure 2 includes revenues of local school districts, special districts, and counties as well as municipalities.

It is largely, although not universally (see, e.g. Carroll 2009), accepted that increased tax diversity, in the sense of a municipality being able to raise taxes from a variety of sources rather than sole or nearly sole reliance on the property tax, reduces revenue volatility and furthers municipal fiscal stability. This appears to be the case in Ohio, where state law allows cities to impose a local income tax; a recent article about Toledo, a severely distressed city in most respects, notes:

> Despite its challenges, including bumpy roads and its own recent water crisis, Toledo continues to balance its budget, keep cops on the street and remain a viable place to live for more than 280,000 people. This Rust Belt city has been able to pay its bills because Ohio has a municipal finance policy wholly unlike Michigan's. In Ohio, hundreds of cities rely on income taxes that generate, on average, 70 percent of city revenues, and far less on the ups and downs of property taxes and state revenue sharing than struggling cities and towns in Michigan (Wilkinson 2016).

Whatever taxes municipalities may levy, the extent to which they can do so is limited by state government. Most states cap the percentage rate of local sales and income taxes. While there are well-known examples of similar caps on property taxes, such as California's Proposition 13, other forms of property tax limitation are more common, including limitations on annual tax increases, or limitations on how the taxable value of property is determined.[9] While it is not unreasonable for the state to establish some constraints on municipal taxation, it is arguable that many limitations—which typically apply across the board to all municipalities in the state—unreasonably constrain cities' ability to provide adequate municipal services, invest in the future, and address urgent needs (Fiscal Policy Institute 2015). Property tax caps also create significant inequities between jurisdictions and between newer and older homeowners, and tend to have a regressive effect (Skidmore, Ballard, and Hodge 2010)

Municipal ability to impose fees and user charges

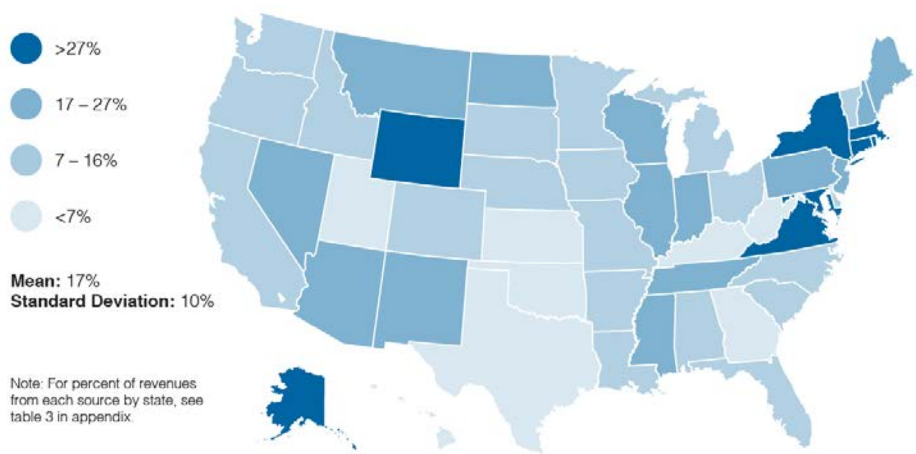
Fees and user charges account for 23 percent of municipal general revenues, or slightly more than one-third of all locally-raised revenues. Municipal fees vary widely. Fees often cover the cost of providing water and sewerage service, but can also include airport, parking, development impact fees, and many more. State law typically governs what is considered a fee and what a tax, where municipalities can impose fees and the ground rules governing collection of fees, as well as often imposing specific conditions. Frug and Barron cite a Massachusetts law, since repealed, that limited the amount Boston could charge to tow illegally-parked owners from city streets to $12, far less than the cost of the service (2008, 89). State laws vary widely in all these respects, although some of the greatest variation between states occurs with respect to impact fees, which are likely to affect faster-growing jurisdictions more than older, largely developed cities.

[9] Michigan operates a complex system which limits the increase in the value on which the taxes are calculated to no more than the lesser of 5% or the rate of inflation as long as the same owner remains in place; when the property changes hands, the value can then be recalculated to determine the level of taxes paid by the new owner.

State aid to local governments.

Transfer payments cover over one-third of all local general revenues, of which 90 percent come from state government.[10] State aid to municipal governments makes up on average 17 percent of municipal general revenues (McFarland and Hoene 2015), down from 19 percent ten years earlier (Hoene and Pagano 2008), reflecting cuts that took place during the Great Recession, which have largely not been restored despite widespread state fiscal recovery. Given the severe constraints on locally-raised revenues inherent in cities where both property values and incomes are likely to be lower than in their suburban counterparts, transfer payments are a critical source of revenue for distressed cities, and a critical element in their ability to attain fiscal and service delivery stability. As figure 3 shows, states vary widely with respect to the level of aid they provide to municipalities, ranging from well over 30 percent to 3 percent in Georgia, Oklahoma, and West Virginia. States with the highest level of state municipal aid tend to be concentrated in the Northeast, and include New York, New Jersey, Maryland, Virginia, and three New England states.

Figure 3: State by State Aid as Share of Municipal General Revenues 2012



Source: McFarland and Hoene (2015).

Some states use state aid as a means of redressing fiscal imbalances; an independent budget watchdog organization notes that "state government in Massachusetts uses general local aid as a mechanism for helping offset inequality of local services that would otherwise exist if these cities and towns primarily funded their budgets with local property tax revenue" (Schuster 2012). State aid conditions are as significant as their amounts; New Jersey uses its pool of supplemental state aid for distressed cities as a lever to impose often severe fiscal or operating conditions on municipal beneficiaries.

[10] This figure includes federal funds received by states and subsequently passed through to local governments.

The last observation raises an important point about the fiscal relationship between states and cities. It is a complex one, often marred by conflict and suspicion; while cities may desperately need state aid, it can foster a culture of dependency on the part of the municipality, and one of high-handedness on the state's part. While cities may resent state tutelage, moreover, their fiscal and service delivery problems frequently go well beyond being a matter of limited resources; as an analysis of Pennsylvania's Act 47 program of aid to distressed cities wrote:

> Pennsylvania's cities are creatures of the state but they contribute to their own distress through mismanagement, political infighting and poor financial judgment. Reading has a history of sloppy recordkeeping, borrowing from its sewer fund for other operations without paying the money back and failing to make its annual public pension payments. Scranton and Harrisburg officials are harshly split between mayor and council over how to manage their fiscal crises. Scranton mayor Doherty cut city workers' pay without the council's consent. Harrisburg's collapse is due in large part to bad decisions by elected officials about a failed trash incinerator (Fehr 2012).

Too much state control over municipal finances and service delivery, however, and innovation and creativity are stifled. Too little, and mismanagement, and potentially outright corruption, can get out of hand. The problem of what I characterized in an earlier study as "regulatory stringency with low expectations" is that

> With the state expecting little from local government in the way of performance or capacity, regulatory standards tend to be imposed out of a concern that in their absence local government will make a mess of things […] There are no incentives to encourage municipal governments to be proactive or creative on solving problems. On the contrary, local officials soon learn that attempts to get "outside the box" […] are likely to be greeted with suspicion by state regulators (Mallach and Sterner 2008, 9).

The issue goes beyond the amount of state aid provided to the dynamics of the state-local fiscal relationship itself. Some level of state oversight of municipal finances is appropriate and desirable; too much, and it becomes a problem. The challenge is to set the level and structure of state oversight so that it actively provides incentives for effective governance and service delivery, as well as creative revitalization strategies, rather than accepting mediocrity as the norm and focusing on sanctions for bad behavior.

Economic Competitiveness

America's legacy cities were once more than economically competitive; they were economically dominant. Their dominance flowed on the one hand from their manufacturing prowess, and on the other, from their role as centers of business and commercial activity in an era when the northeast and Midwest dominated the national economy, and when transportation constraints dictated that regions be tightly monocentric. These conditions are long gone. The story of legacy cities over the past 50 years is one of an ongoing search for new economic engines to replace the ones that were lost.

The most successful examples of revitalization have been those where cities have capitalized on unique assets, most notably the major educational and medical facilities whose investment in their physical plant was such that they could not leave the cities, and as they benefited from national growth in higher education and health care spending, became the cities' *de facto* partners in revitalization. A second is the body of historic, locational, and physical assets that have enabled cities to build economic engines around entertainment and tourism, and which have furthered their ability to draw the millennial migration that has had such a dramatic impact on many cities.

Although under Governor Rendell, the state of Pennsylvania provided $100 million to the city of Scranton to create a new medical school as a vehicle for downtown revitalization, examples of similar explicitly revitalization-driven state investments are rare. State government, however, plays an important role not only in driving the policies of educational and medical institutions, and the role that they can play in revitalization, but state policies and programs strongly influence the extent to which a city can capitalize on its assets, as well as the extent to which it can direct the benefits of those assets to its citizens at large, rather than a favored few. I will discuss two areas where the state plays such a role, economic incentives and redevelopment tools, both of which not only play important roles, but raise heatedly contested policy issues.

<u>Economic incentives</u>

Most if not all states offer incentives to promote development and get companies to locate within their borders, including tax credits and tax abatements, provision of building sites and worker training, and often direct financial support through grants or loans. Many of these incentives are provided on a case-by-case basis, but others are provided through versions of enterprise zone, in which all businesses locating in a defined geographic area are eligible for benefits. Many states have also provided incentives and direct financial support to construct sports facilities such as stadiums and arenas, as well as tourism or convention facilities.

The evidence for the value of these incentives is mixed, with some writers suggesting that their value is at best limited and uncertain (Peters and Fisher 2004). Peters and Fisher conclude their survey of economic incentives research by writing that:

> …continuing on the path of traditional incentive-based economic development policy will simply produce an unending merry-go-round of tax cuts and subsidies whose net effect is to starve government of the resources it needs to finance the services it should be providing and to make the state and local tax system ever more regressive (Peters and Fischer 2004, 36).

At the same time, others, particularly Bartik (1991, 2007), argue that despite abuses, economic development incentives can play a valuable role in spurring economic growth and providing community benefits, and identify ways in which state and local governments can design incentives that provide meaningful benefits to targeted areas and their residents, rather than simply enrich already-prosperous corporations.

Table 2: Policies Affecting Economic Competitiveness

CATEGORY	DESCRIPTION	WHAT ARE PRO-REVITALIZATION FEATURES?
Economic incentives	Incentives, including tax credits, grants and other assistance, to further business growth, business relocation and job creation.	Transparent incentives that provide for urban and need-based targeting, and are applied on the basis of clear need and community benefit criteria.
Financing programs	Programs that provide loan capital to businesses in various forms	Variety of both real estate-based and business-based loan programs accessible to small as well as large businesses, with particular focus on improving access to capital in capital-deprived areas and in conjunction with neighborhood revitalization and redevelopment programs.
Redevelopment tools	Legal and fiscal tools, including eminent domain, tax increment financing, revenue bond issuance, etc. used to further redevelopment.	Broad legal authority for local governments within clear ground rules to ensure proper and transparent use of redevelopment tools.
Transportation	Programs that provide for construction of new road and transit programs, repair and upgrading of existing facilities, and operating support for transit and road maintenance.	Policies based on municipal need that favor upgrading of existing roads and highways over new construction, and that provide both capital and operating support for transit systems.
Regional framework	Policies governing regional economic development	Policies furthering coordinated economic development strategies and programs within metro areas with clear focus on urban area needs.

From the standpoint of urban revitalization, three paramount criteria should be met by urban economic incentives. First, that the incentives be targeted toward urban locations rather than being location-neutral within the state. Second, that the criteria for those incentives lead to meaningful benefits for the communities and their residents. Third, that the benefits realized by the incentive exceed the *opportunity costs*; that is, the alternative benefits that could have been realized for the same public expenditure if used in other ways.

An example of a state incentive program that meets the first test, but is almost a poster child for its failure to meet the second and third tests, is the New Jersey suite of incentives offered under the Grow NJ umbrella.[11] I do not suggest that it is necessarily representative, but rather that it vividly exemplifies some of the pitfalls associated with such incentives. New Jersey's program is targeted to designated incentive areas, with substantially more generous incentives available for the four major cities with the lowest median family income in the 2009 American Community Survey.[12] From late 2013 through 2015, the state of New Jersey has allocated $1.1 billion in tax incentives under this program to 16 projects in the city of Camden (Nurin 2015). Five received over $100 million each in incentives, shown in table 3.

Table 3: Top New Jersey Economic Development Incentives in Camden 2013–2015

FIRM	JOBS RELOCATED FROM NEARBY SUBURBS	JOBS RETAINED IN CAMDEN	JOBS PROMISED TO ADD IN CAMDEN	TOTAL SUBSIDY ($000)	SUBSIDY PER JOB
Holtec	160	0	235	$260,000	$658,228
EMR	62	201	84	$253,000	$729,107
American Water Works	600	0	100	$164,000	$234,286
Subaru	500	0	100	$118,000	$196,667
Lockheed Martin	250	0	0	$107,000	$428,000
TOTAL	1572	201	519	$902,000	$393,543

Source: Nurin (2015). Analysis by author.

There is no question that Camden is deeply distressed—indeed, by most measures it is one of the most distressed cities in America—but the benefits to be derived from these vast expenditures appear highly questionable. In most cases, the company is being paid to relocate an existing body of workers from its present facilities in nearby suburban locations, while promising to create a smaller number of additional jobs; as table 3 shows, the cost per job of the incentives, which are taken over a 10-year period, range from $200,000 to $729,000, and average nearly $400,000 per job.

[11] See http://www.njeda.com/financing_incentives/Programs/grow_nj

[12] The cities are Camden, Trenton, Paterson and Passaic.

As the table shows, however, almost all the actual jobs are being moved from nearby suburban locations, from which one can reasonably assume that workers will simply shift their commute to a new location 10 miles or less from their previous one. The likelihood of future jobs is highly uncertain, and it is likely that most will not end up going to Camden residents.[13] Of the 201 jobs to be retained in the EMR scrap metal facility, an estimate generated using On-The-Map data suggests that only roughly 20 percent are Camden residents, while Nurin (2015) comments that "residents in the adjoining Waterfront South neighborhood have long complained about pollution-related health problems and continue to beg city leaders to stop adding these types of companies to those that are already there." Other facilities, such as Subaru's office building, will be located in the secure Campbell Gateway area, described by Nurin as "an insulated border parcel hard against a highway and filled with parking spots."

This brief discussion suggests that the state of New Jersey is more interested in appearing to be concerned about the revitalization of Camden than it actually is, and is arguably using that appearance to offer generous handouts to a number of the state's corporations. In that respect, Bartik (2007) suggests that incentives which are taken in the form of tax credits or abatements over time are particularly inefficient, in that because of the short-term calculus used by corporations, "the portion of the property tax abatement provided 10 years from now is almost completely irrelevant to the location decision" (118). The benefits to the city of Camden, however, if not totally nonexistent, are modest in the extreme.

That, in turn, leads to the question of opportunity costs, and suggests a thought experiment. Assume that New Jersey were willing to commit $90 million a year in state revenues for 10 years, as these incentives entail. These funds could be used to support program activities such as job training, could be provided as direct grants, and/or used to leverage private capital investment; or, assuming the state were willing to extend the commitment beyond 10 years, capitalized to create an investment fund in the vicinity of $1.5 to $2 billion. Under those circumstances, what benefits could be created for the city of Camden and its residents? Without belaboring the point, it is not unreasonable to conclude that the same level of resources could be used to craft a body of economic development strategies that would end up providing far greater benefits than will these incentives.

If incentives are to be used, the criteria that should govern them if they are to be truly pro-revitalization are well known. They include ensuring that actual community benefits, in terms of jobs and other local benefits, are significant; linking them to training programs and 'first source' agreements; conducting more rigorous cost-benefit assessments; making them more selective; and building in 'clawbacks' or provisions for recapture if the company's performance does not match the conditions of the incentive (Bartik 2007). All of these are straightforward enough; the political challenges to crafting truly pro-revitalization incentives, however, can be daunting,

[13] The magnitude of the actual incentives will depend on the total number of jobs, so that if fewer are created than promised, the incentive taken will be proportionately reduced. While the actual incentive contracts between the state and the companies do not appear to be available online, I have reviewed the approval resolutions for some of the incentives, which do not appear to obligate the companies in this fashion. Since at present only 13% of the jobs in Camden are held by Camden residents, it seems a reasonable assumption that most of the added jobs, if they come into being, will not be held by Camden residents either.

something which may contribute to the tendency of many commentators to condemn the entire practice out of hand.

Redevelopment tools

In contrast to suburbs at the metropolitan periphery with their acres of farms and forests, largely or fully developed cities need to redevelop currently or formerly used land and buildings if they are to be able to accommodate new investment and growth. This is a severe competitive challenge outside hot market areas, since redevelopment can trigger high costs for land acquisition, site assembly,[14] environmental remediation, and demolition, not to mention potentially ruinous delays associated with any of those activities.[15] Recognizing these barriers to competitiveness, states as well as federal agencies have provided older cities with a variety of what are collectively called redevelopment tools; legal and financial tools designed to enable local governments to intervene in order to reduce the disparities between urban and suburban development, and render urban areas more attractive for private investment. The first large-scale redevelopment tool, the 1949 federal Urban Renewal program, was driven by a particular set of assumptions about what cities needed for competitiveness which turned out to have been grievously wrong; as one prominent writer summed it up, "It taught America what *not* to do in the future" (Teaford 2000). Many subsequent programs, however, are more agnostic about the best path to draw investment, and provide tools that can be used in different ways by local governments. The most visible redevelopment tools used to further revitalization include the following municipal powers:

- To carry out redevelopment activities and partner with private entities
- To issue mortgage and industrial revenue bonds (MRBs and IRBs)
- To use eminent domain to take property for redevelopment
- To use tax increment financing (TIF) and create TIF districts
- To create special taxing and improvement districts
- To grant local tax abatements

As a general proposition, we would characterize those states that provide cities with the greatest flexibility to use these tools, while providing reasonable oversight over their use, as being most pro-revitalization. For all the acknowledged weaknesses of local governments, states are rarely in a better position either to determine what a city's economic development strategy should be, or to implement it. A good example of a responsive and responsible approach to supporting local redevelopment was that of the Rendell Administration in Pennsylvania, which created a program called the Community Assistance Team (CAT). The mission of the CAT was first, to provide technical assistance to cities that were developing major local economic development initiatives; and second, once the city had developed a project that had been successfully vetted by the CAT

[14] Including the ever-present risk of a holdout property owner forcing up costs, or in the worst case, making the project unworkable.

[15] The sole counter-balancing saving offered by urban sites that is sometimes cited, the presence of infrastructure, is often less than expected, because of the deteriorated or inadequate condition of much urban infrastructure. Moreover, suburban developers, particularly of non-residential facilities such as shopping centers and industrial parks, often do not have to bear the full cost of infrastructure extensions for their projects.

staff, to coordinate the work of the state agencies whose assistance was needed to make the project a reality.[16]

A recent promising approach to urban revitalization by state government is New York State's Downtown Revitalization Initiative (DRI), a program to revitalize 10 designated small city downtowns announced by Governor Cuomo in April 2016.[17] The state set aside $100 million for the DRI, with which it awarded $10 million in grants to each of 10 urban downtowns in July 2016 after a competitive process in which each city's revitalization strategy was evaluated using the following criteria:

1. The targeted neighborhood should be compact and well-defined.
2. The downtown, or its center, should be of a size sufficient to support an active, year-round downtown and should have a sizeable existing or increasing population within easy reach for whom this would be the primary downtown.
3. The downtown should capitalize on prior, and catalyze future, private and public investment in the neighborhood and surrounding areas.
4. There should be recent or impending job growth within, or in close proximity to the downtown that can attract workers to the downtown, support redevelopment and make growth sustainable.
5. The downtown must contain properties or characteristics that contribute or that could contribute, if enhanced, to the attractiveness and livability of the downtown, including the presence of developable mixed-use spaces, housing at different levels of affordability and type, commercial and retail main street businesses, including healthy and affordable food markets, walkability and bikeability, and public parks and gathering spaces.
6. The downtown should contain or articulate how it can create policies that enhance quality of life, including the use of local land banks, modern zoning codes, complete streets plans, or transit-oriented development.
7. Local and community support must exist for revitalization of the downtown. There must be a commitment among local leaders and stakeholders to build and implement a strategic investment plan for the downtown.

Significantly, the state invited cities to present *their* strategies flowing from these criteria, not specifying any particular strategy or model for revitalization; moreover, recognizing that it was unrealistic to expect detailed plans to be made until funds were in hand, each $10 million grant includes $300,000 for detailed planning. Ten million in flexible funds is enough to be potentially transformative for a small city downtown. The DRI recipients are small cities, such as Geneva (population 13,199), Oneonta (13,946) and Plattsburgh (19,898), which are rarely able to access funds at this level. This New York State program can be seen as a model for state support of urban economic revitalization.

State statutes and policies tend to fall into three broad postures, when it comes to local access to these redevelopment tools:

[16] Predictably, but unfortunately, the CAT program was abolished by Governor Rendell's successor, Tom Corbett.

[17] See https://www.governor.ny.gov/news/governor-cuomo-launches-100-million-downtown-revitalization-initiative

- Restrictive

  State laws and policies may outright bar municipalities from using one or more redevelopment tools. Michigan law, among others, does not allow municipalities to use eminent domain for purposes of economic development; New Jersey bars municipalities from issuing tax-exempt mortgage and industrial revenue bonds, reserving that authority for state agencies.

- Middle-ground

  More commonly, state laws and policies, while not barring municipal practices outright, limit them either by statute or regulation, or require state approval before municipalities can exercise certain powers.

- Flexible

  In other cases, states permit broad exercise of redevelopment powers and use of tools by local governments, generally within the framework of broadly written state enabling statutes. In some states, or certain cities such as Baltimore, state 'home rule' laws or constitutional provisions may even allow municipalities to enact tools to further redevelopment without explicit state enabling laws.

State laws and policies do not follow a consistent pattern; as table 4, which illustrates the author's assessment of New Jersey's posture, shows, a state can be flexible in one area, middle-ground in another, and restrictive in yet another area.

Table 4: New Jersey Laws and Policies Governing Redevelopment

Tool	Restrictive	Middle Ground	Flexible
Redevelopment activities			
Issue MRBs or IRBs			
Use eminent domain[18]			
Use TIF			
Create special districts			
Use tax abatement			

All of these tools can play a valuable role in making distressed older cities more competitive for development that would otherwise end up in easier to develop suburban areas; moreover, they are closely related and complementary. The ability to designate redevelopment areas becomes a far more powerful economic development tool if it is linked to the ability to use eminent domain and the ability to issue tax abatements or create TIF districts; indeed, one can argue that at least in some cases these tools are needed in order to level the playing field and make cities more

[18] New Jersey state statutes with respect to eminent domain on their face would be considered flexible, but a series of post-Kelo State Supreme Court decisions have imposed significant but not unreasonable limitations on the use of eminent domain for redevelopment.

competitive. At the same time, where municipalities have in the past been given broad flexibility to use these tools, they have been abused, arguably with distressing frequency.

Eminent domain is a case in point, although perhaps the pendulum has swung too far in some cases since the Supreme Court's 2005 *Kelo* decision. Up to that point, one could reasonably characterize most state eminent domain laws as being oriented toward the flexible end of the policy continuum. That decision, which affirmed the broad power of local governments to use eminent domain for economic development, triggered a backlash, as a result of which many states passed laws severely restricting its use. While some of these restrictions were reasonable, others created significant impediments to legitimate redevelopment activities.[19]

One of the key problems with the way many state redevelopment tools are structured, and which may be the cause of much of the abuse of these tools, is the lack of transparency built into the activities, a lack which state oversight—which is no more transparent as a rule—rarely does anything to overcome. Whether it is a matter of the criteria used to determine whether a property should be taken through eminent domain, the basis for setting the price for property in a redevelopment area, or the granting of tax abatement to a developer, all such matters need to be subject to strong and explicit procedural and disclosure standards. That is a far more appropriate response to abuse of redevelopment tools than either their abolition or the imposition of burdensome state oversight, which assumes, contrary to all available evidence, that state officials are inherently capable of better addressing cities' needs than local officials.[20]

Building a stronger housing market

For all the critical importance of the city's economy, the role of a city as a place where people live may be even more significant, in light of the amount of the city's land area that is occupied by residential neighborhoods and the share of the city's property value represented by residential structures. Building stronger demand for the city as a place to live is a critical element in urban revitalization; put differently, *no city can revive unless people want to live in the city and its neighborhoods, and are willing to pay reasonable prices for its housing stock.* By reasonable, we do not mean the superheated prices that have come to be the norm in large parts of New York or Washington DC, but prices at which owners are motivated to improve their properties and developers are motivated to rehabilitate vacant buildings or build new housing on vacant or underutilized lots. For that to happen, prices—whether purchase prices or the return on rental housing—must equal or exceed the replacement cost of the existing housing stock.[21] Areas

[19] One example was the efforts of the Detroit Economic Growth Commission which attempted over many years to assemble land for a number of industrial parks, only to be frustrated by the strategic acquisition of key vacant land parcels within the target area by speculators. Short of offering them unconscionable amounts for their parcels, the DEGC was powerless to resolve this problem without the power of eminent domain, which had been taken away in Michigan in 2006.

[20] Some undoubtedly may, but that is a dubious premise on the basis of which to enact laws or adopt regulations.

[21] It is important to point out that, contrary to some assumptions, prices below replacement cost do not foster greater benefit to lower income households. In contrast, low sales prices do not lead to low rents, but rather to exploitative practices by landlords capitalizing on those low prices to milk properties, often walking away from them after a few years. Similarly, few prospective homebuyers benefit from extremely low prices, since few very low income households are realistically in a position to become homeowners.

where prices are below replacement cost, and where it costs more to acquire and rehabilitate a building than it is worth, are referred to as having a 'market gap.'

Successful economic development is bound to have some effect on a city's housing market, but its effects are likely to be both limited and uneven. To the extent that people who fill newly created jobs live in the suburbs, as is often the case (Mallach 2014), that limits the effect of job growth on in-city housing markets; moreover, economic development spillovers are likely to affect only those areas that already have the greatest market potential—areas in and around downtowns, major universities and medical centers, or areas with special attributes such as waterfront locations or historic buildings. For a city to see broader and more sustained improvement in housing market conditions, it needs to pursue intentional strategies toward that end.

While market-building strategies are in many respects inherently local, states influence the ability of local governments as well as key non-governmental actors such as community development corporations (CDCs) to mount such strategies in two respects: the state legal framework governing the *regulatory tools* that a municipality can deploy to address problem property issues, and the extent the state provides *targeted resources and incentives* to facilitate market-building, either directly or through broader strategies for neighborhood revitalization.

<u>Tools for property regulation</u>

Neighborhoods with weak market conditions and low property values are likely to contain large numbers of problem properties, both vacant abandoned structures and substandard, poorly maintained absentee owned properties (Mallach 2012). While problem properties are only one feature of neighborhood distress, they exacerbate neighborhood problems, depressing property values and increasing crime, itself a major factor in depressing demand (Econsult 2010, Seo and Von Rabenau 2011, Branas, Rubin and Guo 2012). Programs by which local governments can get owners to improve problem properties, take them from recalcitrant or absent owners and get them into responsible hands for reuse, or demolish them, are all critical to any neighborhood market-building strategy.

Over the course of the past many years, a wide range of property regulatory tools has come into being, and are used to varying degrees across the United States. These tools include:

- ***Code enforcement***, requiring property owners to maintain them in keeping with state or local property maintenance, health and other standards.
- ***Vacant property registration***, requiring owners of vacant properties to register with the city, pay a fee to reflect the city's costs to deal with the property, and maintain and secure the property.
- ***Vacant property receivership***, under which municipalities (and in some states NGOs) can gain control of vacant properties through court proceedings where the owner has neglected the property.
- ***Tools to deal with properties in foreclosure,*** holding lenders responsible for maintaining vacant properties pending change of title.

Table 5: Policies Affecting Housing Markets

CATEGORY	DESCRIPTION	WHAT ARE PRO-REVITALIZATION FEATURES?
Market-building incentives	Housing policies explicitly designed to build stronger markets in weak market areas, such as tax credits or other assistance for neighborhood investment, incentives for mixed income or mixed use development.	State policies that provide incentives for market-rate housing in areas where market-building is needed to stabilize or revitalized neighborhoods.
Affordable housing location policies	Housing policies, such as the state's Qualified Allocation Plan, fair share plans and inclusionary housing regulations, that guide the distribution of affordable housing resources by location.	State policies that provide for a balanced distribution of affordable housing resources between different community types, and encourage mobility of lower income households, rather than concentrating poverty and affordable housing in low-income urban areas.
Financing tools	Programs that provide or increase access to mortgage financing and other forms of real estate development financing	Programs that facilitate home buying, as well as rehabilitation and new construction, in urban areas, and increase mortgage access for households unable to obtain conventional financing.
Land use regulation	Laws and policies that establish municipal land use regulatory authority, as well as larger state and regional planning laws which affect local land use planning.	Laws that provide flexible and strong tools for municipalities to regulate development
Property regulation tools	Laws and policies governing code enforcement, rental housing regulation and vacant property regulation.	Laws that provide flexible and strong tools for municipalities to regulate problem properties
Property acquisition tools	Laws and policies governing acquisition of property by public entities, including land banking, receivership and eminent domain.	Laws that provide flexible and strong tools for municipalities to gain access to problem properties, including land banking and receivership.
Support for community development and neighborhood revitalization	Programs which address and support broader, multifaceted community development and neighborhood revitalization activities, over and above programs that address specific revitalization issues such as housing or code enforcement.	Programs that support multifaceted community development and neighborhood revitalization programs, by encouraging comprehensive strategies and providing support for activities for which dedicated funding is unavailable.

- ***Rental licensing***, requiring owners of rental housing to maintain properties up to reasonable standards in order to obtain a license permitting them to rent the property.

What local governments can do in all of these areas is largely driven by state law and policy, but states vary widely with respect to the freedom of action they allow municipalities. In strict Dillon's Rule states like Virginia or North Carolina, municipalities can regulate properties *only within the explicit bounds set by state statutes*. In many other states, however, statutory or constitutional home rule language provides greater flexibility to local governments, which varies from state to state. Illinois recognizes two classes of municipal government, home-rule and non-home-rule jurisdictions; the latter are subject to the Dillon's Rule standard, while the former have considerable flexibility to exercise their police powers[22] to tailor regulations to their needs. Even home rule municipalities, however, may not take actions inconsistent with or in violation of existing state statutes.[23]

It is doubtful that a court would uphold a municipal spot blight eminent domain ordinance unless explicitly permitted by state law, since all states have eminent domain statutes that prescribe the circumstances under which it may be exercised. The same is likely to be true of local efforts to enact ordinances authorizing vacant property receivership. Conversely, local governments in a number of states have successfully applied their police powers to adopt vacant property registration ordinances. Since these states have no statutes that deal with vacant property registration one way or another, these ordinances have withstood legal challenge.

State by state variation extends to the minutiae of these statutes. Some states permit qualified non-governmental entities to pursue receivership actions against problem properties, while others give standing only to municipal governments. Virginia allows licensing of rental housing, but only in designated 'rental inspection districts,' which must meet state statutory criteria.[24] In Illinois, home-rule cities may adopt rental licensing ordinances, but non-home-rule cities may not. Similar variations can be cited ad infinitum.

As a result of these variations, the manner in which cities can exercise regulatory power to deal with problem properties is a patchwork, with some cities having broad authority and others far less. Some states may permit vacant property receivership but not spot blight eminent domain, while others may permit spot blight taking, but not vacant property receivership. Each city must navigate its particular path through the opportunities offered and constraints imposed by the state.

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[22] Police powers in the sense have nothing to do with the police as such; they have been defined as "the power of a governmental body to impose laws and regulations which are reasonably related to the protection or promotion of a public good such as health, safety or welfare." see, e.g., http://municipal.uslegal.com/police-powers/

[23] A recent case in point was the decision of the New Jersey Appellate Division in the 2015 case of *Timber Glen III LLC vs. Township of Hamilton*, 44 N.J. Super. 514, which found that, notwithstanding a broad home rule grant of police power authority under New Jersey law, municipal rental licensing ordinances were *ultra vires* (beyond the scope of municipal authority) based on the court's interpretation of the legislative intent governing the state's licensing statute.

[24] VA Code § 36–105.1:1

Targeted resources and incentives

Creating a stronger housing market in a disinvested area where property values are low and a market gap exists almost always requires initial public sector investment. Even though the market potential may be present, developers and investors are unlikely to put their money into such an area without public sector assistance to jump-start the market, and enable it to realize its potential. While many struggling cities are eager to build stronger market conditions, whether citywide or in targeted neighborhoods, they rarely have resources available for the purpose.

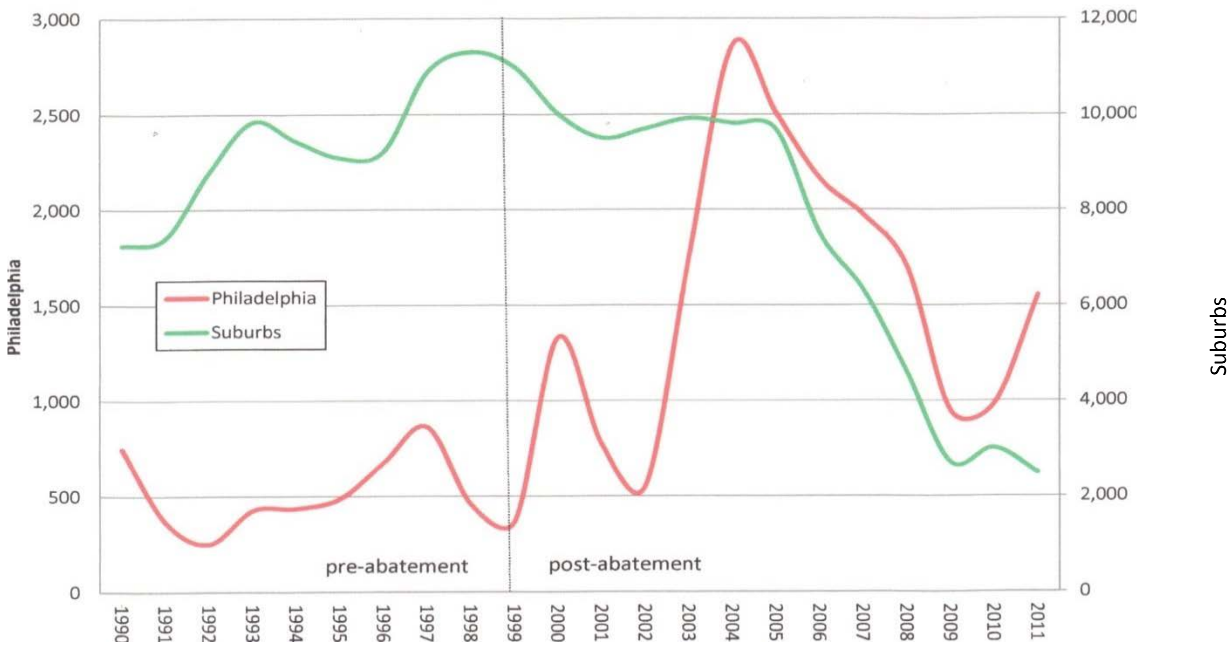
Strategies for creating stronger housing markets are very different from those for creating housing to meet affordable housing needs, even though the two are sometimes conflated. Affordable housing is designed to be available only to households falling below certain income levels, and priced to rent or sell at levels those households can afford; as a result, it operates within a non-market sphere, and its effect on housing markets varies widely. While in some cases, a well-designed affordable housing project in the right location may have a positive market effect by helping to stabilize a block or a neighborhood, in others it may have a negative effect and potentially undermine the private, unsubsidized market in the vicinity. These issues have been the subject of considerable research, and are well beyond the scope of this paper. A summary of twenty different studies appears in Lee (2008).

The issue addressed here, however, is not affordable housing, but incentives specifically designed to build stronger housing markets by addressing market gaps, and incentivizing housing that is not means-tested. States can facilitate local market-building activities in a number of different ways:

- Giving municipalities legal authority to incentivize market building activities, such as the authority to grant tax abatements;
- Providing market gap incentives to facilitate rehabilitation or development in areas where the city or other entities are seeking to build stronger markets; and
- Increasing access to capital for homebuyers and developers in emerging market areas.

Since cities rarely have discretionary funds that can be used to fill market gaps directly, the most widespread tool used by local governments to incentivize markets is the provision of tax abatements; that is, reducing the property taxes below the level that would otherwise be due for some number of years. Municipalities in some states can offer such abatements only to the extent explicitly permitted by state law, while in some states, some municipalities have broad flexibility to craft such programs. A Philadelphia program initiated in 2000 abated the taxes on the entire value of new residential developments other than the underlying land value for ten years. By 2013, over 15,000 units had been created under the program, which was widely credited with having jump-started the housing market, particularly in and around Center City Philadelphia, as suggested in figure 4 (Gillen 2013).

Figure 4: Housing Starts in Philadelphia and Suburbs 1990–2011



Source: Gillen (2013)

The Philadelphia tax abatement appears to have had a significant impact, arguably because the value of the abatement was proportional to the market gap; in other words, it was large enough to determine whether or not a development would be economically feasible in many parts of the Philadelphia market. Many tax abatement programs, however, do not have comparable effects. Many states permit cities to offer a five year 'phase-in' abatement for residential rehabilitation, under which the full taxes are abated in the first year, 80 percent in the second, 60 percent in the third, and so forth.[25] The value of this abatement is rarely enough to act as a significant market incentive except where the market gap is quite small, and in all likelihood so small that the rehabilitation might well have taken place without it. As a result, the municipality loses valuable tax revenue without significant offsetting benefits.

While tax abatements in various forms have been around for many decades, a number of states have adopted more explicit market-building incentive programs in recent years, a few of which may be worth citing. Oregon's Vertical Housing Program, first enacted in 2001, offers special tax benefits for mixed-use multistory multifamily housing in designated Vertical Housing Zones (Hamill 2016).[26] The New Jersey Housing & Mortgage Finance Agency's CHOICE program provides a combination of construction financing and gap subsidies for developers building housing for home ownership in targeted areas: "the CHOICE program seeks to strengthen homeownership in 'Emerging Markets' by financing and subsidizing the development of for-sale

[25] Thus, if one assumes a house in which one invests $100,000 in rehabilitation and the property tax rate is 2.5%; the total abatement over five years is (2500+2000+1500+1000+500) = $7500. This amounts to only 7.5% of the rehabilitation cost, even before discounting for present value, which, depending on the owner's perspective, may further reduce its value.

[26] Oregon Revised Statutes 456:555, 307:841–307:867

housing that is not deed-restricted for resale, thereby encouraging and facilitating the emergence of a viable and market driven housing market."[27] The Pennsylvania Housing Finance Agency has set aside part of its 2016 allocation of Low Income Housing Tax Credits for "developments which support a broader community revitalization program which has the capability of changing fundamentally the character of a neighborhood, enhancing the lives and amenities available to residents of the community, are focused on implementing a "mixed income" strategy, and/or which seeks to counteract the pattern through which some metropolitan areas are being segregated by income or race."[28]

In contrast to some of the other areas discussed in this paper, state laws rarely explicitly bar municipalities from pursuing market-building activities as a matter of law. This is a case, however, where limited financial resources effectively constrain municipalities from pursuing strategies that are both legal and may have significant revitalization potential. The willingness of state government to provide additional resources to support local strategies can be the critical element in determining the success or failure of the strategy.

Non-housing strategies to build healthier neighborhoods and improve quality of life

The preceding sections have focused on strategies that address cities' fiscal and economic bottom line, and are often seen as the fundamental building blocks of revitalization. Yet the quality of life that a city offers, the quality of its neighborhoods, its public realm, and its artistic and cultural climate, are all important factors in revitalization. This is particularly true under today's conditions, where, as Richard Florida (2002) has famously written, "Lifestyle frequently trumps employment when [educated young people are] choosing where to live. Many said they had turned down jobs, or decided not to look for them, in places that did not afford the variety of 'scenes' they desired (274)." Thus, quality of life reinforces and enhances economic competitiveness; moreover, what works for highly educated millennials is likely to work for many other people, making the city more attractive to existing residents as well as other potential in-migrating groups.

State policy is less central to this area than in most other areas discussed in this paper. In contrast to areas such as housing or taxation, state regulation plays only a more limited role in either driving or constraining cities' efforts to build healthier neighborhoods and offer a better quality of life to residents and prospective migrants. At the same time, state regulation can have a subtle effect on municipal quality of life activities, including many of the seemingly routine operating responsibilities of city government, such as the manner in which the city provides for public safety. Some states have adopted statutes, sometimes called police chiefs' "bills of rights," that limit the power of the elected leaders of local government to direct the practices of the local police department; under New Jersey law, a mayor who wanted to institute a program of community-based police foot patrols, for example, could be overruled by her police chief, who

[27] http://www.state.nj.us/dca/hmfa/media/download/choice/2_choice_program_guidelines.pdf

[28] http://www.phfa.org/forms/multifamily_program_notices/qap/2016_allocation_plan.pdf

by statute has the sole authority to "prescribe the duties and assignments of all subordinates and other personnel."[29]

Similarly, as discussed in the previous section, while neighborhood revitalization goes beyond housing development, state policy with respect to allocation of housing resources can play a critically important role in whether particular neighborhood revitalization strategies are likely to be effective. Local public or other K–12 education, where the state role is more powerful, also clearly affects neighborhood vitality. Since it is even more central to human capital development, however, it is addressed in the next section of this paper.

The principal role state policy plays in this area has to do with the allocation of resources. With municipal governments facing severe fiscal constraints on their ability to provide basic public services, they have few resources available to go beyond service delivery into areas where public investment can potentially improve the quality of life and build stronger neighborhoods. While parks and open space play a major role in both areas, local governments have few resources to create new open spaces or restore deteriorated older parks, while almost all city governments have drastically cut back on park and recreation personnel over the past few decades. What we find, however, is a pattern of intermittent, limited state support in this area, falling far short of the sustainable engagement needed to bring about meaningful change.

States also provide tax credits for neighborhood revitalization. The first such program, the Neighborhood Assistance Program (NAP) was created in Pennsylvania in 1967, and extensively amended in 2007.[30] It offers ways in which businesses can obtain tax credits of 55 percent to 80 percent by contributing to neighborhood revitalization programs. Under the basic NAP, firms can get a 55 percent tax credit by making a single contribution to support a project in a distressed neighborhood; the project itself can be in any one of eight categories, among which are economic development, affordable housing, crime prevention and education. Under the Neighborhood Partnership Program, added in 2007, a firm can obtain up to 80 percent tax credit by entering into a partnership of no less than five years with a community-based nonprofit organization.

A similar program was adopted in New Jersey in 2002, with a significant difference. Under the New Jersey Neighborhood Revitalization State Tax Credit Act[31], the funds are provided to a neighborhood-based non-profit organization to support implementation of a comprehensive neighborhood revitalization plan for a distressed neighborhood, created by the non-profit in partnership with community residents and other stakeholders.[32] Businesses may contribute up to $1 million per year to any one neighborhood, with the total amount of state tax credits capped at $10 million per year. A 2012 report on the program documented substantial fund leverage as well as tangible accomplishments, but did not address the question of whether these funds had

[29] N.J.Stats.Ann. 40A:14–118 (c). While the statute provides that this power is to be exercised "pursuant to policies adopted" by the civilian leadership of the municipalities, it is easy to see how an unsympathetic police chief could exercise his power to neutralize such policies.

[30] ACT 55, 62 P. S. §§ 2081–2089

[31] P.L. 2001, c.415 (N.J.S.A.52:27D–490 et seq.)

[32] It appears that the 2007 addition to the Pennsylvania NAP creating the Neighborhood Partnership Program may have been prompted by the New Jersey program. The New Jersey program also served as a model for a program enacted in Massachusetts in 2012, the Community Investment Tax Credit, M.G.L. Chapter 62, §6M.

had a transformative effect on the neighborhoods' trajectories (Crandall 2012). Ultimately, programs such as those in Pennsylvania and New Jersey must be seen as more ameliorative than transformative.

In the final analysis, one must conclude that few if any state governments appear to see themselves as having an important role to play in helping distressed cities build healthy neighborhoods and improve their quality of life, notwithstanding a growing body of evidence to suggest that such activities may play as much or more significant a role in urban revitalization than conventional economic development strategies.

Table 6: Non-Housing Policies Affecting Healthy Neighborhoods and Quality of Life

CATEGORY	DESCRIPTION	WHAT ARE PRO-REVITALIZATION FEATURES?
Public open space and vacant land	Programs that help create and maintain public open space and recreational facilities, as well as programs that support maintenance and green uses of vacant urban land, including green CSO infrastructure.	Policies that support quality urban parks and recreational facilities, and that encourage creative green reuse of vacant urban land.
Historic preservation	Programs governing reuse of historic properties, including tax credits for owners and rehabbers, and for improving historic districts and Main Streets	Strong incentives for both homebuyers and developers for reuse of historic properties targeted to areas where incentives are needed to overcome market gaps
Neighborhood revitalization	Programs which address and support broader, multifaceted neighborhood revitalization activities, over and above programs that address specific revitalization issues such as housing or code enforcement.	Programs that support multifaceted neighborhood revitalization programs, by encouraging comprehensive strategies and providing support for activities for which dedicated funding is unavailable.
Arts and culture	Programs that support artistic and cultural activities, including public arts programs, artists' housing, and placemaking.	Programs that link arts, culture and placemaking to urban revitalization and economic development strategies and target resources to activities that make that link.

Strategies to build human capital

The ability of individuals in a community to develop their human capital; that is, obtain an education, gain employment-related skills and expertise, and obtain jobs or develop business opportunities drives sustainable revitalization by providing the skilled, capable individuals needed to fuel a growing economy. It also determines how much those individuals will be able to benefit from the economic opportunities created through revitalization. The effectiveness of the system, therefore, through which lower-income people and communities of color develop their human capital will largely determine the extent to which a city's revitalization is likely to be inclusive, in the sense that its benefits reach the community as a whole, or whether large parts of the community will be excluded from the benefits of revitalization.

Human capital development can be defined as the entire process by which people gain skills, employment, and business opportunities from early childhood through adulthood. Given the constant change in the skill demands placed by the American economy on its workforce, it is not a 'once and for all' process that ends with the individual gaining stable employment, but an ongoing, lifelong process of learning and adaptation to change. It is not only important in itself, but represents the critical element through which inclusivity can be best integrated into the overall revitalization framework. While sustainable economic development requires access to a workforce that is both large enough and skilled enough to support economic growth, in today's mobile world, there are many different places from which that workforce can be drawn. Job growth in revitalizing cities at present is largely fueled by a suburban workforce, rather than by greater utilization of the city's own residents (Mallach 2014).

In the typical urban area, human capital development takes place through a plethora of public, private, and non-profit entities, which may be but often are not coordinated with one another. Table 8 describes the variety of institutions through which the different categories of human capital development activity listed in table 7 may take place. Most if not all of these institutions and organizations are present in every major metropolitan area. The table illustrates not only the vast scope of human capital and workforce development activities taking place in cities, but a key challenge associated with this area—the sheer number of different entities and programs through which these services are provided. Rather than being a seamless process that enables individuals to progress steadily toward their goals, it is often highly fragmented. Even where all of the services exist, the burden is placed first on the child's parents, and then on the adult individual herself, to navigate the system and take advantage of the resources it offers.

Table 7: Policies Affecting Human Capital Development

CATEGORY	DESCRIPTION	WHAT ARE PRO-REVITALIZATION FEATURES?
Early childhood and pre-K education	Programs governing access to and financial support for pre-K and early childhood education	Programs that maximize the availability and financial support for quality pre-K and early childhood education in low-income areas.
K–12 education	Policies and programs governing support for K–12 education including policies governing charter schools, financing for educational facilities, and governing mixed-use and shared-use school facilities.	Policies that provide ample support for quality and inclusive urban public education, particularly with respect to lower-income communities; programs that provide diverse opportunities for students from low-income families to obtain quality education; and that maximize opportunities to build educational facilities that help sustain healthy neighborhoods.
Post-secondary education	Programs governing public higher education, both community colleges and four-year colleges and universities.	Programs that provide adequate support for post-secondary education, particularly urban community colleges, that maximize access of students from low-income communities to higher education, and that maximize school/job linkages through employer partnerships, particularly in community colleges.
Workforce development	Programs governing job training, retraining, apprenticeships, and other means to improve workforce readiness and job-related skills	Programs that target workforce needs of inner-city populations and that provide meaningful linkages between those populations and job and advancement opportunities in locally-based firms and institutions.
Local hiring and procurement opportunities	Programs governing municipal authority to establish local hiring and procurement standards for public projects and private projects receiving public support	Programs that give flexibility within broad ground rules to municipalities to establish local hiring and procurement standards for public projects and private projects receiving public support.

Table 8: Representative Providers of Human Capital Development Services

CATEGORY	REPRESENTATIVE PROVIDERS
Early childhood and pre-K education	Public school districts Head Start programs Non-profit providers For-profit providers Home providers
K–12 education	Public school districts Charter schools Private schools Parochial schools Specialized vocational/technical high schools Non-profit supplementary (after-school, summer, etc.) programs
Post-secondary education	Public 4 year colleges and universities Non-profit private 4 year colleges and universities Public community colleges For-profit colleges and universities Post-secondary technical training institutes and programs
Workforce development	Workforce Development Boards Local government workforce development agencies Non-profit workforce development programs For-profit training institutes and centers
Local hiring and procurement opportunities	Individual employers Employer consortia Workforce Investment Boards Municipal agencies and programs Public authority programs

State government plays a powerful role in all aspects of this element of revitalization, setting policy, adopting and enforcing regulations, and providing a large part of the financial support for the different parts of the system. Indeed, it is unlikely that there is any area in the entire sphere of urban revitalization where the state role is greater, and state policies more fiercely contested, than urban K–12 education. For that reason, we will discuss that area in some detail, and then comment more briefly on some of the other categories that fall in this section.

<u>K–12 Education</u>

Prior to the 1990s, the K–12 education picture in most urban areas was relatively straightforward, if not without points of intense conflict.[33] The great majority of children went to public schools, many Catholic children and a few others went to Catholic parochial schools, and a much smaller number of children went to a mixed collection of private or experimental quasi-

[33] Perhaps the most famous example was the conflict over community control of schools that erupted in New York City's Ocean Hill-Brownsville neighborhood in 1968.

public schools, including a handful of Afrocentric schools that were established in the wake of the civil rights movement.

The picture today is quite different, largely because of two developments, both direct products of state law or policy change: the proliferation of charter schools since first authorized by state law in Minnesota in 1991, and the growth of school choice programs. According to the National Alliance for Public Charter Schools, there were 6,824 charter schools educating 2,930,600 pupils operating for the 2015–2016 school year.[34] This represents slightly less than 6 percent of all K–12 pupils nationally, but a substantially larger share of pupils in many urban school districts. As a percentage of combined charter and public school enrollment, charter schools represent 26 percent of the combined enrollment in Newark, 27 percent in Cleveland and 49 percent in Detroit.

School choice programs have also proliferated, with a number of different models having been adopted by different states, as shown in table 9. Thirty-one states offer at least one school choice option, although the scale and criteria vary widely from state to state; three states, Texas, Louisiana and Indiana, offer three of the four options shown in table 9. While it is difficult to obtain complete data, a reasonable estimate would suggest that around one million students participate in one or another of the four programs. Since these are pupil-based programs and do not involve fixed-location facilities, it is not possible to determine their effect on individual school districts. There is some evidence, however, that many of the programs focus implicitly or explicitly on urban school districts.[35] State law governs every detail of both charter and choice programs, as well as much of what takes place in public schools. Whether to permit charter schools at all and under what conditions; how many to authorize; how much money to give them; what criteria they must meet and under what conditions they can be closed down, are all prerogatives of the state. The same is even more true for choice programs, where local school districts and municipalities are either passive beneficiaries or victims, depending on one's perspective.

A different school choice model, which gives local school districts more discretion, is one where students may enroll in school districts outside the one in which they live. Under Michigan's Schools of Choice program, students can enroll without cost in any school district that chooses to participate in the program, with over $7,000 in state funding following each pupil. Some 100,000 students or roughly 6 percent of all Michigan K–12 students participate in this program (French 2015). In 2015, an estimated 7,200 Detroit students were enrolled in suburban public schools (Gantert 2016), nearly 20 percent of the city's public school enrollment.[36]

[34] National Alliance for Public Charter Schools, A Closer Look at the Charter School Movement (2016), available at http://www.publiccharters.org/wp-content/uploads/2016/02/New-Closed-2016.pdf

[35] The state of Indiana provides data that breaks down participation in the state's voucher program by school district. The number of vouchers equals 14% of public school enrollment in South Bend, and 12% in Fort Wayne. See http://www.doe.in.gov/sites/default/files/choice/2015-2016-choice-scholarship-program-report-final-april2016.pdf

[36] Roughly 1500 suburban students were simultaneously enrolled in Detroit public schools.

Table 9: School Choice Programs

PROGRAM	DESCRIPTION	NUMBER OF STATES
Vouchers	Vouchers give parents a portion of the public funding set aside for their children's education to choose private schools. State funds typically expended by a school district are allocated to families in the form of a voucher to pay partial or full tuition at a private school, including religious and non-religious options.	15
Education Savings Accounts	Education savings accounts allow parents to withdraw their children from public district or charter schools and receive a deposit of public funds into government-authorized savings accounts. Those funds can cover private school tuition and fees, online learning programs, private tutoring, educational therapies, community college costs, and other higher education expenses.	5
Tax Credit Scholarships	Tax-credit scholarships allow taxpayers to receive full or partial tax credits when they donate to nonprofits that provide private school scholarships. Eligible taxpayers can include both individuals and businesses. The amount of tax credits distributed is capped at an amount determined by the legislature, which, in turn, affects the availability and size of scholarships.	17
Individual tax credits and deductions	Through individual tax credits and deductions, parents can receive state income tax relief for approved educational expenses, which can include private school tuition, books, supplies, computers, tutors, and transportation.	5

Source: Friedman Foundation for Educational Choice

K–12 education plays a significant urban revitalization role in many ways. In addition to its role in human capital development, the quality (or perceived quality) of education options has a significant effect on property values, and strongly affects many households' decisions whether to move into a city or neighborhood; or if there, whether to remain. In contrast to some of the policy areas discussed earlier, however, determining which state policies, particularly with respect to charter schools and school choice, further urban revitalization, and which work against it, it is not a straightforward matter. It is readily apparent, moreover, from the extensive literature on charter schools and school choice that much of both the support and the opposition to these measures are driven by ideological and normative, including religious grounds. This question is also fundamentally affected by the level of state financial support for K–12 education, whatever form it may take.

Ultimately, the two criteria that should be used to test whether state policies for K–12 education further urban revitalization are first, whether they lead to better pupil outcomes, particularly with respect to children and youths from low-income areas and communities of color; and second, whether they further neighborhood revitalization, in terms of their effect on household decisions to remain in, or move into, urban neighborhoods, and their impact on the housing market. In this light, it appears that there is no inherent reason that state policies to authorize charter schools or school choice are necessarily inimical to urban revitalization.[37] With respect to the second criterion in particular, since household location decisions are fundamentally matters of consumer choice, it seems logical on its face that offering greater consumer choice with respect to K–12 education would be seen as a positive good. It is not that simple, however, while the issue of student outcomes is even more complex.

These issues are raised in stark form in Detroit, where the education picture is a direct product of a series of state laws and policy decisions. Under a Michigan law that places no limits on charter schools and allows them to operate with little supervision, the number of school places in the city has come to vastly exceed the number of pupils, leading to “a glut of schools competing for some of the nation’s poorest students, enticing them to enroll with cash bonuses, laptops, raffle tickets for iPads and bicycles” (Zernike 2016a). Moreover, a series of perverse incentives built into the state law encourage the proliferation of charter schools, largely operated by for-profit entities.[38]

There is no question that there are good educational options among the vast array available to Detroit’s schoolchildren. Many of those options are selective, however, and others are located great distances from the bulk of the city’s lower income residents in a city with limited public transportation, and with no school busing available. The outcome is what one of Zernike’s interviewees characterized as a ‘caste system’ of schools.

In a competitive and largely unregulated market, whether it be for K–12 education or anything else, it is all but axiomatic that those consumers who have the greatest knowledge of the system and the greatest resources to identify and take advantage of the best choices gain the greatest benefits; those with less knowledge and fewer resources benefit less, or are exploited by the predatory elements that are found in any unregulated market. That appears to be what is happening in Detroit. While better-educated, more affluent families may be able to navigate the variety of choices available for the benefit of their children and get them to remote schools without having to depend on unreliable public transportation, low income families cannot. The outcome for children from low income families, as described by Zernike and others, is one of repeated churning, or movement from one school to another, and the perpetuation of educational failure, driven by state law and policy. Despite support from both the governor and Detroit’s mayor, a 2015 proposal to create a Detroit Education Commission to provide limited oversight and set basic standards was defeated in the State Legislature.[39]

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[37] This begs the contested issue, of course, of whether supporting and strengthening local public school districts, as traditionally constituted, independently of the provision of K–12 education, should be seen as an affirmative value in and of itself, whether because of their role as a vehicle for the exercise of democracy, or otherwise.

[38] Under Michigan law, charter schools can be created by community colleges and universities, which then receive 3% of the dollars that go to the charter schools. Furthermore, in contrast to most other states, where the state education commissioner or board of education can close poorly-performing charter schools, in Michigan only the institutions that create the schools and have a financial interest in keeping them open, have the power to close them down. This system also fosters partnerships between charter-issuing universities and for-profit operators; about 80% of all charters in Michigan are for-profit operations, far more than in any other state (Zernike 2016).

[39] As described in detail by Zernike (2016b), the defeat of the Education Commission was engineered, largely through threats to withhold campaign contributions, by President Trump’s Secretary of Education, Betsy DeVos.

The central issue here is not the egregiously problematic nature of Michigan's charter school program, which is not necessarily typical of most states' programs, but is the fact that, as in most other states, it is dictated entirely by state law and regulation, leaving the city powerless to influence, let alone control, critical matters affecting its future prospects and the well-being of its citizens. To be fair, some states have moved in the opposite direction, and given big city mayors the ability to control local public education systems, as in Boston, New York City, and Chicago. A 2013 study by the Center for American Progress found that mayoral control has made school districts more likely to engage in strategic allocation of resources; those districts have also shown more academic improvement over time, including significant positive effects on both fourth- and eighth-grade student achievement (Wong and Shen 2013).[40]

The power that states exert over the structure of K–12 education is reinforced by their control over the educational purse strings. The financing of urban public education, and the manifest disparities in resources between urban and suburban school districts, has been an issue of public policy concern for decades; with political pressures largely constraining state efforts to address this issue, since the 1970s the result has been widespread state-level litigation seeking additional resources for urban or high-poverty school districts. As of early 2015, courts have ruled on such cases in all but six of the states in the United States, with those seeking to change school funding formulas prevailing in slightly more than half of those cases.[41]

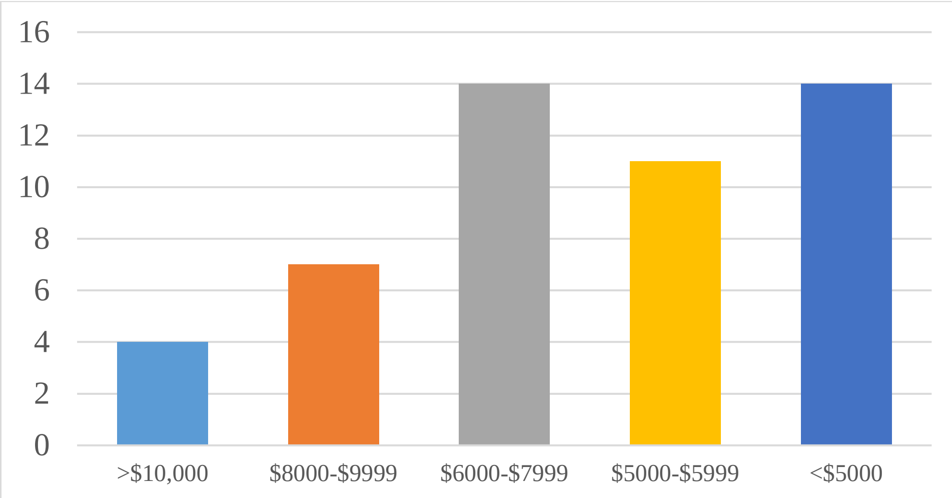
School funding disparities among the states, both with respect to overall funding levels, and with respect to the extent that they compensate either for the resource disparities of urban school districts, or the compensatory needs of high-poverty districts, which are largely the same districts, vary in the extreme. As figure 5 shows, half of the states provide less than $6,000 in per pupil state aid, while 11 provide over $8,000; amounts range from a low of $3,165 per pupil in South Dakota, to a high of $16,996 in Vermont, where a single statewide levy provides for almost the entire cost of educating the state's children.

The variation in how state funds are distributed is as pronounced as the variation in the overall level of state support. An analysis of the difference in funding for low-poverty and high-poverty school districts found that on a per pupil basis, Minnesota provided 33 percent more money and New Jersey 24 percent more money to high-poverty districts; by contrast, Illinois and Nevada respectively provided 18 percent and 29 percent *less* to high-poverty districts than to affluent ones (Baker et al 2016).

[40] This can be contrasted with the experience in New Jersey, where the state exercised its power under a 1987 statute to take direct control over four of the state's urban school districts, Jersey City (in 1989), Paterson (in 1991), Newark (in 1995) and Camden (in 2015). Although the state has exercised control over three of these districts for over 20 years, they have shown little meaningful improvement in student performance; as a state legislator from Paterson was recently quoted, "You have not seen any vast improvement, one, when it comes to fiscal management; two, when it comes to student achievement; three, when it comes to bringing our facilities up to 21st-century-par in comparison to other districts. That is a major failure." (King 2016)

[41] To access a list of cases and other materials on school funding litigation, see http://www.educationjustice.org/litigation.html

Figure 5: Distribution of States by Level of Per Pupil State School Support



Source: Bureau of the Census, Annual Survey of School System Finances 2014

Few people would argue seriously that lack of money is the only issue affecting urban public education; at the same time, lack of money is clearly a significant constraint over and above the constraints imposed by poverty and other extrinsic factors on a school district's ability to take whatever steps it can to provide the community's children with a quality education. In New Jersey, where the outcome of the *Abbott v. Burke* series of New Jersey Supreme Court decisions has resulted in the most significant redirection of state educational resources toward high-poverty, urban school districts of any state, including the creation of a comprehensive pre-K program, some research suggests that significant improvement in student outcomes has taken place in many of those districts (Walker et al 2007).

In the long run, it is hard to imagine how any system to develop the human capital of a community's residents can be successful without the underpinning of a well-functioning K–12 school system providing good educational outcomes for the community's children, and serving as a springboard to higher education and job opportunity. While in the final analysis, it is the responsibility of educators, whether in public or charter schools, to provide children with their education, to an extraordinary extent it is state government that establishes the fiscal, legal, and programmatic framework within which those educators operate.[42] The foregoing discussion only addresses a handful of the issues controlled by state laws and policies, including broad power over educational budgets, curricula, proficiency testing, and many other matters, many of which are matters of recurrent controversy. In many cases, those laws and policies leave much to be desired as a starting point for urban revitalization.

Although state laws and policies in other areas related to the development of human capital may not affect local efforts as directly as with respect to K–12 education, it is pervasive across all of the areas shown earlier. Most of the post-secondary education options available to urban youth are under direct or indirect state control; this includes state four-year colleges and universities,

[42] Despite the dominant role of the state in public education, based on our literature search, it appears that far less has been written on that role than on the – substantially more limited – federal role.

and community colleges, which may be run by state, regional, or county entities, but are generally subject to state regulation, with most of their funding coming from state government. Workforce development activities are generally conducted or supervised by state labor departments, while the principal federal program for workforce development, the 2014 Workforce Innovation and Opportunity Act (WIOA),[43] provides funds to the states, which then pass them on to local Workforce Development Boards (WDBs) subject to the provisions of a state plan submitted to the federal government spelling out the way in which funds will be spent.

States have not played a significant role with respect to cities' ability to work with developers, contractors, and major employers to craft programs that provide for local hiring, training, and similar matters. This may change, however. A bill barring cities from imposing local hiring requirements was signed by Ohio Governor John Kasich in May 2016,[44] while legislatures in Louisiana and Tennessee have introduced similar legislation.

Inclusivity as a cross-cutting issue in urban revitalization

Underlying the entire subject of urban revitalization is a central question: urban revitalization for whom? As many American cities have begun to experience revival over the past decade or more, that revival has come with a growing awareness that it does not benefit everyone alike, but that instead, these cities are becoming increasingly polarized, with growing numbers of both affluent and poor residents, and fewer in the middle. This is illustrated by figure 6, which shows the change in the distribution of census tracts by median family income in Milwaukee between 1999 and 2013. In only 14 years, the number of "middle income" census tracts—those in which the tract median income was between 80 percent and 120 percent of the citywide median—dropped by over one-third. During this period, the distribution of census tracts went from close to the classic bell-shaped curve to a bi-modal distribution.

The spatial configuration of urban revitalization mirrors the pattern of 'winners and losers.' Figure 7 shows change in median house prices by census tract in Baltimore between 2009 and 2014, 2009 being the point at which the post-bubble collapse, by general consensus, largely hit bottom. It shows that the revival in house prices has been largely concentrated in two areas, one around downtown and the Inner Harbor, and the other around Johns Hopkins University. Most of the rest of the city is continuing to lose ground, with houses steadily declining in value.

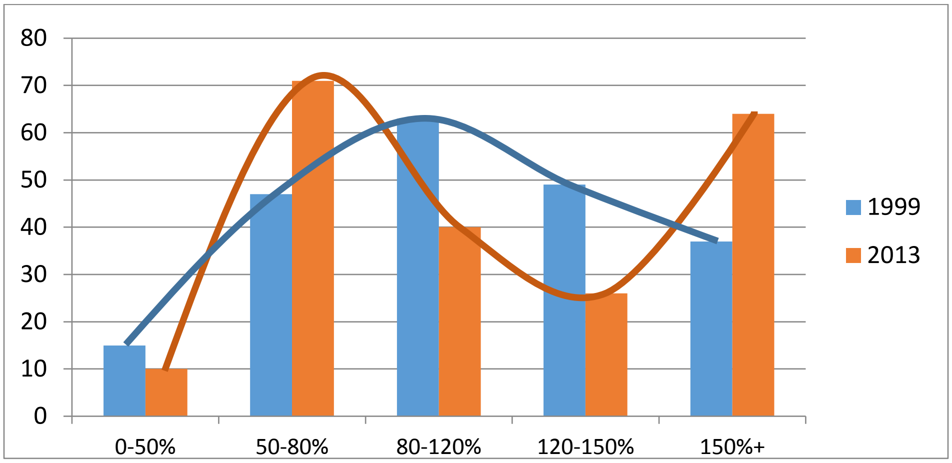
These examples, to which many more could be added, illustrate the uneven extent to which the benefits of revitalization are distributed. Even if revitalization does not literally harm those who do not benefit from it,[45] if its benefits are not more evenly distributed, the outcome is likely to be greater inequality and polarization, undermining civic cohesion and leading to increased conflict.

[43] Public Law 113–128. The 2014 act amended the Workforce Investment Act of 1998, which created the basic framework through which federal workforce funds are spent.

[44] "State legislatures attacking community wealth building", The Democracy Collaborative, posted May 16, 2016. http://democracycollaborative.org/content/state-legislatures-attacking-community-wealth-building. The Ohio legislation, HB180, was explicitly written to bar Cleveland from enforcing a local ordinance requiring that local residents perform 20% of the hours on public construction contracts over $100,000.

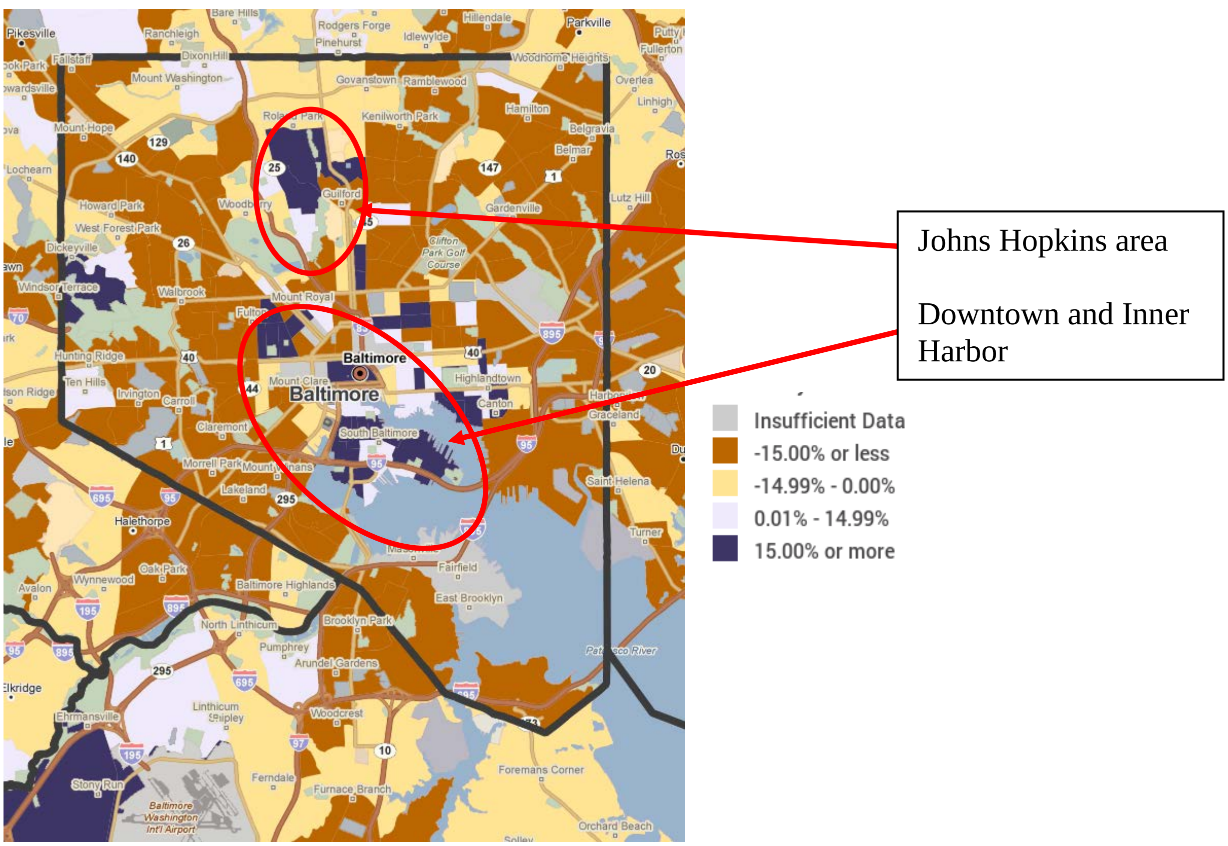
[45] The extent to which revitalization, particularly in the form of neighborhood gentrification, triggers actual harm to lower income households in a community, as distinct from failing to benefit them, is a complex and heatedly

Figure 6: Change in Number of Census Tracts by Median Income Range in Milwaukee 1999–2013



Source: Bureau of The Census, 2000 Census, 2009–2013 American Community Survey. Analysis by the author.

Figure 7: Percent Change in Median Sales Price 2009–2014 by Census Tract in Baltimore



Source: Boxwood Means, from PolicyMap

contested question, which often hinges on multiple and conflicting definitions of what constitutes harm, and is well beyond the scope of this paper.

Moreover, there is growing research to support the proposition that more equitable patterns of development are not only compatible with revitalization and economic growth, but likely to enhance it, both on the international scene (Ostry, Berg, and Tsangarides 2014 among many others), and in metropolitan areas in the United States (Benner and Pastor 2012).

More inclusive or equitable growth is unlikely to take place without intentional public sector strategies. In that light, state policy is a critical element; the rules that they establish to govern municipal action, and the conditions they impose for access to state discretionary funds, can support municipalities seeking to infuse greater equity into their revitalization, while moving reluctant municipalities in that direction.

As discussed at the beginning of this paper, we do not see inclusion, however, as a challenge that is separate and apart from the five elements of revitalization described earlier, but as a screen with which to look at each of those elements, and to design the ground rules that govern them. For example, state economic development incentives could be designed to give priority to projects that maximize the creation of good jobs for community residents, particularly those without college degrees; and state housing policies could be designed to combine affordable housing provision with market-building strategies by encouraging mixed-income development. Table 10 provides examples of how state policies can be designed to foster greater inclusion in the course of revitalization. This is not, of course, an exhaustive list of all such policies and strategies.

In some respects, though, the overarching state goal should be, as in the famous medical phrase, *first do no harm.* Many state policies, some of which have been cited earlier, *increase* inequality and the exclusion of lower-income households from the benefits of revitalization; among those, I could cite:

- Regressive tax policies;
- Transportation priorities that prioritize highways over public transportation, and rural or suburban areas over urban ones;
- Housing policies that concentrate affordable housing in high-poverty urban neighborhoods; and
- Education policies that directly or indirectly provide greater benefit for more affluent, better educated households than lower income households.

This does not require deliberate intent by the state to exacerbate inequality. I have no reason to believe that the state of Michigan's education policies, discussed above, were pursued with the *deliberate* intent to benefit affluent Detroit households and harm struggling lower-income ones. They appear to be having that effect, however, which could easily have been predicted. Since those effects have become apparent, moreover, the state has taken no action to change those policies or mitigate their inequitable outcomes.

Table 10: Representative State Policies to Further Inclusivity in Revitalization

CATEGORY	REPRESENTATIVE INCLUSIVITY POLICIES
Fiscal and service delivery capacity	Tax policies benefiting lower income households, such as Earned Income Tax Credit programs State aid criteria reflecting municipal inclusion policies.
Economic competitiveness	Criteria for economic development incentives that include local hiring, particularly of workers without BA or higher degrees Small business support programs targeted to lower-income communities and communities of color Transportation policies that maximize increased access to job opportunities for lower-income communities
Healthy real estate market	Policies that encourage mixed-income housing development, particularly in areas of opportunity such as near transit stations. Programs to increase access for lower-income households to homeownership in urban neighborhoods Legal authority for effective municipal strategies to address vacant properties and problem rental properties
Healthy neighborhoods and quality of life	Programs to support open space and greening in lower-income communities Programs to stabilize struggling middle neighborhoods
Human capital development	Adequate state aid to urban school districts Charter school and other choice programs that clearly provide comparable or greater benefits to children from lower-income households and distressed neighborhoods Strong, systematic linkages between economic development programs and workforce development programs Legal authority for effective local hiring and community benefits programs.

State policies to further inclusivity in urban revitalization are not the same as policies to ameliorate the disadvantages of poverty, although there is considerable overlap between the two. Provision of subsidized housing, as such, is not an urban revitalization strategy; policies, however, that locate affordable housing in areas of opportunity, particularly where pursued through mixed-income, mixed-use developments that simultaneously help build stronger markets, are inclusive revitalization strategies.

As I will discuss further in the next section, I believe that state governments should build an inclusivity framework into their urban revitalization policies, whatever specific forms they may take. Such a framework can also work well in reverse, in the sense of looking at anti-poverty and social support programs from an urban revitalization perspective, and exploring how they may be used to help further urban revitalization without, however, losing track of their primary goal.

Five Principles for State Urban Revitalization Policy

In the preceding section I have explored the role of state policies and programs with respect to the many different elements that collectively make up the urban revitalization process, and shown how central, in both positive and negative ways, those policies and programs are for the revitalization of American cities. In this section, I will try to use that assessment to derive some basic principles that should guide state policy in addressing urban revitalization. These principles, we suggest, offer a framework for thinking about these issues, and which can then be used to help develop specific program and policy recommendations. My recommendations, grounded in these principles, are presented in the final part of this paper.

Support cities' efforts rather than attempt to substitute for them

Ultimately, cities must take the responsibility for their future. While it is true that they are 'creatures of the state,' they are nonetheless creatures that possess the ability to take action, for good or bad. Moreover, they are the entity on the ground with direct responsibility for their citizens' welfare, and with the duty to make the specific decisions that will drive their future. State governments, moreover, need to recognize that their wisdom is rarely so much greater than that of local officials that it can replace those officials' greater knowledge of local conditions to the cities' benefit. While there are clearly extreme situations where state government may have to step in, such as when a financial or other crisis leads to the appointment of an emergency manager or control board, these situations are rare, and the results of those experiences do not support the proposition that state officials necessarily do better than local ones.

Leaving aside direct state intervention, state urban policies err more often in placing narrow and often arbitrary constraints on local discretion; or, alternatively, in imposing the state's preferences on local governments despite local officials' judgement that those preferences are inconsistent with the city's needs or policy goals. While states may believe that by so doing they are furthering revitalization by preventing waste and abuse by irresponsible local officials, they lose track of the reality that sustainable revitalization cannot be imposed from outside, but must be the product of active engagement by local stakeholders, including but not limited to local officials.[46] In the long run, state policies that hinder the ability of local officials to frame creative, locally-specific strategies will not further the cities' revitalization.

Neutral is not neutral: The case for urban targeting of state policy

Where the playing field is not level, neutral policies are not neutral; they benefit those who begin with the advantageous position. The metropolitan playing field is not neutral. Cities labor under multiple disadvantages compared to many of their suburban neighbors. They are forced to disproportionately address the problems of poverty and disadvantage with severely limited fiscal resources, while urban redevelopment is slower, more complex and more expensive than suburban greenfield development. A long list of similar examples could be compiled.

[46] The New York State Downtown Revitalization Initiative, referenced earlier in the paper. is a good example of a state program that supports locally-designed strategies, within an overall framework of state criteria.

Thus, when a state provides the same or less financial assistance to high-poverty as to low-poverty school districts; or offers a package of economic development incentives that are largely the same for affluent suburban areas as for central cities, the effect of those policies is to perpetuate the advantageous position of the affluent areas and exacerbate the economic disparity between them and the more economically stressed central cities.[47] This is even more the case where state laws or policies explicitly tilt the playing field away from cities, as in Ohio laws that render townships more fiscally attractive as business locations than cities, or, to take a trivial but telling example, provide for state maintenance of state highways in townships, but require cities to maintain state highways running inside their boundaries.[48]

If one were to argue that the cities are of no particular significance, or largely irrelevant to the future health and vitality of their regions and the state as a whole, neutral policies and a failure to level the playing field might be treated as a legitimate, although perhaps unfortunate, policy choice. The fact is, however, that the cities matter greatly for their regions and the state as a whole. There are a number of arguments in support of this claim, which have been well summarized by Brookings Fellow Jennifer Vey:[49]

> Restoring prosperity in older industrial cities will lead to a reduction in unemployment and poverty, a rise in incomes and wealth, and an improved quality of life for urban families. Restoring prosperity in older industrial cities will increase the jobs, amenities, and housing choices available to suburban residents, enhance the regional market for business location, raise both urban and suburban property values, and improve the overall competitiveness of metropolitan areas. And restoring prosperity in older industrial cities will increase their attractiveness as places in which to live and work, leading to a more efficient use of land, a decrease in energy consumption, a reduction in harmful emissions, and more sustainable regional growth. Ultimately, this all adds up to stronger, healthier, more productive cities and regions that are a boon to, rather than a drain on, state budgets—evidence, to be sure, of money well spent. (Vey 2007, 7).

State economies are driven by their major metropolitan areas, made up of large central cities and the surrounding suburban, exurban, and rural areas that are home to people who commute to work, often in an urban setting. Ohio's seven largest metro areas are home to 71 percent of its population, 76 percent of its jobs, and 80 percent of the state's gross domestic product. While core cities make up only a portion of that economic and population base, metropolitan prosperity closely tracks the health of the central city. Vey (2007) reviewed changes in metropolitan area employment, wages, and gross metropolitan product from 1990 to 2000 and found that central

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[47] It should be stressed that advantage/disadvantage is not a simple suburban/urban dichotomy. Within the metropolitan areas of all legacy cities are distressed as well as prosperous suburban areas; in some, such as St. Louis, economically disadvantaged areas largely blanket North St. Louis County. Similarly, many states also contain impoverished and distressed rural areas. Still, notwithstanding increases in suburban poverty (Kneebone and Berube 2013), the suburbs of legacy cities on the whole continue to be economically and fiscally advantaged relative to their central cities.

[48] This law, which has counterparts in New York and elsewhere, appears to be a vestige of the early 20th century, when cities were in fact often more prosperous than their suburban and rural neighbors. That has not been true for many decades, however, while the laws remain in effect.

[49] The subsequent discussion draws from the author's previous work (Mallach and Brachman 2010).

city weakness and metropolitan area weakness went hand in hand (Vey 2007). Other studies have also found a correlation between central city strength and broader metropolitan prosperity, including a close relationship between city and suburban job growth (Hill and Brennan 2005). Other research has shown that central city decline and wide gaps between the economic health of cities and suburbs are associated with slow income growth in metro areas (Voith 1998; Li, Campbell, and Fernandez 2013 among others).

A legacy of these cities' days as major population centers is that they contain the lion's share of the institutions—particularly universities and medical centers—that are most likely to play an important role in future economic growth. These cities' major anchor institutions serve as both economic engines and invaluable financial, intellectual, and creative resources. The University of Cincinnati Medical Center accounts for more than 50,000 jobs and generates approximately $4 billion in economic activity in its region every year (University of Cincinnati 2002), while the University of Pittsburgh Medical Center is the largest employer in the State of Pennsylvania. Indeed, state and local ability to capitalize on these urban assets may be the single most important factor determining the future economic prosperity of a cluster of northeastern and Midwestern states, including Pennsylvania, Ohio, and Michigan.

States are *already* deeply involved in the future of older cities. Through their investment in state facilities, universities, and medical centers, states have positioned themselves inevitably to have a critical impact on the future of the cities where those facilities are located. States' decisions can enable those institutions to contribute to revitalization and economic growth in the cities, or they can sit on the sidelines. States also pump billions of dollars each year into older cities in the form of school aid, municipal aid, public assistance, and workforce development funds, all costs which are multiplied by the impoverishment of these cities and their residents. In the absence of revitalization, these costs will continue to represent a drain on state finances. States should spend its money to lay the groundwork for economic recovery, not to enable continued decline.

Finally, over and above these considerations, perhaps the most compelling argument for a constructive state role in urban revitalization is, ironically, the extent to which cities have become manifestly more attractive, both as business locations and places to live, than at any time in the recent past. While cities still urgently need the support of their state governments, the environment for that support is fundamentally different than in the past. Thus, in contrast to the 1970s and 1980s, when revitalization efforts were largely fighting against the tide, and often led to little or no sustainable change, revitalization today is capable of transformative change in the economic character and quality of life of America's older industrial cities. Whether such change will happen, however, is far from a foregone conclusion; the point is, however, that it represents a realistic, perhaps once-in-a-lifetime, opportunity. States will play a significant role in determining whether the opportunity is realized, or lost.

Integrate urban revitalization into a regional framework

While a targeted approach to central cities is essential, it cannot take place in a vacuum. Cities and their suburban hinterland, despite often severe governmental fragmentation, form an integrated economic unit. Housing markets, job markets, transportation, and business networks, all operate largely without regard to artificial municipal and county boundaries. One illustration of this comes from data on inflow and outflow of workers to and from central cities; the data for two large and two small legacy cities is shown in table 11. Not only does it illustrate the extent to which cities and their regions are economically interwoven, but it shows the extent to which that relationship has increased over little more than a decade.

Table 11: Worker Flows for Selected Cities 2002 and 2014

	PERCENTAGE OF CITY-BASED JOBS HELD BY WORKERS COMMUTING INTO CITY		PERCENTAGE OF CITY-RESIDENT WORKERS COMMUTING TO WORK OUTSIDE CITY	
	2002	2014	2002	2014
Cleveland	68.4%	76.8%	53.5%	54.8%
Buffalo	63.4	70.9	49.6	56.2
Camden NJ	78.1	86.9	73.5	83.1
Gary IN	65.9	83.3	63.3	76.4

Source: Bureau of the Census, Longitudinal Employment-Housing Dynamics (LEHD)

Regions, however, are politically fragmented. Allegheny County, Pennsylvania, which contains Pittsburgh and has a total population of roughly 1.2 million, contains 133 separate incorporated municipalities. St. Louis County, which surrounds the city of St. Louis[50] except for the city's Mississippi riverfront, contains 90 municipalities, 21 of which contain fewer than 1,000 people. Despite some, although halting, growth around the United States in regional cooperation on specific issues such as public transportation or economic development, competition for scarce resources and development opportunities between municipalities and between counties in metropolitan areas is intense. In contrast to the private sector, where competition is often salutary, public sector competition tends to foster zero-sum outcomes, along with a 'race to the bottom' in areas such as business incentives.

State governments should use their resources to foster greater cooperation and coordination across municipal and county boundaries, in transportation, economic development, housing and land use, and other areas where the actions of one municipality or county affect the others, or where regional cooperation can build greater capacity and quality in the delivery of public services. This can involve any of a number of different approaches, including:

- Fostering regional economic development entities, to coordinate and better integrate local economic development strategies;
- Strengthening regional planning agencies and providing them with oversight over local decisions with regional implications, such as approval of large-scale developments and infrastructure projects;

[50] Under Missouri law, the city of St. Louis has the legal status of both a city and county. It is not part of St. Louis County.

- Strengthening the role of existing Metropolitan Planning Organizations (MPOs)[51] to both address their transportation planning responsibilities more strategically, as well as to link transportation planning with economic development and land use planning; and
- Making grants in areas where actions have regional implications contingent on inter-municipal coordination or cooperation.

It is worth noting that in the process for awarding its Downtown Revitalization Initiative grants, New York State turned to the Regional Economic Development Councils created under state auspices in 2011 to coordinate economic development at the regional level, to evaluate local proposals. To the extent that similar entities exist in other states, they are natural partners with state government in support of urban revitalization.

Break down silos and integrate revitalization elements

Among the practices most resistant to change in both state and local government is that of treating each area of governmental responsibility as being not only distinct and separate, but largely disconnected, from others. This practice is increasingly known as 'siloing,' or keeping programs and activities in separate silos, or containers.[52] It is self-evidently problematic; even the most untutored observer can easily grasp that what happens in transportation affects land use, what happens in economic development affects housing markets, and so forth; that logic dictates that decisions and policies in these areas be coordinated and integrated, and that where they are not coordinated and integrated, outcomes are likely to be far less than optimal.

Despite the self-evident dysfunctionality of governmental siloing, it persists largely unabated, because of the powerful centrifugal tendencies of the hierarchal organizational structures that characterize governmental agencies.[53] These inherent tendencies are reinforced by "a variety of internal and external forces, including conflicts among the missions of individual agencies, human imperfection, and competition for scarce resources. Every agency contains an *internal* mix of these variables that make its own units slow or reluctant to act" (Pendall et al 2013, 2).

Many articles, white papers, reports, and other documents calling for breaking down silos in government have appeared over the past decade.[54] The critical point, however, is that the need to break down silos exists at *both* state and local government. While it is appropriate that states

[51] Metropolitan Planning Organizations are federally-mandated entities, initially created pursuant to the Federal Aid Highway Act of 1962, but given substantially expanded responsibilities for coordinating use of federal transportation funds under the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. While some MPOs have become significant voices for regional planning, others tend to be little more than captive arms of state transportation departments.

[52] The use of silos to describe this practice appears to have emerged initially in the field of information technology, but is now widely used in corporate and government circles.

[53] Siloing is clearly a problem in private-sector entities, particularly large corporations, as well as governmental entities. One could argue, however, that the need to compete in markets imposes some pressure to break down silos in order to optimize profitability, pressures which are largely absent from the public sector.

[54] By way of illustration, the first six entries in a neutrally-couched Google search of 'state government siloing' were headed "Eliminating silos in government," "piercing the silos in government is challenging—but necessary", "the silo mentality—how to break down the barriers", "breaking out of silos—joined up policy locally", "breaking down silos and combining data to move your government at the speed of business", and, simply "eliminating the silos".

should use their resources to encourage cities to integrate different elements and frame multi-faceted revitalization strategies, states, which are often even more silo-bound than local governments, need to do the same thing. In many states, moreover, critical functions affecting urban revitalization are increasingly falling to independent or quasi-independent entities—such as housing finance agencies or economic development authorities—or to non-governmental entities such as JobsOhio, a private non-profit entity created by the Kasich administration to "drive job creation and new capital investment in Ohio through business attraction, retention, and expansion efforts."[55] While delegation of state powers to such entities is widely justified on the grounds that it facilitates interaction with private sector players and the delivery of financial products, it may make coordinated state-level efforts more difficult rather than easier, and by isolating them from larger state policy directions, potentially reduce their responsiveness to efforts to focus on urban revitalization.

One further point should be made. Where efforts have been made in state or local government to break down silos and foster integrated strategies, they have tended to be driven by one particular mayor or governor and take the form of working groups, task forces, or other ad hoc initiatives, rather than being institutionalized as a formal, ongoing part of the governmental structure. As a result, they tend to wither or disappear with the arrival of a new chief executive or sometimes even under the same one, if his or her priorities shift over time. Such initiatives rarely lead to meaningful change, particularly as individual program or department heads, well aware of their transitory nature, simply bide their time until the initiative runs out of steam.

Build an inclusivity framework into state policies and programs

Above I argued for an "inclusivity screen" for revitalization; that is, the need for intentional strategies aimed at fostering an inclusive approach to revitalization that cuts across strategies and sectors, so that increased economic competitiveness or stronger housing markets benefit all of the city's citizens and neighborhoods, rather than disproportionately benefiting only a few. While some cities have made some effort to do so to varying degrees, such intentional strategies, although increasing, remain the rare exception rather than the rule.

There are many reasons for this, beginning with the painful fact that it is difficult to foster inclusion, particularly when the disparities between incomes are so great, and the burdens of poverty so painful, as brought home in Matthew Desmond's work on the housing conditions of low-income renters (Desmond 2012, 2015). The underlying drivers of those disparities are well beyond a city's ability to influence, let alone control, and the resources available to cities to address these issues are so limited. That said, *even to the extent that cities may have tools to foster inclusion in their revitalization activities*, many choose not to use them. This may stem from an alignment of values between local government officials and developers or other key private sector players, or with local officials' fear that if they impose burdens such as inclusionary housing[56] or local hiring requirements on developers and corporations they will go

[55] http://www.jobs-ohio.com/about/

[56] Inclusionary housing or zoning ordinances are those in which developers are required to include a percentage of units affordable to lower income households in a project either as a condition of approval or as a quid pro quo for some discretionary municipal benefit, such as rezoning or increased density. While widely used, they are often

elsewhere. Or, it may simply reflect the extent to which overtaxed local officials find it more difficult to add inclusion to an already demanding agenda.

States can play a valuable role in counteracting these trends and build inclusion into the revitalization agenda. First and foremost, states can pass legislation to further inclusion, such as increases in the minimum wage or Earned Income Tax Credit; or adopting affirmative policies, such as incorporating clear community benefit criteria into economic development incentives. Second, they can enact legislation that provides clear legal authority for municipalities to pursue inclusion strategies, such as inclusionary zoning ordinances, or local hiring and living wage requirements for projects receiving discretionary municipal benefits. Third, they can establish state programs that support inclusion in the revitalization agenda, as outlined previously in table 10. Finally, states can establish inclusion 'screens' for discretionary state funding, whether general municipal assistance or project-specific support; that is, explicit inclusion criteria that municipalities must meet in order to receive assistance.

One particularly critical area that should be highlighted in this respect is the structure of state programs with respect to charter schools and school choice. I do not suggest that state laws authorizing charter schools or various forms of school choice are inherently inconsistent with inclusion; there is evidence, however, that the manner in which those laws and policies are designed and carried out can have a major bearing on whether the outcome is to increase or decrease economic disparities and polarization in a city or region. The Detroit experience, as summarized earlier, appears to be exacerbating rather than reducing inequity in that city, an outcome directly linked to the specific state laws and policies governing the program. If states are going to encourage the incorporation of inclusion in the revitalization agenda, school policy is of critical importance.

State Action Priorities for Urban Revitalization

This final section offers specific recommendations for action priorities by state government to further revitalization in the distressed cities and towns in their borders. The recommendations flow directly from the analysis and principles presented previously in this paper. While they can be seen as representing a generic action agenda for state government, they should not be seen as an agenda for any particular state; each state is different in terms of their existing body of constitutional standards, laws and programs, and in how they allocate their resources. That said, these recommendations can be used as a starting point to developing a state agenda, or for those concerned with better understanding their state's policies to use as a tool to assess the extent to which their state is indeed pursuing an agenda supportive of urban revitalization.

This list is far from exhaustive. The sheer extent of state interactions with the different elements of urban revitalization is so great that hundreds of different recommendations could be made. I have tried to identify a smaller number of particular importance, while making no claim that these are the only ones that matter. I recognize that in the course of doing so we are likely to have omitted many other important areas, which I hope readers will add as they read this section.

constrained by state statutes or case law, including in a number of states a prohibition on the use of inclusionary ordinances to create rental housing on the grounds that such ordinances conflict with state laws banning rent control.

In view of the extensive analysis that has preceded this section, the recommendations are not discussed in detail.

1. ***Provide cities with a diversified fiscal base from which to raise revenues***

   Local governments with a single dominant revenue source, typically the property tax, are disproportionately fiscally stressed, as well as disproportionately subject to wide revenue swings with fluctuations in the national economy. *Cities should have access to a variety of revenue sources, including potentially property, wage, and sales taxes, as well as reasonable user charges, fees, and host benefits.*

2. ***Make financial support for municipalities and school districts need-based and adequate***

   All states provide some support for school districts, municipalities, or both. In many, however, support is not related to need in terms of either fiscal or social/demographic conditions, and in some it may even be inversely related to need, in that more affluent districts may receive more support that poor ones. While adequate state support to cities facing disproportionate needs with inadequate resources does not in itself lead to revitalization, it is a threshold condition without which progress is even more difficult. *States should adopt need-based formulas to allocate both school district and municipal financial support, incorporating incentives for high-quality performance or sustained improvement.*

3. ***Develop flexible frameworks for oversight of municipal finances responsive to local government concerns***

   States vary widely in how they oversee municipal revenues and expenditures and the manner in which they address problems that arise in local government. Many create fiscal straitjackets for local government which constrain revitalization efforts, yet few provide solid, responsible oversight capable of spotting emerging problems, and working with local officials to resolve them before they imperil fiscal viability or trigger unduly invasive measures. *States should provide responsible oversight within a framework that offers reasonable flexibility, as well as adequate financial resources, for local governments.*

4. ***Establish strong and clear community benefit criteria for economic incentives***

   Economic incentives targeted to urban areas can play an important role in levelling the playing field, yet too often are offered without adequate consideration of whether the local benefits are commensurate with the costs, whether the incentive furthers local revitalization strategies, or whether the opportunity costs associated with diverting funds to pay for the incentives exceed the value of the incentive. States should also build 'clawbacks' into incentives where companies fail to perform as promised. *States should provide economic development incentives that are integrated with local revitalization strategies and designed to maximize local benefits—particularly to disadvantaged* *populations and communities—based on rigorous cost/benefit and opportunity cost evaluation before committing scarce public resources.*

5. ***Combine flexible redevelopment tools with oversight and accountability***

   Local governments need to be able to utilize the full range of redevelopment tools, including, where appropriate and necessary, eminent domain, in order to take full advantage of their assets and redevelopment potential. The solution to preventing abuse of redevelopment tools is not to bar their use, but to build in safeguards, including requirements for comprehensive local planning in advance of redevelopment activities, and appropriate levels of state oversight, including data collection and reporting requirements. *States should provide enabling legislation allowing flexible use of all the redevelopment tools discussed earlier in this paper subject to planning and oversight requirements designed to ensure that they are used productively.*

6. ***Ensure balanced use of transportation funds to support existing infrastructure and provide for public transportation in urban/metro areas***

   A strong transportation system is a critical element not only for economic competitiveness, but to enable a city's lower-income residents to gain access to opportunities. In contrast to some outlying areas, the character of urban settlement and economic conditions dictates that transportation systems be multimodal, providing not only for private cars but for a variety of modes such as light rail, bus, and bus rapid transit, as well as pedestrian and bicycle travel; moreover, in light of journey to work patterns, it must be regional in nature. Because of the age of the urban transportation infrastructure in many cities, substantial costs must be incurred if it is to continue to be an efficient way of moving people around the city and region. *States should give high priority to maintaining and repairing the existing urban transportation infrastructure, as well as funding multimodal improvements to that infrastructure designed to link people within the city and region, including underserved lower-income areas.*

7. ***Provide resources for transformative change***

   While most development and redevelopment is gradual and incremental, there are many cases where a major strategic investment—either in the form of a key facility such as Scranton's new medical school, or the flexible investment of New York's Downtown Revitalization Initiative—can be a catalyst for revitalization and leverage private resources. Few municipalities have the ability to fund such investments internally. With state budgets recovering from the effects of the recession, states are increasingly in a position to provide these investments. *State governments should create catalytic investment programs for urban revitalization, which provide substantial and potentially transformative funding for carefully evaluated local projects or strategies.*

8. ***Provide resources for market-building and neighborhood revitalization***

While some neighborhoods in legacy cities with unique locational or other assets have seen dramatic revitalization in recent years, they tend to be the exceptions; far more have seen no improvement, or even lost ground. Modest investments, whether through incentives for home buyers or rehabbers, or 'glue' funding for neighborhood quality of life improvements such as park upgrading, can have a dramatic effect on many of these neighborhoods, particularly if carried out to further an intentional strategy of building stronger markets and greater neighborhood stability. *State governments should provide funds for market-building and multifaceted neighborhood revitalization to further well-grounded revitalization strategies carried out through public, private, and community partnerships.*

9. ***Increase mortgage and capital access in urban areas***

Lack of capital access is a major barrier to urban revitalization; most visibly in terms of the difficulty working families have getting mortgages to buy homes in urban neighborhoods, but also in terms of financing for rental housing and for small business creation and expansion. Local governments have few financial resources to address this gap, as well as little leverage over private lending institutions. By contrast, state governments have resources, through housing finance agencies, economic development authorities, and other vehicles, as well as strong leverage with the financial sector. *State governments should develop partnerships with private lenders as well as Community Development Financial Institutions (CDFIs) to increase access to mortgages on reasonable terms for homebuyers in urban neighborhoods, as well as better capital access for responsible rental property owners and small business owners, using both their own access to the capital market and their leverage to bring financial institutions to the table.*

10. ***Provide local governments with flexible tools for property regulation, acquisition, and disposition***

The continued presence of problem properties, both vacant and abandoned buildings, and poorly maintained substandard rental properties, is an ongoing drag on revitalization efforts. Lack of adequate legal tools to either motivate owners to improve their properties, or where they fail to do so, get them into the hands of responsible owners, is a major impediment to revitalization, over and above the availability of financial resources for rehabilitation and reuse. *States should provide enabling legislation to permit municipalities broad flexibility to address problem properties through regulatory means, including legal authority to create land bank entities, subject to reasonable conditions and oversight.*

11. Enact incentives for historic preservation, public open space, and arts/cultural activities

These three areas are critical to building the quality of life that is in turn a key building block of revitalization. State historic preservation tax credits, for example, can leverage federal tax credits to further rehabilitation, while park improvements can become revitalization catalysts, as has been the case in St. Louis, Baltimore, and elsewhere. *State governments should provide funding, through tax credits, grants, and other means, for historic preservation, parks and open space, and arts and cultural activities, in ways that contribute to urban and neighborhood revitalization.*

12. ***Support pre-K and early childhood programs***

Providing access to strong, educationally-oriented pre-kindergarten and early childhood programs, particularly in distressed lower income communities, has been recognized as a critical element in building a foundation for future success and opportunity, and for ensuring that people growing up in these communities benefit from their city's revival. *State governments should provide funds to support universal pre-K education in distressed areas, building in appropriate standards for program content and provider qualification to ensure that it serves meaningful educational functions.*

13. Ensure that K–12 policies maximize positive effects for children of low income households and for low income neighborhoods

Today's educational climate is a competitive one, contested by advocates for public education, charter schools, school choice models, and more. We will not suggest which particular models states should adopt. *State governments should adopt policies explicitly designed to ensure that children from lower-income households in distressed neighborhoods have meaningful access to the best opportunities that the K–12 education system can offer, through whatever model; and that they foster neighborhood revitalization by rendering those areas attractive to a wide range of child-raising families.*

14. Create partnerships with industry to maximize residents' skill development

Cities are not short of jobs from a purely numerical standpoint, but few of those jobs are held by city residents, and opportunities for residents, particularly those without BA/BS or higher degrees, are often severely limited. Although the need to offer meaningful vocational education linked to the needs of local employers in high schools and community colleges is widely recognized, little of a systematic, ongoing nature capable of significantly changing the current dynamic is taking place. *States should build comprehensive, long-term partnerships with major employers, as well as smaller employers in major opportunity sectors, to integrate their skill requirements into the K–12 and post-secondary educational system, to maximize hiring of local residents, and build career ladders that allow residents ongoing opportunities to gain further skills and promotions.*

15. Build centers of excellence in urban revitalization

While state officials are not necessarily more skilled or more knowledgeable than local officials and community leaders, the state can play a major role in fostering excellence in local government by recruiting highly-skilled people in all of the areas that make up revitalization, and using them to train local officials, disseminate good practices, evaluate existing or proposed strategies and projects, foster inter-municipal cooperation, and other activities to 'raise the bar' for local revitalization activity. *States should establish community revitalization centers of excellence staffed by highly qualified individuals to support and enhance the quality of local revitalization efforts.*

16. *Incorporate an inclusivity framework into state policies*

Last but not least, a critical role of state government is to ensure that everyone benefits from revitalization; given the powerful economic pressures in the opposite direction, this will not happen in the absence of explicit action to that end. *Inclusion should be a fundamental element in all state activities in support of urban revitalization, with the state both working to ensure that local governments take steps to further inclusion, and that state programs themselves, whether addressing economic competitiveness, housing, quality of life, or public education, are designed in ways that further inclusion.*

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