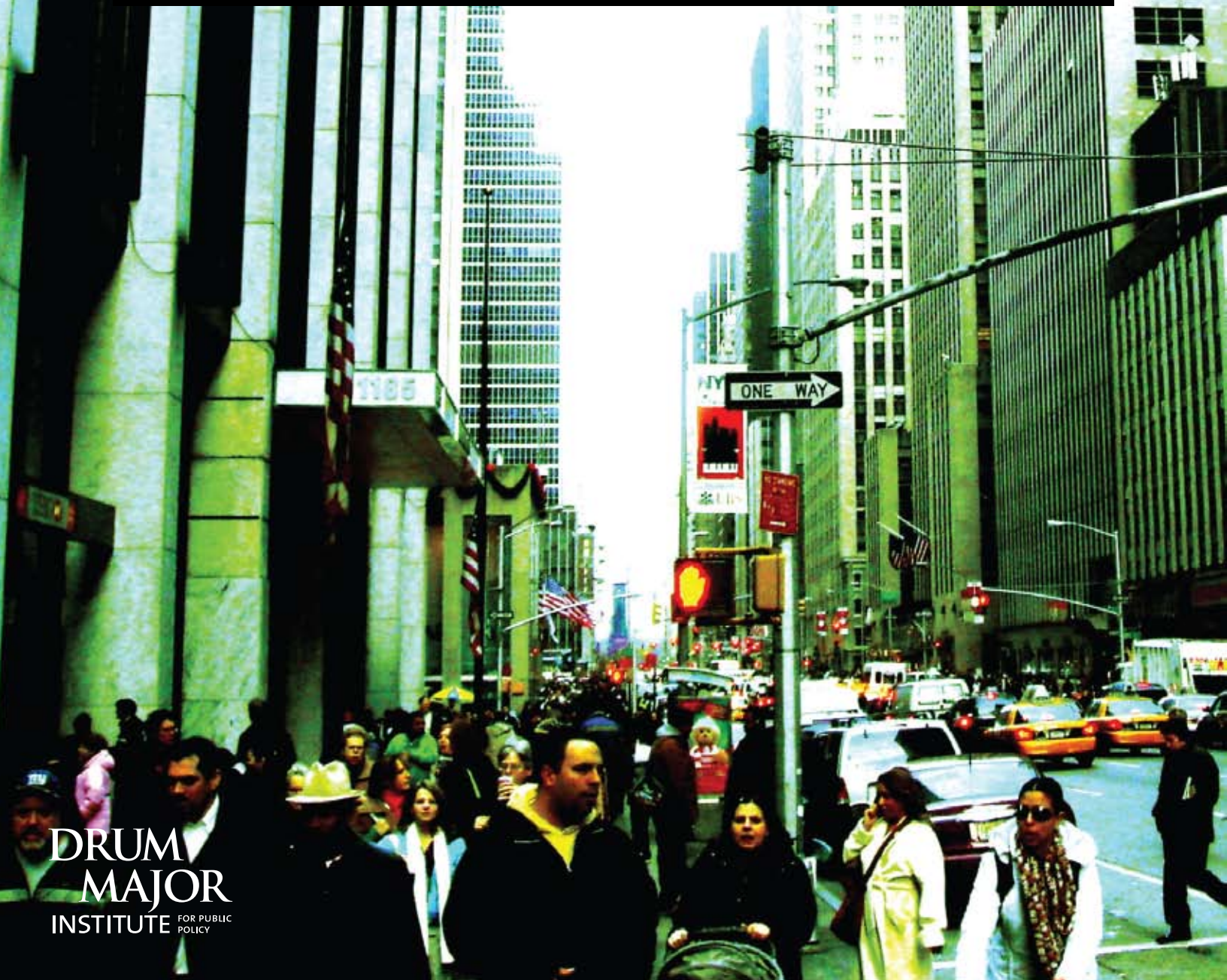


No Economic Recovery Without Cities: The Urgency Of A New Federal Urban Policy



NO ECONOMIC RECOVERY WITHOUT CITIES: THE URGENCY OF A NEW FEDERAL URBAN POLICY

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Table of Contents

Executive Summary	2
Reimagining Urban Policy	4
Historical Context: Urban Crisis or Benign Neglect	5
The Investment Problem, the Partnership Problem, and the Office of Urban Affairs	9
Planning for Investment	11
Developing a Strategy for Metropolitan America	13
Conclusion	20

EXECUTIVE SUMMARY

President Obama’s newly created White House Office of Urban Affairs (WHOUA) represents a new direction for federal urban policy. This approach views cities and their metro regions as the powerhouses of our national economy, a decisive break from past federal urban policies. The Office of Urban Affairs is an opportunity to maximize the economic potential of cities through well-coordinated, productive relationships with the federal government.

- The White House Office of Urban Affairs provides President Obama a unique opportunity to articulate a national agenda that recognizes urban areas as integral, indeed indispensable, to national prosperity. The last fifty years of federal urban policymaking have been characterized by two ideologies. The first considers urban decline as both a justification for and a mode of urban policymaking. The second deems federal urban policymaking intrusive and harmful to national economic growth. But research shows that cities and their surrounding metropolitan areas are engines of economic growth. Neither ideology recognizes this and so both fail to tie the fate of cities to the fate of the country at large.
- To be successful, the Office of Urban Affairs must coordinate partnerships between the federal government and state and city officials based on a long-term investment strategy in the nation’s cities. This involves investigating how present and future policymaking impacts urban areas, inserting the executive branch into discussions of local and regional program decision making, and proposing alternative budgets that incorporate long-term returns to short- and medium-term investment. Such an approach is informed by the mistakes of past urban agendas that presented federal urban policy as an emergency measure or an unnecessary encumbrance, neither of which could have long-term national benefits.
- The Office of Urban Affairs should formulate a national urban policy that emphasizes the natural and historic strengths of cities—the way in which cities are uniquely situated to address the challenges that the country now faces—and the innovative policies that these cities have already enacted in the absence of federal leadership. The Office will need to approach the challenges facing cities and the nation in a way that acknowledges their interrelated nature. The office will also need to acknowledge that the fate of cities and their suburbs is interrelated and, by extension, that the fate of metropolitan America is linked with that of America itself.
- As such, DMI offers a number of policy principles to guide the Office’s efforts to develop a strategy for metropolitan America. These principles describe how the Office can strengthen the urban cores of our metropolitan regions by promoting their strengths, while recognizing that external factors still inhibit the ability of cities to prosper.
 - **Cities are “greener” than the suburbs:** The Office of Urban Affairs should promote policies that encourage higher-density, transit-oriented development by tying federal funding for transportation to projects that encourage dense development anchored by transit stations.
 - **Public transit keeps housing affordable:** The Office of Urban Affairs should examine the way that federal transportation dollars are currently delegated to highway projects versus public transit projects and advocate for more parity in funding transit.
 - **It’s not just homeownership:** The Office of Urban Affairs should focus on providing affordable housing opportunities beyond homeownership.
 - **We need energy-efficient buildings:** The Office of Urban Affairs should advocate increased funding for energy efficiency projects by rewarding those jurisdictions that adopt green building codes. The Office could also advocate for the first national green building code.
 - **Promote transportation alternatives:** The Office of Urban Affairs would help improve environmental, safety, and traffic efficiency standards by supporting urban efforts to provide transportation alternatives.

- **Save lives by cleaning the air at our nation's ports:** The Office of Urban Affairs should address the health and environmental impact of our nation's ports.
- **Job quality matters:** The Office of Urban Affairs should take steps to increase job quality by emphasizing the significant impact increases in the federal minimum wage and unionization have on the urban workforce.
- **Economic development subsidies need to enhance job quality:** The Office should support public subsidy accountability measures, such as the efforts of Representative Dennis Kucinich [D-OH], to tighten the IRS regulations that govern the use of tax-exempt bonds for the construction of sports arenas.
- **Public housing is vital:** The Office of Urban Affairs should seek to end years of declining funding levels for public housing. The Office should also advocate the construction of new public housing units in order to address the needs of those families making below 30 percent of the area median income.
- **Fix our urban school systems:** By promoting the housing and land use policies discussed above, the Office of Urban Affairs can address the concentrations of wealth and poverty that have led to the gap in urban and suburban educational achievement. The Office should highlight urban education efforts with proven effectiveness and leverage these efforts with increased federal support.
- **Immigration policy must strengthen the rights of immigrants:** The Office of Urban Affairs should support federal immigration reform and should emphasize the impact that inaction by the federal government is having on cities.

REIMAGINING URBAN POLICY

President Obama has pledged to develop a national policy for the nation's cities. This national urban agenda recognizes the importance of cities to the nation's economic future and abandons the common mythology that equates urban areas with poverty and crime.¹ In his executive order establishing a White House Office of Urban Affairs to oversee the urban agenda, the President tied the success of cities to the success of the entire country: "[T]he economic health and social vitality of our urban communities are critically important to the prosperity and quality of life for Americans."²

A national urban agenda that engages cities as engines of economic growth and stability is a significant change. Over the past fifty years, federal urban policy has oscillated between two opposing views of cities, neither of which has recognized their strategic national importance. The first view focused federal attention on the problems of cities, directing government money to "distressed" and "blighted" neighborhoods that needed "saving." This urban crisis perspective was closely identified with President Johnson's War on Poverty and with racial conflict as evidenced by the riots and social upheavals that occurred in communities like Watts in Los Angeles. This type of urban policymaking was less an effort to ignite the nation's economic growth, than a gesture of appeasement to a population trapped in extreme urban distress. Urban policymaking became regarded as little more than a handout to the urban poor, particularly blacks and Latinos.

The second view held that the federal government could do best for cities by doing least. From this perspective, federal urban policymaking was either limited to all-purpose grants to local governments or, more simply, considered a contradiction in terms. Urban areas and their surrounding metros were left to develop ad hoc solutions to national and regional challenges like transportation, health care, and the environment. The policymakers who adopted this view believed national economic competitiveness to be at odds with urban policymaking.³

Together these approaches to federal urban policymaking marginalized cities and their residents as interest groups whose power rose and fell with electoral outcomes. But, as recent research has demonstrated, cities and the metropolitan areas that surround them generate the majority of the nation's economic output and contain most of its population and jobs.⁴ A federal urban agenda is as much about the health of the nation as it is about the health of New York, Chicago, or Santa Fe.

President Obama seems to recognize this link and repudiate the urban decline and benign neglect modes of urban policymaking. To make a new strategy for metropolitan America work, the President must concentrate on partnering the executive branch with city, state, and metropolitan officials and shifting resources away from uncoordinated spending to planned investment. Charged with overseeing urban areas alone, the Office of Urban Affairs can concentrate on long-range planning that ties issue areas together. The coordination of housing and transportation, health and walkable environments, and job quality and economic development that will stimulate the prosperity of our metropolitan areas necessitates such longer-term thinking.

What were formerly considered "urban" problems—poverty, crime, homelessness—are now significant challenges for suburban and exurban environments as well. At the same time, the innovative policymaking that has occurred in cities in recent years demonstrates the value of urban areas, but also the limitations of city action without federal assistance; extensions of health care and environmental reforms are largely limited to the few large and wealthy cities that can afford them, while significant inequality persists even in these wealthier urban environments. The Office of Urban Affairs must develop a strategy for urban America that, unlike its predecessor urban policies, recognizes the unique role that cities play in the nation's economic and cultural life, and facilitates this role via coordinated investment by federal, state, and city governments.

1 Barack Obama. "A Metropolitan Strategy for America's Future," U.S. Conference of Mayors. June 21, 2008.

2 "Executive Order: Establishment of the White House Office of Urban Affairs," February 19, 2009.

3 *Urban America in the Eighties*. President's Commission for a National Agenda for the Eighties. 1980:5.

4 Alan Berube. *MetroNation: How U.S. Metropolitan Areas Fuel American Prosperity*. The Brookings Institution. 2007.

HISTORICAL CONTEXT: URBAN CRISIS OR BENIGN NEGLECT

For more than forty years, urban policy has steadily devolved from enacting large-scale social and economic remediation projects to a point where the federal government remains largely removed from federal urban policymaking. As President Obama’s administration pursues its work, WHOUA provides an opportunity for the federal government to re-define urban American progress.

The initial explosion of urban policymaking during the 1960s was rooted in riots and racial conflict that focused attention on “urban problems” in “the inner city.”⁵ Various task forces highlighted urban violence and decline, with one calling for a “Marshall Plan for the Cities” and another famously threatening that urban rioting showed that “our nation is moving toward two societies, one black, one white—separate and unequal.”⁶ President Johnson responded by creating the Department of Housing and Urban Development, whose establishment was already in the works, and by launching the War on Poverty and the Model Cities program.

The latter was Johnson’s primary vehicle of federal urban policy. The program sought to “mak[e] over blighted urban neighborhoods” by directing funds to “demonstration projects,” which were local efforts to deal with “the causes of human and physical blight.”⁷ Federal partnerships, primarily with community groups, were central to the program. However, the origin of the Model Cities program, and other urban renewal programs sponsored by the Johnson administration, in the riots and racial tension of the 1960s limited their durability. A congressman at the time called the legislation authorizing the Model Cities program an “antiriot bill,” while others see the program merely as a means of “providing goods and services to [big-city African-American] communities...”⁸ Johnson’s focus on decline made federal urban policy seem more like a stopgap measure to prevent urban conflagration than an appropriate federal investment in the nation’s future.

Though the Nixon administration deemphasized Johnson’s notion of distressed cities, Nixon’s “New Federalism” foreshadowed the federal government’s sharp disengagement with cities that took hold in the 1980s and persists through the present day. While maintaining and even increasing funding for cities, Nixon consolidated categorical block grants into general funding grants for urban areas and expanded the previous focus on distressed neighborhoods to include suburbs. Eventually, Nixon abandoned any specifically urban approach to policymaking for a “national growth” strategy. As Hanson describes, “the urban emphasis tended to fade and to merge with the more generalized problems of environmental and economic improvement of the nation.”⁹ By 1971, Nixon suggested that the problem of cities “is one that simply cannot be solved by Washington.”¹⁰ A national urban policy was deemed “misguided and probably quixotic.”¹¹ Nixon’s rejection of a national urban policy did not mean an end to federal funds for cities, which were generous. Indeed, President Ford, who would in many ways continue Nixon’s approach to cities, signed legislation creating the Community Development Block Grant program, the largest provision of funds for urban development that remains the signature federal program for cities. However, Nixon’s urban policy was a rejection of the notion that coordinated policymaking could enhance decision making at the local level.

In stark contrast to Nixon’s New Federalism, President Carter enthusiastically endeavored to develop and adopt the nation’s first urban agenda, enlisting HUD staff to draft an urban policy document. However, as much as Carter hoped his urban agenda would be comprehensive—that is, not deal exclusively with distressed cities—the agenda ultimately revolved around “urban crisis discourse” and was characterized by tackling urban problems,

5 Wendell E. Pritchett. “Which Urban Crisis? Regionalism, Race, and Urban Policy, 1960-1974,” *Journal of Urban History*. 2008 Jan;34(2):273.

6 Pritchett, 274. *Report of the National Advisory Commission on Civil Disorders: Summary of Report*. United States National Advisory Commission on Civil Disorders (Kerner Commission). 1968.

7 Marshall Kaplan. “Urban Policy: An Uneven Past, An Uncertain Future,” *Urban Affairs Review*. 1995 May;30(5):664. Yvonne Scruggs. “HUD’s Stewardship of National Urban Policy: A Retrospective View,” *Cityscape: A Journal of Policy Development and Research*. 1995 Sep;1(3):37.

8 Pritchett, 276. William R. Barnes. “Beyond Federal Urban Policy,” *Urban Affairs Review*. 2005 May;40(5):580.

9 Royce Hanson. *The Evolution of National Urban Policy 1970-1980: Lessons from the Past*. National Research Council. 1982:11.

10 Hanson, 16.

11 Kaplan, 666.

particularly in post-industrial central cities.¹² As Hanson describes, “Carter saw the decline of cities and regions as the central issue in an era of limits. Intervention was needed to avoid serious consequences as some parts of the nation lost jobs and people to others.”¹³ Eisinger describes the “detritus” that some policymakers thought characterized cities after the shift to a service-based economy, concluding that “Carter’s program could easily be perceived not only as an urban policy per se but also as the administration’s chief response to the consequences of postindustrial transformation.”¹⁴ While Carter signed several executive orders that “put the urban back in urban policy” after Nixon’s shift away from cities, debate about Carter’s national urban agenda eventually became a debate about directing federal funds to areas of decline, resulting at best in a policy of “compensatory intervention.”¹⁵ As in Johnson’s administration, Carter’s urban policy ultimately evolved into a stopgap measure for cities in decline; in the end, its effects were, according to one prominent member of the team that drafted his urban agenda, “fleeting and ephemeral.”¹⁶

The *Urban America in the Eighties* report of the Commission for a National Agenda for the Eighties encapsulates the tensions Carter confronted as he developed and attempted to implement his national urban policy. Conservative voices advocating the federal government’s disengagement from urban areas became even louder—and more influential—than during Nixon’s New Federalism. The Commission, created by Carter’s own administration, asserted that the “government should not squander resources in a futile attempt to counter the market’s strain toward efficiency” by promoting economic development and growth in distressed central cities.¹⁷ Indeed, the group recommended reducing or eliminating place-oriented policy programs including economic development, community development, public facilities investment, housing, transportation, and development planning. Community Development Block Grants, Nixon’s revenue sharing, and water and sewer construction grants were all marked for the chopping block.¹⁸ The report’s general conclusion was that the federal government could do nothing good for cities except, indeed, nothing. As Carter’s urban agenda faltered, an ideology of “benign neglect” took hold.

The Reagan administration enthusiastically implemented this ideology. It drastically curtailed spending on urban areas: direct aid to cities dropped from 28 percent of total aid distributed in 1978 to just 17 percent in 1988.¹⁹ At Reagan’s urging, Congress consolidated 77 categorical grants to state and local governments into just 9 grants; the consolidation resulted in a 25 percent cut in funding.²⁰ General revenue sharing was terminated along with urban impact analyses, which were evaluations of the effects of federal legislation on urban areas that were initiated by President Carter.²¹ Enterprise Zones (EZs), which provided extensive tax breaks in targeted areas to attract investment, were Reagan’s primary urban policy proposal, but such zones were antithetical to the idea of federal planning for the needs of urban areas: suspension of regulations—government inaction—was the mechanism by which EZs were to revitalize cities. The remarks of a Reagan domestic policy adviser summarize the Reagan administration’s orientation toward urban areas: “It’s our view that cities are not mentioned in the Constitution.”²²

12 Barnes, 581. Kaplan, 668.

13 Hanson, 63.

14 Peter K. Eisinger. “The Search for a National Urban Policy, 1968-1980,” *Journal of Urban History*. 1985 Nov;12(3):13.

15 Kaplan, 668. Eisinger, 15.

16 Yvonne Scruggs-Leftwich. *Consensus and Compromise: Creating the First National Urban Policy Under President Carter* (University Press of America, New York: 2006):212.

17 Eisinger, 14.

18 *Urban American in the Eighties*.

19 Scruggs, 55.

20 Kenneth Finegold, Laura Wherry, and Stephen Schardin. “Block Grants: Historical Overview and Lessons Learned,” The Urban Institute. 2004 Apr:2.

21 Steven Maguire. “General Revenue Sharing: Background and Analysis,” Congressional Research Service. 2003 May 23. Vincent L. Marando. “General Revenue Sharing: Termination and City Response,” *State & Local Government Review*. 1990 Autumn;22(3):98-107. See also “Executive Order 12350—Termination of Urban and Community Impact Analyses,” March 9, 1982.

22 William K. Stevens. “Cities Press Their Case on Candidates,” *The New York Times*, December 14, 1987.

Ever since the Reagan administration, the nation's cities have struggled to gain federal attention, while "urban decline" rhetoric reemerged when riots once again forced policymakers to address urban areas. George H.W. Bush's HUD Secretary Jack Kemp advocated a federal urban policy that encouraged homeownership for low- and moderate-income families and echoed Reagan's support for tax breaks to reinvigorate depressed urban areas. But Bush largely silenced his HUD secretary, while critics protested what they perceived to be Kemp's overemphasis on homeownership.

Similar to what occurred after the urban unrest of the 1960s, the 1992 Los Angeles riots forced Bush and Congress to negotiate an unlikely election-year urban agenda. The *Houston Chronicle* described the undertaking with lyrical flourish:

For one fleeting moment, it was as if a window had flown wide open after being frozen shut for years. Political leaders dusted off the hoary notion of an urban agenda. The nightly news bristled with tales from the inner city. Many Americans hoped that, somehow, the stubborn dilemmas of crime and poverty that so dehumanize urban life would be tackled with a renewed public will.²³

Still, cities were portrayed not as engines of change but as warrens of misery, poverty, and crime. But even the 1992 riots could not induce action from Bush and Congress and the president vetoed urban policy legislation, which included the enterprise zones that HUD Secretary Kemp had fervently advocated.²⁴ Even as some used the Los Angeles riots to argue for federal intervention in cities, others, in the tradition of the *Urban America in the Eighties* report, lobbied against what they deemed a paternalistic and oppressive welfare state that prevented cities from thriving. A 1992 post-riot article by Stuart Butler of the conservative Heritage Foundation typified this criticism: "Today's welfare system, and the irresponsibility it demands as the price for government aid, is perhaps the leading cause of the destructive social and economic environment in America's inner cities—the environment that made the Los Angeles riots a possibility."²⁵ Even the urban champion Jack Kemp was accused of associating with this point of view. Democratic Representative Bruce Vento of Minnesota complained to *The Washington Post* that Kemp had "HUD on an autopilot with Heritage Foundation software..."²⁶

The pessimistic conception of the welfare state eventually won over President Clinton, but his administration did refocus federal attention on cities and emphasize a more holistic urban agenda that reengaged communities in the urban revitalization process.²⁷ Vice President Gore chaired a Community Enterprise Board that helped organize the administration's urban policy efforts and HUD released several State of the Cities reports and drafted an Urban Policy Report in 1995. The reports emphasized fiscal restraint and welfare reform alongside federal economic and political partnerships with cities. HUD Secretary Henry Cisneros, like Secretary Kemp before him, urged the administration to address urban areas. In a 1995 memo to President Clinton, Cisneros wrote, "I want now to convey to you in the strongest terms that the time is now or never for a presidential urban strategy." Yet, again resorting to decline rhetoric and a reactive argument for federal urban policy action, he added, "[The administration does] not have enough to stand on in cities. We can be caught flatfooted by the violent outbreaks which will stem from the anger of the cities."²⁸

23 Jonathan Peterson. "Post-riot urban aid agenda forgotten on campaign trail," *The Houston Chronicle*. November 1, 1992.

24 *The Houston Chronicle* concluded, "Yet, except for a flurry of local efforts, nothing much has happened at all." Jonathan Peterson. "Post-riot urban aid agenda forgotten on campaign trail," *The Houston Chronicle*. November 1, 1992.

25 Stuart M. Butler, "The Urban Policy America Needs," Heritage Foundation Executive Memorandum #330, May 5, 1992.

26 Ann Mariano. "For Kemp, A Moment To Seize; Riots Focus A Spotlight On Cabinet Maverick's Urban Prescriptions," *The Washington Post*. May 5, 1992.

27 Kaplan, 670-671.

28 Ann Scales. "Cities barely figure as an issue in the national campaign," *The Boston Globe*. November 4, 1996. For a slightly different configuration of the quote, see Jerry Gray. "Kemp Accuses the President of Lacking Strategy to Deal With Inner City," *The New York Times*, September 20, 1996.

Current mayors often cite Clinton as the sole presidential benefactor of the nation's urban areas in recent history and during his presidency some even applauded his fiscal restraint. Clinton's empowerment zones and enterprise communities, for example, improved upon Reagan's enterprise zones by cultivating community participation and combining social service block grants with tax breaks for economic development.²⁹

Still, praise for Clinton should be understood in proper context. It comes after twelve years of an urban policy of "benign neglect" during the Reagan and Bush administrations that was again adopted by George W. Bush. Indeed, federal aid to cities dropped from 17.5 percent of city general revenue in 1977 to 5.0 percent in 1990, but had increased only incrementally by 2000 to 5.4 percent.³⁰ President Bush worked to remove the federal government further from urban policymaking. He imposed significant unfunded federal mandates while demanding cuts to the Community Development Block Grant program, whose funding declined about 7 percent between 2006 and 2008.³¹ He even recommended elimination of CDBG in 2006.

Although mayors were initially impressed by President Bush's "Urban Agenda for the 21st Century" presentation in 2000, they were quickly disappointed.³² Mayor Antonio Villaraigosa of Los Angeles calls the federal government's disengagement from urban affairs during the second Bush presidency "absolutely criminal."³³ Jack Kemp, the former HUD Secretary, perhaps summarizes Bush's continuation of the "benign neglect" orientation best: "Enterprise zones, along with school choice, personal retirement accounts and other pro-family initiatives supported by Bush, represent a complete urban agenda."³⁴ Thus, Bush's "urban agenda" essentially ignored place-based policies (except for enterprise zones), while emphasizing a pared down federal government with much of its former functions left to the market.

Presidents since Jimmy Carter have done little to cultivate the relationship with cities that would make the federal government, mayors, and other local leaders partners in the economic, community, and cultural development of cities. At the same time, attempts to articulate and institute a federal urban policy, particularly those of Presidents Johnson and Carter, relied on an urban crisis discourse that disassociated urban issues from the prosperity of the nation as a whole: urban policy was necessary not to unleash economic potential, but to make up for deteriorated conditions and to prevent their spread. President Obama, however, has the opportunity to focus attention on cities as the answers to serious economic and environmental challenges.

29 For a comparison of Reagan's enterprise zones and Clinton's empowerment zones/enterprise communities, see Gerry Riposa. "From Enterprise Zones to Empowerment Zones: The Community Context of Urban Economic Development," *American Behavioral Scientist*. 1996 Mar/Apr;39:536-551. Marilyn Lavin and Paul Whysall. "From enterprise to empowerment: the evolution of an Anglo-American approach to strategic urban economic regeneration," *Strategic Change*. 2004 Jun-Jul;13:219-229.

30 State aid during this period increased to make up for declining federal aid. However, federal and state aid combined fell "from 40 percent of city revenue [in 1977] to 30.3 percent [in 2000]." Bruce A. Wallin. "Budgeting for Basics: The Changing Landscape of City Finances," Brookings Institution Discussion Paper. 2005 Aug:5.

31 Department of Housing and Urban Development.

32 Richard Benedetto. "Cities get pledges of support from both Bush, Gore: Mayors give each standing ovations," *USA Today*. June 13, 2000.

33 See http://www.mayortv.com/antonio_villaraigosa.

34 Jack Kemp. "A complete urban agenda," *Copley News Service*. July 24, 2004.

THE INVESTMENT PROBLEM, THE PARTNERSHIP PROBLEM, AND THE OFFICE OF URBAN AFFAIRS

While President Obama has noted the continued need to address poverty—and, specifically, urban poverty—he has also emphasized that an urban agenda should not focus “exclusively on the problems in our cities” and that “antipoverty policy” should not be confused with a “metropolitan strategy.”³⁵ This sets the stage for urban policymaking based on the unique strengths of metropolitan areas—where the majority of economic activity occurs, the majority of jobs are done, and the majority of people live—and on the synergies between issue areas and interests that might otherwise compete.

The White House Office of Urban Affairs will be charged with overseeing urban areas alone and will evaluate how current policy affects cities and metro areas and how future policy can benefit them. This singular purpose, aided by prominent placement inside the White House and outside entrenched executive bureaucracy, will allow the Office to concentrate on long-range, multimodal planning. While various executive branch agencies already work on individual policy areas like housing and transportation, the Office can engage state and local officials in conversation about how best to coordinate federal funds earmarked for different projects. This will require the Office of Urban Affairs to focus on planned investment that breaks with the current practice of formulating objectives within the constraints of the annual budget cycle.

During the Bush administration and well before, the federal government failed to take significant action to confront serious national challenges, from rising health care costs to climate change to the housing and foreclosure crisis. In its absence, cities have innovated and developed their own solutions to these problems. Indeed, they have performed admirably: consider Healthy San Francisco, the city’s effort to expand health care access; the 935 mayors currently pledged to meet Kyoto Protocol targets; and Cleveland’s lawsuit against investment banks for their role in inflating that city’s already extraordinary foreclosure rate. Yet, such a patchwork system not only creates conflicting policies that cannot achieve economies of scale, but generally limits innovative programs to the few large and wealthy cities that can afford to enact them. This creates a “partnership problem” in which a lack of intergovernmental coordination hinders replication of functioning local reforms and produces fragmented action on issues best addressed by multiple agencies at different levels of government.

This partnership problem is similar to, and exacerbated by, an investment problem: a lack of coordinated spending in urban and metro areas. The United Nations’ latest *State of the World’s Cities* report shows that wealth inequality in Atlanta, Miami, and New York is similar to that in cities like Beijing and Freetown, Sierra Leone. Such local inequality produces not only the type of social unrest seen during the riots of the 1960s, but increased crime, slower economic growth, and a weakened middle class. Lower inequality, the United Nations report emphasizes, results not from market performance alone—as the “benign neglect” policymakers argued—but from the national regulatory, distributive, and redistributive governance of cities.³⁶ That is, smart investment in cities can actually lead to a much more level economic playing field.

President Obama’s White House Office of Urban Affairs must address both the partnership problem and the investment problem. Obama must keep pace with, for example, the Chinese who spend 9 percent of GDP on infrastructure while the United States spends a meager 2.4 percent. The Chinese have dedicated \$400 billion for six high-speed passenger railways, fourteen expressways, and other rail, road, and airport expansions to be completed by 2010 and will invest an estimated \$500 billion in road and railroad projects over the next three decades.³⁷ Meanwhile, the American Society of Civil Engineers estimates that the United States suffers from a \$2.2 trillion deficit in infrastructure investment. The group cites federal, state, local, and private sector

35 Barack Obama. “A Metropolitan Strategy for America’s Future,” U.S. Conference of Mayors. June 21, 2008.

36 *State of the World’s Cities 2008/2009: Harmonious Cities*. United Nations Human Settlements Programme. 2008.

37 *Infrastructure 2008: Competitive Advantage*. Urban Land Institute and Ernst & Young. 2008: 4, 11, and 27. *Investing in Global Infrastructure 2007: An Emerging Asset Class*. Ernst & Young. 2007: 33.

coordination as one of the keys both to meeting this shortage and to rebuilding infrastructure in a sustainable way that prioritizes the most important projects and promotes effective land use.³⁸

In the United States, the projects which are most in need of and which would benefit most from this infrastructure investment are located in and between the nation's urban and metro areas: aging water systems in Atlanta; steel rail in Honolulu; high-speed rail links between New York and Washington. The White House Office of Urban Affairs can coordinate and target investments to the cities and metro areas where such investment would benefit the country most. To do this, the Office of Urban Affairs must engage cities in partnership with the federal government without adopting the decline rhetoric that motivated past federal urban agendas.

The Office should be concerned as much with the myriad federal policies that impact urban areas (everything from the mortgage interest tax deduction³⁹ to environmental regulations) as with those policies that are specifically designed to stimulate urban prosperity. Improving the relationship between city and federal officials must remain a constant priority, along with legitimating the concerns and celebrating the innovations of mayors and expanding their role in creating new policies and replicating ones that already work. Based on President Obama's initial statements about urban policy, the Office will have the opportunity to demonstrate that the administration's urban agenda is about investment, rather than spending, and about harnessing the resources concentrated in cities through a budgetary and planning process that maximizes present value and extracts future potential.

In emphasizing the problems of the nation's urban areas, the Johnson and Carter administrations never reconciled diverse bureaucratic and constituent interests through a common vision for the nation's cities. Obama's Office of Urban Affairs can avoid bureaucratic infighting and overly narrow policy goals by articulating an urban strategy based on returns to investment in the nation's cities.

38 *2009 Report Card for America's Infrastructure*. American Society of Civil Engineers. 2009 Mar 25:12.

39 For example, President Obama's original budget submission to Congress included a proposal to limit tax deductions for households with incomes over \$250,000. Itemized deductions would be capped at 28 percent. The proposal would thus limit the mortgage interest deduction, which is cited by many urban experts as a primary factor contributing to sprawl. The Office of Urban Affairs should investigate how limiting the mortgage deduction—a broader budgetary consideration incidental to Obama's urban agenda—would affect migration to and from urban areas.

PLANNING FOR INVESTMENT

The success of the Office of Urban Affairs will depend on its ability to establish partnerships between the federal government, state governments, metropolitan planning organizations (MPOs), and city officials. The partnerships must be based on long-range planning that emphasizes the benefits of investment in urban and metropolitan areas.

The stimulus package passed by Congress in February provides an opportunity to evaluate how significant investments are being made in the nation's cities. Unfortunately, the effectiveness of the American Recovery and Reinvestment Act is being hindered by the lack of a national vision for infrastructure projects and the lack of collaboration on the large-scale initiatives that must succeed if short-term job creation is to play a significant role in long-term economic recovery. Certainly, the need to prevent American households from experiencing serious pain during the economic downturn has required swift action that inevitably leads to spending inefficiencies. But cities and states are scrambling to spend massive infusions of federal dollars; arguing about funding for highways and Medicaid disbursements; and even devising miniature stimulus packages they can manage—all because there has been little federal engagement with these disputes to enable joint ventures between cities and states that would minimize competing agendas.

A similar problem emerged in the wake of the Great Depression in an economic environment much like today's. Gerhard Colm, a top economic adviser to the Roosevelt and Truman administrations, once admitted that perhaps the biggest limitation to fiscal policy in the 1930s and 1940s was the extreme absence of local, state, and federal coordination. A patchwork approach to stimulus projects led to clashing perspectives not only on how to spend, but on where and when to spend, with the most intense conflict emerging between the urgency of public works and the desirability of postponing them.

In 1968 Charles Schultze, President Johnson's budget director, responded to Colm's concerns from years earlier, arguing for a stronger White House presence at the state and local level since decisions about how to design and execute public works are made more effectively in the field than in Washington. If representatives of the executive branch are dispatched outside of Washington and embedded in the trenches with state and local leaders, rather than confined to bureaucratic posts, a different political reality informs economic policy.⁴⁰ These officials would coordinate programs at the local level and assist mayors and governors in carrying out joint enterprises with the federal government. As Schultze declared in 1968, "all of the newer federal social programs are joint ventures with state, county, and city governments—in some cases with all of them at the same time."⁴¹ Such partnerships helped to defuse the debate about short-term and long-term objectives, once again a pressing conflict as President Obama juggles the immediate demands of a faltering economy with long-term health care, tax, and energy reforms.

As President Obama himself has emphasized, the effectiveness of his stimulus package depends on strategic selection of public works projects identified by mayors, governors, and other public officials according to a host of criteria: the speed with which they can be undertaken; the type, availability, and location of the workers they require; and their long-term economic effects. The Office of Urban Affairs should immediately begin to coordinate the federal government's communication with officials at the city and metro level where most of these public works projects are being and will be undertaken. In the short term, such coordination would greatly improve how stimulus funds are spent.

For instance, *The New York Times* recently described meetings in the New York State Capitol between a state transportation official and the state's "recovery cabinet."⁴² The officials, the article explained, were overwhelmed by the flood of federal stimulus funds. The funds were a blessing to the cash-strapped state, but deciding where

40 Democratic legislative leaders have recognized a similar need by recommending that new Democratic House members appoint a staffer as an economic recovery director. Democratic Congressional Campaign Committee Chairman Chris Van Hollen [D-MD] explained to freshman and sophomore Democrats, "It will be the job of this individual to provide guidance, answer questions, coordinate with state officials, research formulas and application processes, write support letters, and troubleshoot for worthy individuals, government entities, groups or organizations who would like to access funds." Jared Allen. "Van Hollen seeks stimulus czars," *The Hill*, February 25, 2009.

41 Charles L. Schultze. *The Politics and Economics of Public Spending*. Brookings Institution. 1968:131.

42 Nicholas Confessore. "Amid N.Y.'s Budget Crisis, a Scramble to Spend Billions," *The New York Times*. March 4, 2009.

to spend them was a challenge: the officials were exasperated both by the speed and legitimacy requirements imposed by the federal government and by competing state and local priorities. But imagine if an employee of the Department of Transportation were dispatched by the Office of Urban Affairs to the New York State Capitol where she invited representatives of the Metropolitan Transportation Authority and New York City to join them and discuss which projects made most sense for all three parties. She could clarify the federal requirements and move projects that create sustainable jobs and serve broader interests to the top of the pile. She might focus on coordinating funds to rehabilitate foreclosed properties with funds to improve mass transit service, an effort that would spur growth and development.

Well-staffed regional offices could help set policy goals for the administration's stimulus package, outline ways to achieve those goals, and evaluate in real time whether progress is being made based on interviews with experts, elected officials, and ordinary Americans. Stimulus spending would serve as a model for future investments in infrastructure, education, and the environment. This is about more than just selecting the right projects and following the letter of the law. Ensuring that taxpayers get their money's worth from the stimulus package and from other programs requires federal officials on the ground watching spending as it happens and comparing notes. It requires a regional office that doesn't oversee public works, but assists with the plans for and the construction of them, thus making Washington a significant stakeholder in the success of individual projects.

Schultze argued that to make these partnerships endure, it was necessary to end "the pernicious practice of incremental budgeting," really, the formulation of objectives and programs within the constraints of the annual budget cycle.⁴³ Indeed, solving the problems of partnership and investment requires a more expansive model of planning and budgeting that normalizes intergovernmental relationships over time and institutionalizes long-term planning. For example, the Office of Urban Affairs might propose that capital projects be separated from "regular" federal spending, even creating an ersatz budget to demonstrate the unique returns of each. This would recognize that spending on, say, a new bridge is an investment in short-term (employment), medium-term (eased congestion), and long-term (increased business activity) returns. Additionally, this type of budgeting would strengthen urban and metro partnerships with the federal government by insulating significant projects from yearly budget decisions that might not take into account a program's future benefits. One need look no further than the infamous Blue Dog Democrats for an example of the rigidity and short-sightedness with which some members of Congress currently view federal spending.

43 Schultze, 23.

DEVELOPING A STRATEGY FOR METROPOLITAN AMERICA

The White House Office of Urban Affairs is “to develop a strategy for metropolitan America and to ensure that all federal dollars targeted to urban areas are effectively spent on the highest-impact programs.” While the Office itself will compete for attention with numerous agencies with countless priorities, the Office of Urban Affairs must tirelessly point out that the issues facing metropolitan America are the same issues that face the nation as a whole.

What should President Obama’s metropolitan strategy consist of and what policies should the Office advocate in order to realize that strategy?

Although President Obama is likely to take a new approach to urban policy, his proposed urban agenda still aligns urban policy with anti-poverty measures:

As a community organizer on the South Side of Chicago, President Obama learned firsthand that urban poverty is more than just a function of not having enough in your pocketbook... President Obama is committed to leading a new federal approach to America’s high-poverty areas, an approach that facilitates the economic integration of families and communities with efforts to support the current low-income residents of those areas.⁴⁴

This rhetoric is starkly different from the words the President used during a speech to the U.S. Conference of Mayors:

Washington remains trapped in an earlier era, wedded to an outdated “urban” agenda that focuses exclusively on the problems in our cities, and ignores our growing metro areas; an agenda that confuses antipoverty policy with a metropolitan strategy, and ends up hurting both.⁴⁵

These statements, taken together, suggest that while many of the traditional challenges of urban policy remain, the approach to these challenges will be a new one. Shifting the focus from “urban areas” to “metro areas” recognizes that the fate of cities and their suburbs is interrelated and, by extension, that the fate of metropolitan America is linked with that of America itself.

Thus, in developing a metropolitan strategy, the Office of Urban Affairs will ultimately address the issues that are facing the nation as a whole: energy independence, environmental sustainability, housing affordability, job creation and access, education, immigration, and infrastructure. The federal bureaucracy as currently imagined is accustomed and designed to address these issue areas independently of one another. However, a more comprehensive approach is needed in order to address their interrelated nature.

The following section provides guidance for the formulation of a national urban policy by emphasizing the natural and historic strengths of cities—the way in which cities are uniquely situated to address the challenges that the country now faces—and the innovative policies that these cities have enacted in the absence of federal leadership.

44 See “Urban Policy” at http://www.whitehouse.gov/agenda/urban_policy/.

45 Barack Obama. “A Metropolitan Strategy for America’s Future,” U.S. Conference of Mayors. June 21, 2008.

Cities are “greener” than the suburbs

The Office of Urban Affairs should promote policies that encourage higher-density, transit-oriented development by tying federal funding for transportation to projects that encourage dense development anchored by transit stations.

As the administration moves forward to address climate change, attention must be given to the way that our development patterns affect energy use and our environment. Although it may seem counterintuitive, living in the central city is much more environmentally friendly than living in the suburbs. In New York, for example, those living in the central city emit 6,000 fewer pounds of CO₂ annually than those in the surrounding suburbs.⁴⁶ City dwellers tend to have smaller homes and, therefore, to use less electricity. Dense cities also allow residents to walk, bike, or take public transportation instead of driving, reducing auto-related CO₂ emissions.

This doesn't mean that everyone should be forced to live in urban high-rises, but it does mean that we need to examine our land-use policies. We should incorporate urban principles into new suburban developments. Suburbs need to offer a variety of housing options, from single-family detached homes to multi-family apartment buildings. Higher-density transit corridors may exist in between areas of more traditional suburban densities. New York's first ring of suburbs, such as Montclair, New Jersey followed this model. Newer cities, such as Charlotte, North Carolina are taking this approach. Charlotte approved its *Centers, Corridors, and Wedges* plan in 1997 in order to address the sprawling nature of its development patterns.

The federal government should follow the lead of California, which passed a law that requires metropolitan planning agencies to create a “sustainable communities strategy” that then becomes part of the Regional Transportation Plan.⁴⁷ The federal government could also reward, with competitive grants, the jurisdictions whose land use and transportation plans reflect the goals of creating denser, transit-oriented development.

Public transit keeps housing affordable

The Office of Urban Affairs should examine the way that federal transportation dollars are currently delegated to highway projects versus public transit projects and advocate for more parity in funding transit.

New York City is known for its high housing prices. It is also known for its extensive public transit system. What isn't very well known is that when the cost of housing plus the cost of transportation is taken into consideration, New York City residents actually spend less of their incomes on these two expenses than their suburban counterparts.⁴⁸ The same holds true for many other metropolitan regions, where housing plus transportation costs are lower in the central city than outside of it.

Transportation is the second largest cost for households after housing and can take up to 25 percent of the household budget in areas that are auto-dependent. Individuals may be drawn to the outskirts of metropolitan regions because of lower housing costs. However, since these areas are often further from job centers, schools, and shopping and have few transit options, those living in them are forced to drive longer distances and own more automobiles per household than those living in more centrally located areas, increasing household transportation costs.

The Office should advocate for increased funding for transit operating assistance, especially during times when local funding streams for transit, such as sales taxes and real estate taxes, are diminished.

46 Edward L. Glaeser and Matthew E. Kahn. “The Greenness of Cities: Carbon Dioxide Emissions and Urban Development,” NBER Working Paper Series, Working Paper 14238. 2008 Aug.

47 California SB 375. See “Governor Schwarzenegger Signs Sweeping Legislation to Reduce Greenhouse Gas Emissions through Land-Use,” State of California Office of the Governor Press Release. September 30, 2008.

48 Center for Transit-Oriented Development and Center for Neighborhood Technology. “The Affordability Index: A new tool for measuring the true affordability of a housing choice.” The Brookings Institution, Metropolitan Policy Program. 2006 Jan.

It's not just homeownership

The Office of Urban Affairs should focus on providing affordable housing opportunities beyond homeownership.

Over the past several decades, federal, state, and local housing policies have focused on increasing homeownership opportunities for those who have previously been unable to access mortgages. However, the home foreclosure crisis is a painful lesson about the limits of these policies. While increasing access to homeownership is still a laudable goal, we must not forget the vital role that rental housing plays in filling the nation's housing needs. In urban America, renters make up the largest percentage of households. In the ten largest cities in the U.S., 55 percent of all units are renter occupied. Some households rent out of choice, some by necessity.

However, all renter households are feeling pressure from steadily rising rents. These increases are the result of several factors: higher development costs, demand outpacing supply, restrictive zoning and land use policies, and access to financing. Median gross rent increased by 2.7 percent between 2001 and 2006 while the median renter income fell by 8.4 percent.⁴⁹ Housing experts are still uncertain about what effect the popping of the housing bubble will have on rents, but drastic rental price reductions in the near term are still unlikely. High rental prices in American cities put enormous pressure on renter households, making it difficult for these households to maintain a middle-class standard of living (especially in communities that do not have viable public transit options). At the same time, the federal government has chronically underfunded rental assistance programs and public housing.

The Office of Urban Affairs should advocate increased tax breaks for developers who construct multi-family housing units and include a certain percentage of those units for lower and moderate-income families. These tax breaks could be funded by rolling back the amount of mortgage interest high-income families may deduct from their taxes. The Office could also set new guidelines so that Low-Income Housing Tax Credits are rewarded to those projects that reflect the goals of increasing density in suburbs and locating new affordable housing near transit.

We need energy-efficient buildings

The Office of Urban Affairs should advocate increased funding for energy efficiency projects by rewarding those jurisdictions that adopt green building codes. The Office could also advocate for the first national green building code.

In 2007, New York City Mayor Michael Bloomberg announced the goal of reducing New York City's greenhouse gas emissions 30 percent by 2030. That same year, the city released its *Inventory of New York City Greenhouse Gas Emissions*.⁵⁰ The report found that 77 percent of all greenhouse gas emissions came from buildings—for processes like heating, cooling, and powering appliances.

This presents both a challenge and an opportunity. By taking serious steps to increase the energy efficiency of its buildings, with technology that is currently readily available, a city may drastically reduce its carbon footprint. For older cities in the Northeast and the Midwest, this will require retrofitting older houses and commercial buildings to utilize the newest energy efficient technology. For newer cities in the Sunbelt, this will require strict building codes that focus on green building techniques. San Francisco and Berkeley, California have both adopted ordinances that require property owners to meet energy efficiency requirements before they are able to sell their properties⁵¹ while dozens of municipalities have adopted green building codes for new construction.

49 *America's Rental Housing: The key to a balanced national policy*. Joint Center for Housing Studies of Harvard University. 2008.

50 "Inventory of New York City Greenhouse Gas Emissions," The City of New York. 2008 Sep 17. Available at http://www.nyc.gov/html/planyc2030/downloads/pdf/emissions_inventory_2008.pdf.

51 These are called Residential Energy Conservation Ordinances and Commercial Energy Conservation Ordinances, or RECO/CECO ordinances.

Because such a large percentage of the country’s emissions come from buildings, any national goals of greenhouse gas reductions must focus on making buildings more energy efficient. Our cities and suburbs will need to lead the way.

Promote transportation alternatives

The Office of Urban Affairs would help improve environmental, safety, and traffic efficiency standards by supporting urban efforts to provide transportation alternatives.

Forty-one percent of all car trips in urban areas are less than two miles. However, because many areas of our metropolitan regions were built to accommodate only the automobile, individuals have few options for these trips other than a car, creating more traffic, continuing our dependence on oil, and contributing to global warming. Some cities, such as Seattle, have taken steps, known as a Complete Streets policy, to ensure that all new road projects accommodate not just cars, but pedestrians, bicyclists, and mass transit as well.

New York City is also reevaluating how it allocates road space to automobiles, pedestrians, and bicyclists with its Sustainable Streets initiative.⁵² The program reclaims the city’s roadways for pedestrians and bicyclists. The city has committed to building 200 miles of bike lanes in the city by June of 2009. As a result, the number of people commuting to work by bicycle has risen dramatically. Between 2000 and 2007, the number of bicycle commuters increased by 77 percent. Last year, bicycle commuting was up an additional 35 percent from 2007 levels. At the same time, automobile traffic in the city has remained flat. These trends are good for the city’s air, traffic congestion, and physical health.

The Office of Urban Affairs should support the efforts of Senator Tom Harkin [D-IA] and Representative Doris Matsui [D-CA] who have introduced the Complete Streets Act of 2009 in both Houses of Congress. The Act would “ensure that future transportation investments made by state Departments of Transportation and Metropolitan Planning Organizations create appropriate and safe transportation facilities for all those using the road—motorists, transit vehicles and riders, bicyclists, and pedestrians of all ages and abilities.”⁵³

Save lives by cleaning our nation’s ports

The Office of Urban Affairs should address the health and environmental impact of our nation’s ports.

The seaports and airports of our cities handle the vast bulk of the nation’s cargo. From these ports, goods are moved by truck and rail to the rest of the country. Trucks carry the majority of our goods: 67 percent of the total weight and 74 percent of the value of our cargo freight. Trucks are not only inefficient compared to rail from an energy perspective, but can also be harmful to the health of city dwellers living near ports and trucking corridors. The official appointed to head the Office of Urban Affairs, Adolfo Carrion, represented the Bronx as Borough President for seven years. He knows the impact that diesel emissions from trucks have on asthma rates. The South Bronx is ringed with expressways and plagued with truck traffic from the nearby George Washington Bridge and some of the busiest wholesale produce, meat, and fish markets in the world. As a consequence, the area has one of the highest rates of asthma hospitalization in the U.S. In some neighborhoods in the Bronx it is estimated that 20 percent of the children have asthma. Similar problems are found in other port and trucking corridor communities, such as the area around the Port of Los Angeles and the Port of Oakland.

The Office of Urban Affairs should support the efforts of the Port of Los Angeles by asking the Federal Maritime Commission to rescind its ban of the Clean Truck Program. The Office should also consider setting a more rigorous standard for diesel truck emissions at all the nation’s ports. Additionally, the Office should make modernization of the nation’s rail freight infrastructure a priority.

52 See <http://www.nyc.gov/html/dot/html/about/stratplan.shtml>.

53 See <http://www.completestreets.org/federal.html>.

Job quality matters

The Office of Urban Affairs should take steps to increase job quality by emphasizing the significant impact increases in the federal minimum wage and unionization have on the urban workforce.

Through the first half of the 20th Century, cities were centers of manufacturing. These jobs, along with union membership, provided middle-class and aspiring middle-class families with a decent standard of living and a means to be self-sufficient and upwardly mobile. However, competition from the suburbs, where land costs are cheaper and union membership is less common, and from abroad, have led to the disappearance of many of these jobs from center cities. These jobs have been replaced by lower-paying service industry jobs in retail, food service, and health services, which rarely pay a living wage and seldom provide health benefits to their employees.

San Francisco is an example of a city that has taken several steps to address the erosion of manufacturing jobs and the benefits that went with them. The city established a program that makes health care services accessible and affordable to uninsured city residents. San Francisco also introduced paid sick leave for all employees in the city, allowing workers to care for themselves or sick family members without having to worry about losing wages or their job. Lastly, the city's Eastern Neighborhoods Plan protects the remaining manufacturing jobs in these neighborhoods by reserving land for industrial purposes.

Economic development subsidies need to enhance job quality

The Office should support public subsidy accountability measures, such as the efforts of Representative Dennis Kucinich [D-OH], to tighten the IRS regulations that govern the use of tax-exempt bonds for the construction of sports arenas.

Cities commonly offer businesses and developers subsidies to locate or complete projects in their jurisdiction. While politicians stress how many jobs a certain project may bring into the area, not enough emphasis is put on the quality of jobs that are being created. Subsidies for large retail developments or sports arenas may bring new jobs to an area, but these jobs seldom pay enough to support a family. When subsidies are given to businesses that do not pay a living wage, taxpayers end up paying the subsidy twice: once to the business and again for programs such as Medicaid, food stamps, and housing assistance that are funded through taxpayer dollars and are needed by a company's workers to make ends meet.⁵⁴

Additionally, there is often insufficient oversight and accountability during the negotiations and after a deal is made to ensure that economic development subsidies actually benefit the communities where the projects are located. Cities like Austin, Texas have taken a different approach to subsidies by implementing a process in which development projects are evaluated based on a series of subjective criteria. Austin has also banned the use of tax dollars for subsidizing retail developments.

Critics of development subsidies also point out that they may undermine a metropolitan region's economic vitality when different municipalities or jurisdictions within the same region compete with one another by offering subsidies to businesses. When jurisdictions compete for businesses by offering tax breaks and lax regulation, the result is a race to the bottom. Tax dollars are diverted from other uses such as the provision of public goods and services and future tax revenue is often lost as part of the deal.

54 For more, see Good Jobs First at http://www.goodjobsfirst.org/corporate_subsidy/hidden_taxpayer_costs.cfm.

Public housing is vital

The Office of Urban Affairs should seek to end years of declining funding levels for public housing. The Office should also advocate the construction of new public housing units in order to address the needs of those families making below 30 percent of the area median income.

The perception of public housing in the American imagination is not a flattering one. Most Americans would describe public housing projects as dirty and crime ridden. The flaws of public housing rest mainly in design—public housing tends to be physically, economically, and psychologically separated from the surrounding city—and in chronic underfunding.

However, as other cities have demolished their housing projects, in New York City public housing still plays a vital role in the city's housing market. Over 400,000 people live in city-owned housing projects, a population roughly equal to that of Oakland, California. Without public housing as an option, many of these families and individuals would have nowhere else to go. Public housing can be successful and should once again be considered to support the housing needs of low-income households in our metropolitan regions.

Fix our urban school systems

By promoting the housing and land use policies discussed above, the Office of Urban Affairs can address the concentrations of wealth and poverty that have led to the gap in urban and suburban educational achievement. The Office should highlight urban education efforts with proven effectiveness and leverage these efforts with increased federal support.

Suburbanization and the depopulation of central cities led to the deterioration of central city school districts. The loss of middle- and upper-income families led to a shrinking tax base and to school districts that were increasingly economically segregated. These factors then led to lower school performance, which prompted more families with the means to move out of the city to do so.

Urban school districts also serve different populations with greater needs, such as children who do not have English-speaking parents in the home or are living in poverty. Any attempt to close the educational attainment gap must also address these socioeconomic factors.

The result is a staggering gap in graduation rates between urban and suburban school districts. Research by Editorial Projects in Education shows that graduation rates are 15 percent lower in urban schools than suburban schools and that graduation rates in the largest cities are lower than in the average urban location.⁵⁵ Cities are now reversing the outward flow of population by attracting young professionals. However, unless cities are able to fix their disinvested school systems, these new residents will leave once their children reach school age.

WHOUA must take steps to increase urban graduation rates. More successful dropout prevention in schools across the country is in our long-term economic interest. For example, increasing the high school graduation rate and college matriculation for male students by just 5 percent would lead to combined savings and revenue of almost \$8 billion each year. High schools graduating more students prepared for college and the workforce greatly reduce healthcare costs for states. Individuals with higher education obtain jobs that are more likely to provide health care and other benefits. Reinvesting in city school districts can improve urban communities by providing access to better jobs and reversing the trend of middle-class families abandoning urban centers in search of superior schools.

One model program of early intervention in dropout-prone schools is Project GRAD, based in Houston. The basic idea is to restructure schools to become more responsive at every level to the most at-risk students, offering a wider array of resources and services along with stronger social support, revamped curriculum, and higher standards across the educational continuum. Project GRAD has succeeded in some of the most impoverished

55 Christopher B. Swanson, "Cities in Crisis: A Special Report on High School Graduation," Editorial Projects in Education Research Center. 2008 Apr 1.

urban schools in Houston, Newark, Los Angeles, Nashville, Columbus, Atlanta, and beyond—boosting graduation rates while lowering disciplinary problems. Project GRAD costs approximately 5 to 7 percent of the annual per-student spending in the public schools where implemented.

Immigration policy must strengthen the rights of immigrants

The Office of Urban Affairs should support federal immigration reform and should emphasize the impact that inaction by the federal government is having on cities.

The federal government has continually failed to address immigration reform in a meaningful way. As President Bush and the previous Congress repeatedly sidestepped the issue, city governments faced uncertainty about how to protect the rights of immigrants, in general, and of immigrant workers, in particular, while addressing concerns about the appropriate enforcement of immigration law.

This failure of leadership at the federal level has resulted in a patchwork of different immigration policies in different cities, some good and some counterproductive. Federal immigration reform should be informed by the best of these policies—such as New Haven, Connecticut’s municipal ID card and New York City’s language access policies—while emphasizing uniformity. These policies increase immigrants’ access to vital city services and enable them to participate in civic life.

Most importantly, any reform must recognize that, because undocumented immigrants are under constant threat of deportation, they cannot effectively assert their rights in the workplace, putting downward pressure on the wages and benefits of all workers. Effective immigration reform will take the pressure off city governments for protecting the rights of immigrants and, thus, end the zero-sum game created as often voiceless immigrant workers compete for lower wages and benefits.

Federal immigration reform should grant current undocumented immigrants permanent legal residence. A legalization plan could include such requirements as a criminal background check, payment of any back taxes, proficiency in English, and the imposition of a fine for having violated civil immigration statutes.

CONCLUSION

The United States currently faces serious challenges that will require bold action from policymakers. Health care, environmental, and immigration reform along with economic recovery and stabilization of the financial system are just a few of the issues that the President, Congress, and state and local leaders must address in the near future.

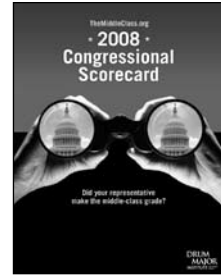
One of the unifying characteristics of these issues is the extent to which they impact cities and their surrounding metropolitan areas. The concentration of population and economic activity in these regions means that important investments—from health care reform to infrastructure spending—will occur in and around cities. Indeed, much of the stimulus package will be expended in metropolitan areas. This same concentration offers unique opportunities for addressing environmental concerns as increased density and transportation alternatives reduce emissions; for addressing shortages of affordable housing; and for focusing efforts to improve job quality.

The federal urban policies of past administrations did not recognize cities as unique and integral components of the nation's prosperity. President Obama has shown signs that his administration will be different. To ensure an economic recovery that works for all Americans, President Obama and his Office of Urban Affairs must formulate and implement an urban agenda that recognizes cities as the answers to the myriad challenges currently facing the nation.

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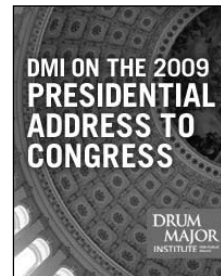
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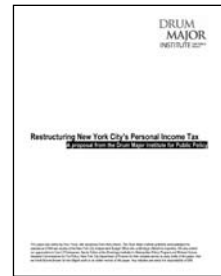
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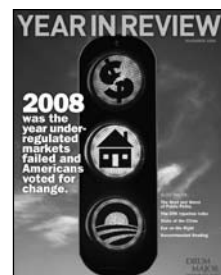
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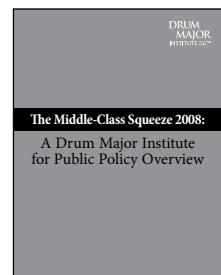
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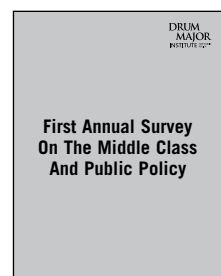
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September 2008 / Most Americans aim to attain – or hold onto – a middle-class standard of living including a reliable job with fair pay; access to health care; a safe and stable home; the opportunity to provide a good education for one’s children, including a college education; time off work for vacations and major life events; and the security of looking forward to a dignified retirement. With this overview, DMI brings together the latest data illustrating how precarious that standard has become.



FIRST ANNUAL SURVEY ON THE MIDDLE CLASS AND PUBLIC POLICY

August 2008 / Despite media depictions of a sharp red and blue divide, DMI’s nationwide survey of the middle class finds a broad consensus on a range of public policies aimed at easing the economic squeeze. Middle-class Americans support a universal national health insurance plan, requiring employers to provide paid family and medical leave, making it easier for employees to join labor unions and allowing bankruptcy judges to change mortgage payments to prevent foreclosure. Yet there is a profound disconnect between the nation’s legislators and their middle-class constituents. While two-thirds of respondents say they try to follow what Congress is doing, few know how their representatives voted on issues they care about.



WHO IS THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY?



The Drum Major Institute for Public Policy is a non-partisan, non-profit think tank generating the ideas that fuel the progressive movement. From releasing nationally recognized studies of our increasingly fragile middle class to showcasing progressive policies that have worked to advance social and economic justice, DMI has been on the leading edge of the public policy debate. Founded during the civil rights movement, DMI equips those on the frontlines with the tools to more effectively advance an agenda of social and economic justice, including research, model policies, policy-driven Web sites, and even young talent.

For more information, please visit www.drummajorinstitute.org

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