



THE CONNECTICUT POLICY INSTITUTE

A non-partisan, not-for-profit research organization dedicated to developing responsible, research-driven public policy for Connecticut.

Driving Job Growth In Connecticut's Cities



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We are grateful for the input and contributions from a number of economic policy experts, most notably former Under Secretary of the U.S. Treasury David McCormick and CPI Advisory Board member & former CT Attorney General Clarine Nardi Riddle.

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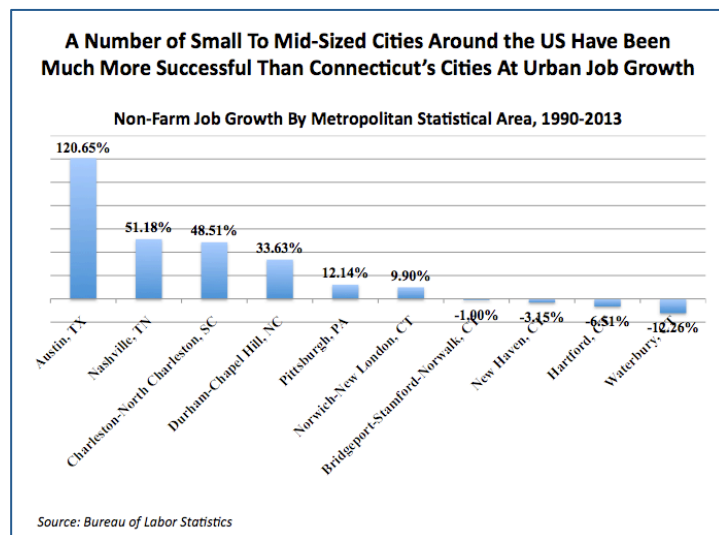
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Introduction

Four of Connecticut's five cities – Bridgeport, Hartford, New Haven, and Waterbury – are among the most disadvantaged areas in the United States. Each has a poverty rate above 20%, a child poverty rate above 35%, and an unemployment rate above 12%. As of November 2013, New Haven, Hartford, and Bridgeport constituted three of the country's six most dangerous cities with population under 200,000, according to FBI data. A walk through the struggling neighborhoods in each of Connecticut's cities reveals housing stocks characterized by vacancies, structural deficiencies, and lagging upkeep. And educational achievement for low-income and minority Connecticut students, who are concentrated in the state's urban areas, lags low-income and minority student achievement in the country as a whole.

Connecticut's cities developed in the 19th and early 20th centuries as manufacturing centers, and their current crises began in the 1970s and 80s with the exodus of manufacturing companies from the northeast United States. This exodus not only reduced the number of manufacturing jobs available; it eroded the tax base that supported urban infrastructure, education, and other government services, while adding to the costs of those services. Employers remaining in cities were faced with higher tax rates and less value from government in return for those taxes – unsurprisingly many left for the suburbs. Meanwhile, falling income levels lead housing stocks to deteriorate and crime rates to rise. Middle-income residents left for the suburbs, further eroding the tax base and generating new social costs. A vicious cycle ensued.

Other cities throughout the United States experienced similar declines in the 1970s and 80s. But several have done a much better job than Connecticut's cities at righting their ship over the last twenty years. For instance, Pittsburgh Pennsylvania was once the poster-child of post-industrial urban decline. But as the chart on the right shows, since 1990 the city has grown more than 125,000 jobs. Other small and mid-sized urban areas, such as Austin, TX, Nashville, TN, and Charleston-North Charleston, SC, have performed even better. Meanwhile, during the same period, Bridgeport, Hartford, New Haven, and Waterbury lost a combined 60,000 jobs.



Other cities throughout the United States experienced similar declines in the 1970s and 80s. But several have done a much better job than Connecticut's cities at righting their ship over the last twenty years. For instance, Pittsburgh Pennsylvania was once the poster-child of post-industrial urban decline. But as the chart on the right shows, since 1990 the city has grown more than 125,000 jobs. Other small and mid-sized urban areas, such as Austin, TX, Nashville, TN, and Charleston-North Charleston, SC, have performed even better. Meanwhile, during the same period, Bridgeport, Hartford, New Haven, and Waterbury lost a combined 60,000 jobs.

The Connecticut Policy Institute's Urban Policy Project involves a series of policy papers outlining recommendations for how Connecticut can improve the direction of its

struggling cities. The project includes government interventions in four areas of urban policy: jobs, education, housing, and crime.

This paper focuses particularly on recommendations to tackle Connecticut's urban employment crisis. Specifically, it articulates six recommendations state government can take to provide employers with the tax, regulatory, workforce, and infrastructure support they need to locate in Connecticut's cities and hire local residents. The recommendations are based on academic research, examples of successful programs elsewhere in the country, and interviews with Connecticut employers and U.S. urban policy experts.¹

Summary of Recommendations

1. **Connecticut should revamp its enterprise zone program**, which has unnecessarily restrictive eligibility requirements and rewards companies for capital expenditures rather than job creation. Any business located in one of Connecticut's seventeen designated urban municipalities should be eligible for urban tax breaks. Tax breaks should be awarded proportionally to the number of previously unemployed urban residents the business employs.
2. Employers we interviewed reported that regulatory approval processes in Connecticut cities regularly take twice as long as equivalent processes in smaller Connecticut towns and seem to hinge on "who you know" rather than the merits of your application. **The state legislature should therefore exempt select urban areas from municipal regulations, replacing them with a standard municipal code enforced by the state.** Businesses could choose between the state's standard municipal code or local regulations and enforcement.
3. Connecticut has a large number of publicly and privately funded workforce training programs. But there is no centralized mechanism for measuring programs' effectiveness, nor is there any system to link employers, training providers, and aspiring employees. **State government should work individually with any employer willing to locate in an urban area to develop a customized and subsidized workforce-training plan that allows them to hire previously unemployed local residents.** Each customized plan would make use, as appropriate, of on-the-job training and the state's existing network of workforce training programs.
4. Employers need to locate near airports to facilitate the flow of people, materials, and products. Bridgeport and New Haven are both located near airports – Sikorsky and Tweed, respectively – but neither airport can sustain meaningful commercial traffic because local regulations have limited runway length. **State government should remove the legal barriers to expanding Tweed and Sikorsky airports.**
5. People spend a lot of time at and around their office, and businesses prefer to locate in cities that are visually appealing and desirable places to spend time. Following the

¹ The majority of our interviewees preferred to speak off-the-record so as to speak with utmost candor.

lead of Pittsburgh, North Charleston, and other struggling cities that have revived their economies, **Connecticut should work with local government, business, and community leaders in each of the state’s urban areas to identify cost-effective improvements to parks, waterfronts, and other public space that makes cities more attractive places to live and work.**

6. In the last twenty years urban job growth across the United States has come disproportionately from small businesses. **Connecticut state government should work with local government, business leaders, and universities to establish a centralized small business incubator for each of Connecticut’s urban areas and each surrounding region.** The incubators should provide a one-stop shop for legal, accounting, marketing, HR, and business strategy support for entrepreneurs and small business owners.

Rationale & Detail of Policy Recommendations

1. Make Urban Tax Breaks Available to More Employers and Award Them Proportionally to the Number of Urban Jobs Created

Since the late 1980s, Connecticut’s state government has attempted to spur urban job growth through “enterprise zones” – designated census tracts within cities where businesses receive abatements on their corporate and property taxes.²

Competitive tax rates must be a crucial ingredient of any plan to draw businesses to Connecticut’s urban areas. Cities with much higher tax rates than neighboring municipalities, such as Bridgeport, Hartford, and New Haven, generally struggle to attract employers.³

But Connecticut’s enterprise zone program, administered by the Department of Economic and Community Development (DECD), suffers from several important shortcomings that have limited its effectiveness.

First, the program has unnecessarily restrictive eligibility requirements. Enterprise zone benefits are limited to a single census tract within each city, with exceptions available only to certain types of companies. And no employer can receive enterprise zone benefits unless it makes costly capital improvements to the land and/or buildings where it locates.⁴ Neither of these restrictions makes any sense. State government should not care where in cities businesses locate, as long as they hire previously unemployed local residents. Plus,

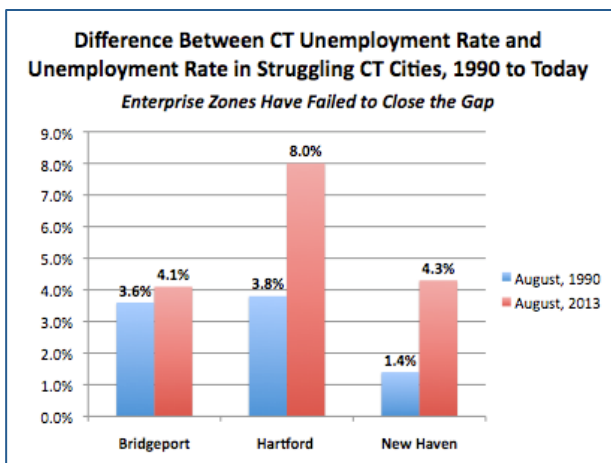
² <http://www.ct.gov/eecd/cwp/view.asp?a=1099&q=249766>.

³ Although major international metropolises like New York City and San Francisco defy this trend, most U.S. cities do not have international business and government clout necessary to attract major businesses despite relatively high tax rates. For more, see Edward Glaeser, *Triumph of the City*, Penguin Books: 2012 (discussing the importance to states of cities of remaining at least competitive regarding tax rates and ease of facilities planning and development).

⁴ <http://www.ct.gov/eecd/cwp/view.asp?a=1097&q=249762>

employers that move to a city and hire local residents help stimulate the local economy regardless of whether they make major capital improvements.

Second, the program involves an unnecessarily cumbersome application process. Employers hoping to receive enterprise zone benefits must submit a preliminary questionnaire, followed by a letter of request, followed by a formal application before even learning about their eligibility.⁵ Many companies – especially small businesses without in-house legal staff – are deterred by this cumbersome process, and instead simply locate in a place where taxes are lower to begin with.



To eliminate these shortcomings, the Connecticut General Assembly should completely redo the enterprise zone program’s current guidelines. Any business located in one of Connecticut’s seventeen designated urban municipalities⁶ should be eligible to receive tax breaks through the enterprise zone program. The amount of tax breaks received should depend not on capital expenditures, but on the number of previously unemployed local residents the company hires – the more

urban residents a company hires, the larger their property and corporate tax abatement should be.

The reconstituted enterprise zone program should also make it much easier for businesses to apply for benefits. Instead of all the hurdles DECD currently puts in place, the reconstituted program should offer a one-step application process with a single application. DECD should provide resources to small and medium-sized businesses to help them complete the application.

Together, these changes would greatly enhance the effectiveness of Connecticut’s enterprise zone program. Benefits would be easier to access for more companies, and the magnitude of tax breaks would be directly related to those tax breaks’ purpose – inducing businesses to hire previously unemployed urban residents.

2. Exempt Select Urban Areas From Municipal Regulations, Replacing Them with a Model Municipal Code Enforced by the State

Most of the employers we interviewed said that obtaining local government approval to do business is much more difficult and costly in Connecticut’s cities than in its suburbs and smaller towns. For instance, employers noted that permitting processes in

⁵ *Id.*

⁶ *See id.* The top of this page has a list of Connecticut municipalities currently eligible for enterprise zones.

Connecticut's cities, where a wide array of bureaus and departments each administer their own ordinances and permits, regularly take twice as long as equivalent processes in smaller Connecticut towns. One New Haven employer told us that the cost, in both time and labor, to complete the six required permit applications needed to build a new facility (Building, Plumbing, HVAC, Electrical, Demolition, and Sign) had deterred his business from expanding within the city.

A few employers also said that they felt the outcomes of urban regulatory approval processes (both initial permitting and ongoing code compliance inspections) are unpredictable and unfair, hinging not on the merits but on 'knowing the right people' to push through approval. Whether or not this perception is accurate, it exists – and that represents a major problem for cities looking to attract employers and provide job opportunities for local residents.

State government should address this problem by exempting select struggling urban areas from municipal regulations. In place of those regulations, the state should develop and apply a standard municipal regulatory code. This could be based on the "model codes" developed by organizations like the International Code Council.⁷

The state's Department of Community and Economic Development (DECD) should enforce this standard code itself – businesses looking to locate in areas where the code applied would apply directly to the state for permitting approval. The state would provide a single application; a guaranteed response time within 75 days; and predictable outcomes, whereby anyone familiar with the substantive law and the details of the application could reasonably predict whether government would grant approval.⁸ The state would also directly manage inspections and reviews for ongoing compliance. Companies would have the choice of whether to be subject to the state's standard municipal code or to local government regulation and enforcement.

Regulatory reform has been a critical part of successful urban jobs programs in other areas of the country. Pittsburgh has eliminated regulatory impediments to redevelopment of old industrial sites, among other reforms.⁹ Devens, Massachusetts attracted dramatic out-of-state investment by committing to a 75-day permitting process. And New York City provides medium and large employers with special assistance in completing demanding regulatory requirements. Connecticut should not let cumbersome and unpredictable municipal regulatory processes interfere with urban job growth.

⁷ See <http://www.iccsafe.org/Pages/default.aspx>. For some example ICC codes, see <http://www.nmhc.org/Content/LandingPage.cfm?NavID=184>.

⁸ For an example of a successful permitting program of this nature, see, "Locating to Devens," *MassDevelopment*, <http://devenscommunity.com/business-industry/locating-devens>, and "Profile and Economic Contributions," http://www.massdevelopment.com/wp-content/uploads/2013/07/devens_commercial_report_062013.pdf

⁹ See ACCD annual reports.

3. Develop Customized Workforce Training Programs for Any Employer Willing To Locate in a Connecticut City

Too many residents of Connecticut's cities lack the education and skills needed to be productive members of the workforce.¹⁰ This is especially problematic because Connecticut's high cost of living requires that businesses pay relatively high wages. As a result, businesses tend to hire only workers who can be especially productive, making short- and long-term investment in high-quality education a critical component of urban revitalization.

The CPI has proposed essential improvements to and investments in Connecticut's pre-K through college public education system in other papers.¹¹

More immediately, state government should address employers' workforce quality concerns through customized and publicly subsidized workforce-training programs available to any employer willing to relocate to a Connecticut city.

Best Practice: Louisiana's LED Fast Start

Louisiana's LED Fast Start program works individually with every company relocating to Louisiana to identify the company's workforce needs and develop and fund a training program that allows unemployed Louisiana residents to fill those jobs.

The program has consistently been ranked as the top government-sponsored workforce-training program in the country. Despite Louisiana's relatively low levels of educational attainment, Louisiana is one of only twelve states in the country with more people employed today than in January 2008.

Connecticut currently has a patchwork of publicly and privately funded workforce training programs administered by a variety of state agencies, local governments, and non-for-profits.¹² A number of these programs have achieved some success,¹³ but there is no centralized mechanism for measuring programs' effectiveness, funding programs based on their effectiveness, or connecting employers to the right workforce training providers for the company's particular needs.

¹⁰ This theme consistently came up in our interviews. For academic work on the importance of workforce education to regional economic growth, see, e.g., Eric Hanushek & Ludger Woessman, "Education and Economic Growth," *Economics and Education* (2010), <http://hanushek.stanford.edu/publications/education-and-economic-growth>.

¹¹ John C. Calhoun & Herbert S. Winokur, *Building Connecticut's Workforce: Integrating Career Education with Employer Needs* (Jan. 10, 2013), http://www.ctpolicyinstitute.org/content/CPI_Career_Education.pdf; Daniella Rohr, *Closing Connecticut's Achievement Gap Through Public School Choice* (Sept. 18, 2013), http://www.ctpolicyinstitute.org/content/CPI_Public_School_Choice_Final.pdf/

¹² See, e.g., http://www.ct.gov/opm/lib/opm/budget/2012_2013_biennial_budget/regulation_and_protection.pdf page 194, <http://www.cga.ct.gov/2009/rpt/2009-R-0084.htm>, http://www.newhavenindependent.org/index.php/archives/entry/jobs_pipeline_op/.

¹³ See, e.g., "Back to Work" Report, *Fairfield County Community Foundation*, <http://www.fccfoundation.org/Library/FCCF%20Documents/Reports%20and%20Publications/FCCF-Back-to-Work-Report-2013.pdf>

Connecticut's state government should remedy this problem by instituting a program modeled on Louisiana's LED Fast Start, which works individually with every participating company in Louisiana to identify the company's workforce needs and develop and fund a training program to train unemployed Louisiana residents for those jobs.¹⁴ A number of business publications, including *The Economist*, have ranked the program as the most effective government-sponsored workforce-training program in the country.¹⁵ Despite its relatively low levels of educational attainment, Louisiana is one of only twelve states in the country with more people employed today than in January 2008.¹⁶

DECD could administer a similar program in Connecticut. For any employer willing to locate in designated urban areas, DECD would work with the employer to develop a customized and fully funded workforce-training plan to allow the employer to hire previously unemployed local residents. The program could involve state-funded on-the-job training and could tap into the state's existing network of workforce training programs.

Developing tailored plans for individual employers' particular needs would make this patchwork of workforce training providers more useful to employers, while also adding an element of accountability over time if certain workforce training programs proved more valuable than others.

4. Expand Either Tweed or Sikorsky Airport

Employers need to locate in places that facilitate the flow of people, materials, and products over long distances. This requires proximity to airports.¹⁷ Building or expanding airports near distressed cities has helped spur economic growth in blighted urban areas across the country.¹⁸

Yet Fairfield and New Haven counties – home to more than 1.8 million residents and three cities with a population larger than 125,000 (New Haven, Bridgeport, and Stamford) – do not contain a single airport that supports meaningful commercial travel. Bridgeport and New Haven are both located near airports – Sikorsky and Tweed, respectively – but Sikorsky has no commercial flights and Tweed has only a few per day to Philadelphia.

¹⁴ http://wwwprd.doa.louisiana.gov/laservices/publicpages/ServiceDetail.cfm?service_id=3467

¹⁵ <http://www.louisianaeconomicdevelopment.com/index.cfm/newsroom/detail/460>

¹⁶ <http://www.insurancejournal.com/news/southcentral/2013/10/18/308687.htm>.

¹⁷ Richard Florida, "Airports and the Wealth of Cities,"

<http://www.theatlanticcities.com/commute/2012/05/airports-and-wealth-cities/855/>

¹⁸ For example, see Richard Green, *Airports and Economic Development*, Real Estate Economics 35(1) (2007), <http://onlinelibrary.wiley.com/doi/10.1111/j.1540-6229.2007.00183.x/abstract> (concluding after careful review that "passenger activity is a powerful predictor of [a city's] growth"); and Jan Brueckner, *Airline Traffic and Urban Economic Development*, Urban Studies 50(13) (2013), <http://usj.sagepub.com/content/40/8/1455.short> (provides "evidence [that] confirms the common view that good airline service is an important factor in urban economic development.").

There is sufficient demand for air travel in Fairfield and New Haven counties to justify expanding at least one of the two airports. Manchester, New Hampshire, for instance, has its own medium-sized commercial airport even though it has fewer residents than

Advantages of Airport Expansion

1. Direct jobs and new tax revenues.
2. Attracts higher-income residents by making it easier to travel to and from urban areas.
3. Improves business climate by facilitating the shipment of goods and transportation of employees.

Bridgeport and New Haven and is located only 50 miles from Boston. And in a recent survey, 45 Greater New Haven Companies reported that they alone had more than 20,000 inbound visitors per year and spent more than \$25M on air travel annually.¹⁹

Rather than lack of demand, the main impediment to expanding Sikorsky and Tweed is legal barriers that make it difficult for the airports to expand.

For instance, Tweed used to support routes to and from Washington, D.C. and Chicago. Airlines cancelled the routes because Tweed's 5,600-foot runway is long enough only for very small commercial planes. This limited the number of passengers airlines could serve on each flight, which reduced per-flight profit margins. If Tweed paved the two 500-foot unpaved safety zones on each end of its runway (expanding the length to 6,600 feet), the airport would become usable for a larger number of planes, eliminating this problem. But municipal regulations, codified in a 2009 deal between the mayors of New Haven and East Haven, precluded expansion.²⁰ A similar agreement in 2012 between the mayors of Stratford and Bridgeport locked in the current length of Sikorsky's runways, which are even smaller than Tweed's (under 5,000 feet).²¹

Legal barriers to airport expansion result from local residents' understandable concerns about the effects of increased air traffic on their quality of life. However, residents' concerns are better addressed through policies that allow the airports to expand (i.e. remove the legal barriers) but mitigate the quality of life impacts on nearby residences. For instance, Heathrow Airport in London funds a variety of "noise mitigation schemes" that help insulate neighboring homes and commercial buildings from airport noise.²²

¹⁹ <http://www.nhregister.com/general-news/20131120/tweed-airport-survey-shows-area-businesses-spend-big-on-air-travel>.

²⁰ Leonard J. Honeyman, "Camp David Moment Paves Way for Tweed Pact," *New Haven Independent* (Mar. 16, 2009), http://www.newhavenindependent.org/index.php/archives/entry/camp_david_moment_paves_way_for_tweed_pact/.

²¹ <http://stratford.patch.com/groups/politics-and-elections/p/agreement-reached-on-sikorsky-memorial-airport>.

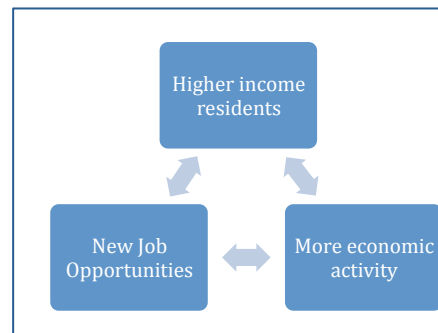
²² "Our Schemes to Help You," Heathrow Airport Corp., <http://www.heathrowairport.com/noise/our-schemes-to-help-you>.

The economic benefits of expanding Connecticut’s airports are too great for the opportunity to go untapped. The state should therefore take the following steps to facilitate expansion:

- Through executive order or any necessary legislation, repeal all legal barriers to runway extension, new terminals, and expanded service at Sikorsky and Tweed.
- Put together a public-private taskforce through the governor’s office to determine what routes airlines would commit to running if either or both airports were expanded and assess what the most cost-effective means of funding any expansion would be.

5. Make Connecticut’s Urban Areas More Livable and Attractive Through Improvements To Parks, Waterfronts, and Other Public Space

People want to work and live in attractive, safe neighborhoods. People also disproportionately spend their incomes where they live and work, generating demand for new products and services and creating new jobs in a virtuous cycle (see diagram). Urban job growth therefore requires making urban areas livable and visually appealing, something several cities have successfully done through improvements to parks, waterfronts, and other public space – a practice sometimes called “built environment planning.”



Pittsburgh, Pennsylvania represents the best example of a city that has integrated built environment planning into a successful urban revitalization effort. Since 1990 Pittsburgh has grown more than 125,000 jobs while Bridgeport, Hartford, New Haven, and Waterbury lost a combined 60,000. Once the poster-child for struggling Rust Belt cities, today its unemployment rate hovers at or below the national average.²³

This revival included a physical makeover of the city. Most notably, Pittsburgh demolished abandoned factories on the city’s riverfront and replaced them with a thirteen-mile continuous loop of riverfront parks containing trails, bike-paths, and frequent festivals and community events.²⁴ This has helped Pittsburgh become a sought-after destination for young, educated people – *The Economist* recently named Pittsburgh the ‘most livable’ city in the U.S.²⁵ – helping it experience an economic revival centered on the healthcare and technology sectors.

²³ “The Revival of Pittsburgh: Lessons for the G20,” *The Economist* (Sept. 9, 2009), <http://www.economist.com/node/14460542>

²⁴ This video provides a before and after of the Pittsburgh riverfront: http://www.riverlifepgh.org/blog/before-and-after_images_of_pittsburghs_riverfronts_video/.

²⁵ “Livability Rankings,” *The Economist Intelligence Unit*, http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=LINKED_Liveability_rankings_Promotional_PDF.pdf&mode=wp&campaignid=Liveability2011.

Improvements to public space were also critical to economic revitalization in North Charleston, SC. In 1996, the North Charleston Naval Base, which employed 40,000 people at its peak, was closed. As part of the city's post-closure "Comprehensive Plan," base property was turned into a public park giving residents access to the nearby Cooper River for the first time. Along with other interventions, this helped spur an economic

Pittsburgh Tech CEO Dave Nelsen Discusses The Importance Of Attractive Public Space To Pittsburgh's Revival During the 1990s:

"One of our biggest advantages is that Pittsburgh is a cool place to live and work. Generation Xers have discovered that Pittsburgh features world-class mountain biking at places like Moraine and Brady's Run State Parks... The hills and mountains also make for great running, hiking, skiing, sledding, and snowtubing."

From the Allegheny Conference on Community Development's 2000 Annual Report

revival whose success has been recognized by the National League of Cities and the Pioneer Institute, among other national policy organizations.²⁶ In 2009 Boeing chose to locate a 787 Dreamliner final assembly plant in North Charleston, and in spite of the naval base closing, the number of jobs in the Charleston-North Charleston metropolitan statistical area has grown by 50% since 1990.

Built environment planning is necessarily a city-by-city project. Effective built environment plans both take advantage of a city's preexisting assets and are developed by a team of public and private sector stakeholders drawn from the local community. Determining which interventions to pursue in each city requires a strategic planning process led by stakeholders from the state and from each city.²⁷

Examples of built environment improvements Connecticut's cities could undertake include:

- **Improving the New Haven Green.** The New Haven Green is a four-square-block park in downtown New Haven that connects Yale University to the city's central commercial area. Government should work with local business and community leaders to determine how the city might make better use of the park to draw employers to downtown New Haven. Currently, the park is particularly underutilized during winter and Yale University and local employers caution students and workers to avoid the park year-round after dark due to security concerns.
- **Bridgeport: Developing the Waterfront.** Bridgeport should follow Pittsburgh and North Charleston's lead and use the city's natural waterfront as a draw for commercial and residential development. The Bridgeport waterfront currently has several unused and underused industrial lots. Rather than keep this land empty in the hope that Bridgeport's port will one day support expanded commercial

²⁶<http://www.nlc.org/Documents/Utility%20Navigation/About%20NLC/Awards/North%20Charleston.pdf>

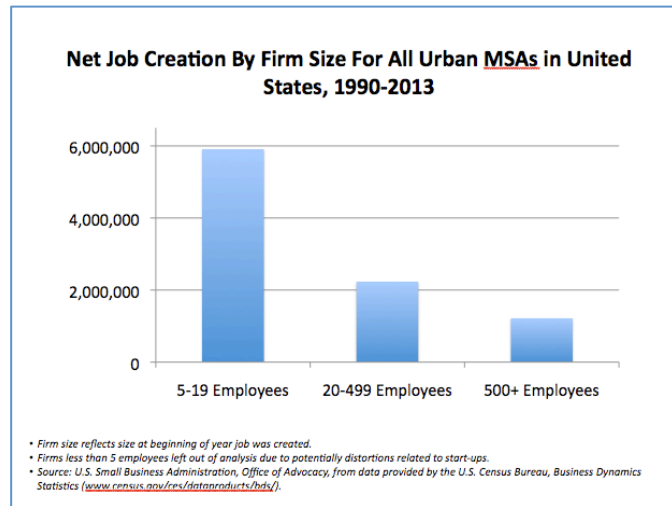
²⁷ See Miller, *Sustainable Waterfront Development*, (discussing the importance of comprehensive, multi-stakeholder planning across three different major built environment plans in the U.S.).

shipping traffic, government should examine ways to replace unused and underused industrial sites with public parks, promenades, and recreational waterfront activities. The city should also open up land to commercial businesses and high-quality residential development.

Hartford already has its own built environment plan, called the “iQuilt Plan,” which focuses on making Bushnell Park more appealing for recreation and on better marketing Hartford’s historical and cultural assets. The plan includes several good, cost-effective interventions, including new way-finding signs and cultural markers and adding new lighting, pathways, and recreational centers (giant chess, ice skating rink, food kiosks, etc.) to Bushnell Park. Certain other proposed interventions do not seem to be worth their cost (e.g., \$30 million – or nearly a third of the total project cost – to create a man-made brook in Bushnell Park with eight new footbridges).²⁸

6. Create Regional Small Business Incubators for Each of Connecticut’s Major Urban Areas

Attracting and supporting small businesses and entrepreneurs is critical to urban job growth. As the chart below shows, small and mid-sized businesses account for the vast majority of urban jobs created in the United States since 1990. As chart on the next page shows, job growth in cities that have outperformed Connecticut cities in the last two decades has been disproportionately from firms with less than 500 employees. And academic research confirms that small businesses growing organically within cities ultimately create more employment growth for those cities than larger businesses relocating.²⁹

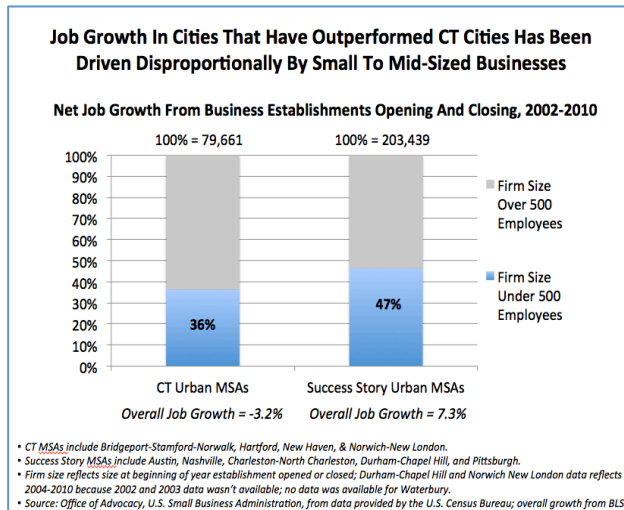


When deciding where to locate, small businesses care mostly about the same things as larger companies (taxes, regulations, workforce quality, infrastructure, etc.). All the recommendations in this paper will help bring small businesses to Connecticut’s cities.

²⁸ For more, see iQuilt’s web page: <http://theiquiltplan.org/> or the official iQuilt plan: <http://theiquiltplan.org/storage/iQ2%20Overview%20Jan.27.pdf>

²⁹ See David Neumark *et al.*, “Do Small Businesses Create More Jobs? New Evidence from the National Establishment Time Series, NBER Working Paper No. 13818 (Feb. 2008), <http://www.nber.org/papers/w13818.pdf>; Kelly Edmiston, “The Role of Small and Large Businesses in Economic Development,” Federal Reserve of Kansas City Economic Review (2007), <http://www.kc.frb.org/publicat/econrev/PDF/2q07edmi.pdf>

But small businesses also have certain unique needs that are not relevant to larger companies. For instance, small businesses generally do not have in-house legal, accounting, or marketing support, all of which are critical to running and expanding a business. Additionally, many small businesses are run by entrepreneurs with good ideas and deep knowledge of a certain technical area, but little experience in actually running a company. This often impedes small business expansion.



Several of the small and mid-sized cities that have experienced the greatest job growth in the last two decades – including Austin, TX, Nashville, TN, Charleston, SC, and Pittsburgh, PA – have addressed this challenge by establishing small business “incubators” or “development centers” that provide entrepreneurs and small business owners with free or discounted business advice and support. For instance, Austin’s “BizAid Business Orientation” offers low-cost seminars to those interested

in learning more about marketing, finance, accounting, human resources, and/or social media. BizAid also provides free networking opportunities, connects entrepreneurs and small business owners to investors, and allows business owners to share ideas and best practices with each other.³⁰

Connecticut already features a number of business incubators and business development networks.³¹ However, our interviews suggest Connecticut’s small business support system lacks several key features that have made small business ecosystems successful in Nashville, Austin, Charleston, and Pittsburgh.

First, small business support resources should be **centralized**. Both Charleston³² and Nashville,³³ for instance, provide small business owners and entrepreneurs with a one-stop shop for the ideas, contacts, events, and services they need to thrive.³⁴ This makes it

³⁰ <http://austintexas.gov/department/thinking-about-business-austin>

³¹ For example, see Connecticut Business Incubator Network, <http://connecticutincubators.org/>; Small Business Incubator at the Connecticut Enterprise Center, <http://products.cerc.com/BRInfo.nsf/all/616D6F3C0F58603D85256A4800733EEF>.

³² <http://www.localsmallbusiness.org/>

³³ <http://nbiconline.com/about/who-we-are/>

³⁴ There is no one “right” way to centralize. In fact, research shows that highly formalized imitations of the “business incubators” like those at Stanford University, which led to the creation of many of today’s most successful tech firms, tend to fail when transferred to other cities. Instead, research shows that substance counts more than form—business incubators/development centers work only to the extent they provide meaningful educational and networking assistance. See, e.g., “The Road to SURFdom,” *The Economist* (Oct. 17, 2012), <http://www.economist.com/blogs/babbage/2012/10/start-up-incubators>; Hanadi Mubarak Al-Mubarak & Michael Busler, “The Incubators’ Economic Indicators: Mixed Approaches,” *Journal of Case Research in Business and Economics*, <http://www.aabri.com/manuscripts/11884.pdf>.

easier for businesses to access key resources and deepens the connections between and across business owners, facilitating innovation and further business development.³⁵

Second, Pittsburgh's experience suggests that small business incubators are most successful when they actively **encourage connection and collaboration across entire regions**. The Allegheny Conference on Community Development (ACCD), for example, played a large role in Pittsburgh's economic revitalization by creating opportunities for networking and shared support among business owners from across Greater Pittsburgh and the state of Pennsylvania.³⁶

Connecticut state government should work with local government, business leaders, and universities to establish a centralized small business incubator for each of Connecticut's urban areas and the surrounding region. The incubators should provide a one-stop shop for legal, accounting, marketing, HR, and business strategy support to entrepreneurs and small business owners. The incubators should offer free seminars and networking events, as well as pro bono and discounted legal, consulting, and accounting services.

Conclusion: A Connecticut Plan for Action

Close study of the most successful urban revitalization programs in recent U.S. history, as well as interviews with Connecticut employers and national and regional experts, provide support for the following steps to drive job growth in Connecticut's struggling cities:

1. Make Enterprise Zone Tax Breaks Available to More Employers and Award Them Proportionally to the Number of Urban Jobs Created

- The State Legislature should change enterprise zone eligibility requirements so that any company located in an urban area is eligible to receive benefits.
- The Department of Community and Economic Development (DECD) should make the enterprise zone program application easier, cheaper, and quicker to complete.
- The State Legislature should index enterprise zone tax breaks to job creation, not capital investments.

2. Exempt Select Urban Areas From Municipal Regulations, Replacing Them With A Model Municipal Code Enforced By The State

- Companies locating in designated distressed urban areas should have the option to be exempt from local government regulation and enforcement, and instead be subject to a standard zoning and permitting code administered and enforced by the state.
- The state should provide a single application; a guaranteed response time within 75 days; and predictable outcomes, whereby anyone familiar with the substantive law and the details of the application could reasonably predict whether government would grant approval.

³⁵ Steven Johnson, *Where Good Ideas Come From* (2011).

³⁶ E.g., 2012 Annual Report, p. 3, Allegheny Conference on Community Development, <http://www.alleghenyconference.org/AnnualReports.php>.

3. Develop Customized Workforce Training Programs for Any Employer Willing To Locate in a Connecticut City

- DECD should work individually with any businesses considering locating in a Connecticut city to identify the business's workforce needs and fund company-specific job training for local residents. The customized programs should make use of on-the-job training and the state's existing workforce training programs.
- The State Legislature should apportion funding for this project as needed.

4. Expand Either Tweed or Sikorsky Airport

- Through executive order or any necessary legislation, repeal all legal barriers to runway extension, new terminals, and expanded service at Sikorsky and Tweed.
- The Governor's Office should appoint a task force to determine what routes airlines would commit to running if either or both airports were expanded and what the most cost-effective means of funding any expansion would be.

5. Make Connecticut's Urban Areas More Livable and Attractive Through Improvements To Parks, Waterfronts, and Other Public Space

- DECD should work with local government, business, and community leaders in each of Connecticut's urban areas to identify cost-effective investments in parks, waterfronts, and other public space that makes cities more visually appealing and attractive places to spend time.

6. Create Regional Small Business Incubators For Each of Connecticut's Major Urban Areas

- Connecticut state government should work with local government, business leaders, and universities to establish a centralized small business incubator for each of Connecticut's urban areas and each surrounding region.
- The incubators should provide a one-stop shop for legal, accounting, marketing, HR, and business strategy support to entrepreneurs and small business owners. The incubators should offer free or subsidized seminars and networking events, as well as pro bono and discounted legal, consulting, and accounting services.