

# **The Competitiveness and Sustainability of American Cities and Regions**

**Keynote Address Delivered on May 21, 2009**

Thank you Dean Plater Zyberk for your very kind introduction. And greetings from the White House!

First, I want to thank Genie Birch and Susan Wachter for inviting me to speak here today. For those of you who know Genie and Susan, you know that the two of them together are a force! Genie and Susan were two of the first people I met with upon arriving at the White House (I think it may have even been my first week on the job!); and they didn't waste any time in locking me into this event—inviting me to speak at this conference that very first day we met – when I was still “young and impressionable”!

But in all seriousness, I am truly delighted to be here with you all today and am particularly excited about the about the topic of our discussion—“The Competitiveness and Sustainability of American Cities and Regions.” Given where we find ourselves today economically, it seems to me that this is precisely the question that we as a Nation should be focused on right now. Because, if we want to emerge from this period of economic decline in a stronger competitive position than we went in, our cities and metropolitan areas need to be Ground Zero for this effort.

Before turning the specific question of what the federal government can do (and is doing) to promote competitiveness and sustainability in American

cities and regions, I want to provide a bit of insight into the urban policy approach that we are taking under President Obama's leadership—an approach that will drive the form and function of the federal investments we make in cities and regions. And though what I'm about to say may sound familiar to many of you, what probably is *not* familiar is to be hearing this from the White House. So it is a new day indeed.

To set the stage, let me take you back to the speech then-Senator Obama made at the US Conference of Mayors conference last June. This speech was remarkable for many reasons, and if you haven't read it in its entirety I encourage you to do so. But what was most remarkable, in my opinion, was the sharp departure the speech represented from the old way of thinking about federal urban policy. The President talked about the "new metro reality" that sees cities as the solution, and not the problem, and that recognizes that "strong cities are the building blocks of strong regions and strong regions as essential for a strong America." The President took on the notion that "urban policy" is just a synonym for "poverty policy," arguing that while that addressing poverty is certainly part of a metro strategy, it doesn't define the strategy. A number of themes emerge (and converge) from the President's speech that, collectively, guide our vision and approach to federal urban policy. I want to touch on a few here.

The foundational principle of our new urban policy approach is the basic notion that the historic transformation taking place in the United States, and the World, dictates a renewed investment in our Nation's cities and metros. Last year, for the first time in history, the majority of the world's population resided in cities. According to an IBM report, it is expected that by 2050, 70 percent of the earth's population will reside in cities. This is a monumental change; and it is something we are going to have deal with at some point whether we like it or not. The rest of the world seems to get it what's going on—as countries around the world are doubling down their investments in cities and regions. A good example of this is the Leipzig Charter that was adopted by the European Union (EU) in May of 2007 to emphasize the importance of urban and regional planning and to coordinate the way EU Member States approach urban policy. One can find similar examples in China or India. Thus, if we want to maintain our leadership position in the world, we need to make a similar commitment to our cities and regions.

A second, and related, guiding principle to emerge from the President's speech is that federal urban policy must pivot to more of a metro/regional approach, *while at the same time* reinforcing cities as the anchors for the region. As Brookings and others sharing a metro world view often point out, our national economy is essentially a conglomeration of regional economies, so it is critical that our federal investments start to embrace this reality. That means

more money to support metro and regional collaboration and development strategies, as opposed to disconnected investments to siloed political jurisdictions. It also means that when making regional investments, we give appropriate consideration to a region's density distribution so that the urban core of the region remains strong.

A third guiding principle is understanding the interdependent nature of issues affecting urban communities and the need for an interdisciplinary approach to urban policy. To be effective, federal urban policy must break down the silos intrinsic to federal government (i.e., make the various federal agencies that have programs with similar missions talk to each other to align their efforts). It also means pursuing policies that compel policy integration—like Transit Oriented Development, which integrates transportation policy with housing, land use, energy and workforce development policies. This principle of integration applies equally at the stakeholder level. Smart urban policy must foster collaboration among the various stakeholders within government, the private sector, and the non-profit sector, and find ways to leverage non-government resources. No one issue or one set of stakeholders can effectively address the needs of cities and metros in isolation.

A fourth guiding principle is recognizing the fact that you can't get anywhere if you don't know where you're going. An effective federal urban policy must be guided by clearly defined goals (and sub-goals) and, to the

extent possible, should rely on an evidenced- or results-based system of investment and program evaluation to advance these goals. Now, I don't have to tell you all that this has not been the federal government's *modus operandi* when it comes to urban and metropolitan policy. Indeed, quite the contrary. But, having clear goals is only part of the solution. To do this right, national goals must be coupled with careful, performance-driven planning at the state, regional and local levels (that the federal government can help to incentivize) as well as with an investment strategy tailored to support these plans.

The final guiding principle, and perhaps the most important, is the President's belief that "change comes from the bottom up". The federal-city/metro partnership must not only be restored, the relationship must be re-oriented to give cities and metros more flexibility to shape the policies and programs that best suit their needs and best leverage their strengths. An example of this is the Reverse RFP concept, where the federal government gives broad direction on the goals and collaboration that it wants to drive, then incentivizes cities and metros to develop their own "business plans" for how to get it done. Bottom up also means providing more opportunities for non-profits and the private sector to have a seat at the table when engaging in activities that further our federal goals (like the new Choice Neighborhood program). Moving away from a "one-size-fits-all" approach will introduce a much needed measure of dexterity into the urban policy development process.

Now that you have a sense of the principles that are guiding our approach to urban policy development, I want to turn to the specific question of Competitiveness and Sustainability in American cities; and, in particular, the investments we are making to further those priorities.

First, I want to applaud the Penn Institute for selecting Economic Competitiveness and Sustainability as its policy priorities for work on cities and metros. In my view, these are *exactly* the right priorities for a national urban policy, and they happen to be two of the pillars of our federal urban policy agenda. Having said that, there is a third priority, not expressly mentioned as a part of this conference, that I think is of equal importance to the future of American cities and regions. And that priority is Equity. (By equity I mean making sure all populations have an *equal opportunity* to benefit from our federal urban investments (e.g., access to transpo, access to affordable housing throughout region, access to jobs and training, etc)). It is the third pillar of our federal urban policy agenda, and I believe it is a goal that those of us who work on urban issues must keep front and center in our minds if we want the other goals to truly matter.

So let's look at the policy goal of Competitiveness. (When I refer to competitiveness, I'm talking specifically about "economic competitiveness"). From a policy-making perspective, when you are trying to drive policy toward goals as broad as "Competitiveness" or "Sustainability," I think it is important

to drill another level down to identify the “policy levers” (or sub-goals) that most directly impact the stated goal. In thinking about the policy levers that relate best to competitiveness, three immediately came to mind: Talent, Innovation, and Connectivity. I’ll briefly discuss each in turn:

Talent is really about investing in human capital. It’s about building a highly educated, highly skilled workforce and a creative stable of entrepreneurs to serve as the engine of our economy. For decades this has been the United States competitive advantage, and retaining that advantage will require substantial investment and modernization of our education and our workforce development systems. For example, CEOs for Cities created a “Talent Dividend” that shows that a 1% increase in the four-year college attainment rate for the 51 largest metropolitan areas would be associated with an increase in aggregate personal income of \$134 billion per year for the nation. Talk about stimulus! President Obama gets this; and has made unprecedented investments in the human capital of cities through the Recovery Act and in his proposed FY2010 budget. On education, the President has adopted a “cradle through career” strategy that invests in early education, STEM education, teacher quality, charter schools, holistic approaches like Promise Neighborhoods, and college access and affordability (4-yr and community college). On the workforce development side, the Recovery Act invests nearly \$4 billion in our workforce development system, as well as millions of

additional dollars in job training funds for those who need them most (like \$50 million for YouthBuild and \$250 million for JobCorps). Now, some have argued that over the last several years the workforce development system has migrated too far away from training and too much toward placement; so the WIA reauthorization process may be an opportunity to take a fresh look at how well our system is working.

Innovation is about spurring new ideas, new technologies, and new products. Our Nation's metros are the hotbeds of innovation, so our ability to increase competitiveness in cities and metros will depend on our ability to foster and leverage that activity. According to Brookings, the Top 100 metros account for 77% of knowledge economy jobs, 78% of patents, 82% of the NIH/NSF funding, 83% of R&D employment, and 96% of venture capital funding. To harness the most from innovation, we need to invest heavily in R&D, and the budget certainly does that. *But, we also* need to understand the assets and clusters of activity of each region and have a federal urban policy that fosters collaboration among an atypical cast of stakeholders. Again, the Administration is already onto this, and one of the best examples is the Department of Commerce's proposed Regional Innovation Cluster program in the FY2010 budget, which will build an information system that maps the assets of regions and provides grants to incentivize regional collaboration

among stakeholders to develop plans for leveraging and supporting these assets.

Finally, connectivity is about building an infrastructure system (both the built environment and information environment) that connects people, places, business, and regions. Given that our national economy is really just a collection of regional economies, finding a way to better connect and integrate these hubs of economic activity is in the competitive interest of the nation. Again, the Recovery Act and the FY2010 budget make a strong down payment in this regard— investing, for example, \$13B for a national system of High Speed Rail (\$8B in ARRA and \$5B over five years in the 2010 budget); \$25B (over 5 years) for an Infrastructure Bank to fund multi-modal hubs and other projects of national and regional significance, and nearly \$5B in Broadband investments to close the digital divide.

On the question of Sustainability, I believe the case for making it a core part of any urban agenda is straightforward: Seventy-five percent of carbon emissions come from cities and metros, therefore we simply cannot solve the environmental or energy challenges of our time without a strategy that is focused on cities and metros. There are a lot of ways to slice up the policy levers to drive toward sustainability, but I sort of see things as coalescing into two groups that essentially are different sides of the same coin. The first is what I would call the “market” or “business” side, which is about building a

“green economy.” The other side is more about consumption, and reducing CO2 emissions and improving the livability of cities.

First let's take the business side. The President's commitment to pivot toward a green economy is best evidenced by the investments he made in the ARRA. All told, ARRA invests about \$20B for various “green” initiatives—the single largest investment in the green economy in the history of the world. Now, for this to be effective, federal investment in a green economy needs to focus on both the demand side and the supply side of the equation. Thus we need to help build the Weatherization and Retrofit Markets, support the private and public development of green buildings and green infrastructure, and invest in clean tech and the renewable energy economy (wind turbines, solar, etc.). But we also need to commit resources to properly educate and train a workforce with the skills to fill these green jobs. The Recovery Act and the FY2010 budget start us on a path to do both. The ARRA committed \$5B for Weatherization to help low income families save on their energy bills by making their homes more energy efficient (and we in the White House have been working to coordinate the HUD, DOE and DOL dollars in the ARRA to support the workforce development piece for this market). The FY2010 budget also contains a number of provisions that relate to this. The one I'll mention here is the Energy Innovation Fund out of HUD, which is designed to drive the creation of an energy-efficient housing market – including the

retrofitting of older, inefficient housing – and catalyze private lending for this purpose in the residential sector.

With respect to the consumption side, there are a couple of big picture things that the Administration is doing to reduce CO2 emissions that are well known. The first is the President's effort to get a climate change bill done this year that will institute a national cap-and-trade system for limiting CO2 emissions. Second is the landmark agreement that was just reached to increase emissions standards for autos to an average of 35.5 mpg by 2016. A couple of other areas that may not be as well known are the administrations efforts to reduce vehicle miles traveled and increase walkability of communities. For example, the Recovery Acts \$1.5B TIGER grant program can be used to support regional and local transportation projects (including walkability projects) that are designed to reduce congestion and/or vmts. Similarly, HUD's Sustainable Communities program in the FY2010 budget devotes \$150 million to support metro and city transportation projects that integrate transportation, housing and land use policy (such as t.o.d.).

A great example of a city-wide sustainability initiative that really gets this right is Philadelphia's Greenworks Initiative (which I won't go into because I'm sure we'll hear more about today).

So those are a few of my thoughts about the broad approach we are taking to urban policy, and some specific ways we are trying to increase the

competitiveness and sustainability of cities and metros. Let me be clear, we understand that these are lofty goals, and it will take tremendous effort from all segments of society to achieve them. I want you all to know that you have a partner in the White House in this effort. We need your help. We need your ideas. We need your leadership. So let's work together. Let's fight the good fight. I'm confident that if we remain unified and focused, we can accomplish great things.