

SC²

Small Cities Second Chances



Revitalizing Critical Urban Assets
A concept in progress by Eric J. McNulty



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Revitalizing Critical Urban Assets

Why Small Cities? Why Now?

I believe that small cities, especially those in the northeast United States, are both undervalued and underleveraged. I believe that they are critical assets with a new role to play as the population ages, downshifts, and seeks more centralized living, work, and leisure options. I believe that increasing concern over global warming and the environment will also increase the appeal of smaller cities to a broader population.

I believe that there are high-impact, relatively low capital investments that will bridge traditional public and private sector investments. I believe that these investments can increase the success rate of both by providing “connective tissue” that links and reinforces the interdependencies between the creative class¹, the investor class, the educating class, the parenting class, and the service class² and the working class³. I believe that experimentation is critical to discovering enduring insights and small cities are ideal testing ground for new ideas and approaches for solving problems.

I believe that the middle class is essential both to our social and economic health. The bifurcation of incomes and living standards in the United States is not sustainable and the greatest prosperity for all classes is achieved when there is economic mobility and the chance for people to better their lives. Even our democracy is based, in part, on a vibrant middle class – government “of the people, by the people, and for the people” assumes an educated, involved, and politically active populace. The continued concentration of wealth at the top serves only to recreate the “upstairs, downstairs” England that our forefathers (and mothers) fled 200+ years ago. Small cities can be great places for the resurgence of the middle class to get traction.

I believe in the power of the “third place,” the general principles of [New Urbanism](#), and the importance of human scale, sufficient density, and environmental sustainability to development that is successful over the long term. I believe in building on strengths to revitalize the urban core.

¹ Artists, musicians, scientists, designers, architects, knowledge workers, and others as defined in *The Rise of the Creative Class*, Richard Florida, 2002

² Administrative, retail, some technical, and support workers as defined in *The Rise of the Creative Class*, Richard Florida, 2002

³ Manufacturing and related workers as defined in *The Rise of the Creative Class*, Richard Florida, 2002

Most important, I believe that society is healthiest when the greatest number of people is able to contribute to the extent of their potential. The goal of SC² is to increase the number of places where this is a reality.

Background

In earlier times, small cities were essential and played a critical role in the economy. Just in the greater Boston area, Taunton was known as Silver City, Brockton, Shoe City, and Waltham as Watch City because of their industrial output. They were self-sustaining social and economic systems.

Well-known trends brought about their decline beginning after World War II and continuing through the end of the 20th century:

- Large amounts of manufacturing moved first to the southern U.S. and then overseas as firms sought lower costs.
- The shift to a service economy made the geographic assets of older cities less relevant and thus made them less attractive to the new businesses. The large factories were not attractive as offices (though redevelopment of these buildings for commercial and residential use has since become widespread).
- Increasing industrialization of farming led to decline of family farms and the growth of corporate farming consolidated in the Midwest and California making rural land available for low cost development for housing and commercial use.
- Government-back mortgages and the interstate highway system led to the growth of suburbs that drained the residential population from these cities. The condition of housing stock declined as only the least affluent segments of the population remained.
- Malls proliferated and retail moved from main street to the suburbs. With that, locally owned business declined to be replaced by regional and national chains.
- As the tax base declined and the middle class shifted to the suburbs, urban school systems declined and became uncompetitive. Families with children seeking out the best schools they could find and the poor quality of urban schools accelerated this flight.

With the departure of their industrial and commercial bases and some of the most productive segments of their populations, these cities lost both their identity and vitality.

Large cities have seen a rebirth over the past 20 years as both companies and individuals rediscovered the benefits of living and doing business in the city. New office space and residential development is widespread. Festival marketplaces like Faneuil Hall in Boston and Harborside Marketplace in Baltimore have created lively urban experiences (although these tend to evolve into tourist attractions rather than magnets for locals).

Smaller cities, however, did not retain the critical mass to participate fully in this rebirth. The challenge is to attract sufficient capital, entrepreneurs, residents, workers, and service providers to fuel a sustainable rebirth.

Several trends indicate that there is a clear need for their resurgence and that the time is ripe for revitalization:



- 1) **Rising Real Estate Costs in Large Urban Cores.** With real estate prices continuing to climb over the long term, both commercial and residential occupants will seek out lower cost alternatives. An increasing number of people are being priced out of first-tier cities. Revitalized small cities can provide a less expensive urban experience.
- 2) **Workforce Demand for Flexibility.** The competition for top talent and the need to return older workers is leading companies to create more flexible work arrangements. While this has most commonly meant telecommuting or part-time work at central locations, small cities offer the option of satellite “in between” offices that can provide cost-effective alternatives. These satellite offices would allow for meetings and in-person collaboration at locations that save money for the corporation while allowing workers to avoid long commutes to headquarters locations. These satellites can easily be linked to headquarters and telecommuters through technology.
- 3) **Downsizing Seniors.** The massive baby boom generation is reaching traditional retirement age and many are seeking to downsize their residences. Those that seek to remain active in the workforce, crave a more vibrant cultural life, or want a lighter maintenance load look move from single-family suburban homes to more urban condominiums. Not all can afford to live in Manhattan or Boston’s Back Bay. Revitalized small cities can offer a viable, attractive alternative. This population segment is also entering the years when they will need more services and will become less mobile making them ideal candidates for concentrated living, working, shopping, and service provision that is possible in an urban setting.
- 4) **Downshifting Seniors.** For many, retirement will be replaced by “down shifting” (taking part time or project work) especially between 65 and 80 both because people are living longer and remaining healthier – making working longer an option – and poor retirement planning may make working longer a necessity. Among the things these workers will seek are time and place flexibility. They will abandon long commutes and look for a new work/life balance.
 - a. Over the past ten years, adults ages 55 – 64 have been the group most likely to start new businesses⁴
 - b. 80% of boomers say they want to work after retirement⁵
- 5) **Environmental Pressures.** Rising gas prices and public understanding of global warming is reaching a tipping point and pressure to reduce fuel consumption will grow in the years ahead. This presents two opportunities for smaller cities. First, they can provide an alternative to long commutes both by providing urban housing stock and commercial space and because of their proximity to existing suburbs. Second, they offer lower cost commercial space that can be attractive to alternative energy entrepreneurs.

⁴ Kauffman Index of Entrepreneurial Activity National Report 1996-2005

⁵ AARP study quoted in *Business 2.0*, September 2006

- 6) **The Evolving Marketspace.** In a recent article discussing high-speed branding⁶, the drivers of brand in the 21st offered insight into the potential power and appeal of small cities. Each city has a brand – a reflection of how it is viewed by residents, neighbors, and outsiders. The relevant brand drivers are:
- a. **Convenience.** “The proliferation of choice has added to a sense of ‘time deprivation’ among the relatively affluent.” To the extent that they can shorten travel time and provide abundant, relevant local services, small cities can help meet this need.
 - b. **Simplicity.** “Conversely, too much choice has led to confusion in certain sectors.” Small cities can offer urban vibrancy without overwhelming scale of a large city.
 - c. **Community.** “Globalization, the EU, technological change and a lack of faith in political leadership have led to uncertainty and a feeling that people need to belong to something.” While the authors used this driver to explain the growth of eBay and similar on-line communities, small cities can combine sufficient density with accessibility and approachability that encourage a rich community life.
 - d. **Health.** “Health (and energy) are growing concerns for an aging population worried by pandemics and by the ability of health services to cope. Feeling good is as important as looking good.” Well-designed small cities can offer a greener, healthier alternative to first-tier cities. Walking becomes a viable transportation option. But there is a definite need to provide sufficient healthcare resources.
 - e. **Control.** “The consumer now expects a high degree of control. ‘Rank the best buys’; time shift the programs’; eliminate the advertising’...” As stated in Community above, small cities offer a scale that is approachable and accessible providing a greater sense of control.
 - f. **Environment.** “Our part in climate change is increasingly accepted by consumers.” Revitalizing small cities offers the opportunity to apply green design principles and practice low environmental impact lifestyles with less driving/more walking, cycling, etc. and more centralized services (than suburbs).
 - g. **Entertainment.** “Once one moves beyond the fight to survive, entertainment becomes more important.” Entertainment and “action” has always a lure for the young; once the parents have survived getting their kids off to adulthood they want to be entertained as well. For both segments, the city offers options. Smaller cities can meet this need with restaurants, live music venues, galleries, cinemas, and other options. To do so they must attract artists and entrepreneurs.

The only driver that did not apply to small cities was Celebrity. Taken together, these drivers make a compelling case for the opportunity for small cities to be magnets for residents, business people, service providers, and investors.

⁶ World Business, July-August 2006, p. 28



The challenge, however, is to have the elements of vision, dollars, initiative, and people come together at the same time. A couple down-sizing and selling their suburban home, for example, will look for a place to live with thriving restaurants and galleries but

restraurateurs and gallery owners will look to open where customers are now, not where they will move next year. So it is a bit of a chicken-and-egg problem.

The need is for a catalyst to help pull the necessary elements together.

Vision and Mission of SC²

- Vision: Revitalized small cities will improve people’s social, cultural, and economic lives.
- Mission: Catalyze the revitalization of small cities – initially focusing on former industrial cities of the northeast – through research, practical experiments, stimulating connections, and facilitating the spread of best practices.

Core Beliefs of SC²

- Small cities are an essential part of America’s future. There are a number of factors catalyzing the continued urbanization of America: from an aging, less mobile population that will demand lower energy consumption. Large cities and suburbs will continue to expand though we believe that small cities can provide a more livable, engaging, and economically viable alternative.
- Every city has strengths. For some it will be proximity to a larger, established urban center while for others it may be an architectural legacy, geographic assets, or existing economic base. Leveraging these strengths is key to building the most vibrant city possible.
- Cities can only “fix” themselves. No outside entity, private or public, can swoop in and solve a city’s problems. Enduring change is only possible when the political, cultural and business leadership as well as the general citizenry are deeply engaged and committed to the process.
- Vitality is the result of economic, cultural (broadly defined to include the arts, religion, and education), and social activity. Two out of three isn’t good enough.
- Success must be multi-generational in order to be sustainable. Small cities must attract and retain people at all life stages and at all economic levels.

- Density is critical to success. Sufficient levels of housing, retail, and office use must be achieved in order for an urban core to be self-sustaining.
- A thriving entrepreneurial/small business community is critical for overall growth and economic as well as social health.
- Small cities must be competitive with the suburbs and larger cities in education and health care in order to attract both residents and businesses.
- A hundred small experiments are better than one big bet. How often have we seen bold hopes pinned to a single large project only to look years later to see those hopes unfulfilled? No arts center, rail line, convention center, or mall – no matter how thoughtfully conceived and beautifully executed -- is a strong enough engine to drive widespread economic growth. Too often these projects fail to consider the corollary social and cultural factors on which success depends or are subject to state, local, and regional political wrangling that doom them to underperformance. Whatever strategy one starts out with is guaranteed to be wrong to some extent – until we become omniscient this will be the case – and so it is better to experiment, learn, fail fast and cheap, and adapt for moving forward.

Core Values of SC²

- We seek out investment opportunities that bridge the gaps between traditional public and private projects. In particular, we look for low-capital investments that can have an outsize impact and increase the success of complementary public and private sector projects.
- We strive for measurable outcomes and repeatable results. The full value of any initiative can only be achieved if lessons are learned that can be applied elsewhere. Some examples
 - High school graduation rate; Acceptance rates of high school grads to top tier schools
 - New business start ups; New businesses still operating at 5+ years
 - Unemployment rate relative to peers
 - Violent crime rate relative to peers
 - Net Promoter Score – how likely are current residents to recommend their city to a friend as a great place to live; how likely are current business owners likely to recommend their city as a great place to start a business, etc.
- There are three broad things on which virtually everyone can agree: the desire for life to be better for one’s children and grandchildren, the need to offer the opportunity for economic improvement, and the need to feel safe in one’s home and in the streets. To the extent that initiatives can deliver on these they will be able to attract widespread support.
- We do not aspire to political leadership. Our approach is non-partisan and the programs should be broadly applicable no matter the orientation of local government. We should be a resource for the political establishment but not part of it. We also acknowledge that strong political leadership is a necessary component of small city revitalization.



How Do We Define a Small City?

Example of small cities on which SC² could focus are [New Bedford, MA](#), [Fall River, MA](#), [Lowell, MA](#), [New London, CT](#), [Bridgeport, CT](#), and [Pawtucket, RI](#). There are many more.

In general, the characteristics are:

- Population of 50,000 to 150,000
- Unemployment rate higher than the state/region average
- Median house price lower than the state/region average
- Average income lower than the state/region average
- High school graduation rate lower than the state/region average

While a city would not be required to be performing below its peers, those that are outperforming the averages are likely less in need of assistance. They could, however, be good sources for research.

What Makes a Successful Small City?

The presence of vibrant “third places” – coffee shops, restaurants, book stores, taverns, and other places where people gather, talk, share, and “bump and connect.” There is activity on the streets throughout the week and weekend and from daytime into late evening.

Strong political, business, and community leadership. Without committed leaders willing to invest energy, ideas, and capital, the best plans for revitalization will founder. The urbanist Jane Jacobs once remarked that you must “squelch the squelchers”⁷ and it requires leaders willing to stand up, take risks, and challenge people in order for that to happen.

A mix of independent and chain retail – it’s critical to have owners as well as managers in the local business community. Owners bring fresh ideas and keep capital in the community. Chains, despite their bad rap in some circles, are not all bad. For many, a city or town hasn’t arrived until it has a Starbucks.

An active entrepreneurial community – as above but extended beyond the retail sector. Entrepreneurs attract capital and talent. They drive growth. They are highly committed individuals who serve as catalysts and role models.

Full integration with the regional economy – few small cities are going to stand alone as they did in the industrial age. This is the age of networks. They must link with large cities, other small cities, and suburbs.

Housing stock that is attractive and affordable at a broad range of incomes.

A public education system that performs above the mean for its peers.

⁷ As quoted in *The Rise of the Creative Class*, Richard Florida

A crime rate comparable to the surrounding suburbs.

An net influx of “the creative class” as residents and business owners.

A transportation system designed to minimize dependence on the automobile. A transition away from the automobile takes time and the successful small city will be constantly looking for opportunities – both incremental and transformational – to make transportation more efficient and accessible and less expensive and damaging to the environment.

Programs to Explore

Coaching

- 1) Voluntary life coaching for all teachers plus high school students
 - a. The decisions made during the high school years will have a major impact on students’ futures. They must rely on an increasingly frayed group of “experts” to help them (ever busier parents, clergy if church attenders, teachers, etc.)
 - i. College or not? Which college? Military? Which branch?
 - ii. Summer job or life enrichment experience?
 - iii. How do I deal with peer pressure?
 - iv. How do I talk to Mom and Dad about...?
 - v. Even “will my life be over if I don’t go to the prom?”
 - b. Guidance counselors service too large a student population to serve each of them effectively.
 - c. A trained, experienced adult with whom the student can have an on-going relationship will complement parents, clergy, friends, and help create better outcomes that make these years springboards to happier, more fulfilling lives.
 - d. Offer to teachers to help them understand how coaching works, enlist them in reinforcing the program, and improve their professional support system

Education

Education reform is a hot topic and has been for the past several years. The charter school movement grew out of a desire to break old models and try new ideas the moved beyond “readin’, writin’, and ‘rithmetic.” At the same time, the standard test movement has pushed back by citing that U.S. students aren’t mastering the basics. The No Child Left Behind Act has instituted such testing nationally and following it has come a “teach to the test” mentality in many school districts. And who can blame them – the penalties for failure are significant.

What has been discussed less, at least in the popular literature, is what skills are most critical to success in the world marked by global competition, a rapidly evolving economy, and changing family structures. There is no shortage of things to know yet there are constraints on education budgets and student time.

- 2) Formal decision making training in the curriculum
 - a. As stated above, we expect young adults to make significant decisions yet do little to formally prepare them to do so. In addition to the decisions outlined above, students will soon be faced with choices about where to live, what career to pursue, who to marry or partner with, and if/when to have children. A better understanding of how we make decisions will lead to better decisions and better results.
- 3) Financial literacy as a graduation requirement
 - a. Students will soon be on their own. It is essential that they understand banking, 401ks, mortgages, credit, taxes, and other elements of financial life.

Cultural

- 1) Bring back the “art bus” – provide affordable transportation to/from museums in nearby first-tier cities at designated times. This eliminates the feeling of being cut off while living away from a major city and provides community building opportunities; lower environmental impact than individual drivers.
- 2) Actively cultivate artists with affordable loft space. Artists bring innovation and energy that help bring a city alive. It is increasingly difficult for them to afford space in first-tier cities and small cities that work proactively can benefit from this “art flight.”

Key Questions

- Does SC2 take the form of a foundation, an operationally focused non-profit, or a for-profit entity?
- Are there opportunities to invest relatively limited capital and have a significant impact?
- Can a third party like SC² bridge the gaps between public and private sector projects?
- Should SC² take equity positions in projects?

Resources

Web Sites

[Cool Town Studios](#)

[EPA Smart Growth](#)

[New Urbanism](#)

Books

[The Rise of the Creative Class](#)

[The Great Good Place](#)

[Celebrating the Great Good Place](#)

Foundations/Funders

[The Boston Foundation](#)

[Ewing Marion Kaufman Foundation](#)

[Giving Network](#)

[Social Venture Partners](#)