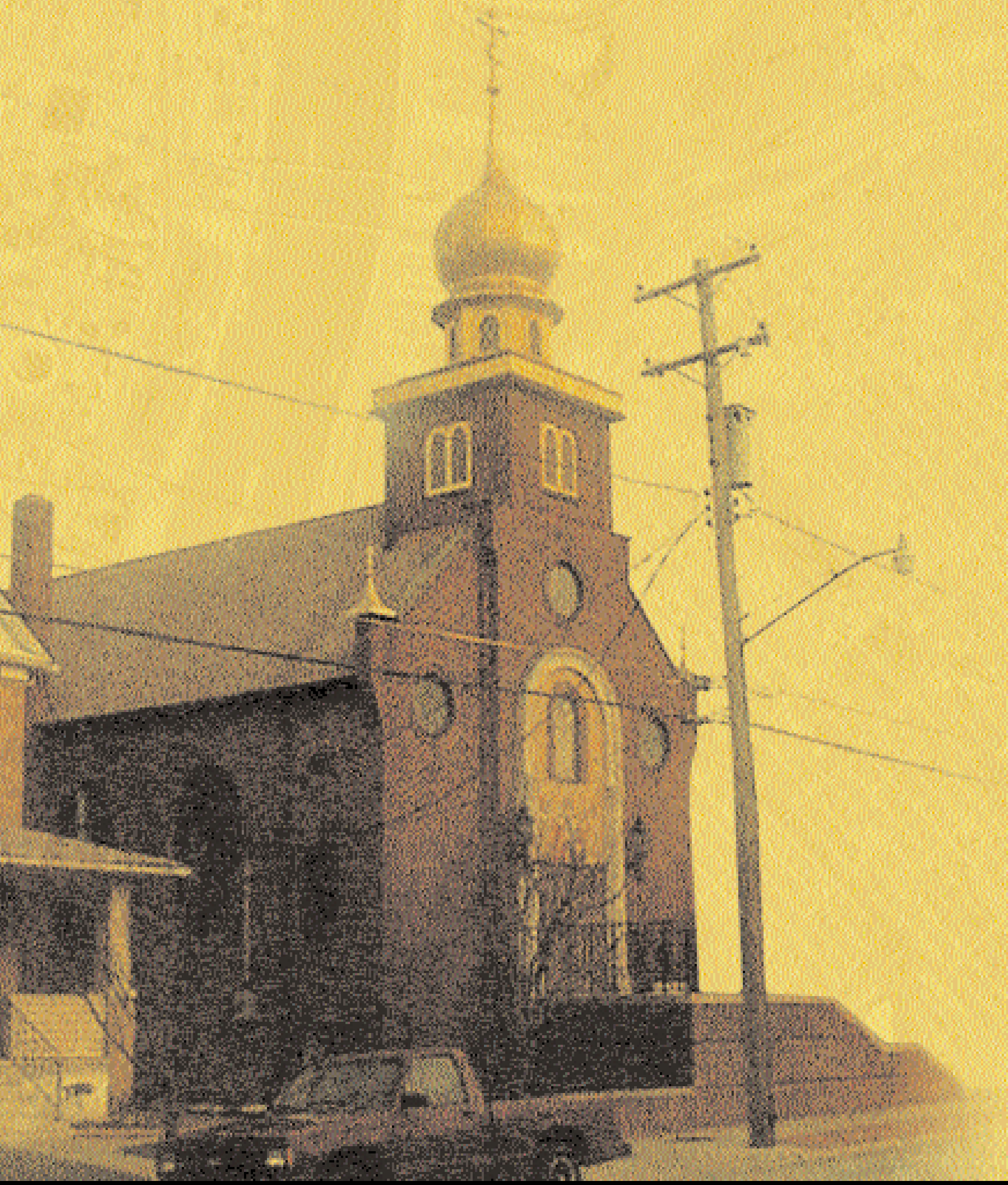
Valuing America's First Suburbs

A POLICY AGENDA FOR OLDER SUBURBS IN THE MIDWEST



THE BROOKINGS INSTITUTION ◆ CENTER ON URBAN AND METROPOLITAN POLICY

THE BROOKINGS INSTITUTION CENTER ON URBAN AND METROPOLITAN POLICY AND THE METROPOLITAN AREA RESEARCH CORPORATION HAVE BEEN WORKING CLOSELY WITH ELECTED OFFICIALS AND OTHER CIVIC LEADERS FROM FIRST SUBURBS IN THE MIDWEST. WE HAVE EXPLORED THE MAJOR MARKET, DEMOGRAPHIC AND SOCIAL TRENDS AFFECTING THESE PLACES, IDENTIFIED THE ADVANTAGES AND CHALLENGES THAT THESE JURISDICTIONS HAVE IN COMMON AND DEVELOPED A POLICY AGENDA FOR FIRST SUBURBS TO PURSUE. THIS PAPER OUTLINES A BOLD AGENDA FOR STATE AND FEDERAL POLICY REFORM TO FURTHER THE HEALTH, VITALITY AND COMPETITIVENESS OF FIRST SUBURBS IN THE MIDWEST.

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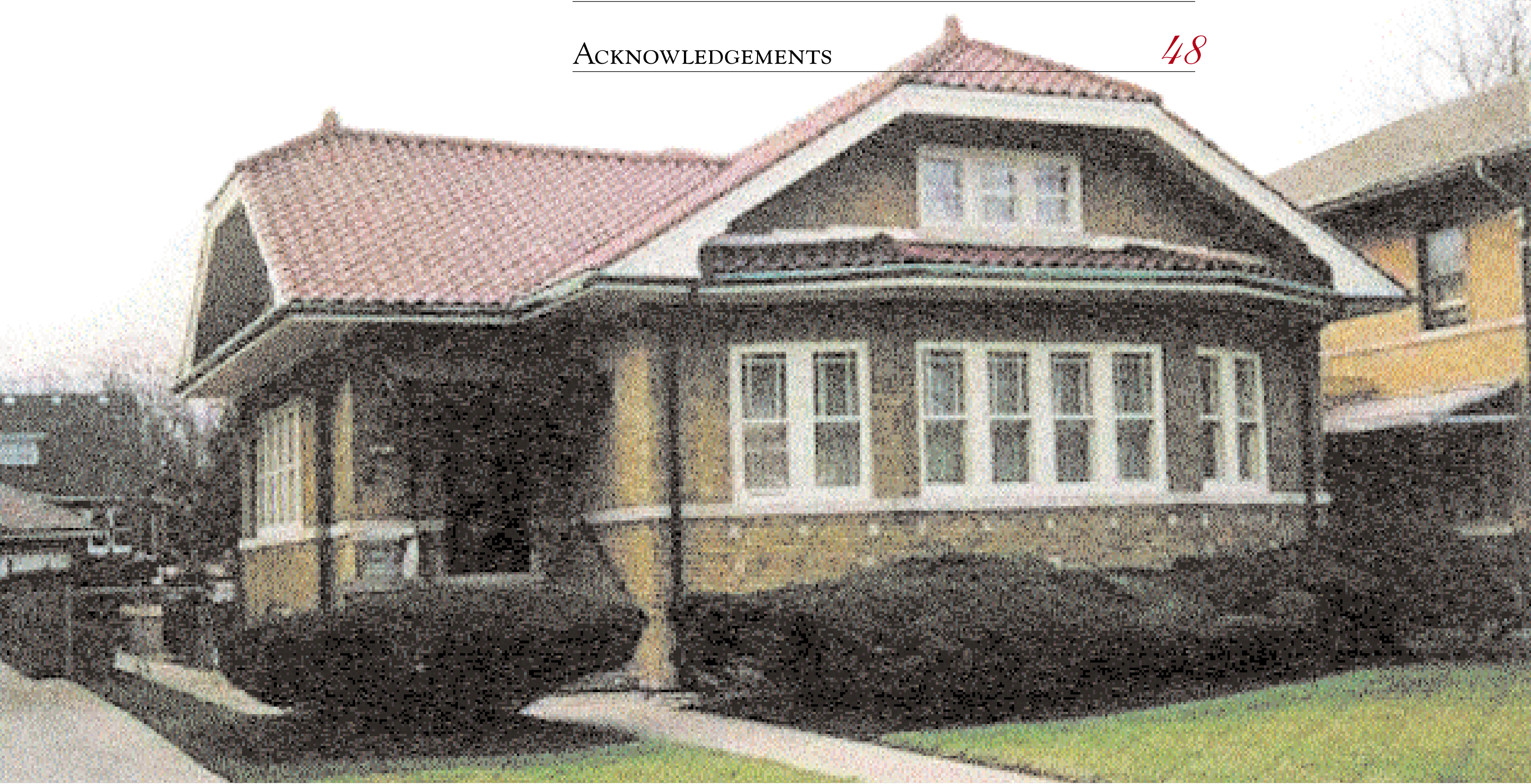


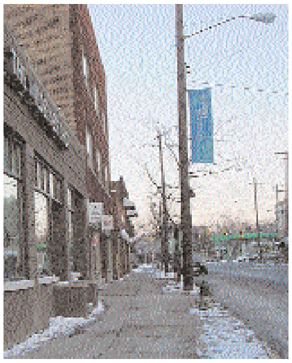
Executive Summary

THERE IS A BURGEONING MOVEMENT IN THE UNITED STATES TO HELP COMMUNITIES, REGIONS AND STATES GROW IN SMARTER AND MORE SENSIBLE WAYS. TO ACHIEVE ITS ENDS, THIS MOVEMENT HAS PRINCIPALLY FOCUSED ON TWO TYPES OF PLACES: CENTRAL CITIES REQUIRING REINVESTMENT AND REDEVELOPMENT AND RAPIDLY GROWING SUBURBS FACING CHALLENGES SUCH AS TRAFFIC CONGESTION, LOSS OF OPEN SPACE AND SCHOOL OVERCROWDING.

However, recent demographic and market information has clearly shown us that suburbs are no longer homogeneous, monolithic communities with a generic set of problems. There are, in fact, a wide range of suburban experiences and realities. FIRST SUBURBS—generally inner-ring communities just outside central cities—have older housing, aging infrastructure and, at times, struggling neighborhoods and commercial areas. There are also growing job centers in the suburbs that are capturing large shares of employment growth in their metropolitan areas, and are also acquiring the concomitant problems of traffic congestion and diminishing quality of life. And there are rapidly growing bedroom communities that are attracting substantial numbers of families, particularly young families with children, who have found affordable homes but must commute long distances to get to jobs and must send their kids to overcrowded schools. These bedroom suburbs also face fiscal stress because they lack the job growth and revenue growth to meet the service demands of their families.

This report focuses on first suburbs in the Midwest. These places have a distinct set of market and demographic conditions and fiscal, governance and infrastructure challenges that set them apart both from the central cities they surround and the newer suburbs that surround them. Unfortunately, current state and federal policies do not recognize or respond to the needs of these unique places. This report describes the experiences of first suburbs, discusses those state and federal policies that impact them the greatest and outlines a new reform agenda for strengthening these existing communities. The report makes three main findings.

◆ *First,* FIRST SUBURBS HAVE THEIR OWN DISTINCTIVE SET OF OPPORTUNITIES AND CHALLENGES THAT SET THEM APART FROM THEIR NEIGHBORING CENTRAL CITIES OR SUBURBS. There are certain characteristics that, taken together, make first suburbs unique. First suburbs are generally characterized by established neighborhoods, convenience to both city downtowns and suburban



job centers, and well established infrastructure networks. They usually do not have very high concentrations of poverty, and are often small in size, which enables them to be responsive to neighborhood and local issues. However, many first suburbs in the Midwest are beginning to experience challenges associated with the age of their neighborhoods, infrastructure and housing and the needs of a changing population. They are highly fragmented which creates competition among them, and may hinder their ability to grapple with regional challenges. These concerns, coupled with inadequate fiscal capacity, limit first suburbs' ability to remain, or become, communities of choice for residents and businesses.

◆ *Second,* FIRST SUBURBS ARE CAUGHT IN A POLICY BLINDSPOT. Unlike central cities, they are not poor enough to qualify for many federal and state reinvestment programs and not large enough to receive federal and state funds directly. Unlike newer suburbs, they are ill suited to federal and state programs that focus on building new infrastructure and housing rather than maintaining, preserving and renovating what is already built. In general, first suburbs are undermined by large federal and state policies that, on balance, facilitate sprawl and concentrate poverty. These policies set the dominant "rules of the development game" that ultimately shape metropolitan growth in ways that undermine older communities.

◆ *Third,* FEDERAL AND STATE GOVERNMENTS SHOULD DO MORE TO HELP STRENGTHEN THE HEALTH AND VITALITY OF FIRST SUBURBS BEFORE THEY BECOME THE NEXT RING OF DECLINE. They can reset the "rules of the development game" so that older communities are supported through more balanced transportation policies, effective regional and state growth management and land use planning that encourages cooperation rather than competition among separate municipalities. They can help level the playing field in terms of fiscal health so first suburbs are able to provide basic services, particularly for working families, within their existing budgets and without overly burdensome taxes. Finally, federal and state governments can provide incentives to make first suburbs' commercial space competitive and stimulate housing, community revitalization and reinvestment.

These policy reforms will not occur in a vacuum. First suburbs need to organize themselves to achieve systemic, meaningful change in their fiscal, economic and social conditions. The unique interests of small, first suburban jurisdictions are rarely the focus of the federal and state governments. First suburbs can change this by building coalitions that reach across geographic, partisan and ideological lines. These coalitions should be nimble and entrepreneurial— aligning on some issues with the central city, on other issues with rapidly growing suburbs and rural areas. There are already several examples throughout the Midwest where first suburban leaders have built effective political coalitions for state reform that reflect their unique issues and challenges.

There is clearly an emerging debate about growth and reinvestment in metropolitan areas throughout the United States and particularly in the Midwest. This report contends that first suburbs need to be actively involved in this debate. Their involvement could be a central factor in achieving the kind of sensible growth policies that are desperately needed by older and newer communities alike.

I. *Introduction*

THE 2000 CENSUS CONFIRMS THAT THE DECENTRALIZATION OF ECONOMIC AND RESIDENTIAL LIFE REMAINS THE PREVAILING TREND IN METROPOLITAN AMERICA. THE SUBURBS DOMINATED POPULATION GROWTH IN THE LAST DECADE.[1] ONLY A HANDFUL OF CITIES GAINED POPULATION FASTER THAN THEIR METROPOLITAN AREAS.

However, as suburbs have become more demographically, economically, and politically powerful, they have also become much more varied. While it is common to talk about "the suburbs" as a group of homogeneous jurisdictions, they are in fact highly diverse. At one end of the continuum lie older, inner-ring "first" suburbs built early or towards the middle of the 20th century that are experiencing some signs of distress—aging infrastructure, deteriorating schools and commercial corridors, and inadequate housing stock. Like cities, these older communities require reinvestment and redevelopment. Some require new assistance in meeting the needs of their working poor families, immigrant and minority households, and aging homeowners.

At the other end of the suburban continuum lies the newest ring of suburbs, emerging on the fringe of metropolitan areas. These places—Loudoun County in Northern Virginia, Douglas County outside Denver, the Route 495 corridor around Boston—are growing rapidly. They represent today's "exit ramp" economy, with office, commercial and retail facilities, and in many cases, high tech campuses, located along suburban freeways miles from the urban core. However, residents in these communities have found that suburban prosperity comes with the heavy, unanticipated price of traffic congestion, overcrowded schools, disappearing open space and diminished quality of life.

This range of suburban experiences is not reflected in today's debate around metropolitan growth and how to grow "smarter" or more sensibly. Strategies seem to be limited to either slowing growth at the suburban fringe or promoting growth in our central cities. But what about older, inner-ring first suburbs? Are the challenges faced by first suburbs addressed by central city reinvestment strategies or reflected in efforts to address farmland consumption and hypergrowth in the suburbs? Or are first suburban interests different from both? Are leaders from these suburbs even participating in these conversations at all? Often it seems as though first suburbs are caught in a policy blindspot between the attention long directed to central cities and new attention focused on fast-growing exurban areas.

This report focuses primarily on first suburbs in the Midwest, since metropolitan areas in this region are facing similar trends of no growth or little growth. But even in the Midwest, first suburbs are widely diverse. While some suburbs are affluent, this report will focus primarily on those first suburbs in the Midwest that are not experiencing rapid population growth and may be struggling with the changing market and demographic conditions of their communities.

Finally, this report focuses only on state and federal policies to improve the health of first suburbs. While local strategies are important, state and federal policies are uniquely positioned to go beyond local differences to shape larger metropolitan growth dynamics and set the broader rules for how growth and investment will occur in metropolitan areas.

Language and Definitions

It is difficult to find an appropriate terminology to refer to those older suburbs that are experiencing a unique set of challenges. In this report, we chose to use "first suburbs" and leaders of "first suburban areas." This term lacks precision, but we have not found an alternative. Urban scholars such as Myron Orfield, William Hudnut, Anthony Downs, William Lucy and Thomas Bier have discussed these communities to some degree, but have not used an all-encompassing, common definition or typology. Leaders in some regions have identified specific terms to refer to these unique places, but their definitions do not necessarily apply to other metropolitan areas.

Finding a common characteristic to define an "older suburb" or "inner ring suburb" is not simple. For instance, distance from the center city is not a useful variable because of the different sizes, topographies and growth patterns of metropolitan areas: a vastly different measure of distance would be necessary in Chicago, Kansas City or Pittsburgh. Focusing only on suburbs immediately adjacent to the center city leaves out other struggling jurisdictions that may be just a few miles away. Age of suburbs is difficult to measure and may actually be too precise for our purposes. Age of housing within suburbs is a plausible measure but only captures one characteristic of these communities. In some instances, we identified and collected data for "urban counties" in these metropolitan areas. These counties, such as Cook and Cuyahoga, are accurately representative of first suburbs but they fail to reflect first suburbs in other counties within the metropolitan area.

This lack of specificity is telling. We believe that in many ways first suburbs are caught in a policy blindspot, between the center cities that always garner some measure of attention (positive and negative) and newly developing suburbs on the fringe that are the popular focus of the war against sprawl. First suburbs seem to get lost in the shuffle. Critical issues for first suburbs in decline may not be choking traffic congestion or massive concentrations of poverty, but rather difficulty in attracting attention and investment. All first suburbs, whether in decline or not, generally suffer because policies do not seem to recognize the unique challenges presented by their older infrastructure and housing stock which may not be competitive in today's market. Compared to center cities and outer suburbs, first suburbs generally have small populations and limited governmental capacity. They are also "built out," meaning there is little vacant land for development, and often depend heavily on residential taxes to fund basic services.

But as this paper will demonstrate, these places—known as close-in suburbs, older suburbs, first-tier communities, inner ring suburbs, trolley car suburbs, industrial boroughs, mature suburbs, and working class suburbs—are still, and always have been, important. This is why the term **first suburbs** makes particular sense. These suburbs are:

First IN TERMS OF DEVELOPMENT. In chronological terms of the suburban experience, these places generally developed first after their central city and before the rapid suburban expansion of the last fifty years. The time in which they emerged is reflected in their distinctive development patterns and based on the age of their central city.

First IN TERMS OF LOCATION. They are usually in the first ring of communities, very close to the center city—and often began as bedroom communities for central city workers. Some are referred to as trolley suburbs for the distinctive mode of transport that once brought workers to and from jobs in the center city.

First IN TERMS OF IMPORTANCE since these aging, mostly blue-collar suburbs are places where many of our nation's most critical issues are played out on a daily basis. To quote Philip Langdon, "old[er] suburbs and old urban neighborhoods embody a great deal of human experience and wisdom waiting to be rediscovered."[2]

The rest of this report is organized as follows: the next section describes the assets, advantages and challenges facing first suburbs; Section Three goes through the range of state and federal policies that affect these places; Section Four lays out a new policy agenda for first suburbs; and Section Five discusses how first suburbs can organize for success. An appendix at the end of the report provides some preliminary data on the characteristics of first suburbs.

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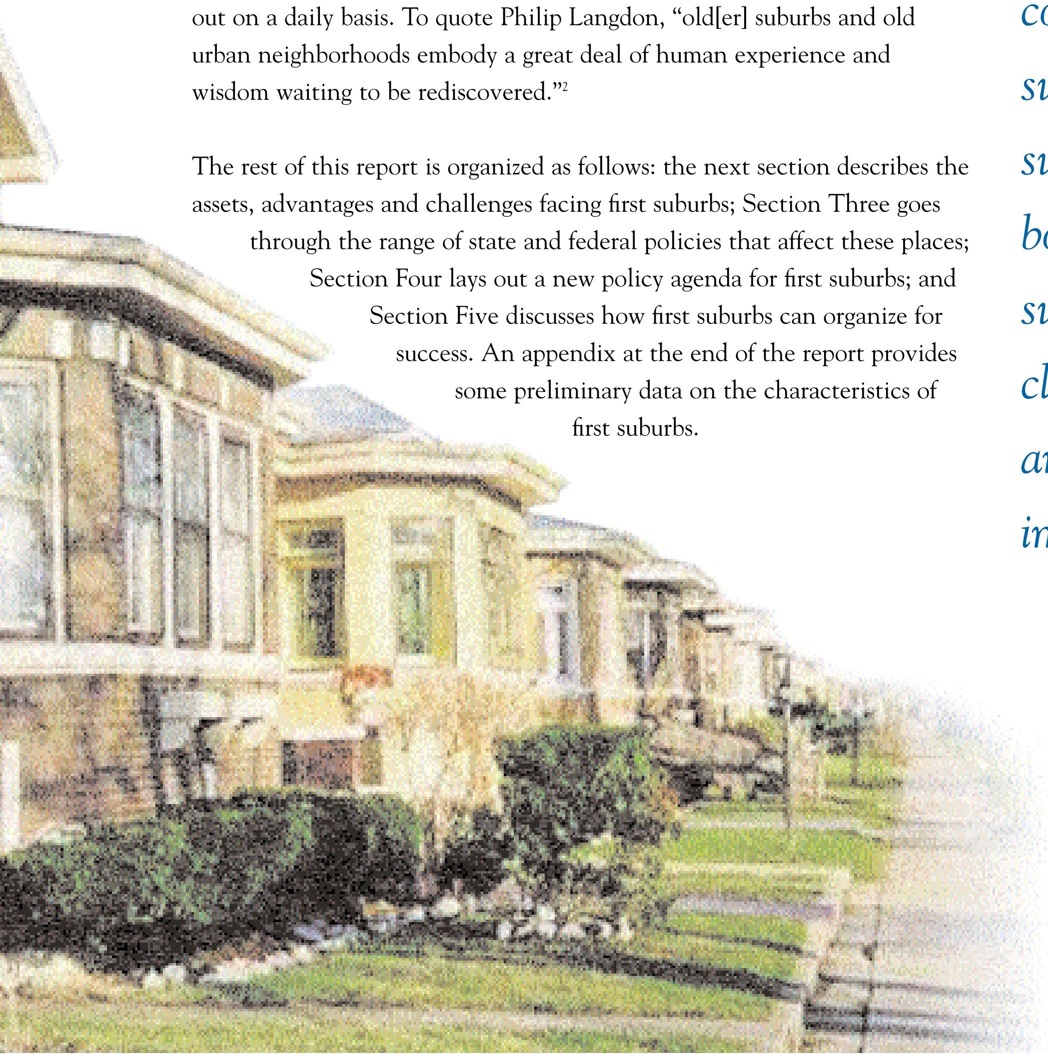


II. The Assets and Challenges of First Suburbs

TO ARTICULATE A COGENT POLICY AGENDA FOR FIRST SUBURBS AS THE 21ST CENTURY UNFOLDS, WE NEED TO CONSIDER THE CONTEXT IN WHICH THEY CURRENTLY EXIST. LIKE MOST COMMUNITIES, FIRST SUBURBS ARE ENDOWED WITH SPECIAL ASSETS AND ADVANTAGES, BUT THEY ALSO HAVE CERTAIN CHALLENGES AND CONCERNS.

The Assets

First suburbs can be communities of choice for residents and businesses. They are often home to established neighborhoods connected by sidewalks and interwoven with parks. They offer road-weary commuters easy access to downtown's commercial and entertainment districts or, alternatively, to some of the emerging employment centers located in newer suburbs. First suburbs also have the intangible benefit that accrues to places that have existed for decades: a sense of community.

1. DESIGN AND QUALITY. First suburbs in the Midwest were developed before the current era of rapid suburban expansion and hyper growth in automobile use and before segregated zoning policies became standard. Thus, they tend to have mixed-use neighborhoods. These neighborhoods, with sidewalks, stately trees, established parks, are what architects and developers are working to replicate in new urbanist developments: they have a balance of jobs, services, and housing, and can support frequent and regular transit services. Many Midwestern first suburbs have taken advantage of transportation investments (rail and highways) that often serve central cities in a radial format. Because densities are high and communities are in close proximity to the central cities, transit connections are often quite good. Further, first suburbs were built decades ago when sidewalks were the rule, not the exception. Therefore, pedestrian activities are not only possible, they are probable. Schools are often within walking distance or else are accessible by very short trips or public transit. Residents who are too young or too old to drive are still able to reach a variety of destinations. Plus, many buildings in first suburbs are constructed with high-quality materials (hard woods, plaster walls) that are generally not part of contemporary construction. Many homes were built before wide spread use of residential air conditioning, so they often have comfortable front porches.

2. CENTRALITY AND CONVENIENCE. In addition to sought-after design features, first suburbs have an unforeseen geographical edge. As exurban areas grow on the ever-expanding periphery, first suburbs are now centrally located, with new airports and employment centers on one side and the traditional central business district on the other. This centrality is becoming increasingly critical for adults in two-income households. First suburban residents can easily take advantage of the benefits of a central city such as universities, culture, health care, sporting events, and other entertainment. However, many first suburbs are still on the wrong side of the "divide" between regional "haves" and "have-nots," and therefore are not able to take advantage of their local features and regional centrality. But many are finding themselves uniquely situated as employment decentralization alters the regional landscape.

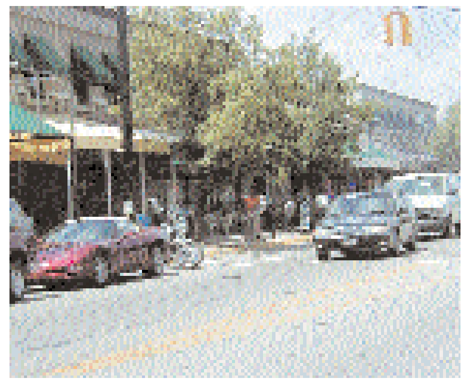
3. INFRASTRUCTURE AND NETWORKS. Transportation, water and sewer networks, and hospitals and schools are already established in many first suburbs. Often the costs of construction were borne long ago and have long since been realized. Although this infrastructure needs to be maintained and sometimes modernized, it is nevertheless in place and provides the framework to guide development patterns into the future. Over the long term, it is often considerably cheaper to maintain or even expand existing infrastructure than to build new infrastructure in exurban areas. The Center for Neighborhood Technology found that, in the Chicago region, the marginal infrastructure costs of new homes on greenfield sites is approximately $60,000 per dwelling unit. The associated cost of upgrading infrastructure to connect a new home to existing systems is about $10,000.[3] Business leaders are also beginning to realize the cost savings associated with developing in areas with established infrastructure.[4]

The Challenges

While these assets are real and important, there is no denying that some first suburbs are undergoing market and demographic changes that threaten their ability to remain communities of choice. Such trends, coupled with their age and governance and fiscal capacities, present certain challenges that are sometimes similar to that of their neighboring central cities but are often unique to first suburbs. It is important to take these challenges seriously and recognize their urgency. First suburbs that are small in size often lack the public and civic capacities to deal with changing demographic and market conditions. This, combined with a lack of resources and commercial base, means that first suburbs can decline very quickly once they start to falter. Unlike central cities, first suburbs do not have the resources to combat the cycle caused by increasing distress and the flight of families and jobs. This tendency to spiral

1. AGING INFRASTRUCTURE. Many first suburbs in the Midwest have older infrastructure that suffers from age and limited maintenance. Unfortunately, in some "home rule" states, the prevailing opinion is, "once you build it, you're on your own." In other words, while state governments may be eager to assist newly developing communities on the fringe, fully developed places are expected to manage themselves. When time weakens infrastructure to the point of deterioration and structural obsolescence, states rarely provide enough funding to local governments to cover the high costs of rebuilding.[5] Indeed, some first suburbs are facing serious shortfalls in fiscal resources needed to maintain aging sewer systems. Over the next 30 years, $29 to $52 billion is needed to maintain and improve southeast Michigan's sewage collection and treatment system.[6] The greatest proportion is estimated to go toward operating, maintaining and rehabilitating the existing sewer infrastructure in Wayne County, including the first suburbs just outside Detroit. The city of South Euclid, Ohio, recently estimated the cost for a complete overhaul of their storm and sanitary sewers at $200 million over 20 years.[7] Anything less than proper maintenance of this vital infrastructure will virtually prohibit any revitalization effort and will push sewer development into greenfield areas. Building and maintaining additional sewer infrastructure in newer communities, of course, requires resources, which come, at the expense of the existing system.

Declining shopping centers, retail strips, or commercial corridors pose a particular challenge to first suburbs. Many are struggling with ways to reinvigorate these places while new shopping malls and big box retail stores gain more and more market share. A recent study sponsored by the Congress for New Urbanism found that the majority of today's "greyfield malls" are in moderate-income neighborhoods with older, affordable homes, typical of first suburbs.[8] These malls begin to lose traction in the regional economy for a number of reasons: competition from new malls in the distant suburbs, changes in area household demographics, or poor management and maintenance.



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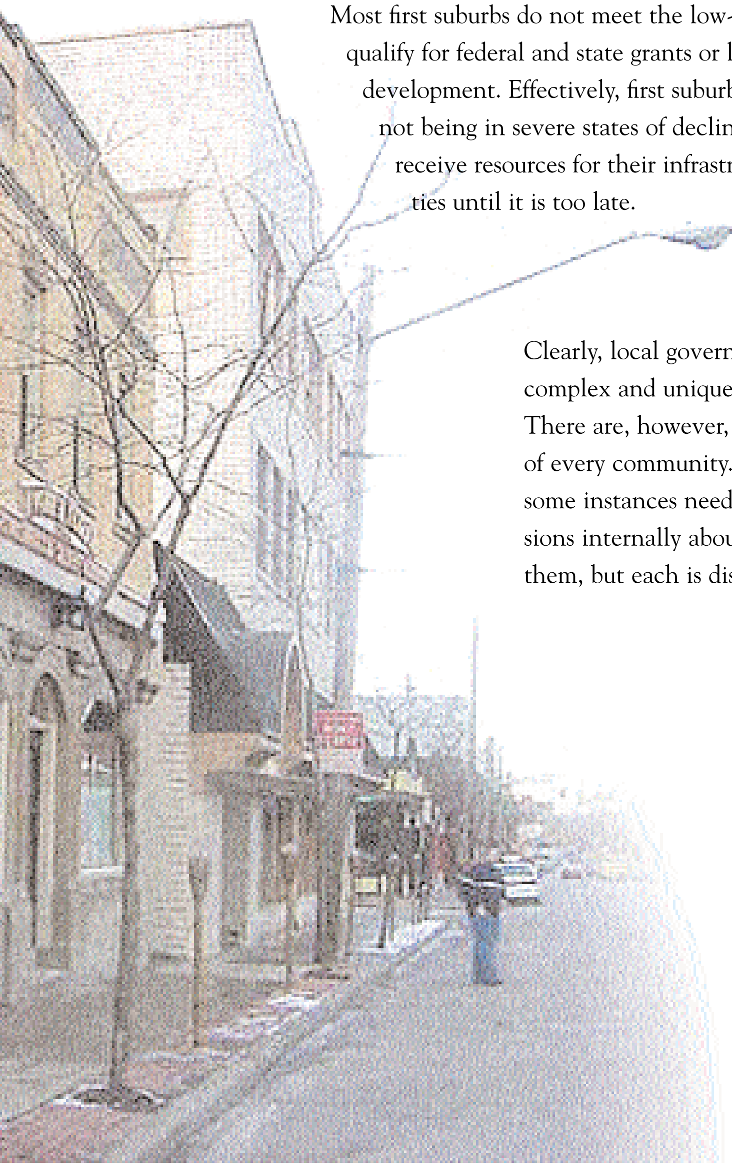
2. FISCAL STRESS. Considering the challenges they face, many first suburbs have municipal budgets that are quite stressed. A municipality's fiscal condition is determined by two factors—its ability to raise revenues (revenue capacity) and the demands and costs it faces in providing local services (expenditure needs). The balance between these factors determines whether a place can provide the services desired by households and businesses at a tax rate that is competitive in the regional economy. In 1993 in the Chicago metropolitan area, 60 first suburbs had a lower tax base per household than the central city although about 20 of them have higher levels of social and economic needs.[9] Of the eleven communities in the Milwaukee metropolitan area that declined in property tax base per household from 1986 to 1996, most were first suburbs.[10]

First suburbs are penalized for not being in severe states of decline, and are unable to receive resources…until it is too late.

Compounding the problem, first suburbs generally lack the central cities' access to grants, capital, and flexible financing. These tools would help first suburbs invest in major commercial and residential redevelopment projects, repair and maintenance of infrastructure, and other neighborhood improvements. Most first suburbs do not meet the low-income targets to qualify for federal and state grants or loans for economic development. Effectively, first suburbs are penalized for not being in severe states of decline, and are unable to receive resources for their infrastructure and communities until it is too late.



Clearly, local government finance is highly complex and unique among jurisdictions.[11] There are, however, three basic fiscal needs of every community. First suburbs may in some instances need to make difficult decisions internally about tradeoffs among them, but each is distinct and important:

financing operating budgets, financing infrastructure building or repair, financing redevelopment (through tax-based assistance). The time frame and potential revenue streams are different and, most importantly, the approach to each may be different depending on the legal and historical context. It may be that methods for infrastructure financing will differ from those for financing operating budgets.

In his new book, *American Metropolitics: The New Suburban Reality,* Myron Orfield grouped over 4,600 municipalities in 25 metropolitan areas according to their fiscal condition (revenue capacity vs. expenditure needs). This comprehensive analysis allows us to examine the suburban experience through a different lens. Table 1 lists the six types of suburban communities that emerged from this effort.

TABLE 1: Classification of Suburbs by Fiscal Condition in the 25 Largest Metropolitan Areas

CLASSIFICATION	REVENUE CAPACITY	EXPENDITURE NEEDS	% OF TOTAL POPULATION
I. Very stressed, poor and almost totally segregated.	Very low	Very high	8
II. Older with high density, growing slowly with relatively low poverty.	Low	High	6
III. Lower density areas with higher-than-average poverty and population growth rates.	Low	High	26
IV. High growth, low levels of poverty and minorities.	Average	High–average	26
V. High growth edge cities.	High	Low	7
VI. Very affluent job centers.	Very high	Low	<1

Source: Orfield, American Metropolitics, 2002.

First suburbs are generally the first two community types. Places like Harvey and Cicero in the Chicago metropolitan area are emblematic of the suburbs in the first category. Lansdown, outside of Philadelphia, and Bloomington, south of Minneapolis, are representative of the second category. There are also some first suburbs in category four.

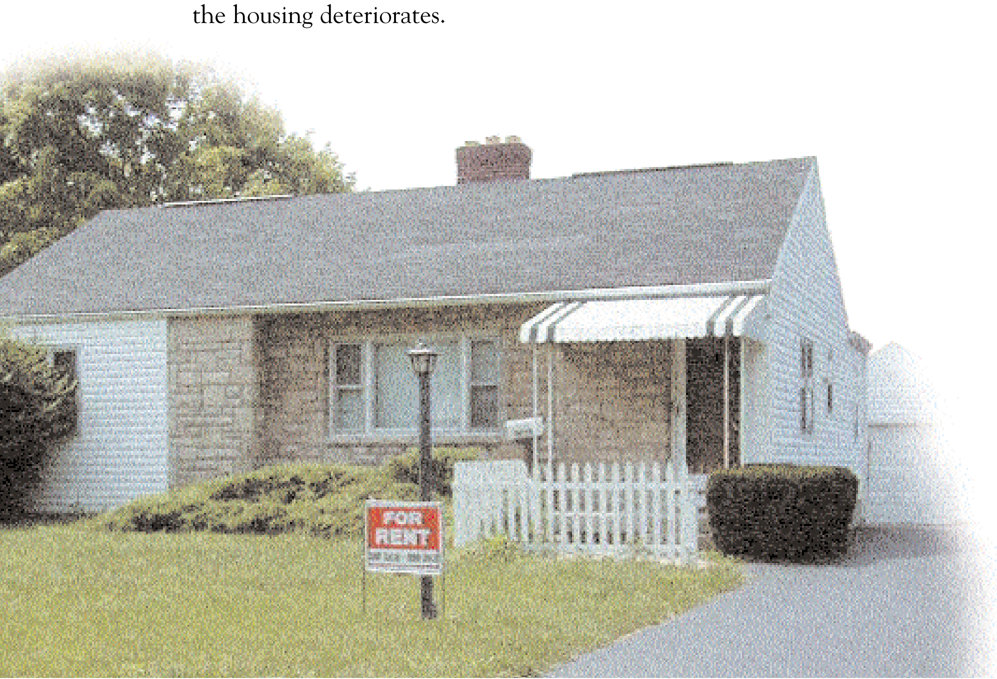
Orfield found that more than two-thirds of the sample population lived in the community types that are clearly experiencing some sort of fiscal stress (i.e., those in the first three categories plus central cities). These places housed 88 percent of the people living in poverty in these metropolitan areas but they only controlled 56 percent of the local tax capacity. Although they did receive greater than average state aid, their share of total capacity (59 percent) was still well below their shares of total population and people in poverty. The implications of all this is that fiscal stress is highly skewed and state-level resources are only able to mitigate this stress by moderate amounts, much to the detriment of first suburbs in the Midwest.

3. AGING HOMES AND DECLINING REAL ESTATE VALUE. The residential landscape is changing in the Midwest. As people gain wealth, they tend to consume larger, more expensive parcels of real estate which, in the Midwest, are often not located in first suburbs but are primarily located on the newly developing fringe. As a result, a considerable portion of the housing stock in first suburbs becomes less competitive. According to housing data collected in the 1990 Census for the urban counties surrounding Chicago, St. Louis, Cleveland and Minneapolis, of approximately 1.86 million occupied housing units, 1.25 million (67 percent) were built before 1970, and over 830,000 (45 percent) in the postwar period of suburban expansion between 1950–1970.

Too many of these houses have depressed market values. It is important to recognize that older homes in some first suburbs such as Shaker Heights and Beachwood, outside of Cleveland, are some of the highest priced in the regional market.[12] However, according to Thomas Bier of the Housing Policy Program at Cleveland State University, throughout Cuyahoga County, 25 percent of single family homes, approximately 60,000, are valued at under $100,000. Virtually all existing unimproved, postwar homes are at the bottom of their respective markets. Few homes of this era offer craftsman-style architectural details that appeal to today's buyer. They have shown little appreciation in recent years while the market for larger suburban houses and in-town living has grown. Older, mass-produced houses generally have two or three modest bedrooms, one bath, a small kitchen and are about 1,100–1,300 square feet in size. By 1998, the typical new home was more than 2,000 square feet,[13] and the 2000 Census reports that last year nearly one in five new houses was larger than 3,000 square feet. Among other amenities like standard air conditioning, new homes have twice as many bathrooms as those built just after World War II.[14] In many cases, first suburban homes are further burdened by their location on the "wrong side" of the region and would cost more to renovate than the value of the house itself.

In addition to having homes that may not meet today's housing needs, first suburbs are also hurt by consumers' desire to buy "up and out" in their housing. For instance, from 1997 to 1998, about 86 percent of the homeowners who moved in the Cleveland, Columbus and Cincinnati metropolitan areas bought homes that were 57 to 69 percent more expensive than the homes that they had left. In all three of these regions, the more expensive homes were located "further out."[15] The homes in the first suburbs are then occupied by lower-income households, which can negatively affect the local tax base. This phenomenon is further exacerbated by the fact that developers tend to build new homes in greenfields at a faster rate than population growth. In turn, this may lead to an excess of housing stock in first suburbs that eventually is abandoned.[16]

Finally, some first suburbs have commercial corridors that are declining, and consumer spending that is leaving. These places then become overly reliant on residential properties to maintain the solvency of their tax base. In Cuyahoga County, for example, two-thirds of the county's property tax dollars come from residential properties. Commercial and industrial properties account for 28 and 6 percent, respectively.[17] In Hennepin County, Minnesota 54 percent of the total tax capacity come from residential properties, up from 47 percent in 1992.[18] Cook County, including the city of Chicago, has a much more balanced local revenue structure than most other first suburban counties, having received 45 percent of its total property tax from residential properties in 1997.[19] Balancing local revenue streams and a beneficial mix of uses becomes more and more difficult as the housing deteriorates.



4. WORKING FAMILIES. Despite the economic prosperity of the last several years, the income gap between wealthy, middle-class, and poor Americans has stubbornly resisted eradication. Over the last two decades, the incomes of our nation's wealthiest citizens grew substantially, middle-class earnings stalled, and the incomes of the poor declined. Families whose earnings are well above the poverty level ($13,738 for a family of three or more in 2000), but below median household income ($42,148 in 2000) are also struggling. Their wages have not kept pace with the rising costs of housing, child care, transportation and other necessities, they do not qualify for many income-based government supports, and many do not take various tax deductions, such as the mortgage interest deduction, because they use the standard income tax deduction.

The challenge for first suburbs in the Midwest is that a disproportionate number of low- and moderate-income families live in these places. Welfare recipients are becoming increasingly concentrated in cities and urban counties[20] as are working families in the Midwest who receive the Earned Income Tax Credit.[21] Yet, urban (including first suburban) constituencies typically focus on place-based policies such as empowerment zones and brownfields. While these are important, first suburban leaders are rarely involved in national conversations about larger working family issues, even when national policies (such as the 1996 welfare reform law) have a significant impact on these areas.

TABLE 2: Political Governmental Fragmentation in Select U.S. Metropolitan Areas

Metropolitan Area	Number of Counties	Number of States	Total Local Governments	Number of Local Governments per 100K Residents
Midwest				
Pittsburgh	6	1	418	17.7
Minneapolis	13	2	344	12.3
St. Louis	12	2	312	12.2
Kansas City	11	2	182	10.6
Cleveland	8	1	267	9.2
Philadelphia	14	4	442	7.4
Milwaukee	5	1	113	6.9
Chicago	13	3	567	6.6
Detroit	10	1	335	6.2
West/South				
Denver	7	1	74	3.2
Seattle	6	1	94	2.8
Houston	8	1	123	2.8
Phoenix	2	1	34	1.2
Las Vegas	3	2	13	0.8
San Diego	1	1	19	0.7

Source: Orfield, American Metropolitics, 2002.

5. FRAGMENTED GOVERNANCE. Midwestern metropolitan areas are uniformly characterized by high governmental fragmentation. These areas generally have hundreds of local suburban jurisdictions, each with their own land use, zoning and taxation powers. Table 2 shows the number of independent jurisdictions in each major metropolitan area in the Midwest, West, and South.

Although it is generally true that smaller units of government are closer to their constituents and are able to be more responsive to neighborhood and local issues, high governmental fragmentation in the Midwest can also be problematic. First, it exacerbates sprawling development patterns as individual jurisdictions compete for favored commercial, industrial and residential activities. Second, it means that many local suburban jurisdictions are very small in size. The capacity of these individual jurisdictions to grapple with their challenges is, severely limited. Finally, it represents a significant challenge for coalition-building and regional cooperation around common concerns, particularly for first suburban leaders.

In sum, despite their competitive assets, first suburbs face significant challenges. In fact, in many cases, these assets and challenges are the same. For instance, the existing infrastructure that shapes first suburbs and can guide development is also in serious need of repair in some places. The homes in some first suburbs that were built close-together with high quality materials may no longer be competitive in today's market. And the centrality that helps give some suburbs a geographical edge can also be a burden when they are located on the wrong side of the region's prosperity. The difference between an asset and a challenge is often the degree of investment, maintenance or preservation, and the willingness to see the first suburban landscape as one with high potential. The problem is that first suburbs are not operating on a level playing field with other parts of the metropolitan area. Current state and federal policies appear to either directly undermine or ignore first suburbs in the Midwest.

III. The Role of Current State and Federal Policies

GENERALLY, FEDERAL AND STATE POLICIES DO NOT HELP, AND SOMETIMES UNDERMINE, FIRST SUBURBS' ABILITY TO LEVERAGE THEIR CONSIDERABLE ASSETS IN ORDER TO BECOME AND REMAIN ECONOMICALLY COMPETITIVE. THEY TEND TO FOCUS ON CENTRAL CITIES OR NEWLY DEVELOPING PLACES ON THE SUBURBAN FRINGE. THEY ALSO SET THE RULES OF DEVELOPMENT AND GOVERNANCE. SO THEY ACTUALLY HAMPER FIRST SUBURBS' EFFORTS TO APPROACH REVITALIZATION EFFORTS IN A CONSISTENT AND STRATEGIC WAY.

The following are some examples of how current state and federal policies do not support and even undermine first suburbs.

1. STATES DO NOT PROVIDE SUFFICIENT FISCAL SUPPORT TO FIRST SUBURBS. All state governments distribute some state resources to local governments to help finance local public services. The extent to which this occurs varies from state to state and across services. But for the most part, local governments are left to their own devices—largely local taxes and some combination of property, sales and/or income tax—to pay for such essential services as public safety, infrastructure and sanitation. The result is that localities are left with little choice but to compete with neighboring jurisdictions to attract commercial and industrial properties to augment their tax base, and to repel undesirable properties that detract from it.

Many first suburbs have high tax rates because they have less revenue-generating development (from commercial and industrial properties) and generally more service costs than their outer suburbs. First suburbs may simply lack fiscal capacity because they are not able to actually raise the money they need. Some of this incapacity is the result of voters turning down revenue-raising policies at the ballot box. But also, states impose legal constraints on first suburbs in the form of restricting how public monies can be gathered by local jurisdictions (such as bond issuance and special taxes). However, first suburbs are already at a disadvantage when it comes to tax rates and simply granting them the ability to tax themselves is not sufficient to solve their fiscal problems.

While every first suburban government would like to be in a position of having a low tax/high service community, only a few can ever achieve that, and usually not for very long. The need for greater fiscal capacity is at the heart of most of the problems facing first suburbs. Since the rules governing a state's relationship to its municipalities vary by state, clusters of first suburbs must first and foremost understand what policy ideas for enhancing local fiscal capacity have the best chance of success in their unique environment. Most states have not taken any role in this effort.

2. FEDERAL HOUSING POLICY IS CURRENTLY NOT DESIGNED TO MEET THE HOUSING MAINTENANCE AND REDEVELOPMENT NEEDS OF FIRST SUBURBS. First suburbs are in dire need of innovative tools to help them and their families improve their aging housing stock. However, existing federal policies fail to provide much help. The problem is essentially three-fold.

First suburbs are less likely to take advantage of some federal programs like the Empowerment Zone and HOPE VI initiatives, the two primary federal redevelopment programs of the past decade. It is true that first suburbs are not specifically excluded, but these programs were largely designed to help inner cities and areas of severe distress. The HOPE VI program is focused on redesigning severely distressed public housing, which is generally not located in first suburbs. Empowerment Zone areas must have a population of at least 50,000 and a relatively high poverty rate (generally between 20 and 25 percent), both of which are not typical of most first suburbs. While Empowerment Zones will occasionally encompass first suburbs like East St. Louis, Illinois and East Chicago, Indiana, they are designed to redevelop distressed places in the inner city.

The second problem is that first suburbs are just too small to even qualify for some federal programs. The Community Development Block Grant (CDBG) program, for example, funds a variety of community development projects benefiting low- and moderate-income people, from parks and economic development to housing. Municipalities with populations over 50,000 are entitled to an annual CDBG grant, and over the years these funds have become core operating support for an important network of municipal services, including the fixing up of neighborhood homes and streets. However, communities with fewer than 50,000 residents are not, and never have been, eligible for direct allocations, and must compete within their respective states for non-entitlement CDBG funds. First suburbs are hit particularly hard by this since the vast majority of them do not meet this population criteria and cannot count on this funding for operational support. In the Pittsburgh metropolitan area, there are 416 municipalities and townships—of those, only one meets the population threshold to qualify for direct CDBG support. In the Milwaukee metropolitan area, only two (1.8 percent) are entitled. There are similar percentages for Cleveland (1.5 percent), Philadelphia (1.9 percent) and Minneapolis (2.7 percent).[22]

Finally, for many years federal housing programs have generally not been geared to the kind of activities that first suburbs need. During the period after World War II, Federal Housing Administration and Veterans Administration programs provided mortgages designed for new single family homes, typically located on the suburban fringe. In effect, the construction of these millions of new homes discouraged the renovation of existing housing near the core.[23]

But then, and even more so today, first suburbs need housing programs dedicated to maintenance, improvement and renovation. There is, however, little federal attention given to improving first suburbs' existing housing stock. The U.S. Department of Housing and Urban Development's (HUD) primary program for rehabilitation is Section 203(k) (where just one mortgage loan is obtained to finance both property acquisition and the rehabilitation). Since 1997 the number of single-family homes rehabilitated with this program decreased considerably from about 25,000 to 10,600.[24] By contrast, HUD insured nearly a million loans under Section 203(b) in 2000.[25] Sometimes used in conjunction with 203(k) is the Property Improvement Loan Insurance (Title I) program to finance light or moderate rehabilitation. In fiscal year 2000, HUD insured 17,976 of these loans, down from 107,000 in fiscal year 1996. HUD also administers a mortgage insurance program for older, declining areas (Section 223(e)) that would be relevant for some severely distressed first suburbs, but by no means for all. Nevertheless, there was no activity at all for this program in fiscal year 2000 or 2001.[26]

In addition to the federal programs, the private lending market discourages home-improvement borrowing when home renovation costs are high in relation to property values. Nor do older homeowners respond well to offers of refinancing their homes, which gives them 30 more years of debt in order to renovate. Home improvement loan products offered by Fannie Mae are available to owners with up to 100 percent of area median income, but not beyond—and it is often the above-median income homeowner that first suburban leaders are most anxious to keep in town. Finally, nonprofit community development corporations (CDCs) have proven to be vital and effective in addressing neighborhood housing problems. However, most CDCs operate solely in inner city neighborhoods and may consider an increased focus on first suburbs a threat to their overall funding.[27]

3. FEDERAL AND STATE POLICIES NEGLECT A VITAL ELEMENT OF FIRST SUBURBS' POPULATION: WORKING FAMILIES. Like first suburbs, working families whose earnings are above the poverty level, but below median income are also overlooked by federal and state policies. They do not qualify for programs aimed at people who are poorer, receive welfare assistance, or have just left the welfare roles. They also do not earn enough to itemize their tax deductions to enjoy the various benefits of middle-class life, such as the home mortgage interest deduction or tax-deductible retirement accounts.

The U.S. Department of Health and Human Services' Child Care and Development Block Grant program allows states to subsidize child care expenses for working families earning less than 85 percent of the median income in their state. However, states often target child care slots to mothers moving from welfare to work, with the result that low-income working families who are not on welfare are denied assistance. Thus, working families in first suburbs often do not get priority access to public child care assistance.

Health insurance, too, is a challenge for the working poor and their families. A recent study by the Center on Budget and Policy Priorities (CBPP) found that, in 1999, 22 percent of poor parents with no earnings were uninsured, while almost half of poor parents whose income comes mostly from earnings had no insurance.[28] This is relevant for first suburbs because as the CBPP points out, although uninsured parents are commonly considered to lack health insurance because they are unemployed, the vast majority of them are part of working families. States do have tools at their disposal to cover the health needs of working families, particularly the new State Children's Health Insurance Program (SCHIP). Yet few states have taken the steps necessary to expand coverage, increase awareness, make enrollment simple and accessible, and ensure that those leaving or denied welfare get the health insurance they are eligible to receive.

4. FEDERAL AND STATE POLICIES FACILITATE SPRAWL, OUTMIGRATION AND THE CONCENTRATION OF POVERTY, WHICH HURTS FIRST SUBURBS LOCATED IN THE METROPOLITAN CORE. Federal and state policies, taken together, set the "rules of the development game" that tend to undermine first suburbs by decentralizing people, jobs and wealth on one hand and concentrating poverty and working poverty on the other. First suburbs are often caught between these two powerful forces.

Public investments in transportation form the skeleton of metropolitan areas and local communities. They dictate whether a metropolitan area remains compact or sprawls ever outward. Recent federal transportation legislation[29] promised that transportation policy would begin to serve the needs of older communities. However, although a great deal of reform has already occurred, transportation policies and spending—particularly on the state level—still generally support the expansion of road capacity at the fringe of and outside metropolitan areas.[30] Built in the interests of national defense and interstate commerce, highways have become commuter roads, enabling people and businesses to live miles from urban centers but still benefit from metropolitan life. The decisions to construct or widen these roads or interchanges on the metropolitan periphery are often made without consideration of the effects of such projects on first suburbs near the core.

Also hampering first suburbs with regard to transportation is the fact that although many of them originally sprang up along trolley lines emanating from job-rich center cities, most of those tracks have long since been pulled up. Bus service still exists in these places, but these networks are often marked by agency fragmentation. Mismatches between new jobs on the suburban fringe and affordable housing in first suburbs aggravates the problem and undermines those who rely on transit because they are either too poor, too old or too young to drive a private automobile.

Tax and regulatory policies have also given added impetus to people's choices to move further and further out. The deductibility under state and federal incomes taxes for mortgage interest and property taxes appears spatially neutral but in practice favors large-lot, low-density suburban communities, particularly those with high-income residents.[31] Major environmental policies have made the redevelopment of urban land expensive and cumbersome, making greenfield land especially attractive. At the state level, the interplay of governance, land use and tax law give local governments incentives to "chase the ratables" and make growth decisions (e.g., building the new mall or office facility) without any consideration of how such decisions affect the region and neighboring jurisdictions.

Many states have long allowed exurban municipalities to annex large amounts of land, often undeveloped, while first suburbs remain land-locked. These exurban communities get to enjoy the benefits of annexation and new development (e.g., increased tax revenue, proffers from developers). The Village of Huntley in exurban Chicago is more than five times the size it was just ten years ago. Other nearby outlying communities like Joliet and Aurora have also more than doubled their physical size.[32] First suburbs closer in the core are not able to capture more growth simply by drawing themselves bigger boundaries. In this way, state policies allowing easy annexations directly favor the enlargement and increased fiscal capacity of suburbs on the fringe over established first suburbs.

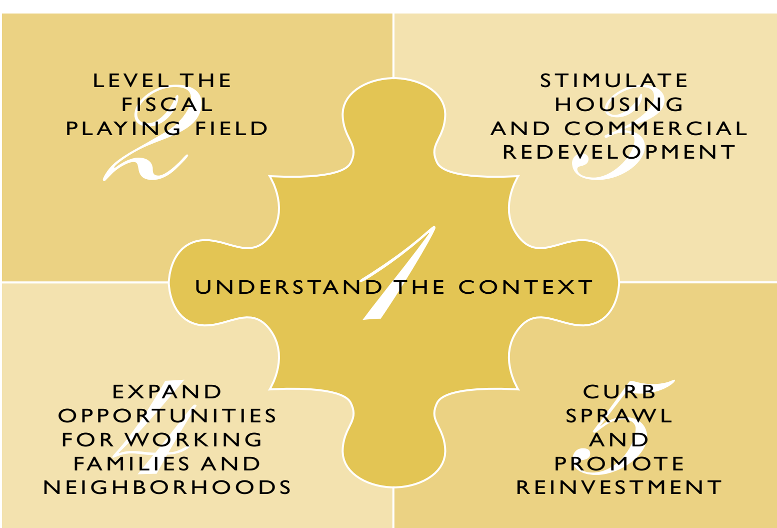
In general, federal and state policies can do substantially more to help first suburbs leverage their competitive assets, stop sprawl, fix their housing stock and close the gap between what working families need and what their incomes can provide.

IV. *A New Policy Agenda for First Suburbs*

FIRST SUBURBS IN THE MIDWEST HAVE A UNIQUE SET OF MARKET AND DEMOGRAPHIC CONDITIONS AND FISCAL, GOVERNANCE AND INFRASTRUCTURE CHALLENGES THAT SET THEM APART BOTH FROM THE CENTRAL CITIES THEY SURROUND AND THE NEWER SUBURBS THAT SURROUND THEM. IT IS CRITICAL FOR FIRST SUBURBS TO DEVELOP AND ARTICULATE THEIR OWN POLICY AGENDA SO THEY CAN BE WELL-POSITIONED IN NATIONAL AND STATE CONVERSATIONS ABOUT GROWTH AND REINVESTMENT. THERE ARE POLICY LEVERS THAT NEED TO BE PUSHED AT FEDERAL AND STATE LEVELS TO HELP FIRST SUBURBS WORK TOWARDS THIS NEW AGENDA.

In many ways, the federal and state reform agenda for first suburbs is fairly simple: focus on strengthening existing communities. The following framework was developed after consultation with leaders from healthy, stable, and declining first suburbs in the Midwest. It presents five strategies, in the context of state and federal policies, for revitalizing older, inner-ring first suburban economies, strengthening established neighborhoods and leveraging public investments.

Federal and State Policy Agenda for Midwestern First Suburbs



◆ *First,* FEDERAL AND STATE POLICIES NEED TO HELP FIRST SUBURBS UNDERSTAND THE CONTEXT FOR REFORM. As individual jurisdictions, first suburbs need to be able to understand the market and demographic trends in their localities and regions, recognize the assets and liabilities they inherit and, based on a frank assessment of their economic and social situation, re-envision their competitive position. As a collection of jurisdictions, they need to be able to understand how their economic and social conditions compare to those of the central city as well as other, newer suburban jurisdictions in the metropolitan area. An accurate understanding of their condition—both individually and collectively—will help drive policy decisions on the state and federal levels. Unfortunately, there is little research and little data on the specific experience of first suburbs.

Priority Area: PROVIDE REQUISITE DATA AND RESEARCH SUPPORT TO EXAMINE THE FIRST SUBURBAN EXPERIENCE. First suburbs need to be able to access the most recent empirical data and objective analyses. This information needs to be collected and updated constantly, so jurisdictions can benchmark their individual and collective progress on key social and economic indicators. The 2000 Census, in particular, provides an opportunity to ascertain the condition of older communities and categorize first suburbs according to their experiences, governance and relation to the central city. However, much more dedicated research is necessary. We need analyses about how regions are growing and what policy levers and trends contribute to that growth. We need more sub-jurisdictional analyses about what is occurring in first suburbs and what kind of assets they have. It would be valuable to identify the common challenges they are facing through the creation of a standard typology that identifies what we mean by a first suburb. Such analysis would help first suburbs understand their common and distinct challenges and provide a framework for discussing policy options.

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EXAMPLE: OHIO'S URBAN UNIVERSITY PROGRAM CONDUCTS RESEARCH FOR STATE DECISION MAKERS AND FIRST SUBURBS: The state of Ohio offers the most advanced model of a university-based research consortium. The state has created the Urban University Program (UUP), consisting of Cleveland State, Ohio State and six other state universities. Every year, the state funds the UUP to conduct research on a broad array of urban and metropolitan issues. Predictable funding has helped the UUP create an informal network of academics and practitioners who share findings and collaborate with each other on important projects. Cleveland State University's Urban Center, for example, directly supports Ohio's First Suburbs Consortium by providing documentation of the growing plight of Cleveland's first suburbs as well as organizational and technical assistance. For more information: http://urban.csuohio.edu/~uup.

EXAMPLE: GREATER PHILADELPHIA'S METROPOLITAN PLANNING ORGANIZATION RELEASES STUDIES ON FIRST SUBURBS: Bolstered by federal augmentation of metropolitan planning organizations (MPOs)[33] in general, the Delaware Valley Regional Planning Commission (Philadelphia) has recognized and focused extensively on the effects of decentralization and disinvestment in first suburbs. The DVRPC has produced a series of reports that help leaders and residents understand the region's first suburbs and develop recommendations for their improvement. For more information: http://www.dvrpc.org.

◆ *Second,* FEDERAL AND STATE POLICIES NEED TO LEVEL THE FISCAL PLAYING FIELD FOR FIRST SUBURBS. Good schools, safe streets, competitive taxes, efficient services and a transparent and effective system for the redevelopment of land and infrastructure are all considered top policy priorities for first suburban leaders. Yet, on their own, first suburbs often do not have the fiscal capacity to provide these basic services efficiently and competitively. Unlike central cities and many growing suburbs, first suburbs cannot depend on large business, retail and industrial activity to undergird their tax base. First suburbs are, therefore, often stuck between a rock and a hard place. If they fail to maintain and upgrade schools, families with school-age children will leave. On the other hand, if they raise taxes to provide more funding for schools, other families may leave in search of lower taxes. Without state or federal intervention, first suburbs are saddled with an impossible balancing act between delivering basic services and maintaining competitive tax rates.

The fiscal pinch of first suburbs is clearly seen when it comes to school financing. Local revenues provide just under half of the education dollars spent for public schools.[34] To generate these funds, local governments must tax property—the higher the assessed valuation of property in a district, the greater its ability to raise funds. However, acting alone, some first suburbs may not be able to generate even the minimum funding needed though they tax themselves at rates several times higher than wealthy districts. The Jennings, Missouri, school district on the northwest border of the city of St. Louis, had the third-highest property-tax rate in the county. However, since the assessed value is still low, the district still had less local money per student than most other districts.[35] The school district in Wilkinsburg, one of the poorest first suburbs in Pittsburgh's Allegheny County, pays the highest property tax rate in the county.[36] Mount Healthy, a Cincinnati first suburb, also illustrates the problem: it has the lowest property wealth per pupil in Hamilton County, but also one of the highest property tax rates.[37]

Priority Area: ENSURE FISCAL EQUITY FOR BASIC SERVICES. First suburbs need a level fiscal playing field if they are to provide the basic services residents and businesses demand. Only the states can ensure that each local jurisdiction is able to provide basic services at a competitive tax rate. First suburbs can pursue several state-wide reforms to ensure that they have the fiscal wherewithal to compete for businesses and residents. The fundamental prescription here is for some type of revenue sharing, as is being done in Massachusetts, Michigan and Wisconsin. In such cases, the state provides aid to local jurisdictions based on a variety of factors, including value of the local tax base. Another state strategy is school equity financing, which tries to equalize funding for schools through a variety of mechanisms. A final potential state strategy is tax-base sharing, in which a portion of local tax revenues in economically strong communities is earmarked for a regional pool that is redistributed to localities with weak fiscal capacity.

First suburbs need a level fiscal playing field if they are to provide the basic services residents and businesses demand.

EXAMPLE: **WISCONSIN STATE REVENUE SHARING:** An important source of local revenue in the state of Wisconsin comes in the form of state revenue sharing, which is distributed based on several criteria including population, the existence of utility properties that are not subject to municipal taxes, and the condition of the municipal tax base (their "aidable revenues"). In 1997, the Wisconsin Department of Revenue reported that almost $1 billion in state revenues were shared among jurisdictions for use as they see fit. This unconditional program greatly helps fiscally strapped first suburbs through its three policy goals: 1) to help municipalities provide their residents with basic services without relying on unduly high property taxes; 2) to equalize revenue raising ability among local governments, and 3) to provide compensation for municipalities that are home to utility companies that provide services beyond local borders. For more information: http://www.legis.state.wi.us/rsb/Statutes.html.

EXAMPLE: **MINNESOTA'S FISCAL DISPARITIES LAW:** Since the mid-1970s, Minnesota's fiscal disparities law has allocated 40 percent of property tax revenue from new commercial and industrial development among seven Twin Cities area counties and 187 jurisdictions on a per capita wealth basis. Funds in this metropolitan tax base pool—around $400 million in 1999—are then redistributed to communities in inverse proportion to net commercial tax capacity. Without this critical revenue sharing strategy, the per capita commercial-industrial tax base of the wealthiest jurisdiction in the pool would be 21 times that of the poorest. The Minnesota Citizens League estimates that the law reduces this gap to four to one. The law has become a vital element of the local property tax structure in the Minneapolis metropolitan area. For more information: http://www.house.leg.state.mn.us/hrd/pubs/fiscaldis.pdf .

◆ *Third,* FEDERAL AND STATE POLICIES MUST HELP FIRST SUBURBS STIMULATE HOUSING AND COMMERCIAL REDEVELOPMENT. As discussed above, first suburbs have assets and advantages that make them particularly attractive for families and businesses. Unlike newer areas, first suburbs have established infrastructure, pedestrian-friendly neighborhoods, and easy access to commercial centers (sometimes located in traditional town centers). Unlike the central city, first suburbs have often become the logistical center of the region as metropolitan areas have spread out. They are convenient both to the traditional city downtown as well as to new employment areas, airports and other suburban and urban nodes of business and commercial activity. States, in particular, need to help first suburbs build on these assets by creating places where retail, business, pedestrian and social activities can thrive.

It is critical for first suburbs to adopt (and advocate for) balanced housing strategies. First suburbs in the Midwest are, at their core, residential communities. To remain healthy and vital, they need a mix of renovated and new housing that appeals to a broad cross-section of families in their region. Balanced housing strategies supported by states can: (a) enable homeowners to maintain and upgrade their properties; (b) provide incentives for families to purchase homes in the community; and (c) ensure that affordable housing is widely available throughout the larger metropolis and does not become the exclusive responsibility of older communities.

Priority Area: PROVIDE INCENTIVES TO MAKE FIRST SUBURBS' COMMERCIAL SPACE COMPETITIVE. In many states, first suburbs need revenues from commercial taxes to survive. However, declining commercial corridors, contaminated commercial sites, outdated infrastructure and general neglect keep businesses away. It is imperative to invest in these commercial areas and make the landscape and streetscape attractive and marketable and reduce over-reliance on residential property taxes. Such efforts are often too much for first suburbs to address on their own.

EXAMPLE: PENNSYLVANIA'S 1995 LAND RECYCLING PROGRAM ACCELERATES BROWNFIELDS CLEAN-UP: This program is operated by the state's Department of Environmental Protection encourages voluntary cleanup and reuse of contaminated commercial and industrial sites—commonly known as "brownfields." This program has three important elements: a dedicated source of funding, a sliding scale of cleanliness based on intended uses of the site and a release from future liability. More than 700 projects have been initiated under this program to remediate contaminated land, which is mostly located in the first suburbs outside Pittsburgh and Philadelphia. More than 15,000 people are now employed at these formerly abandoned properties. For more information: http://www.dep.state.pa.us/dep/deputate/airwaste/wm/landrecy.

EXAMPLE: MARYLAND'S COMMUNITY LEGACY PROGRAM TARGETS INVESTMENT TO STRUGGLING NEIGHBORHOODS. This program is designed to assist established, "at-risk" neighborhoods that are experiencing decline and disinvestment, but have the potential to again be vibrant places to live and work. The decline must be evident in terms of quantifiable elements such as increasing commercial or housing vacancies, or population, education and/or income declines. The potential for vibrancy must be evident through first-suburban characteristics such as proximity to major employers, town centers, or educational or other institutions; and also through demonstrated partnerships with local banks, other businesses, and community organizations. The program funds ($10 million for fiscal year 2002) are very flexible and are intended to support a wide range of capital and non-capital projects including public infrastructure for redevelopment projects, development of mixed-use projects, and strategic demolition and land acquisition that can make redevelopment possible. For more information: http://www.dhcd.state.md.us/legacy.

Priority Area: PROVIDE INCENTIVES FOR HOUSING RENOVATION AND COMMUNITY REVITALIZATION. As discussed above, households in the Midwest tend to move up and out—that is, up to more expensive housing located further out to the periphery. In most cases, age of housing is not what pushes upwardly mobile households out of first suburbs—decline and design are the culprits. First suburbs need tools and resources to help existing and new homeowners make home repairs, renovations and expand their homes in order to maintain neighborhood stability and property values and to ensure that the housing stock remains attractive and current with consumer demand.

EXAMPLE: TAX CREDITS TO RENOVATE HISTORIC AND OTHER OLDER DEVELOPMENTS: The State of Missouri has developed tax credit programs specifically designed to promote redevelopment and reinvestment in first suburbs such as those in St. Louis County. The Neighborhood Preservation Act provides tax credits to homeowners to offset the costs of investment in repair and construction of owner-occupied housing in moderate-income neighborhoods. Many St. Louis County municipalities qualify in their entirety. There are several efforts elsewhere to provide tax credits specifically designed to redevelop housing and other structures in older, historic communities. They exist on the federal, statewide (e.g., Maryland, Ohio, Indiana and Wisconsin) and local levels (e.g., Euclid). Federal tax law (the historic rehabilitation tax credit), offers a 20 percent tax credit for the rehabilitation of historic buildings and a 10 percent tax credit for the rehabilitation of non-historic buildings built before 1936. Since 1976, over 25,000 buildings—have been preserved using this credit, representing an investment of over $16 billion. However, the credit is not available for buildings to be used exclusively as an owner's residence. Many state programs work in tandem with the federal credits. In Michigan those who rehabilitate some historic properties can apply for a credit against state general income tax of up to 25 percent of the rehabilitation expenditures. For more information on the Missouri program: http://www.ecodev.state.mo.us/cd/npa. For more information on the federal program: http://www.irs.gov/bus_info/mssp/rehab1.html.

EXAMPLE: MINNESOTA'S THIS OLD HOUSE PROGRAM PROVIDES INCENTIVES FOR HOME IMPROVEMENTS: The state legislature enacted the "This Old House" Program in 1993 to provide owners of older homes in Minneapolis and first suburbs in Hennepin County with an incentive to renovate their properties. The program has since been expanded statewide. Last year over 49,000 properties benefited from the program, which is administered through each county assessor's office. Through the program, owners who make home improvements can defer paying property taxes on the increased value for up to ten years. Owner-occupied homes, duplexes and triplexes with an estimated market value (before improvements) of less than $400,000 are eligible. At the end of ten years, the value that has been excluded is added back to the assessment as follows: There are no income requirements for participation but to qualify, the property owner must permit an appraiser to inspect the physical improvements, which must add at least $5,000 in value to the property to be eligible for exclusion. The value of improvements is determined by the assessor and relates to the additional market value added to the property, not to the actual cost of the improvements. For more information: http://www.taxes.state.mn.us/proptax/factshts/proptax/propfs2.html.

Priority Area: SUPPORT METROPOLITAN-WIDE FAIR SHARE HOUSING ORDINANCES. Many older communities and first suburbs already contain an ample supply of housing that low- and moderate-income homebuyers and renters can afford. By contrast, growing exurban communities often practice exclusionary zoning, limiting the supply of affordable housing (particularly rental housing) that can be built. The concentration of affordable housing in older communities places undue burdens on these places, forces many workers to live far from their jobs and exacerbates unbalanced growth patterns in the metropolis. Regional housing strategies need to be enacted at the state level that expand the supply of affordable housing, particularly in rapidly growing areas. In the end, all jurisdictions in a metropolis should be required to contribute their "fair share" of such housing.

Regional housing strategies need to be enacted at the state level that expand the supply of affordable housing, particularly in rapidly growing areas.

EXAMPLE: **A NUMBER OF STATES IMPLEMENT LAWS TO EXPAND AFFORDABLE HOUSING:** A number of states are making efforts to ensure that affordable housing is located throughout their metropolitan areas and not concentrated in just a few older communities. Washington State's growth management law requires localities to make adequate provisions for existing and projected housing needs for households at all income levels. States like Massachusetts are taking a different approach by streamlining and simplifying the process for developers to construct affordable housing. Massachusetts also denies state assistance subsidies to localities with exclusionary zoning or housing policies. California state law mandates that local governments adopt housing elements in their general plans. These housing elements consist of an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives, financial resources, and scheduled programs for the preservation, improvement, and development of housing. The housing element expressly includes rental and affordable housing and requires jurisdictions to make adequate provisions for households at all income levels. Significant activity is also occurring at the county level. In 1973, Montgomery County, Maryland became the first jurisdiction in the country to successfully enact an inclusionary zoning regulation, the Moderately Priced Dwelling Unit Ordinance. Applied to developments of 50 units or more, this ordinance requires developers to build 12.5 to 15 percent of the units as affordable, in return for density bonuses of 20 to 22 percent. A similar ordinance exists in Fairfax County, Virginia. For more information on the Washington State law: http://www.leg.wa.gov/rcwchapters/Ch1024.exe. For information on the California law: http://www.hcd.ca.gov/hpd. For information on the Washington, DC area ordinances: http://www.brookings.edu/urban/issues/housing/housing.htm.

◆ *Fourth,* FEDERAL AND STATE POLICIES NEED TO EXPAND OPPORTUNITIES FOR WORKING FAMILIES AND THEIR NEIGHBORHOODS. There is a clear consensus in American life and government policy about the value and necessity of work. First suburbs have a key stake in a national agenda for investing in working families and their children. People who work should have access to quality health care, affordable child care and affordable housing. They should be given the same incentives as middle-class families to save for retirement or important family purchases. All children should receive the lifelong benefits of early childhood education.

Making work pay will enable working families to enhance their contribution as citizens, provide them with the time and resources to engage in their schools, invest in their communities, and build healthy families and futures. To the extent that many working families live in urban and first suburban neighborhoods, making work pay will also help these places. In fact, studies have shown that programs designed to aid working poor families (such as the Earned Income Tax Credit) can have a significant fiscal impact in U.S. metropolitan areas year after year. States can take the lead in maximizing the benefits of such programs for their working families and their local economies.

Priority Area: EXPAND STATE OUTREACH TO WORKING FAMILIES. States have been given enormous latitude in the administration of programs such as child care, Food Stamps, Medicaid and the State Children's Health Insurance Program (SCHIP) and other work supports that lift working families out of poverty and help them make ends meet. Yet many states have failed to exercise this flexibility to benefit the growing ranks of the working poor in urban and first suburban areas. For example, an estimated 10 million children in the U.S. lack health insurance, even though a large majority of these children are eligible for Medicaid or a separate SCHIP.[38]

EXAMPLE: STATES CAN ENSURE FOOD STAMP PROGRAM REACHES WORKING FAMILIES:
As welfare rolls plummeted in the late 1990s, so too did Food Stamp rolls, despite the fact that working families with incomes up to 130 percent of poverty remain eligible for this crucial work support. States can do a better job in reaching low-income working families through the Food Stamp program, and can streamline processes to help eligible families claim benefits. State and county officials, in particular, can ensure that both working and non-working families have access to Food Stamps at "one-stop" workforce centers that link employment, education, training and benefits for working families. In addition, states can help keep working families "on the job" by allowing them to report earnings on a quarterly or semiannual basis for the Food Stamp program, with no obligation to report changes that occur during the period. For more information: http://www.cbpp.org.

EXAMPLE: STATES CAN MAXIMIZE BENEFITS OF CHILDREN'S HEALTH INSURANCE PROGRAM: States can currently cover more low-income parents with Medicaid and expand coverage to children and their parents under the new SCHIP. Yet while many families with incomes between 100 percent and 200 percent of the poverty level are now eligible for such coverage, large gaps in enrollment remain for both. States should be more aggressive in reaching out to eligible families. They could, for example, make enrollment in SCHIP simple for working families by allowing mail-in forms and telephone interviews. They should work closely with local officials on implementation. Innovative models exist: South Carolina made simple enrollment forms available in pharmacies, day care centers and schools, and enrolled an additional 40,000 eligible children. For more information: http://www.hcfa.gov/init/children.htm.
States should also use the flexibility of the SCHIP program, as well as federal Medicaid waivers, to provide health insurance to low-income working parents. Some states make Medicaid coverage available only to parents earning less than 50 percent of the poverty level. Expanding health care coverage for parents with Medicaid and SCHIP funds is one of the leading strategies for increasing the number of insured children—low-income children with insured parents are nearly twice as likely to have health care coverage as children with uninsured parents.[39]

Priority Area: INVEST IN CHILDREN. Many national leaders make a persuasive case for the social benefits of early-childhood education and care. The federal government should pursue a plan for universal early childhood programs. Such a plan not only increases poor children's capacity to do well in school, it also makes work easier for single mothers, those moving off of welfare, or working families, all of whom need safe places for their children to spend the day.

EXAMPLE: FEDERAL AND STATE GOVERNMENTS CAN EXPAND CHILD CARE ASSISTANCE: Over the long run, universal preschool education will be an important public policy choice for working families. In the shorter term states can help create a less fragmented system of child care, by providing assistance not only to families on welfare, but also to families who have made the transition from welfare to work and to the working poor. All states should establish eligibility for child care based on income rather than recent receipt of cash assistance. States should have a seamless system of child care policies so parents are not forced to find new providers or reapply for child care assistance as they move into the workforce. The federal government, for its part, needs to further increase funding for the child care block grant to give states more flexibility and resources to provide child care assistance to both welfare recipients and low-income working families. The federal government should also consider consolidating its current tax credits for families with child care expenses and young children to create a single, more targeted and fully refundable credit that would better serve low-to-moderate income families with pre-school age children.

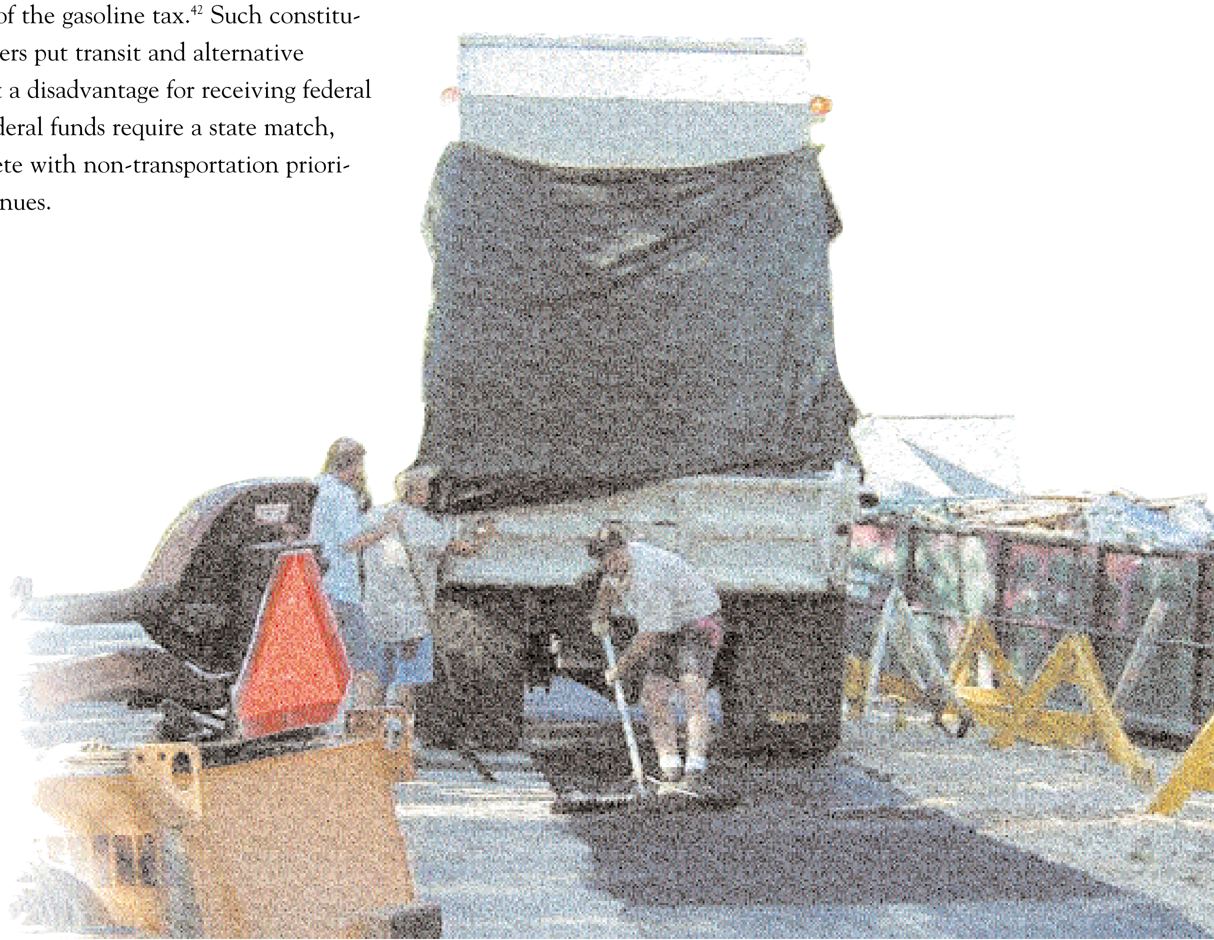
Priority Area: MAKE WORK PAY. The federal Earned Income Tax Credit (EITC) has provided a model for how government can reduce poverty and encourage work among low-income families. Today, the EITC is the largest federal program targeted at the working poor, providing over $30 billion annually to 18 million families. Urban and first suburban areas are among the largest beneficiaries of the EITC; in 1998, for example, families in the city of Chicago received $307 million from the credit, and those in Cook County suburbs received $173 million.[40] Sixteen states have built on the success of the federal EITC by enacting earned income credits within their own state income tax codes. In the Midwest, these states include Illinois, Iowa, Kansas, Minnesota and Wisconsin.[41]

EXAMPLE: STATES CAN CREATE THEIR OWN REFUNDABLE EARNED INCOME TAX CREDITS: Although state budgets are no longer as abundant as they were in the 1990s, refundable state EITCs continue to make sense. As they did in the last recession, a number of states are considering hikes in regressive sales taxes, which are more burdensome to low-income families than anyone else—Arizona and North Carolina have already enacted such increases. A refundable state EITC can offset the negative impact of a sales tax hike on low-income families, who may be the hardest hit by a recession. By targeting these families for relief, states can avoid balancing their budgets on the backs of the working poor. For more information: http://www.brookings.edu/urban/eitc/eitcnationalexsum.htm.

◆ *Fifth,* STATE AND FEDERAL POLICIES NEED TO CURB SPRAWL AND PROMOTE REINVESTMENT. The previous set of strategies - to understand the context for reform, to improve the fiscal capacity of first suburbs, to support the redevelopment of older homes and commercial corridors and to invest in working families - are all critical to ensure that first suburbs have the resources to attract and maintain businesses and families. However, additional reforms must be taken to change large scale transportation and land use policies that tilt investment and growth away from existing core communities.

Priority Area: REFORM STATE TRANSPORTATION POLICIES. State transportation policies should be reformed to allow for greater balance between highway expansion, infrastructure repair and maintenance and alternative transportation strategies, including public transit. Federal funds should be used to build new highways in metropolitan and adjoining areas only in exceptional circumstances and only when linked to the expansion of affordable housing. Further, decisions on new highways, new interchanges and widening of existing roads should be preceded by and consistent with studies of their potential impact on existing communities. The federal government also needs to put highway and transit spending on more equal footing than currently allowed. More than half of the states have constitutional or statutory provisions requiring that the state gasoline tax be spent exclusively on roads and bridges. Of the twelve Midwestern states at least ten restrict the use of the gasoline tax.[42] Such constitutional and statutory barriers put transit and alternative transportation projects at a disadvantage for receiving federal and state funds. Since federal funds require a state match, transit is forced to compete with non-transportation priorities for general state revenues.

The federal government also needs to put highway and transit spending on more equal footing than currently allowed.



Revising the spatial distribution and programmatic focus of state transportation funds will help level the playing field between older and newer communities. Transportation reform will enable the financing of major infrastructure repair projects in cities and first suburbs. Greater funding for public transit and alternative transportation strategies will help build livable, accessible communities that respond to the needs of an aging population and provide greater choices for metropolitan residents. A balanced transportation policy will also weed the subsidy out of sprawl and compel exurban retail and commercial and residential projects to stand on their own merits. In summary, state and federal transportation reform can help revitalize older communities where compact mixed-use development, infrastructure and services already exist.

The Maryland law explicitly includes first suburban areas in its designation of… priority funding areas.

EXAMPLE: MARYLAND'S PRIORITY FUNDING AREAS SPENDS TAXPAYER DOLLARS ONLY ON SUPPORTING EXISTING COMMUNITIES: In 1997, Maryland enacted "smart growth" legislation to steer major state road, sewer, school, economic development and related funds away from farms and open spaces to older communities where infrastructure is already in place. The Maryland law explicitly includes first suburban areas in its designation of these priority funding areas. The law also allows counties to designate other areas if they meet certain guidelines. These rules do not stop development; they simply prioritize where the state government can invest its finite infrastructure resources and taxpayer dollars. The Metropolitan Philadelphia Policy Center polled residents in the entire five county Philadelphia metropolitan area and found overwhelming public support (85 percent) for giving older communities priority funding to support their infrastructure.[43] For more information: http://www.op.state.md.us/smartgrowth/smartpfa.htm.

EXAMPLE: SOME STATES HAVE IMPLEMENTED FIX-IT-FIRST POLICIES: Two states recently passed "fix-it-first" infrastructure policies. In 2000, the New Jersey legislature passed a bill that emphasizes a "fix-it-first" transportation policy. Specific provisions require the state department of transportation to focus on the rehabilitation and technical augmentation of existing transportation facilities, with new highway construction to come only after explicit approval of the legislature. In 1999, the State of Illinois passed Illinois FIRST (a Fund for Infrastructure, Roads, Schools and Transit). It is a five-year, $12 billion program to restore aging roads and bridges, revitalize mass transit, repair first suburban schools, clean up urban brownfields, upgrade water and sewer systems and improve quality of life throughout the State. Over $1.6 billion of this funding is earmarked for projects within Cook County. For more information: http://illinoisgis.ito.state.il.us/ilfirst.

Priority Area: ENACT REGIONAL AND STATEWIDE GROWTH MANAGEMENT AND ENHANCED LAND USE PLANNING. Statewide efforts to manage metropolitan growth by encouraging compact, walkable, transit-friendly neighborhoods while protecting open spaces, farms and forests directly benefit first suburbs in the Midwest. Fragmented land use controls and competition for local tax base within a metropolitan area cause unproductive intra-metropolitan competition that can exacerbate sprawling development patterns and further undermine suburbs near the core.

EXAMPLE: PENNSYLVANIA'S NEW LAND USE LAW PROMOTES PLANNING BETWEEN MUNICIPALITIES: In June 2000, as part of Pennsylvania's Growing Smarter Initiative, then-Governor Tom Ridge signed two bills that created sweeping changes to land use planning in the state. The new law allows localities to designate growth areas as part of their comprehensive land use plans and encourages coordination on the local, county and regional levels. It also allows localities to transfer development rights within and between municipalities, to where development is desired. Localities are also given greater ability to withstand legal challenges to their plans and state agencies are given the authority to grant funding priority to localities that plan collaboratively. For more information: http://www.landuseinpa.com.

EXAMPLE: MINNESOTA'S COMMUNITY-BASED PLANNING SUPPORTS MIXED-USE AND COMPACT DEVELOPMENT: The Minnesota Community-Based Planning Act of 1997 provides local jurisdictions with grants and technological assistance to design and implement enhanced planning. The Act helps localities strengthen communities through planning and urban design that supports mixed land use, compact development and access to public transit and bicycle and pedestrians paths. In a related effort, the Metropolitan Council in Minneapolis/St. Paul has designated six opportunity sites in the region for mixed-used, pedestrian-oriented development. The Met Council has received funding from Minneapolis' McKnight Foundation to assist this effort. Of the six sites targeted for redevelopment, four are located in first suburban areas, one is in an industrial site in the core, and one is in a historic downtown in a rapidly growing area on the fringe. For more information: http://www.mnplan.state.mn.us/pdf/laws01.pdf.

Priority Area: DISCLOSE GROWTH AND SPENDING PATTERNS. States should provide metropolitan and non-metropolitan areas with a clear spatial analysis of how state resources are allocated.

In 2001, North Carolina became the ninth state to require annual disclosure of some economic development subsidies and other investments.[44] Disclosure of state spending patterns is not an onerous burden; in fact, it will subject state bureaucracies to the same standards that now govern private institutions like banks and thrifts. Also, federal and state departments of transportation and metropolitan planning organizations must begin to disclose annually where their investments go. Currently, it is easier (because of federal law) to discover where private banks lend than where public transportation bureaucracies spend. With new mapping technology, it has become possible to make the spatial patterns of spending intelligible to average citizens.

EXAMPLE: MINNESOTA SUBSIDY ACCOUNTABILITY LAW MANDATES PUBLIC DISCLOSURE OF SPENDING: The Minnesota law mandates an annual reporting procedure for tracking economic development grants, loans and tax increment financing. Each local, regional or state agency that provides the subsidies must report both the goals and results. A similar law has been enacted in Massachusetts. For more information: http://www.ctj.org/itep/gjf.htm.

V. Organizing for Success

FEDERAL AND STATE POLICY REFORMS WILL NOT OCCUR IN A VACUUM. FIRST SUBURBS ALSO NEED TO SHARE WITH EACH OTHER THE KIND OF LOCAL REFORMS THAT LEAD TO SYSTEMIC, MEANINGFUL CHANGE IN THEIR FISCAL, ECONOMIC AND SOCIAL HEALTH. FIRST SUBURBS ALSO NEED TO FORM THEIR OWN COALITIONS TO PUSH FOR REFORMS REGIONALLY AND IN THE STATE CAPITOL. ADVANCING NECESSARY POLICY REFORMS WILL REQUIRE FIRST SUBURBS TO OPERATE MORE AS A FORMAL NETWORK OF LOCAL GOVERNMENTS THAN AS A FRAGMENTED COLLECTION OF PAROCHIAL JURISDICTIONS.[45] IT WILL REQUIRE THEM, IN SHORT, TO CHANGE THE WAY THEY DO BUSINESS.

As discussed above, state governments have enormous influence on metropolitan growth patterns, mainly to the detriment of first suburbs. It is through state policy reforms—related to transportation, land use and governance—that the most systemic changes in growth patterns are likely to be achieved. To date, the interests of first suburbs have not been well represented at the state level. First suburbs tend to be junior members of larger coalitions that represent the broad interests of metropolitan areas. The special interests of small, first suburban jurisdictions rarely receive a fair hearing from state legislators and agencies.

First suburbs need to build political coalitions for state reform that reflect their unique issues and challenges. These coalitions will, by necessity, reach across geographical, partisan and ideological lines. They will be difficult to build and sustain. Yet, if created, coalitions of first suburbs may wield enormous influence—aligning on some issues with the central city, on other issues with rapidly growing suburbs and rural areas. To be most effective, these coalitions should be funded and staffed. Special relationships should be forged with university and other research partners to provide these organizations with independent analysis and policy positions.

Northeastern Ohio First Suburbs Consortium Forms Strong Alliance for Policy Advocacy and Governance

One of the best examples of first suburban political organization is in the Cleveland metropolitan area. The Northeastern Ohio First Suburbs Consortium consists of a group of officials from the east and west sides of Cuyahoga County organized to discuss their common strengths, needs, and problems. The Consortium is made up of 12 municipalities, of varying economic health, and enjoys the personal participation of mayors, other elected officials such as council members and staff from member planning and economic development offices.

Since its creation in 1997 (it was formerly established as a Council of Governments in 2000) the Consortium has achieved considerable success. It recognized early on that state and federal policies were making them less competitive with high growth areas and realized that regional and statewide reform in key areas such as transportation and housing was essential for their survival. To pursue this reform agenda, the group has worked to encourage the establishment of similar organizations in the state's other metropolitan areas and they have contributed to a "Smart Growth Agenda for Ohio" focusing on reinvestment in "mature" areas statewide.[46]

The Consortium initiated major cooperative projects that address economic development and housing renovation by collaborating with one other and sharing resources. It was able to study the commercial retail districts in each of its member cities by teaming up with private companies and foundations. It has also launched a $300,000 initiative with private design and architecture firms to market and renovate first suburbs' housing stock—particularly bungalows.

In 1999, the Consortium worked closely with Cuyahoga County officials in the establishment of the Home Loan Enhancement Program (HELP), a linked deposit program that offers loans to homeowners at least three percentage points below the rate that would otherwise apply. HELP was created with the recognition that even if the county government "cannot control what happens at the edge [of the metropolitan area], there are still things that can be done to strengthen the core"[47] The goal is to encourage residents to remain in county and its first suburbs by giving them the viable option of enhancing or rehabilitating their home, rather than purchasing a newer home on the metropolitan fringe. More than $30 million in loans have been made to rehabilitate nearly 3,000 homes since the program's inception.

The First Suburbs Consortium in the Cleveland areas has recently hired a lobbyist to help articulate their agenda in the state capitol. Statewide, the Consortium has about 30 member jurisdictions representing more than 700,000 citizens, making them a formidable force that the state government cannot afford to ignore. For more information: http://www.firstsuburbs.org.

It recognized early on that state and federal policies were making [older suburbs] less competitive with high growth areas and realized that regional and statewide reform in key areas such as transportation and housing was essential for their survival.

VI. Conclusion

ALTHOUGH THERE IS A COMMON EXPERIENCE AMONG MANY MIDWESTERN FIRST SUBURBS, IT IS GENERALLY NOT BEING RECOGNIZED - OR VOICED - AT THE REGIONAL, STATE OR NATIONAL LEVELS. IN ORDER TO CRAFT STRATEGIES THAT TRULY PROMOTE REINVESTMENT IN THE CORE OF OUR METROPOLITAN AREAS AND MAINTAIN EXISTING COMMUNITIES, STATES AND FEDERAL GOVERNMENTS CANNOT IGNORE A FIRST SUBURBAN AGENDA. THE METROPOLITAN CORE IS NO LONGER LIMITED TO OUR CENTRAL CITIES. CREATING POLICIES THAT ARE TAILORED TO THE NEEDS AND REALITIES OF FIRST SUBURBS IS CRITICAL FOR A REAL METROPOLITAN REFORM AGENDA THAT AIMS TO CHANGE METROPOLITAN GROWTH PATTERNS, PROMOTES REINVESTMENT IN CORE COMMUNITIES AND INCREASES OPPORTUNITIES AND INCOMES FOR LOW-INCOME WORKING FAMILIES.

The moment is ripe for reform. A smart growth "movement" is emerging across the county about how to better grow and invest in our nation's communities. A number of states have implemented, or are starting to consider, major policies related to growth management, smart reinvestment, land use and transportation reform. And Midwestern states are emerging as some of the key areas where such policies are being promoted. In fact, in the last two years, governors in each of the states highlighted in this report[48] have been vocal about their support for various smart growth and urban reinvestment strategies.

Of course, although national model programs are emerging in states like Illinois and Pennsylvania, much more fundamental and systemic reform is clearly needed. Ultimately, the goals of curbing sprawl and promoting reinvestment in older communities will require substantial change to a long list of state policies and practices. Some of those policies and practices—metropolitan governance, growth management, transportation reform— appear to be generally understood and are receiving some level of attention. Yet there are other issues (e.g., affordable and fair share housing in the suburbs, fragmentation of welfare and workforce systems, inequitable school financing) that are equally important. These other issues more directly address patterns of social and economic exclusion in metropolitan America. Such patterns impact metropolitan growth dynamics as much as traditional issues like highway building, household formation and industrial location.

With metropolitan strategies on the mind of many legislators, other political leaders and key constituencies, leaders from first suburbs have an opportunity to come together and build a policy agenda—and the right coalitions—to ensure that the next level of reforms go beyond open space preservation to more comprehensive approaches that respond to the needs of existing communities. The futures of first suburbs are completely intertwined. They will need to act in alignment in order to achieve broad change.

As the 2000 Census data is rolled out in deeper and deeper detail, it will paint a picture of how cities and first suburbs are faring. If current trends persist for many first suburbs, these areas could look a lot more distressed over the next two decades. Now is the time to alter metropolitan policy.

Data Appendix

A. Demographic Changes

1. WHILE FIRST SUBURBAN COUNTIES ARE GAINING POPULATION AS A WHOLE, SOME INDIVIDUAL SUBURBS ARE LOSING POPULATION.

The 2000 Census confirms that the decentralization of economic and residential life is still the dominant trend throughout the Midwest. While, overall, the largest 100 cities grew in the 1990s, most grew at a slower rate than their metropolitan areas. This pattern of faster metropolitan growth was true whether the city's population was growing, stagnating or falling. The 2000 Census also confirms that, save for a few exceptions, communities in the Midwest and Northeast continue to lose or maintain their populations. Of the 100 largest cities in 1990, 26 either lost population or did not gain by 2000. Of these 26 cities, all but one was located in the Midwest, Northeast or Southeast.

Table A1 looks at population changes in the primary first suburban county of ten cities in the Midwest. In this analysis, the region's central city was omitted in order to paint a better picture of population change in these first suburbs. Table 1 illustrates that all of these first suburban counties, except Allegheny, experienced modest population increases in the 1990s. This population growth was possible even in the face of central city loss. The central cities of these ten suburban counties—except for Chicago, Columbus and Minneapolis—saw their populations drop or stay the same (in Kansas City only) this past decade. However, these are core urban counties grew at a slower pace than the metropolitan area as a whole.

TABLE A1: Population Change in Ten Midwestern First Suburban Counties, 1990-2000

FIRST SUBURBAN COUNTY	POPULATION 1990	POPULATION 2000	POPULATION CHANGE 1990-2000		CHANGE FOR METRO AREA
Hennepin County, MN (w/o Minneapolis)	664,048	733,582	69,534	10.5%	16.9%
Franklin County, OH (w/o Columbus)	328,527	357,508	28,981	8.8%	14.5%
Jackson County, MO (w/o Kansas City)	198,086	213,335	15,249	7.7%	12.2%
Cook County, IL (w/o Chicago)	2,321,341	2,480,725	159,384	6.9%	11.1%
Milwaukee County, WI (w/o Milwaukee)	331,187	343,190	12,003	3.6%	5.1%
Wayne County, MI (w/o Detroit)	1,083,713	1,109,892	26,179	2.4%	5.2%
St. Louis County,[49] MO	993,529	1,016,315	22,786	2.3%	4.5%
Cuyahoga County, OH (w/o Cleveland)	906,524	915,575	9,051	1.0%	3.0%
Delaware County,[49] PA	547,651	550,864	3,213	0.6%	5.0%
Allegheny County, PA (w/o Pittsburgh)	966,570	947,103	-19,467	-2.0%	-1.5%

Source: U.S. Census Bureau

When we look more closely at the individual first suburbs that make up these counties, we discover that the good news may not be universally shared. Nearly two-thirds of Cuyahoga County's cities, for example, experienced some population loss (see Table A2).

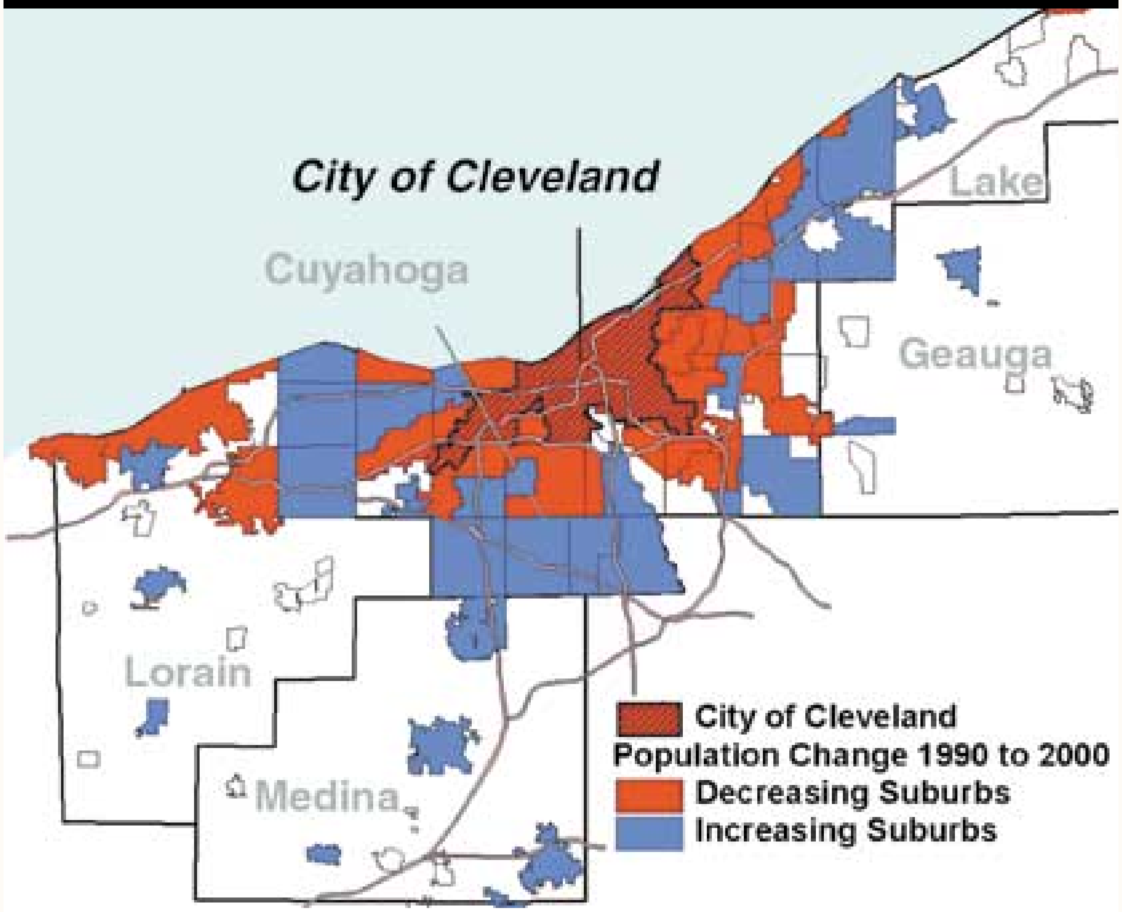
TABLE A2: Population Change in Select First Suburbs in Cuyahoga County, OH

First Suburb	1990 Population	2000 Population	Population Change 1990–2000	
East Cleveland	33,096	27,217	-5,879	-17.8%
Brook Park	22,865	21,218	-1,647	-7.2%
Lakewood	59,718	56,646	-3,072	-5.1%
Shaker Heights	30,831	29,405	-1,426	-4.6%
Bedford	14,822	14,214	-608	-4.1%
Euclid	54,875	52,717	-2,158	-3.9%
Garfield Heights	31,739	30,734	-1,005	-3.2%

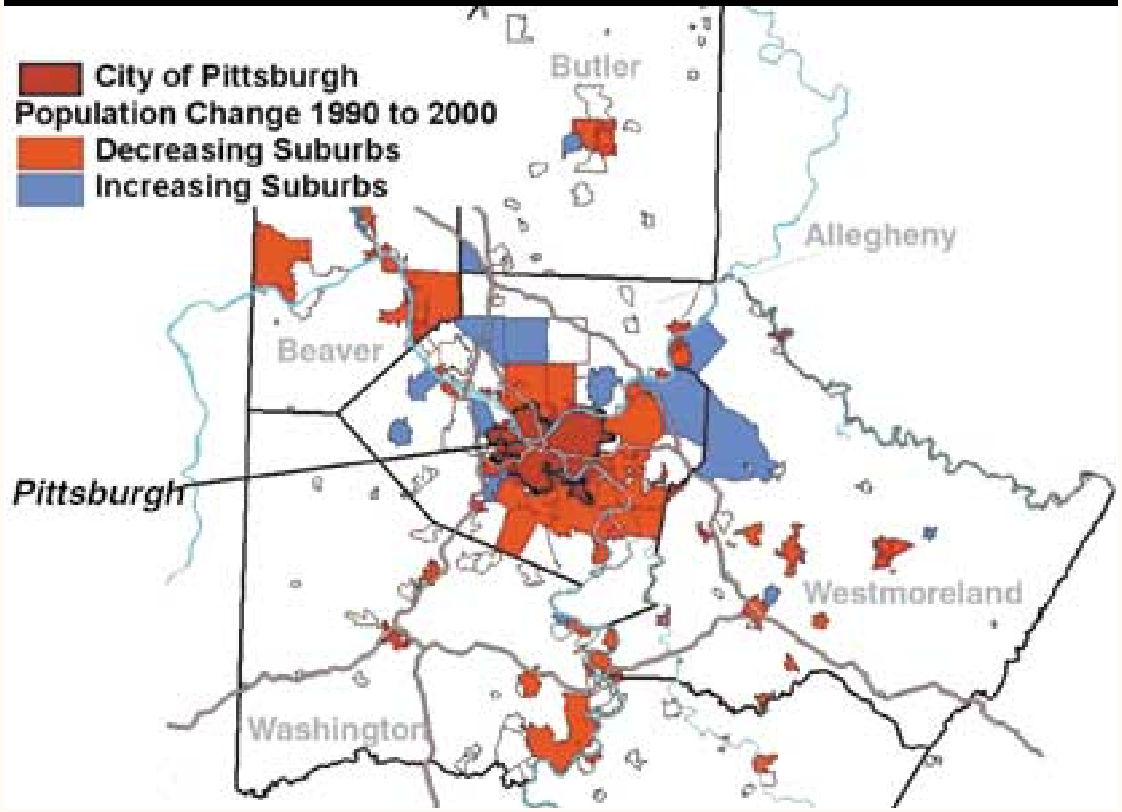
Source: U.S. Census Bureau

But again, not all of Cleveland's first suburbs experienced population loss. Several of Cuyahoga County's suburbs, including Parma, Independence and Strongsville, experienced moderate population growth. The newer suburban counties further out all continue to see population increases: Summit County grew by 27,909 to a population of 542,889 while Medina County grew by 28,741 to a total of 151,095 persons. Lorain County, just west of Cuyahoga, grew by 13,538 persons while Geauga and Lake Counties to the east grew by 9,766 and 12,012 people respectively. See Map A1.

MAP A1: Population Change in the Cleveland Metro Area, 1990 – 2000
Suburbs with a population of 2,500 or more in 1980.
Map by David Phillips and William Lucy, University of Virginia



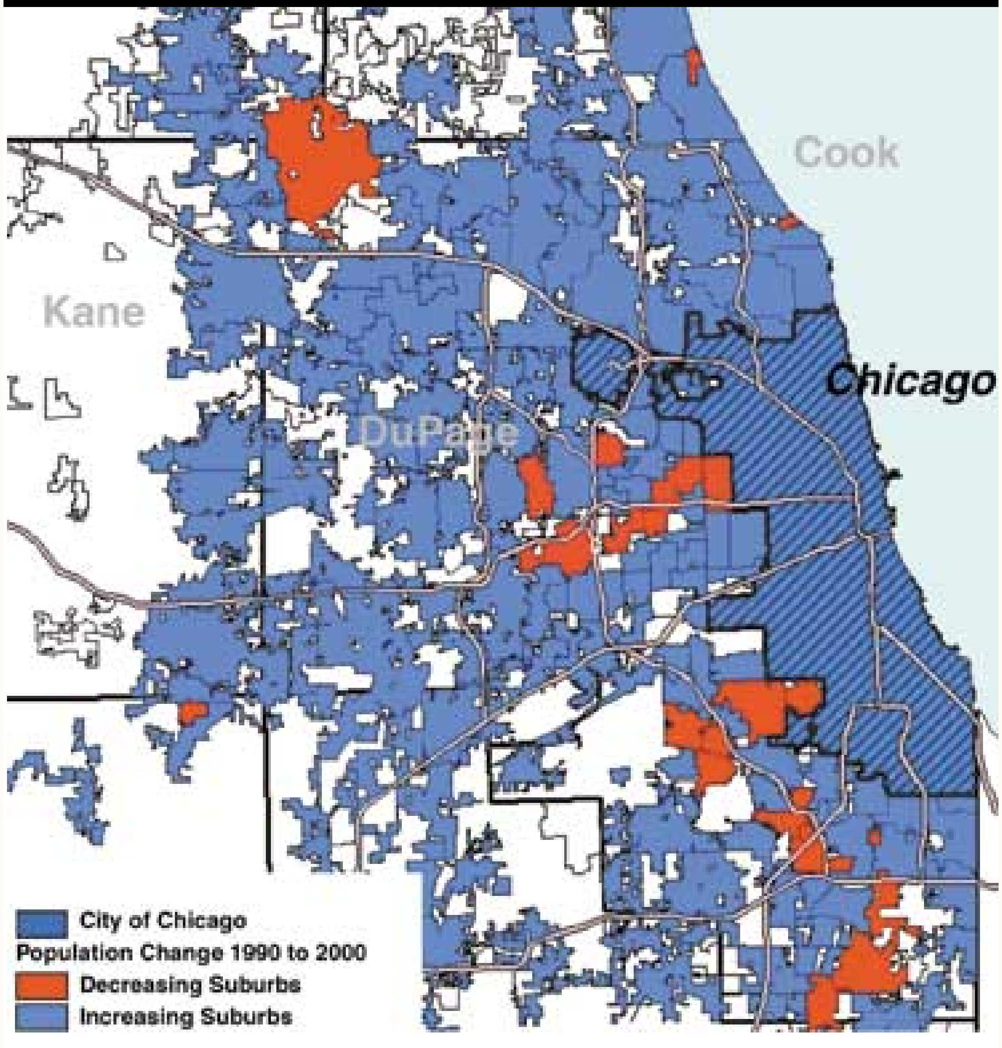
MAP A2: Population Change in the Pittsburgh Metro Area, 1990 – 2000
Suburbs with a population of 2,500 or more in 1980.
Map by David Phillips and William Lucy, University of Virginia



Variations in growth and decline can also be seen in other core urban counties. In Allegheny County in the Pittsburgh metropolitan area, there are 130 separate municipalities. From 1990 to 2000, an overwhelming amount—73.8 percent, or 96 total municipalities—lost population. See Map A2.

Conversely, Cook County outside of Chicago saw the opposite effect. Of the 133 municipalities there, only 30 (23 percent) lost population during the 1990's.

MAP A3: Population Change in the Chicago Metro Area, 1990 – 2000
Suburbs with a population of 2,500 or more in 1980.
Map by David Phillips and William Lucy, University of Virginia



B. *Poverty and Working Poverty*

1. ON THE WHOLE, FIRST SUBURBS DO NOT HAVE HIGH LEVELS OF POVERTY.

In general, first suburbs do not have high levels of poverty, as defined by the federal government. In 1999, the poverty rate in suburbs was 8.3 percent compared to 16.4 percent for central cities and 14.3 percent for places outside of metropolitan areas. As Table A5 demonstrates, however, a few first suburban jurisdictions have excessively high poverty rates. Like central cities, these places face multiple challenges associated with poverty—particularly concentrated poverty.

TABLE A5: Poverty vs. Population Change in Select First Suburbs, 1980–2000

FIRST SUBURB (URBAN COUNTY	2000 POPULATION	1980 POPULATION	POPULATION CHANGE 1980–2000 (PERCENT)	1995 ESTIMATED POVERTY RATE (PERCENT)
Highland Park, MI (Wayne)	16,746	27,909	-40.0	45.9
Chester, PA (Delaware)	36,854	45,794	-19.5	31.8
East Cleveland, OH (Cuyahoga)	27,217	36,957	-35.8	30.4
Harvey, IL (Cook)	30,000	35,810	-16.2	26.9
Inkster, MI (Wayne)	30,115	35,190	-14.4	24.8
McKeesport, PA (Allegheny)	24,040	31,012	-22.5	24.3
Chicago Heights, IL (Cook)	32,776	37,026	-11.5	21.1

Source: U.S. Department of Housing and Urban Development, "State of the Cities 1999" and U.S. Census Bureau.

Although these first suburban communities are facing tremendous challenges because of the high poverty rates, they appear to be more of an exception than the rule. However, the concentration of that poverty is definitely a concern.

2. SOME FIRST SUBURBS HAVE CONCENTRATIONS OF THE WORKING POOR.

Poverty is not the only measure of distress. The extent of public school children receiving free- and reduced-cost meals in a community may be a better measure of distress because it captures the degree to which families are earning incomes that are above the poverty level but still too low to make ends meet (the "working poor"). Students who qualify for federal lunch subsidies come from homes where the family's income is not more than 185 percent of the poverty level, which amounts to approximately $30,000 for a family of four. Thus, understanding the percent of students receiving federal lunch subsidies also gives us a picture of the extent of working poverty in a neighborhood because school populations, more or less, mirror the populations of the neighborhoods in which the schools are located.

In general, first suburbs are now home to increasing numbers of low-income students and working poor families. According to Myron Orfield, during the 1990s, 90 percent of Minneapolis' first suburbs have been gaining poor children at a faster rate than the city of Minneapolis itself. Nearly one quarter of all children in these suburban school systems now receive free and reduced cost school lunches. Johnson County, a first suburban area in the Kansas City region with the highest median household income in the state, has also seen its percentage of low-income students rise. In 2000, one in ten children qualified for free and reduced cost lunches, up from one in twelve in 1990.

A closer look at the St. Louis region also shows the high concentrations of suburban students from working poor families. In 1998, 32.6 percent of the St. Louis region's students were eligible for reduced cost lunches. Table A6 below compares the regional percentages for other Midwestern regions.

TABLE A6: Percent of Students Eligible for Free and Reduced Cost Meals in Select Regions

REGION	% OF STUDENTS ELIGIBLE FOR FREE & REDUCED COST LUNCHES	YEAR
Pittsburgh	28.8	1998
Cincinnati	30.0	1997
St. Louis	32.6	1998
Detroit	39.2	1996
Milwaukee	41.0	1996

Source: Metropolitan Area Research Corporation (various reports. See http://www.metroresearch.org.)

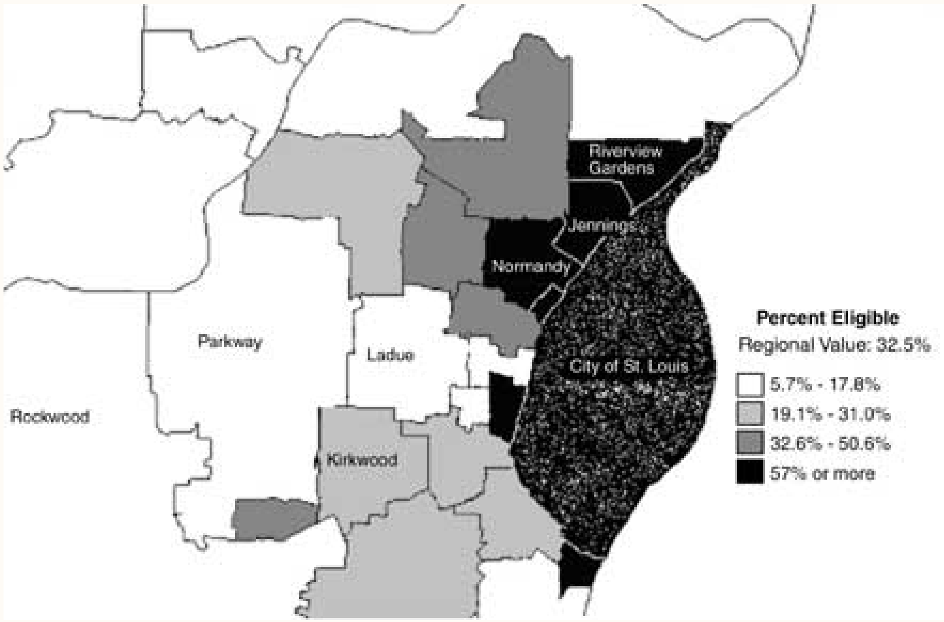
In the St. Louis region, the City of St. Louis had the highest percent of eligible students at 82.9 percent. However, 12 out of the 35 schools with between 73.1 percent and 96.9 percent of their students eligible for free and reduced cost meals were located in the suburbs.

Suburban jurisdictions abutting the city of St. Louis or located just outside the city boundaries have higher percentages of students eligible than those jurisdictions located farther from the city. Close-in jurisdictions northwest of the city generally have the highest free and reduced cost lunch eligibility percentages in the region outside of the city of St. Louis. Table A7 and the map (facing page) illustrate this point.

TABLE A7: Percent of Public School Students Eligible for Free and Reduced Cost Meals in Select First Suburbs in St. Louis County, 1998

Suburban Jurisdiction	Distance from CBD	Direction from CBD	2000 Population	School District	% of Elementary Students Eligible for Free & Reduced Cost Meals
Country Club Hills	<5 miles	NW	1,381	Jennings	70.9%
Normandy	<5 miles	W	5,153	Normandy	65.9%
Wellston	<5 miles	W	2,460	Wellston	65.9%
Riverview	<5 miles	N	3,146	Riverview-Garden	60.6%
Bellefontaine	<5 miles	N	11,271	Riverview-Garden	60.6%
Jennings	<5 miles	NW	15,469	Jennings	60.6%
Ball Win	>5 miles	SW	31,283	Rockwood/Parkway	21.8%
Des Peres	>5 miles	SW	8,592	Parkway/Kirkwood	21.5%
Kirkwood	>5 miles	SW	27,324	Kirkwood	21.5%
Maryland Heights	>5 miles	W	25,756	Parkway/Pattonville	14.6%
Creve Coeur	>5 miles	W	16,500	Parkway/Ladue	14.6%

Source: Orfield, "St. Louis Metropolitics."



C. *Older Housing Stock*

The housing stock in many first suburban counties is non-competitive. That is, it is generally much smaller, in need of more repair, and contains less amenities than newer homes. In addition, the Centers for Disease Control and Prevention (CDC) have released guidelines pointing out that children under 6 years of age are at increased risk of lead-based paint hazards in houses built before 1950. As Table A8 illustrates, these homes are disproportionately located in first suburbs and other core communities.

TABLE A8: Total and Percent of Housing Units Built Before 1950 in Ten Midwestern First Suburban Counties by County, 1990

FIRST SUBURBAN COUNTY	NUMBER	PERCENT
Cook County, IL (w/o Chicago)	201,449	14.8
Allegheny County, PA (w/o Pittsburgh)	167,539	36.0
Cuyahoga County, OH (w/o Cleveland)	120,023	26.7
Wayne County, MI (w/o Detroit)	116,376	20.2
Delaware County, PA	96,138	45.6
St. Louis County, MO	83,721	20.8
Milwaukee County, WI (w/o Milwaukee)	47,945	18.3
Hennepin County, MN (w/o Minneapolis)	33,234	9.9
Franklin County, OH (w/o Columbus)	21,521	6.5
Jackson County, MO (w/o Kansas City)	13,660	6.7

Source: U.S. Census Bureau

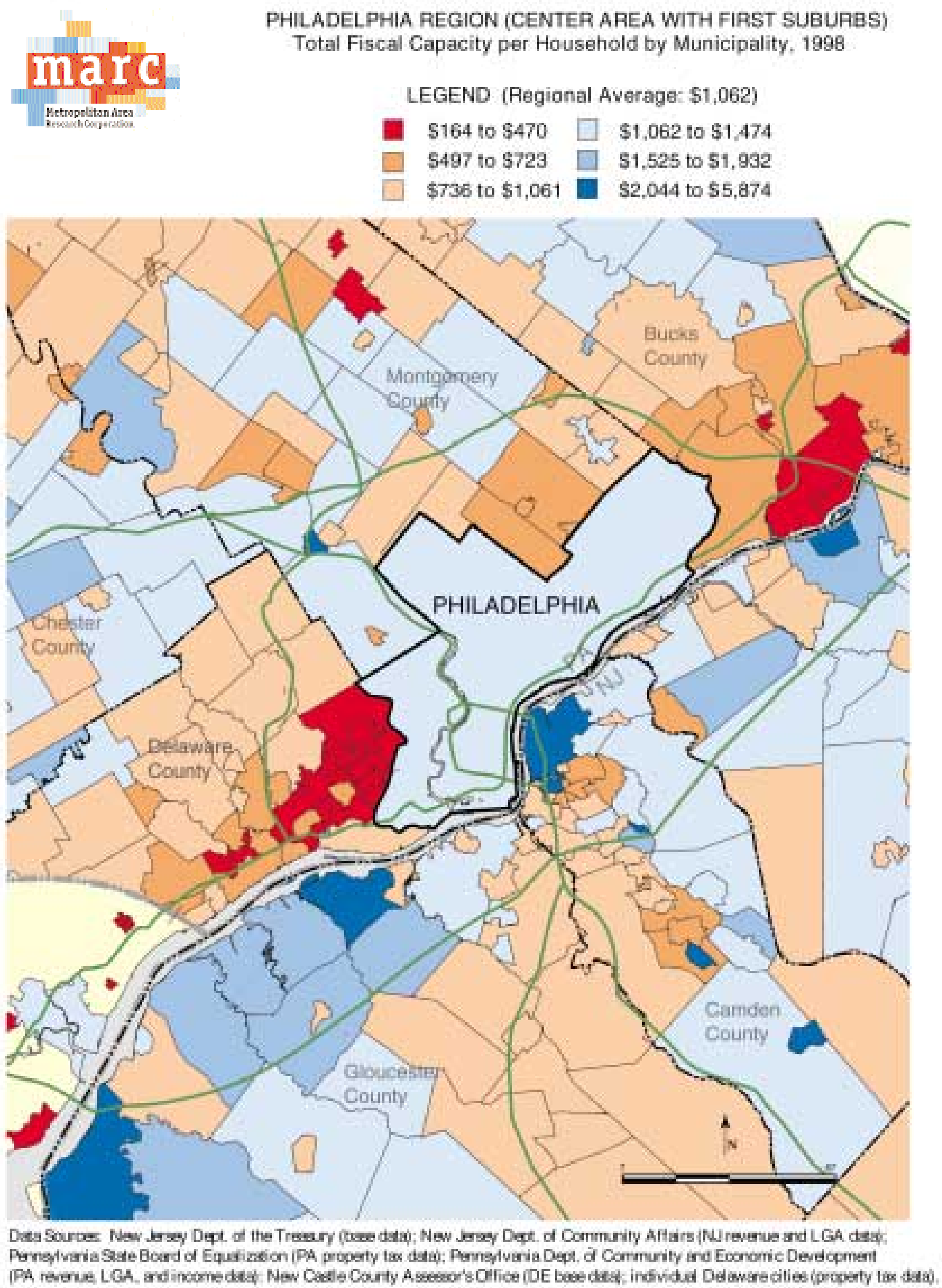
D. *Fiscal Stress*

The municipal budgets of many first suburbs are quite strained, given the challenges they face. The maps below, produced by the Metropolitan Area Research Corporation, illustrates this burden in first suburbs in the Milwaukee and Philadelphia metropolitan areas.

Map A4 shows the percentage change in tax capacity per household by municipality from 1993 to 1996 around Milwaukee. While the municipalities in blue and dark blue are experiencing large increases in their tax capacity through a combination of property and sales taxes, the center city and surrounding first suburbs are experiencing stagnation or outright decline.

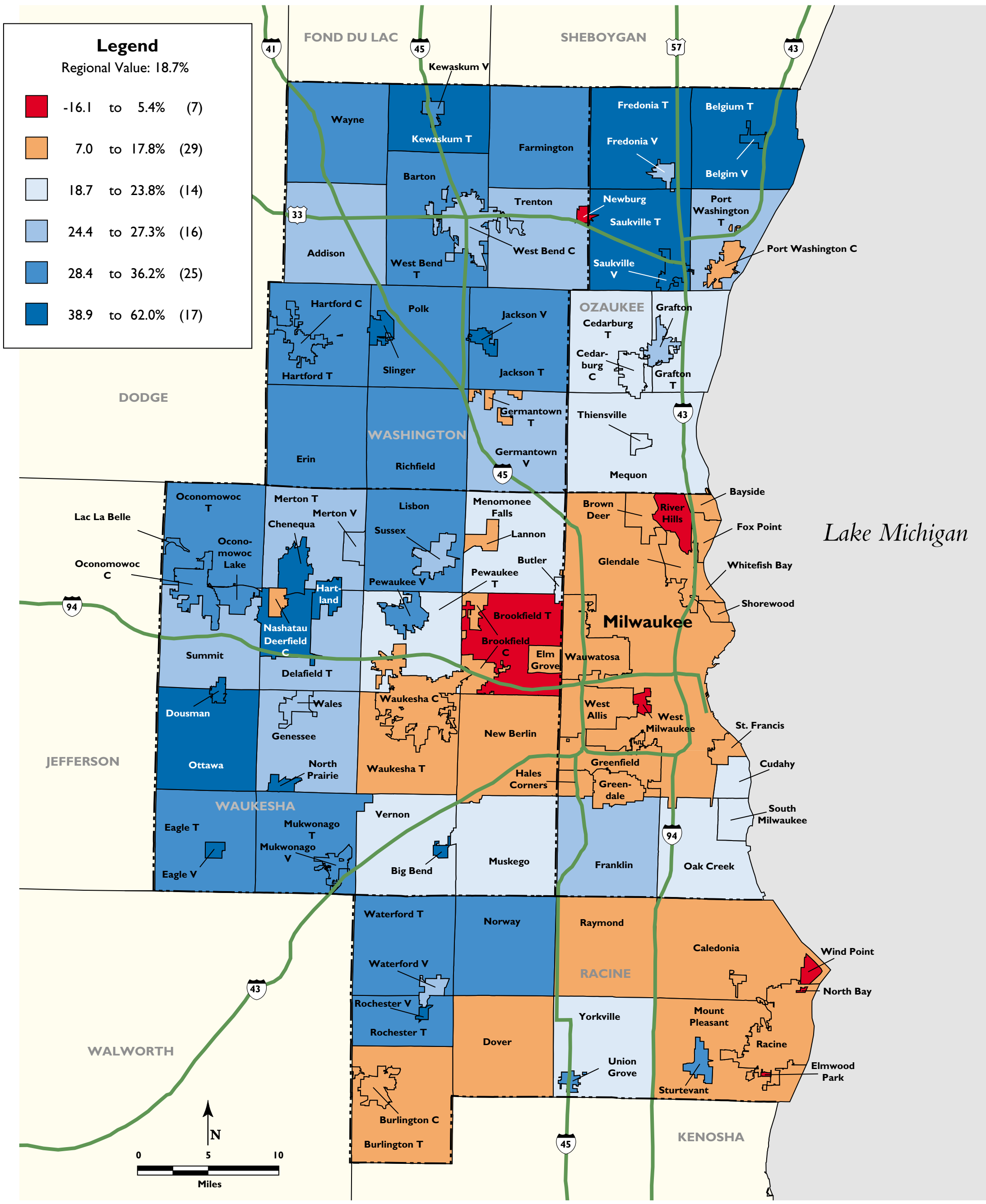
Map A5 focuses on the total fiscal capacity for the center area around Philadelphia. While many first suburbs clearly have fiscal capacities at or above the regional average, many more are well below—particularly a dense cluster just outside the center city in eastern Delaware County. These are places that are not raising enough revenue to address their myriad of challenges.

MAP A5: Philadelphia Region (Center Area with First Suburbs) Total Fiscal Capacity per Household by Municipality, 1998



MAP A6: Milwaukee Region: Percentage Change in Tax Capacity per Household by Municipality, 1993–1998

MILWAUKEE REGION:
Percentage Change in Tax Capacity per Household by Municipality, 1993–1998



Data Sources: Wisconsin Department of Revenue (property tax, and sales tax data); MARC (household estimates).

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Endnotes

1 With over 60 percent of the nation's population, the suburbs dominate the social, physical, economic and political landscape of the U.S. Suburbs are also outstripping their cities in terms of job growth. In the late 1990s, suburbs in the state of Ohio outpaced central business districts in job growth by nearly 300 to 1.

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14 Langdon, 148.

15 Bier, 2001.

16 This is a particular problem for slow-growing metropolitan areas such as Philadelphia, St. Louis, Detroit, Milwaukee and Pittsburgh which all either grew very slowly or not at all in terms of population in the 1990s, but continued to develop land on the fringe. See William Fulton, Rolf Pendall, Mai Nguyan and Alicia Harrison, "Who Sprawls Most? How Growth Patterns Differ Across the U.S.," Brookings Institution Center on Urban and Metropolitan Policy, Washington, DC: July 2001.

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20 Katherine Allen and Maria Kirby, "Unfinished Business: Why Cities Matter to Welfare Reform," Brookings Institution Center on Urban and Metropolitan Policy, Washington, DC: July 2000.

21 The EITC is a refundable credit available to families who work but generally earn less than 200 percent of the federal poverty level. See Alan Berube and Benjamin Forman, "A Local Ladder for the Working Poor: The Impact of the Earned Income Tax Credit in U.S. Metropolitan Areas," Brookings Institution Center on Urban and Metropolitan Policy, Washington, DC: September 2001.

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33 Although many MPOs existed prior to the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 and its successor, the Transportation Equity Act for the 21st Century (TEA-21), these landmark federal transportation laws greatly strengthened their role. Among other things, many MPOs in the 1990s began to emphasize technical assistance and special studies for their local governments.

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43 Metropolitan Philadelphia Policy Center, "Flight (or) Fight: Metropolitan Philadelphia and its Future," Philadelphia, PA: September 2001.

44 See: Greg LeRoy, Sara Hinkley and Katie Tallman, "Another Way Sprawl Happens: Economic Development Subsidies in a Twin Cities Suburb," Good Jobs First, Washington, DC: January 2000.

45 Counties are sometimes neglected units of government that have the potential to assist first suburbs—particularly in one-state metropolitan areas—by acting as submetropolitan regional entities. In the context of the county, the central city and first suburbs could potentially pursue common policies.

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