RICHARD FLORIDA

# Comeback City, Divided City

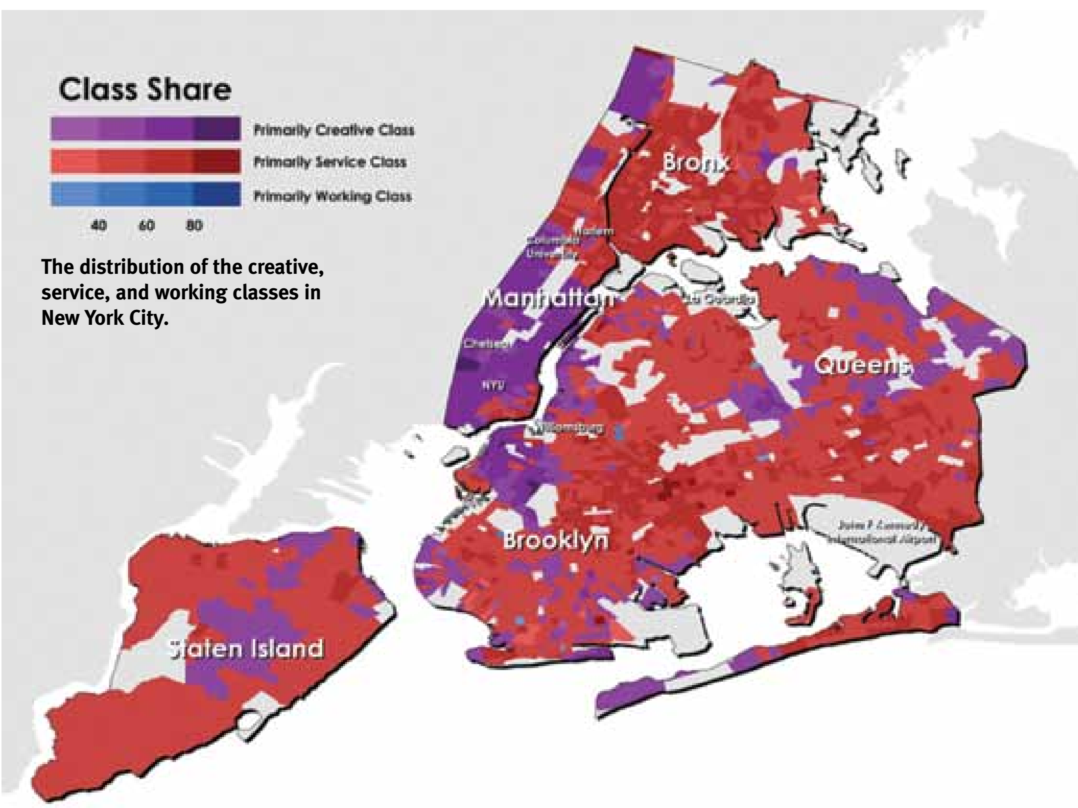
WHEN I WAS AN undergraduate urban planning major at Rutgers University in the late 1970s and later a graduate student at Columbia in the early 1980s, my professors told me that America's cities were obsolete. I saw no reason not to believe them because, child of Newark that I was, I had seen its neighborhoods, jobs, and businesses collapse and die—the factory where my father worked for decades shuttered, the stores we shopped in long gone.

In their landmark 1959 study of the New York metropolitan area, *Anatomy of a Metropolis*, economists Edgar M. Hoover and Raymond Vernon documented the suburbanization of jobs and people as growing affluence enabled higher-income households to purchase lower-density housing further out from the urban core. All the way back in 1939, in a detailed study for the Federal Housing Administration of the growth and development of residential neighborhoods in 64 metropolitan areas, urban economist Homer Hoyt found that the most desirable and hence the highest-priced housing tended to be located in the areas with the least density, along the outer rings. Extrapolating outward in space and time, the study accurately foresaw the farther and farther-flung clusters of detached houses that would be built along "arterial superhighways radiating from cities in axial fashion."

Housing expert George Sternlieb's scathing 1971 article in the *Public Interest,* "The City as Sandbox," argued that just as adults often park children in sandboxes, central cities had become dependent on a "growing bureaucracy which is sustained by the plight of the poor, the threat of the poor, the misery of the poor," but produced little real economic prosperity.

The comeback of the urban core is a striking reversal of long-term trends. Brookings Institution

**Downtown is back, but urban divides remain.**




**The distribution of the creative, service, and working classes in New York City.**

MAP BY ZARA MATHESON, MARTIN PROSPERITY INSTITUTE

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demographer William Frey summarized this reversal in dramatic terms: "Last year, for the first time in more than nine decades, the major cities of the nation's largest metropolitan areas grew faster than their combined suburbs," he wrote in the summer of 2012, adding that "this puts the brakes on a longstanding staple of American life, the pervasive suburbanization of its population—which began with widespread automobile use in the 1920s to the present day when more than half the U.S. population lives in the suburbs."

Frey's detailed research comparing the record of center city growth with suburban growth found that the core "primary cities" of the nation's 51 metropolitan areas with populations exceeding 1 million grew faster than the suburbs of those areas between July 2010 and July 2011. The population of cities grew by 1.1 percent while the population of suburbs grew by 0.9 percent. This contrasts with suburban-dominated growth in the 2000s, extending the pattern of previous decades, Frey said. In addition, he found that "[a]mong the 51 largest metro areas, primary city growth exceeded suburban growth in 27 over the last year, compared with just five in the 2000s decade." Moreover, compared with annual average rates in the 2000–2010 decade, 43 metropolitan areas showed faster primary city growth in 2010–2011 while 43 registered slower growth in their suburbs. City growth outpaced suburban growth in New York, Washington, Boston, and Philadelphia in the Boston/Washington corridor; in Seattle and Portland on the West Coast; in Pittsburgh, Milwaukee, Columbus (Ohio), Rochester (New York), and Minneapolis/St. Paul in the industrial heartland; and in Atlanta, Denver, Raleigh (North Carolina), Charlotte, Miami, Orlando, Tampa (Florida), and Phoenix in the Sunbelt, according to the Brookings analysis.

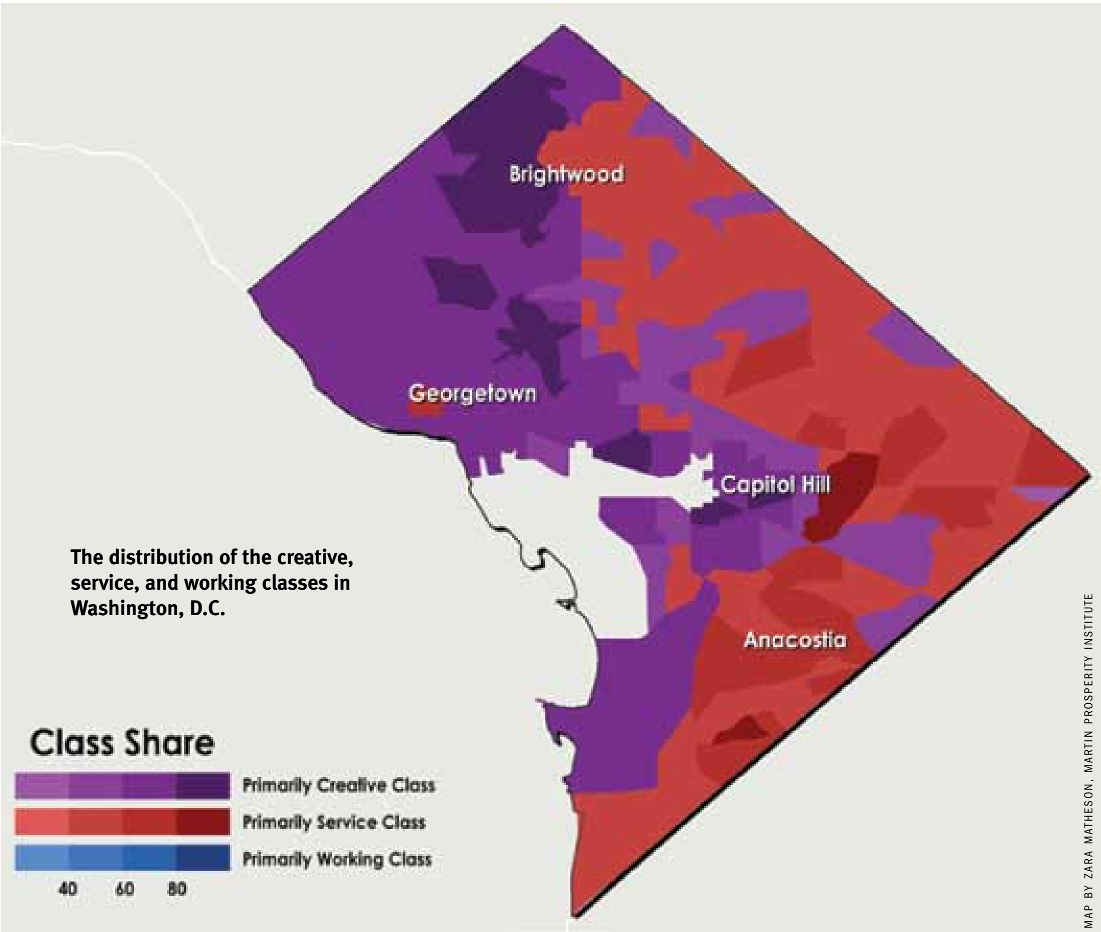
Simply put, urban centers are no longer the poster children for decay and despair; they have, in fact, become the country's economic engines. Affluent people and emerging businesses are now paying a premium to locate in the same crowded big-city neighborhoods that they could not get away from fast enough two generations ago.

When people think of today's urban rebound, they typically think of cities like New York, Boston, Chicago, or San Francisco. But this phenomenon is happening everywhere from the Sunbelt to the Rustbelt's economically hard-hit industrial cities. According to a recent detailed report by the Hudson-Webber Foundation, Detroit's greater downtown—which includes the central business district, Corktown, Mies van der Rohe's Lafayette Park, Wayne State University, and the Cass Corridor, with its cluster of arts and cultural institutions—is more affluent, more diverse, and more educated than the city as a whole. Within the district's 7.2 square miles (18.6 sq km) live 36,550 people, resulting in a density exceeding 5,000 per square mile (1,955 per sq m). College-educated residents age 25 to 34 make up 8 percent of the population of greater downtown compared with just 1 percent for the city as a whole, 3 percent for the state of Michigan, and 4 percent for the nation. More than 42 percent of young adults in greater downtown are college educated, compared with 11 percent for the city, 29 percent for the state, and 31 percent for the nation.

Quicken founder Dan Gilbert has moved his company downtown, purchasing more than two dozen buildings with 2.6 million square feet (241,548 sq m) of commercial space. "Bike lanes and racks at bus stops; community gardens on main thoroughfares; and pedestrians walking, running, skateboarding, or pushing baby strollers well after dusk are becoming common sights," Karen Dumas, former press secretary for Mayor Dave Bing, wrote in the *Detroit News* last summer. The transformation of the area was so significant that she asked whether once-gritty Detroit—of all places—might be turning into a suburb, a theme I explored in the January/February issue of *Urban Land*.

## Ebb and Flow of Downtown Retail

The signs of this reversal are also clearly visible in the comeback of downtown retail. When I was a boy, we used to do our family shopping in downtown Newark's great department stores—Bamberger's, Kresge's, and Hahne & Company—even after my family moved to North Arlington, a close-in ethnic working-class New Jersey suburb. Then all of a sudden, malls opened in places like Woodbridge, Paramus, and Menlo Park, and one by one Newark's great department stores were shuttered.

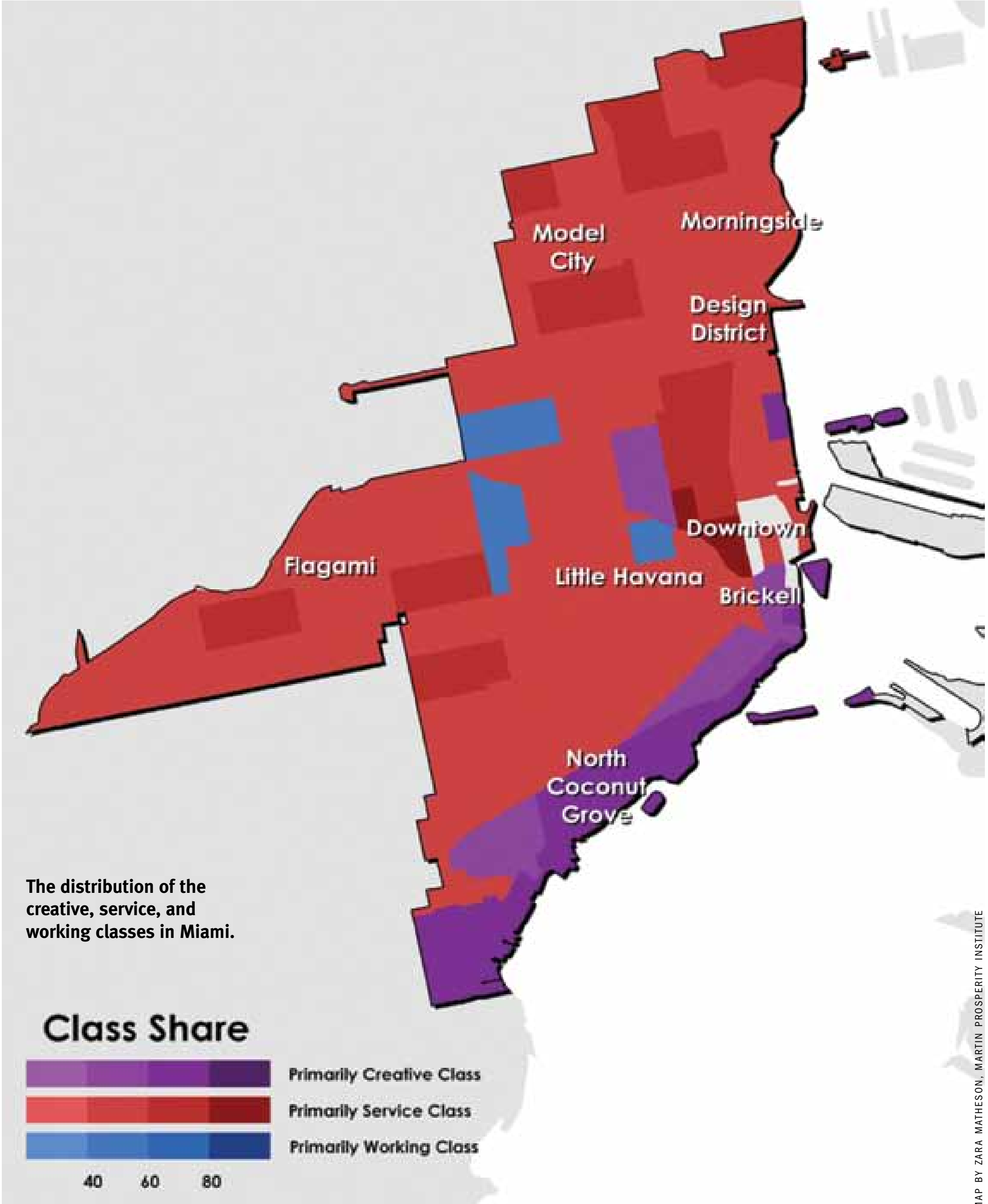



**The distribution of the creative, service, and working classes in Washington, D.C.**

MAP BY ZARA MATHESON, MARTIN PROSPERITY INSTITUTE

But today, high-end shopping is coming back downtown—and not just in the classic urban shopping districts like Manhattan's Fifth Avenue, Chicago's Magnificent Mile, Boston's Newbury Street, San Francisco's Union Square, and Beverly Hills' Rodeo Drive. Retail in those places never went away. But Miami's once-gritty Design District now houses Louis Vuitton, Hermès, Cartier, and Christian Dior stores, which relocated there from an upscale suburban mall, the Shops at Bal Harbour. That strikes me as something of a bellwether. Today we may be at an inflection point similar to the one we experienced in the 1970s, when retail abruptly decamped to the suburbs. Only this time, the impetus is directed the other way as high-end retail comes back to the core.

If cities like Cleveland, Detroit, and Newark do not have Miami's glitz and glamour to bank on, they are—like Miami—surrounded by wealthy suburbs. Suburbanites already go downtown to attend sporting events at the new Tiger Stadium in downtown Detroit and Progressive Field (formerly known as Jacobs Field) in Cleveland. They dine in the downtown destination eateries, like Slow's Bar B Q in Detroit's Corktown neighborhood. It might be hard to imagine soccer moms and patio men giving up their houses in the New Jersey suburbs of Montclair and Summit to return to Newark, but one can easily imagine them driving into the city for the day to go shopping if there were places like the Design District for them to visit.



**The distribution of the creative, service, and working classes in Miami.**

## After "Nerdistan"

Another indicator of the urban comeback is happening in the high-tech industry. Since the rise of Silicon Valley in the 1950s, the presiding model for the technology sector has been the "nerdistan"—a sprawling suburban campus surrounded by a vast parking lot.

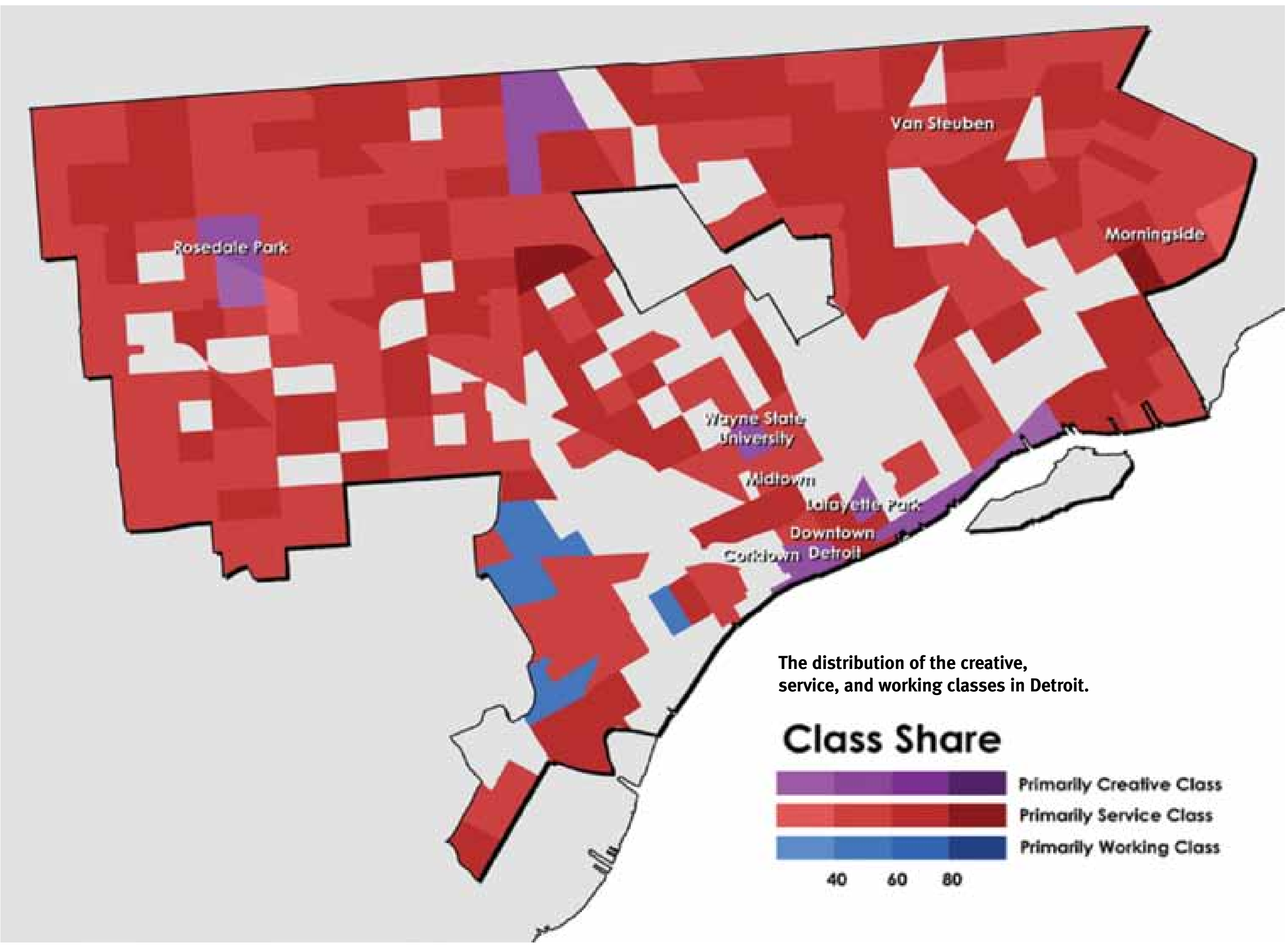
But in the last ten years, about half to two-thirds of high-tech venture capital has been invested in urban downtowns. Pinterest and Twitter both moved from Silicon Valley to downtown San Francisco; Google has opened offices in New York, Chicago, Boston, Detroit, and Pittsburgh. Seattle's South Lake Union District development has become a major technology center, with Amazon's new headquarters in an old hospital at the district's hub. Zappos CEO Tony Hsieh is investing hundreds of millions of dollars in the run-down area surrounding his new corporate headquarters in downtown Las Vegas in an effort to transform it into both a technology hub and an amenity-rich residential neighborhood. Cambridge and Boston are attracting as much tech investment as the suburbs along Route 128 are. And New York City is second only to Silicon Valley in venture capital investment.

Driving the comeback of the core are the needs and demands of talent. The postindustrial creative economy requires talent—and nothing attracts talented people like other smart people. Talent concentrates in urban centers, and the concentration of talent amplifies innovation, entrepreneurism, and economic growth. As the great urbanist Jane Jacobs long ago told us and the Nobel Prize–winning economist Robert Lucas later formalized into a general model of economic growth, the multiplier effect of this talent clustering is the basic motor—not just for city growth, but for all economic growth. Or as Harvard economist Edward Glaeser wrote in the *New York Times* Economix blog, "Globalization and new technologies have increased the returns to being smart," adding, "we get smart by being around other smart people in cities."

A 2007 study titled *The Young and Restless in a Knowledge Economy*, prepared by the consulting group CEOs for Cities, documented the trend of young college graduates moving back to the core in the decade spanning 1990 to 2000. Over this period, the study found that "the likelihood that young adults would choose to live in a close-in neighborhood increased in every one of the nation's 50 largest metropolitan areas." The 2011 update to the study saw those trends accelerate. Between 2000 and 2009, the number of college-educated 25- to 34-year-olds grew "twice as fast in the close-in neighborhoods of the nation's large cities as in the remainder of these metropolitan areas," the study found. "Most large metropolitan areas now have higher levels of education attainment among young adults living in the urban core than among young adults living in the rest of the metropolitan area." According to the study, 34 of America's 51 large metropolitan areas had higher concentrations of college-educated young people in the urban core compared with the rest of the metro area, and the core experienced faster growth of this group in 36 of the 51 metro areas. Overall, the share of young adults with college degrees living in the core increased from 43 percent to 52 percent over the decade. In five metro areas—Boston, Chicago, New York, San Francisco, and Washington, D.C.—at least two-thirds of the young adults living in the urban core were college grads.

My own study of the distribution of college graduates in the cities and suburbs of America's metropolitan areas, conducted with my Martin Prosperity Institute colleagues Charlotta Mellander and Kevin Stolarick, finds the concentration of college grads in the urban core to be especially advanced in America's largest metro areas. Metro areas with more than 3 million people have nearly twice the density of college grads in their center cities than those with populations of 1 million to 3 million. As metro areas grow larger and more congested, more highly educated and affluent people seek more-central locations. When the alternative is hours of commuting on crowded highways and gridlocked streets, more people are willing to trade their lawns, soaring cathedral ceilings, and multiple bathrooms for a more efficient, less car-dependent way of life.

In today's economy, the critical resource is talent—and it gravitates




The distribution of the creative, service, and working classes in Detroit.

MAP BY ZARA MATHESON, MARTIN PROSPERITY INSTITUTE to dense, safe, and exciting urban areas. Skeptics like to cite the proverbial chicken-or-the-egg dilemma, saying talent follows jobs, but the reality is a two-way street. Good jobs attract talent and great talent also lures investment and jobs. Quality of place, as I wrote here previously, is the key factor that connects the two. New York Mayor Michael Bloomberg framed it this way recently in the *Financial Times*:

*I have long believed that talent attracts capital far more effectively and consistently than capital attracts talent. The most creative individuals want to live in places that protect personal freedoms, prize diversity, and offer an abundance of cultural opportunities. A city that wants to attract creators must offer a fertile breeding ground for new ideas and innovations. . . . Recent college graduates are flocking to Brooklyn not merely because of employment opportunities, but because it is where some of the most exciting things in the world are happening—in music, art, design, food, shops, technology, and green industry. Economists may not say it this way, but the truth of the matter is: being cool counts. When people can find inspiration in a community that also offers great parks, safe streets, and extensive mass transit, they vote with their feet.*

### Class Divisions

If pictures are worth a thousand words, a great map is worth much more. The maps on these pages illustrate the extent of the urban comeback across several very different cities. Developed by my research team at the Martin Prosperity Institute at the University of Toronto, they chart the residential locations of the three main socioeconomic classes that populate the United States: the once-dominant but now shrinking blue-collar working class (about 20 percent of the nation's workforce); the rising highly skilled, highly paid creative class of science, technology, arts, culture, and media workers (about 35 percent); and the even larger and faster-growing service class (about 45 percent), who toil in lower-skill, lower-wage jobs in food preparation, retail sales, personal services, and clerical and administrative work.

In each city, from über-gentrified New York and Washington, D.C., to Miami and even Detroit, we find a substantial concentration of the creative class in and around the city's core.

In some cities, like D.C., the creative class occupies an entire quadrant radiating outward from downtown. Atlanta exhibits the same kind of pattern, with the creative class clustered from downtown and midtown up through the upscale Buckhead neighborhood.

In New York City, the creative class dominates most of Manhattan and such close-in Brooklyn neighborhoods as Williamsburg, Dumbo (an acronym for Down Under the Manhattan Bridge Overpass), Fort Greene, Boerum Hill, Park Slope, Brooklyn Heights, Cobble Hill, and Red Hook. Chicago has a similar pattern, with the creative class concentrated in and to the north of the Loop, along the lakefront.

In Miami, the creative-class cluster extends across the waterfront from Coconut Grove through Brickell and downtown.

Substantial creative-class clusters exist even in Detroit's core—once the poster child for urban decay—in downtown, Lafayette Park, midtown around Wayne State University and the cultural institutions, funky Corktown (a magnet for young creative types), and across the riverfront from historic Indian Village toward Grosse Pointe. Much larger creative-class concentrations live in and around the mixed-use, reasonably dense downtowns of Detroit's older suburbs along Woodward Avenue, from Ferndale and Royal Oak to Birmingham, which developed as an alternative to the traditional core in the 1980s and 1990s.

But these maps also illustrate something else—the striking class divides in our cities. The purple creative-class clusters are surrounded by veritable seas of service-class red. And these maps contain very few working-class areas (blue specks)—the neighborhoods that once provided good, family-supporting jobs—even in traditionally working-class cities like Detroit. Even as the urban core has rebounded and regenerated, large swaths of poverty, concentrated disadvantage, and urban distress continue to exist in a hidden, almost parallel dimension that is ignored by or invisible to many politicians, developers, and new urbanites.

### Festering Tensions

The urban rebound is real. America's urban cores and downtowns have become centers of innovation, growth, and consumption. The comeback of the core is a good thing—a very good thing—in that it provides the resources and capital that are required to create jobs, generate a viable tax base, improve living standards, and create deeper, more longer-lasting urban growth and prosperity.

But America's ongoing urban comeback is far from complete. Isolated islands of prosperity remain surrounded by seas of distress and disadvantage. If the United States has thus far avoided the riots that plagued London before the 2012 Summer Olympics, those same tensions fester beneath the surface of America's renewing urban centers. In an article published in the *Detroit News*, Karen Dumas captured this growing divide in her city: "On one hand, you see a 'new' Detroit. Young, white, educated, and employed are the characteristics of those who are taking a chance on the city. They stand in stark contrast to native Detroiters—most of whom are African Americans and many who are undereducated and unemployed—who have stayed and stuck it out over the years, through challenge and controversy. The native Detroiters, tired of the struggle and lack of change, see problems, while the new Detroiters—armed with energy and excitement—see possibilities."

The next and perhaps greater urban challenge is to extend the benefits of rejuvenating cores to a far broader swath of people and neighborhoods. We need to put equal if not greater effort into ensuring that the people and communities that are falling behind—still a clear majority in most cities—can participate in and benefit from this ongoing urban transformation.

What is needed is a new urban social compact that harnesses the full creative capabilities of every worker, resident, and neighborhood. That requires a concerted effort by municipal leaders and urban employers to turn service jobs into higher-wage, family-supporting service jobs, by involving workers in continuous productivity improvement. It also means providing the same kinds of management, business, and technical support to small shops, mom-and-pop stores, and service businesses that we do for high-tech startups, and more.

America's urban comeback will not be complete until we build from and extend the ongoing resurgence of the urban core to all of our city neighborhoods, enabling a broader, shared prosperity for all. UL