Opportunity Urbanism

An Emerging Paradigm for the 21st Century

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by Joel Kotkin

All photos in this publication were taken in the Houston region.

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Table of Contents

Opportunity Urbanism: An Emerging Paradigm for the 21st Century
Executive Summary
page5

PART ONE
Opportunity and the American City
page 11

PART TWO
Shifting Urban Perspectives: From the Middle Class to the Creative Class
page 17

PART THREE
The Demographics of Opportunity Urbanism
page 25

PART FOUR
The Economic Basis of Opportunity Urbanism
page 35

PART FIVE
Can Opportunity Cities Become World Cities?
page 47

PART SIX
Policy Challenges for Opportunity Cities
page 61

CONCLUSION
A New Model of 21st Century Urbanism
page 75

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Opportunity Urbanism: An Emerging Paradigm for the 21st Century

Executive Summary

In the first decade of the 21st century, several critical analyses have emerged about the future of American cities. This paper attempts to lay out a new notion: that of "Opportunity Urbanism." This concept stresses a region's ability to create jobs, offer affordable housing, and present entrepreneurial openings to a growing and highly diverse population as the surest signs of urban vibrancy. It embraces the fundamental principle that one of the primary historic roles of cities has been to nurture and grow a middle class—to be an engine of upward social mobility.

Houston exemplifies the characteristics
we identify with Opportunity Urbanism...

Our emphasis on a city's ability to provide opportunity for a broad spectrum of citizens differs from what some consider the main current of today's urban policy thinking. We recognize that concerns about income inequality have been voiced, even by senior policymakers and analysts.[1] Nevertheless, contemporary trends in thought regarding city development concentrate not on upward mobility, or even on the middle class, but on what might best be called an "elite" strategy.

In one view, the fate of urban areas—and of cities in general—depends largely on the area's ability to attract the wealthiest individuals, the people with the highest skills, and those who can perform the most rarefied economic functions. The resulting "superstar cities" cater largely to the upper classes and to those who serve them; generally, those cities are becoming too expensive for middle income individuals or families.[2]

Another popular formulation concludes that to remain vibrant, cities must lure the so-called "creative class" of skilled workers with urban amenities, social attitudes, and cultural offerings. The emphasis here is on the so-called "war for talent." Cities that win this battle, the theory goes, emerge as the avant-garde in technology, culture, and the expanding global economy.

Implicitly, these approaches give short shrift to the need to accommodate either an expanding population or a wide variety of social groups. These formulations emphasize "quality" as opposed to "quantity"; each superstar city should be preoccupied with the struggle to boost its attractiveness to elites, as opposed to seeking ways to keep the doors of opportunity and homeownership open to the working and middle classes. Instead, superstar cities offer what New York Mayor Michael Bloomberg has called "a luxury product."[3]

SAM PIERSON

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A handful of urban regions—San Francisco, Boston, perhaps Seattle and Portland—could conceivably succeed with such a strategy. These areas have relatively low percentages of undereducated people, and boast nested concentrations of high-end industries. But it is difficult to see how such areas could accommodate an American population that is expected to rise from 300 million today to at least 400 million in 2050.

For this reason, we believe that "opportunity cities" represent the predominant model for America's urban future, including for some of the more hard-pressed older, industrial cities. Because of widening differences in housing and other costs, there has been a decisive demographic tilt towards cities such as Phoenix, Dallas, Atlanta, Charlotte, and Houston. In a perhaps less-understood phenomenon, these cities are also showing marked gains in attracting high-wage employers and educated migrants, including members of the ballyhooed "creative class." These are, of course, the very jobs and workers that are widely thought to be concentrating in more elite places.

Increasingly, this shift has included a movement of large corporate headquarters and of higher-end jobs to these opportunity cities. Firms that need to compete globally generally expand in business-friendly places that possess decent infrastructure and amenities, and that can accommodate a broad range of employees.

In defining our concept of "Opportunity Urbanism," we rely heavily on a detailed investigation of trends in Houston, an understudied city that has enjoyed some of North America's most rapid economic and population growth over the past generation. We have studied Houston not as an end in itself, but to explore the fundamental economic and demographic dynamics of what Houston Mayor Bill White has defined as, first and foremost, an "opportunity city."

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Houston exemplifies the characteristics we identify with Opportunity Urbanism: openness to outsiders, a diverse and highly entrepreneurial economy, a friendly business climate, a commitment to continued infrastructure development (particularly mobility), and a basically positive attitude toward growth. As both our historical and statistical analysis will show, many other cities exhibit some or all of these characteristics, although few as clearly or on such a scale as Houston.

We also address the long-term potential of urban opportunity areas to become global cities. It has long been assumed that although places such as Houston may service regional or national markets, they lack the *savoir faire* to be taken seriously on an international level. Yet we believe that some opportunity cities have already achieved significant global status and, during the coming generation, will demonstrate the true long-term potential of Opportunity Urbanism.

Finally, we acknowledge the significant challenges faced by opportunity cities. By their very nature, these cities attract more than those individuals who are well-heeled, well-educated, or otherwise well-placed for success in the information-age economy. The integration of these newcomers into the advanced economy—where skills are increasingly paramount —represents both the greatest challenge and the foremost advantage for opportunity cities such as Houston.

...openness to outsiders, a diverse and highly entrepreneurial economy, a friendly business climate... and a basically positive attitude towards growth.

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Part one

Opportunity and the American City

Urban America's trajectory has been defined by the shift of the opportunity frontier from one city to another. Unlike Europe and Asia—where the location of potentates and religious institutions often mandated the creation of great cities—American cities have no pre-ordained hierarchy. Even our capital, Washington, D.C., has only recently emerged in the first tier of cities; for much of its history, it remained something of an urban backwater.

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...what may account for Houston's success is an opportunistic spirit embedded in the city's DNA.

Early Examples: *Urban Incubators*

In contrast to the European model, American cities developed as incubators of entrepreneurship and became beacons for the upwardly mobile. America's greatest city, New York, was only briefly the nation's capital; its importance has derived primarily from entrepreneurs and aspiring newcomers serving as a vehicle for entrepreneurs. From the early 19th century until well into the 20th, New York City attracted those individuals who sought to improve their lives. Many came from Europe; by 1860, the foreign-born accounted for nearly 42 percent of New York City's one million residents.[4]

Conditions were tough for many. Between 1810 and 1870, New York City's infant mortality rate *doubled*.[5] But visitors were most impressed with the city's remarkable culture of aspiration and upward mobility.[6] Compared to his European counterpart, an American factory worker enjoyed a far better chance, and his offspring an even better one, of rising into the middle or even upper classes.[7] Lowly artisans and mechanics, including many immigrants, were prominent among the owners of the more than 4,000 manufacturing establishments on Manhattan Island. At the time, it may well have been the most rapidly industrializing place in the world.[8]

Early opportunity cities such as New York were not inherently pleasant places. As Charles and Mary Beard noted in 1930, poverty there was "stark and galling enough to blast human nature." But, they noted, people still exhibited a sense that things could get better: "All save the most wretched had aspirations." There was, as they put it, "a baton in every tool-kit" that could carry aspirants up the social ladder.[9]

This notion of the city as an incubator of social advancement was not restricted to New York City. Expansion of commerce and credit was widely seen, in the words of one Pennsylvania Whig lawyer, as "the last hope of republicanism." Writing in 1837, he suggested, "if you deny the poor man the means to better his condition…you have destroyed republican principles in their very germ."[10]

Cities on the opportunity frontier, however, often elicited the scorn of intellectuals and aesthetes. Although its wealth would one day propel New York City to become the world's cultural capital, some genteel visitors considered 19th century New York too money-oriented. In 1861, Bostonian Ralph Waldo Emerson conceded that New York City was of greater economic importance than his hometown. Boston, he noted, was "very willing to be outnumbered and outgrown," but he took solace that, as a superior cultural center, Boston had nevertheless been "appointed" by destiny to "lead the civilization of North America."[11]

The 19th century also witnessed an enormous population shift from the East Coast, over the Appalachians, and into the nation's heartland. As did New York, the new cities on the opportunity frontier—Chicago, Cincinnati, Cleveland—often offended sensitive observers. After two years in Cincinnati, British writer Frances Trollope deplored that "every bee in the hive is actively employed in the search for honey… neither art, science, learning, nor pleasure can seduce them from their pursuit." A Swedish visitor in 1850 described Chicago as "one of the most miserable and ugly cities" in America.[12]

Later, of course, Chicago, like New York City, would emerge as a center of culture, as well as an exemplar of urban beauty. But it is critical to understand that economic growth as well as the culture of opportunity laid the foundation for this progress. For European immigrants, or for domestic migrants such as African-Americans from the rural South, the move into the city represented a chance to redefine one's social status. "Urban life may have had its horrors," noted Gunnar Myrdal in a 1944 landmark study of black migrants from the South, "but there it became increasingly difficult to restrict a person into tight caste boundaries."[13]

The Rise of Sunbelt Cities and the Opportunity Frontier

In the last 50 years, a new group of cities has completely redefined America's opportunity frontier. We define an urban area in this paper as more than just the core city. In most regions of the country, most of the population lives outside the central city, and even beyond the political boundaries of the primary urban center. Immigrants and poor people, as well as most of the middle class, live across a broad and diverse set of communities. Thus our basic statistical measurement is regional, as opposed to simply a measure of core cities.

For the most part, America's new opportunity cities or regions emerged relatively recently in the nation's history. A look at the largest cities in 1960 and at those today tells a story of change that is as protean as the population movement of the 19th century. Primarily, cities on the East Coast and in the Midwest have diminished in size or grown very slowly, while cities in the South, in Texas, and in the West have grown.

Many of the newcomer cities developed from inauspicious beginnings. A century ago, cities such as Phoenix[14] and Dallas were still frontier outposts. Las Vegas scratched out a meager existence in the desert while Charlotte was a sleepy Southern town. Among their founders were scoundrels, speculators, and others who failed elsewhere. As U.S. Senator Benjamin Wade said of Arizona, "…just like hell, all it lacks is water and good society."[15]

Houston's Emergence

Houston, now the nation's fourth largest city, shares similarly humble origins. The city's founders, the Allen brothers, were New York real estate speculators. In 1836, they started making land sales around a settlement along Buffalo Bayou, grandly promoting the tiny hamlet as the future "great interior commercial emporium of Texas." Broad streets were laid out, but chances were slim that well-heeled residents would soon be shopping on the city's proposed boulevards.

To many, Houston seemed an unlikely candidate for greatness. Early visitors were struck by the makeshift nature of the city's housing, which consisted largely of shacks. And then, in those days before air conditioning, there was the

Population growth and reduction

Population	1960 Population	1960 Rank	2006 Population	2006 Rank	Rank Change 1960-2006
New York-Northern New Jersey-Long Island, NY-NJ-PA	17,525,011	1	18,818,536	1	0
Los Angeles-Long Beach-Santa Ana, CA	7,751,616	2	12,950,129	2	0
Chicago-Naperville-Joliet, IL-IN-WI	7,204,198	3	9,505,748	3	0
Dallas-Fort Worth-Arlington, TX	1,850,658	12	6,003,967	4	+8
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	4,864,312	4	5,826,742	5	-1
Houston-Sugar Land-Baytown, TX	**1,648,286**	**14**	**5,539,949**	**6**	**+8**
Miami-Fort Lauderdale-Miami Beach, FL	1,497,099	18	5,463,857	7	11
Washington-Arlington-Alexandria, DC-VA-MD-WV	4,214,585	7	5,290,400	8	-1
Atlanta-Sandy Springs-Marietta, GA	1,574,756	16	5,138,223	9	+7
Detroit-Warren-Livonia, MI	4,597,593	5	4,468,966	10	-5
Boston-Cambridge-Quincy, MA-NH	4,374,521	6	4,455,217	11	-5
San Francisco-Oakland-Fremont, CA	3,738,554	8	4,180,027	12	-4
Phoenix-Mesa-Scottsdale, AZ	726,183	43	4,039,182	13	+30
Riverside-San Bernadino-Ontario, CA	809,782	26	4,026,135	14	+12
Seattle-Tacoma-Bellevue, WA	1,603,917	15	3,263,497	15	0
Minneapolis-St. Paul-Bloomington, MN-WI	1,840,765	13	3,175,041	16	-3
San Diego-Carlsbad-San Marcos, CA	1,033,011	25	2,941,454	17	+8
St. Louis, MO-IL	2,299,140	11	2,796,368	18	-7
Tampa-St. Petersburg-Clearwater, FL	820,443	37	2,697,731	19	+18
Baltimore-Townson, MD	1,727,023	12	2,658,405	20	-8
Denver-Aurora, CO	1,017,461	26	2,408,750	21	+5
Pittsburgh, PA	2,881,903	9	2,370,776	22	-13
Portland-Vancouver-Beaverton, OR-WA	881,961	34	2,137,565	23	+11
Cleveland-Elyria-Mentor, OH	2,825,417	10	2,114,155	24	-14
Cincinnati-Middletown, OH-KY-IN	1,574,663	17	2,104,218	25	-8

Source: U.S. Census Bureau

weather. "Heat is so severe during the middle of the day that most of us lie in the shade and pant," one early physician, Ashbel Smith, wrote in 1838.[16]

More than a century later, popular opinion about Houston had not changed much. In 1946, journalist John Gunther described Houston as a place "where few people think about anything but money." It was, he added, "the noisiest city" in the nation, "with a residential section mostly ugly and barren, a city without a single good restaurant and of hotels with cockroaches."[17]

Yet Houston possessed something that even the most perceptive journalist might miss. The city sits on an enormous fresh water aquifer and has ample groundwater as well, providing sources of clean water that other growing cities, notably Phoenix and Las Vegas, can only dream about. It is located near fertile soil, ideal for growing cotton, and natural resources such as timber. After oil gushed out at Spindletop in 1901, Houston found itself adjacent to some of North America's richest oil and gas reserves.

None of this, however, adequately explains Houston's ascendancy. After all, New Orleans and even nearby Galveston occupied better locations for shipping, and the Pacific Northwest and the Mississippi Delta each have richer timber and agricultural resources. Many great oil finds have been made from Tulsa to West Texas, New Orleans, Los Angeles, and more recently, Alaska.

Instead, what may account for Houston's success is an opportunistic spirit embedded in the city's DNA. From its turn-of-the-century theft—with federal help—[18] of the port business from Galveston, to its designation as headquarters for NASA's manned Space Center, to its creation of one of the world's premier medical centers, Houston has always been a city on the make.[19]

That same spirit seems to have inspired an urge to build upon nature's gifts. The area, note scholars from the University of Houston, "deserved a reputation as a low-tax, low-service area," but also has long evidenced "strong

ALAN WILSON

...Houston has always been a city on the make.

commitment among community leaders to the infrastructure investments needed to maintain growth." Houston's port, roads, and drainage systems are those of a town that is strong on "basics."[20]

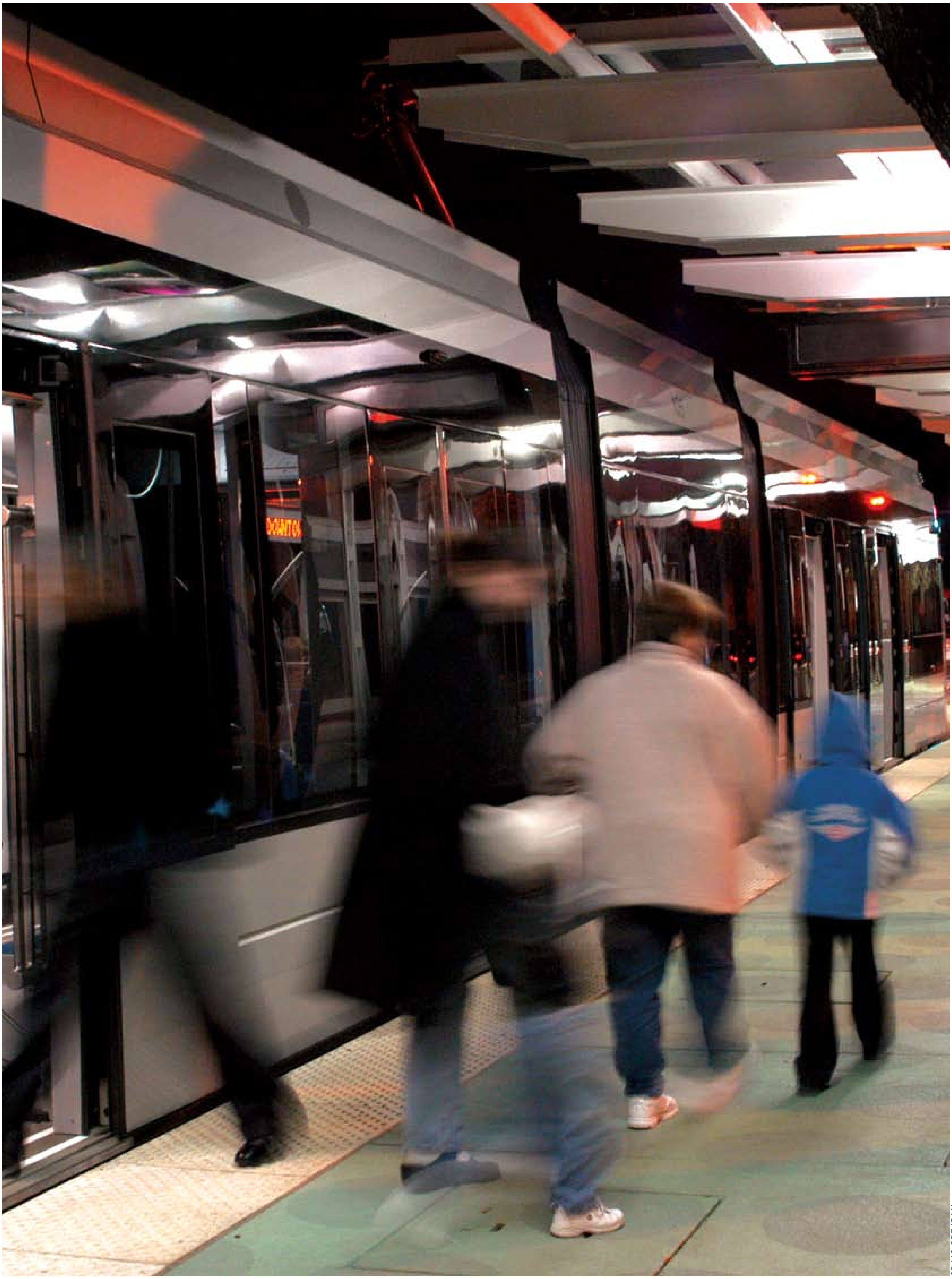
African-Americans and Mexican-Americans settled in the city from its early days and despite rampant discrimination, contributed mightily to its development. The earliest African-American settlers tended to be free, although later in Houston's history slavery predominated, and the city became a major slave trade center.

After World War II, Houston, like Dallas and Charlotte, was a Jim Crow town.[21] Desegregation began around 1960, and was largely in place by the end of that decade. Racial conflicts were less severe than in similar cities, largely because Houston's economic leaders realized that institutionalized racism was bad for business. The Rev. Bill Lawson, a major Houston civil rights leader and pastor emeritus at Wheeler Avenue Baptist Church, explains it this way:

> *It was not a moral issue, it was an economic issue. Leaders recognized the downside of national publicity at a time they wanted to start the space program.*[22]

Whatever their ethnicity, most Houstonians are "seduced" by its prevailing atmosphere of "capitalism, modern consumer culture, schooling, and faith in democratic processes," according to sociologist Arnoldo de Leon. He suggests that even the most militant ethnic activists, while self-identifying as Mexican-Americans, are still "as acculturated as any advocate of assimilation might envisage."[23]

Indeed, Rice University sociologist Stephen Klineberg states that as shown by twenty-five years worth of annual surveys, roughly 80 percent of Houstonians consistently agree with the proposition that "if you work hard in this city, eventually you will succeed." In a just-completed comparative study, he found that just 74 percent of Los Angeles' residents and only 66 percent of New Yorkers agreed with the same statement.[24]



CRAIG PREJEAN

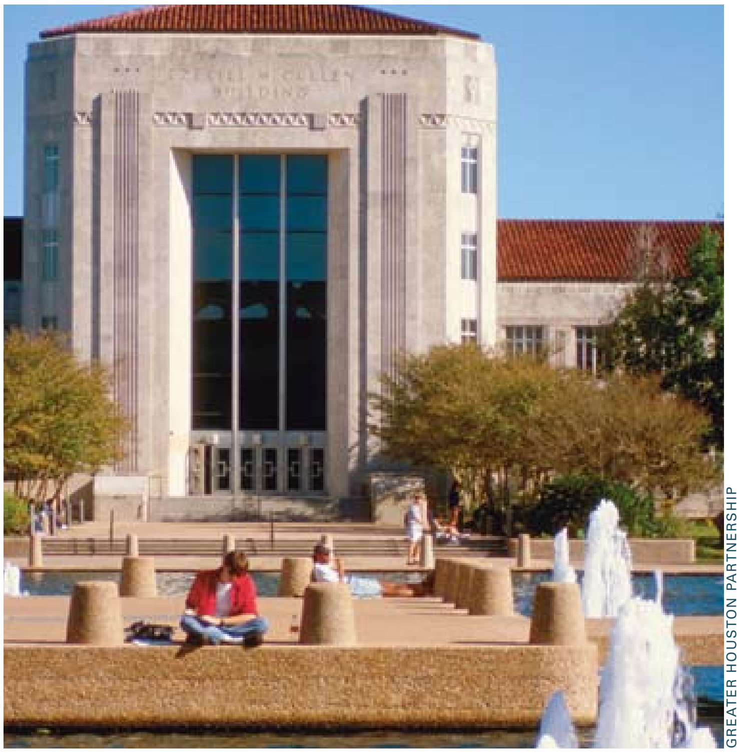
Part two

Shifting Urban Perspectives: From the Middle Class to the Creative Class

Well into the 1960s, the notion of the city as an incubator for middle class aspirations was widely accepted by both conservatives, who predominated in places such as Houston and Phoenix, and New Deal-generation Democrats. The noted liberal urbanist Jane Jacobs once wisely remarked:

> *A metropolitan economy, if it is working well, is constantly transforming many poor people into middle-class people, many illiterates into skilled people, many green horns into competent citizens…Cities don't lure the middle class. They create it.*[25]

Cities don't lure the middle class. They create it.



GREATER HOUSTON PARTNERSHIP

This view, however, has fallen out of favor in recent years. Some prominent urbanists, including many who consider themselves Jacobs' disciples, believe cities revolve not around the middle class or upwardly mobile newcomers, but around an elite class forged by the highest echelons of the national and global economies.

In fact, many celebrated urban thinkers have little use for opportunity cities. Indeed, the prominent new urbanist Andres Duany concludes that, because of their sprawling nature, cities such as Houston and Phoenix are places where "civic life has ceased to exist." Duany, like Emerson a century earlier, points to Boston as an example of a superior community. [26]

Grand Achievements

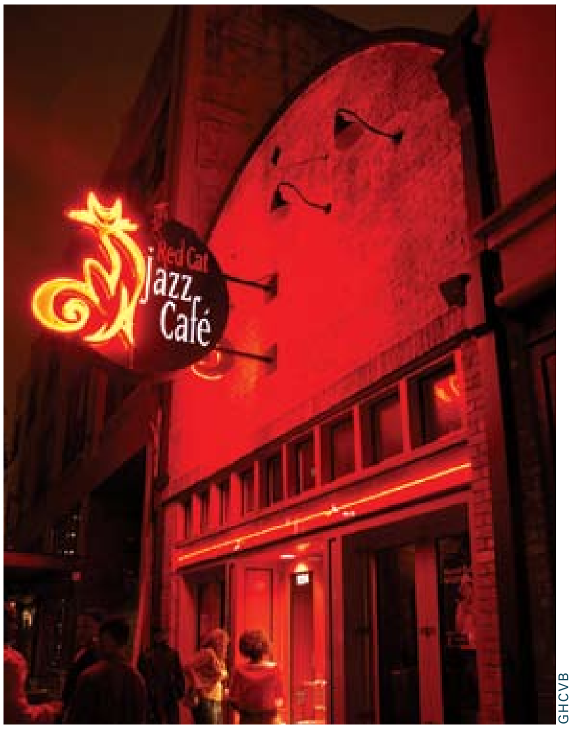
This idealization of the elite gained traction in the 1960s, just as the century-long process of urban growth slowed, and in some cases, began to reverse. To stem the population flow to the suburbs and the Sunbelt, city leaders promoted spectacular high-rises and arts facilities to attract the nation's privileged.

Minoru Yamasaki, the architect who designed the World Trade Center, believed that such structures reflected "a society such as ours, which is one of large scale and grand achievements."[27] These structures were meant to epitomize the large urban center's control of the global economy's "commanding heights"—notably the finance, design, project coordination, and information industries.

Global Cities and the Creative Class

Yet even with "grand achievements," the great traditional cities were continually losing people, jobs, and even major corporate headquarters, often to burgeoning younger cities in the South and West.[28] With their identities as "headquarters cities" under attack, city leaders focused on developing new niches to assure their cities' predominance. Some clung to the theory developed by the University of Chicago's Saskia Sassen, which asserts that the urban future will

... today's opportunity cities ... represent the cutting edge of America's urban future.



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be shaped by a handful of "global cities"—in America, New York and Chicago—that specialize in high-end "producer services" for worldwide clients.

Even if they lose headquarters-related jobs and general population, Sassen argues, such cities occupy "new geographies of centrality" that provide "the strategic sites for management of the global economy."[29] This role can be performed, she suggests, despite slow or even negative population and job growth, because the highest levels of global business depend on a relatively small handful of people who operate at the elite level. What matters, she insists, is the consolidation and expansion of what she calls "the urban glamour zone."[30]

This perspective has been amplified in a considerable body of literature. Leading scholars, such as Harvard's Ed Glaeser, focus on the role of education and universities in creating the "skilled city," which enjoys high wage levels that allow it to compete despite high costs. Glaeser also emphasizes the role of amenities in attracting upper-income and educated residents, calling this "the consumer city."[31]

The most influential analysis comes from George Mason University professor Richard Florida. He identifies the urban future with what he calls the "creative class" of largely young, highly educated workers. His hierarchy of cities is dominated by San Francisco, Boston, Austin, Seattle, and Portland—cities which, he says, contain extraordinary concentrations of "bohemian" and gay individuals. These groups, he claims, contribute greatly to the development of technology and other "creative" industries. As Florida puts it, "take the guy with the tattoos seriously."[32]

This emphasis—what *USA Today* recently called the "Be Hip and They May Come" approach[33]—has exerted a strong influence on economic developers. Florida's "hip cities" celebrate their inherent superiority and inevitable ascendancy. Other cities, fearing to be left behind, have sought ways to win this new "urban warfare." Often, this has taken the form of promoting the growth of arts districts, entertainment centers, and condominium housing—all believed to be critical in making a city more attractive to the "creative class."[34]

...growth in per capita income levels in some superstar cities, including Boston and San Francisco, actually lags behind places such as Houston.

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Superstar Cities and the Super-Affluents

In his most recent work, Florida attempts to link his thesis with the writings of a team led by Wharton University real estate professor Joe Gyourko on what the group dubs "superstar cities." Florida sees these superstars as validating his view that successful cities are those places that contain "the greatest number of the most skilled people." [35]

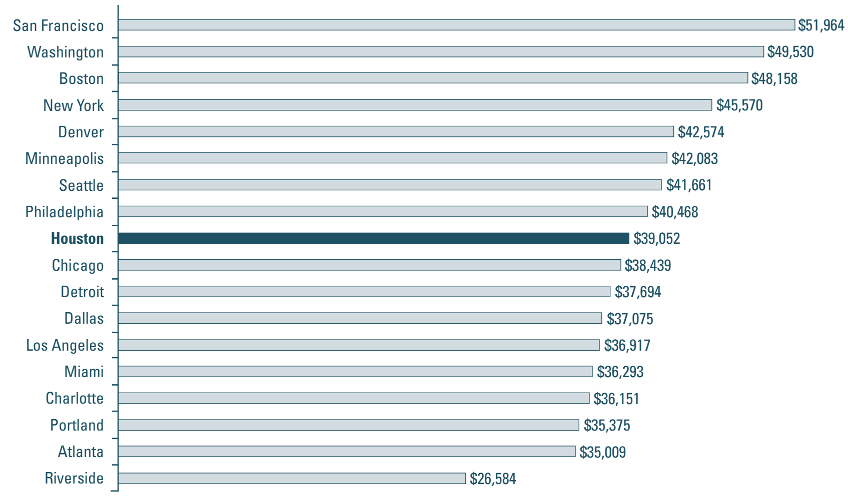
On close examination, however, Gyourko's paper appears much more nuanced and less celebratory of these trends. Gyourko identifies superstar cities largely by their very high real estate prices, not by their intrinsic superiority. This category includes most of Florida's favorite cities (but not all); places like Austin, Raleigh-Durham, and Portland, with their relatively low housing costs, do not make the list.[36]

Like Florida and other analysts, Gyourko attributes the high prices in superstar cities partly to the clustering of elite industries such as high-tech, finance, and advertising. But the productivity differentials, he adds, do not explain what he defines as an "ever-widening gap" in prices between these communities and the national norm. Between 2001 and 2005, for example, housing prices rose by more than 100 percent in Los Angeles and Washington, compared to 25 percent or less in Dallas, Houston, and Charlotte. Equally important, housing prices have risen far more quickly in relation to income in superstars New York City, Boston, and San Francisco than they have in the rest of the nation, or in opportunity cities such as Dallas or Houston.[37]

Building on work by Harvard's Glaeser, Gyourko traces much of this escalating differential to restrictive zoning, regulatory burdens, and taxes. In addition, superstar cities tend to attract wealthy families who are drawn for lifestyle, not economic, reasons. The number of such super-affluents has more than doubled during the past decade.[38]

The impact of these families and individuals may well be felt most in places such as San Francisco and Manhattan,[39] locations that have among the highest proportions of residents living on unearned income. In contrast, super-affluents are less common in opportunity cities such as Dallas, Charlotte, and Houston.

Per Capita Personal Income, Selected Metro Areas, 2005



Source: Regional Economic Accounts, Bureau of Economic Analysis, U.S. Department of Commerce

These concentrations of wealthy residents tend to turn whole swaths of cities into what Gyourko calls "productive resorts." He calls the process "Vailization," referring to the price dynamics in high-amenity vacation towns in Colorado, as well as the California coast or sections of the Northeast. "Living in a superstar city," the Wharton researcher concludes, "is like owning a scarce luxury good." [40]

During the next forty years, Gyourko suggests, high prices and regulation will make it difficult for these areas to grow substantially in either jobs or population. They may become richer on a per capita basis, although the most recent evidence does not necessarily support that inference. The newest statistics show that, in recent years, growth in per capita income levels in some superstar cities, including Boston and San Francisco, actually lags behind places such as Houston. [41]

In the coming decades, Gyourko predicts, as many as twenty "superstar regions" could exist. They may remain highly attractive to young educated people, particularly before they marry and start a family, as well as to those with independent means. A decade from now, for example, New York City may continue to offer the best prospects for young investment bankers, just as Los Angeles might do the same for those interested in entertainment, and San Francisco for technology entrepreneurs.

For the most part, however, these places are likely to become increasingly off-limits to the middle class. Indeed, it is increasingly likely that even companies with headquarters in such places will locate only a small number of employees —essentially the top management—in these areas, while they shift virtually all middle management and working class opportunities elsewhere.[42]

Superstar communities will continue to offer employment for service workers such as maids, waiters, and store clerks, although providing housing for them may be a challenge. This stark contrast between the elite classes and their servants is particularly notable in New York City and Los Angeles, which have among the highest rates of income disparity.[43]

One prominent academic, Case Western University's Paul Gottlieb, has even offered an elegant formula for what

...the dynamic element in cultural creation came from a diverse population and thriving middle class.

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he calls "growth without growth." He urges cities to focus on per capita incomes, and recommends that successful post-industrial cities might prefer to minimize population and job growth. This may also be good politics, he suggests, because many affluent residents actually would prefer to "pull up the drawbridge" to keep newcomers out.[44]

In our estimation, however, superstar cities represent a kind of demographic dead-end that displaces urbanism's historic role as a system of social uplift and broad-based economic growth.

Opportunity Cities and Quality of Life

Along with other researchers, we believe that quality of life remains a major determinant of urban success. Great parks, streetscapes, and artistic and cultural institutions are major draws not only for well-educated singles, but for families of all classes.[45] Nevertheless, much of what is now conventional wisdom about amenities needs to be rethought.

First, it is critical to understand that cities evolve primarily not as a result of culture, arts, or architecture, but because of successful commercial development, the result of military consequence, or both. The great Athenian culture rested first on the economic power of the city-state, which developed through the use of military power.[46] Great cultural capitals of later centuries—Alexandria, Rome, Venice, Florence—all began as either imperial capital or as great commercial centers. Wealth created the wherewithal for the art and great buildings that flourished in these cities.

In most cases, the dynamic element in cultural creation came from a diverse population and a thriving middle class. Dutch artists in the 16th and 17th centuries were frequently the offspring of skilled craftspeople, tapestry designers, fur-cutters, goldsmiths, and the like. These artists received significant support from the local merchant and manufacturing elites. Art became a way to achieve both fame and prosperity.[47]


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As discussed above, this pattern also applies to the American experience. Our great cultural centers—Boston, Philadelphia, Chicago, New York City—all developed their economies in the 18^{th} and 19^{th} centuries. Upon achieving sufficient wealth, each city developed its culture, and often did so in a way that reflected its diversity.

New York City was the earliest clear example of this pattern, with a culture that ultimately transcended European norms by reflecting an increasingly diverse, multilingual society. More recently, Los Angeles has taken a central role in popular culture. In much the same way, it is likely that at least some of today's opportunity cities—Houston, Dallas, Phoenix, or Las Vegas—will move gradually from the role of economic challenger to that of rival in the arts, culture, and architecture.

It is also critical to note that many of those who might once have chosen to settle long-term in New York City, San Francisco, or Boston may now be forced to move elsewhere by the rising costs in such superstar cities.

Throughout history, wealth and opportunity have preceded, and then financed, culture. If this pattern continues, opportunity cities should experience the growth of new museums, performing arts centers, fashionable shopping districts, and other amenities in the coming years. Clear signs that this process is occurring are evidenced by Houston's new Hobby Center for the Performing Arts and the Audrey Jones Beck Building at the Museum of Fine Arts, Houston, Atlanta's expansion of its High Museum of Art, the new Nasher Sculpture Center in Dallas, and the new Modern Art Museum of Fort Worth.

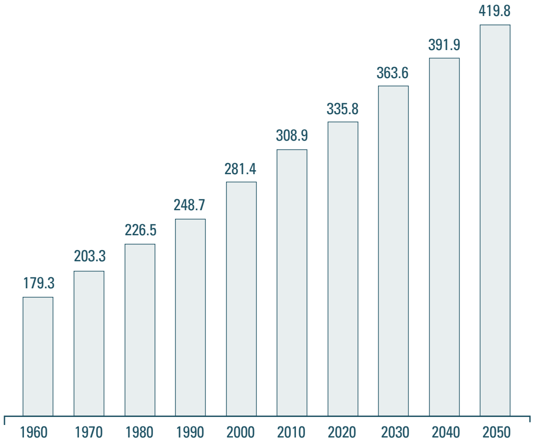
LISA MARIE HAYES

Part three

The Demographics of Opportunity Urbanism

Attractive older cities, such as Chicago, New York, Boston, and San Francisco, may evolve into superstar supercities that succeed on certain levels. Nevertheless, the strategy seems unlikely to provide a viable urban alternative for an America whose population will exceed 400 million by 2050. Such cities might be great places to visit, or serve as residences for the sojourning restless young or the idle rich, but it is doubtful that they can create the jobs or the homes for more than a small portion of our future urban population.

United States population
(Millions)



Source: U.S. Census Bureau

In contrast, the opportunity city provides new jobs and is hospitable to families; it holds promise to meet the challenges America will soon face.

We contend that today's opportunity cities—including Atlanta, Charlotte, Dallas, Houston, Las Vegas, and Phoenix—represent the cutting edge of America's urban future. We base our faith in opportunity cities on a broad array of demographic and economic indicators, ranging from migration patterns to job growth to basic affordability, and we believe these indicators will continue to grow stronger over time.

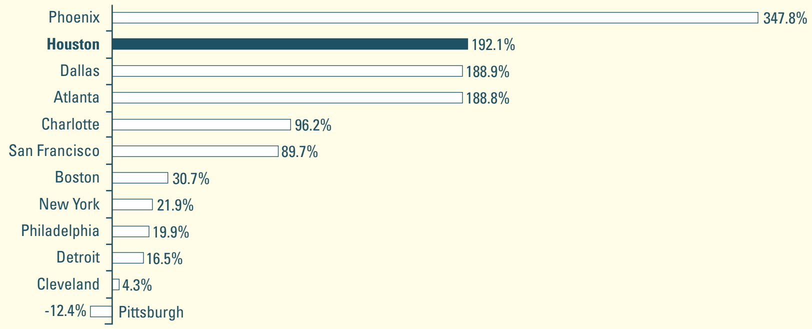
Overall Population Trends

Like New York City in the 1800s and Midwest boomtowns in the early 20th century, today's opportunity cities appeal to both Americans and immigrants who seek a better life. This pattern has continued into the new century, with opportunity cities boasting among the highest population growth rates of major areas. In contrast, Boston, San Francisco, and New York City sit close to the bottom in population growth, with only the old industrial cities of Detroit, Philadelphia, Pittsburgh, and Cleveland below them.[48]

In most cases, opportunity cities have grown by appealing to foreign and domestic migration. A location's attractiveness to both foreign and domestic migrants measures public perception of where the best opportunities are based. As Phoenix economist Elliott Pollack puts it, "people vote with their feet."[49]

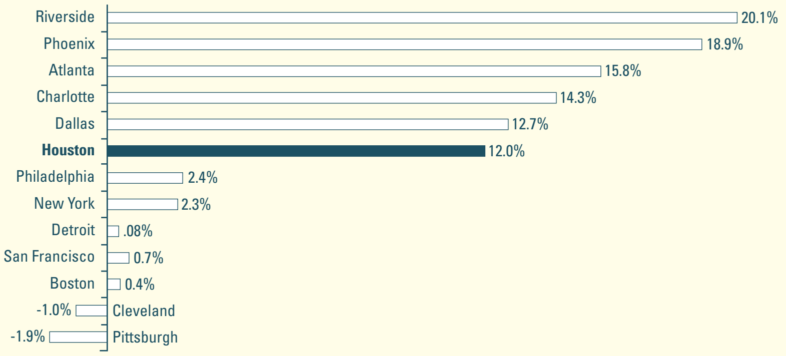
Since 2000, virtually all the superstar cities have experienced negative net domestic migration, meaning that more people left the area than entered it from other parts of the country. In some cases, population has been sustained by immigration or by a surplus of births over deaths. At the same time, however, some superstars have become increasingly unattractive to families. The Boston, New York City, and San Francisco regions, for example, have among the lowest national percentages of households with children. [50]

Change in Population,
Selected Metro Areas, 1960-2000



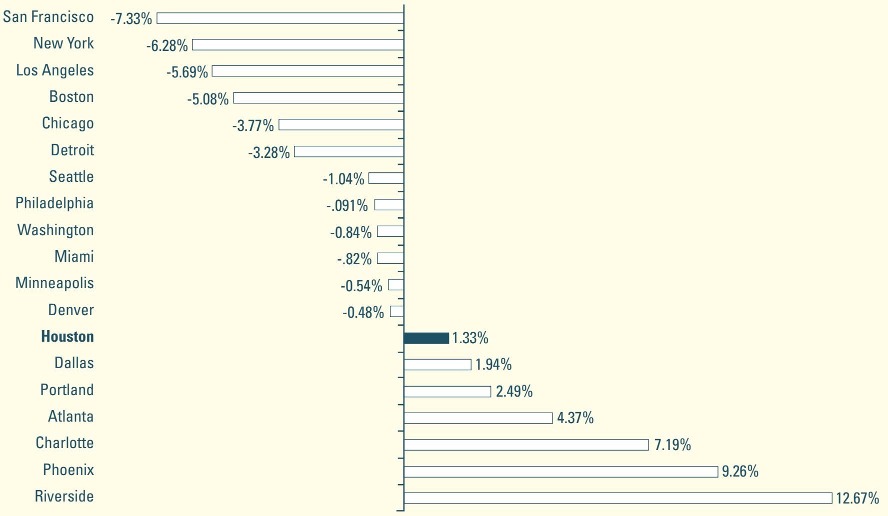
Source: U.S. Census Bureau, 1960 and 2000 Censuses

Change in Population,
Selected Metro Areas, 2000-2005



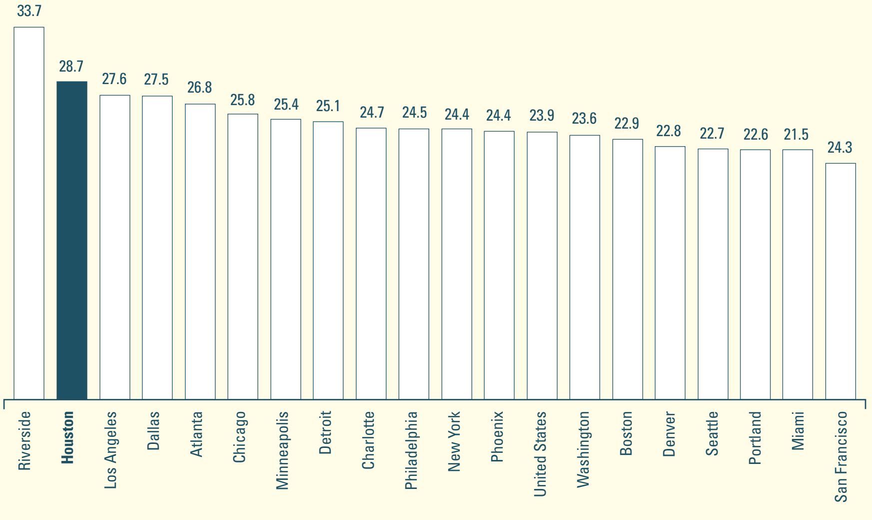
Source: Population Estimates Program, U.S. Census Bureau

Net Domestic Migration, Selected Metro Areas, 2000-2005

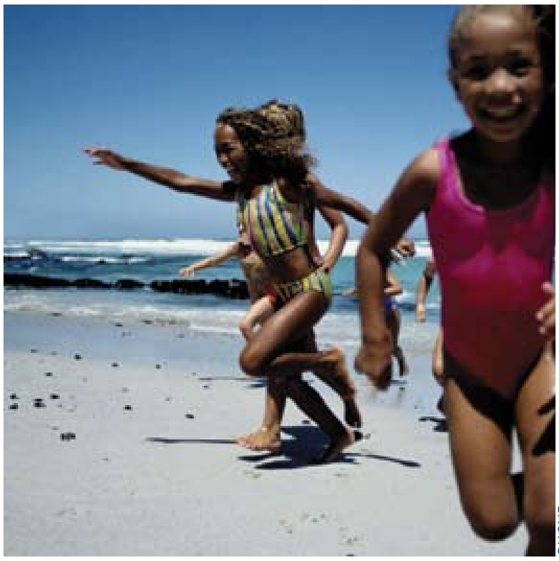


Source: Population Estimates Program, U.S. Census Bureau

Percent of Households with Own Children Ages 6 to 17 Selected Metro Areas, 2005



Source: 2005 American Community Survey, U.S. Census Bureau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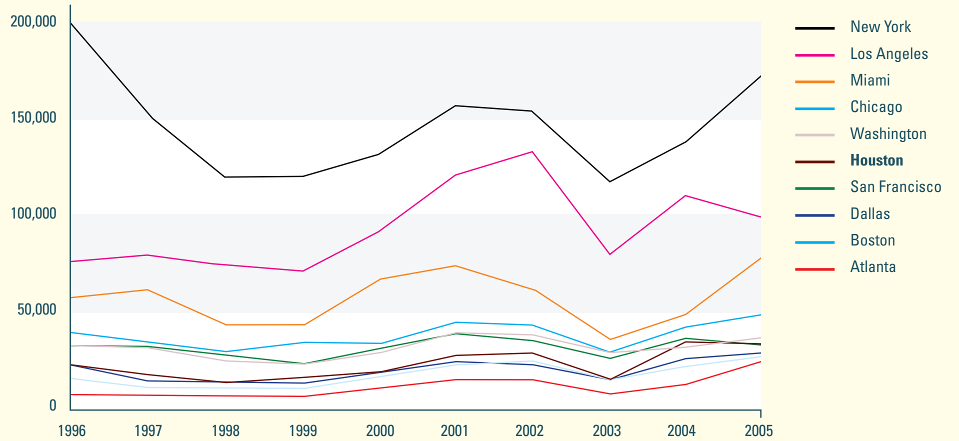
A Shift in Immigrant Flows

Perhaps equally revealing have been shifts in immigrant flows. When large-scale immigration resumed in the 1970s, the overwhelming proportion of newcomers went to the traditional "gateway" cities of New York, Los Angeles, Chicago, San Francisco, and Miami. But during the past five years in particular, there has been strong movement of Latino and Asian immigrants toward opportunity cities. Houston's annual immigration rate has almost doubled during the past decade, for example, while immigrant flows to other traditional areas, such as New York City, have either flattened or decreased.

Trends in domestic and foreign migration reflect opportunity cities' wide appeal as well as their prospects for future population growth. Most promising may be Dallas, Houston, and Phoenix, cities that continue to attract domestic and foreign migrants at rates well above the national average. As can be seen in the second chart on the next page, many of the major centers for foreign immigration—notably New York, Los Angeles, and San Francisco—have experienced significant domestic out-migration. In contrast, only those areas in the upper right-hand corner have experienced both above average immigration and net domestic in-migration.

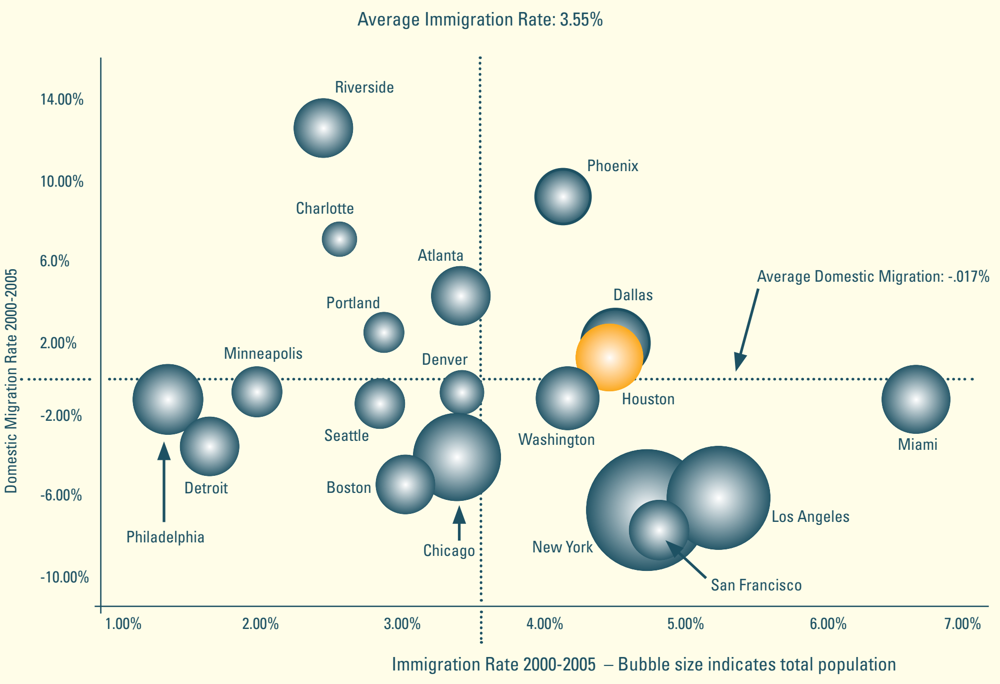
...opportunity cities appeal to both Americans and immigrants who seek a better life.

Immigration Flows, Top 10 Metro Destinations, 1996-2005



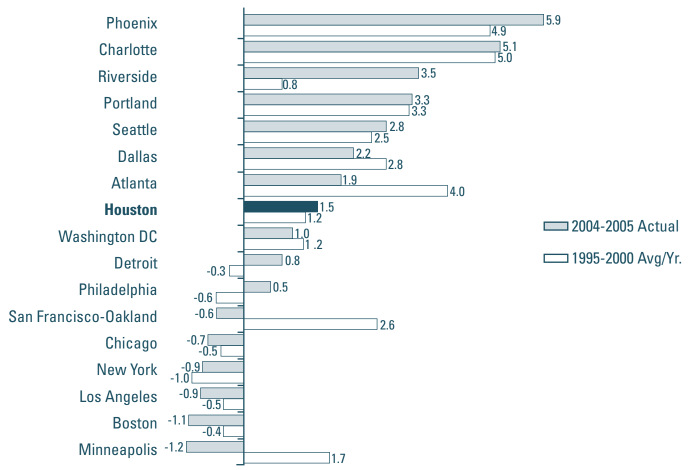
Sources: Yearbook of Immigration Statistics: 2005, U.S. Department of Homeland Security

Domestic Migration Rate vs. Immigration Rate, 2000-2005



Source: Population Estimates Program, U.S. Census Bureau

Net Domestic Migration College-Educated Residents
Migrants per 1,000 Population, Selected Metro Areas



Sources: Public Use Microdata Sample and 2005 American Community Survey, U.S. Census Bureau

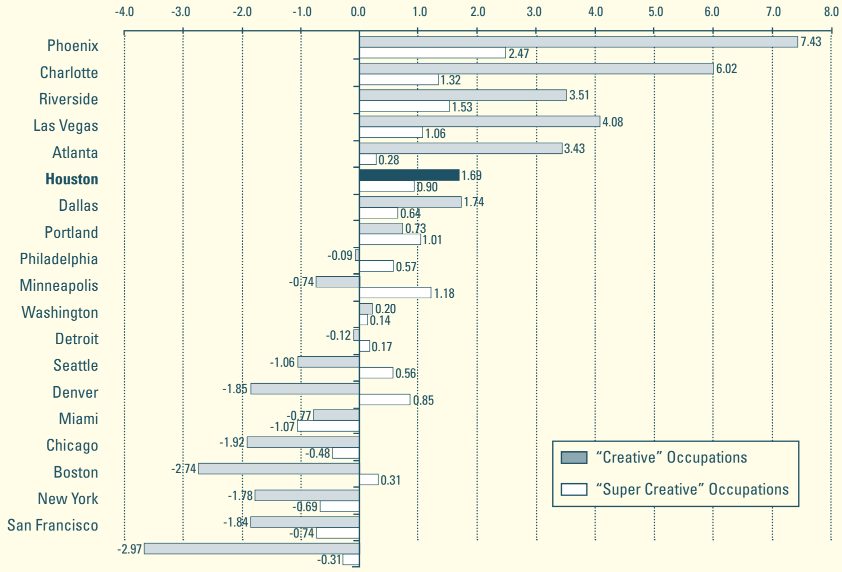
The Brain Drain and the Bright Flight

But perhaps the most intriguing trend of all lies in the significant out-migration of educated people from most superstar cities, a direct contradiction to the tenets of the "creative class" gospel. This trend began in the mid-1990s, when Atlanta, Dallas, and Phoenix ranked as the top destinations for educated migrants. By 2000, lower-cost cities, including Atlanta, Austin, Charlotte, Dallas, and Raleigh, had the highest share of young, educated people.[51]

The most striking change has been in the key superstar cities. The San Francisco area has turned from being a large net-gainer to suffering a major loss of people with college degrees. In Boston, the nation's premier education center, what began as a small net loss of educated residents has become a bigger one, with the city losing roughly half of its college graduates. Affordability and lack of job opportunities, according to a 2003 Boston Consulting Group Study, are among the leading reasons for that city's increased "brain drain."[52]

We also examined trends in migration of professionals, including those people that Richard Florida designates as members of the creative class. The latest numbers show that, with the notable exception of Washington, D.C., people from the creative and "supercreative" professions are for the most part migrating not to "cool" cities such as New York, Los Angeles, or Boston, but to the opportunity cities of Charlotte, Dallas, Houston, and Phoenix, as well as Las Vegas and Riverside.

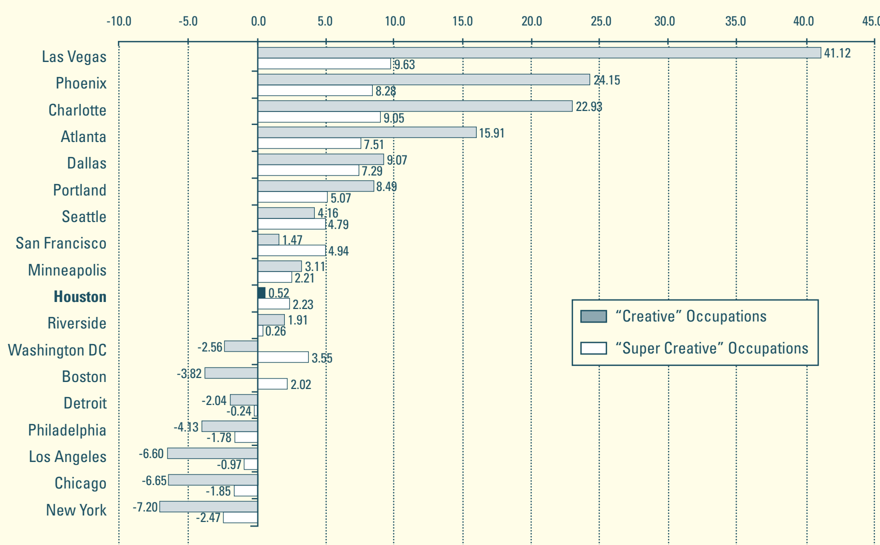
Net Domestic Migration of “Creative Class” Occupations
Migrants per 1,000, Selected Metro Areas, 2004-2005



Note: “Creative” occupations include management, business, financial, legal, healthcare and high-end sales; “Super Creative” occupations include computers, mathematics, architecture, engineering, life, physical and social sciences, education, art, design, entertainment, sports, and media.

Sources: Public Use Microdata Samples, 2005 American Community Survey, *U.S. Census Bureau*

Net Domestic Migration of “Creative Class” Occupations
Migrants per 1,000, Selected Metro Areas, 1995-2000



Note: “Creative” occupations include management, business, financial, legal, healthcare and high-end sales; “Super Creative” occupations include computers, mathematics, architecture, engineering, life, physical and social sciences, education, art, design, entertainment, sports, and media.

Sources: Public Use Microdata Samples, 2005 American Community Survey, *U.S. Census Bureau*

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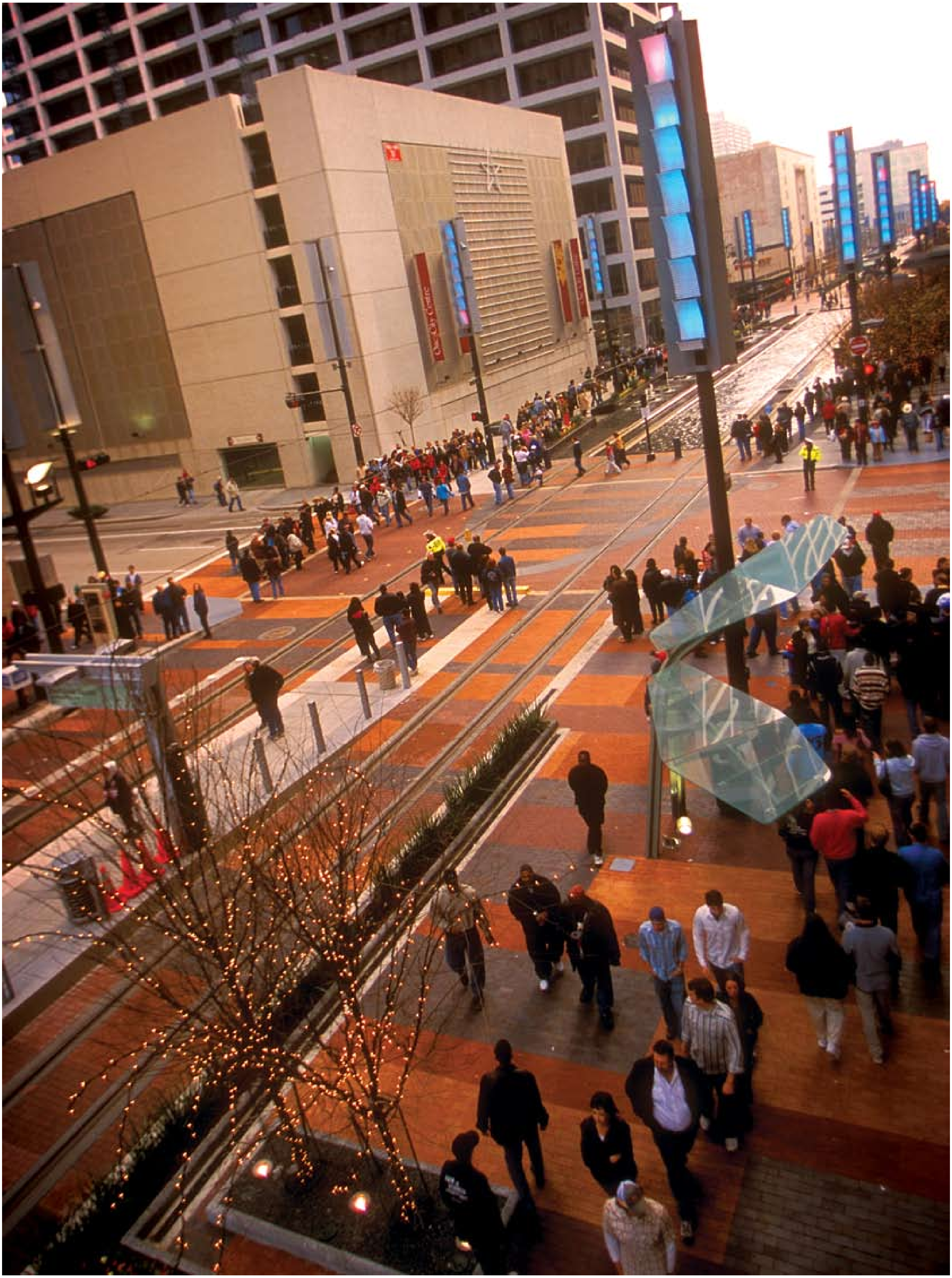
Good strong families will be the success of this city.

Indeed, it seems clear that something other than hipness may be critical for cities to attract educated residents. Cities with potent art communities and a surplus of cool, such as New York, San Francisco, and Los Angeles, may well appeal to educated young people, but many do not stay long. Talent must be viewed not as a one-dimensional attribute defined by recent college graduation, but as a continuum that, with extended life spans, may stretch out across an ever-widening range of ages.[53] John Lui, CEO of Houston-based IT Quest, describes it as follows:

> *Good strong families will be the success of this city. They are less transient, able to think in the long-term as opposed to short-term gain, and are not as nomadic… My generation comes to block parties hoping that our kids will inherit what we have and build a new infrastructure that is ten times greater in the next thirty years.*[54]

Demographer Bill Frey, who has advised this project, ascribes this phenomenon to factors such as housing affordability and job growth. Although recent trends could change, he sees little evidence that they will do so. Frey also believes that the growing wealth, diversity, and sophistication of opportunity cities makes moving away from the superstars increasingly palatable for a growing number of educated workers:

> *The knowledge migration—the bright flight—is going to places that are not usually the prime suspects. This is going on to more affordable, often smaller places. These places now have more to offer. After all, the Starbucks culture is now coast-to-coast. They get satellite TV, read good books, and can go to good restaurants in all kinds of places.*[55]



Part four

The Economic Basis of Opportunity Urbanism

We believe the driving force behind these demographic trends is the changing geography of economic opportunity. Most measurements of economic performance—particularly employment opportunity—suggest that the population shift toward affordable places, including both larger and smaller cities, has grown. These places are primarily characterized by lower housing costs and high job creation rates.

...most working people have more real income...in a place such as Houston...

Economic Opportunity for All

For the purposes of this paper, we chose to concentrate on differentiating between larger metropolitan areas. We should add, however, that there is no simple formula here; unique conditions, such as the rapid expansion of defense and homeland security-related employment around Washington, D.C., can occasionally make an expensive city demonstrate some of the economic growth characteristics usually seen in opportunity regions.

One critical aspect of opportunity cities, we believe, is that they generate economic opportunity across the entire income spectrum, for all racial and ethnic groups, and across all education levels. In an ideal world, an economist would track individual residents in each metropolis to see which communities provide the best economic opportunities. Unfortunately, this is not feasible in the current data and privacy environments.

An alternative approach is to examine the number of people in each income cohort within each major U.S. urban area. The second table on the next page provides an example of this analysis using data from the 1990 and 2000 U.S. Censuses.

In the table, areas with higher growth in each quintile are shown in progressively darker shades of blue while areas with steeper declines in the number of households are shown in progressively darker shades of red. Opportunity cities are those with the greatest number of dark blue cells. These are the cities that appear to be providing economic opportunity for all groups.

The chart demonstrates the difference between the ascending large U.S. metropolitan areas and those in decline. It also reveals some striking trends. Since the late 1980s, it appears that regions such as Portland, San Francisco, Denver, and Seattle have shed significant fractions of their poorest quintiles, and have shown extraordinary growth at the upper income levels. The bursting of the dotcom bubble, however, may have slowed those cities' growth at the high end.

In almost a mirror image, Los Angeles and New York City show evidence of large increases in the poorer two quintiles, and moderate-to-little change in the middle and upper middle quintiles. Los Angeles shows a remarkable

Rankings of Best Places for Business, 2006

RANK	INC MAGAZINE, MAY 2006	FORBES.COM, MAY 2006
1	Yuma, AZ	Albuquerque, NM
2	St. George, UT	Raleigh, NC
3	Cape Coral-Fort Myers, FL	**Houston, TX**
4	Fort Walton Beach-Destin, FL	Boise, ID
5	Coeur d'Alene, ID	Knoxville, TN
6	Bellingham, WA	Phoenix, AZ
7	Port St. Lucie-Fort Pierce, FL	Nashville, TN
8	Naples-Marco Island, FL	Durham, NC
9	Las Vegas-Paradise, NV	Fayetteville, AR
10	Idaho Falls, ID	Indianapolis, IN
11	Casper, WY	Des Moines, IA
12	McAllen-Edinburg-Pharr, TX	Rockingham County, NH
13	Bremerton-Silverdale, WA	Oklahoma City, OK
14	Panama City-Lynn Haven, FL	Huntsville, AL
15	Morgantown, WV	Atlanta, GA

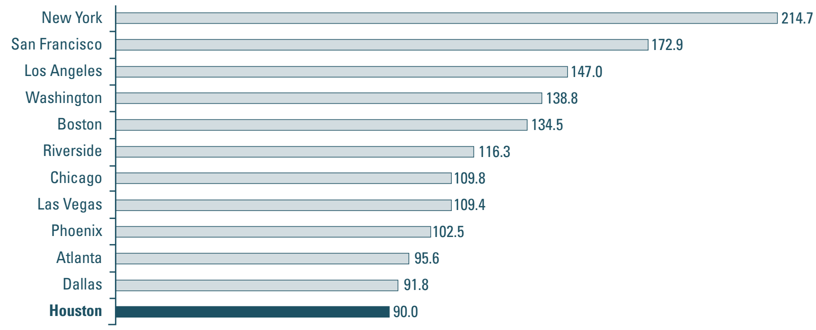
Sources: "Boomtowns '06," Inc.com, *May 2006 and "Best Places for Business and Careers,"* Forbes.com, *May 4, 2006*

Percentage Growth in Number of Households in Each Census Quintile, 1989 – 1999

	LOW INCOME <$18K	LOW MID $18-34K	MIDDLE INCOME $34-50K	UPPER, MIDDLE INCOME $50-81K	UPPER INCOME >$81K
Phoenix	18.7%	29.4%	26.1%	27.9%	65.2%
Dallas-Fort Worth	10.2	20.4	12.3	14.2	39.6
Houston	**7.5**	**20.3**	**12.3**	**13.6**	**34.2**
San Diego	15.9	12.8	1.7	2.5	23.2
Portland	-2.8	9.0	13.0	35.8	77.6
Denver-Aurora	-8.9	10.6	13.7	19.5	55.7
Riverside	30.4	25.5	1.5	-10.2	5.4
Miami	1.1	2.0	-1.2	1.2	26.8
Seattle	-7.5	-1.5	1.4	10.6	57.4
Atlanta	-6.6	5.5	-0.3	13.8	47.4
Chicago	-6.0	0.0	-0.5	2.1	38.8
New York	12.7	12.9	-0.4	-1.9	9.8
Boston	4.9	6.7	-1.8	-2.0	19.0
Minneapolis	-14.9	0.5	-1.2	1.9	40.2
Philadelphia	5.0	5.1	-7.8	-15.3	0.6
San Francisco	-2.9	-8.5	-8.6	0.3	47.7
Los Angeles	22.8	16.8	-1.6	-8.8	-4.2
Washington	11.2	-1.3	-10.7	-8.7	5.8
Detroit	-27.0	6.7	-5.5	-8.0	19.7

Source: The Brookings Institution, Living Cities Databook Series, *derived from U.S. Census Data 1990 and 2000. Income brackets shape quintiles based on 1990 census. Table derived from aggregating the cities listed above for each metro area.*

Cost of Living Index for Selected Metro Areas
U.S. Average = 100



Sources: Council for Community and Economic Research, ACCRA Cost of Living Index, 4th Quarter, 2006

decline in the upper deciles during this period, most likely fueled by the local defense industry's collapse, which cost the region almost 250,000 high-paying, defense-related jobs.

But perhaps nothing illustrates these dynamics more clearly than economy of New York City, the nation's premier superstar. Long known for wide class disparities, it now has the widest such divide in the nation, up from a rank of 11th in 1980. The middle class, notes Queens College demographer Andrew Beveridge, gradually is being rooted out, leaving behind what he calls "a massive class disparity."[56]

More recent data were not available to this team for a completely up-to-date comparison, but we would expect a continuation of the patterns seen here, and local data seem to corroborate that expectation. Interestingly, of the top ten MSAs, three prominent opportunity regions—Houston, Dallas, and Atlanta—have not suffered the tremendous cost pressures associated with rapidly rising housing prices.

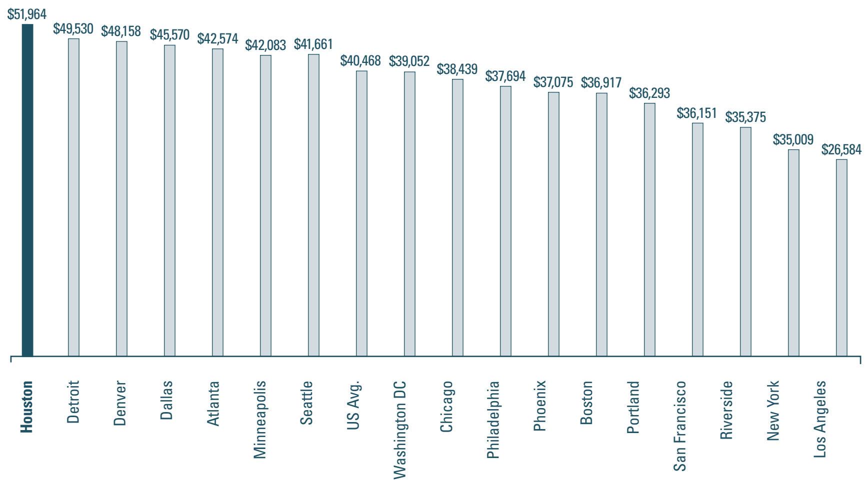
An Affordable Quality of Life

A critical characteristic of opportunity cities is their ability to provide their growing populations with housing and other amenities at a reasonable cost. In contrast, as other communities become built-out and reach their development boundaries, the lack of available land constrains their ability to provide new, reasonably-priced housing options. Sometimes this is a result of natural barriers; sometimes, of political ones.

Our analysis suggests that the primary issue in the relocation of skilled individuals and companies is the amount of effort required in a given location to secure basic household necessities: a reasonably-priced home, clothing, food, and bundle of entertainment and other consumption items. Executives and recruiters in opportunity cities believe this difference gives them a critical edge over their counterparts in superstar cities. Houston executive recruiter Chris Schoettelkotte explains the advantage this way:

> *People from other areas say that you guys don't make much down there. [But] the guys from L.A. make the same amount of money in the same field here. We pull them from Wharton, the Ivy League, and Stanford and they get paid through the nose… Houston can get the talent.*

Adjusted Average Annual Income, Selected Metro Areas, 2006



Sources: Calculations based on data from Wages by Area and Occupation, U.S. Bureau of Labor Statistics; ACCRA Cost of Living Index, 3rd Quarter 2006, The Council for Community and Economics Research

This is not to say that all decisions about where to live rest on economic factors. Indeed, as cities such as Houston become wealthier, concern with quality of life issues has risen. Ultimately, however, economics seems to be the determining factor in understanding migration and job creation patterns.[57] Quality of life is a complex issue, but in the end it is determined for most people by the kind of life they can afford in a given place.

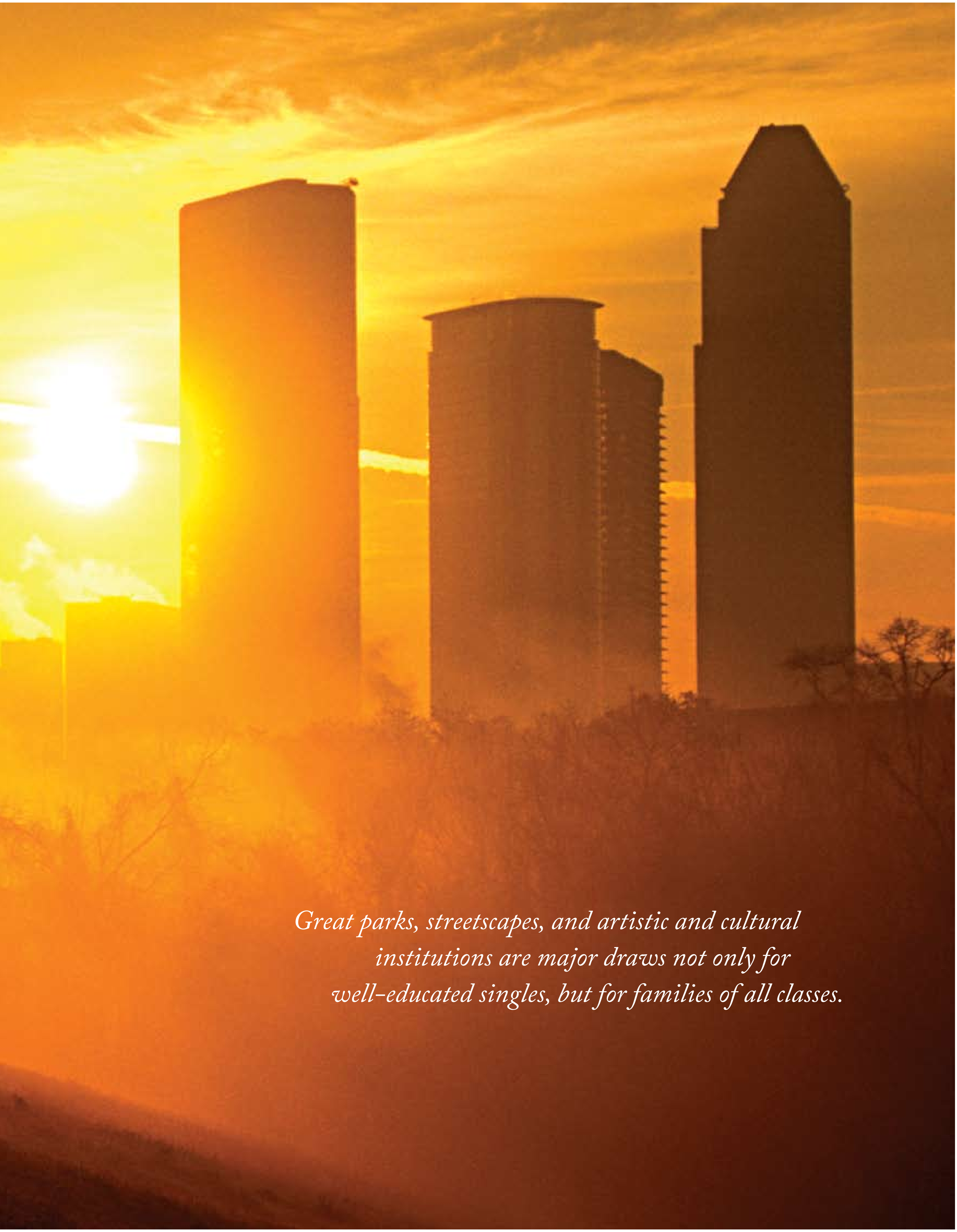
The tradeoff between salaries and the cost of living has long been recognized, but rarely quantified. One measure of the dramatic differences across urban areas is the *ACCRA Cost of Living Index*, produced by the Council for Community and Economic Research.

It is no surprise that the high-cost metro areas of New York, San Francisco, and Los Angeles top the chart, as seen at the top of page 38. In contrast, the sixth-largest metro in the U.S., Houston, has the *lowest* cost of living of the major metro areas, less than half that of New York City, followed closely by Charlotte. This means that someone who earns $100,000 in New York City would have to earn only $42,110 in Houston to enjoy a comparable standard of living. What we have found, then, is that most working people have more real income—measured by what they can buy, given their average incomes—in a place such as Houston than they do in superstar cities such as New York, Los Angeles, or San Francisco, as illustrated in the chart on the top of this page.

The Housing Factor

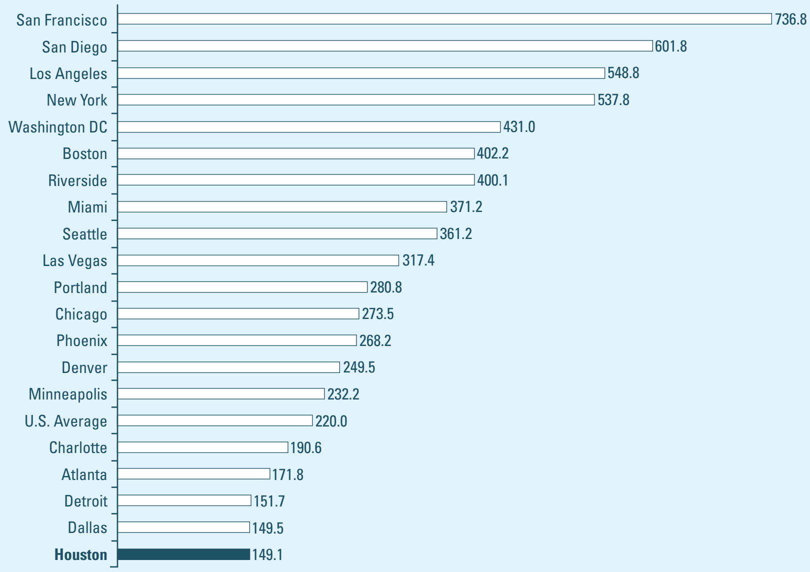
Housing is the most important driver of the cost-of-living differences between various markets. Recent home price escalations throughout Southern California and Florida, for example, have created tremendous cost of living pressures in those communities.

The chart on page 42 shows the difference in median home prices across the nation's largest metropolitan areas. It shows that home prices in most metro areas are significantly more than the nation's median sales price of $219,000, with San Francisco topping the list with a median home price of $715,700. At the other end of the spectrum is affordable Houston with a median of $143,000; Atlanta, Charlotte, and Dallas all have median prices below $200,000. For that matter, so does Detroit, but demographic and economic data show the Detroit metropolitan area does not qualify as an opportunity region.



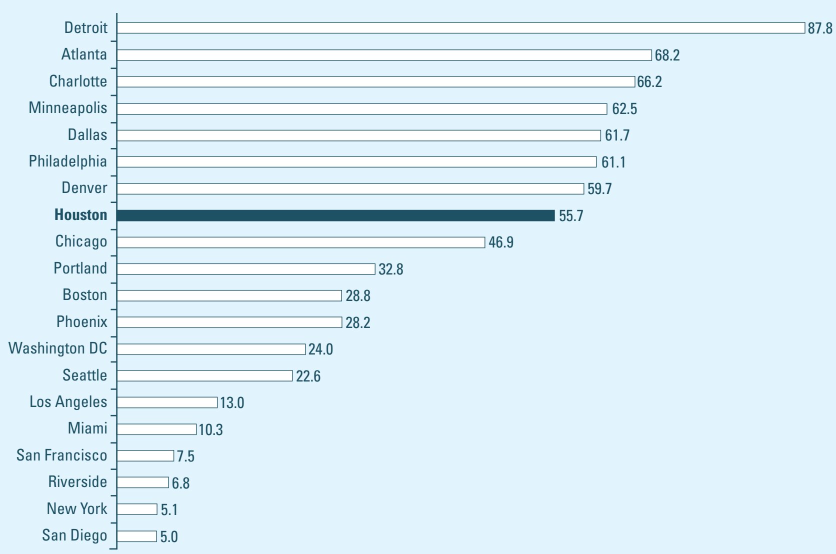
Great parks, streetscapes, and artistic and cultural institutions are major draws not only for well-educated singles, but for families of all classes.

Median Sales Price of Existing Single-Family Homes, 2006, Selected Metro Areas, ($000s)



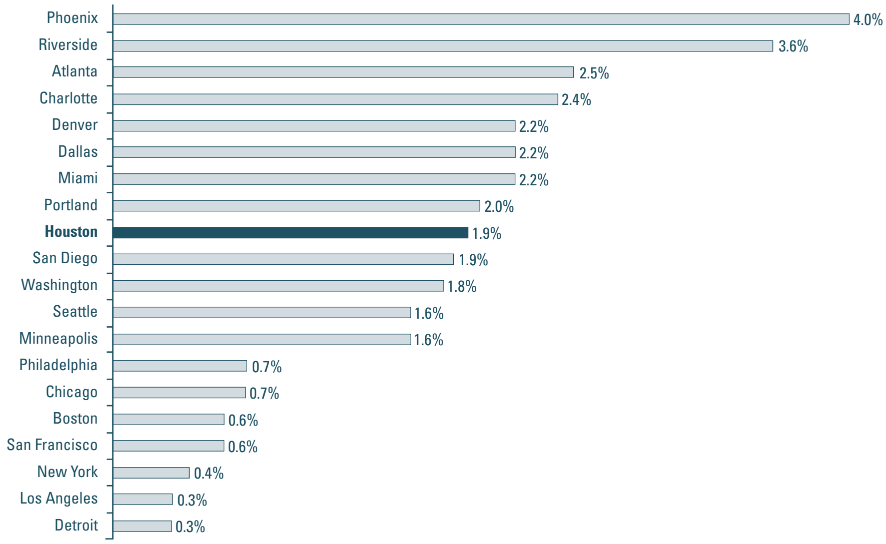
Source: National Association of Realtors

Housing Opportunity Index: Percent of Homes Affordable for Families with the Median Income in Each Metro Area



Sources: National Association of Home Builders/Wells Fargo Housing Opportunity Index, Fourth Quarter 2006

Average Annual Growth in Non-Farm Payroll Employment, Selected Metro Areas, 1990-2006



Source: Current Employment Survey, Bureau of Labor Statistics

One consequence of high housing prices is relatively low levels of home ownership. In most cities, approximately two-thirds of the population own homes; in New York City, Los Angeles, and San Francisco, however, ownership rates hover closer to 50 percent. It should be remembered, however, that home ownership rates are a cumulative result of residents who acquire homes over decades. The price escalations we have seen in recent years in Southern California and Florida, for example, will not be fully reflected in the home ownership rates for more than a decade.

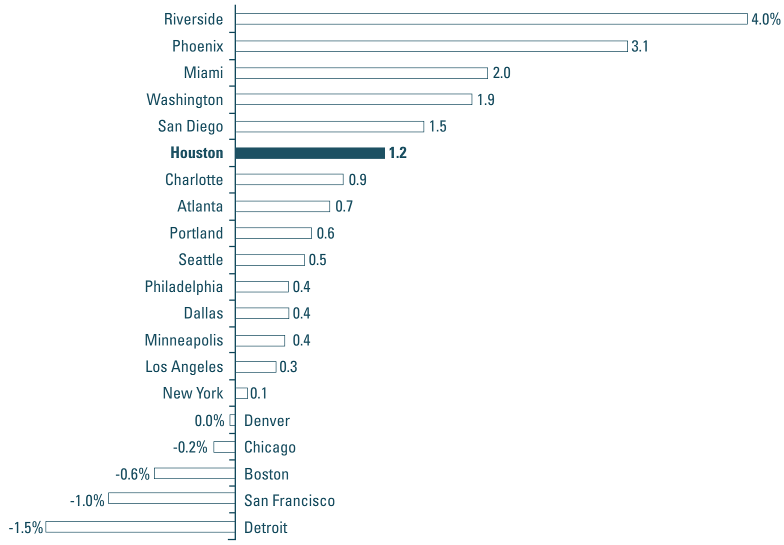
One tool for looking at the prospective impact of home price escalation is the NAHB/Wells Fargo Housing Opportunity Index. This index assesses the affordability of existing homes based on a region's median household income. Contrast some areas—particularly Southern California, the San Francisco Bay Area, Miami, and New York City—with opportunity cities such as Houston (55.7 percent), Dallas (61.7 percent), and Atlanta (68.2 percent), where more than half the homes sold would be affordable for those earning the median household income.

Ongoing growth within the city is another important dimension of Opportunity Urbanism. For new opportunity to provide wealth to all, new businesses need room to grow without damaging existing businesses. Opportunity Urbanism calls for sustained economic expansion within the region. The chart above provides insight into the long-term average annual growth across twenty large MSAs.

The cities that top this chart—Phoenix, Riverside, Atlanta, Charlotte, Denver, Dallas, and Miami—are largely opportunity cities. In contrast, most of the superstar regions have experienced very limited growth, as have older industrial areas such as Detroit and Philadelphia.

A look at more recent growth statistics gives a strong sense of the momentum of local economies. The table on page 44 presents average annual economic growth of twenty large metro areas during the past six years. Denver, Boston, Chicago, San Francisco, and Detroit all show signs of decline. A significant component of that decline was the bursting of the dotcom bubble. At the same time, a handful of cities, including Charlotte, Riverside-San Bernardino, Phoenix, and Houston exhibit strong growth in recent years.

Average Annual Growth in Non-Farm Employment
Selected Metro Areas, 2000-2006



Source: Current Employment Survey, Bureau of Labor Statistics

"High-End" Job Creation

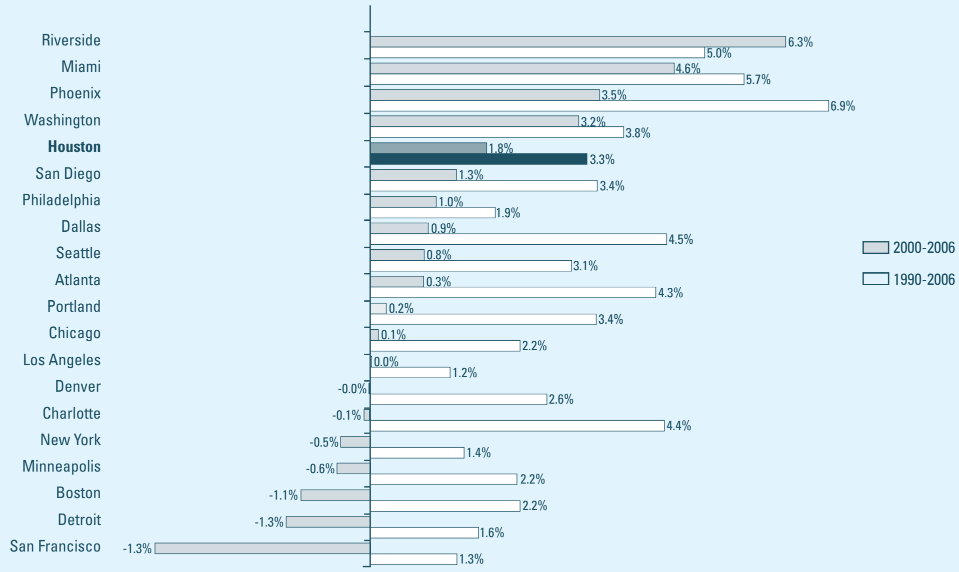
One common claim made by the advocates of elite urban strategies is that opportunity cities produce largely "lousy" jobs in comparison with the "good" jobs associated with Boston, Seattle, or San Francisco.[58] This approach misses many critical points and fails to address important differences in historic evolution. It's true that cities with fast-growing populations create many jobs to service local growth. This does not necessarily mean, however, that opportunity cities have lagged behind in creating high-end jobs. Since the 1990s, opportunity cities have actually often outpaced superstar cities in overall "quality job growth"—higher wage jobs—by a wide margin. [59]

Critical areas to watch are financial, business, and professional services. These generally higher-wage activities are said to be peculiarly well-suited for established "global cities," and for cities favored by the much acclaimed "creative class." Some believe that these cities are the largest growing source of high-wage jobs.

Yet the evidence, particularly during the past six years, demonstrates that most opportunity cities have produced far more higher-wage jobs. Indeed, even New York City, traditionally the major center for these jobs, steadily has been losing its share; since 1993 the New York City region's percentage of such jobs has dropped from twice the national average to close to the norm.[60] Instead, the biggest gainers include Riverside, Miami, Phoenix, Dallas, and Houston. San Francisco, Boston, and New York, which enjoyed modest growth in high-wage jobs before 2000, have suffered significant net losses since then.

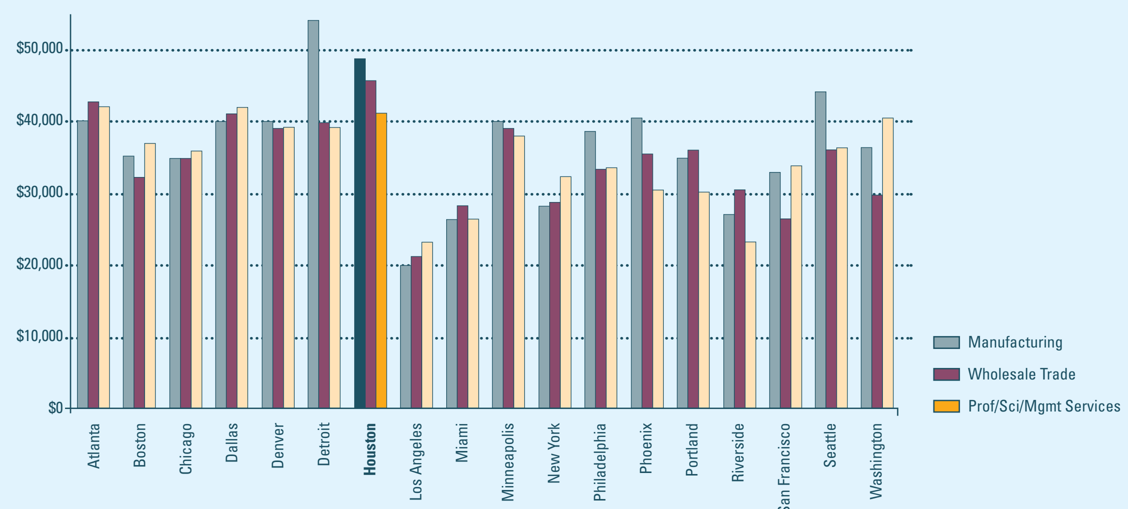
Finally, advocates of elite cities claim, with some justification, that salaries for high-end professionals tend to be higher in superstar regions. This is particularly the case for parts of the financial community in New York City, where multi-million-dollar bonuses greatly inflate average wage rates. However, in no major industry are such earners illustrative of trends on the median level. Once the cost of living adjustment is calculated, the median earnings in most professions turn out to be higher in opportunity cities than in their superstar counterparts. For the most ambitious investment banker or prospective dotcom billionaire, it may be financially more lucrative to locate in New York City or San Francisco instead of Houston, Phoenix, Dallas, or Riverside. But for the most high-wage earners, this will not be the case.

Supersector average annual growth, professional and business services, Selected Metro areas



Sources: Current Employment Survey, Bureau of Labor Statistics

Cost-of-Living-Adjusted (COLA) Median Earnings in Selected Metro Areas, 2005: Manufacturing, Wholesale Trade, Professional, Scientific and Management Industries



Sources: Calculations based on data from 2005 American Community Survey. U.S. Census Bureau; and ACCRA Cost of Living Index, *Second Quarter 2006, Council for Community and Economic Research*

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Part five

Can Opportunity Cities Become World Cities?

In the coming decades, one critical question about opportunity cities involves their capacity to reach "the next level" and become true global cities. Today, opportunity cities are rarely described as international centers. They may be regarded as boomtowns, or regional centers, but never as serious players on an international scale.

Houston's is now the fourth fastest growing airport in the world.

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Yet it is crucial to understand that urban history is protean. Fifth century B.C. Greek historian Herodotus made the following observation about cities:

> *For most of those which were great ones are small today; And those that used to be small were great in my own time. Knowing, therefore, that human prosperity never abides long in the same place, I shall pay attention to both alike.* [61]

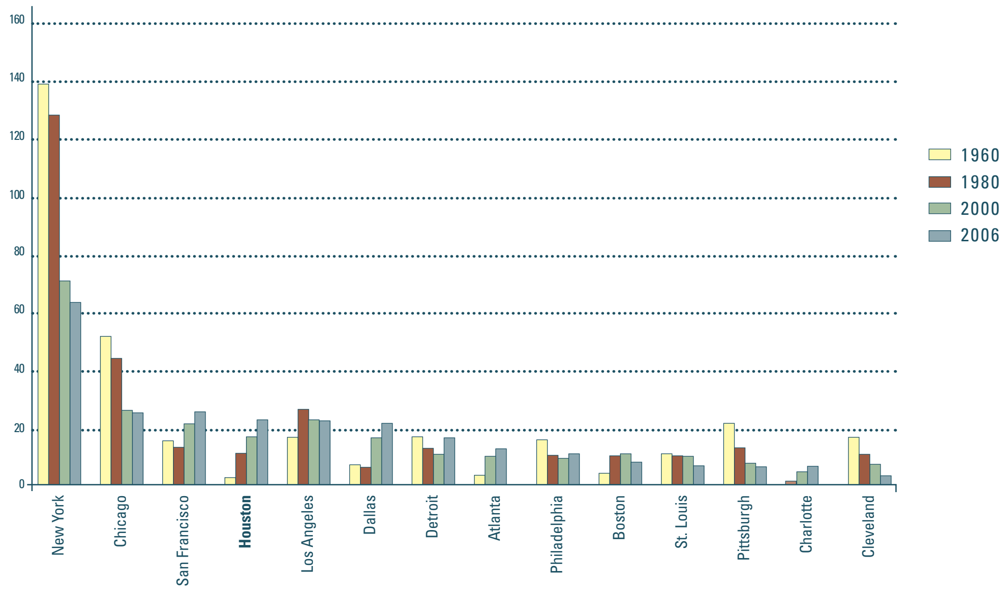
American history has witnessed a similar process. In the late 18th century, Philadelphia replaced Boston as the nation's primary city and commercial center, only to be supplanted in the early 19th century by New York City.[62] Chicago developed very quickly in the mid-19th century and had surpassed all but New York City by 1900.[63] More recently, Los Angeles —considered a small, provincial city as recently as 1920—has emerged as unquestionably the dominant global city on the nation's Pacific Coast.

Given this history, some of today's opportunity cities could step forward in the future to become full-fledged "world cities." But this will require more than just growth and the maintenance of affordability. A world or global city displays certain special characteristics: for example, serving as the home to powerful international businesses, becoming a center for foreign trade and migration, and qualifying as a leader in a worldwide critical sector.

The Shift of Major Corporations

The strongest single indicator of the growing international prominence of opportunity cities is their ability to attract large global businesses. During the last half-century, telecommunications and transportation revolutions have made it possible for such businesses to locate themselves away from traditional business centers. The best example of this is Wal-Mart, which runs the world's most powerful retail corporation out of rural Arkansas.

Fortune 500 Headquarters, Selected Metro Areas



Sources: Fortune, *issues July 1960; May 5, 1980; April 17, 2000; April 17, 2006*

The most relevant shift in corporate locations, however, involves not out-of-the-way places, but certain specific opportunity cities, particularly Dallas, Charlotte, Atlanta, and Houston. These cities possess the critical infrastructure that global companies need, notably large and expanding airports. Houston's is now the fourth fastest growing airport in the world; Atlanta's rose from third to first in terms of total passengers between 1990 and 2000.[64]

This dynamic can be illustrated by comparing the cities with the largest numbers of large corporate headquarters during the past half century. In 1960, greater New York City topped this list. By 2006, although still by far the nation's premier corporate center, New York City's share of corporate headquarters had dropped dramatically.

Equally revealing has been the shift of corporate headquarters away from older, traditional business centers—Pittsburgh, Philadelphia, Cleveland—that once boasted large numbers of prominent firms. These cities have been replaced in importance by opportunity cities, cities that in 1960 were home to few or no corporate headquarters.

To be sure, not all opportunity cities display this characteristic. Phoenix and Las Vegas, whose airports almost doubled between 1994 and 2004,[65] nonetheless have few such headquarters operations.

We believe this shift is largely attributable to the same factors that led to employment growth and migration into these cities: pro-business regulatory climates, openness to outsiders, and, perhaps most relevant today, reasonable housing costs, all of which constitute the major findings of this paper.[66]

In the coming decades, as large firms decide where to locate their core operations, these factors may prove critical. Only highly placed top executives can afford to relocate to high-cost areas, so firms in these locations often find themselves unable to expand their operations. This allows a place like Charlotte, suggests local real estate developer John Harris, to compete against an expensive metropolitan region not only at upper-management levels, but across the board. "It's hard to be a mass employer in San Francisco," he notes.[67]

MELANIE LANKFORD

...Houston's percentage of foreign-born residents is larger than that of any city except New York, Miami, and metropolitan California.

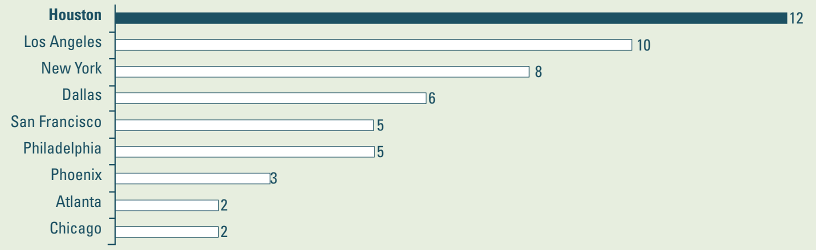
Another significant measurement is the location of the fastest growing companies. The chart at the top of the next page illustrates the vibrancy of our nation's urban areas by showing the headquarters locations of *Fortune's* list of 100 fastest growing companies, a chart led by Houston and paralleling the pattern seen in the previous chart. And for good reason: the vitality brought to an economy by entrepreneurship creates an excellent climate for these rapidly growing companies.

A Nexus for Migration and Trade.

The characteristics of a "world city" extend well beyond the presence of large companies. Such a city, epitomized in the United States by New York City, also serves as a nexus for the movement of people and goods across international borders. New York City's diversity has often been described as a something that "derives directly from its international connections."[68]

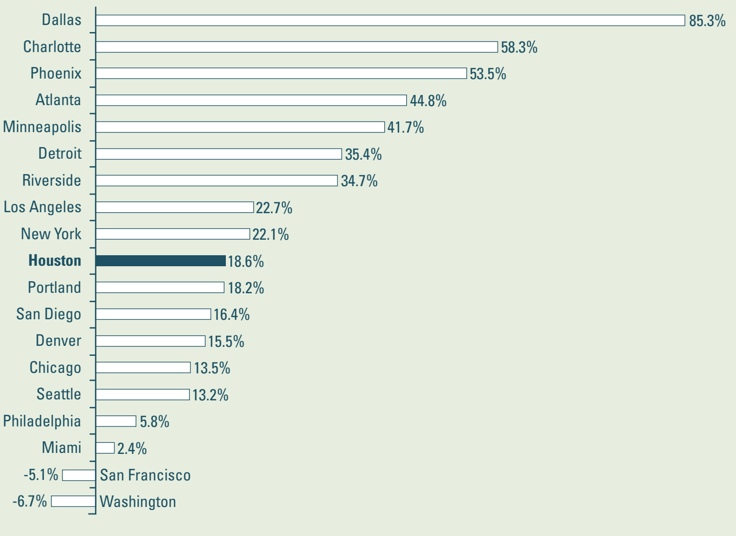
Today, opportunity cities are following this same path and becoming powerful magnets for international migrants. A generation ago, places such as Dallas, Riverside, and Houston would not have been considered primary "gateway cities." In 1970, for example, Houston had a far smaller percentage of foreign-born residents than Boston, Chicago, Philadelphia, or Minneapolis. Today, Houston's percentage of foreign-born residents is larger than that of any city except New York, Miami, and metropolitan California. Dallas has more immigrants per capita than Chicago, and Phoenix has almost as many.[69]

Firms on *Fortune's* List of 100 Fastest Growing Companies, Selected Metro Areas



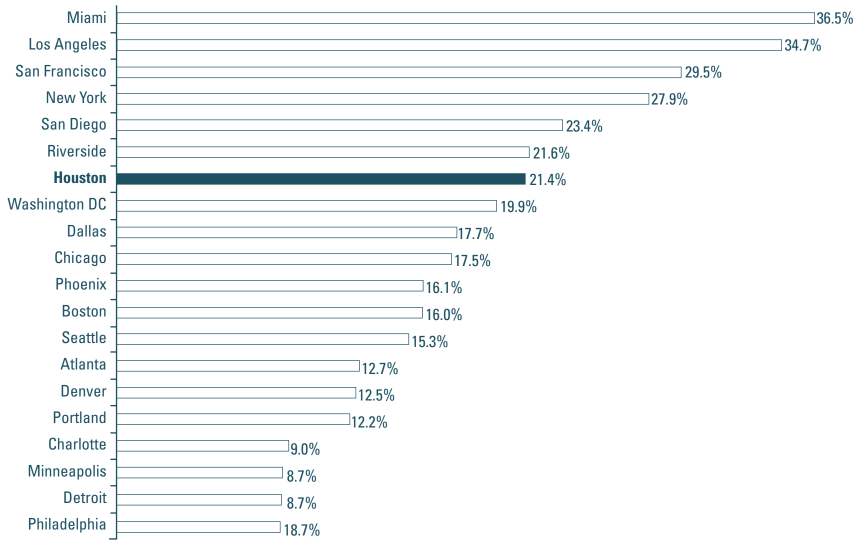
Sources: "America's 100 Fastest-Growing Companies." Fortune. *September 18, 2006*

Percent Change in the Number of Asian-Owned Business Selected Metro Areas, 1997-2002



Sources: Survey of Minority-Owned Business Enterprises, *1997 Economic Census, and* Survey of Business Owners, *2002 Economic Census, U.S. Census Bureau*

Percent of Population Foreign-Born, Selected Metro Areas, 2005



Source: 2005 American Community Survey, U.S. Census Bureau

Many of Houston's new residents, including a large cadre of professionals, quickly embraced the culture of entrepreneurship and self-improvement that stands at the center of Houston's ethos, turning it into one of the nation's leading hotbeds of immigrant businesses. "A lot of these newcomers see Houston as the mother lode," suggests Romulo "Tim" Cisneros, a Houston architect whose clients include Indian-, Colombian-, Persian-, and Chinese-owned large businesses. "It's become an ethnic gold mine."

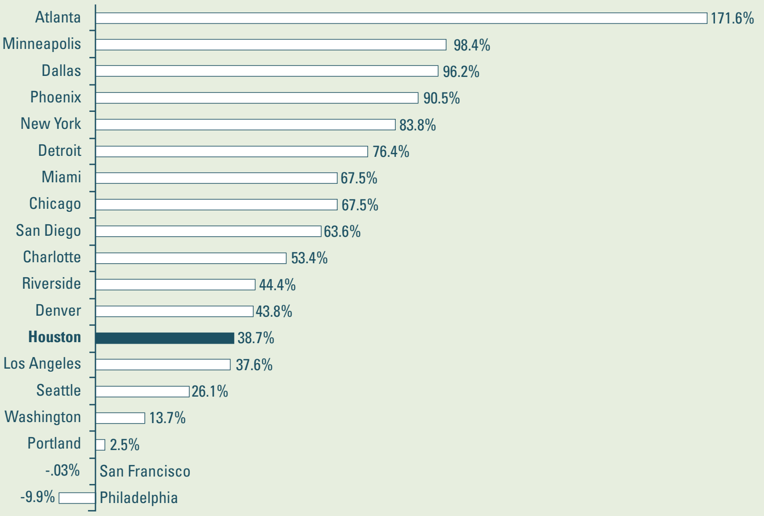
Ethnic business has been a primary driver of economic growth in older immigrant destinations such as New York City, Los Angeles, the San Francisco area and Miami. But during the past few decades, cities such as Houston, Dallas, and Charlotte have experienced a dramatic upsurge in such activity, as seen in the charts on the facing page. And at least with respect to Houston's thriving Asian business sector, these firms not only have proliferated, but have become far larger on average than their counterparts in all top six Asian business centers except for Los Angeles and San Jose. This can be seen in the table on page 54.

International Trade

Another indication of a city's international importance and integration is the extent to which it interacts economically with other nations. The table on page 54 lists the top twenty freight gateways for trade into the United States. Here again the major world cities in the United States are listed: New York City, Los Angeles, Houston, Chicago, and San Francisco.

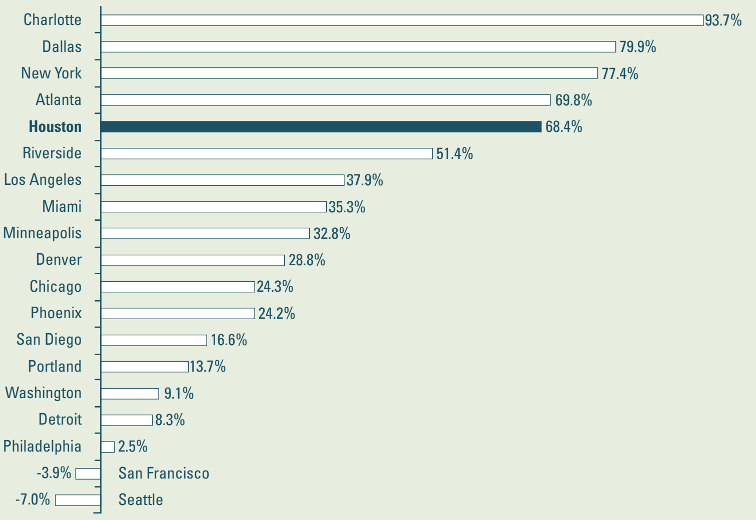
Looking to the future, only Houston appears to have the space to increase significantly its role in international trade. International developments such as the widening of the Panama Canal may further enhance Houston's presence on the world stage.[70] Finally, the rapid growth of new gateways, such as Charleston and Savannah, have caused them to emerge in recent decades as major centers. As shown in the tables on page 55, Houston already ranks as the nation's largest port, and its volume continues to grow. It is also the tenth largest port in the world in terms of cargo volume.

Percent Change in the Number of Black-Owned Businesses
Selected Metro Areas, 1997-2002



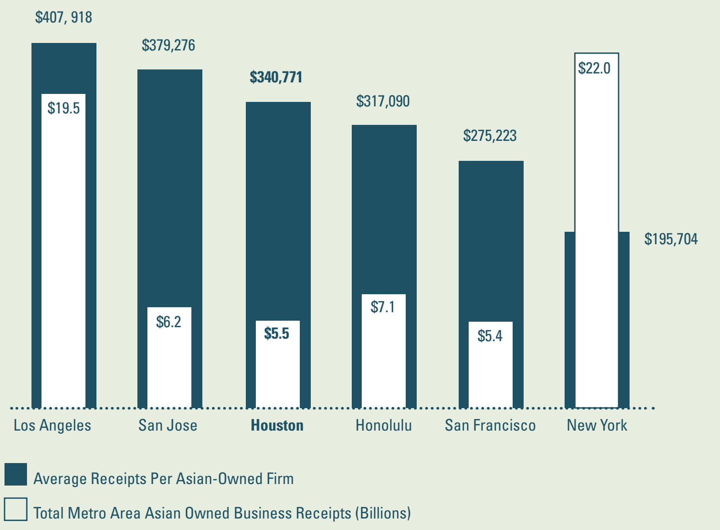
Sources: Survey of Minority-Owned Business Enterprises, *1997 Economic Census and* Survey of Business Owners, *2002 Economic Census, U.S. Census Bureau*

Percent Change in the Number of Hispanic-Owned Businesses
Selected Metro Areas, 1997-2002



Sources: Survey of Minority-Owned Business Enterprises, *1997 Economic Census and* Survey of Business Owners, *2002 Economic Census, U.S. Census Bureau*

Top Cities for Asian-Owned Businesses



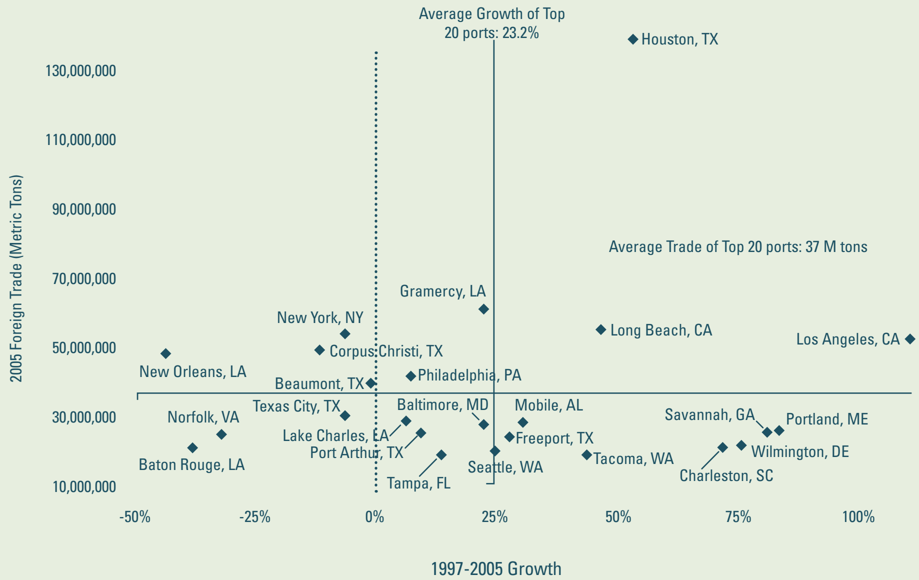
Sources: 2002 Survey of Business Owners, U.S. Census Bureau

Leading U.S. Ports in 2005, Ranked by Foreign Cargo Volume

RANK	PORT/STATE	MILLIONS OF SHORT TONS
1	**Houston, TX**	**145.1**
2	South Louisiana, LA	94.6
3	New York/New Jersey	87.8
4	Long Beach, CA	63.3
5	Beaumont, TX	60.1
6	Corpus Christi, TX	53.8
7	Los Angeles, CA	46.9
8	Texas City, TX	43.5
9	New Orleans, LA	33.1
10	Lake Charles, LA	32.1
11	Mobile, AL	31.4
12	Freeport, TX	28.4
13	Savannah, GA	28.3
14	Baltimore, MD	28.2
15	Portland, ME	28.2
16	Norfolk Harbor, VA	26.4
17	Philadelphia, PA	26.2
18	Baton Rouge, LA	22.4
19	Charleston, SC	21.9
20	Seattle, WA	21.0

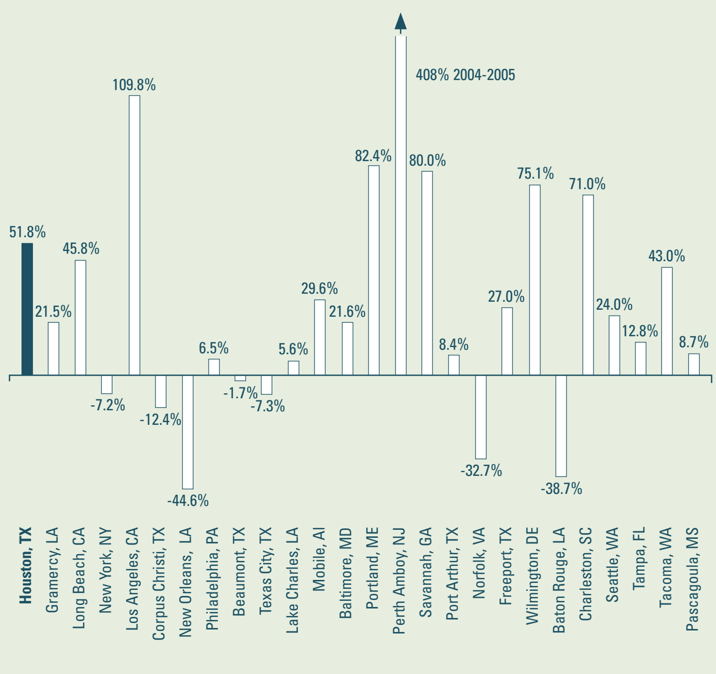
Source: "Final Waterborne Commerce Summary Tables For Calendar Year 2005," Waterborne Commerce Statistics Center, U.S. Army Corps of Engineers.

Top 25 U.S. Ports, Waterborne Foreign Trade 2005 Tonnage by 1997 - 2005 foreign Trade Growth



Sources: Port Import Export Reporting Services (PIERS)
Collected from Vessel Manifests and Bills of Lading

Waterborne Foreign Trade, Top 25 U.S. Ports, Growth in Foreign Tonnage 1997 - 2005



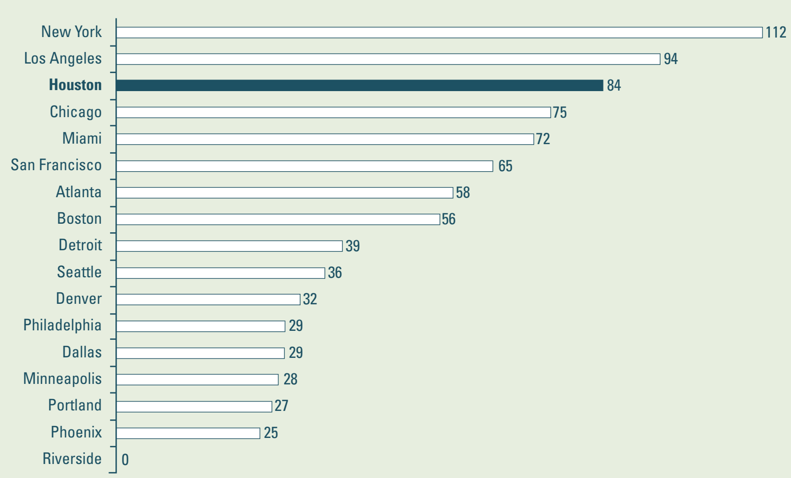
Sources: Port Import Export Reporting Services (PIERS)
Collected from Vessel Manifests and Bills of Lading

Top U.S. Foreign Trade Freight Gateways by Value of Shipments, 2005

GATEWAY	TYPE	TOTAL (IMPORTS + EXPORTS) $ BILLIONS
Port of Los Angeles, CA	Water	189.6
JFK International Airport, NY	Air	134.9
Port of Detroit, MI	Land	130.5
Port of New York, NY and NJ	Water	129.3
Port of Laredo, TX	Land	93.7
Port of Houston, TX	**Water**	**85.7**
Chicago, IL	Air	73.4
Los Angeles International Airport, CA	Air	72.9
Port of Long Beach, CA	Water	72.4
Port of Buffalo-Niagara Falls, NY	Land	70.5
Port of Huron, MI	Land	68.2
San Francisco International Airport, CA	Air	57.2
Port of Charleston, SC	Water	53.1
Port of El Paso, TX	Land	43.0
Port of Norfolk Harbor, VA	Water	39.5
Port of Seattle, WA	Water	39.0
Port of Baltimore, MD	Water	35.9
Dallas-Fort Worth, TX	Air	35.1
Anchorage, AK	Air	34.7
Port of Savannah, GA	Water	33.7

Sources: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division; U.S. Department of Transportation, Maritime Administration, Office of Statistical and Economic Analysis; U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics

Foreign Consular Offices Selected Metro Areas, 2006



Sources: Foreign Consular Offices in the United States, *Spring/Summer 2006, U.S. Department of State*

DAVID BRAY

...Houston already ranks as the nation's largest port, and its volume continues to grow.

The presence of foreign consular offices is another identifying characteristic of cities that play on the world stage. These offices are now open in opportunity cities such as Atlanta, Dallas, and even Phoenix. Once again, however, Houston appears to be the furthest along in evolving from opportunity city to global city, with the third largest number of consular offices in the country. Houston ranks behind only Los Angeles and New York City, and has now outstripped such traditional commercial centers as San Francisco and Chicago in number of foreign consulates. Houston salvage entrepreneur Charlie Wilson believes Houston's evolution is already complete:

> *I think this is already a world city. When I go overseas, people put Houston with New York and L.A. And in many cases Houston is considered to be at the top of the world class because of oil. If you're in China, you're looking at Houston because of the oil.*[71]

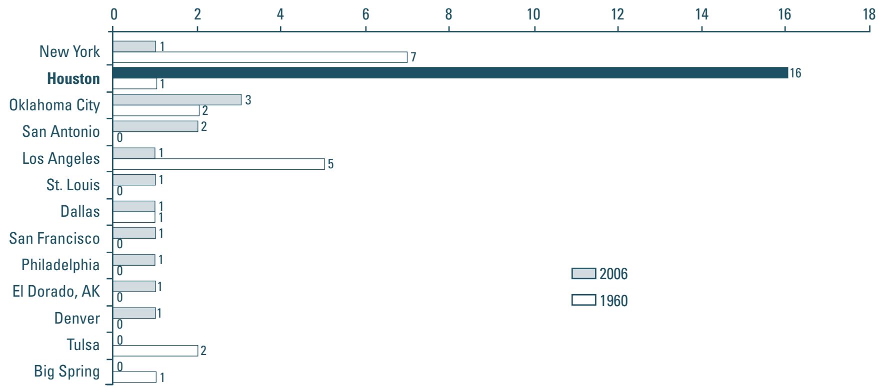
Establishing Preeminence in a Global Industry

Perhaps nothing defines a true world city more than its preeminence in a global industry. New York City did this long ago by its dominance of European-American trade, finance, and media. In much the same way, Chicago made itself the center of the global food-processing industry. During the 20th century, some cities made themselves global centers by nurturing new industries; for example, Los Angeles became preeminent in the entertainment and aerospace areas, and the Bay Area fostered the high-technology industry.

Other cities, such as Phoenix, Dallas, and Atlanta, have become better-known as regional centers with diversified economies. Over time, they may develop a particular "signature industry"—telecommunications technology in Dallas, or marketing in Atlanta, for example—but, for now, these areas have no single dominant sector. Even smaller cities, such as Las Vegas with regard to themed entertainment or Charlotte, with its growing financial might, could conceivably establish some sort of world-wide industry preeminence over time. [72]

CRAIG PREJEAN

Fortune 500 Headquarters: Oil, Gas, Refining, Pipeline, and Oil Field Service Corporations



Sources: Fortune, *issues July 1960; April 17, 2006*

The Case of Houston

We believe that Houston's emergence as the global energy capital represents the most obvious example of an opportunity city that has achieved global significance in a single strategic industry. This prominence is, in historic terms, relatively recent. As late as the 1980s "oil bust," notes historian Joe Feagin, Houston's energy sector remained very much "a colony of New York," where many key industry corporate and financial decision makers still resided.[73]

The initial pain of the oil bust was considerable; it took almost eight years for Houston to return to its 1982 economic activity level. Foreclosures soared and numerous banks collapsed. Looking back today, however, it is clear that Houston turned the oil bust to its advantage, gaining ground against regional rivals such as New Orleans and Dallas. Using the lure of its low-cost office spaces and reasonably-priced homes, as well as its personal ties to executives and leading engineers, Houston managed to consolidate its position as the predominant center of the energy industry.[74]

In 1960, Houston served as home for only one of the nation's large energy firms, ranking well behind New York City, Los Angeles, and even Tulsa. Today Houston has sixteen, which is more than all the other cities combined. In energy sector employment, Houston is also predominant; by 1997, it had at least five times as many energy-related jobs as any other city[75]

...it is clear that Houston turned the oil bust to its advantage, gaining ground against regional rivals such as New Orleans and Dallas.

GHCVB

Part six

Policy Challenges for Opportunity Cities

Opportunity cities, like rising urban areas throughout history, face daunting challenges. Some of these challenges are a direct result of rapid growth and increasingly diverse demographics. This requires opportunity cities to have higher levels of job growth, infrastructure development, and educational resources than cities without much population growth. This is particularly true of those opportunity cities that have attracted significant numbers of immigrants or less-educated migrants.

JIM LOYD

...but there are better opportunities here for my kids.

A clear example of these challenges occurred when Houston and other opportunity cities worked to accommodate at least 150,000 poor, predominantly African-American evacuees from the New Orleans area after Hurricane Katrina. Relatively few of these people could be called members of the "creative class"; many had little education, and a large proportion were children.[76]

Interviews with the evacuees in Houston, as well as reports from other cities, tell us much about what they were seeking: security, economic opportunity, and the chance to own a home and build a community. Although many expressed nostalgia for New Orleans, the vast majority, perhaps upwards of 100,000, said they plan to stay in their new locales.[77]

Some New Orleans evacuees have been plainly surprised by their welcome. The key element, according to a group of social work students now finishing their graduate degrees at University of Houston, can be summed up in one word: *opportunity*.

"This is a place where people go to get ahead," notes Crystal Walker, a native of New Orleans and a former student at the predominantly African-American Southern University. "You don't have that cloud over you here. New Orleans—it will always be my first love—but there are better opportunities here for my kids."[78]

Put simply, the opportunities that convinced many Katrina evacuees to stay in Houston or other cities such as Atlanta reflect our essential conclusions about opportunity cities. Their primary task remains to create new jobs and wealth-creation opportunities for a broad range of people. This is as true today as it was when the Irish fled the potato famine or when Russian Jews came to New York or Chicago seeking relief from tsarist oppression.

Today, those who have enjoyed broader opportunities only for a generation—such as African-Americans—tend to look for cities where the economy is expansive and relatively open. Indeed, a 2004 survey of best cities for African-American entrepreneurs showed Atlanta, Dallas, Houston, and Charlotte all ranking in the top six, along with Washington, D.C., and Nashville. No superstar city made the top ten.[79]

This is a place where people go to get ahead.

DAVID BRAY

Back to Basics: The Role of Infrastructure

Forging an opportunity city requires what we describe as a "back-to-basics" approach. This requires a commitment to basic infrastructure such as public safety, schools, roads, sewers, drainage systems, parks, recreational opportunities, telecommunications, and air facilities. Physical mobility, as well as the class mobility stressed earlier, constitutes a critical factor in overall growth and as a means to expand individual opportunity.

Back-to-basics tells us much about the important work governments can do. We also believe it is important to know when the best government policy is to do the least. Lower taxes and a minimum of regulation, for example, seem to encourage both economic growth, and ironically, a faster reduction in poverty, according to evidence from the 1990s. In contrast, high taxation and regulation levels tend to depress opportunity and encourage an increase in poverty rates.[80]

Great American cities always have been shaped by the brilliant use of infrastructure. The canal systems connected the East Coast with such emerging metropolises as Buffalo, Toledo, and Chicago.[81] The great progressive and New Deal-era improvements in sanitation, park development, bridges, and roads helped cities such as New York, Chicago, and Los Angeles evolve into successful megacities.[82]

In much the same way—albeit much more recently—opportunity cities have emphasized developing new infrastructure. A compelling argument can be made that the disproportionate loss of warehouse and other blue-collar employment from New York City can be traced to a basic reluctance to build significant new infrastructure, while Charleston and Savannah were willing to do so.[83]

In recent decades, other Southern cities have shown interest in such growth-inducing development. The $2 billion Tennessee-Tombignee Waterway that connects inland cities with the Gulf, completed by the U.S. Army Corps of Engineers in 1984, represented a huge boon to cities such as Decatur, Chattanooga, and Knoxville. It came at the expense of Baltimore and other cities that had been traditional conduits for this trade.[84]


BILL PEARL

Houston officials recently announced plans to double investment in new transportation infrastructure...

During the past two decades, aspiring opportunity cities have consistently put money into highways and other basic infrastructure. Houston officials recently announced plans to double investment in new transportation infrastructure to $77.3 billion by 2025. Dallas-Fort Worth, El Paso, and other Texas cities are also preparing massive new transportation infrastructures.[85]

Charleston, Savannah, and Houston have invested heavily in their ports; Charlotte, Houston, Dallas, and Riverside, in roads and airports.[86] We believe such investments play a critical role not only to enhance the movement of people and goods, but to create critical new employment in such blue-collar fields as wholesale trade. Houston and other opportunistic cities have done well at this, as can be seen in the chart at the top of page 65. Cities such as Phoenix, Houston, Riverside, and Atlanta have seen strong growth in this area, while New York, Boston, San Francisco, and even Los Angeles have neglected infrastructure investment, including around the massive Los Angeles port complex.[87]

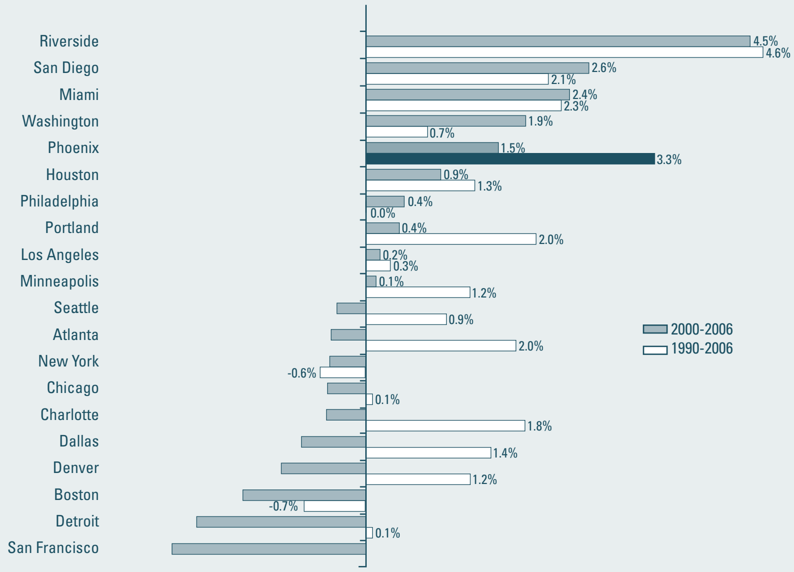
Houston has also made considerable investments in sewer and drainage systems, which has helped it cope with natural disasters. On the other side of the equation has been the lack of investment in New Orleans. Although the U.S. Army Corps of Engineers shouldered much of the blame for the Katrina disaster, a longer-term perspective also suggests that local officials for a generation have refused to make the necessary infrastructure investment; the local levee boards, suggests author Nicole Gelinas, were "lousy stewards."[88]

The Special Role of Transportation

The chart on the bottom of page 65 provides some insight into the average commute times in each of the major MSAs. Time and again, when executives and business leaders are asked about their most pressing issue, traffic congestion tops the list.

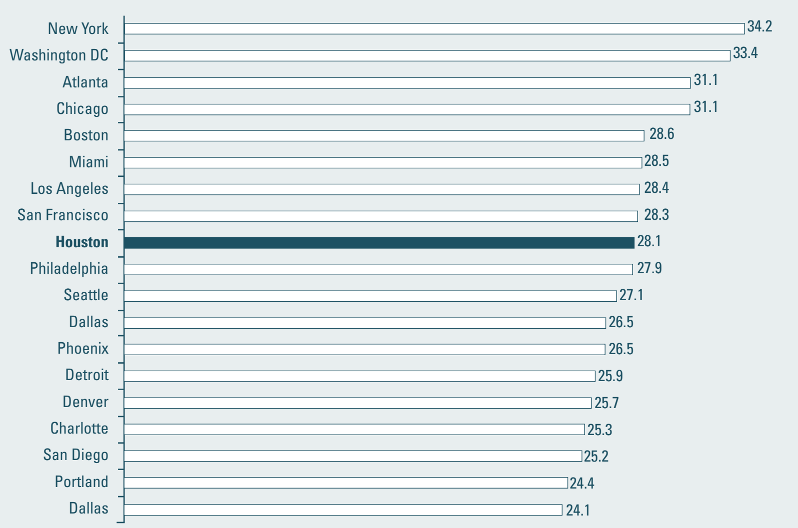
For the most part, the longest commutes exist in superstar cities, including New York and Chicago, which have the most extensive public transportation systems. In contrast, Phoenix, Charlotte, and Houston have among the shortest commute times.

Super Sector Average Annual Growth, Wholesale Trade, Selected Metro Areas



Sources: Current Employment Surveys, Bureau of Labor Statistics

Average Commute Time for Workers in Minutes, Selected Metro Areas, 2005



Source: 2005 American Community Survey, U.S. Census Bureau

The power of efficient transportation—including the judicious expansion of cost-effective methods such as jitneys, bus rapid transit, and inner-city trolleys—to improve upward social mobility has only recently caught the attention of researchers. But for most residents of newer cities, such as Houston, the automobile will remain the prevailing means of transit. One explanation is that most jobs are not clustered around a rail line or bus route, but rather are scattered throughout a metro area. This makes the kind of point-to-point travel offered by the automobile particularly helpful.

These dispersive trends have accelerated during recent years, leading to the phenomenon that The Brookings Institution's Rob Lang has called "edgeless cities," where employment becomes more spread out and less accessible to traditional mass transit. The mobility implications for this trend are clear, Lang suggests. "If most office space is built in areas with no public transit access," he writes, "the reliance on the automobile will continue to grow."[89]

Under these circumstances, improved mobility can be an especially powerful tool to help the poor pull themselves out of poverty. UCLA's Evelyn Blumenberg discovered that residents in the Watts section of Los Angeles who can drive have access to *fifty-nine times* as many jobs as their neighbors who rely on public transit. Programs that get cars to the poor—although relatively rare—have shown strong success. Surveys of workers who received cars through these programs reveal that improved mobility brought them better jobs and higher wages, and a University of California, Berkeley study estimates that auto ownership could cut the black-white unemployment gap nearly in half.[90]

Mobility investments, including bus lines, have lost popularity in recent years. In terms of freeways, this is usually because of the lament that any new capacity "will just fill up eventually anyway." The benefits of increased capacity—such as greater access to more jobs and affordable housing for more people—are often ignored, while the direct costs in money, neighborhood impacts, and construction hassles are all too visible. Local leaders need to do a much better job of articulating the real value of these investments to citizens and voters.

... the Texas Medical Center is now one of the world's leading research institutions and employs more than 73,000 individuals.

Education and Training as Critical Infrastructure

Education and training represent a challenge to all cities, but opportunity cities—with their patterns of broad-based economic and demographic expansion—often face particularly severe obstacles. Cities with large numbers of families, immigrants, and newcomers from other parts of the country clearly face different hurdles than those with declining school enrollments and aging populations.

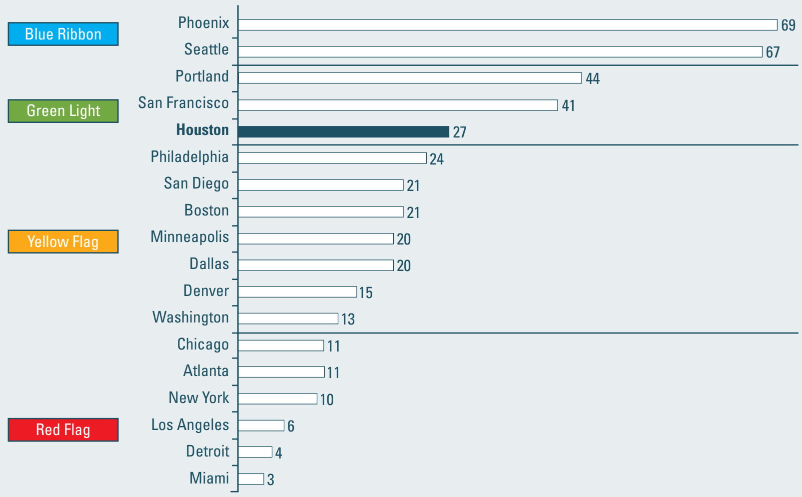
Measures of school quality are complex and fraught with controversy. *Expansion Management*, for example, prepares an index that combines components of the measures mentioned above. The figure at the top of page 68 outlines the results of that index, called the Education Quotient, for the largest urban school districts within the MSAs we have discussed.

Yet despite the relative educational success of places such as Phoenix and Houston, their workforces still experience severe problems, particularly at the lower end of the skills spectrum. Many low paying and unskilled jobs are filled by undocumented workers and immigrants who have rushed in to satisfy demand, a trend that has occurred in other metro areas including Los Angeles, San Francisco, and San Diego.[91]

In fact, the very nature of opportunity cities may make their immediate workforce problems more severe. Because these locations are affordable and offer a wide range of economic options, they tend to attract and retain fewer educated and technically skilled workers, including immigrants and minorities, compared to superstar cities, creative class cities, or older industrial centers. As a result, opportunity cities tend to have higher percentages of workers with less than a high school education.

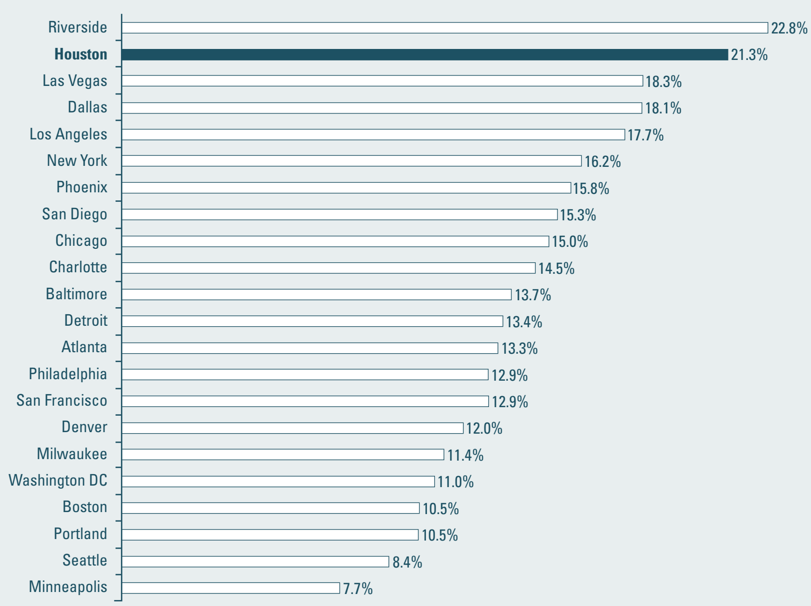
It may be imperative for opportunity cities to engage in stronger outreach to skilled blue-collar workers such as machinists and welders. The demand for these qualified workers is reaching crisis level, despite the general downturn in industrial jobs. Local manufacturing companies in Houston, for example, struggle to find qualified workers for jobs in the trades, such as diesel mechanics, welders, and electricians. Nor can they find other workers who have good basic and job-ready skills.[92]

2006 Education Quotient Rankings, Selected Metro Areas



Source: "2006 Education Quotient: How Well are We Educating Our Future Workers?" Expansion Management, December 13, 2005

Percent of Population Age 25 and Older With Less than a High School Diploma, Selected Metro Areas, 2005



Sources: 2005 American Community Survey. U.S.. Census Bureau

Median Weekly Earnings and Unemployment Rate, by Education Level, 2005 For Full-Time Wage and Salary Workers Age 25 and Older

EDUCATION ATTAINED	MEDIAN WEEKLY 2005	UNEMPLOYMENT RATE IN EARNINGS IN 2005
Some high school, no diploma	$409	7.6%
High school graduate	$583	4.7%
Some college, no degree	$653	4.2%
Associate degree	$699	3.3%
Bachelor's degree	$937	2.6%
Master's degree	$1,129	2.1%
Professional degree	$1,370	1.1%
Doctoral degree	$1,421	1.6%

Sources: Education Pays..., *July 2006, Bureau of Labor Statistics, Department of Labor*

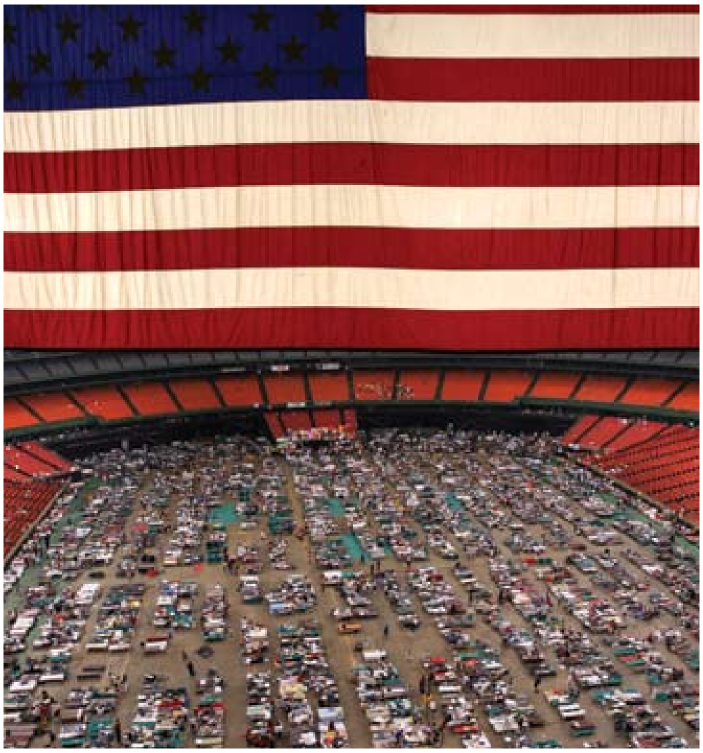
Often, we found that Houston employers spoke glowingly of growth opportunities, but business managers and owners with production operations spoke with concern about their inability to find skilled workers.[93] Their experience was validated by higher education professionals who spoke about the high number of college entrants and graduates who have not mastered the fundamental skills in reading, writing, and math, and who have an increasing sense of entitlement as opposed to a good work ethic.[94]

The Goodman Manufacturing Company, which employs 5,000 workers in three factories (two-thirds of its workforce is Houston-based), for example, has had difficulty competing for engineering talent because of the higher salaries and better benefits offered by large energy companies. At the same time, the company raised wages for low-skilled jobs in hopes of attracting better-qualified applicants. Goodman's director of manufacturing, however, stated that the company's operations did not need to be located in the Houston region. This conclusion highlights the importance of qualified workers as a key competitive location advantage.

A partial solution to this problem is to expand the career technical training offered by high schools, community colleges, and vocational schools, and to raise awareness about careers in the trades among local youth. Opportunity cities need to increase their focus on this segment.

Overall, opportunity cities' futures may be determined by how well they meet the need for skilled trade workers, along with how well they fill the pipeline for jobs vacated by baby boomers when they leave the workforce. Another challenge for a city like Houston, notes Rice's Stephen Klineberg, will be adjusting to a fundamental shift from a strictly commodity-based economy to one that is more dependent, even within the energy sector, on highly skilled blue- and white-collar workers.

In the future, both Houston the 21st century energy capital and Houston the successful post-industrial city will be less about drilling bits and more about applying information bytes to the complex processes necessary to maximize production



...the evacuees were greeted not with hostility, but with a tremendous level of support and compassion...

and exploration dollars. Given the pressures surrounding global warming, Houston will also have to focus more on becoming the cutting-edge center for new, clean energy technologies that exploit both fossil and renewable fuels.

A successful city will develop a truly competitive workforce that has the skills and educational attainment needed to compete in a global economy. This will mean, among other things, a greater focus on educating some minority populations that tend to have lower educational achievement levels. Klineberg, for example, estimates that in the Houston area 71 percent of the population age sixty and older is white, while 74 percent of the population age eighteen to twenty-nine is non-Anglo. These demographics challenge the efforts of Houston and other opportunity cities to develop a competitive workforce that has the education and talent for knowledge jobs.

Nonprofits, Churches, and "Intermediary" Institutions

Nonprofits and associations have always played a strong role in American cities. One of Alexis de Tocqueville's most relevant observations was to link this strong civic sensibility to the decentralized new Republic, an entity that contrasted radically with his rigidly ordered and centralized native France. American democracy flourished, he recognized, because it was highly decentralized, with many "public" functions carried out not from the political power center, but through a multitude of voluntary associations, churches, and local governments. Tocqueville described this phenomenon as follows:

> *In no other country in the world has the principle of association been more successfully used or applied to a greater number of objects than in America. Besides the permanent associations which are established by law under the names of townships, cities, and counties, a vast number of others are formed and maintained by the agency of private individuals.*[95]

In many older cities, long-standing trusts such as The Bradley Foundation in Milwaukee, the Kauffman Foundation in Kansas City, and the Heinz Foundation in Pittsburgh have been critical in promoting economic development and

Business owners in locations such as Houston do not know the meaning of a business license tax...

education. Foundations have also played a significant part in arts and culture development; most New York City, Chicago, and Los Angeles cultural institutions are funded by such groups or wealthy individuals.

Although younger cities often lack a well-developed charity network, such groups have played significant roles in many opportunity cities. Places such as Atlanta, Houston, and Dallas are known for their thriving, church-related institutions.[96]

Houston, in particular, has developed a strong nonprofit sector. For example, the Texas Medical Center was created largely through charitable gifts, most notably from cotton magnate Monroe Dunaway Anderson. Once relatively obscure, the Texas Medical Center is now one of the world's leading research institutions and employs more than 73,000 individuals.[97]

But perhaps the best example of charitable institutions in action occurred after the Katrina disaster. Although Houston has no particular reputation for government social welfare, the evacuees were greeted not with hostility, but with a tremendous level of support and compassion—including more than 13,000 spontaneous new volunteers—which, according to Davis Henderson, CEO of the Greater Houston Chapter of the American Red Cross, was simply unprecedented.

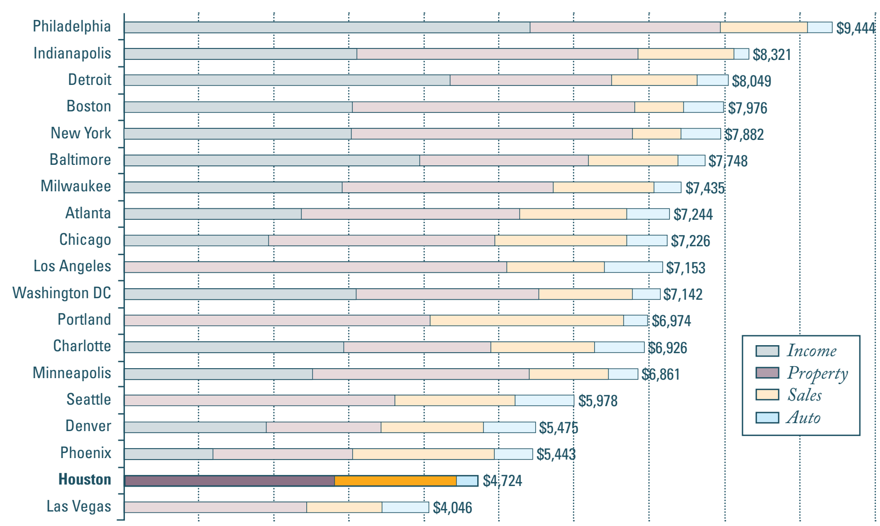
"Who else would have adopted another city like we adopted New Orleans?" asks Henderson, who previously oversaw Red Cross operations in Tampa and Chicago.

Perhaps the most remarkable aspect of Houston's response was its multi-racial ecumenical effort. Food drives were spearheaded by grassroots religious workers such as Ed Young, pastor of the 41,000-member Second Baptist Church. Working with predominantly black churches, as well as with Buddhist and Hindu temples, mosques, and synagogues, Young helped feed some 30,000 impoverished refugees.[98]

Business Climate, Taxes, and Vibrancy

Another way to maximize opportunity involves the regulatory and tax environment. For opportunity to flourish, local and state governments often need to keep out of the way of local investment and economic development. Governments

Estimated Burden of Major Taxes for a Family of three with $75,000 Annual Income in 2005, Selected U.S. Cities



Sources: Tax Rates and Taxes Burdens in the District of Columbia-A Nationwide Comparison, 2006

suppress a region's economic activity mostly through taxation and regulation. If one looks at the New York City of the early 1900s or Los Angeles in the early 1980s, the vast majority of local governments exercised little direct management of local business resources.

Taxes are one of the most frequently cited issues when firms or residents relocate; both are known to actively seek places where taxes are low. During the 19th century, the Western frontier provided a new haven for opportunity that was generally untaxed and unregulated by government.

More recently, the South and the Southwest have provided a haven from taxation and regulation. Business owners in locations such as Houston do not know the meaning of a business license tax, while business owners in Los Angeles and surrounding communities are constantly bombarded by the city's attempts to collect the tax.

The table above presents analytic work done by the District of Columbia to assess the overall effect of local and state taxation on employees in selected large American MSAs. Not surprisingly, the large, more progressive metros such as New York City and Philadelphia were far above the national tax average, while many of the aggressively opportunity-oriented communities such as Houston and Phoenix were far below it.

On a state level, it seems fairly clear that even if relatively low tax rates do not create prosperity, high taxes and regulations often do little to reduce poverty. Indeed, during the 1990s, low-tax states such as Texas and Arizona lowered their rates of both overall poverty and childhood poverty. In contrast, high-tax states with high levels of immigration and diversity, such as New York, New Jersey, and California, actually experienced increased poverty levels.[99]

Business Climate, Land Use Regulation, and Vibrancy

Beyond the chilling effect on economic growth posed by taxes, governments can also directly influence a region's ability to provide opportunity through regulation. Ed Glaeser, among others, has argued strenuously that land use regulations

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—particularly restraints on new construction—play a critical role in driving up business and housing costs.[100]

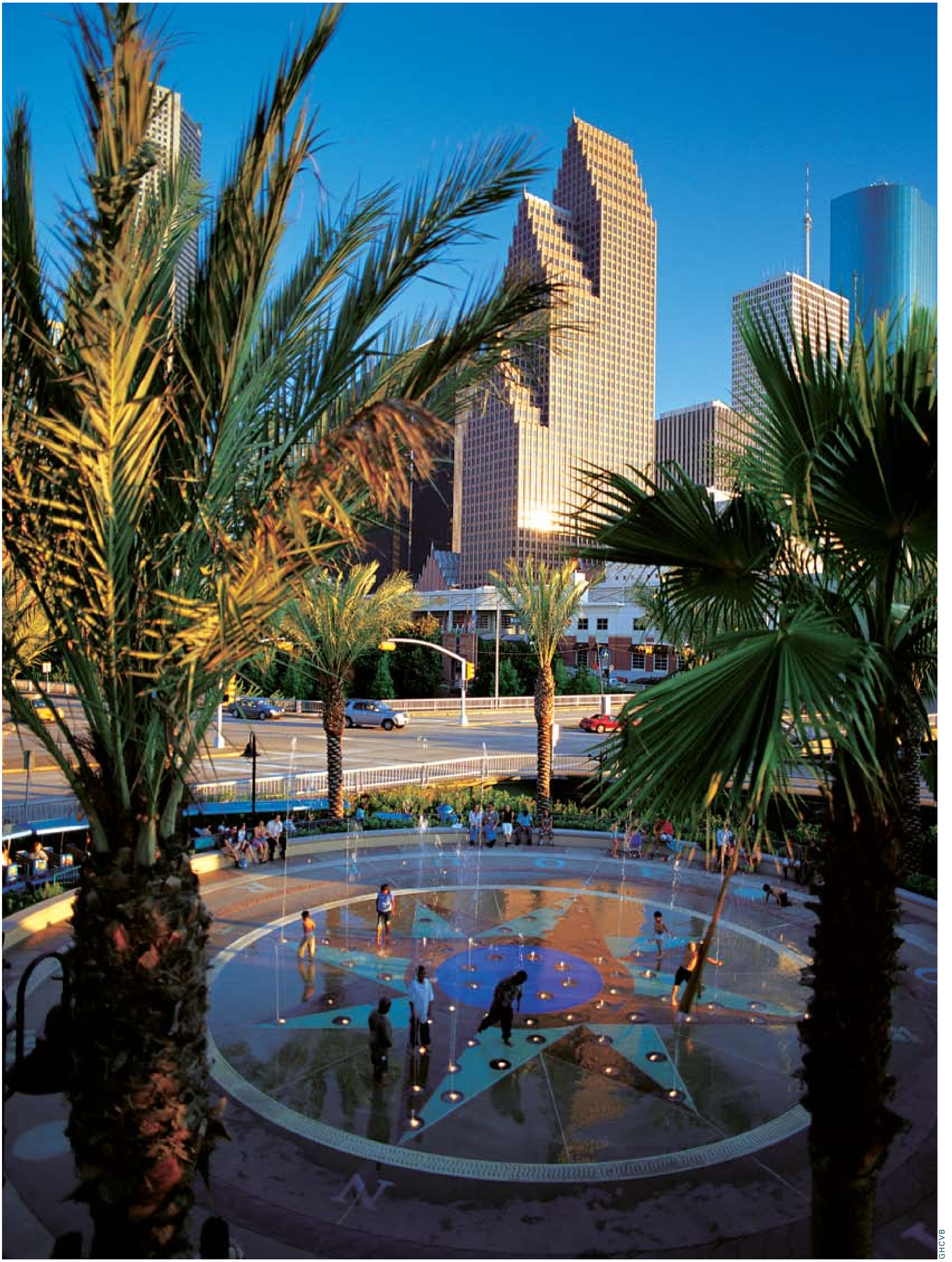
Easy availability of affordable commercial space significantly contributes to growth. More commercial space means more competition, lower prices, and increased discretionary income. The same principle applies to residential space: the more there is, the more affordable it is, and therefore the more discretionary income can be created to circulate through the local economy.

Many cities—particularly superstar urban areas—are experiencing the growing problem of opportunity segregation: using zoning/permitting/land-use regulations, intentionally or unintentionally, to keep "undesirable" populations out of affluent areas. Examples include enacting harsh limits on the availability of apartments or affordable homes, or limiting apartments to one or two bedrooms, to discourage rental by lower-income families who "burden" the school system with their children.

Opportunity cities, given their burgeoning populations and diversity, need to adapt a more open-ended approach to zoning and regulation, which can have the opposite effect. In Houston, for example, minimal land use restrictions have helped create new housing opportunities that keep prices down. This may be one reason why Houston's population in hard-core poverty areas fell by 107,272 (about 48 percent) during the 1990s, one of the largest urban declines according to The Brookings Institution.[101]

The correlation between land use regulation and development can be seen in areas such as Houston's historically African-American and now gentrifying Third Ward, where there has been a significant uptick in new housing and retail construction. Jason McLemore, executive director of the Greater Southeast Management District, suggests that Houston's relatively low "cost of entry" allows new players, such as his company, to enter the development game:

> *You know, here you can get in the room and then you've got to figure out what you're going to do, where you're going to go, where you're going to take your life because you're going to get only one bite at that apple.*[102]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Conclusion

A New Model of 21st Century Urbanism

In many ways opportunity urbanism reflects the very essence of what cities have done through millennia. In Descartes' day, the great multi-cultural entrepreneurial center of Amsterdam represented an "inventory of the possible." A great city by its very nature allows people to do what they could never achieve elsewhere.

A great city by its very nature allows people to do what they could never achieve elsewhere.

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American cities have lifted perhaps millions of residents out of ignorance, poverty, and desperation into the middle, and for some, the upper classes. This has occurred most assuredly along what we have described as the expanding "opportunity frontier," from 19th century New York City and Chicago to Dallas, Houston, Phoenix, and other cities today.

Yet to remain an opportunity city, an urban region must keep its barriers comparatively low; business must be able to expand without restrictions that leave opportunities only to a few, or that place the path to upward mobility in politicians' hands. The signs of this vitality, as historian Robert Bruegmann notes, do not take place in "the tourist's eye view" of a city; a place like Houston, he argues, would fare poorly in a tourist's estimation compared to a Portland or a San Francisco.

But the reality of what he calls "urban life lived by its actual residents" manifests itself differently.[104] It has to do with life experienced in workplaces located in inner-city back alleys or suburban strip developments. It is lived in churches, for example, that have relocated from one city renowned for its "style"—New Orleans—to Houston, Dallas, Atlanta, or other less gracious but more opportunity-rich places.[105]

Opportunity Urbanism is about people like Johnny Taylor, a 33-year-old New Orleans native who has worked to establish his church—the New Home Ministry—in Houston. He and his wife are now buying a home and plan to open a day-care center. "For years we considered moving to Houston as a way to build a better life. The church is the only thing that kept us in New Orleans," Henry explains. "I don't want to go back there. Our future is here."

These are the people who reflect the promise of Opportunity Urbanism, not just in places like Houston, but for cities across the country. For example, some of our older industrial cities—many now hoping to mimic "superstar cities" by focusing largely on culture, tourism, and high-end real estate development—might instead consider using their lower costs and greater housing affordability, along with a more open business climate, as a more practical way to reverse

...intelligence, training, and workforce discipline will be critical to achieving long-term success.

long-term decline. Even large parts of our great "superstar" cities—such as New York's outer boroughs and Los Angeles' San Fernando Valley—still possess the basic preconditions in terms of jobs, industry, and community to build along an Opportunity Urbanism model.

None of this suggests, however, that Houston or any opportunity city should rest on its laurels. Even dynamic cities are not immune to the forces that lead to restricted opportunity in superstar cities and decay in older, industrial ones. Even in Houston, many people increasingly fear that the path to upward mobility may become more obstructed.[106]

Most important, a city with a diverse, rising population must focus primarily on providing its expanding citizenry the means to compete in a global economy that demands an ever-higher degree of skill from the workforce. Raw ambition and a strong work ethic may be the starting points for growing cities, but intelligence, training, and workforce discipline will be critical to achieving long-term success.

We believe it is clear that the regions that will continue to grow and flourish will be those that address the basics of a good economy: a good educational system, an educated and skilled workforce, affordable housing, parks, recreation opportunities, good transportation, and access to high-speed communications. These cities will also need a visionary leadership that recognizes what it takes to sustain economic growth, and a community spirit for getting things done.

It is crucial that cities identify their priorities. We agree that arts, culture, style, and impressive architecture can all reflect a city's greatness. But we think history shows that great cultural centers—from Athens to New York City—must first work as economic engines for entrepreneurial ventures and for ordinary citizens. It may not be glamorous, but Opportunity Urbanism offers a growing America the most promising path to creating successful and sustainable 21st century cities.

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An internationally recognized authority on global, economic, political, and social trends, Joel Kotkin is the author of the critically acclaimed book, *THE CITY: A GLOBAL HISTORY* from Modern Library. It has been published in China, Spain, Great Britain, and the British Commonwealth. Editions in Japanese and Korean are planned in 2007. He is also author of the widely best-selling title, *THE NEW GEOGRAPHY, How the Digital Revolution is Reshaping the American Landscape* (Random House, 2000). Currently he is writing a book for Penguin Publishers on the American future which will look at how the nation will evolve in the next four decades.

In July 2007, Kotkin assumes the post of Presidential Fellow at the Roger C. Hobbs Institute at Chapman University in Orange, California. He consults for many leading economic development organizations, private companies, regions, and cities and is a highly respected speaker and futurist.

He was a Business Trends Analyst for KTTV/Fox Television in Los Angeles where, in 1994, he won the Golden Mike Award for Best Business Reporting on the changing dynamics of the entertainment industry.

Mr. Kotkin wrote the monthly "Grass Roots Business" column in *The New York Times'* Sunday Money & Business section for nearly three years. He served as West Coast editor for *Inc. Magazine* for five years and continues to contribute to the publication. His work also appears in *The Los Angeles Times*, *The Washington Post, The San Francisco Chronicle, The Weekly Standard, The American*, and *The Wall Street Journal.*

Kotkin's book *TRIBES: How Race, Religion and Identity Determine Success in the New Global Economy,* (Random House, 1993) traces the connection between ethnicity and business success – how in-group loyalties are becoming the driving force in the new global economy. *TRIBES* has been published in Chinese, Japanese, Arabic, and German. He co-authored *THE THIRD CENTURY – America's Resurgence in the Asian Era* (Crown,1988). This title was translated into Japanese and Chinese, with a special English edition published for the Pacific Rim.

His first book, *CALIFORNIA, INC.* (Crown, 1982) dealt with California's links to the emergent powers of the Pacific Rim. Kotkin's novel, *THE VALLEY,* was published in 1983 by Bantam Books.

Mr. Kotkin has completed studies on the future of several major cities, including New York, St. Louis, Phoenix, Laval (Quebec's second largest city), Los Angeles, the San Fernando Valley, and the Inland Empire region of Southern California. In November 2005, in association with the Planning Center, he completed a year-long study on the future of suburban development.

Mr. Kotkin lectures widely in the United States, Asia, Australia, and Europe. He has addressed both Democratic and Republican Congressional groups and has testified before the Joint Economic Committee of the Congress and the State of California Economic Strategy Panel. He is highly sought after as a speaker by major business and financial organizations.

Mr. Kotkin attended the University of California, Berkeley. A native New Yorker, he has lived in California since 1971. Married to Mandy Shamis, he has two daughters, Ariel and Hannah, and lives in the Valley Village area of Los Angeles.

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Appendixes to this publication can be found at www.houston.org.

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