MESSAGE FROM THE PRESIDENT GEORGE W. McCARTHY

# Helping Communities to Help Themselves

**BEFORE JOINING THE LINCOLN INSTITUTE OF LAND POLICY, I COVERED THE DETROIT BEAT FOR ALMOST A DECADE FOR THE FORD FOUNDATION.** There I was able to witness firsthand the unprecedented challenges involved in reversing the fortunes of the most powerful and important U.S. city of the mid-20th century. The enormity of these challenges called forth a coalition of some of the best and brightest community rebuilders with whom I've had the privilege to work. The quality and commitment of this strident group of public servants, civic and community leaders, and private-sector visionaries helped Detroit reclaim a bright future.

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Signature efforts of this unique public-private-philanthropic partnership (a P4!) included the planning, construction, and funding of Detroit's first public transit investment in more than five decades—the M1 Rail, which broke ground in July 2014 using a pooled private investment of more than $100 million. Leadership for the effort did not simply build a symbolic 3.3-mile light rail line along Woodward Avenue, the spine of the city, it also leveraged the private investment to secure a commitment from state and national governments to launch the region's first transit authority.

Local and national philanthropic leaders also assembled more than $125 million to launch the New Economy Initiative—a decade-long effort to rekindle an entrepreneurial ecosystem in the region through strategic incubation of hundreds of new businesses, thousands of new jobs, and enduring long-term collaboration among employers and workforce developers. And, in what might be their most controversial and heroic collective effort, these philanthropies worked with the State of Michigan to assemble more than $800 million for "the Grand Bargain," which saved both the legendary collection of the Detroit Institute of the Arts from the auction block and the future pensions of Detroit's public servants.

Stunningly, while social entrepreneurs did gymnastics to bring hundreds of millions of dollars in support to Detroit, the city reportedly returned similar amounts in unspent formula funds to the federal government. A city with more than 100,000 vacant and abandoned properties and unemployment rates hovering close to 30 percent could not find a way to use funds that were freely available; the city needed only to ask for them and monitor their use. Beleaguered Detroit public servants, whose ranks were decimated by population loss and the city's fiscal insolvency, did not have the capacity or the systems to responsibly manage or comply with federal funding rules. And, in this regard, Detroit is not unique among legacy cities or other fiscally challenged places.

A March 2015 report from the Government Accountability Office, *Municipalities in Fiscal Crisis* (GAO-15-222), looked at four cities that filed for bankruptcy (Camden, NJ; Detroit, MI; Flint, MI; and Stockton, CA) and concluded that the cities' inability to use and manage federal grants was attributable to inadequate human capital capacity, staffing shortages, diminished financial capacity, and outdated information technology systems. The report lamented that not only were the cities unable to use formula funds—like Community Development Block Grants that are distributed according to objective criteria such as population size and need—but they routinely forwent applying for competitive funding, as well. A separate 2012 analysis by Senator Tom Coburn (R-OK), *Money for Nothing*, identified some $70 billion in federal funds that were unspent "due to poorly drafted laws, bureaucratic obstacles and mismanagement, and a general lack of interest or demand from the communities to which this money was allocated."

How can it be that the neediest places are unable to use the assistance that is available? It's unsurprising that a city like Detroit, which lost almost two-thirds of its population over six decades, would see diminished staffing and staff capacity in city offices. It is also unsurprising that Detroit did not have state-of-the-art IT systems. When a municipality faces fiscal challenges, infrastructure always gets short shrift. The inability to make use of allocated funding probably isn't a sin of commission, but a regrettable omission that runs deeper, and needs fixing. But where to start? Let's see what the data tells us. Which formula programs have the weakest throughput? Where are the places with the worst uptake? By all accounts, we don't know. If federal agencies know which programs and places might make the best and worst lists, they are not reporting it. Moreover, most citizens in Detroit, who bear one of the highest property tax rates in the country, don't know that their city is leaving tens of millions of dollars of federal money on the table each and every year.

Last summer, with little fanfare but great ambition, the Lincoln Institute launched a global campaign to promote municipal fiscal health. The campaign focuses attention on several drivers of municipal fiscal health, including the role of land and property taxation to provide a stable and secure revenue base. In this issue of *Land Lines*, we consider ways that cities and regions are building new capacities—reliable fiscal monitoring and transparent stewardship of public resources, effective communication and coordination among local, county, state, and federal governments—to overcome major economic and environmental barriers. We focus on how places are looking inside and outside their borders to enlist the assistance of others. Hopefully, these stories will inspire us to work toward broader, deeper, and more creative ways to thrive together rather than struggling alone.

If we invest only a fraction of unspent funds to build the right local capacities, communities will be able to solve their own problems.

Two technology-based tools featured in this issue are changing the way municipal finance information is organized and shared. They empower citizens and voters to hold their community leaders accountable and ensure that once we throw the assistance switch, the circuit is completed. PolicyMap (p. 18) was founded with the goal of supporting data-driven public decisions. Researchers there have organized dozens of public data sets and developed a powerful interface where users can view the data on maps. It includes thousands of indicators that track the use of public funds and their impact. The city of Arlington, Massachusetts, has demystified its city finances through the Visual Budget (p. 5), an open-source software tool that helps citizens understand where their tax dollars are spent. PolicyMap and the Visual Budget have the potential to follow all revenue sources and expenditures for a city and make them transparent to taxpayers. For cities or federal agencies willing to disclose this information, these social enterprises stand ready to track and report on the use, or non-use, of public funds.

Vertical alignment of multiple levels of government toward the goal of municipal fiscal health is not only a domestic remedy. Our

Community leaders in Holyoke, Massachusetts, are collaborating with businesses, nonprofits, and citizens to repurpose the city's canals and hydroelectric infrastructure to power the Massachusetts Green High Performance Computing Center. Credit: Jeffrey Byrnes

interview with Zhi Liu (p. 30) reports on the efforts of the central government of the People's Republic of China to build a stable revenue base under local governments through enactment of a property tax law, an action to help municipal governments survive the shifting sands of land reform.

In our report on the Working Cities Challenge (p. 25), researchers at the Federal Reserve Bank of Boston identify what is possibly the most important capacity needed to promote not only municipal fiscal health, but thriving, sustainable, and resilient places: leadership. Leadership—which might come in the form of visionary public officials, bold civic entrepreneurs, or gritty peripatetic academics—is at the core of other inspiring cases reported in this issue. Leaders in Chattanooga (p. 8) made a big bet on infrastructure—low-cost, ultra-high-speed Internet, provided through a municipal fiber-optic network—to help the city complete its transition from polluted industrial throwback to clean, modern tech hub. And it's working.

The Super Ditch (p. 10) is another example of multiple governments working with private parties to forge creative solutions to joint challenges. The Super Ditch is innovating urban-agricultural water management through new public-private agreements that interrupt the old "buy and dry" strategies practiced by water-starved cities—continuing to meet municipal water demand without despoiling prime farmland.

Before we endure endless partisan bickering about whether national governments should rescue bankrupt cities, perhaps we should find a way to ensure that they don't go bankrupt in the first place, by using the help that we've already promised. Only a sadist or a cynic would intentionally dangle resources out of the reach of needy people or places. If we invest only a fraction of unspent funds to build the right local capacities, communities will be able to solve their own problems. Whether it is a P4, an innovative technology tool, or a new way of working among governments and the private sector, social entrepreneurs are amplifying human ingenuity to help us overcome the biggest challenge we face: finding new ways to work together so that we do not perish alone.