

How Have Previous Fiscal Stress Periods Aggravated Or Abated Urban Problems?

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Although metropolitan regions produce much of the nation's economic wealth, they also have many urban problems related to concentrations of poverty, unemployment, crime, and low business activity. These problems are often found in central cities or particular areas within central cities, but they can be widespread in suburban jurisdictions that are near the central city. Not surprisingly, periods of economic decline disrupt metropolitan economies greatly, but suburban local governments with more urban problems are likely to become worse off than those with fewer urban problems because of lower capacity and fewer assets to leverage.

Local governments' primary strategies for tackling urban problems focus on expanding their economic base using developmental programs and policies that give businesses and residents more incentive to locate within their jurisdiction than competing jurisdictions. These incentives include well planned and maintained infrastructure to support residential and business demands (e.g. adequate flood control, high speed communications, sufficient transportation), tax expenditures, and the availability of desirable land and/or structures. When successful, these strategies can increase jobs, retail sales, property values, and other sources of local revenues, often at the expense of governments that do not have the tools or capacity (financial or administrative) to compete in the economic and community development arena.

For local governments that can compete in this arena, one question that arises is whether these strategies have aggravated urban problems? A related question is what strategies have not or will not aggravate urban problems? To some degree, the success of local strategies to improve financial condition through growth and development depends on regional trends, future national trends, and other events that are unpredictable and beyond the control of local government. Thus, it is hard to generalize about the effects of such strategies in general or for different regional conditions. However, many would claim that growth and development strategies pursued independently by multiple, fragmented, local governments were destined to create urban sprawl with its detrimental affects on traffic, the environment, land use, and quality of life in metropolitan regions.

Others might also say that the current economic conditions of higher oil prices (expected) and the collapse of property values and the housing market (not so expected) present an opportunity to halt or slow sprawl in metropolitan regions. The strategies necessary to accomplish this may require coordinated and collaborative activities by all local governments in a metropolitan region, the creation of new governments, and regulation or advancement of private and public incentives by higher levels of government. For instance, state governments can institute laws to limit or direct growth in urban areas as Oregon did in 1973, and they can offer incentives in the form of grants to governments or tax expenditures to developers to promote transit-oriented development. More recently, the State of Georgia created the Georgia Regional Transportation Authority to help manage the debilitating effects of sprawl on the economic growth and quality of life throughout the Atlanta region.

Both examples demonstrate a top-down approach to resolving urban problems by creating new institutions (rules and governing entities) at higher levels of government. Many view this approach as the most viable because it imposes cooperation from separate governments, and guarantees their contribution to regional goals. However, others argue that collaborative approaches to resolving urban problems can be voluntary if the solutions do not require redistribution of wealth or large numbers of governments, and the incentives are structured appropriately.

One of the most common forms of voluntary agreements between local governments to assuage the effects of uncoordinated development is the annexation agreement. Numerous annexation agreements exist between cities and between cities and counties that establish revenue and cost sharing for annexed land and current or future development on that land. The Municipal Research and Service Center (<http://www.mrsc.org/subjects/planning/revenueshare.aspx>) documents many such agreements in the State of Washington. There are also numerous examples of voluntary cooperation among local governments in metropolitan areas to achieve financial and service goals that benefit all parties. For instance, the South Suburban Mayors and Managers Association in the Chicago Metropolitan Region, which includes the poorest municipal governments in the region (some of which are insolvent), created the Chicago Southland Economic Development Corporation to identify, organize and mobilize public and private resources to facilitate economic growth in this depressed area. The National League of Cities documents annexation agreements and many other types of cooperative



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arrangements among local governments around the nation

(<http://www2.nlc.org/examples/cknsearchtest.htm>).