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Reforming Local Practice in Governance, Fiscal Policy, and Land Reclamation

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In December 2010, the mayors of Los Angeles, Chicago, and Philadelphia, three of America's greatest cities, participated in a discussion at a Brookings Global Summit on Cities. Despite their generally buoyant dispositions, it was a grim discussion, filled with their frustrations about making their cities' financial ends meet. They described city governments with too little revenue to meet current and long-term obligations. Their challenge, they reported, was compounded by the reality that they saw little or no help in sight from either state governments or the federal government, all of which were facing budget constraints of their own.

These three men—Antonio Villaraigosa, Richard Daley, and Michael Nutter—were capable mayors who had been coping in a professional way with their budget realities. Yet they appeared frustrated, angry, and discouraged about the prospects of their cities for finding bright new futures and competing well globally, the theme of the Brookings convening.[1]

These three cities, for all their problems, are healthy compared to America's legacy cities, which have experienced significant and sustained population loss. For the mayor or city manager of a legacy city, the budget challenges are even more difficult. In these kinds of cities:

- *The tax base has eroded*. For example, in constant dollars, Saginaw, Michigan, had gross municipal revenues of $72 million in 1978. In 2008, its revenues were $31.6 million, a 56 percent drop.

- *Cuts have been made to city services and continue to be made*. Flint, Michigan, has cut the number of sworn police officers from over three hundred in 2001 to barely one hundred in 2010.
- *Dealing with scarcity has become the dominant political reality in these cities*. Members of city councils clamor to hold as much of a shrinking pie as possible for their districts or constituents.
- *Intergovernmental solutions appear increasingly remote*, as suburbanites, unaware of the interdependencies between them and the region's central city, show little interest in engaging with its needs.

Yet a strategy of constant retrenchment, while perhaps leading to short-term balanced budgets, can be fatal to the city's aspirations for change, and its ability to offer current and future residents a decent quality of life and to reverse its decline in population and jobs. Faced with laying off police officers or housing inspectors, or with laying off city planners, few cities choose the former, yet the latter may be as important to the city's long-term prospects.

What are city government leaders to do? As the earlier chapters in this book have indicated, there are many challenges to intervening in legacy cities. This chapter suggests some of the ways local practice can be reformed to adjust to the radically changed circumstances and to set a course adapting the city to its new reality. In the first section, we look at local governance—the institutions and capacities that cities need to build in order to address their immediate issues and long-term goals. The second section focuses on ways in which local governments can tackle the fiscal crises that threaten to undo the efforts they have been making. The final section looks at the challenges cities face in addressing the issue of land reclamation, a central—arguably *the* central—issue facing the nation's legacy cities.

Throughout the United States, cities are trying to reform their local practices to help cope with their immediate financial crises. The even bigger challenge is for them to be able to manage the short-term challenges while also creating opportunity for change over the longer term and, in so doing, rebuild their fundamentally broken economies and reconnect the central city to the broader regional economy.

Reforming Local Governance

Legacy cities raise complex questions of how government should be reorganized and reformed, as well as how broader governance approaches, such as community engagement public-private partnerships, can be pursued to address these cities' challenges. This section will also look at the issues of capacity in local government, and the emerging efforts to rethink the governance relationship between cities and their regions.

New Partnerships

Virtually every successful twentieth century American city has succeeded economically and built a stronger civic foundation because of some form of partnership between local government and nongovernmental civic leadership. Businesses, nonprofits, organized labor, and government achieved consensus on major issues and brought public and private will and capital together to achieve major improvements. One classic example of this kind of partnership was in Pittsburgh, where after World War II the Democrats in city government joined with the Republican business establishment through a CEO-driven organization, the Allegheny Conference on Community Development, to clean the city's air and bring vibrancy to downtown. This partnership lasted almost uninterrupted for over fifty years.

The Allegheny Conference is only one of the many government-business relationships that evolved in America's cities to create a form of city and regional governance that worked to keep cities strong following World War II. These include Civic Progress in St. Louis, Cleveland Tomorrow, and the Vault in Boston. As corporate America has changed, however, and greater citizen involvement in key decisions has been sought, the traditional business-government duopoly, a top-down partnership, has had to make room for broader engagement of a larger number of increasingly informed and involved residents and interests.

Xavier de Souza Briggs has written that this evolution can best be thought of as the development of "civic capacity," a term that can be described as the extent to which the sectors in a community are capable of collective action on public problems, and capable of choosing to move to solve their problems. Some places have made this transition well and are developing this civic capacity, but in many legacy cities, this tradition of civic-governmental partnerships has weakened and even collapsed. The typical large American corporation has moved from one deeply concerned with its local settings to one focused on national and international concerns, so that what happens in its key locations is far less important to the corporate leadership than it once was. Many large corporations have left legacy cities, either for their suburbs or for other parts of the world, or have been bought by firms headquartered elsewhere. Many cities, particularly smaller cities, no longer have a locally based business leadership ready or willing to engage in addressing the city's issues. As a result, in many legacy cities, previous governance partnerships—be they General Motors and mayors in Flint or the elite CEO structure of the Allegheny Conference in Pittsburgh—have atrophied.[2]

As the dominance of these largely two-pronged partnerships has ended, new, more multi-dimensional forms of governance are being sought in many cities, engaging business, neighborhood organizations, churches, interest groups, anchor institutions, and others to shape their city in respective cities for the short and long term. This can be a healthy development for cities, increasing the number of stakeholders and building more democratic partnerships. Putting such broader partnerships together, particularly in legacy cities, however, is deeply challenging for the following reasons:

- Legacy cities often have fewer resources to support a civic structure. While there are important exceptions, especially where there are strong private foundations present, many cities simply lack the private wealth to support sustained civic engagement.
- The politics of scarcity often means that one-time coalitions may have broken down as interests fight for a piece of a shrinking pie.
- Accumulated anger, disillusionment, and even a form of collective depression among city residents, after decades of municipal decline, often combined with governmental incompetence and corruption, real or perceived, make it difficult to focus on a future for a city, as the belief that the best days of the city are in the past is widespread.
- Local government itself is often a less capable partner in a local governance situation, for many reasons, including recurrent budget crises and the broader issues of capacity discussed below.

Yet despite all their challenges, many of the people who have remained in these cities share an underlying love of their communities—a love that can be tapped for the good of the whole if their anger, disappointment, and disillusionment can be overcome.

New governance structures need to be created and fostered that combine a more effective, capable city government with new stakeholder groups. These new approaches should include the business community but need to go beyond the traditional government-business relationships in order to tap the energy of residents who love the city and their organizations to help them work through the tough issues and position their city to thrive again in a new form. These new structures need to focus on building economic opportunity for the people living in the city, and rebuilding the city's economy—business by business, job by job—with entrepreneurial spirit and determination.

New partnerships and alliances are already beginning to form in many of these cities—relationships that are tapping the energy of new players.

In Philadelphia, PennPraxis (the clinical arm of the University of Pennsylvania's City Planning School) has teamed up with the William Penn Foundation, WHYY, and the *Daily News* to organize vibrant new coalitions to work on very important civic issues, including the future wellbeing of the Delaware River waterfront and the city's large park system. Residents are kept informed about city issues through the well-designed website PlanPhilly.com. The approach taken by PennPraxis and the William Penn Foundation is a good example of the importance of partnerships that succeed at bringing in new partners and that tap new energy in tackling a city's long-standing challenges. Through their efforts, the Delaware waterfront is now seen by many more people as a strong regional asset that needs to be protected from the politics of bad real estate dealmaking.

In St. Louis, a strong coalition of business, institutional, and other interests united to transform the 1,296-acre Forest Park into one of the region's major physical assets. The site of the World's Fair in 1904, Forest Park attracts more than twelve million visitors annually. Even though St. Louis has a smaller population than Washington, D.C., and far fewer tourists, the Trust for Public Lands found that Forest Park had more visitors in 2008 than the Mall in Washington, D.C.

These new arrangements, and many similar ones, utilize new communications methods and social media to further their organizing efforts, and are supported by a broad base of informed residents, business owners, and interest groups whose voices are heard, and which are able to achieve consensus on important future organizational directions and priorities. The creation of such broad-based partnerships is clearly important, and may even be seen as a necessary condition, for a legacy city to be able to address the challenges it faces. To build such partnerships, however, city governments may have to change the way in which they relate to nonprofit, civic, and neighborhood organizations as well as to individual residents. Rather than attempt to maintain a top-down approach, as has often been the case in the past, city governments must be able to forge such true partnerships.

Perhaps not a formal partnership, but equally important, is the relationship of city government and its residents. Successful governance demands that residents be engaged in the process of city improvement, particularly in the course of making tough decisions about resources and land utilization that are part of a legacy city's reality. Whether in the course of carrying out Richmond's Neighborhoods in Bloom program, or the process of framing the Youngstown 2010 plan, effective, systematic citizen engagement is a condition of success for any such initiative.

Building Capacity

City governments still play the central role in the rebuilding process, as reflected by the dominant role played by Mayor Menino in Boston or Mayor Daley in Chicago. It is hard to dispute that without their leadership over the past decades, neither city would be as strong and vital, for all its remaining problems, as it is today. Similarly, the absence of effective mayoral leadership over long periods has undoubtedly added to some other cities' problems today. The ability of the city to deliver cost-effective and high quality public services, and to engage with developers, lenders, and nonprofits in the process of rebuilding are equally important. One might say that a successful city needs three forms of capacity:

- Leadership: the ability of the senior elected and appointed officials to provide effective, visible direction for the city, setting a clear agenda and ensuring that all partners move forward together

- Managerial: the ability of the city to deliver effective services and to provide clear, transparent governance
- Technical: the ability of the city to plan effectively for the future, to frame effective strategies for change, and to leverage public and private resources for housing and economic development

Many legacy cities, particularly the smaller ones, are at a serious disadvantage in this arena. The combination of middle-class flight and the anger and discouragement of those left behind has led to a dynamic where the pool of highly capable and politically engaged citizens, particularly those willing to run for public office, has markedly shrunk. Some of those running for office appear more interested in the trappings of office than in the substance, while minuscule voter turnouts in local elections—often less than 20 percent of eligible voters—exemplify disillusionment with the political process.

Problems of managerial and technical capacity are multifaceted. Cities in fiscal crisis simply lack the resources to hire highly qualified personnel in enough numbers to carry out all of the tasks that need to be performed. When confronting the need to lay off municipal personnel—a common problem today—the positions of planners and others who do not provide direct services are often seen as less important than those of police or fire personnel, on whom the city's safety depends. Many legacy cities have inadequate capacity in these areas, reflecting many different factors, including long-term fiscal constraints; lack of understanding of the city's personnel needs and willingness to appoint unqualified or poorly qualified individuals to key positions; low salary scales incapable of attracting first-rate professional or managerial staff; and corporate cultures and management systems that fail to support or reward excellence, or even competence. Many cities, moreover, lack key support systems for strong management and technical performance, such as a data system capable of tracking local conditions, municipal and other activities, and outcomes.

These problems will be difficult to solve, particularly in light of the long-term nature of legacy cities' fiscal crises, which will make significant new hiring by these cities unlikely in the foreseeable future. This is an area where the private sector and higher levels of government can play a critical role:

- State governments and local universities can develop training and mentoring programs to build the capacity of local employees, a pool that includes many individuals with energy, intelligence, and a commitment to their city.
- Cities can partner with nonprofit and private entities to leverage government resources. The city of Cleveland has entered into a formal partnership with many of its CDCs, under which CDC staff perform many code enforcement functions, leveraging the city's staff capacity.

- States and the federal government can "embed" trained personnel in local governments. Under the state of Michigan's NSP2 plan, a consultant hired by the state is recruiting a cadre of people with skills in planning, housing rehab and related areas who will be placed with city governments and county land banks throughout that state.

Stronger leadership, however, must come from within city government. Efforts need to be pursued both to build the pool of present and future leaders and to provide the necessary support to those elected to office so they understand the challenges they face and the opportunities that may be available and thus can make informed, responsible decisions.

Building Regional Cooperation

A further challenge to governance in legacy cities is the extent to which the potential solutions to their problems require a metropolitan area-wide approach. The typical metropolitan area in America's Northeast or Midwest is made up of dozens, even hundreds of separate counties, cities, towns, and villages, each with its own government, taxing, and land use authority. Few of these regions have any bodies—other than the transportation planning agencies mandated by federal law, known as metropolitan planning organizations, or MPOs—capable of bringing about intermunicipal cooperation or regional planning. While some MPOs have played a strong role in bringing communities together, most have tended to define their responsibilities narrowly in the framework of federal law.

The problem is compounded by the accumulated distrust and poor communication between many central cities and their suburban neighbors. The record of central city-suburban cooperation and creativity is mixed. Competition for resources and businesses have tended to make inter-municipal dynamics appear to be a zero-sum game, where one municipality could win only at the expense of the other. Suburbs have seen little advantage in cooperating with the central city, while cities have tended to turn inward, seeing little potential in better relationships with people whom they often see as adversaries rather than potential partners.

A pioneering effort was made by former mayor Richard M. Daley of Chicago. In 1997, he invited mayors from nine suburban municipal associations to unite in a common cause of pushing beyond the boundaries of local interests in order to serve the greater interests of the region. The Metropolitan Mayors Caucus, which grew out of that discussion, is today an active collaboration between Chicago and the suburban associations, serving as a force for thinking, change, and advocacy on behalf of a region containing eight million people in 273 municipalities.

On an equally large scale, Team NEO has been established to lead economic development efforts in a sixteen-county region in Northeastern Ohio, including the cities of Cleveland, Akron, Canton, and Youngstown. Many valuable efforts, however, are more modest than the Chicago Metropolitan Mayors Caucus or Team NEO. In St. Louis, Mayor Slay has reached out to St. Louis County to explore the possibility of the county providing services within the city, while in New Jersey, with the encouragement of state government, cities like Camden are exploring the regionalization of policing functions between the city and adjacent suburban municipalities.

The central point is that neither legacy cities nor many of their suburban neighbors can afford to continue to operate as self-contained entities, whether with respect to economic development, planning, or public service delivery. Successful economic development is a function of regional success, while mounting fiscal constraints make it increasingly difficult for current fragmented models of service delivery to meet the needs of citizens and businesses. Building regional forums for coordinating transportation planning and economic development, creating vehicles for sharing and consolidating services (and even municipalities), and developing models for breaking down the urban-suburban barriers that have impeded effective cooperation are all critical steps in the revival of legacy cities.

Reforming Local Fiscal Policies

America's legacy cities are in a state of severe fiscal crisis. Facing growing deficits, they are cutting back on services, laying off hundreds of municipal employees, canceling capital projects, and cutting back on repairs and maintenance of their cities' facilities and infrastructure. While every recession creates fiscal difficulties for local governments, this one has hit older, poorer cities with particular intensity. In cities like Flint, Cleveland, or Gary, which are losing significant numbers of both people and jobs, the current financial crisis is merely the latest and most severe blow in a long-running pattern of increasing fiscal instability and stress, to the point where their very survival as government entities is at risk.

Examples abound. Michigan cities are doubly hit hard by the state's persistent economic problems. Drastic budget cuts are being made in virtually every city. Lansing, the state capital, cut over a hundred positions in local government, including dozens in police and fire departments in May 2011. Over the past ten years, Flint has cut the number of its police officers from 336 to 103, or nearly 70 percent, and the number of firefighters has decreased from 252 to 118, or over 50 percent. These are among the smallest complements of public safety personnel relative to population for any city in the United States. Saginaw's municipal workforce went from 761 in the 1980s to 465 by 2008, while between 2001 and 2010 Dayton, Ohio, cut over eight hundred jobs, or nearly 30 percent of its total workforce. Meanwhile, a large and growing part of these cities' revenue is going to cover health benefit and pension costs. 40 percent of the 2010 Flint, Michigan, budget went for benefits and pension costs, while in Camden, New Jersey, the share of the city's budget allocated to those costs increased from 16 percent in 2003 to 29 percent in 2009.

In order to continue to provide essential police, fire, and sanitation services, cities have cut other services—such as parks, recreation or city planning—to the bone. As a result, the ability of these cities to deliver public services of adequate quality, to maintain the city's infrastructure and physical plant, and to offer its citizens a decent quality of life has become questionable. If people are not safe and do not feel safe, and if parents do not feel a city can provide their children with a quality education, those who can are likely to leave that locality. Yet, the realities of these cities is that cuts are being made in these areas simply because there is not enough revenue to sustain a minimally adequate level of services in these areas.

The problem is heightened by budget shortfalls in state government and by the growing pressure in Washington, D.C. to cut federal discretionary expenditures. The prospect of significant help for strapped older cities from states and the federal government is remote.

These conditions, which are not a short-term reaction to the recent fiscal crisis and recession, but reflect long-term structural imbalances affecting legacy cities, have begun to raise questions about these cities' very viability. Alarm bells have been sounded that those imbalances could lead to growing numbers of municipal bankruptcies. While the specter of massive municipal bond defaults raised by some is likely to be illusory, the possibility that many older cities may be incapable of paying their bills, or meeting their growing obligations with respect to retiree pension and health benefit costs, is a real one.

If this crisis is to be averted and America's legacy cities are to be put on a path where restored prosperity is a realistic prospect rather than an illusion, creative ways of thinking about and addressing the fiscal crisis must be found. Regional solutions and state intervention are two approaches that need to be explored, yet even more far-reaching strategies may be needed to address this crisis.

Thinking Regionally

A central—although not the only—cause of legacy cities' fiscal imbalance is the extent to which a limited and shrinking local tax base is called upon to support a wide variety of services and facilities, many of which are regional in nature. One method to mitigate local financial stress, therefore, may be to spread the costs borne by local governments for services and assets that are largely regional in nature across the larger region, so that the costs of these regional assets are not borne entirely by the central city, or to redistribute regional revenues to better reflect the regional cost distribution.

In the Pittsburgh area, Allegheny County enacted a 1 percent sales and use tax in 1994. Half of the proceeds of this tax go to the Allegheny Regional Asset

District (RAD), which distributes these funds to support and finance regional assets in the areas of libraries, parks and recreation, cultural, sports, and civic facilities and programs. Half of the remaining funds are allocated to municipal governments, based on a formula weighted to help distressed communities. These proceeds are used to assist in shifting the tax burden away from property taxes and to support municipal functions such as roads and police protection. In 2011, RAD allocated $81.1 million, of which 32 percent went to support libraries, 31 percent to parks, trails, and other green spaces, 18 percent to the stadiums and arena, 8 percent to regional facilities (zoo, aviary, Phipps Conservatory), and 10 percent to arts and cultural organizations.[3]

A more ambitious effort at revenue sharing was mounted in the Twin Cities region of Minnesota, where, under a program established in 1975, 40 percent of the tax revenues from new non-residential development throughout the region goes into a regional tax-sharing pool, which is redistributed to municipalities within the region on the basis of need. By 2010, over one-third of all of the commercial and industrial rateables in the region were contributing to the pool, which has been credited with significantly reducing revenue disparities throughout the metropolitan area.

These approaches can help ameliorate fiscal conditions in legacy cities. Even so, the Twin Cities and Allegheny County initiatives are two of only a handful of such programs around the country, although in a number of cases this issue has been addressed through regional consolidation, or unigov, as in Indianapolis, Nashville, and Louisville.

In 2000, Ned Hill and Jeremy Nowak proposed a more radical approach, calling for a partnership between the federal government and distressed local governments. They suggested a program under which local governments would lower taxes and fees for a ten-year period, with the revenue losses made up for by the federal government, in exchange for significant reforms in public administration. By lowering taxes and fees, these jurisdictions would become more attractive places for businesses and reduce the cost of home ownership and rental operation, helping them compete more successfully for residents and business investment. A radical approach like this may be needed in legacy cities if they are going to prevent local short-term decisions such as those taking place today that have serious negative effects on the business climate and quality of life in these cities, making them even less able to compete globally or in their regional markets.[4]

The Role of State Intervention

Municipalities are creatures of state governments, and states have been dealing with municipal fiscal issues for a long time. Many states enacted laws during the Depression to address the epidemic of municipal bond defaults that were then taking place. These laws were often designed, however, less to put distressed municipalities back on their feet than to ensure that bondholders received their money. Today, many states have mechanisms through which they can intervene if a city or county reaches a point of fiscal stress that jeopardizes its ability to meet its financial obligations or provide adequate public services.

These mechanisms take many forms, and they are sometimes referred to generically as "financial control boards." In recent years, control boards have been established by state governments for many cities, including Pittsburgh, Buffalo, and Springfield, Massachusetts. Under a 1990 statute, the state of Michigan has appointed emergency financial managers to take control of a number of cities, including, at different times, Flint, Ecorse, and Pontiac. Although New Jersey has a Depression-era state law that empowers the state's local finance board to take control of a municipality's finances, it enacted a special law in 2002 to make possible a more comprehensive state takeover of the city of Camden, which remained under state control until 2010.

These statutes (with the partial exception of New Jersey's legislation) are predicated on a central assumption—namely, that municipal fiscal problems can not only be solved through short-term solutions but also through "accounting" solutions, such as improving fiscal management, eliminating waste, and finding greater economies and efficiencies in the conduct of municipal operations. There is no question that fiscal management can be improved in most cities, and there is little doubt that waste and inefficiency are sadly present in many distressed older cities. That is not in dispute.

The problem is that mismanagement, waste, and inefficiency are at most the visible and lesser portion of the cities' fiscal iceberg. While a financial control board can make short-term changes that may give the city—particularly if the economy is improving—a short-term boost through more efficient tax collection, the elimination of a handful of unneeded positions, or the restructuring of services for greater efficiency, the long-term, chronic problems at the root of the fiscal crisis remain unchanged. Short-term improvements quickly reach a plateau, while the actions of the control board or emergency manager fail to address the long-term decline taking place.

The activities of control boards can potentially make matters worse. To the extent that their efforts at short-term fiscal stabilization involve increasing already high local taxes, reducing already limited public services, or cutting back already inadequate investment in municipal infrastructure and capital stock, it can exacerbate the existing cycle of decline by further undermining the quality of life offered its residents, or rendering the city even less attractive for investment by individuals, families, or businesses. *Short-term "solutions" may end up making a city's long-term prospects even more problematic*. Long-term structural problems demand long-term structural solutions. In Camden, although the clear intent of the law was to create sustainable revitalization of the city as well as to straighten out the city's financial problems (and which provided a special appropriation of $175 million to that end), poor execution and leadership resulted in a situation where the city was no better off—and arguably worse—when the state relinquished its authority than when it initially took control.

This is not always the case. State intervention was clearly beneficial both in Chelsea and Springfield, Massachusetts, where the level of mismanagement prior to intervention was particularly egregious, and, notably, where the state control board and managers were focused not only on short-term fixes but also on laying the groundwork for long-term viability.

Taking the Fiscal Crisis Seriously

Given this reality, what are the implications for federal, state, and local policy-makers? Most important, it means that we need a fundamentally new approach to addressing fiscal stress in older cities, not only one that focuses on short-term cash flow and budgetary requirements but one that is designed *from the beginning* to foster long-term change in these cities' fiscal reality in order to end the vicious cycle of decline in which so many of them are caught. This means taking short-term actions that do not impair a city's long-term viability, while laying the groundwork for long-term strategies to build the local economy, reuse vacant and underutilized land, and stabilize or grow the local population. It also means looking at long-term strategies that have rarely been considered, including recognizing the regional nature of so many of the issues facing older municipalities, and moving across municipal boundaries to find solutions. We suggest that this approach needs to contain both short-term and long-term strategies.

Improving the Short-Term Picture

The need for long-term strategies does not negate the importance of focusing on short-term change. In addition to improving fiscal management and efficient delivery of services, cities should explore other strategies to increase revenues and better manage costs. In so doing, they must recognize that any such steps are only stop gaps, employed to better set the stage for long-term change. In addition to seeking ways to increase revenues without creating negative consequences—a difficult proposition—cities need to rethink how they deliver public services. Privatization has long been used as a strategy by local government; while it is clear that it is not a panacea, properly designed and carried out, it can result in significant savings. In severe cases, restructuring of public employee wage and benefit programs may have to be considered. Devolution of municipal services to special service districts can work in some areas, while partnerships with community-based organizations (CBOs) is an area that has been less explored. Cleveland has entered into a compact with a number of its neighborhood-based community development corporations, under which they supplement the city's code enforcement efforts.

Taking control of the city's land inventory, as discussed further in the next section of this chapter, is a critical part of both the short-term and long-term strategy for any legacy city seeking to both stabilize its fiscal situation and begin the process of regeneration.

One of the knottiest issues facing older cities is the cost of municipal payrolls, and even more so, the costs of pensions and health care benefits to municipal retirees, which continue to mount even as the individuals receiving them are no longer providing services to the community. It is a difficult issue because there is a good deal of unfairness about requiring present or former municipal workers to pay for conditions they did not cause and cannot control; moreover, it is important to understand that *whatever steps are taken to reduce payroll and pension costs, they do not solve the long-term structural problem*. At the same time, the shortfall in many cities is so great, and the likelihood of additional state aid so remote, that in some cases there may be no alternative.

The issue of pension costs is likely to become more severe in the future, because—although cities may currently be meeting their obligations—a large number of municipal pension funds are severely underfunded. The Pennsylvania Public Employee Retirement Commission (PERC) found that twenty-seven municipalities have pension plans funded at less than 50 percent of liabilities. While this is a small percentage of that state's municipalities, included in the group are the state's three largest cities Philadelphia, Pittsburgh and Scranton—which alone account for 45 percent of all local government employees in the state.

Cities cannot solve this problem on their own. Cities like Dayton or Flint simply will not be able to find the money internally to both meet current obligations and fully fund their future ones. One way or another, the states or the federal government will have to take a substantial part of the responsibility for finding a solution; what is critical is that it be a genuine solution, one that does not impose future crippling obligations on the same municipalities that government is seeking to help.

Tackling Long-Term, Chronic Fiscal Stress

The *only* way to eliminate chronic fiscal stress and structural deficits in older, distressed cities is to place these cities solidly on the road back to being socially, economically, and physically healthy communities, with the density of population and agglomeration of activities to play a central role in their regions' economies. If that is to happen, many changes have to take place at many levels. Cities must be able to define and articulate their vision for their future as stronger, healthier—although in many cases smaller—cities. They must also rethink their "business model," how they pay for and deliver public services, while partnering with business, academia, and nonprofit organizations to frame credible strategies for land reutilization and economic growth. State governments need to restructure how they create programs and allocate resources for cities, in order to level the playing field between cities and their suburban and rural neighbors and focus resources on supporting systemic change in cities rather than propping up the status quo.

Where a city has lost a large part of their historic population and job base, the process of transition to a healthier city also involves reimagining the city as a smaller city, based on its current—and realistic future—population and economic base, not the population and industry it had in 1960, or even 1920. That is likely to involve rethinking not only the use of surplus land and buildings but also the pattern of service delivery and the configuration of the municipal infrastructure, as in Saginaw, Michigan, which has designated a one-half square mile area on the city's east side as a Green Zone, which will be gradually returned to nature.

Finally, state and local government need to grapple with the underlying reality that a central reason for the fiscal crisis of older cities is the massive imbalance in public resources and service demands within the cities compared to their suburban surroundings. As vast proportions of each city's wealth, whether jobs, businesses, or middle-class and wealthy residents, have moved to the suburbs, the cities have had to deal with a shrinking resource base and an increasingly resource-dependent population within inflexible municipal boundaries. Suburban Haddonfield, New Jersey, only a few miles from urban Camden, has ten times the per capita property tax base of its urban neighbor.

Some cities, such as a Philadelphia or Chicago, may be large enough and may retain enough economic resources to rebuild from within; that is not an option, however, for most smaller legacy cities, which lack the internal resources to go it alone. Unless fundamental changes take place to the way in which regional resources are allocated and service delivery boundaries defined, the vision of a stronger, healthier Flint, Youngstown, or Rochester may remain unreachable. This, too, poses a challenge for state governments, which set the ground rules for how those resources are allocated and the boundaries defined.

As in other areas, state government plays a critical role. While it is unrealistic to expect significant growth in state aid for older cities in the near term, state governments continue to provide a variety of resources to local governments in general state aid or revenue sharing, but through funds dedicated to economic development, workforce development, brownfields cleanup, and much more. Each state should examine all of the resources that it *does* make available to local governments in order to determine how they can be structured to maximally encourage and support transformative change at the local level, rather than maintaining the status quo. States must also determine how they can support and actively motivate the creation of regional vehicles for provision of services and redistribution of public revenues.

Reforming Local Land Reclamation

Legacy cities typically contain something widely viewed as a liability, but which is actually a potentially valuable long-term asset—its inventory of vacant land and buildings. This asset is growing in many of these cities.

If vacant land and buildings are to become a real asset, cities must take a radically different view of vacant property. Cities should use their legal powers and resources to gain control over the vacant land inventory to control its immediate and interim uses and to develop the ability to identify and move strategically toward properties' most effective long-term reuse. As a first step, however, cities must build the machinery they need to gain legal control of the land. Land speculation is the enemy of the long-term good of a city in its efforts to stabilize and rebuild its distressed real estate markets.

This is not merely a technical or managerial step on the part of many cities; on the contrary, it may often involve a fundamental change in the attitude of local government in two critical ways. First, city leadership needs to understand the potential of vacant and underutilized property and see it as the asset it can become; and second, they need to accept responsibility for the future of those land parcels and buildings, rather than avoid that responsibility or treat it as no more than an annoying nuisance.

In moving toward a new way of addressing land reclamation, each city must first reconsider its basic approach to its property inventory and then build both the legal and managerial systems it needs to take control over its future. Central to those systems is a clearly defined vehicle through which the city can exert control over its land.

Develop a Citywide Approach to Land Reform

The principles for citywide land reform were outlined in a 2002 report by Paul Brophy and Jennifer Vey from the Brookings Institution. That report laid out ten steps for urban land reform, some of which are particularly relevant for legacy cities. These include the following:

- *Know Your Territory.* Cities need to establish versatile, readily updated information systems that inventory property owned by the jurisdiction and other governmental bodies, and that track properties that are becoming available for public ownership through tax foreclosure or through the foreclosure on other public liens. This inventory should also include properties that have been foreclosed by financial institutions. This knowledge base is fundamental to a city's ability to plan a future for its vacant land and neighborhoods.
- *Develop a Citywide Approach to Redevelopment and Reuse*. Chapter 3 describes the planning issues faced by shrinking cities and explores how planners should address them. A strategy to reuse vacant land, similar in

scale to that being developed by Mayor David Bing and his staff in Detroit, is a central element of any overall planning strategy. A key issue for legacy cities is the need to make tough choices about where to invest scarce public resources, and to concentrate on neighborhoods that have sufficient market strength to hold their populations and businesses and build on that strength to enhance adjacent areas over time. This is in stark contrast to long-established and widely followed approaches that funnel the lion's share of resources into improving a city's weakest areas. As described in chapter 3, in legacy cities (as well as in many others), targeting scarce resources to the weakest market areas is not an effective neighborhood improvement strategy, In these cities, typified by weak housing markets and declining populations, the smartest redevelopment and reuse strategy is to hold population and to begin to regrow the population of the city by strengthening areas that already hold appeal for identifiable market segments, while encouraging people who are "stranded" in distressed areas to move to the stronger areas. Those areas that are emptying out may best be designated for nonresidential land uses, and even for land uses that are quite novel for American cities—urban farming, city forests, and recreational spaces that could be created along "daylighted," or reopened, buried streams. These approaches are now being tested in many legacy cities. Some of Cleveland's initiatives are described in the case study after chapter 6.

- *Implement Neighborhood Plans in Partnership with Community Stakeholders*. Any strategy for transforming a distressed city that has lost a large part of its population, and that is dotted with heavily abandoned and disinvested neighborhoods needs the active support and engagement of community stakeholders. Fostering effective citizen involvement in the planning process is especially challenging in settings where the overall health of the city may require targeted investment in a few selected areas and the gradual emptying out of other areas. Involving residents and businesses in such settings is particularly difficult.

The approach must not only be citywide; it must be strategic, and integrated with other activities of government, as well as with those nongovernmental stakeholders, such as community development corporations, which can contribute significantly to the results.

Assemble the Tools to Address Land and Property Issues

Mounting a successful strategic effort at land reclamation requires leadership and capacity, as with other critical aspects of governance, but it requires something more—putting the legal tools in place to address these issues. The work that the Genesee County and other Michigan land banks are doing to get control of vacant properties in that state's cities would not have been possible without the 1999 reform of state property tax foreclosure law, which ensured that county land banks, and not speculators, could get control of properties that went into property tax foreclosure. Similarly, strong vacant property receivership laws in Massachusetts and in the city of Baltimore have enabled local officials and nonprofit organizations to motivate the owners of vacant properties to put them back into productive use, or risk losing them as a result of a court order appointing a receiver to take control of the property.

Municipalities need strong tools to encourage the owners of problem properties to maintain them or restore them to use; and, where owners fail to maintain their properties, they need to have a means to take control of those properties. A strong vacant property receivership law, under which the city or a qualified nonprofit organization can petition the court to appoint a receiver of a neglected vacant property is an example of the former, while a strong tax foreclosure law is an example of the latter.

The number of separate legal tools that ideally should be in place is considerable, reflecting the reality that there are many different types of problem properties and many different circumstances that lead a property to be vacant or poorly maintained. A number of states, for example, allow municipalities to use what is known as "spot blight" taking, under which a city or county can use eminent domain to take a vacant property that is blighting its surroundings and recover it to a responsible owner, without having to go through the extensive and expensive process of creating a redevelopment or urban renewal area. Some cities including Pittsburgh, Philadelphia, and Newark have used this power creatively to gain control of problem properties.

In contrast to "spot blight" taking, which can only be pursued by a municipality where it is explicitly permitted by state law, many municipalities have enacted vacant property registration ordinances using the local police power, or—where available—the city's home rule power under its state laws. These ordinances provide an effective means for the city to police its vacant properties, to cover some of the city's costs through a registration fee, and to ensure that owners secure them properly and carry adequate insurance coverage. Under Wilmington, Delaware's innovative ordinance, the annual fee rises steeply with every year that the property remains vacant, a strong incentive for owners to put their properties back to use. Although no state law explicitly authorized that ordinance, the Delaware Supreme Court found that it was legally enacted, as it fell within the city's power to take action to protect its citizens' health, safety, and welfare.

These are examples of the sorts of tools that may be needed for a city to mount an effective citywide attack on vacant and problem properties. In some cases, the appropriate legal tools can be created through a local ordinance or through local implementation of a state law. In other cases, new state laws may need to be written, or existing laws amended. Local officials must pay close attention to what happens in their state capital, both advocating for better legal tools and opposing steps that would reduce their ability to address these issues. Early in 2011, for example, advocates were able to derail an effort in the Georgia legislature to enact a bill that would have all but eliminated the ability of that state's cities and counties to enact workable vacant property registration ordinances.

In the final analysis, however, the legal tools are only as good as the will and capacity of the city to implement and enforce them. The 1999 Michigan property tax foreclosure reform would have meant little in Genesee County without the leadership of county treasurer, Dan Kildee, and others to use the new law as a springboard for a countywide land bank. Similarly, a vacant property registration ordinance is of little value unless the city makes a concerted effort to get owners to register, and fines those who do not.

This is a function of both will and capacity. Even with the will, the city needs to put in place the personnel with the skills and technology support to carry out these tasks. In a time of severe fiscal constraints, this is not easy. Still, it is feasible. Cities have found that technology can dramatically improve efficiency in code enforcement. Some cities have developed partnerships to leverage limited city resources; the city of Cleveland has created the Cleveland Code Enforcement Partnership, a formal agreement between the city and nineteen of the city's CDCs, under which they follow up on properties referred to the city's Department of Buildings, work with property owners to initiate repairs, and track changes in ownership, foreclosure proceedings, and vacancy. Finally, cities need formal vehicles to take control of land, maintain it, and plan for its reuse.

Create Vehicles to Take Control of Land

After World War II, American cities created redevelopment authorities to revitalize their downtowns and distressed neighborhoods. These agencies worked in partnership with the federal and state governments to assemble and clear land, upgrade infrastructure, and sell land for new development. They had the power to buy, own, and sell land, finance development, and use eminent domain where needed to assemble sites. A few of these agencies, such as Pittsburgh's Urban Redevelopment Authority, which continues to be the "go to" place in city government for land acquisition and disposition, still exist. Most, however, have faded in their role and often gone out of existence with the demise of urban renewal as a public strategy.

While the historical track record of redevelopment authorities is mixed, they highlight the importance of having effective vehicles to address urban land issues. Today's equivalents in some respects are the land bank agencies that have been created in many cities[5] and that play a critical role in acquiring and holding vacant and underutilized properties for future use. Successful land banks take control of tax delinquent and other neglected properties and have the specialized skills needed to be responsible custodians of vacant land and buildings and to strategically deploy land (through sale or lease) for new uses that support city and regional plans and are compatible with the city's evolving future direction. Land banks in Genesee County (Flint), Michigan, and Cuyahoga County (Cleveland), Ohio, have become a major force in addressing the problems of blighted properties and land reclamation in those communities.

This approach is in direct opposition to the so-called privatization of city assets—the sale of tax liens and the sale of property at very low prices. Such a technique may produce short-term income but seriously limits or even eliminates the ability of local government to gain control of its land inventory, control the future use of land, and bring future land uses and development to scale. It fails to recognize that vacant properties can be an opportunity as well as a burden.

Following the lead of cities and counties in Michigan and Ohio, cities around the nation are examining their legal powers and administrative machinery to create vehicles to take control of land and maintain it for however long it takes until appropriate private reuse opportunities emerge, whether that reuse is for redevelopment or for a use, such as a public forest or urban agriculture, that seems alien to our historical idea of urban land uses. Such a vehicle can take many different forms. Under the Michigan and Ohio laws, the land banking entity is a public authority at the county level, a public body dedicated to carry out this specific responsibility. In other states, land banking may be done within the structure of general government—such as Trenton's Division of Real Estate in the city's Department of Housing and Economic Development—or through a contract between the city and a qualified nonprofit entity. What is important is that land banking —holding and maintaining land—be seen as an explicit responsibility of government, and that it be viewed as a long-term responsibility, reflecting the long period of change and transformation that will be needed to restore vitality to America's legacy cities.

Conclusion

Reforming local practice in America's legacy cities requires both dramatic change to existing practice and the ability to build on the city's existing strengths.

Governance changes must go beyond city government to bring in stakeholders from every segment of the economy and the civic space. Local leaders, public or private, must be able to tap into and ignite the energy latent in these communities to create opportunity, so that they can work their way back to prosperity and health. Public and social media can be very effective in engaging stakeholders in the twenty-first century, and they need to be used more extensively.

Local government itself needs to be transformed to tackle the challenges. Governmental silos need to be broken down in order to address complex issues that cut across traditional departmental boundaries and to mount multifaceted place-based initiatives. Addressing these complex issues, however, will require far more capacity, both managerial and technical, than many cities today can command.

Tackling the fiscal dilemma, particularly in a time when states are experiencing budget deficits and the federal government is politically and financially constrained in its ability to act as a partner, is particularly difficult. Short-term solutions that raise taxes and fees or cut services and infrastructure investments are part of a vicious cycle that may further exacerbate the negative investment climate in a city and work against any future return to prosperity.

The accumulation of vacant land and buildings in legacy cities is a short-term burden, and an important asset. Cities need to rethink their approach to their land inventory and to adopt the legal tools and build the mechanisms they need to hold land for uses that can respond to market forces and ultimately serve as the means to bring about stronger and healthier cities.

Notes

1. The discussion can be viewed at http://www.time.com/time/video/player/0,32068,740668828001_2041178,00.html
2. Briggs (2008), pp. 143-183, presents a thorough description of Pittsburgh's progress toward modernizing its civic-governance structures.
3. See http://www.radworkshere.org/.
4. Recently, the Obama administration has launched a pilot program under which it will work with a small group of legacy cities to test the potential of a more effective partnership between the federal executive branch and those cities. The program, called Strong Cities, Strong Communities (SC2) is aimed at breaking through the departmental silos at the federal level to learn how the federal government can become a more effective partner with legacy cities to improve capacity locally, to bring flexibility to the execution of federal programs, and to adapt initiatives for greater success. While the goals of the program are admirable, it is hard to see how it will have a major effect without additional targeted funding to these cities.
5. See Alexander (2011) for an extensive discussion of this subject.

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