DECEMBER 2020

The Land of In-Between

Revitalizing America's Small and Mid-sized Cities

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Introduction

After decades of slow urban decay, U.S. cities are experiencing a renaissance. Across the nation, new development and investment are rapidly changing the face of our urban areas. The news media is regularly filled with anecdotes of boom cities expanding as new residents and new businesses flock to them. Well-known metro regions such as Austin, TX or Seattle, WA, have been transformed by the arrival of new tech companies and the highly trained workforce they attract. Even traditional Rust Belt cities such as Pittsburgh, PA, and Detroit, MI, have turned around in recent years. Before the Covid-19 pandemic, the U.S. economy was experiencing its longest period of growth in history and its lowest unemployment rate in nearly half a century. But such prosperity was not equally dispersed across the nation, with some regions reaping more of the benefits of this expansion.

As a whole, metro regions are the driver of U.S. population growth—they expanded at a rate of 7.5 percent between 2010 and 2019, faster than the total U.S. population. Yet only 143 of the 383 metropolitan statistical areas tracked by the U.S. Census Bureau matched or exceeded that rate. In total, only 165 experienced population growth that met or exceeded the overall U.S. average of 6.3 percent between 2010 and 2019. The remaining 218 metropolitan areas experienced growth below the average rate, 92 of which had no or negative growth. This includes cities large and small, from Cleveland, OH (−1.4 percent) to Pine Bluff, AR (−12.4 percent). This data helps underscore the growing divide in the United States between the regions of notable success and those limping along or even suffering decline: the haves and the have nots.

U.S. cities are the key to national prosperity: According to the latest Census Bureau data, 86 percent of the U.S. population lives in one of these 383 metropolitan statistical areas, and that is only projected to increase. Cities are the engine that drives the U.S. economy, with just 23 metro regions accounting for over half of the nation's economic output in 2017, according to data from the Bureau of Economic

Analysis.[1] The New York metro area alone accounts for nearly one-tenth of the nation's GDP. Yet in 2019, the top 20 largest metro regions represented just 38 percent of the nation's total population and 44 percent of the people living in metropolitan areas. Already, growth in the nation's largest metro regions is slowing—the nation's three most populous metro regions (New York, Los Angeles, and Chicago) had flat or negative population growth in 2019. Residents there are fleeing the increasingly high cost of living and moving to smaller cities in the American heartland, farther from the coasts.

This paper will focus on those smaller metro regions, integral to our national economy and where the plurality of citizens lives. Its particular focus will be on the small and mid-sized communities experiencing decline and stagnation. We will analyze two of them as case studies of what policies and actions governments and local stakeholders are implementing to encourage renewal and growth.

2

Literature Review

Given the importance of community and economic development to many urban areas, several research institutions and bodies dedicated to these issues have closely studied this very topic for decades. We will not try to replicate or compete with such scholarship. Instead, we intend to build upon it and apply it within specific geographic contexts. As part of this analysis, the most relevant literature in this field has been included first to highlight what previous research has already shown. Scholarship in this area is being conducted at multiple levels: at academic institutions, think tanks and public research institutions, government bodies, and consulting firms. In addition, there are frequent anecdotes by major media sources on specific communities, including more niche sources such as City Lab.

Mind the Gap

Since the global recession and the 2016 presidential election, dozens of studies have examined the widening economic gap between many large urban areas and small or mid-sized cities. These analyses demonstrate that the gap has widened dramatically over time and that the origins of this divide pre-date the 2008 recession. Though explanations vary, most studies identify 1980 as the point at which this divide began to accelerate. Since the recession, however, and as the skills needed in a competitive global economy change, that divide has continued to deepen.

A recent Brookings study found that 90 percent of job growth in the tech sector between 2005 and 2017 was concentrated in only five metropolitan areas in the United States.[2] In 2019, a McKinsey Global Institute study estimated that over the next 10 years, 60 percent of U.S. job growth will originate from only 25 cities.[3] There are four different policy approaches that have been put forward in previous research to address these gaps: place-based, people-based, top-down, and bottom-up. These policies often build upon one another, and we will draw upon them in the course of this analysis.

Place-Based versus People-Based

Most policy proposals on this subject are categorized either as “place-based” or “people-based.” Place-based policies aim to revitalize the specific communities that have been economically left behind by targeting investments in specific locations. One of the most prominent studies using this approach is the 2018 book Place-Based Policies for Shared Economic Growth, conducted by The Hamilton Project at the Brookings Institution.[4] Building what was known as a “vitality index,” the study measured every U.S. county’s economic and social wellbeing from 1980–2016. The researchers found that during this time, economic development in the middle of the United States stagnated while bigger cities, primarily on the coasts, continued to expand. As a result, the paper developed five place-based policy proposals to address this inequality.

The first policy proposed was to implement Rebuilding Communities Job Subsidies (RCJS) to fully subsidize jobs in impoverished neighborhoods. Second, to maximize responsiveness, the researchers recommended reforming the intergovernmental grant system that disburses money from the federal level to various lower levels of government. Third, regionally focused expansion of the 1988 Manufacturing Extension Program was put forward as a way to use the resources of research universities to expand their reach to lagging communities rather than trying to establish new universities. Fourth, the study advocated for education policy reform to increase the minimum dropout age and improve professional tutoring. Fifth, to expand connectivity, the study recommended investing in improvements to transportation and information infrastructure. These five proposals were based on focusing policies on specific cities to be chosen by the federal government.

Which cities are selected by the government for these investments is often one of the most challenging aspects of place-based policies. In an April 2018 Brookings report, Renewing America’s economic promise through older industrial cities, the authors argue that older industrial cities have more prospects for success than rural communities.[5] Analyzing 70 such cities, the report concludes that their urban form, human capital, and culture allow for shared policy solutions, meaning one common approach can quickly help one-eighth of the U.S. population. Many other studies have taken this approach, such as “Where does the American middle class live?” by Brookings or “Why ‘micropolitan’ cities may be the key to rural resurgence” by the U.S. real estate network Curbed.[6] These studies also suggest that policy solutions will have the biggest and most efficient impact in bridging economic divides if they target industrial cities.

Three professors at Harvard developed a different place-based approach in March 2018, using a specific set of economic criteria in their paper, “Saving the Heartland: Place-Based Policies in 21st Century America.”[7] This study considers three measures: “agglomeration economies, geographic targeting of redistribution, and nonemployment reduction in hot spots.” Of these three approaches, the authors found nonemployment reduction to be the most practical policy solution, as there are fewer risks of abuse and its narrow focus on reducing nonemployment makes it easier to measure. Their criteria have been critical for improving place-based policies, which carry substantial risk of abuse.

An alternative to the place-based policies are people-based ones that emphasize the need for more training and investment in individuals. One of the most popular people-based policies is to provide federal funding for individuals to relocate in pursuit of better economic opportunities. A Brookings report from November 2018, Strategies for Left-Behind Places, pointed out that, "as recently as 1985, 20.2 percent of Americans moved, almost double the share today."[8] While a place-based approach would focus on helping those cities where people have remained, people-based policies attempt to use aid more effectively by enabling individuals to leave. The goal of these policies is not to have all rural communities migrate to industrial cities but to ensure that economic opportunities are equally available regardless of where one lives or grows up. For example, the government could provide direct financial support to individuals who make long-distance moves or reimburse them for such expenses.

Two other major studies focusing on people-based policies were conducted by the Center for American Progress. "Redefining Rural America," published in July 2019, makes two significant contributions. First, it critiques the frequent generalizations that lead to blanket policies aimed at helping rural communities. In many cases, policies that concentrate only on helping "rural" areas ignore that these communities often have more in common with their neighbors in a nearby metropolitan city than with a rural community in a different state. Second, it acknowledges that while rural communities are less diverse than large cities, there are still a significant number of marginalized groups who are overlooked when policies are developed to support rural areas.[9]

In 2018, the Center for American Progress also published a more detailed people-based report on the subject of rural immigration, entitled Revival and Opportunity: Immigrants in Rural America. In this study, the authors use a people-based policy approach to argue that increasing immigration helps rural communities by "reversing population loss, spurring economic growth, meeting labor needs to preserve key industries, contributing to the local tax base, and supporting hospitals and clinics to prevent health care deserts."[10] A similar Brookings report noted in 2017 that old age and a lack of immigration continues to negatively impact rural communities.[11] As their population size declines, so too does their political weight. In order for them to benefit from increased levels of immigration, the Center for American Progress study suggests that local governments have the responsibility to create a welcoming cultural environment and invest in the social services needed for integration. While this has been successful in many communities, it is still important to recognize that immigration remains an extremely heated and controversial issue in the U.S. political context. Immigration is also directly controlled by the federal government, so communities are susceptible to federal-level policy changes beyond their control.

More recently, scholars have begun to incorporate both place-based and people-based approaches in their work. Particularly useful to this analysis is Alan Berube's report Small and Midsized Legacy Communities: Trends, Assets, and Principles for Action, published by the Brookings Metropolitan Policy Program in November 2019.[12] As Berube states toward the beginning of the report, "The tension in today's debate, then, is less about people-based versus place-based interventions—most observers see a strong case for both—but what kinds of places deserve support." Given the excellent scholarship and in-depth analysis of this work, as well as its similar contextual focus, we will reference it frequently and build upon its analysis and recommendations. The main contribution of the study is its development of more distinct criteria for identifying what it describes as "legacy communities" and a framework for development in these cities. A part of this framework involves dividing responsibilities between the local, state, and federal government—our next category of analysis for these studies.

Top-Down versus Bottom-Up

In addition to people- or place-based policies, the other dimension policymakers must consider is whether to utilize a top-down or bottom-up approach. Most reports follow a top-down approach, in which responsibility falls on the federal government to implement policies. For example, in a December 2019 Brookings study, The Case for Growth Centers: How to spread tech innovation across America, the authors propose that Congress designate 8–12 "growth centers" or "growth poles" spread throughout the middle of the United States.[13] While this is a prime example of place-based policy, it is also a top-down approach to economic development and would require substantial federal government funding. One of the biggest reasons for these policies comes down to budgets. As the authors argue, "'Bottom-up' technology-based economic development efforts cannot significantly change these patterns by themselves, in part because the resources states and cities can bring to bear are limited." Due to the federal government's budget and legislative responsibilities, it is understandable why so many policies therefore rely on a top-down approach.

In a bottom-up approach, however, it is the leaders at the city and state level who are responsible for bridging this economic divide. In a 2019 report by the McKinsey Global Institute, The future of work in America: People and places, today and tomorrow, the authors look at 3,000 counties and 315 cities in the United States, analyzing the predicted impacts of automation through 2030. As discussed in other studies, the report finds that big cities are expected to reap most of the benefits from automation and technological innovation in the workforce.[14] To address this inequality, the authors make three policy recommendations for small communities intending to reverse this trend. First, rural communities need to identify their existing strengths and target a specific industry such as tourism, manufacturing, or education. The emphasis is not on developing tech-focused industries but rather deepening a specialization. Next, the authors argue that in a globalized world, small cities need not be limited to domestic government funding for projects. In an unconventional approach, they recommend cities look beyond subsidies and local tax breaks (though those should be utilized as well) and work on attracting foreign investment in their communities. The third, more traditional policy recommendation is for local communities to determine how to better utilize job matching, skills training, and digital infrastructure. Several other studies also adopt a bottom-up approach, such as the American Planning Association's 2018 report Downtown Revitalization in Small and Midsized Cities.[15] While people- or place-based policies are also included in these analyses, this approach primarily focuses on solutions that local governments can initiate.

Summary of Previous Scholarship

Clearly, there are well-researched and outlined strategies when it comes to economic development and policy for cities. In their previous research, scholars have had to select at least two of the four different policy approaches identified here. The rationale has varied regarding which two are selected—or even whether all four should be utilized. Time or resource constraints are the most common explanations, but it is important that authors understand what they are sacrificing when making such a decision. In this report, we will draw on many of their recommended policies, but in a more bottom-up way and as determined by the needs of each community we analyze.

3

Defining Small and Mid-sized Cities

The Brookings report on small and mid-sized cities uses counties as its primary unit of study, examining those that contain cities with fewer than 200,000 people. In this work, we will depart from both these definitions. Our foundational building block will not be counties but metropolitan statistical areas (MSAs) with populations of less than 500,000 (although no individual city we study exceeds a population of 200,000).

MSAs are geographic regions defined by the U.S. Office of Management and Budget (OMB) based on data collected by the U.S. Census Bureau. The concept of MSAs was first introduced in 1950 under the name "standard metropolitan areas" after government officials recognized in the 1940s that collecting data on major metro areas under a unified definition would be beneficial to federal agencies.[16] Each MSA is composed of a central county together with surrounding "building block counties." The OMB defines an MSA as "a core area containing a substantial population nucleus, together with adjacent communities having a high degree of economic and social integration with that core."[17] According to the Census Bureau's 2019 estimate, about 86 percent of the nation's 327 million people live in an MSA. The largest MSA, at 19.2 million people, is the New York–Newark–Jersey City, NY–NJ–PA Metro Area, and the smallest is the Carson City, NV Metro Area, at 55,916 people. MSAs are also agglomerated into larger units called combined statistical areas (CSA), but this report does not use CSAs in its analysis.

The current delineation of MSAs is based on the 2010 standards, though the OMB last updated its identification of the counties that comprise MSAs in March 2020. The 2010 standards dictate that each MSA must have at least one urbanized area of 50,000 or more people, with the largest city in each region designated the "principal city." Commuting patterns are also significant to determining which areas are a cohesive urban unit. The "central county" is the one containing a substantial portion of the urban population and which sees the highest volume of commuters to and from it. Based on this definition, there are 384 MSAs in the United States today and an additional 542 micropolitan statistical areas (for areas where the core principal city has fewer than 10,000 people).

The OMB's delineations have shifted over time, reflecting demographic and economic changes to cities and regions. Over the decades, some MSAs have been merged, while others have either gained or lost counties. All references to an MSA in this work will refer to its current definition as of March 2020 and will attempt to present data and trends only for those counties or cities presently included.

4

Methodology

Integral to this work is the Brookings report on legacy communities, which it defines as the 141 urban counties in which more than 20 percent of jobs were in manufacturing in 1970 and which, by 2016, "had significantly fewer jobs than their 1970 economic structure would predict." Those 141 legacy communities or counties are placed into four categories based upon six metrics of growth, prosperity, and inclusion: strong, recovering, faltering, and distressed. Strong counties had above-average performance from both 1990–2000 and 2000 onward. Recovering counties underperformed from 1990–2000 but performed above average thereafter. Faltering counties outperformed the average from 1990–2000 but then fell below average. Distressed counties underperformed the national average for both periods.

From this list of 141 communities, we conducted further winnowing. Under our criteria, the MSA required a population of less than 500,000, allowing us to eliminate MSAs such as Dayton, OH, which has over 800,000 people as of 2019. We also eliminated any MSAs that contain state capitals, such as Hartford, CT, due to the stabilizing presence of state government bureaucracy on the labor force. Similarly, we eliminated MSAs that contained large universities, such as South Bend, IN, or New Haven, CT, since large universities can impact the local economy. The Brookings study also includes some cities that the Census Bureau defines as part of a wider metro region. Therefore, we eliminated cities such as Elizabeth, NJ (part of the New York City MSA), and Lynn, MA (part of the Boston MSA).

From the remaining communities, we chose two case subjects from differing performance categories while controlling for similar geographic context and size. Those communities are Davenport, IA (strong), and Evansville, IN (faltering). Both are roughly similar in size; both are located in the Midwest; both are bi-state regions; and both straddle a major river important to inland ship traffic. Analyzing these two communities in more depth to find commonalities and differences will serve as the core of our report.

The Brookings Legacy Counties report also concludes with several core principles they believe should inform efforts to achieve inclusive prosperity in small and mid-sized legacy communities. Those are:

1. Engage all sectors. Long-term success and prosperity should rely on more than just public-sector resources. All private and civic sectors should be involved in the effort to create change.

2. Leverage anchor institutions. Many communities have local institutions that are deeply rooted in the community, anchor the local economy, and help define the sense of place. Often, these are colleges or universities.

3. Partner to help underserved communities. Human capital is the most important contributor to economic growth and opportunity. Communities that do not invest in underserved groups, particularly people of color, often struggle to revitalize. Immigrant communities are also an important group to leverage for revitalization.

4. Work at the state level. While there are numerous resources at the federal level, regions are often most beholden to their state governments. State-level policies also have the opportunity to make the greatest impact on the ground in a nuanced manner. Therefore, work toward revitalization should focus on state-level efforts, projects, and funding.

For this work, we analyzed the MSAs based on available demographic and economic data and applied the above core principles to our selected metro regions where appropriate. We also conducted interviews with relevant stakeholders in each city, particularly organizations currently engaged in development and revitalization work, to help outline these cities' current economic and demographic contexts and any ongoing initiatives at the regional and local level.

The goal of this work is to understand the commonalities and differences of these two communities and build upon the above recommendations from the Brookings report on legacy communities. For local stakeholders in many cities, the contents and conclusions of this study will likely come as no surprise, as they are expert practitioners in their field and know what is best for their respective communities. We hope this report may at least offer them some perspective on how other communities in a similar or different context engage in this space. Policymakers or legislators, both in Washington, DC, and in state capitals, form the core audience for this work. We hope it can be an introductory reference to the body of literature on this topic and illuminate concrete examples of what is happening in two American communities.

5

Davenport–Moline–Rock Island, IA–IL MSA

Regional Background

The Davenport–Moline–Rock Island, IA–IL MSA, more commonly known as the Quad Cities, is situated in eastern Iowa and western Illinois at the confluence of the Rock and Mississippi Rivers. We will refer to the MSA interchangeably as the "Davenport MSA" and the "Quad Cities." The four constituent cities (in order of population size) are Davenport, IA; Moline, IL; Rock Island, IL; and Bettendorf, IA. As of 2018, the MSA is composed of four counties: Scott County in Iowa and Rock Island, Mercer, and Henry Counties in Illinois. (Rock Island is the name of both a city and county in Illinois.)

Before European settlement, the area was home to a large population of Sauk and Fox tribes, including a major settlement called Saukenuk in what is now Rock Island. In the Treaty of St. Louis (1804), the U.S. government purchased all of the Sauk and Fox tribal lands on the Illinois side of the river, which comprises much of modern western Illinois, including present-day Moline and Rock Island.18 Following the brief Black Hawk War of 1832, the captured Sauk chief Black Hawk was forced to sell an additional six million acres of tribal land to the U.S. government, much of which now comprises eastern Iowa and includes the present-day cities of Davenport and Bettendorf.[19]

In 1817, the federal government established Fort Armstrong on an island in the middle of the Mississippi River, dubbed "Arsenal Island," after Fort Armstrong was designated a U.S. military arsenal during the Civil War. Davenport, founded across the river in 1836, was named for Colonel George Davenport, who commanded Fort Armstrong at the time.[20] The fort, which was expanded during World War I to manufacture artillery and weapons, has been a major employer, with 18,000 employees at the Rock Island Arsenal constructing tanks, artillery, and guns by World War II.

The Quad Cities also became the center for regional commerce, with businesses originally taking advantage of the Mississippi River's power production and transportation benefits. In 1848, John Deere moved his company to Moline, where it remains headquartered.[21] In 1856, the first railroad bridge across the Mississippi opened, connecting Davenport to Rock Island and points east toward Chicago, allowing businesses to benefit from the intersection of the rail lines—and later interstate highways—in the area. Although the 1980s farm crisis, the rise of outsourcing and automation, the Great Recession, and dramatic Mississippi River flooding have battered the local economy at times, overall, it remains healthy.

Population Data

The Davenport MSA had an estimated 381,451 people in 2018, up just 0.46 percent since the 2010 census of 379,690.[22] Davenport is the heart of the Quad Cities region, the seat of Scott County, Iowa, and the third largest city in Iowa. According to the Census Bureau, Davenport had an estimated population of 102,085 in 2018, a 2.4 percent increase since the 2010 census.[23] Moline, IL, had an estimated 2018 population of 41,902, a 3.7 percent decrease since 2010. Similarly, Rock Island (city), IL, had an estimated 2018 population of 37,678, a 3.4 percent decrease since 2010. By contrast, Bettendorf, IA, had a 10 percent increase in population since 2010, reaching 36,543 people in 2018, and will likely soon eclipse Rock Island (city) as the third largest of the Quad Cities.

Overall, the Quad Cities area has underperformed in population growth in the last five decades. Since 1970, the region has grown by only 0.4 percent, from 379,932 people in 1970 to 381,451 in 2018. In the same period, the U.S. population expanded by nearly 61 percent. In fact, three out of the four counties in the MSA have actually lost population since 1970. Rock Island County, IL, shrank by almost 14 percent, Mercer County, IL, shrank by 9.8 percent, and Henry County, IL, shrank by 7.8 percent. Only Scott County, IA, grew over those 48 years, yet its population growth of 21.4 percent is still well below the overall U.S. rate.

According to census data, people over the age of 65 make up an average of 19.8 percent of the population of the four counties, above the U.S. average of 16.5 percent. In terms of education, 90.9 percent of people in the region over the age of 25 have a high school diploma, higher than the national average of 87.7 percent, but only 23.9 percent of people over the age of 25 have a bachelor's degree or higher, well below the U.S. average of 31.5 percent. The average poverty rate is 11.8 percent, in line with the national average.[24]

Economic, Labor, and Employment Data

According to data from the U.S. Bureau of Economic Analysis, the GDP of the Davenport MSA grew 75.7 percent from $13,078,939 in 2001 to $22,973,999 in 2018, unadjusted for inflation.[25] By contrast, overall U.S. GDP grew by 92.5 percent from 2001 to 2018, unadjusted for inflation.[26] According to labor market analytics firm Emsi, Davenport has the third most diversified economy in the United States.[27] In a December 2019 presentation, however, a University of Illinois economist noted that the Quad Cities economy must further diversify away from the manufacturing sector, particularly primary metal manufacturing, if the local economy is to weather future economic changes.[28]

The private-sector labor force in the Davenport MSA stood at 156,546 in 2018, a 0.2 percent increase from 156,195 in 2001. Although the manufacturing sector contracted by 13.6 percent from 27,131 jobs in 2001 to 23,881 jobs in 2018, the share of manufacturing jobs stayed roughly constant during those 17 years: In 2001, 17.4 percent of all jobs in the MSA were in manufacturing, and by 2018 that stood at 15.2 percent.

Service jobs expanded by just 2.3 percent from 119,193 in 2001 to 122,044 in 2018, and their share of the private sector labor market also remained roughly constant, from 76.3 percent in 2001 to 78 percent in 2018.

Wage growth in the Quad Cities exceeded the average annual rate of inflation (2 percent), with average annual pay for all private industries in the MSA growing by 2.81 percent year-on-year (YOY) between 2001 and 2018. In 2001, the average Quad Cities worker in the private sector earned $30,679; by 2018, that was $49,131. Private-sector employees' wages even grew marginally relative to the national average, with the 2001 wages at 84.85 percent of average national pay and 2018 wages at 85.9 percent of national pay.

Looking deeper at the sector-by-sector numbers, we see a slightly different picture. Average annual pay for all goods-producing jobs (inclusive of manufacturing) only grew by 2.38 percent YOY between 2001 and 2018 from $40,460 to $60,371. This sector's wages as a percent of average national pay fell across that period from 98.65 percent in 2001 to 91.73 percent in 2018. Service jobs pay did better, with average annual pay growing by 3.03 percent YOY from $27,643 to $45,953, and wages grew from 79.6 percent of the national average to 83.0 percent of the national average. Still, anyone employed in goods-producing jobs out-earned service workers on average by over 30 percent.

Despite a shrinking population, wages for all private industries were highest in Rock Island County, IL, with an average annual pay of $55,862 in 2018—97.66 percent of average national wages and 92.45 percent of average Illinois wages. Meanwhile, the lowest was in Mercer County, IL, where average annual pay was $33,646—58.80 percent of average national pay and 55.68 percent of average statewide pay.

According to the Quad Cities Chamber, the ten largest employers in the region* are as follows:

5. Rock Island Arsenal: 8,100 employees in defense manufacturing
6. UnityPoint Health–Trinity: 7,348 employees in healthcare
7. John Deere: 7,240 employees in agricultural innovation
8. Genesis Health System: 6,160 employees in healthcare
9. Hy-Vee: 4,581 employees in groceries
10. HNI Corp./The HON Company/Allsteel: 4,205 employees in office furniture manufacturing
11. Arconic: 2,500 employees in aerospace and defense aluminum manufacturing
12. Kraft Heinz: 2,480 employees in food processing
13. Walmart: 2,480 employees in warehouse clubs and supercenters
14. Tyson Fresh Meat: 2,400 employees in food processing[29]

**Note: the Quad Cities Chamber defines the region as six counties: Clinton, Muscatine, and Scott counties in Iowa and Henry, Mercer, and Rock Island counties in Illinois.*[30]

The Quad Cities Chamber also states that the labor force participation rate is 63.5 percent, that 77.1 percent of people currently employed have education beyond a high school diploma, and that millennials and Generation Xers together represent 59 percent of the workforce.[31]

Educational Institutions

The Quad Cities region contains several institutions of higher education, including:

- St. Ambrose University
- Augustana College
- Black Hawk College
- Eastern Iowa Community College
- Palmer College of Chiropractic
- Hamilton Technical College
- Eastern Iowa Community Colleges
- Western Illinois University–Quad Cities
- UIC College of Nursing–Quad Cities Campus

Ongoing Efforts

STATE LEVEL

Straddling the Iowa–Illinois border, the Davenport MSA offers its municipalities a constellation of state-level programs depending on their respective jurisdictions. Those can be found on the economic development webpages of the two governments: the Illinois Department of Commerce & Economic Opportunity and the Iowa Economic Development Authority.[32]

On the Iowa side of the Quad Cities, Future Ready Iowa's Employer Innovation Fund provides grants to employers and others that accelerate locals' attainment of credentials, including through credit and non-credit education and training provided by employers. Joel Youngs, regional director of the Eastern Iowa Small Business Development Center, said in a research interview with CSIS that the initiative is a major incentive for companies to invest in the region.

REGIONAL LEVEL

Revitalization and development efforts in the Quad Cities region are led by the Quad Cities Chamber, a group composed of local corporations and other large and small institutions and which was created through the merger of earlier organizations engaged in this space. We spoke with their CEO, Paul Rumler. In June 2016, the chamber launched the Q2030 Regional Action Plan, the overall goal of which is to make the region "a cooler, more creative, connected and prosperous place by the year 2030."[33] In detail, the plan aims to:

- attract 54,000 more professionals between the ages of 25 and 34 until they make up 13.5 percent of the population;
- increase the share of area residents with post-secondary credentials to 60 percent;
- increase per capita income by 20–30 percent;
- achieve a gross regional product of $40 billion;
- reverse poverty trends; and
- increase civic pride.

As part of the effort to implement Q2030, the chamber is advocating the creation of a Quad Cities Regional Metropolitan Authority (QCRMA).[34] According to the chamber, this bi-state entity is necessary to create a funding mechanism for implementing investments and other initiatives in a collaborative way and across state boundaries. As the QCRMA would be an interstate compact—though only between the two core counties of Scoot County, IA, and Rock Island County, IL—establishing it requires legislation to be passed by both Iowa and Illinois and by Congress in Washington. The authority would collect revenue from philanthropies; private businesses; local, state, and federal governments; and local taxes (if approved by referendum). The mechanism would also create an internal governing structure and solicit public input on where and in what to invest. Use of local taxes would require a public referendum on whether to pay for specific projects, and the authority could not issue bonds or have the power of eminent domain.

To meet the goals of Q2030, the chamber has divided its efforts into four areas: cool places, creative people, connected region, and prosperous economy. At the moment, details on how it is actualizing these aims and setting specific goals remain limited.

- Cool Places. While hard to quantify, the aim of "cool places" is to develop and improve amenities that boost quality of life in the region—cultural centers, attractive neighborhoods, recreational spaces, and other places that will strengthen the region's identity and desirability to "live, work, experience, and play in the Quad Cities."[35]
- Creative People. In essence, this part of the plan aims to increase the percentage of skilled and educated people in the region's population and reverse outward migration trends. The plan proposes creating a pipeline for future leaders in the private and public sector and working to ensure that those future leaders are more representative of the community's diversity.
- Connected Region. Though particularly light on details, this aspect emphasizes a need to improve efficiencies in the region and work more collaboratively across different constituencies.
- Prosperous Economy. This pillar aims to create more jobs and build stronger businesses that will, in turn, increase the tax base, reinvest in the local workforce and community, and attract new residents.

The Quad Cities Chamber has designated five "target industries" for the region: advanced metals and materials production, agricultural innovation, corporate operations and support services, defense manufacturing, and logistics. The chamber is also part of Make it Here Quad Cities, a regional branding exercise complete with a slickly produced website highlighting local citizens and businesses, major events and local attractions, and the diversity of the Quad Cities community.[36]

Other similar organizations operating in this space include the Bi-State Regional Commission, an intergovernmental forum created in 1966 by merging the Scott County, IA and Rock Island County, IL planning commissions.[37] It later expanded to include Henry and Mercer Counties in Illinois and Muscatine County in Iowa. The commission is supported through voluntary dues from the five counties and 44 municipalities in the region and offers a wide range of support programming through data collection, geographic information system (GIS) mapping, transportation planning, community planning, and economic development. To help secure regional funding, the commission produces the region's Comprehensive Economic Development Strategy (CEDS) every five years and interim or progress reports every year in between.[38] The last full CEDS was issued in 2016, outlining the region's vision for the future of the economy and its strengths and challenges. The commission also supports and administers three Revolving Loan Fund (RLF) programs: one for businesses located in Rock Island County, IL and Scott County, IA (the Bi-State RLF), one for businesses in Mercer County, IL and Muscatine County, IA (Mercer-Muscatine RLF), and a third in Henry County, IL (the Henry County Rural RLF). The funds are targeted toward businesses that have difficulty receiving the usual "economically feasible" loans because of "conventional interest rates and lending/exposure limits applied by local lending institutions."[39]

On the Illinois side of the Mississippi River, the state legislature created the Quad Cities Regional Economic Development Authority (QCREDA), which is "designed to be a double tax-exempt [from both federal and state taxes], low interest, financing tool for development and redevelopment in the region."[40] The QCREDA can issue bonds with the Illinois governor's permission and can provide low-interest financing to businesses and municipalities. Nine Illinois counties fall under its purview, including Rock Island, Mercer, and Henry Counties. The QCREDA also administers Enterprise Zones, designated sites and areas where state tax credits and exemptions encourage businesses' investment.[41]

LOCAL LEVEL

In an area with four primary cities and dozens of smaller municipalities, each government unsurprisingly also maintains its own suite of tools, though many are similar in nature. Below is a review of several arranged by jurisdiction.

The City of Davenport, IA

- The Downtown Davenport Partnership (DDP) is a nonprofit division of the Quad Cities Chamber and focuses on strategic growth and beautification for downtown Davenport. The DDP advocates for downtown and administers the Self-Supporting Municipal Improvement District (SSMID), whereby property owners in the district pay extra property taxes earmarked for improvements and services within the downtown core. In addition to beautifying the landscape and riverfront and planning major events downtown to attract new visitors and their consumer spending, the DDP engages in attracting and retaining new businesses.[42] It assists them in finding sites and maintains a staff dedicated to helping businesses navigate available resources—from local incentives to the city's regulations and approval processes. It also dispenses grant funding of up to $15,000 from the SSMID to property owners in the downtown district to help with both interior improvements and façade or streetscape upgrades. We spoke with the director, Kyle Carter, who believes the Iowa state historic preservation tax credit program—in which developers can receive a tax credit of up to 25 percent of the cost of renovation—has been integral to the revitalization of downtown Davenport and its many historic buildings.[43]
    - The city government utilizes several instruments to encourage economic development:[44]
    - Small business loans to assist businesses either owned by or employing low- to moderate-income people
    - The Downtown Davenport Jobs Program, which encourages businesses to locate in the downtown core through loans of $20,000 for each new full-time job created
    - Economic development loans to large manufacturers of $25,000 per new full-time job
    - Two tax incentives:
        - An Urban Revitalization Tax Exemption that exempts any increase in property taxes resulting from property improvements within specific zones of Davenport[45]

- Tax increment financing (TIF) programs for larger developments that will increase the tax base and create well-paid jobs. This state-authorized system creates special districts, within which tax revenues (often from property taxes but sometimes sales or business taxes) in excess of a certain preset level are set aside to be reinvested into the community to promote development.

The City of Bettendorf, IA

- The Downtown Bettendorf Organization (DBO) is a body focused on Bettendorf's business district. Like the DDP, the DBO is also a division of the Quad Cities Chamber.[46]
- Bettendorf also uses TIF schemes, runs a façade program to help improve building and streetscape aesthetics, and maintains a database of available buildings and sites in the city for businesses to use.[47]

The City of Moline, IL

- Moline has an economic development policy that outlines a toolbox of TIF zones; rebates on property, sales, and hotel taxes; a façade improvement grant; and historic district tax credits.[48]

The City of Rock Island, IL

- Rock Island also has TIF zones, façade improvement programs, incentives for sustainable projects, revolving loan funds from the Bi-state Regional Commission, and the Enterprise Zones overseen by the QCREDA.[49]
- Rock Island is also home to the Economic Growth Corporation (EGC), a nonprofit organization dedicated to community-based development. While it operates nationally, the EGC's focus region is Iowa and Illinois; its specialty is housing development, particularly assisting in the purchase, rehabilitation, and sale of housing through loans. It also hosts financial literacy classes for first-time homebuyers. Since 1998, it has provided $15 million in assistance to homebuyers and impacted over 1,300 housing units.[50]
- The Quad City Manufacturing Lab, located on the Rock Island Arsenal, is a national manufacturing research and development hub that provides a pipeline of talent for employers in the region and source of collaboration with local educational institutions, which also use it as a selling point.

The City of East Moline, IL

- East Moline is struggling to compete with the larger cities in the region and has been stymied by the lack of an economic development director for almost a decade, state budget problems in Illinois, and federal limits on what can be built in the large flood plain that covers 2,000 acres of the city.[51]
- However, the private sector is shaping two promising developments: The Bend and The Rust Belt
- The first, branded The Bend, is rising on the site of a former Case IH plant that manufactured agricultural combines and closed in 2004. While the City of East Moline contributed $10.25 million in TIFs to support the project, the development is being built by a private developer. When completed, the Bend will contain a new hotel—which opened at the end of 2018[52]—as well as shopping, apartments, and a public park and amphitheater.[53]
- On an adjacent parcel of land is a smaller-scale development in a converted warehouse. The development contains a 4,000-seat music and event venue named The Rust Belt; a brewery and tap room for Midwest Ale Works; several bars, cafes, and a restaurant; and offices for a local architectural firm.

- Many hope these new developments along the riverfront will help spur further development in East Moline, which has not recovered since the Case IH plant closed and provide the city with much-needed tax revenue.[54]

Challenges and Assets

CHALLENGE: POPULATION GROWTH

Like much of the Midwest, population growth (or lack thereof) is a significant problem for the Quad Cities region. As demonstrated by Census Bureau statistics, the Quad Cities region has remained stagnant for decades in terms of population, growing by less than a percentage point since 1970. Population growth is important not just to businesses seeking new workers but also to local government. As has been well documented in cities such as Detroit, population depletion starts a dangerous, self-reinforcing cycle. As residents leave, local governments lose their taxes. As the tax base shrinks, cities must either raise taxes on the remaining residents or cut quality services for everything from schools to trash pickup. As municipal service delivery degrades, more citizens leave, exacerbating the situation and perpetuating the downward spiral.

Looking at the data in more detail, however, reveals that growth has also been unequal. Growth is concentrated on the Iowa side of the river, particularly in Scott County, the population of which has expanded 21.44 percent since 1970, the most of any county in the region. Bettendorf, IA, will soon eclipse the city of Rock Island, IL, to become the third-largest municipality in the region—but in 1950, Rock Island had a population nearly ten times as large as Bettendorf.[55] On the Illinois side of the river, Rock Island County led the region in population contraction, with a 14 percent loss since 1970. Nor is this issue unique to the Illinois counties in the Quad Cities region: 93 of the 102 counties in Illinois lost population between 2010 and 2018.[56] Iowa shares a similar problem, though not as acute: 69 of Iowa's 99 counties lost population between 2010 and 2018.[57] Scott County was one of only nine counties in Iowa that grew faster than the state average. Counties in Iowa, particularly Scott County, also have the advantage of plentiful farmland that makes it cheaper to build attractive new housing to fuel residential expansion.[58] The Illinois counties, particularly Rock Island, host more mature, built-out communities with older, less attractive housing stock.

A six-part series in the Quad Cities Times underscored the issue and the ramifications it will have for the region. The series particularly highlighted the differences between the two sides of the Mississippi River. One common blame for the divergent growth rates is taxes, which are thought to be higher in Illinois. In actuality, the picture is mixed. A 2019 report by the Tax Foundation shows that Illinois' tax burden is ranked lower than Iowa's.[59] While individual taxes are lower in Illinois, property and sales taxes are higher there than in Iowa. According to Paul Rumler at the Quad Cities Chamber, when everything is considered, the tax burden for Quad City residents is only marginally different between the two sides of the river, but the perception remains.[60]

Many residents also blame tax increases, corruption, and government mismanagement in Springfield, IL, as driving population flight. Underfunded schools and the growing gap between wealthy and poor schools are other reasons residents are leaving Illinois. In a 2018 report, the Education Trust labeled the Illinois education funding system as regressive—with the highest poverty school districts receiving 22 percent less than the lowest poverty school districts, Illinois has the largest gap in the nation by a significant margin.[61] Iowa received a more middling rating in the Education Trust report and in 2019, had the highest four-year high school graduation rate in the United States, at 91.6 percent.[62] Illinois fared worse, at 86 percent.[63]

The 2020 CEDS progress report also highlights this issue.[64] Pointing to the shrinking and aging population, the report outlines the difficulty of attracting younger residents to replace, let alone grow, the current workforce. This is particularly acute in the medical field and for skilled trades. Additionally, as small-business owners retire, they increasingly struggle to find someone to take over or purchase the local businesses that are integral to the economy, which may result in increasing vacancies in downtown areas.

ASSET: LOCATION

The Quad Cities region sits at the intersection of Interstates 74, 80, and 88 and is within a five-hour drive of Chicago, Milwaukee, St. Louis, Kansas City, Des Moines, Indianapolis, and Omaha.[65] Within a 300-mile radius is a market of 37 million people whose cost of living is far lower than that of many of the larger cities in the area. The region is also served by the Burlington Northern Santa Fe Railway, Canadian Pacific Rail, Union Pacific Rail, and Iowa Interstate Railroad.

Situated on the Mississippi River, the region is served by 46 public and private barge terminals.[66] The fifteen Iowa and Illinois counties bordering the river are applying to the federal government to designate all the barge terminals along their 222 miles of riverbank as a single port for funding and statistical purposes.[67] Currently, the closest federally recognized ports are upriver in Minneapolis, MN, or downriver in St. Louis, MO. Federal designation would allow better collection of data and give barge terminals the ability to apply for federal funding as a single unit and advertise to businesses in a unified manner.

Quad City International Airport (MLI) in Rock Island County, IL, is the main air gateway for western Illinois and eastern Iowa. The airport is served by Allegiant, American, Delta, and United airlines, which connect the region with nonstop flights to Las Vegas, NV; Orlando, FL; Phoenix, AZ; Punta Gorda, FL; St. Petersburg, FL; Chicago, IL; Dallas–Ft. Worth, TX; Atlanta, GA; Detroit, MI; Minneapolis–St. Paul, MN; and Denver, CO.[68] The airport handled 353,032 passengers in 2018, an increase from 2017 but below the most recent high of 480,260 passengers in 2007.[69] Its longest runway is 10,002 feet[70]—long enough for an Airbus A380 to land in all conditions and at all weights.[71] The airport is recognized by Customs and Border Protection as a port of entry, and companies within a 60-mile radius of the airport can apply to be part of its foreign trade zone.[72]

CHALLENGE: FLOODING AND THE ENVIRONMENT

Sitting on the Mississippi River, the Quad Cities are no stranger to large flood events. However, 2019 was a record-breaking year. The Mississippi River reached 22.7 feet that May, its highest crest ever in the Quad Cities area, which also saw a record-breaking 41 flood stage days that spring. The 2019 flooding caused $2 billion in damages to areas along the riverfront and impacted the agricultural economy across the region, particularly in Iowa. Covid-19 has delivered an additional economic blow to businesses still struggling to recover from the flooding. There is also a hodgepodge of flood mitigation efforts that differ depending on the jurisdiction, and some areas have more intensive protections than others. The City of Davenport has pointedly not installed permanent flood barriers, preferring temporary Hesco barriers that can be quickly erected when flooding is predicted. This keeps the riverfront more accessible and open to recreation and development. These barriers, however, failed during the spring 2019 floods, inundating downtown Davenport for weeks. Hoping to learn from the lessons of 2019, Davenport has formed a task force to study future possibilities for long-term flood control and mitigation. A report by the U.S. Army Corps of Engineers highlighted some short-term changes for future Hesco barrier deployment as well.[73] While the Army Corps of Engineers traditionally turns to levees and floodwalls, such methods are known to potentially increase the severity of flooding, particularly in downstream communities.[74]

With scientists predicting that record-breaking floods will increase in frequency, unmitigated flooding will undoubtedly impact local prosperity, whether from direct flood damage or through increased flood insurance premiums.[75] Davenport, IA, does offer a program to help residents mitigate the cost of flood insurance premiums.[76] However, the cost of insurance and the uncertainty of such historic flooding could suppress business creation and new development in the floodplain, particularly in areas integral to the regional economy such as downtown Davenport. Flood control and climate change is one area where the federal government's involvement is paramount, as neither municipalities nor even states can muster the type of resources to plan and construct a truly regional flood mitigation and protection system. Yet government efforts are currently stymied by inattention and mixed messaging. When we spoke with Kyle Carter with the Downtown Davenport Partnership, he indicated his first request to the federal government would be for resources to plan and complete such a large-scale project. Paul Rumler at the Quad Cities Chamber likewise stated that the chamber would like to see a long-term flood mitigation plan put in place to better handle this challenge. In a more abstract sense, disasters give such small cities the type of press that hinders their long-term goals of attracting more residents and businesses. For some Americans, media coverage of the historic 2019 flooding may have been their first introduction to the Quad Cities.

6

Evansville IN–KY MSA

Regional Background

Situated in southwestern Indiana, Evansville is the county seat for Vanderburgh County, the third-largest city in Indiana, and the heart of the wider Illinois–Indiana–Kentucky tri-state region. Currently, the Census Bureau defines the Evansville MSA as straddling the Indiana–Kentucky border and comprising four counties: Posey, Vanderburgh, and Warrick Counties in Indiana and Henderson County in Kentucky.[77] This represents a change from before 2012, wherein Gibson County, IN, and Webster County, KY, were included in the Evansville MSA.

While the area was long inhabited by Native Americans, including the Mississippian culture that created the local Angel Mounds, modern Evansville was founded in 1812 and named in honor of Colonel Robert Morgan Evans.[78] Situated on an oxbow bend of the Ohio River, Evansville became a regional center for manufacturing during the twentieth century, particularly for automobiles and household appliances. During World War II, Evansville factories transitioned to constructing tank landing ships and P-47 Thunderbolt fighter planes. Following the war, production shifted back to household appliances, though that slowed as supply chains shifted.

Population Data

The Evansville MSA had an estimated population of 315,086 in 2019.[79] The City of Evansville itself, which contains 37.5 percent of the MSA's population, had an estimated 117,963 residents in 2018, a 0.45 percent increase from the 2010 Census population of 117,429.

Using the post-2012 definition of the Evansville MSA, population growth has been far below the national average. In 1970, the MSA's population was 254,515, according to Census Bureau data. By 2018, that had grown to 314,672 people, a 23.64 percent increase. The U.S. population overall, however, grew 60.86 percent in the same period. Between 2010 and 2018, the MSA grew by only about 1 percent. Two counties in the MSA—Posey County, IN and Henderson County, KY—lost population between 2010 and 2018, declining by 1.43 percent and 1.42 percent, respectively. Warrick Country, IN grew the most out of the four counties, 123.68 percent, and is the only county within the MSA to meet or exceed the average national U.S. growth rate.

According to Census Bureau data, people over the age of 65 make up 17.7 percent of the population on average for the four-county region, slightly above the U.S. average of 16 percent. The Evansville MSA also mirrors the Quad Cities regarding education and poverty levels. 90.7 percent of people in the region over the age of 25 have a high school diploma, higher than the national average of 87.7 percent, and 23.6 percent of people over the age of 25 have a bachelor's degree or higher, well below the U.S. average of 31.5 percent. The average poverty rate is 11.9 percent, in line with the national average of 11.8 percent.[80]

Economic, Labor, and Employment Data

According to data from FRED and the Bureau of Economic Analysis, the Evansville MSA's GDP grew by 70.9 percent between 2001 and 2018, from $10,604,607 to $17,695,530, unadjusted for inflation.[81] By contrast, U.S. GDP overall grew by 92.5 percent between 2001 and 2018, unadjusted for inflation.[82]

In 2018, the region had an overall labor force of approximately 166,000 workers. In the months before the Covid-19 pandemic, the unemployment rate was fluctuating at around 3 percent, dipping as low as 2.8 percent in December 2019. The private-sector labor force for all industries in the Evansville MSA was measured at 138,072 persons in 2018, a negative growth of 0.16 percent from the 138,292 private-sector workers in 2001. However, manufacturing employment dropped precipitously, declining 22 percent from 30,458 workers in 2001 to 23,636 workers in 2018. Manufacturing jobs also dropped as a share of the total labor force, with 22 percent of employees working in manufacturing in 2001 versus 17 percent in 2018. Reflective of the overall shift in the U.S. economy, service jobs grew by 7.72 percent, from 96,371 to 103,812 workers. Service jobs' share of the workforce also grew from employing 69.7 percent of people in 2001 to 75.2 percent in 2018.[83]

Meanwhile, average annual pay for all private-industry jobs in the Evansville MSA rose by an average 2.3 percent YOY between 2001 and 2018, increasing from $31,217 in 2001 to $45,913 in 2018. This salary represents a decrease, however, when compared against the national average. Wages in 2001 were 86.34 percent of the national average, slowly dropping to 80.27 percent of the national average by 2018.

Separating average annual pay by industry, goods-producing jobs (which include manufacturing jobs) earned a 56.5 percent higher salary compared to service jobs. In 2001, goods-producing jobs paid an average of $41,952, or 102.28 percent of the national average. By 2018, that grew to $63,019 but dropped to 95.75 percent of the national average. The compound annual growth rate (CAGR) for pay in goods-producing jobs was 2.42 percent. In service jobs, average pay was $26,183 in 2001, or 75.40 percent of the national average. By 2018, average pay grew to $40,267 but dropped slightly to 72.72 percent of the national average. At 2.56 percent, the CAGR for pay in service jobs marginally exceeded that of goods-producing jobs. In context, wage growth in Evansville was fairly low, since average annual inflation was 2 percent in those same years.

On an individual county basis, average annual pay for all industries was highest in Posey County, IN, at $61,005 in 2018, or 106.66 percent of average national wages and 127 percent of average statewide wages. The MSA's lowest average pay was in Henderson County, KY, at $43,817 in 2018, or 76.61 percent of national average wages and 94.86 percent of average statewide wages.

According to the Economic Development Coalition of Southwest Indiana,* the largest employment sectors and employers in the region are:

- Medical services:
    - Deaconess Hospital: 6,500 employees
    - Ascension St. Vincent Health System: 3,529 employees
- Local educational institutions:
    - Evansville Vanderburgh School Corporation: 3,452 employees
    - University of Southern Indiana: 2,604 employees
- Manufacturing:
    - Toyota Motor Manufacturing (SUVs and vans): 5,400 employees
    - Toyota Boshoku (automotive seating): 1,051 employees
    - Berry Global (injection-molded plastics): 2,699 employees
    - Koch Enterprises, Inc. (auto parts); 1,800 employees
    - Alcoa (aluminum products): 1,575 employees.[84]

** Note: The Economic Development Coalition of Southwest Indiana does not include any Kentucky counties in its measurements but does include Gibson County, IN, which was part of the MSA until 2012.*

According to the Kentucky Cabinet for Economic Development, the largest employers* in Henderson County, KY are:

- Tysons Foods (chicken slaughtering, processing, and packaging): 1,416 employees
- Gibbs Die Casting (metal casting): 875 employees
- Century Aluminum Sebree: 526 employees
- Brenntag Mid-South Inc (chemical blending and distribution): 302 employees
- Dana Corporation (truck axles and brake components): 275 employees
- Audubon Metals (metal processing and recycling): 250 employees.[85]

** Note: This data is only for manufacturing, service, and technology firms.*

Local Institutions

Educational Institutions: In our interviews, the Evansville MSA's local educational institutions were frequently referenced as key to the community's growth, particularly the University of Southern Indiana (USI) west of the city, the Evansville branch of the Indiana University School of Medicine in downtown, the University of Evansville east of downtown, and local branches of the statewide community college system, Ivy Tech. Other institutions include Vincennes University, Oakland City University, and Harrison College.

Local Companies: Several private sector companies were noted as important local institutions. Most frequently cited were the two local medical centers, Deaconess Midtown Hospital and Ascension St. Vincent Evansville Hospital. Both are owned by larger faith-based companies—the Deaconess and Ascension health systems, respectively. Deaconess is headquartered in Evansville, and its operations include seven hospitals and dozens of other care sites covering 26 counties across Indiana, Illinois, and Kentucky. As noted above, Deaconess employs 6,600 people in the southwest Indiana region alone. Ascension is headquartered in St. Louis, MO, but employs more than 3,100 people at St. Vincent Hospital and several other locations across the region.

Other private sector institutions frequently cited include Old National Bank and Vectren Energy Delivery. Old National is the largest bank domiciled in Indiana and has been headquartered in Evansville since it was founded in 1834.[86] It operates in Indiana, Kentucky, Illinois, Michigan, Wisconsin, and Minnesota. Vectren was a locally headquartered utility company providing electricity and natural gas to more than one million customers in Indiana and Ohio.[87] It was recently bought by a larger company, CenterPoint Energy, based in Houston, but continues regional operations in Evansville. Vectren was also a partner for Post House, a housing development in downtown Evansville, which exemplifies the company's community engagement and investment beyond its core business.[88] Finally, manufacturing companies such as Alcoa, Toyota, and Berry Global are important regional drivers of jobs and investment.

Ongoing Efforts

STATE LEVEL

The State of Indiana maintains numerous state-wide programs for economic and community development. Central to this effort is the Indiana Economic Development Corporation (IEDC), which includes a full list of their programs and incentives on their website.[89]

In our interviews, we most often heard about the state's Regional Cities Initiative.[90] Many identified it as an extremely useful tool and sang its praises as transformational for Evansville and the way the region and the state conceived of economic development. Then governor Mike Pence first spearheaded the initiative, and his successor, current Governor Eric Holcomb, has continued it. Regional Cities is designed to improve and transform regions of the state to make them more attractive to new talent while retaining current workforce talent. Through the initiative, regions applied for state-level funding grants by putting forward a specific plan envisioning how they would spend the money. Three regions—Northeast Indiana, North Central Indiana, and Southwest Indiana—each won $42 million in state funding. The Southwest Indiana plan outlined 19 regional development projects that had a planned investment of $926 million from all sources. For Evansville, the money has been leveraged to construct new apartments, develop Indiana University's new medical school campus in downtown Evansville, and renovate the local airport for the first time in decades.

The specific development plan submitted by Southwest Indiana outlined several key goals with which the Regional Cities money would assist: increasing the regional population by 70,000 people by 2025;

retaining 80 percent of the physician residents graduating from the new Indiana University School of Medicine campus; raising the per capita income to match the U.S. average; expanding the region's employment in key sectors by 20 percent; and increasing the population of downtown Evansville by 2,500 residents.[91]

Governor Holcomb also nominated 156 census tracts in Indiana—including five in Evansville's city core—for federal designation as Opportunity Zones under the 2017 Tax Cut and Jobs Act, all of which were approved by the U.S. Department of the Treasury. These Opportunity Zones are designed to boost long-term investment into low-income neighborhoods by providing tax incentives to put investors' unrealized capital gains into a designated fund.[92] Opportunity Zone investors can "defer, reduce, and even eliminate their tax liability on capital gains," according to a U.S. Department of Commerce release.[93] However, some are concerned that Opportunity Zones may be more beneficial to investors and accelerate gentrification.[94]

REGIONAL LEVEL

The Economic Development Coalition of Southwest Indiana (EDC) is a public–private nonprofit corporation and the key leader for development at the regional level. Conceived in 2005 by the region's four counties and launched in 2006, it was the first combined economic and community development organization in Indiana. The coalition has since assisted regional partners in attracting $4 billion in investment, creating more than 6,570 new jobs, and leveraging $74 million in federal and grant money into more than $125 million worth of projects. We interviewed the EDC's president, Greg Wathen, who underscored how beneficial creating a regional partnership model with regional-based thinking has been to the area's development. The coalition also spearheaded the 2015 creation of the Southwest Indiana Regional Development Authority (RDA), a joint four-county ordinance, as part of the Regional Cities competition. The RDA created the regional proposal submitted to the Regional Cities Initiative, considered and approved what projects would receive funding through it, and prepared the formal presentation given to state representatives in 2015.[95] Neither the EDC or the RDA is to be confused with the Southwest Indiana Development Council, which works in this space but in a different, nine-county jurisdiction of the wider southwestern portion of Indiana.

The EDC works closely with the local economic development organizations (LEDOs) in the region. LEDOs are public–private nonprofit partnerships focused on actively engaging the business community and assisting in creating, expanding, and retaining businesses in the region. The local LEDOs are the Growth Alliance for Greater Evansville (GAGE), Success Warrick County, Posey County Economic Development Partnership, and Gibson County Economic Development Corporation. Each LEDO represents its county, with GAGE representing both the City of Evansville and Vanderburgh County. The EDC is engaged in the same activities as the LEDOs, attracting and retaining businesses and economic investment, but at a higher level. After initiating a process to attract a business, the EDC passes further work to develop that business or relationship on to the LEDO in whichever county the business will locate.

Another regional-level organization engaged in this space is the Southwest Indiana Chamber of Commerce. Like many local chambers, it works to advocate for its members and their needs, whether that means improving the business climate, fostering better workforce development programs, or investing in the community's quality of place to encourage more businesses and workers to move to town.

Collectively, the EDC, GAGE, and the Southwest Indiana Chamber of Commerce are working with other local organizations to create the Talent 2025 program, which aims to increase the population of the metro region (particularly young people), boost employment growth and wages, raise rates for both high school graduation and attainment of bachelor's degrees, and decrease poverty across the region.[96] The organizations are at the beginning stages of formulating this plan and operationalizing its goals, having released their preliminary report in February 2020.

LOCAL LEVEL

The City of Evansville maintains several departments and programs dedicated to economic development and community revitalization.

The Evansville Department of Metropolitan Development (DMD) manages many aspects of the city government's efforts to promote community revitalization through human and infrastructure development.[97] Its subdivisions include departments dedicated to community development, historic preservation, urban redevelopment, affordable housing, blight elimination, and economic development. Evansville is in the process of preparing a five-year consolidated plan (2020–24) for federal funding through the U.S. Department of Housing and Urban Development (HUD). We interviewed Kelley Coures, Director of the Evansville DMD, who highlighted several initiatives that are working well for the city:

- The Community Development Department administers HUD grants and initiatives for low-income areas, including housing assistance through the Community Development Block Grant program;[98] the Emergency Solutions Grants Program, which provides permanent housing support for people experiencing homelessness;[99] and the HOME Investment Partnerships Program, which provides funding for building, buying, or rehabilitating affordable housing.[100] According to Coures, Evansville continues to struggle with the legacy of racial segregation, particularly in a few specific neighborhoods. The DMD has focused on these areas, offering services such as educational programming, job training, after-school and weekend childcare for working parents, and home-repair assistance for low-income homeowners.
- The Redevelopment Commission administers tax increment financing (TIF) programs for three specific areas in the city: downtown Evansville, the Evansville arts district, and the Jacobsville neighborhood. TIF is a state-authorized system that creates special districts within which tax (often property taxes but sometimes sales or business taxes) revenues in excess of a certain preset level are reinvested into the community to promote development. Coures noted that TIF programs have been particularly successful in driving investment and growth to those specific neighborhoods.
  - In Jacobsville, such financing has allowed the redesign of North Main Street using "complete streets" guidelines to make it more welcoming to all users, as well as funding the construction of new workforce housing and a new aquatics center for the city.
  - In downtown, TIF programs have helped increase investment in the new campus of the Indiana University School of Medicine and the construction of a new convention hotel. Although it pre-dates Evansville's implementation of TIF, the completion of the new, multi-use Ford Motor Company Conference and Event Center has helped drive new investment in downtown that the TIF program supports and benefits from.
  - The Evansville arts district, locally known as Haynie's Corner, has been a significant beneficiary of the program. While the neighbor's TIF does not generate significant revenue compared to the other neighborhoods, the city's investment of that TIF money helped turn Haynie's Corner

around after significant blight in the 1960s and 1970s. This has helped drive new housing and business investment, creating an appealing center in this historic and walkable neighborhood that is seeing more young adults move in.

- The City created a land bank in 2016, administered by the newly created Evansville Land Bank Corp, to appropriate and clear blighted properties.[101] The land bank allows the city to deliver shovel-ready plots to locals or developers seeking to build new homes. Overall, the land bank assists the city in creating new infill housing in areas that have previously experienced blight and disinvestment. The local newspaper, the Evansville Courier & Press, has run a series of articles highlighting the issue since early 2015, adding to pressure on the city or county to take action.[102] Since the creation of the land bank, 249 properties have been demolished and 320 total parcels resold.[103]
- In 2016, HUD designated Evansville as a Promise Zone community for ten years.[104] Promise Zones (different from Opportunity Zones) allow communities to receive AmeriCorps volunteers, special liaisons to help communities navigate federal programs, preferences for certain competitive federal grants and technical assistance programs, and any Promise Zone tax incentives passed by Congress. Centered on the historic inner-ring neighborhoods, the Evansville Promise Zone covers 40 percent of the city's land area and about 20 percent of the city's population.[105] Over 39 percent of the population in the Promise Zone is below the poverty line. The city's goals are to increase access to job-skills education and training, support new businesses, improve youth well-being, reduce crime, and expand affordable housing. The city set a goal of creating 250 new housing units within the zone, which it has already fulfilled.

Beyond the municipal government, there is another organization focusing on downtown revitalization. The Downtown Evansville Economic Improvement District (EID) is a nonprofit public-private partnership funded by local companies and fees from property owners.[106] Established in 2017 through an act of the Evansville City Council, the EID assists private developers, companies, and others willing to make an investment downtown in finding resources and physical properties that match their needs. The EID, while working with local government, specifically focuses on private-sector investors and initiatives outside the public sphere. We spoke with Executive Director Candace Chapman, who described the EID as a bridge between the real estate in the city and interested parties—lowering the barriers to entry for developers and helping span the gap between a property's current situation and the point at which it becomes attractive to development. It aims to fill gaps in economic development efforts without further relying on government incentives and taxpayer dollars. The EID assists and supports investors looking for the right property or plot of land, finding owners willing to invest in a current building, or even purchasing property and making it ripe for further investment by zoning, sorting paperwork, and conducting required minimum upgrades. To attract visitors and improve quality of life, the organization also puts on events ranging from a farmer's market to movie nights and to the Fourth of July fireworks.[107]

Challenges and Assets

CHALLENGE: LOCAL WORKFORCE AND POPULATION GROWTH

As in Davenport, the local workforce is both an enormous asset and a challenge. Based on our interviews and available data, the current overall workforce is well-educated and well-equipped for the current needs of the industrial base, particularly manufacturing and health sciences. However, the Evansville Courier & Press reported that about 20 percent of students entering high school in

Vanderburgh County, IN, do not graduate.[108] In communities of color, the gap is more pronounced, with 25 percent of people over 25 lacking a high school diploma or GED. As such, it can be challenging for employers to fill local jobs with qualified workers. For those who do graduate high school, the area is well-served by local universities, and a higher percentage of the local population has at least an associate degree compared to the rest of Indiana and the country as a whole.[109]

However, as technology changes and the economy evolves, there are concerns that the workforce will be left behind, and current workforce development initiatives are insufficient to handle the coming changes. Gibson County is already reporting that there are 1,200 unfilled skilled technical jobs due to a lack of trained workers.[110] In August 2019, Toyota's Princeton manufacturing plant in Gibson County reported it needed 400 highly skilled workers alone.[111] While there are high-skilled, high-wage manufacturing job openings, many more workers are finding employment in low-skilled manufacturing, which puts them at greater risk of displacement. According to Greg Wathen, 56 percent of the workforce only earns between $25,000 and $50,000 per year.

Population growth, and therefore workforce growth, is stagnating. The region continues to struggle to attract young professionals, particularly millennials and the leading edge of Generation Z. According to Kelley Coures, growth of this young professional demographic is five years behind the levels the Evansville DMD would like. Most growth in the metro region is, in fact, cannibalizing people from more rural parts of Indiana, not attracting new residents from out of state. Local groups are moving toward rectifying this, whether through social media outreach—such as promoting the low cost of living and ease of doing business—or more structured programs such as the Talent 2025 initiative.

On top of stagnating population growth, Evansville faces challenges with diversity and inclusion. The city remains segregated, with people of color disproportionately concentrated in poor census tracts. African American household income is only 70 percent of white household income in the City of Evansville. We spoke with two local community leaders working at the nexus of education, workforce development, and diversity and inclusion: Alex Burton, Councilman for Ward 4 and President of the Evansville City Council, and Lynn Miller Pease, CEO of Leadership Everyone.

Councilman Burton highlighted his efforts through the city council to work with the local public school system, the Evansville Vanderburgh School Corporation (EVSC), on further educational programming. He wants to ensure that the district improves its minority outreach and workforce training, ensuring that graduating students are prepared for jobs within their own community and presented with options besides matriculation to tertiary education. The EVSC operates the Southern Indiana Career and Technical Center (SICTC), a facility specifically dedicated to providing students with career and technical training. However, because SICTC has a competitive admissions process, only a limited number of students can receive that specialized training. Councilman Burton is therefore working on expanding access to existing educational programming—or creating alternatives such as a forklift certification program through local plastics company Berry Global and the EVSC Real-World Application, Maximizing Potential (RAMP) program for work-based learning. Launched in 2019, the EVSC's RAMP program, the first of its kind in Indiana, allows students to simultaneously earn a high school diploma and manufacturing certifications at local companies. Yet more needs to be done to build upon such programs and provide resources for both parents and students exploring technical and professional training and careers, not just funnel students toward a tertiary education, according to Burton.

We also spoke with Lynn Miller Pease, CEO of Leadership Everyone, a local organization dedicated to "broad-based regional visioning" that trains and supports a broad and diverse community of individuals to serve as 'servant leaders' in the greater five-county Evansville region. In 2012, Leadership Everyone worked with Evansville Mayor Lloyd Winnecke to conduct a community survey called VOICE.[112] Surveying over 3,000 members of the greater Evansville community, participants in VOICE laid out their hopes for the future and what they want to see for their Evansville community. The results were incorporated into the Regional Cities application, the Promise Zone initiative, and the Evansville Downtown Master Plan. Leadership Everyone (formerly "Leadership Evansville") is currently engaged in VOICE 2.0, or Regional VOICE, a next-generation evolution building on the work of the original survey and adapting it for the wider region.

Leadership Everyone was also involved with the rollout of the "e is for everyone" branding for the greater Southwest Indiana region.[113] "E is for everyone" grew out of a separate community survey, the findings of which highlighted that significant work remains in creating a sense of inclusion in Southwest Indiana. Portions of the population, particularly people of color and historically disadvantaged groups, did not feel welcome in their own community. Today, "e is for everyone" branding is commonly found on the websites and marketing materials of all major local organizations to promote a more inclusive environment in the region. While "e is for everyone" is mostly a marketing exercise, it seeks to encourage a wider cultural shift in the region and foster a more inclusive and welcoming environment for both current and future residents.

CHALLENGE: BEYOND EVANSVILLE AND CROSS-RIVER ENGAGEMENT

In recent years, local organizations have moved toward a regional framework when it comes to economic and community development in Southwest Indiana. This is evidenced by organizations and initiatives such as the Economic Development Coalition of Southwest Indiana, the Southwest Indiana Regional Development Authority, the local LEDOs working in concert with each other, and (most visibly) the Evansville region winning a Regional Cities Initiative grant. Thinking in a regional context has allowed organizations to pool resources more effectively and better plan large-scale infrastructure and area initiatives. Evident in our discussions with local stakeholders, however, is a continuing need to rectify the Evansville-centric focus of many regional development efforts. This imbalance is a natural reflection of Evansville, containing 37.5 percent of the entire metro region's population, its place as the single largest population center by a significant margin, and the fact that three of the four counties in the MSA are located in Indiana. Greg Wathen of the EDC also noted that this problem emanates from state capitals, which design and plan initiatives for internal engagement—often ignoring that some local communities may flow into other jurisdictions. Local organizations are aware of the issue and continue efforts to be more inclusive—whether through the EDC's county-focused LEDOs or Leadership Everyone changing its name from Leadership Evansville to make it more representative of the wider Southwest Indiana region. However, one significant blind spot lies across the Ohio River. Despite the MSA's inclusion of Henderson County, KY, most regional integration and coordination focuses on the core Indiana counties of the metro region. More needs to be done to coordinate and integrate with the Kentucky portion of the MSA.

ASSET: LOCATION AND TRANSPORTATION

In many of our interviews, Evansville's location was mentioned as an important asset—the region is well-situated to take advantage of transportation and logistics opportunities. The metro area is located near the intersection of Interstates 69 and 64, connecting the region to points north, east, and west, such as Indianapolis, IN, Louisville, KY, and St. Louis, MO. US Route 41 crosses the Ohio River on the Bi-State Vietnam Gold Star Twin Bridges, connecting Evansville to Henderson, KY, and points south such as Nashville. Both the governments of Indiana and Kentucky are engaged in the process of jointly planning a new Ohio River bridge between Evansville and Henderson that will carry and extend I-69 south into Kentucky and bypass the heavy traffic along the US 41 commercial corridor in Henderson. Yet federal approval remains a slow process, and traffic continues to rely on the narrow and aging Twin Bridges in the meantime.

Given its location on the Ohio River, Evansville has operated a river port since its founding that covers 17 acres in downtown.[114] U.S. Customs and Border Protection recognizes it as a port of entry, allowing foreign goods to clear customs upon arrival in Evansville.[115]

Evansville Regional Airport (EVV), a recipient of Regional Cities money for improvements, has commercial air service provided by Allegiant, American, Delta, and United airlines, which connect the region to Destin, FL; Orlando, FL; Dallas–Fort Worth, TX; Chicago, IL; Charlotte, NC; Atlanta, GA; and Detroit, MI.[116] According to statistics from the U.S. Department of Transportation, EVV has seen a steady increase in traffic and served 227,846 passengers in 2018, up from 212,555 in 2017.[117] The longest runway is 8,021 feet, long enough to serve most domestic flights. The airport also offers a Foreign Trade Zone warehouse and space for an air commerce park.

At the same time, since the region is well-connected, residents (particularly millennials and Generation Z) often leave the area for better opportunities in larger cities nearby—whether permanently or just for a weekend outing. Jobs, investment, and consumer spending can easily bleed from Evansville and flow toward the larger cities.

7

Recommendations

From our research and interviews, we have gathered the following lessons. Some are already well-known to experts and stakeholders but bear repeating in light of our case studies.

1. Think and Plan Regionally:

- **Engage All Levels of Government:** No level of government or government body can single-handedly tackle the issues facing mid-sized communities. Challenges such as poverty, displacement, and economic disinvestment (both a lack of new investment and divestment by current players) do not recognize municipal, county, or state borders. Metro areas engaging in a coordinated, regional approach to these issues that encompasses the broader community appear better positioned to accomplish their goals. This is particularly true when their response is coordinated with the multiple layers and levels of government in a given region. Addressing key challenges will require engagement and leadership from multiple levels, particularly those most directly involved with a community and who understand its context, landscape, and nuances. For the two metro areas analyzed here, the need for this coordination is particularly critical given their bi-state natures—as it is for many metro regions where population growth and social geography do not strictly follow existing local, municipal, and county boundaries.
- **Streamline Advocacy and Planning Bodies:** Just as the issues and challenges facing these communities are shared across jurisdictions and levels of government, there is unsurprisingly a patchwork of different organizations who have a stake in development and growth efforts. Many have overlapping responsibilities, stakeholders, constituencies, and powers, which puts them in competition over limited resources and attention. Constructing a more streamlined and unified

decision-making body will allow more efficient use of funding, clarify the system for accomplishing goals, and provide a central conduit to speak and advocate for the community with one voice.

- This is particularly important for metro areas that cross state boundaries. A unified body can help investors, businesses, and stakeholders grapple with varying state laws and jurisdictions. Such a body can also mitigate jurisdictions competing against and undercutting each other for investment and jobs. Instead, a centralized body can help coordinate an “all boats rise” perspective on any investment in a region. For outside investors just entering the regional market, a unified body can offer one-stop-shop style assistance in navigating regional laws, accessing various government incentives and support programs, and understanding the local market.
- For the Quad Cities region, this work is frequently coordinated by the **Quad Cities Chamber**. The chamber manages economic development efforts, works across multiple layers of government bureaucracy, and supports area businesses no matter what side of the river they are on. The Quad Cities Chamber, therefore, appears to be a successful and effective model of operationalizing this recommendation. The chamber navigates the various governments in its region—two states, six counties, and dozens of municipal authorities—while working with the local business and nonprofit community on areas of common interest. Forming a more centralized body such as the Quad Cities Chamber means one organization can be the face of the region, advocating for it at the state and national level. For example, the chamber is currently coordinating the creation of an interstate compact, the Quad Cities Regional Metropolitan Authority, as part of the Q2030 Regional Action Plan. This involves shepherding and lobbying for the passage of associated legislation in Des Moines, Springfield, and Washington, DC. Kyle Carter, director of the Downtown Davenport Partnership (a subsidiary of the Quad Cities Chamber), noted how beneficial the centralized representative body has been for the region. According to him, the Quad Cities have accomplished much more in a few years as a collective body than when it was a multitude of competing organizations. Some, however, do claim that the chamber has an Iowa-focused slant to it. While there are other organizations in the region, it is clear that the chamber is taking the lead in organizing and advocating for the community as a whole.
- In the Evansville region, the **Economic Development Coalition of Southwest Indiana** (EDC) plays a similar but not as expansive role. The EDC was integral to pitching and winning Regional Cities funding and continues to coordinate among the many governing bodies, public-private partnerships, and the business community to implement the plan and attract new investment. Yet it is only one part of a constellation of organizations in the Evansville region: the Southwest Indiana Chamber, county LEDOs such as the Growth Alliance for Greater Evansville, the Southwest Indiana Regional Development Authority, and the Evansville Regional Business Committee. The region is aware of this fragmentation and appears to be in the process of aligning and unifying some overlapping bodies and organizations. The EDC is also primarily focused on the Indiana side of the Ohio River, and more work needs to be done to integrate the Kentucky side and the communities in Henderson County into regional conversations and planning.

2. Private versus Public Sector:

- **Recognize the Limitations of the Public Sector:** As highlighted in the literature review, many studies have focused on government policy solutions. While government plays an integral role in community and economic development, there can often be a tendency to over-rely on government, particularly at the state and federal levels, to address any and all issues in a community. At the local level, many governments are small and have limited powers; moreover, they are stretched thin financially, as they lack the borrowing power of the federal government and must raise funding through tax increases or municipal bonds. Those options are not readily available to some governments, as many states have laws preventing local jurisdictions from raising taxes or issuing bonds without costly and controversial public referendums or action by state legislatures. This further boxes in county and municipal governments in terms of their available resources. With the Covid-19 pandemic causing a free fall in some revenue sources, local governments are facing further constraints. Many will likely have no option but to cut budgets and programming significantly. Policies with a sole focus on public-sector action using public-sector funding will be inherently limited in their efficacy and ability to effect change.

- The public sector is also limited to implementing changes to the public right-of-way: the streetscape, some utilities, and public land and facilities. Blight-causing issues such as vacant properties, population flight, and economic divestment are often beyond the purview of local government. While governments have used eminent domain laws to seize abandoned structures, this can saddle them with significant property holdings that are not producing tax revenue and are costly to demolish. Evansville, where the municipal government created the **Evansville Land Bank Corporation** to spearhead the fight against blighted and abandoned properties, is a model for tackling this issue.[118] The land bank appears to be having success in ensuring that such properties not only do not become a burden on the city but also stimulate rebounding property values and new investment.
- This is not meant to discount the importance or ability of local governments to tackle such issues but rather to serve as a reminder that solving and surmounting some of these challenges will take more than just government effort.
- **Leverage Public Funds to Empower the Private Sector**: With the public sector facing limited resources in funding and human capital, it is important that its funds be used as efficiently and effectively as possible. Using limited public resources strategically can help germinate a private sector response that is orders of magnitude larger than the original investment.
- Many organizations we spoke with are hybrid, public-private partnerships. While dedicated to the public good and frequently engaging with the public sector on projects and goals, these organizations are privately funded, often by local companies and stakeholders. Private-sector businesses are acutely interested in ensuring that their communities remain attractive to investment and current and future workers. For instance, when a government improves the streetscape or rezones a district to make it more appealing to investment, public-private partnerships might complement these improvements by investing in repairs to the local building stock, providing support for establishing new businesses, or assisting a developer or company in selecting a new building or site.
- A specific example of leveraging public funds to empower the private sector is the **Regional Cities Initiative** in Indiana. As previously outlined, regions across Indiana competed to receive a limited amount of state funding. The winning regions were able to able to use that money—and the publicity of winning the competition—to attract further investment in the community from private sources. In Evansville specifically, the community leveraged the $42 million in state funding into nearly $1 billion in total funding from all sources to invest in new real estate

developments, public improvements, and business creation and expansion.

- Most chambers of commerce in these metro regions are excellent examples of how PPPs operate across a wide region. Smaller, more local level examples include the **Downtown Evansville Economic Improvement District (EID)** or **Downtown Davenport Partnership (DDP).** Both receive funding from private-sector companies, but these nonprofits serve as a bridge between the public and private sectors. The Evansville EID was created by a group of property owners in the downtown core and is funded by membership fees independent of the local chamber and government. The EID works with local government to help attract companies into the downtown core, repair the existing real estate stock, or host events such as street festivals or summer concert series to improve quality of life and make the region more appealing to those who live and work there. The DDP is a branch of the Quad Cities Chamber with access to its own funding through the municipal SSID (self-supporting municipal improvement district) tax.

3. Encourage Private-Sector Support Beyond Just Corporate Responsibility:

As outlined through some examples in this study, the private sector plays an integral role in investing and revitalizing local communities. While some of these efforts may sound like performative corporate responsibility, others are true investments in the local people and economy. Many companies are realizing that a healthy and attractive community is key to their continued prosperity and success. A stagnating or failing community cannot attract new workers with high-demand skills, retain those workers in the future, or provide an expanding or profitable market base that allows a business to grow. Businesses need to become more involved beyond doing an occasional community service day at the local soup kitchen. Governments should also do more to engage with their local companies and encourage them to invest in the community.

While economic and tax-incentive packages are popular for attracting new businesses and investments from companies, numerous studies have demonstrated that, in the long run, they are not a successful method for securing lasting development and prosperity, but rather create a “race to the bottom” among municipalities, counties, and states that can be toxic and self-defeating.[119] As the Quad Cities area demonstrates, a region is stronger when it works together and does not try to undermine its neighbors. These large incentive packages are often not the deciding factor in business location—instead, strong local infrastructure, a well-educated and equipped workforce, and a stable business environment are paramount. The Amazon HQ2 competition, possibly the largest incentive package boondoggle in U.S. history, underscores this point. The company ultimately did not select the location with the largest incentive package, instead focusing on attractive communities where it could find and retain the type of workforce talent the company needs.[120]

Engage and Invest in the Entire Community: While the role of businesses is important to economic development, it is also necessary to engage with the whole community and civil society. In many of our discussions, stakeholders consistently identified their community’s local talent and human capital as its number one asset. But more work needs to be done to engage many parts of these communities, particularly among people of color and the historically underserved. Investment in cultivating all local talent and human capital can pay dividends for cities and regions as they grapple with the challenges of the present and future. This is also consistent with the third principle outlined in the Brookings report on legacy cities—partnering to help underserved communities.[121] The disproportionate impact of Covid-19 on people of color and the killing of African Americans by police underscore that many communities continue to suffer from ingrained and historical inequities that have yet to be addressed. In addition to traditional community and economic development programming—including affordable housing, job training, and opportunity zones—difficult conversations about belonging and race need to happen and programs tailored to rectifying these historic injustices implemented.

In Evansville, the two community leaders we spoke with, Councilman Alex Burton and Lynn Miller Pease of Leadership Everyone, outlined some of the many existing frameworks for rectifying this issue. These programs—whether public education and workforce training, training servant leaders, or conducting community outreach and engagement to envision a new future for the community—should continue and expand. Nearly all the stakeholder bodies in Evansville display and support the "e is for everybody" logo and campaign. While more performative than action-oriented, it still creates a forward-facing impression that diversity and inclusion are important to the community. In the Quad Cities, the website "Make it Here Quad Cities" includes a portion on "all inclusive" aspects of the community, but the region and its stakeholder bodies lack Evansville's obvious and dedicated outward display of values.

Improving access to education and training and creating an inclusive and welcoming environment for underserved communities can both assist local employers in tapping unused potential and help the region grow and heal together. Inclusion and equity initiatives are not merely the right thing to do to rectify the historical wrongs that government and society have committed against these groups; they are also essential for growth and development. We do not intend to suggest that such initiatives are a cure-all, but rather that they present some concrete examples of how communities at different scales and with different stakeholders are furthering this work.

4. Focus on State-Level Policies:

The literature review at the outset of this report highlighted that much of the scholarship in this space is focused on federal-level policy changes and solutions. Based on the interviews conducted, however, the overwhelming majority of people believe that state and local policies are the most effective for addressing the challenges their communities face and for attracting new business investment and residents. While federal programs and funding are useful, state and local governments are best at applying and adapting funds to local needs. This is particularly so for state governments, which are not as limited in scope and power as county or municipal governments. This is also in line with the findings of the Brookings report on legacy cities, principle four of which is "work at the state level."[122]

One particular problem noted several times is that federal bureaucratic requirements make obtaining federal funding and programming enormously cumbersome. Whether applying for pass-through block funds or designation as an Opportunity Zone, the process of navigating complex application paperwork and reporting requirements can be overwhelming for small companies, developers, or just a single homeowner looking to spruce up their eligible residence. The power of the federal government is in mustering the type of funding and resources that are beyond the capability of cities and states and applying that toward critical regional infrastructure projects. In Evansville, that is the I-69 Ohio River bridge. In the Quad Cities, that is a comprehensive regional flood control and mitigation system.

In Indiana, the state's Regional Cities Initiative was frequently referenced and described as transformational for the Evansville region. It provided direct state funding for economic development projects and helped induce further private-sector investment in the region. Another beneficial aspect of the initiative is how it prompted regions to coalesce around centralized community and advocacy groups. As part of the application process, regions had to present a united front with specific plans for how any disbursed funds would be spent. For Evansville, the process led to the creation of the Southwest Indiana Regional Development Authority (SWIRDA). The authority worked across a four-county area with stakeholder buy-in from local governments, the Economic Development Coalition, the local business community, and local community groups. The SWIRDA presented the unified regional plan to the judging panel in Indianapolis during the Regional Cities competition and helped Southwest Indiana successfully land $42 million in state funding. Many stakeholders we spoke with hope the state of Indiana will conduct another round of the competition with more funding.

In Iowa, the state's historic tax credit was particularly beneficial to revitalizing downtown cores such as Davenport's. The tax credit allowed businesses and property owners to deduct up to 25 percent of the value of any modifications from their state taxes, unleashing a wave that has transformed downtowns across the state.

The Quad Cities region is unusual in that it is roughly equally geographically balanced across two states, Illinois and Iowa, unlike Evansville, for instance, where the Indiana side is the clear center. This presents a range of challenges for businesses, workers, and local and state officials. Most crucial to the Quad Cities' long-term competitiveness will be building cohesion across the Mississippi between the far-off state capitols. Workers and businesses face two sets of labor laws, taxes, and occupational licensing requirements. While local officials do their best to cooperate and coordinate, state officials are generally more concerned about what is happening in Chicago or in Iowa's larger population centers such as Des Moines and the Iowa City–Cedar Rapids corridor. As a result, despite best efforts from local elected leaders and Quad City businesses, the MSA has no cohesive set of laws, regulations, or approaches to marketing nor a sole political channel for businesses to work through. While the Quad Cities Chamber ameliorates some of these issues, it is not a panacea. Joel Youngs, regional director of the Eastern Iowa Small Business Development Center, said that an MSA with similar housing prices, educational attainment, and labor force not bifurcated across two states would have a population a third to a half again as large.

Because the Iowa–Illinois split in the Quad Cities has led to a lack of cohesion, rather than to productive competition and cooperation, the Quad Cities Chamber of Commerce has developed a regional action plan for 2030. The bi-state chamber is a recent advent—the region was served by multiple chambers until 2010—whose very existence reflects a recognition that a joint approach across state lines is necessary for the MSA to reach its potential. The Q2030 action plan notes the challenges the Quad Cities face: a complex business environment, rising poverty rates, and employers' changing skills requirements. The chamber offers a range of recommendations such as "cradle through career" talent development—a twenty-firstcentury workforce pipeline built through partnerships between schools, community colleges, universities, policymakers, and the private sector. Those challenges and recommendations are important for the future development of the MSA, but improving its now-bifurcated governance is a fundamental issue that must be addressed to ensure the community's—and regions like it across the United States—long-term competitiveness.

8

Areas for Further Research

Due to the Covid-19 pandemic, we were unable to visit these cities or interview as many stakeholders on the ground as desired. We recognize that this report, therefore, may contain blind spots. In continuing this line of research, there are some areas for further inquiry:

- **Using a broader set of cities as case studies.** While we purposely selected two similar cities, a wider range of cities with a more diverse set of populations, economies, and geographic contexts would allow a more nuanced and comprehensive conclusion of what cities can or should be doing. Such an analysis should also include international examples from post-industrial countries and how those governments and societies manage revitalization.
- **A more sophisticated analysis of the efficacy of policy decisions.** The main goal of this paper is to illustrate the many existing efforts and actors engaging in those efforts. An in-depth analysis using available statistical and economic data may help clarify which policies provide demonstrable results—though urban economic development is not an exact science.
- **The impact of Covid-19.** The research and writing for this report began before the onset of the global pandemic and ensuing economic recession. As of publication, the virus continues to circulate widely in the United States and other countries around the world, and it is too early to determine how it will affect this field of study. Unfortunately, we were also unable to interview as many stakeholders as desired, with many turning us down due to pandemic related crisis-response responsibilities. Deeper examination of the pandemic's aftermath is important, particularly given our recommendations' focus on the importance of the business community to economic development. With the pandemic shuttering economies, causing a freefall in revenue and a rapid increase in layoffs and bankruptcies, reliance on the private sector may be a flawed approach during times of severe economic hardship.

- **A more robust comparison between larger cities and smaller cities.** Can some policies in larger cities be scaled down to a smaller context? Our recommendations also appear applicable to larger cities; can these be scaled up? On a practical level, how do differences such as larger populations, the ability to marshal more public and private sector resources, different governance structures, or greater global interconnectivity of large cities impact development and stakeholder engagement, if at all? Can these factors make it more difficult to enact change?

9

Conclusion

Cities are an integral part of the American experience. They are the laboratories from which new ideas, new technology, and new businesses sprout and the landing pad for newcomers both from disparate parts of the United States and across the globe. Their success is key to the overall health, growth, and prosperity of the nation. But attention need not only be placed on the biggest, brightest, or "best" of our urban communities—the small and mid-sized cities scattered across the nation remain an equally integral part of this story. Housing over half of the urban-dwelling population, many small and mid-sized cities are now seen as new lands of opportunity for people fleeing the high cost of living and stress of big city living. They demand our attention.

As demonstrated in the literature review, there is an exhaustive amount of scholarship in the field of economic and community development. The goal of this report is to build upon and contribute to this scholarship by examining the situation in select contexts—what specific communities and stakeholders are doing to transform their communities for the better. From our small sample, we have gleaned the following principles:

- **Regional thinking is integral to regional prosperity.** All levels of government should be working together in a unified manner, possibly through a unified regional body that can navigate the many competing interests and stakeholders while advocating for a region in a coherent manner.
- **The public sector alone cannot solve everything.** Communities should leverage their limited public-sector resources to empower their private sectors, further growing investment and development and maximizing the potential of each public dollar spent.
- **People are communities' greatest asset**. For communities to fully realize their potential, they must direct special attention to communities of color and the historically underserved.

- **Communities are best served by policies and initiatives at the state level.** States have the greatest power to impact the situation on the ground while understanding the local context and nuances.

At the time of writing, the Covid-19 pandemic and its ensuing economic fallout have only just begun to reshape the nation and the world. While it is difficult to predict what the world will look like after the current crisis, we aim for this report to be but one contribution in the long and difficult process of changing the communities so many of us call home for the better.

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Appendix

- **Master BLS Job Data**: https://csis-website-prod.s3.amazonaws.com/s3fs-public/Appendix1-Master%20BLS-AvgYearlyEmploymentMSA.xlsx
- **Master BLS Wage Data**: https://csis-website-prod.s3.amazonaws.com/s3fs-public/Appendix2-Master%20BLS-AvgYearlyPayMSA.xlsx
- **Federal Economic Assistance Matrix**: https://csis-website-prod.s3.amazonaws.com/s3fs-public/Appendix3-Federal-Economic-Development-assistance-Matrix.xlsx

Endnotes

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