THE BOOM OF THE

BY LAWRENCE M. FISHER

DOUBLE EXPOSURE PHOTOGRAPH OF THE MELBOURNE SKYLINE.
CITIES AROUND THE GLOBE ARE BEING REBORN WITH AN INFUX OF INNOVATIVE TALENT SEEKING EXCITING PLACES TO DWELL.

For decades it seemed as though nearly every story about cities featured the word “decline” and chronicled how the middle and upper classes had fled to the suburbs, chasing the good jobs and pleasant lifestyle to be found there. But in the new millennium, cities began to grow again, and this trend accelerated as the economy recovered from the 2008 crash.

While the most feverish activity may be seen in hot spots like San Francisco and New York, the trend is not limited to the coasts or to the United States. Cities experiencing rebirth and growth include Pittsburgh, Cincinnati and Boston in the U.S.; Manchester and Glasgow in Britain; Barcelona, Hamburg and Amsterdam in Europe; as well as Melbourne, Australia, and Ho Chi Minh City, Vietnam. They all host or are near universities and have benefitted from the innovation and talent these schools foster. They also boast civic leaders and private developers willing to collaborate.

“The key element is the new organization of the city center and the attraction from the point of view of where people want to work, live, and play,” said Anthony LoPinto, global sector leader for Real Estate at Korn Ferry. “Neighborhoods that were once blighted are now experiencing a renaissance. The cities themselves have finally been investing back in the center, and developers are coming in.”
There are two frequent explanations for the new growth of inner cities that are probably wrong, or simply inadequate: Millennials like living in the city so they can ride their bikes to favorite cafes; and "urban renaissance" is really just code for gentrification, that age-old process by which artists and craftspeople discover neglected neighborhoods and fix them up, attracting wealthier residents and inevitably pushing the poor, often minority, inhabitants who called the place home. But why are young people moving to the inner city now?

"As we are more connected to each other electronically, and the geographic community disappears, young people are hungry for physical interaction, which the city gives them," said Alan Ehrenhalt, author of "The Great Inversion and The Future of the American City." "The more you live your life on the telephone, the more you crave real contact. But it's been known back to Aristotle that we are a city-building animal."

The Boom of the Inner City

Millenials enjoy the view of the Monongahela River in Pittsburgh. Right: A mural in the city's business district.
Ehrenhalt pointed out that young people in the 1970s also wanted to live in cities, but there was little opportunity for them to do so. Other than New York or Chicago, "you just couldn't live downtown 30 years ago."

Following the industrial revolution, cities were built in concentric circles, with a central business district; a manufacturing zone just beyond it; working-class residences beyond that; and at the periphery, suburbs for the wealthy and the upper-middle class. As people moved up economically, they moved farther out. While there are still central business districts, few cities have factories anymore. The former manufacturing districts now host artists’ lofts and niche entrepreneurs, many of whom live where they work. New immigrants and the working poor now inhabit the suburbs. The wealthy and upper-middle classes have rediscovered the city.

To the extent that the inversion has replaced blight with tree-lined squares and nice restaurants, all is well and good, except for the displaced poor. But gentrification has gone so far in some cities—San Francisco, New York and London—that even the relatively well-to-do can no longer afford them.

Ehrenhalt calls this “hypergentrification,” and
finds it more problematic than the first phase, which is mostly about reclaiming depressed areas. As the second phase sets in, the restaurants and shops that made the inner city attractive can no longer afford rents, nor can the young inhabitants who made the district lively again. Instead, speculators and absentee owners have moved in. But he sees a bright side for so-called second-tier cities.

“New York and San Francisco have their own problems and they are pretty unaffordable, even for someone with an upper-middle-class income,” Ehrenhalt said. “But you look at Omaha, Cincinnati, Des Moines; those places are having a central city renaissance, and kids are moving there. They’ll never have the problems San Francisco or New York have because there’s a lot of vacant land. It’s a mistake to look at San Francisco or New York and say gentrification is making it impossible to live in the city.”

THE TRIPLE HELIX: GOVERNMENT, BUSINESS AND ACADEMIA

EVERYONE KNOWS THE CRUCIAL ROLE PLAYED BY STANFORD University and the University of California at Berkeley in the formation of Silicon Valley. San Francisco has also benefited from the proximity of these schools, as well as from UC San Francisco, the med school turned biotech and digital-health powerhouse. In a strategy known colloquially as “eds and meds,” other cities with

HAMBURG IS A BOOMTOWN, EMERGING FROM DECADES AS A DECLINING

HAMBURG IS GERMANY’S SECOND-LARGEST CITY.
strong educational and medical institutions are leveraging these talent magnets.

“The poster child is Pittsburgh,” said William Kistler, founder and managing partner of the Urban Innovation Network, a London-based consulting group. “Pittsburgh could have easily turned out like Detroit. It essentially halved its population when steel and coal moved out.” But thanks to former Pittsburgh Mayor Tom Murphy, working with Carnegie Mellon and the University of Pittsburgh, it is now a boomtown, Kistler said. Pittsburgh, with its affordable lifestyle, is competing with Boston and San Francisco for top biotech and tech talent.

Pittsburgh’s renaissance “was all about government and business collaborating with the universities and creating the incubators and accelerators,” Kistler said. He calls it a triple helix: government, academia and business. And Pittsburgh is not alone.

“Cincinnati has done a fabulous job,” said Kistler. “Birmingham, Glasgow: Cities that were post-industrial depressed zones are going through phenomenal transformations. I’d say it’s because of their leadership.”

Kistler noted that Hamburg is a boomtown, emerging from decades as a declining manufacturing city that had been destroyed in the war. Barcelona recently won the EU City of Innovation Award. Thirty years ago, Barcelona was Detroit, with 40 to 50 percent unemployment, he said. Now the Financial Times ranks IESA, Barcelona’s business school, ahead of Harvard.

Amsterdam is Kistler’s current favorite. “If you peel back the tourist thing, Amsterdam is a booming economy,” he said. “It has some of the best high-end medical research in the world, and competes with the Bay Area for talent. It has 2.5 percent unemployment.” Kistler said it behooves cities to build the kind of pedestrian-friendly downtown areas that millennials like. Tree-lined squares, cafes with outdoor seating and bike lanes are not just nice things to have, they’re an investment.

“We’re in a global competition now for talent,” he explained. “You can offer great jobs, but if you can’t match it with a great location and a great lifestyle, you may lose out on attracting the people you need to grow your business.” He noted that this has become a strategic part of corporate strategy, and locating downtown creates investment and development opportunities.
AS HOUSING PRICES SLUMPED IN 2007, RICHARD FLORIDA introduced a bohemian index, which posited that cities with large artistic, bohemian populations would see increased housing values. These communities, he said, earned a “tolerance premium,” in the form of higher wages and incomes. The index was really a catchy proxy for the observation that diversity, even in issues like mental health, promotes innovation, and innovation drives growth.

“What drives innovation is crazy people,” said Florida, a professor at the Rotman School of Management at the University of Toronto. “The places that are tolerant of the strange, places that attract the weird, where the odd, and the ill-fitting feel welcome, are the places that innovate,” he said. “To me this is completely why cities are the center of innovation.”

It’s not surprising that San Francisco and New York top Florida’s list of hot cities or that both produce more than their fair share of innovation. What is surprising is the extent. Florida points to a new study, which looks at the changing geography of innovation across the U.S. over the past four decades. The Bay Area, which includes San Francisco and Silicon Valley, had just four percent of U.S. patents in 1976 but by 2008 accounted for 16 percent, nearly double that of New York, the second-most innovative metropolitan region. Los Angeles is a distant third.

The flow of venture capital, which naturally follows inventions that get patents, is also geographically concentrated. That has only increased with the rise of the cities, and the most recent tech boom is a largely urban phenomenon.

“As San Francisco has grown, the Bay Area has increased its concentration of venture-capital-backed startups from 25 to 40 percent,” of the U.S. total, Florida said. “Silicon Valley hasn’t lost, it’s gained from growth of the city.”

Over the past two to three years only the Bay Area and New York have gained. Los Angeles has had a small uptick, but “This whole idea that innovation is leaking out to other places; I find no evidence of that,” Florida said.

Florida’s 2008 book, “Who’s Your City?” suggested that where you live is possibly the most important life decision, vying with what you do and whom you marry. For many people today, the decision to move to San Francisco or New York is a compelling one. “San Francisco or Lower Manhattan are two of the most expensive places in the U.S and the planet, but the people you want to be around are there,” he stated.

One of the most fascinating observations about cities comes not from an urbanist but from a physicist, Geoffrey West, a fellow and past president of the Santa Fe Institute. “Cities live forever, but all companies die,” said West, noting that Jericho, of biblical fame, is still a living city near the Jordan River in the West Bank. Hiroshima is also a thriving city. Yet very few companies, mostly family-owned, have survived even a century, and
the half-life of a publicly traded U.S. company is just 10 years.

West found that cities obey some remarkable scaling rules. When a city doubles in size, it doesn’t consume twice as much electricity, water or other resources—just 1.85 times as much, a finding that is consistent all over the world. When a city doubles in population, its output actually goes up by 2.15, in good things like patents and restaurants, but also in bad things, like crime and AIDS. These economies of scale help make cities perpetual growth machines.

Like Florida, West sees innovation as the great enabler of growth in cities, and a tolerance for diversity as stimulating innovation. “The reason cities keep growing is the bigger you are, the more you get, on an individual level,” said West. “People see they get higher wages; there’s a greater buzz, more cultural events, job growth.

Of course there’s a catch; in fact, two catches. One is that the cycles of innovation that drive cities’ growth need to come more quickly, and this is stressful. West’s data show that people in New York walk faster than people in Santa Fe, and people in Tokyo walk faster yet.

The other catch is that the continuing influx of what Florida calls “the creative class,” has made cities like New York and San Francisco ever whiter, ever more homogeneous in multiple ways, so that much of their diversity is now diminished.

“As cities become homogeneous they lose that crazy edge,” said Florida. “If a place prices out diversity, it will become less innovative, and the center of innovation will shift. That could happen, but it hasn’t happened yet.”

**Five Hot Cities**

**Melbourne, Australia**

Known as Australia’s “Cultural Capital”

- Pop: 4.5 Million
- Median Age: 36.1 Years
- Home to seven leading universities; ranked fourth-best university city after London, Boston and Tokyo.

**Barcelona, Spain**

One of Europe’s Main Business Centers

- Pop: 1.63 Million
- Median Age: 41.6 Years
- Home to IESA, one of the world’s top-ranked business schools.

**Glasgow, Scotland**

Birthplace of Billy Connolly and Craig Ferguson

- Pop: 600,060
- Median Age: 34.3 Years
- Known for University of Glasgow’s medical research and University of Strathclyde’s tech/engineering excellence.

**Ho Chi Minh City, Vietnam**

A.K.A. Saigon, it is larger than Hanoi

- Pop: 8.2 Million
- Median Age: 28.7 Years
- Quang Trung Software Park, on the outskirts of town, is helping the city become an outsourcing destination.

**Pittsburgh, Pennsylvania**

Steel from its Mills Built the Brooklyn Bridge

- Pop: 305,000
- Median Age: 42.5 Years
- Pittsburgh is home to 68 colleges and universities, including research leaders Carnegie Mellon and Pitt.