



NFG REPORTS

SUMMER 2001 ISSUE TWO • VOLUME EIGHT

What About the Small Cities?

By Suri Duitch

Here is the story of our forgotten cities. They were America's hometowns; now, as the nation speeds forward into the new economy, many of them are left floundering, saddled with the dirty remains of the industrial age and missing out on the economic opportunities of the information age. A soon-to-be-published study by Mt. Auburn Associates, an economic development consulting firm based in Somerville, MA, takes a close look at the state of these cities, cities that Mt. Auburn terms "third-tier."

Mt. Auburn has worked with small distressed cities around the country on the design and implementation of strategic economic development plans. After looking individually at more than 20 of these cities over the past 15 years, Mt. Auburn undertook a national study in an attempt to understand why certain small cities that thrived in the industrial era have not successfully made the shift to the information-, knowledge- and technology-driven economy and are in decline as a result. Mt. Auburn also examined other small cities that have successfully met these challenges and are prospering.

The firm utilized a range of tools, including census data, interviews and historical documents to conduct its study. Mt. Auburn found that third-tier cities suffer from many of the same problems we commonly think of as big city concerns - high poverty rates, lack of public and private investments and development, middle-class migration to suburbs, few work opportunities, land contaminated and abandoned after industrial use and decaying infrastructure.

With all these problems, third-tier cities seem to have slipped under the radar of those public agencies and private foundations that typically target their investments toward large cities and rural areas, with the goal of spurring economic development and

What Is a Third-Tier City?

Mt. Auburn Associates defines it as a city with a population between 15,000 and 110,000, playing an important role in its regional economy and experiencing a population change since 1950 that ranges from severe decline to only moderate growth. In the United States, 396 cities meet this definition, Though concentrated in the Mid-Atlantic and Midwest regions, you can find them throughout the country.

improving quality of life. These so-called urban ailments are not necessarily worse in small cities than in large ones, but their existence is not widely acknowledged and understood. Compounding the problem, the small scale of these cities has made it difficult for them to leverage the public and private investments necessary to participate in the new economy. To take one example, a high-speed telecommunications system is a crucial piece of infrastructure in the information age, but many third-tier cities lack such a system. The companies that install and use these technologies have yet to be convinced that they will get a worthwhile return if they invest in what are, to them, relatively small markets.

Binghamton, NY; Ocala, FL; Olympia, WA; and Saginaw, MI are just a few third-tier cities.

Infrastructure Upgrades Needed

A former resident of Pueblo, an industrial city in the southwest corner of Colorado, wanted to locate his company's new call center in Pueblo. He took the list of necessary specifications to city authorities. When they looked it over, one item in particular stood out - a digital switch. Not only did they not have one; they didn't even know what it was. Upon further investigation, they discovered that a number of companies had recently decided not to locate in Pueblo specifically because it didn't have a digital switch. City officials only realized the problem existed when the former resident was interested enough to go directly to them and ask. Other companies, with no particular interest in the city, simply crossed it off the list of potential locations.

Besides lacking new-economy infrastructure, third-tier cities have lost the bedrock employers of the industrial era. When they left, what replaced the local factories, producing and shipping what they made down the river? What replaced the local bank, or the butcher's shop put out of business by the discount chain supermarket right off the interstate highway? In many cases, nothing. The disappearance of industry has not been offset by increases in professional and consumer services, as has happened in large cities.

Many third-tier cities were highly dependent on jobs provided by a single industry, and sometimes even a single employer. Fitchburg, MA, had 10,000 manufacturing jobs in 1966, only 3,600 in 1996, and lost General Electric, one of its few remaining companies, in 2000. Workers lose their jobs, but the loss reverberates through the rest of the city, decimating the tax base and tearing apart the social fabric.

Civic Leadership Demands

Even when the jobs stay, many companies that provide them no longer participate in the local civic culture. Frequently, they are bought out or acquired by larger companies whose owners and boards of directors live elsewhere. The parent corporations are likely to have their headquarters in a major U.S. city or even overseas. What do high-level corporate managers across the country care about a small city's annual clothing drive or the local United Way's board of directors? The company's local plant manager either does not have the authority to make decisions about participating in civic events, or isn't really interested in matters outside the plant itself. On the other hand, the owners of the few locally-based businesses that remain often don't have much time to participate in civic activities and can't pick up the slack for everyone else.

Like large cities, many third-tier cities have trouble paying for municipal services. The flight of white, middle-class residents from big cities to suburbs strains the tax base, making it difficult to provide more user-friendly and upgraded public services for the less affluent, often minority and immigrant residents left behind. The same is true in small cities, where, in many cases, immigrants now reside in sizable numbers. In a city with a population under 110,000, a few hundred immigrants have a relatively large impact. Many small cities are unequipped to provide services such as translators in municipal hospitals, or bi- or multilingual public school teachers who can speak more than one language. In Wausau, WI, for example, one-quarter of the elementary school children are from Southeast Asian families, but the city is desperately short of teachers who can communicate with parents and children who have just recently arrived.

There is yet another problem of size - non-profit organizations and government agencies in third-tier cities often don't have many staff members. This makes it difficult to implement significant economic development projects and raise the funds necessary to support them. For example, some of the most successful economic development and welfare-to-work strategies of the past few years target specific economic "sectors" - particular types of manufacturing, arts and culture, or high-tech industries. Sector-focused economic development is harder to pull off in a small city. For the local community college to develop a new course that certifies residents in a highly specialized type of equipment repair, there must be enough potential students to make the course cost-effective. And if one company needs only three employees with that skill, the course just isn't worth offering.

Recipe for Renewal

Not every third-tier city is suffering in the new economy. Some of them have remained competitive by re-inventing themselves. Green Bay, WI; Danbury, CT; and Wilmington, NC; are all examples of small cities that have moved on from the industrial era, developing new industries and spurring economic development and new jobs for their residents. Mt. Auburn found a number of reasons why these cities and others like them are successful while their peers have fallen behind. They have figured out how to maximize their existing assets and generate the resources to build new ones by:

- Building serious and sustained civic partnerships among the city's key stakeholders;
- Forging real regional collaboration with other cities in the region on joint marketing and economic development projects;
- Creating and enhancing local amenities such as parks and cultural institutions, which companies want to see because they add to the quality of life for employees. For example, since so many third-tier cities were built on the rivers along which goods were shipped in the 19th century, developing riverfront parks and recreation areas is a smart way to capitalize on a built-in asset;
- Transforming diversity into strength by providing new immigrants opportunities to become involved in the city culturally and as entrepreneurs.

Still, third-tier cities find it difficult to cultivate sufficient numbers of strong civic leaders since the companies and local businesses that provided civic support in the past are no longer available. The Pew Partnership for Civic Change is helping a number of small cities

throughout the U.S. address civic concerns. One of those cities is Danville, VA, which created "Southern Virginia 2000," a successful collaboration that has brought in representatives from local government, businesses, educational institutions and the community to address the area's workforce needs.

More efforts such as the Pew Partnership are necessary if third-tier cities are to keep pace with the new economy. These cities must capitalize on the assets they currently have and develop new ones. They can do so by showcasing and promoting local amenities, working effectively with local educational institutions, and engaging their residents in building, and in some cases re-building, their communities. Foundations looking to invest in third-tier cities have a wide range of options, among them: leadership development and other civic capacity-building programs; technical assistance to economic and community development staff in public and private agencies; arts and cultural events and recreation; programs that more fully integrate immigrant and minority groups into the civic life of these cities; and comprehensive community development efforts similar to those undertaken in large cities. It's not just a matter of nostalgia for our old hometowns - third-tier cities have important roles to play in this new age, but they need help catching up.

Suri Duitch is a New York City-based public policy writer and researcher specializing in health, human services and economic development issues. The research for Mt. Auburn's report on third-tier cities was supported by a grant from the Economic Development Administration (EDA) of the U.S. Department of Commerce. Contact Kay Fronk at the EDA at 202-482-3093 or Kfronk@doc.gov for a copy of the report.

[Back to NFG Home Page.](#)

Neighborhood Funders Group • 1301 Connecticut Ave NW, Suite 500 • Washington, DC 20036 • Phone: (202) 833-4690 • Fax: (202) 833-4694 • nfg@nfg.org

Copyright © 1998-2004, [Neighborhood Funders Group](#). Site designed by [Change Communications](#), maintained by [NFG](#).