

BY TONI LAPP, SENIOR WRITER

In 1999, Kansas City, Mo., reached a dubious milestone: The city proper was surpassed in population by its suburban neighbor, Johnson County, Kan.

This reflected a phenomenon of shifting population that has been seen in cities around the country. The trend at times has led to an us-against-them mentality between suburbanites and urban dwellers.

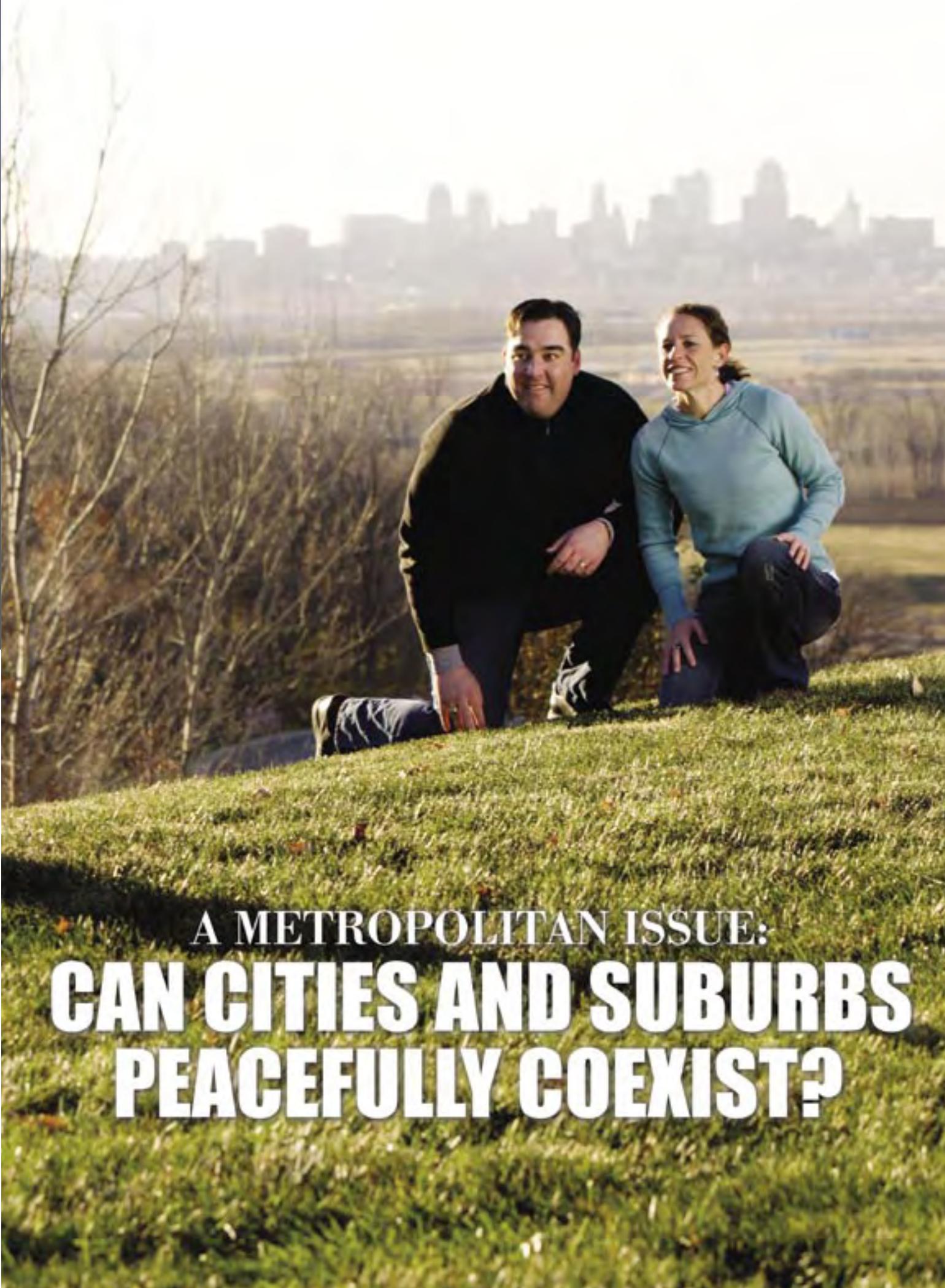
“Suburbs have prospered for the last 50 years, while many of the large cities they surround have stagnated,” says Jordan Rappaport, an economist with the Federal Reserve Bank of Kansas City who has studied the issue. “Because of that, many people perceive that cities and suburbs tend to grow at each other’s expense—and thus compete for residents and jobs.”

Rappaport says that while there is some truth to this perception, more often cities grow or decline together. For this reason, they have strong incentive to cooperate.

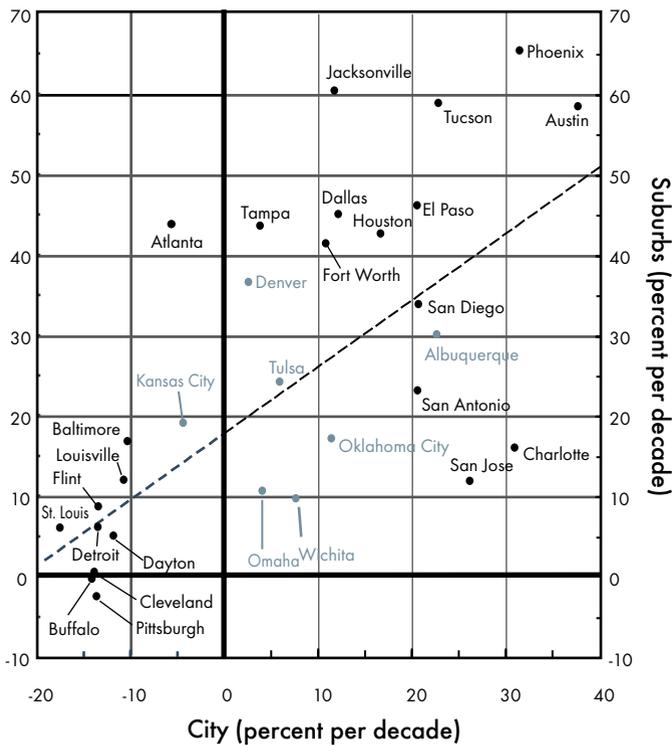
Rappaport, whose research “The Shared Fortunes of Cities and Suburbs” was published in the *Economic Review*, a quarterly journal published by the Bank’s Economic Research Department, notes that many economic forces have driven the trend known as suburbanization: the interstate system of the 1950s that resulted in highways connecting suburbs to cities, Americans’ increasing wealth and the ensuing desire for larger homes, and federal tax policy that encouraged home ownership.

The shifting population brings many implications—from taxation to development issues to competition for employers. Like true siblings, cities and suburbs seem to be immersed in a rivalry. The question is, can the two learn to cooperate for the greater good?





**A METROPOLITAN ISSUE:
CAN CITIES AND SUBURBS
PEACEFULLY COEXIST?**



LOOKING AT THE METRO AREAS on a graph charting their growth, a pattern emerges, indicated by the dashed line: The cities that grew the most also had the most suburban growth, and vice versa.

NOTE: Tenth District cities are indicated in blue

Sum of all parts

There is more to the issue of suburbanization than just the shifting of populations from cities to suburbs and back, in some cases.

For his study, Rappaport tracked the growth—and sometimes contractions—of a number of large metro areas and charted them in the graph above according to their suburban and urban growth.

He found that there was a strong positive correlation between city and suburban growth; that is, the faster a metro area's urban portion grew, the faster its suburbs grew as well. On the flip side, the faster a metro area lost urban population, the slower its suburbs grew.

For example, from 1970 to 2000, Kansas City's suburban growth was consistently below the Tenth District average. During the same time period, its urban growth similarly lagged. The positive correlation between city and suburban growth can be seen when comparing Kansas City with another Tenth District city. Fort Collins, Colo., had the fastest urban population growth from 1970 to 2000, and it experienced suburban population growth nearly twice the District average.

"Why do some metro areas grow more than others?" Rappaport asks. "That is more important than whether people choose to live in the city or suburb. They grow and contract together."

Because of Americans' increasing wealth and mobility, Rappaport thinks that metro areas that offer more amenities are the winners in this climate of change, whether those amenities are natural attributes, like mountains and lakes, or man-made attractions, like museums and zoos. A metro area that blends lively urban cores along with healthy suburbs would offer the best of both worlds.

Taking a regional approach

Some in the Kansas City region argue that trying to build consensus across the Missouri-Kansas state line introduces a wrinkle that other metro areas don't have to contend with.

While many Kansas City area officials on both sides of the debate played down the implications of the population trend between the city and Johnson County, another chapter on city-suburban divide was written recently when the Johnson County city of Overland Park contemplated building an arena, prompting some in Kansas City, which currently is planning a new arena, to question whether having one more arena would be good for the region. Overland Park officials ultimately rejected public assistance for such a venture, and were applauded by *The Kansas City Star* editorial board in a column headlined, "'No' was the right answer."

"When the Sprint Center in downtown Kansas City is finished in 2007, the metropolitan area will have sufficient facilities to handle sporting events, concerts and family shows," the editors wrote of the building currently under construction in the city center.

Steve Rose, columnist for *The Johnson County Sun*, defended the notion of an arena in Overland Park.

"There probably will be an arena (in Overland Park)," he said. "There will be some redundancy, but there will be competition. That's the way the world works whether you're talking about a car dealer or restaurant. That's the way the market works. It

means everybody has to work harder.”

However, Bob Marcusse, president and CEO of the Kansas City Area Development Council, or KCADC, contends that the state line brings a competitive advantage. The KCADC in 2004 launched a dual initiative, OneKC and ThinkKC, dedicated to marketing Kansas City as a region to businesses and individuals.

“A city is a product that competes for customers,” he says. Those “customers” are companies that bring jobs to a region. Kansas City, as a region, is able to offer a choice of two state governments and tax systems to prospective customers.

That said, “it’s hard enough to do big things,” Marcusse concedes. “But if you are divided, it’s even harder.”

Marcusse says that companies and individuals—who are relocating select a region first, and then narrow their decision, pinpointing a municipality within the region in which to settle.

No fewer than 18 counties, spanning 6,750 square miles and enveloping more than 100 municipalities, band together to be included in OneKC’s branding initiative.

Neighborhoodly competition

Terrence Dunn, who is married to the mayor of Leawood, Kan., says that if he didn’t live in the southern Johnson County suburb, he would live in Kansas City’s urban core with all its amenities—art museums, concert halls and urban architecture. Living in Leawood gives Dunn, the president of J.E. Dunn Group of construction companies and member of the Greater Kansas City Chamber of Commerce, a unique perspective on suburbanization.

He also observes that suburbs often have gotten a bad rap for lacking cultural and entertainment activities. Much is being done in the suburbs to enhance their cultural and entertainment amenities, all to the good.

“There are strategies in suburbia to improve (quality of life), but also an understanding that for suburbia to survive, the urban core must survive,” Dunn said.

He notes further that the city of Leawood made the decision not to use tax increment financing to encourage the boom of retail stores that has characterized that city.

But increasingly, suburban cities are using tax abatements to lure development, often going head-to-head against their neighbors.

In 2005, Applebee’s restaurant chain made headlines by announcing it would move its headquarters from Overland Park, Kan., to neighboring Lenexa, Kan. That city offered to suspend 90 percent of the corporation’s property taxes for 10 years.

“Unfortunately, these things happen all the time,” says Jody Craig, public affairs director for Mid-America Regional Council, or MARC.



ONEKC IS A BRANDING initiative that markets Kansas City as a region to businesses and individuals.

“If everyone got together and agreed not to do that sort of thing, we’d be better off.”

MARC, a metropolitan planning organization, or MPO, has no authority to control the use of tax abatements. MPOs were mandated by the federal government decades ago to

Charting Tenth District growth

To get a full picture of an area's growth, one should look at metropolitan population, not just city or suburban population. Jordan Rappaport, senior economist at the Federal Reserve Bank of Kansas City, compiled the chart below depicting the fastest-growing metro areas in the Tenth Federal Reserve District.

As the chart illustrates, the last few decades have seen phenomenal growth in some Tenth District metro areas. A number of trends are at work, says Rappaport.

"The main determinant of growth seems to be natural and cultural amenities, which include attributes like good weather and nearby recreational opportunities, as well as art museums and other cultural institutions," he said.

Witness the eye-popping growth of Santa Fe, N.M.

Americans increasingly have more disposable income, and thus have increased their willingness to pay a premium to live someplace with high quality of life.

Santa Fe and Albuquerque are also among "sunbelt" destinations whose growth was helped in the last half of the 20th century from the advent of air conditioning.

In addition, a metro area's industrial complex plays a major role. Fort Collins, Boulder and Colorado Springs—in addition to boasting close proximity to abundant natural amenities—have enjoyed growth of local industry, namely high-tech services and manufacturing, says Chad Wilkerson, policy economist at the Federal Reserve Bank of Kansas City.

serve as a conduit for federal transportation funds. Although MPOs have long had an official role in regional transportation planning, their importance has increased as transportation related problems in metropolitan areas have increased.

MARC is among a handful of MPOs that leverage their powers to address more than transportation problems, targeting issues such as congestion, air quality and safety.

The use of tax abatements to compete for businesses in neighboring jurisdictions reflects

communities at their least cooperative. But Kansas City and its suburbs do cooperate in important ways, Craig notes.

When Kansas City, Mo., received millions in funds as part of the Urban Area Security Initiative for emergency preparedness, it cooperated with eight counties to appropriate the funds through MARC for a regional approach. It would make little sense for only Kansas City to be prepared for a disaster, when two-thirds of the area's population resides in suburbs in seven counties surrounding the city, after all.

"To have eight counties and dozens of cities agreeing on how to spend a very large pot of funds is quite remarkable," says Craig.

Special districts: A tale of two metros

There are many benefits to cooperation among local governments because their policies can have far-reaching effects. For instance, applying pollution regulations in just one locality would be ineffective, since the air is shared by municipalities.

Similarly, the cost of many services—sewer, water, trash collection—can be shared by communities. The higher the number of users, the more the cost can be spread.

Many metropolitan areas have discovered the advantage of creating special tax districts—especially water districts and sewer districts—to

provide services that are shared across borders.

The broad perspective shows that amenities like museums, parks, stadiums and arenas benefit an entire metro area, says Rappaport. Taking the concept of special districts a step further, some metro areas have pioneered the

Tenth District Metro Growth 1970 to 2000

Rank	Metro Area	Growth Rate per Decade (%)
1	Fort Collins, Colo.	40.3
2	Sante Fe, N.M.	33.0
3	Colorado Springs, Colo.	30.6
4	Boulder, Colo.	29.8
5	Denver	24.8
6	Albuquerque, N.M.	24.7
7	Lawrence, Kan.	19.8
8	Oklahoma City	14.6
9	Tulsa, Okla.	14.4
10	Lincoln, Neb.	13.3
11	Cheyenne, Wyo.	13.0
12	Kansas City, Mo.-Kan.	9.2
13	Wichita, Kan.	8.5
14	Omaha, Neb.	7.2
15	Pueblo, Colo.	6.1

idea of creating such districts to finance an amenity that is located at a single site but benefits residents of an entire metro area.

An act of Congress was required to place a bistate tax initiative on the ballot in the Kansas City area, because it proposed a special district that would cross state lines. In 1996, voters in four counties—three in Missouri and one in Kansas—approved the bistate tax to pay for the restoration of the historic Union Station and the construction of the adjoining Science City museum. Wyandotte County in Kansas rejected the five-year, eighth-cent sales tax.

The effort achieved the renovation of Kansas City's historic landmarks. While it has struggled to be self-sufficient financially, many in the Kansas City metro area—both in the city and suburbs—are optimistic that the museum will draw increasing attendance from residents and their guests of the special tax district that funded it.

In principle, the funding of an amenity that provides entertainment for an entire area is eminently sensible, said Rappaport. To justify such a public subsidy, an amenity should benefit people throughout a metro area, he said.

In 2004, officials went to voters in the same five counties with a bid to support another special district. Dubbed "Bistate II," half of the proceeds of the quarter-cent sales tax would have paid for renovations at the Truman Sports Complex in Jackson County, Mo. The other half would have funded arts and cultural organizations in the metro area, with \$50 million going to the construction of a performing arts center in downtown Kansas City. For the measure to pass, three counties were required to approve, but only voters in Jackson County voted in favor. Clearly, officials were unable to convince residents of the five counties that they would all benefit from the measure that would fund primarily facilities in Jackson County.

An excellent model of a special district supporting sports and cultural amenities exists elsewhere in the Tenth District, says Rappaport.

In the Denver metro area, a Scientific and Cultural Facilities District, or SCFD, receives support from seven counties. It was created in

1988 when voters approved a tenth-cent sales tax, which has been renewed twice by voters. Four organizations—the Denver Art Museum, the Denver Botanic Gardens, the Denver Museum of Nature and Science, and the Denver Zoo—collectively receive 59 percent of



IN 1996, VOTERS IN FOUR COUNTIES approved a special tax district to raise funds to renovate Kansas City's Union Station and build the adjoining Science City museum. An act of Congress was required to put the issue on ballots, because the district crossed state lines.

the proceeds. Another 28 percent of the proceeds are allocated to regional organizations that prove to have appeal through the metropolitan area. The remaining proceeds are allocated by councils within the participating counties to more than 200 local organizations, such as small theaters and art centers.

Richard Wobbekind, director of business research at the University of Colorado, praises the tax. So many arts events throughout the region boast the SCFD sticker—"it encourages buy-in," he said.

"Denver seems to have gotten it right," says Rappaport.

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FURTHER RESOURCES

THE SHARED FORTUNES OF CITIES AND SUBURBS

www.KansasCityFed.org/TEN

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.