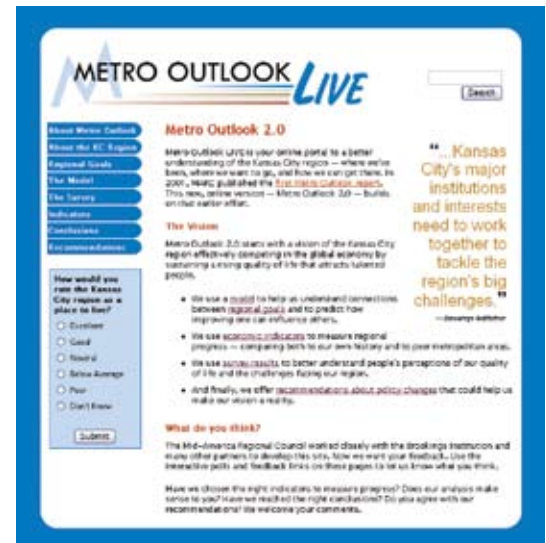


METRO OUTLOOK *LIVE*

Printable Version
January 2007

In 2001, MARC published the first Metro Outlook report measuring regional progress in the Greater Kansas City area. The updated version, Metro Outlook 2.0, or Metro Outlook Live, went online in December 2006. It was designed for the Web — as a live, interactive site that provides the very latest data and lots of opportunities for users to offer their opinions and feedback.

While a static document can never be as current or interactive as a Web site, a number of people have requested a printable version of Metro Outlook. This report contains the text and graphics from the Web site, as of January 2007. For more current information, or to participate in the polls and surveys, please visit www.metrooutlook.org.



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The opinions, findings and conclusions expressed on this site are those of the authors and not necessarily those of the Ewing Marion Kauffman Foundation, the Missouri Highway and Transportation Commission, the Kansas Secretary of Transportation, the Federal Highway Administration or the Federal Transit Administration. All errors of omission or commission are the authors'.

We welcome your feedback about the data, analysis and conclusions of Metro Outlook.

Frank Lenk
Director of Research Services
Mid-America Regional Council
600 Broadway, Suite 300
Kansas City, MO 64105
Phone 816-474-4240
Fax 816-421-7758

Introduction

Metro Outlook LIVE is your online portal to a better understanding of the Kansas City region — where we've been, where we want to go, and how we can get there. In 2001, MARC published the first Metro Outlook report. This new, online version — Metro Outlook 2.0 — builds on that earlier effort.

The Vision

Metro Outlook 2.0 starts with a vision of the Kansas City region effectively competing in the global economy by sustaining a rising quality of life that attracts talented people.

- We use a model to help us understand connections between regional goals and to predict how improving one can influence others.
- We use economic indicators to measure regional progress — comparing both to our own history and to peer metropolitan areas.
- We use survey results to better understand people's perceptions of our quality of life and the challenges facing our region.
- And finally, we offer recommendations about policy changes that could help us make our vision a reality.

What do you think?

The Mid-America Regional Council worked closely with the Brookings Institution and many other partners to develop this site. Now we want your feedback. Use the interactive polls and feedback links at www.metrooutlook.org to let us know what you think.

Have we chosen the right indicators to measure progress? Does our analysis make sense to you? Have we reached the right conclusions? Do you agree with our recommendations? We welcome your comments.

The Purpose of Metro Outlook 2.0

Metro Outlook 2.0 builds on earlier efforts to measure progress in the Kansas City region, but sharpens the focus on economic competitiveness.

To do this, Metro Outlook first synthesizes a set of goals derived from earlier reports — goals aimed at creating a region that can effectively compete in the global marketplace.

Because of the strong link between economic competitiveness and innovation, Metro Outlook 2.0 develops an explicit model of how metropolitan areas attract, develop and retain talented people. Like the first Metro Outlook report, this version theorizes that talent is attracted to areas that continually improve their ability to provide high-quality economic

opportunities, social connections, amenities, neighborhoods, schools, etc. — in sum, a high and rising quality of life.

By placing the regional goals inside the Metro Outlook model, we can see how the goals themselves are linked together. Following the goals through the model, we can develop a parallel system of indicators designed to monitor the region's status and progress towards its goals.

Finally, using further work by the Brookings Institution, we recommend policies the region should adopt to fulfill its potential as a successful and competitive metropolitan region.

Earlier Reports Evaluating the Competitiveness of the Kansas City Region

In 2001 and 2002, three independent reports about Metropolitan Kansas City were released in relatively quick succession, each examining regional competitiveness from a slightly different angle.

Metro Outlook

The first report was *Metro Outlook*, published by the Mid-America Regional Council in August 2001. *Metro Outlook* took the view that in an information-based economy, the most important resource is talented people. But such people can choose to live anywhere, so why should they choose to live in metropolitan Kansas City, an area without mountains, oceans, or mild weather? *Metro Outlook* answered that this region must simply work better than other regions blessed with higher levels of amenities. In short, what attracts talent is the prospect of a higher and continuously improving quality of life, where this is broadly defined to include a strong economy, and smoothly functioning society and a healthy natural environment.

Metro Outlook collected a wide variety of indicators to evaluate the region's quality of life and developed the following analysis:

1. Concentrated poverty, which primarily afflicts African-Americans in this region, creates problems in the urban core that push those who can afford it elsewhere in search of safer neighborhoods with better schools.

“...Kansas City's major institutions and interests need to work together to tackle the region's big challenges.”

— Brookings Institution

2. This demand for a higher quality of life produces a suburban expansion that is costly to everyone — to the urban core, first-ring suburbs, developing suburbs and our natural environment.
3. The public spending required to build new infrastructure while maintaining all the old infrastructure makes it difficult to find dollars to invest in improving the region's relatively weak innovative capacity.
4. Ultimately, such investments are needed if the region is to be economically competitive. Without them, the report concluded, the outlook for metropolitan Kansas City (i.e., the Metro Outlook) was "cloudy."

The Citistates Report

In early 2002, *Many Communities—One Region*, written by the Citistates Group and more commonly referred to as the Citistates report, was published in *The Kansas City Star*. This report reminded area residents that from the outside perspective, we all live in a single place — the "citistate" of Kansas City — rather than in multiple communities. We also all live in an era where there is ferocious competition among citistates for new markets, university faculty, research labs and quality arts and sports.

In such an environment, a vital urban center is essential because it serves as the region's symbol, its brand or calling card. Such centers of activity excel at bringing people together to exchange and mix ideas. Without a lively urban center, the region may have difficulty luring fresh talent. Transforming downtown into a "people place" is at the heart of the report's recommendations.

Other urban-oriented recommendations include expanding the region's transit system, facing the issue of race as part of efforts to remediate schools and neighborhoods, and continuing to expand the region's child-advocacy agenda. The report concludes with an essay on race as the area's biggest divide, one holding the region back in a 21st century world where "diversity will be at the center of global communications and commerce."

The Citistates report also suggests that the Stowers Institute and the Kansas City Area Life Sciences Institute are once-in-a-century opportunities that will only pay off if the region finds a way to pour investment into area higher educational institutions, particularly the University of Missouri–Kansas City and the University of Kansas. The report calls the lack of a top-ranked university "the weak link in the Kansas City area's competitive chain."

Growth in the Heartland

The final report, *Growth in the Heartland*, also published in 2002 by the Brookings Institution, documented growth patterns in the state of Missouri. It examined each part of the state individually and found that they all grew in the 1990s — rural areas, the four smaller metros and the two larger ones.

However, the manner in which they grew — decentralized, low-density development — has unintended consequences.

It increases the costs governments incur when they provide infrastructure, schools and police and fire services. It eats into rural areas and high quality natural areas that the state depends upon for tourism dollars. It strains transportation systems with increasing travel times and costs. It isolates low-income and minority Missourians from opportunity.

Finally, the pattern of growth hurts Missouri's competitiveness by eroding its quality of life, depriving the state of the urban vitality, convenience and preservation of natural amenities increasingly valued by leading companies and workers.

The report suggests that all states must pursue three general sets of strategies to be truly competitive.

They must invest in making their metropolitan areas true economic engines through spending on schools, higher education, downtown redevelopment, neighborhood revitalization and enhancement of natural and built amenities.

They must bolster the assets and opportunities of low-income and working families throughout the state.

They must promote healthy growth patterns to ensure development does not undercut the health of existing localities, create new costs or harm precious land and amenities.

Investment in all three strategy areas is necessary for competitiveness. Essentially, by focusing on the third area, the report argues that better management of growth patterns can reduce costs and increase opportunities to attract residents and visitors. This then frees up and increases the state revenues available for investment in education, assets, amenities and families necessary to improve economic competitiveness.

Conclusions from the three reports

Clearly, a high degree of overlap is found in these reports. All see:

1. The economy as running on innovation.
2. The region's current innovative capacity as weak.
3. The region in competition with other regions in the U.S. and, indeed, the entire world.
4. The future economy as dependent upon attracting and retaining talented people.
5. Decentralizing land-use patterns as an obstacle to attracting talent for one or more of these reasons:
 - a. They inhibit the development of vital urban centers that inherently attract talented people due to their diversity and density of opportunities.
 - b. They are costly to build and maintain, requiring the expenditure of public dollars that reduce their availability to fund basic research and technology transfer.
 - c. They damage the natural environment that is increasingly seen as an important amenity by talented people.

6. Issues of race and poverty as important obstacles to wider acceptance of more efficient land-use patterns, to the region's ability to act strategically, and therefore to optimize its investment so it can become more globally competitive.

The Kansas City Area's Demographics

The Mid-America Regional Council serves the eight-county, bistate Kansas City region. This area encompasses more than 3,800 square miles with a population of about 1.8 million people. MARC's Regional Data Snapshot, available online at www.marc.org/regionalsnapshot.pdf, summarizes key demographics, including:

- Population by Race
- Population by Age
- Educational Attainment
- Population Trends by County
- Population Change 1970-2000
- Household Income
- Housing Stock
- Housing Opportunity Index
- Building Permits Issued
- Median Home Values
- Employment Rates
- Employment Growth
- Earnings by Industry
- Travel Times
- Air Quality Exceedances
- Daily Vehicle Miles Traveled

Much more data about the region is available on MARC's Research Services Department Web site, www.metrodataline.org.

A Brief History of the Kansas City Area's Economic Competitiveness

What are the three things most important to business success? According to the old adage, the answer is simple — "Location, location, and location."

Centrality

This adage served the Kansas City area well through the mid-20th century. From the beginning, the region banked on its centrality, with the trading posts that marked the jumping-off point for the three main trails heading west in the early to mid-1800s — the Santa Fe Trail, the California Trail and the Oregon Trail.

When rail came, Kansas City was the place where the intercontinental rail lines first spanned the Missouri River.

Rail spawned warehouses and factories on the south side of the river, and a city was born.

With the industrial revolution, the region became a national center for food processing. Situated in the middle of the nation's agricultural heartland, food was transported here, processed, and shipped anywhere in the country. Over a million head of cattle were processed annually in the heyday of the stock yards in the West Bottoms.* Grain elevators stored the grain that was milled and converted into flour and baked goods.

Other manufacturing followed agriculture to take advantage of centrality, river and rail. Henry Ford built the first auto assembly plant outside of Detroit here in 1912. General Motors soon followed suit at Leeds and Fairfax. Joyce Hall started Hallmark in 1910, kicking off a regional specialization in printing that continues to this day.

The advantages of centrality for processing and shipping goods probably reached their peak economic influence in the 1950s as the Kansas City region experienced its highest level of net in-migration — 90,000 people over the decade — and its highest metropolitan ranking as the 19th largest metro area in the U.S.

A "Back-Office" Town

Several things conspired to diminish centrality's ability to spur the progress of metropolitan Kansas City. The flood of 1951 caused meatpackers to consider replacing their aging Kansas City plants. The technology of cattle and grain production began changing in favor of processing nearer the place of production.

And, most importantly, the U.S. economy began its inexorable shift from producing goods — where minimizing shipping costs is of particular importance — to producing services. With this shift, proximity to markets — largely concentrated on the coasts — gained importance.

As a result, demand for centralized processing declined, though most goods continued to move through here. Meanwhile headquarters moved closer to markets. Kansas City became a "back-office" town and a distribution center for freight. Important work, to be sure, but not the kind that typically generates above-average growth in either jobs or income.

In the last quarter of the 20th century, the base of the U.S. economy shifted further, so that the primary value added by American workers was not the production of goods and services themselves, but the information needed to produce them better, faster, and cheaper. In an information economy, a premium is placed on speed — speed of processing and transmission of course, but also speed of knowledge discovery, speed of transforming discoveries into products and services, speed of getting them to market.

In short, "Innovation, innovation, innovation" supplanted location as THE critical factor for business success.

But as a back-office town that mainly applied the techniques developed elsewhere, the Kansas City area economy experienced difficulty in transforming itself to acquire the necessary innovation capacity. In the 1970s, it was unable to provide enough jobs for its residents, and experienced a net out-migration of 45,000 people, mostly young baby-boomers looking for their first job. In the early 1980s, the region permanently lost 30,000 manufacturing jobs and employment growth lagged behind the nation.

A Growing Focus on Information and Technology

From this low point, the Kansas City area economy began to recover its footing. The growth of Marion Labs, Sprint and DST signaled the region would not be left out of the shift to an information and technology economy. Firms like Cerner and Garmin followed in their footsteps.

Even though Marion's successive mergers eventually led most of its local pharmaceutical operations to leave the region, this was at least partially offset by the growth of animal health firms like Bayer and the endowment of the Stowers Institute to conduct leading-edge life sciences research. The creation of the Kansas City Area Life Sciences Institute (KCALSI) marked the community's determination to become a top-tier research center.

Because of the area's success in adapting its economy to meet new demands for information-based services and products, employment began to again grow near national averages. Indeed, during the 1990s, the region again attracted 80,000 more people than it lost, a net migration level near its record 1950s level.

Unlike the 1950s, the net migration was not caused by exceptional economic growth. Rather, it was the result of average growth and weaker-than-average growth in locally available labor. This slow labor force growth was due to the small size of young age cohorts entering the labor force, a legacy of the out-migration during the 1970s.

Will average growth be enough in the 21st century? Will average growth be sufficient to allow for improving standards of living when the competition from increasing globalization raises at least the possibility that average economic growth rates in the U.S. could fall? Or do we need to be great at something to assure the region's future prosperity?