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State Government and Urban Revitalization: How States Can Foster Stronger, More Inclusive Cities

Introduction: The Cities and the States

This paper examines an issue which is widely known and recognized, yet which has rarely been systematically explored: how state laws, policies, and practices affect the course of urban revitalization. As I discuss in detail later, I use the term urban revitalization to refer to the process by which a distressed municipality carries out policies and programs designed to improve its condition in a number of distinct but interrelated spheres: building fiscal and service delivery capacity, building a stronger real estate market, building economic competitiveness, building resident human capital, and enhancing quality of life. While these are concerns of every local government, they are particularly important for the older industrial cities of the United States, and in particular those once-industrial cities which have lost much of their peak population and are known as legacy cities (American Assembly 2012).

“Creatures of the state” and the role of state policy

The central role of state law and policy in every aspect of municipal governance has long been encapsulated in the phrase that municipalities are ‘creatures of the state.’ Although Justice John F. Dillon of the Iowa Supreme Court did not originate that phrase,¹ his 1868 decision in *City of Clinton v. The Cedar Rapids and Missouri Railroad Company* contained what is considered the definitive statement of the relationship between states and municipalities in language that has come to be known as Dillon’s Rule:

Municipal corporations owe their origins to, and derive their powers and rights wholly from, the legislature. It breathes into them the breath of life, without which they cannot exist. As it creates, so may it destroy. If it may destroy, it may abridge and control. [...] We know of no limitations on this right so far as the [municipal] corporations themselves are concerned. They are, so to phrase it, the mere *tenants at will* of the legislature (emphasis in original).

Although Dillon’s Rule has been modified in many states through constitutional or statutory provisions known as “home rule” provisions, it remains the foundational statement of the underlying constitutional relationship between states and local governments in the United States.

As a result, it is hard to think of any action that a municipality can take to further revitalization, whether demolishing a vacant building, selling city property, granting tax exemptions, or requiring developers to provide affordable housing units, which is not directly or potentially subject to state action. The state can give, as when it grants municipalities broad redevelopment powers; or it can take away, as when it limits use of eminent domain or imposes tax and spending caps. Moreover, as disparities grow between the financial resources available to state

¹ Its origin is generally attributed to an 1850 United States Supreme Court case, *Town of East Hartford v. Hartford Bridge Co.*

and local governments—the latter constrained not only by economic conditions but by state law—how states spend their resources, and the extent to which they make state funds available to supplement limited municipal resources, further drives the course of urban revitalization.

Municipalities are not, however, mere passive actors. Widely differing outcomes from one city to the next are far from simply a function of the policies adopted by their respective states. Local governments always retain the innate capacity to act. They act within the framework permitted by state law, to be sure, but even in the most restrictive state room exists for wide variation in local policy and practice, not to mention local capacity and leadership, and not least, what Reese and Ye (2011) have dubbed “place luck.” Thus, a city may progress, albeit with difficulty, despite poor state policies; or fail despite strong, supportive ones. State policies strongly influence the outcomes of urban revitalization efforts, but do not unilaterally determine them.

Prior research on state policy and urban revitalization

Although much continues to be written about specific state programs and policies, few people in recent years have looked systematically at the role of state policy in urban revitalization. The most systematic study to appear in recent years has been Frug and Barron (2008), which, however, focused primarily on how states “stifle urban innovation,” as their title indicates, rather than how they can further revitalization. This is in sharp contrast to the 1960s and 1970s, when considerable attention was focused on the role of the states in the context of the then-raging debates over federalism. At that time, when the expansion of the federal role toward the cities and the forging of direct links between the federal government and the cities was seen as all but inevitable, states were widely seen as the weak link in the system. One study of federalism gave its chapter on state government the title “A National Problem: Upgrading State Government” (Sundquist 1969), while political scientist Roscoe Martin wrote in 1965:

If a federal system [...] is to function properly all members of the partnership must be strong and vigorous. It is a central conviction of this study that this pre-condition to success does not now obtain in America in that the states have not been able or willing to assume their share of federal responsibilities (47).

The most substantial body of work on the subject of state policies and urban revitalization was that done by the Advisory Commission on Intergovernmental Relations (ACIR), a bipartisan federal agency created in 1959. Although the ACIR survived until 1996, its main work was conducted from the 1960s to the early 1980s, when it generated a remarkable body of research and analysis on almost every facet of the American governmental scene. While the ACIR published dozens of reports on different aspects of state government, two reports entitled *The States and Distressed Communities* (ACIR 1980, ACIR 1983) represent their most significant contribution to the subject at hand. These reports utilize a serious conceptual framework within which to evaluate state programs and policies, and are far more than a compendium of state programs and policies.²

² A list of ACIR publications is available at <http://onlinebooks.library.upenn.edu/webbin/book/lookupname?key=United%20States.%20Advisory%20Commission%20on%20Intergovernmental%20Relations>. Digitized versions of these publications have been made available at the Hathi Trust Research Center <https://www.hathitrust.org/>

Since then, with the exception of Frug and Barron, the discussion of the state role in urban revitalization has become fragmented. While much valuable material is being produced, it tends to be specific to particular policy areas, such as the use of incentives to spur economic development³ or state aid to education; or specific to the policies of a single state (e.g., Mallach and Sterner 2008 on New Jersey; Mallach and Brachman 2010 on Ohio). The Brookings Institution focused some attention on state issues and urban revitalization in their Restoring Prosperity initiative (Vey 2007). That work focused much more on recommending policy directions than on analysis of the underlying issues, and has not continued. The three national organizations representing state government (the Council of State Governments, the National Governors Association, and the National Conference of State Legislatures) appear to direct little policy or research attention to cities; while they address relevant issues such as workforce, health care, or public safety, they do not look at those issues through an urban lens or place them in a larger revitalization framework.

Who is this paper written for?

This paper has been written for three distinct, albeit overlapping audiences. The first is the large body of practitioners and policymakers engaged in urban revitalization who are working to build healthier, more dynamic and more resilient communities. Understanding the central role of state policy, both in urban revitalization generally and with respect to specific areas of concern, is not only important in itself, but even more important as a framework to help them pursue changes at the state level to specific laws, regulations, programs, and resource allocation decisions that affect their communities. Along those lines, I hope that the paper may also encourage those working at the state level, as well as in the many organizations that represent different facets of state government, to explore those same questions more extensively than is currently the case. Closely related to this group is the larger group of those, although not perhaps directly engaged in the work of urban revitalization, are deeply concerned with the future vitality of American cities, as informed residents, taxpayers, businesspeople, journalists and bloggers, and many more.

Smaller cities have unique revitalization challenges. A paper to be published later in 2017 by the Lincoln Institute, *America's Small and Mid-Sized Legacy Cities: Assessing Challenges, Assets and Strategies for Revitalization* by Lavea Brachman and Torey Hollingsworth, looks at existing conditions and promising revitalization strategies for small and mid-sized legacy cities, defined in this case as older, formerly industrial cities with populations between 30,000 and 200,000, including numerous case studies of creative and promising local government strategies.

Finally, this paper is directed toward the scholarly world, in the hope that it will prompt more scholars to look at the role of the states in urban revitalization, and to engage in the sort of systematic investigation of that role that is needed if we are to have a more comprehensive, more nuanced picture of the dynamics of urban revitalization, and the nature of the forces working both for and against better future urban outcomes.

³ This is the particular focus of the advocacy organization Good Jobs First, which has published extensive reports on this issue; see <http://www.goodjobsfirst.org/>