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.

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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.
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?
Using Metro Outlook’s economic model, the indicators that measure our progress, and your feedback, we hope to be able to answer some of these questions.

Metro Outlook begins with a vision of the Kansas City area as a great metropolitan region — a world-class city — effectively competing in the global economy by sustaining a rising quality of life attractive to talented people.

Metro Outlook 2.0 uses earlier reports to synthesize a set of regional goals to help reach that vision. These goals are:

1. Economic competitiveness rooted in innovative capacity
   a. Such competitiveness requires regions to specialize in what they do, creating highly developed clusters of activity where competing firms spur each other to higher levels of performance.
   b. University excellence is at the root of most basic innovations. It is also an attraction for young, talented student-entrepreneurs and the seed capital to nourish them.

2. High levels and use of human capacity
   a. This begins with universal quality education that not only leaves no child behind, but also enables all children to reach their full potential.
   b. To ensure children enter school ready to learn and parents are actively involved in their children’s learning will additionally require strong family support systems.
   c. Existing racial disparities mean that a large segment of the population is underutilized. Instead of being uncomfortable with differences, we need to develop a culture that embraces diversity as a source of strength, resilience and innovation.

3. Inherent attractiveness of place and amenities
   a. Virtually all regions have some great suburbs. But great regions also have a vital urban center that gives the area a unique identity and all regional residents something to be proud of.
   b. World-class cultural and recreational opportunities also create a sense of place in a region. While often associated with the urban center, such amenities may also be located in suburban, natural or historic areas.
   c. What’s most important is a region where all parts are healthy. So in addition, the best regions also have thriving first suburbs — the areas with the oldest post-World War II housing — along with vital downtowns and growing new suburbs.

4. Social cohesion
   a. Communities with a high level of trust across geographic and social communities are better able to understand and reconcile differing points of view.
   b. This enables them to reach agreement on actions and policies that serve the common good. In turn, this increases their . . .

5. Strategic decision-making capacity
   a. Making strategic regional decisions also requires effective leadership institutions to develop a policy agenda and garner the support necessary to successfully implement it.
   b. That support is easier to obtain if the region possesses an engaged citizenry able to influence policy. While discussions may lead to compromise, the end result is usually a better and more widely embraced policy. In addition, average citizens may be more willing to accept risk and change than those citizens their leaders most often hear from.

6. Efficiency in the use of resources
   a. In the long run, economic competitiveness must operate within natural limits. Moreover, a healthy natural environment can be a significant attraction to talented people.
   b. In addition, greater efficiency ultimately means lower costs and increased capacity for investing in the future. In particular, strong mobility and accessibility networks can help save time and energy costs and, in addition, increase the sense of place and level of social cohesion.

The Metro Outlook model demonstrates how these goals are interconnected and how improving one should influence others.
The Metro Outlook Model

Why create a model?

“Over time, we can concentrate only on the set of indicators that provides independent information about how the region is doing and whether it is moving in the right direction.”

Having identified goals, it is tempting to proceed directly to defining measures of them and see how we’re doing. However, what we see depends entirely upon what we choose to look at. It is too easy to pick data that fits a predetermined conclusion; as others have often stated, we are what we measure.

The traditional approach to choosing indicators

To avoid cherry-picking information, most indicator projects divide the characteristics of successful regions into categories and assemble a group of subject experts in each category to pick the top five or ten indicators. There are two problems with this approach.

First, each subject expert has an implicit mental model of how things work that drives his or her view of which indicators are most important. Using a consensus-driven approach to indicator selection can result in indicators that tell different stories, and only parts of different stories at that. This makes analyzing the meaning of the indicators difficult.

Second, having different groups of experts separately define sets of indicators treats the different categories of regional progress as independent when they are really all interrelated. Making connections across categories — how influencing an indicator in one area may improve all areas down the line — becomes difficult. Yet, this is the most important thing to learn. Connections across categories are also the source of policy leverage, where a little change makes a big positive and permanent difference. By making linkages more difficult to see, a simple categorical approach to choosing indicators diminishes their value to policy-makers.

The Metro Outlook approach

Metro Outlook has chosen a second way to select indicators, which is to create an explicit model of how regions generate the quality of life necessary to attract, develop and retain talented people — the essential ingredient of an innovative, competitive economy. This makes it possible to describe the linkages between the goals, to define indicators of achieving the goals that work together by design, to identify likely high-leverage interventions and to provide indicators that track their success.

In essence, an explicit model allows Metro Outlook to make predictions — if we change this, that should change. Given the relative inexperience with this kind of model, it is important to understand that in its current state, the predictions Metro Outlook 2.0 makes may be wrong. The explicit nature of the model will help us find these shortcomings sooner rather than later.

Exposing the model behind the indicator choices to public and academic scrutiny encourages the criticism necessary to continuously improve the model. Consequently, over time, the region gets more efficient at making progress because it learns, records and embeds in the model which things actually work.

The more we discover how things are actually connected, the fewer individual indicators we have to actively monitor. Theoretically, the ideal number of indicators is one — change one thing and everything else we are concerned about falls in line like dominos.

Of course, this theoretical limit is unlikely to ever be reached. However, it illustrates the power of understanding linkages. Over time, we can concentrate only on the set of indicators that provide independent information about how the region is doing and whether it is moving in the right direction.

Development of the model

Metro Outlook 2.0 provides an integrated framework for understanding and improving regional economic competitiveness. It does this by providing a high-level model of the interrelationships between the three major systems affecting the performance of metropolitan regions — the social system, the economic system and the natural system.

Modeling regional performance as a “system of systems” demonstrates the complex, organic nature of metropolitan areas and how actions in one system may, over time, have completely unintended consequences in another.

The Metro Outlook model is built from the bottom up. It focuses on how individual decisions, when aggregated, contribute to a region’s attractiveness and ultimately, its economic competitiveness.

We start with the context for individual decisions — the social system (Figure 1).

The basic driver of the Metro Outlook model is simple: individuals and families seek communities that improve their chances for a higher quality of life. From this, all else emerges.

One large component of a community’s quality of life is its institutions. The performance of its schools, its governments, businesses and nonprofits contributes to the perceived value of living in one community versus another. These institutions play a dual role. They not only deliver services to residents, but are also the vehicle by which the community makes decisions on how to improve itself.
Many of the resulting policy and spending decisions are targeted at improving the institutions themselves. These decisions typically direct investments to two areas — people and place. Investment in people (like schools, health care and job support) raises the level of human capital in the community, while investment in place (like roads, sewers, housing and community centers) raises the level of physical capital.

As wealth (i.e., human and physical capital) rises, these policy and investment decisions make the community even more attractive to individuals and families, starting the cycle over again. (Note: like the original Metro Outlook model, this diagram should be seen as a cylinder where the lines on the right edge connect to those on the left.)
Over time, people gain experience working together and, if successful, the level of trust among community members builds. Such trust provides a reservoir of good will known as social capital.

Communities characterized by high levels of social capital are better able to agree on policy and spending decisions, allowing them to act more strategically over time, improving their institutions and their community’s attractiveness still further.

Of course, the resources for the spending decisions need to come from somewhere, and they come from the economic system (Figure 2).

To support themselves and their families, people form or join businesses. Businesses, in turn, organize this infusion of human capital to create wealth by producing goods and services for trade.

Trade increases wealth by enabling specialization: if you do what you do best and I do what I do best, and then we trade, both of us are better off. The resulting trade flows create income for individuals and profits for firms that become the subject of multiple spending decisions.

Income can be either consumed or saved. If consumed, the spending creates demand for additional production. If saved, it can take the form of public savings (taxes) or private savings (individual savings or retained earnings of businesses).

Taxes go to governments which invest in people and place by providing services such as police and fire protection, funding schools, investing in public infrastructure, or funding other institutions such as nonprofits and cultural institutions.

Most retained earnings are reinvested in existing businesses as they purchase the economic capital — equipment, software, facilities — needed to make themselves even more profitable in the future. Some is also used to fund the start-up and capital costs of new businesses.

Individual savings may also be invested in businesses, but most is invested in communities in the form of housing.

Both businesses and individuals use a portion of their savings to make contributions to worthy causes, often through nonprofit institutions and foundations.

The ultimate distribution of income and profits generated in the economic system is largely governed by the incentives and rules created through the policies developed in the social system. (Flows between systems are shown as dotted lines in the image. They are sometimes less easily observed or less often considered than the solid lines within the system.)
The physical capital requirements of businesses are not met by the economic system alone. The raw materials out of which buildings, machinery and roads are made and the land upon which communities and cities are built come from the next addition to our model, the **natural system** (Figure 3).

The raw materials from which buildings, machinery and roads are made and the land upon which communities and cities are built obviously come from the natural system. The energy to convert the raw materials into finished goods and supply the electricity and fuel needs of the economy also derives from the natural system.

The natural system is the grandfather of the social and economic systems and, in fact, contains them. Its vastness means the diagram above is the most simplified of an already highly abstracted model.

The natural system operates autonomously of human involvement — it needs no input from policy and investment decisions to sustain itself. The system is ultimately powered by the energy of the sun, and it has developed extremely efficient ways of utilizing that raw energy and converting it into forms useful for producing and sustaining life, of which we are a part.

While the natural system can operate autonomously of human policy and spending decisions, it is still affected by them. The same investment decisions that make businesses more productive determine the technology used to extract and use natural resources in the production processes. Consequently, they also determine the level of natural resource depletion and emission of waste products. In large enough quantities, depletion and emissions can damage whole ecosystems, threatening their ability to support the current global diversity of life.

Because more productive businesses mean, over time, higher incomes for workers, environmental degradation need not occur only on the production side of the equation. Higher incomes lead to higher levels of consumption, which generates its own waste products that are emitted and must be reabsorbed or stored.

Ultimately, the sustainability of our standard of living depends upon living upon nature’s interest rather than its capital — i.e., consuming no more than can be replaced. As with the distribution of income and profits, how natural costs are distributed depends again on our policy and investment decisions.
As depletion or emission costs to the environment become clear, it is possible for policy decisions to alleviate them. This can be done directly, through explicit policies to conserve, protect and restore natural areas, or indirectly by fully internalizing environmental costs into the prices faced by businesses and consumers as they make their spending decisions.

Taken as a whole (Figure 4), despite the model’s complexity, the story that emerges can be summarized in amazingly simple terms:

Talented people choose attractive communities whose institutions create opportunities to participate in a competitive economy without hurting the natural environment. And, at the center of this system are our policy and spending decisions, because they set the “rules of the game” that govern the performance of our institutions and our economy.

Stated more completely, the story is still easily told: Talented people choose attractive communities — communities with high-performing public, private and nonprofit institutions and where people work well together to get things done. In turn, those institutions create opportunities for people to participate in and create an innovative, entrepreneurial, competitive economy — one that enhances existing areas of specialization for trade and develops new ones.

Such an economy is created by investment in people and place, existing and new businesses, creating increasing levels of wealth in the form of human, social and economic capital. The resulting economic growth, in turn, affects the level of natural capital in the environment, but how it is affected depends on the investments made.

If executed within a policy framework where environmental costs are part of the prices faced by businesses and consumers, the result can be not only a competitive economy, but ecologically sustainable as well. As the natural environment is restored to health, it becomes an asset in making a region attractive to talented people, bringing the process full circle.

The overall message of the Metro Outlook 2.0 model is clear: Talented people are attracted to regions that excel in providing a high quality of life, and that means hitting on all cylinders — great communities, abundant economic opportunities, quality natural areas. In the Kansas City region, one without mountains, oceans or warm winters, our success depends more upon what we do than what we have, what we create more than our natural endowment.

And, when the stakes are high and the actions required are bigger than any individual community can undertake on its own, the region’s biggest challenge is how to act as the one region it really is.

**Relationship to Regional Goals**

A parallel relationship exists between the concepts in the Metro Outlook 2.0 model and those in the six regional goals. This parallel structure is illustrated above.

Indeed, these goals can easily be located within the model, as shown in the yellow boxes in Figure 5.

The model now makes it clear that all goals are connected to each other, so if one improves, all are positively affected.

Moreover, we can also create a logical order in which to place them in relation to each other. This is the first step in identifying places of higher and lower leverage.

<table>
<thead>
<tr>
<th><strong>Regional Goals</strong></th>
<th><strong>Metro Outlook 2.0 Concept</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic competitiveness rooted in innovative capacity</td>
<td>Economic production drawing upon a talented workforce created by high-performing institutions</td>
</tr>
<tr>
<td>High levels and use of human capacity</td>
<td>Investment in people creating high levels of human capital employable by businesses</td>
</tr>
<tr>
<td>Inherent attractiveness of place and amenities</td>
<td>Institutions that invest in place to create communities that attract talented people</td>
</tr>
<tr>
<td>Social cohesion</td>
<td>Social capital</td>
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<tr>
<td>Strategic decision-making capacity</td>
<td>Policy and spending decisions</td>
</tr>
<tr>
<td>Efficient use of resources</td>
<td>Economic production without harming natural assets.</td>
</tr>
</tbody>
</table>
**Putting Regional Goals in Order**

Now we can create a logical order in which to place them in relationship to each other. This is the first step in identifying higher and lower leverage opportunities for change.

The numbers in the diagram below correspond to the following ordering of the goals:

1. Talented people
2. choose inherently attractive communities
3. with the social cohesion
4. to make strategic regional decisions
5. creating high-performing institutions
6. that invest in both people and place,
7. to attract, develop and retain the human capital necessary
8. for area firms to be sufficiently innovative to compete globally
9. while using resources efficiently and sustainably
10. ultimately providing expanding levels of profit and income for further strategic investments that make the region’s people, places, economy and natural areas even stronger.

The careful reader will note that, as we placed the goals inside the model, we added one additional regional goal — high-performing institutions (#5 above). This goal is implicitly defined by the others but was not made explicit until this step made it obvious it had been omitted. This is another advantage of a more scientific approach to choosing indicators of regional progress — we can identify hidden variables and implicit assumptions.

**A Simpler Diagram of Goal Relationships**

These linkages established by putting the regional goals in order are diagrammed more simply in Figure 6 (next page). Using the same numbering scheme, the goals form a systems diagram in the shape of a modified “figure 8.” This diagram can be thought of as the dual of the Metro Outlook 2.0 model, one expressed purely in terms of the region’s goals as opposed to how it operates. In this case, as in many mathematical problems, the dual proves easier to work with.

This diagram is a significant simplification of the Metro Outlook 2.0 model. Not surprisingly, such an abstraction results in some lost connections. For example, institutions (e.g., businesses) invest directly in the economy and don’t just work through investment in human capital.
However, the diagram captures that in today’s innovation-based economy, human capital is a more critical resource than plant and equipment, or perhaps more accurately, that investment in plant and equipment is really a method of increasing human capacity.

Similarly, utilizing natural resources efficiently will positively influence attractiveness of place directly. The diagram emphasizes the larger point — that being efficient frees resources and increases opportunities to make more strategic investments at a later point.

Note that the goals on the top half are more like ultimate outcomes or objectives; those in the middle are the tools needed to achieve them; and those on the bottom are the capacities needed to make effective use of the tools. This means that the highest leverage is found in affecting the bottom circle.

Therefore, our analysis of economic indicators starts with the goals in this bottom loop.

**Summary**

Talented people choose inherently attractive communities with the social cohesion to make strategic regional decisions, creating high-performing institutions that invest in both people and place, to attract, develop and retain the human capital necessary for area firms to be sufficiently innovative to compete globally while using resources efficiently and sustainably.

The driver of the system is where talented people choose to live. This works at a variety of scales.

At the neighborhood level:
- people seek well-maintained housing and streets (attractiveness of place)
- with neighbors sharing similar incomes and family circumstances (social cohesion)
- producing a high level of safety, good schools and strong churches (high-performing institutions)
- that work to improve their capacity (strategic decision-making)
- to reach out to residents and provide them with the services and education they need (human capacity)
- to find good jobs that are a successful part of the global economy (economic competitiveness)
- without hurting the air they breathe and the water they drink (resource use).

At a metropolitan level:
- talented people choose to live in regions with unique, high-quality natural and built features (attractiveness of place)
- that produce a sense of shared identity (social cohesion)
- allowing residents and policy-makers to agree on an agenda and pool resources (strategic decision-making)
- to create world-class schools, cultural opportunities and universities (high-performing institutions)
- that generate innovative students, professors and entrepreneurs who start new high value-added businesses or transfer technology to existing businesses (economic competitiveness)
- that meet new and growing global demands while enhancing ecological sustainability (resource use).

The most successful regions are competitive at both of these scales — the neighborhood or micro scale, and the regional or macro scale.
To better understand how people feel about their quality of life in the Kansas City region, and how those perceptions compared to peer metros, MARC contracted with the ETC Institute to survey more than 1500 residents in the Kansas City, Denver, Minneapolis-St. Paul and St. Louis metropolitan areas.

The results, weighted to get representative samples by race, have a margin of error of 3.4 percent for the Kansas City region, where more than 800 surveys were conducted; and margins of error of about 6 percent for each of the peer metros, where only 200-300 surveys were done.

The survey questions and raw data are available online at www.metrooutlook.org. This section illustrates some of the more important results pulled from the data.

**Question 1: Which five factors are most important to your quality of life?**

The top ten factors for each metro are shown below.

Not surprisingly, there was a lot of commonality between the peer metros on this question. Family and Friends was rated most important by respondents in all four metros. Safety and Security was a greater concern for Kansas Citians than any other metro, ranking second at 41 percent. This is likely a reflection of concern about the region’s higher violent crime rate.

Clean Air and Water ranked fairly high in all metros, but lowest in Kansas City. Only 38 percent of Kansas City residents selected Clean Air and Water as one of the factors most important to their quality of life — at least 10 percent lower than the other metros. Interestingly, both Denver and Minneapolis had fewer average days with unhealthy air than Kansas City from 1995-2005. Only St. Louis had more.

**Question 2: To increase your quality of life, which three factors would you most like to improve?**

The charts on the following page show the top ten responses from each peer metro.

Kansas City area residents most wanted to address Safety and Security — the factor they ranked second-most important to quality of life in Question 1 — while the other metros ranked Clean Air and Water first.

It should be noted that compared to the other metros, Kansas City residents’ selections were more evenly distributed. While Safety and Security ranked number one in Kansas City, it was chosen by only 28 percent. In the other metros, the top-ranked issue was selected by at least 33 percent of respondents.
For example, safety and security was selected more often by St. Louis residents (29 percent) than Kansas City area residents (28 percent) even though that issue was ranked third in St. Louis and first in Kansas City.

**Question 3. So far as you and your family are concerned, how satisfied are you with the following?**

- Your present overall quality of life
- Your present financial condition

The vast majority of respondents in all peer metros were satisfied with their quality of life, selecting either “very” or “somewhat” satisfied.

Minneapolis and St. Louis top the list with nearly 90 percent of residents saying they are satisfied.

As might be expected, the percentage satisfied with their financial condition, while still a majority, is substantially less. The Kansas City area appears to have the lowest rate of satisfaction with regard to personal finances. This may be related to its lagging economic competitiveness.
**Question 4: Overall, would you say these are headed in the right or wrong direction?**

- Your present overall quality of life
- Your present financial condition

Similar to Question 3, respondents were largely positive about the future, with most indicating that both their quality of life and financial condition are heading in the right direction.

**Question 4. Direction your quality of life and financial condition are headed**

<table>
<thead>
<tr>
<th>Percent selecting “right direction”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis/St. Paul</td>
</tr>
<tr>
<td>Denver</td>
</tr>
<tr>
<td>St. Louis</td>
</tr>
<tr>
<td>Kansas City</td>
</tr>
</tbody>
</table>

**Question 5: Using a scale of one to five, where five means “excellent” and one means “poor,” please rate the region with respect to the following:**

- As a place to live
- As a place to raise children
- As a place to work
- As a place to retire

Considering the high satisfaction ratings in Question 4, it comes as no surprise that the majority of respondents say their metro area is a good place to live. Minneapolis-St. Paul was highest in this category, at 81 percent, while St. Louis was lowest at 71.3 percent.

Similarly, the majority said their metro is a good place to raise children, with Minneapolis-St. Paul leading the group at 75.5 percent and St. Louis trailing at 71.3 percent.

There are some significant differences in valuing the metros as good places to work. Minneapolis-St. Paul again ranked highest at 77.3 percent, with St. Louis second at 72.4 percent. Interestingly, St. Louis is the only metro whose respondents think it is a better place to work than to live.

Perhaps reflecting the colder weather climates of the peer metros, the number of those who think their metro is a good place to retire is quite a bit lower. Denver had the highest percent at just under 60 percent.

**Question 5. Rate your region as a place to live, raise children, work and retire**

**Percent selecting “good” or “excellent”**

<table>
<thead>
<tr>
<th>Place to live</th>
<th>Place to raise children</th>
<th>Place to work</th>
<th>Place to retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minneapolis/St. Paul</td>
<td>86.6%</td>
<td>97.4%</td>
<td>89.9%</td>
</tr>
<tr>
<td>Denver</td>
<td>90.0%</td>
<td>97.4%</td>
<td>95.5%</td>
</tr>
<tr>
<td>St. Louis</td>
<td>86.6%</td>
<td>97.4%</td>
<td>85.5%</td>
</tr>
<tr>
<td>Kansas City</td>
<td>86.6%</td>
<td>97.4%</td>
<td>89.9%</td>
</tr>
</tbody>
</table>

**Question 6: Next, we’d like you to think about what makes a great place to live. How would you rate the performance of both your community and the whole metropolitan area in dealing with each of these issues?**

Respondents were asked to rate both their immediate community and their metro as a whole on the following issues:

- Job and income growth
- Life science-based economic development
- Energy efficiency — electricity and gasoline
- Protecting the natural environment
- Public school funding/quality (K-12)
- Cost/quality of early learning programs (pre-K)
- Crime
- Terrorism
- Dealing with natural disasters, like floods, tornadoes, winter storms and wild fires
- Race relations, racial inequality
- Housing affordability
- Choice of housing styles and prices
- Traffic congestion
- Road maintenance
- Traffic safety
- Ability of individuals to influence public decisions
- Health care quality and access
- Downtown redevelopment
- Quality and availability of public transportation — buses or rail
- Poverty
- Availability of housing for low-income residents
- Higher education quality/research capacity
- Sprawl
- Quality of arts and cultural amenities
- Quality of sports facilities
To analyze the results of this data, the percent of respondents selecting “Good” or “Excellent” for each category were added together for the community and for the metro.

<table>
<thead>
<tr>
<th>Category</th>
<th>Community</th>
<th>Metro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job &amp; Income Growth</td>
<td>67.0%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Economic Development</td>
<td>49.9%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>39.7%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

The difference between the “Good plus Excellent” total for the Community and the “Good plus Excellent” total for the Metro was taken to get a “disconnection value” for each category.

The sum of these “disconnection values” equals the metro disconnection index — used to measure the difference in the respondents’ perceptions of their communities and their metros.

A score of “0” would indicate no perceived differences between the two, while a higher number indicates that people feel better about their own communities than they do the region.

Denver’s low score indicates a stronger sense of regional connection than is found in the Kansas City area. Kansas City’s score of 2.2 was the highest of the peer metros, indicating there is a higher level of disconnection between the communities and the metro.

**Question 7: In order to improve the overall quality of life in both your community and the whole metropolitan area, which THREE issues do you think should receive the most attention from local and regional leaders over the next five years?**

There were some significant differences among the metros when asked to identify key issues for community leaders to address in the next five years. (See previous page for list of issues.)

- **Top Issues in Your Community:**
  Kansas City’s concern for crime remains evident, as it was ranked the number one issue for leaders to address. Minneapolis-St. Paul also ranked crime as its top issue. Both St. Louis and Denver had public schools ranked highest, while Minneapolis ranked them second and Kansas City third in priority.

  Housing affordability, traffic congestion and energy efficiency were issues that were in each metro’s top 10.

- **Top Issues in the Metropolitan Area:**
  Crime and public schools are region-wide concerns in metro areas across the nation, and those concerns are certainly reflected in the responses to this question.

  Crime is the biggest metro-wide concern in all peer metros except Denver. Kansas City respondents chose crime as one of the region’s top concerns nearly 50 percent of the time, the highest of all metros. Public schools was second in all except Denver, where they were first. Again, housing affordability, traffic congestion and energy efficiency were issues that were in each metro’s top 10.

  (See charts on next page.)
Question 8: Thinking only about your first priority for the REGION selected in Question 7, how supportive would you be of having local governments in the metro area work together to address it?

Question 9: How willing would you be to have a portion of your local taxes pooled with other communities in the region to address your first regional priority?

Question 10: How willing would you be to raise taxes (such as a 1/2 cent sales tax) to address your first regional priority?

Despite the fact that Kansas City respondents felt the most disconnect between their community and the metro as a whole, they were the most willing to pull together as a region to address key regional issues.

Respondents were asked to identify how willing they would be to:
- work together as a region,
- pool local taxes, and
- raise taxes to address their number one regional priority.

Kansas City showed the most support for all three questions. Denver was a close second for working together and pooling local taxes, but 60.5 percent of Kansas City respondents supported raising taxes to address problems. No other metro was over 50 percent for this question.

Question 11: Overall, would you say the region is headed in the right or wrong direction?

Most respondents were optimistic about the futures of their metro areas. (See Question 11 data)

St. Louis residents had the highest confidence that their region was headed in the right direction, followed by Kansas City, Denver and Minneapolis/St. Paul.
Question 13: Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?

There was a fairly wide disparity in the level of trust respondents had across metros.

Minneapolis-St. Paul was the most trusting, with 64 percent saying that people could be trusted. While less trusting, the majority of Denver and St. Louis respondents said people could be trusted.

Kansas City was the only metro with less than half of the respondents saying people could be trusted (45.8 percent).

Question 14: For each of the following groups, how much of the time do you think you can trust them to do what is right?

For the most part, the trust level people have for certain institutions is consistent among the metros.

The left part of the chart deals with government. Overall, the trust levels are lowest here. For all metros, trust in national government earned the lowest score. There is a higher level of trust for local governments, although the Kansas City region does rank significantly lower on the trust level residents have for the region’s central city. This score is higher in Minneapolis-St. Paul and Denver where, as we have seen, there is a stronger sense of regionalism.

The middle section deals with business and associations. The trust level for all peer metros increases here. The peak trust level for all metros is “my place of worship” followed by “other places of worship.”

The right portion of the chart deals mostly with other social organizations. Scores here are more variable, but still moderate overall. Denver consistently had the lowest scores in these areas.
Question 15: Approximately how many times in the past 12 months have you participated in these activities.

For the most part, the percent of respondents doing selected activities in the past year is consistent across metros.

Kansas City area residents indicated that they were more likely to take a leadership role, volunteer, attend a club meeting, donate blood or work on a community project than residents of peer metros.
Question 16: What do you think is unique or special about the region that makes it a good place to live? List THREE things that you are proud of and would give as reasons for someone to move to the area.

Respondents were asked to list three things that made their region a good place to live. These open-ended responses were then placed into categories.

The natural environment in Denver stands out as the most noted amenity in any of the metros. Minneapolis residents were second in choosing the natural environment, and selected schools and safety more than any other metro. St. Louis residents put their region at the top in culture and recreation and built environment.

Kansas City residents were highest in choosing its people as a reason to move to the area, and also rated economic issues, especially affordability, higher than other metros.
The Metro Outlook Indicators

Note: Where possible, charts and graphs in this section are presented in black and white for ease of printing. In many cases, the color versions that can be viewed online at www.metrooutlook.org may be easier to interpret.

Measuring Progress: About the Indicators

The indicators of metropolitan Kansas City’s progress in achieving its goals compare the region’s performance against two different types of standards. First, they compare the region against a set of peer metropolitan areas drawn from cluster analysis by the Brookings Institution in CEOs for Cities: The Changing Dynamics of Urban America. (See details of Brookings’ cluster analysis in Appendix D of that report. The Kansas City area is in Cluster 11.)

Second, the indicators examine the region against itself either by looking at trends or by using maps of particular characteristics to identify geographic areas of strength and weakness.

Peer metros

The peer metros identified by Brookings are:

- Denver
- Indianapolis
- Minneapolis
- Omaha
- Salt Lake City

Brookings also suggested including Austin as a metro that is in a cluster performing higher than Kansas City’s, and St. Louis as an example of a metro performing in a cluster lower than Kansas City’s.

In addition, depending on data availability or to provide clearer upper and lower bounds to the data, we sometimes also include Dallas as an example of a larger metro with no land constraints and Portland as an example of a metro making a concerted effort to create a more compact urban form.

In Metro Outlook 2.0, we collectively refer to all of the above metropolitan areas as “peers.”

A. Inherent Attractiveness of Place

Because the choice talented people make about where to live is the key factor setting the whole system in motion (see the Model Summary), our indicator analysis begins with the goal of attractiveness of place.

Why do talented people choose to live in one area over another? The element that makes one metropolitan area different from another is its sense of place.

A region’s sense of place derives from its history, the economic and social forces that formed it, and the way it was constructed in response to those pressures.

Every place is unique, but those with a strong sense of place are fun, interesting, and provocative. The very structure of these places — how they are built, what values they embody, how they feel while living, working and playing in them — creates an amenity that all residents share.

An attractive place brings people together from all walks of life, providing a regional identity and encouraging the exchange of ideas. How does our region measure up?

1. Strength of the Center

One important component of a region’s inherent attractiveness is the degree to which it has a successful center that is a source of identity and pride for residents of the entire area.

The percentage of employees who work within a given radius of downtown — in this case, five miles — provides an estimate of the importance of the city center to the rest of the region.

When comparing Kansas City to peer cities with this indicator, keep in mind that Omaha is a much smaller metropolitan area and St. Louis’s downtown is located on the edge of an employment-rich area, rather than in the center of it. Only about 18 percent of our regional employment is within five miles of downtown — an area that includes Crown Center and the County Club Plaza. This indicates that the Kansas City region’s urban center may no longer fulfill the traditional role of economic engine for the entire area.

About 50 percent of the region’s employment is now located more than 10 miles away from Downtown Kansas City, a figure surpassed only by St. Louis.
Growing Neighborhoods
In metropolitan areas with strong centers and thriving first suburbs, the urbanized area continues to grow through reinvestment and redevelopment as well as outward expansion. As a result, the vast majority of people live in growing neighborhoods.

Based on 2000 census data, this has not been the case in Kansas City or St. Louis, where only 50 percent and 40 percent, respectively, of people in the urbanized areas live in neighborhoods that are growing. This indicates urbanized areas that are growing primarily through outward expansion.

The percentages in the chart above were derived using maps like the ones below. There appear to be three types of metropolitan areas:

- Those like Denver, which have urbanized areas so strong that there are few areas of decline and no pattern to it. Austin and Salt Lake City are also examples of this type.
- Those like Minneapolis, which has a redeveloping area around its downtown that is showing population growth, surrounded by older suburbs that are still declining, surrounded in turn by growing areas. This pattern is shared by Omaha and Indianapolis.
- Kansas City and St. Louis are examples of metros where the center is still relatively weak. Census data from 2000 shows no discernable pattern of growth in the center, though there are pockets. And there continue to be large areas of decline surrounding the center. More recent data might indicate a shift in growth patterns particularly in the downtown area where loft development has been vigorous, but that information is not yet available.

2. Home Value
The affordability of housing in the Kansas City region is often cited as one of the key characteristics that make it an attractive place to live. But the concept of “inherent attractiveness of place” has more to do with the quality of living here than the price of a home.

When recent newspaper accounts suggest that it takes housing prices five times higher on the coasts before coastal residents begin to consider moving here, this says something about the relative inherent attractiveness of the Kansas City region.

This is not to say the region’s cost advantages aren’t important — they clearly are, and the benefits of the Kansas City area’s housing affordability are captured in the Metro Outlook’s section on Economic Competitiveness. But here we are talking about housing price as a measure of valuation. Generally, homes with higher prices are more valuable than homes with lower prices. Moreover, home prices include not just the value of the housing itself, but market’s valuation of a community — comparable houses usually cost more in more “desirable” neighborhoods. (see Percent Change in Real Housing Values map, page 40.)
The relative median value of homes in the Kansas City region and its peer metros can be viewed as the national real estate market’s estimate of the relative inherent attractiveness of living in each of these regions. By this measure, Kansas City’s inherent attractiveness lags behind most of its peers.

Land constraints in Denver and Salt Lake City may explain part of this differential. But a significant portion of the difference in valuation is due to relatively higher demand to live in those areas — a demand demonstrated by their faster population growth rates.

Land constraints don’t appear to contribute to Minneapolis-St. Paul’s performance, where urbanized land area grew faster than any other peer (see Efficient Use of Resources). But homes in the Twin Cities are still valued significantly higher than in Kansas City and those values are growing significantly faster.

**National Market Values vs. Self Rating**

While the national housing market may place a relatively low value on living in regions like Kansas City and St. Louis, those that live here rate the quality of their neighborhoods relatively high. Asked about schools, crime, noise and odors, a higher proportion of residents in Kansas City and St. Louis gave their neighborhoods a perfect 10 (on a scale of 1 to 10) than any of their peers.

**3. Mobility**

The relative ease of getting around is another key characteristic that makes metropolitan Kansas City a lower-stress place to live. The combination of heavy investment in freeway capacity and relatively moderate rates of growth means that area commuters typically face few travel delays.

**Time Lost to Traffic**

Over the course of a year, the average commuter in Kansas City lost an average of 17 hours, or four-tenths of a work week, to waiting in traffic in 2004. This was significantly lower — less than half the nearest competitor — than peer metro areas.

**Average Miles of Roadway**

Congestion is low because the region contains more miles of roadway than any of its peers — 5.3 miles of roads per 1,000 people, or 30 percent more than the average of its peers.

Stated differently, if the Kansas City region had built roads at the average rate its peers did on a per capita basis, the region would have 1,800 fewer miles of roadway today.

The nearly perfect inverse relationship between national market valuation and self-rating is, on the surface, puzzling. But it more than likely means that metropolitan areas without strong urban centers tend to focus more on the micro-scale — neighborhood attractiveness and amenities — and that a larger proportion of residents live in developing suburbs.

It could also mean that the self-rating is implicitly based more on residents’ perception of value for the money, which translates into more space per housing unit, than on neighborhood characteristics alone.
Travel Times

This is not to say there is no congestion anywhere in the region. Roadway investment has lagged behind growth on the north and east sides of the metro. In 2000, the distance one could travel in those directions in 20 minutes during rush hour was significantly less than it was in 1993.

Still, the level of transportation investment has generally opened up large amounts of land for development, supporting a low-density lifestyle.

Automobile Dependence

Another aspect of our low-delay, low-density lifestyle is that the Kansas City area is highly auto-dependent. Residents drive about one-third farther every day than residents of other regions do, indicating that the pattern of development is generally not highly walkable or supportive of transit.

Pedestrian and transit travel modes thrive when activities are concentrated. The Kansas City region has been structured to spread people out rather than bring them together. While the former makes it easy to get around, the latter is more important for creating the diversity and exchange of ideas at the heart of innovation.

4. Urban Core and First Suburbs

As a region develops, its new areas tend to attract higher income residents. However, inherently attractive regions also have strong cores and thriving first suburbs.

Median Household Incomes

The relative strength of core and first suburb areas in a metro can be measured by comparing median incomes of their residents to those in the developing suburbs. Although a significant disparity exists, real growth in median incomes in both the region’s core and first suburbs has occurred in recent years.

Compared to its peers, the disparity in incomes between developing suburbs and urban cores is highest in the Kansas City region, and the disparity with respect to first suburbs is second highest.

This disparity not only shows that the region’s core and first suburbs are generally less healthy than in other regions — it may also indicate a negative impact on the fortunes of developing suburbs. Research suggests (Ledebur and Barnes, 1992) that metropolitan areas with less disparity between the core and developing suburbs experience stronger overall employment growth.

Regional Income Disparities

The income disparity between urban core and developing suburbs is apparent when examined at the census tract level. On the following map, tracts with white circles have incomes below the metro median, while those with black circles have income above the median. The bigger the circle, the greater the deviation.
Compared to its peers, incomes in the Kansas City area’s developing suburbs and first suburbs grew at a slower rate than all but two other cities, Indianapolis and St. Louis, while incomes in the urban core grew less than all but St. Louis.

Real median incomes in metropolitan Kansas City’s urban core and first suburbs grew only about 40 percent and 12 percent as fast, respectively, as incomes in our developing suburbs.

While real median incomes in the urban core and first suburbs grew more slowly than in developing suburbs, emphasizing geographic disparities, it is significant that median incomes did grow, especially in the region’s urban core. In decades past, most parts of the core saw a decline in real median incomes. While the picture is still mixed, there are now more ups than downs.

Most of the region’s high income households are concentrated near the edge of its urbanized area, while most of its poorer households are concentrated in the center. While some older suburbs or parts of the city’s core retain significant strength — mostly in northeast Johnson County and in the Country Club/Brookside area of Kansas City, Mo. — many first suburbs are also poorer than average.

Developing suburbs are also hurt by geographic income disparities. In the 1990s, regions with the biggest income disparities between neighborhoods generally saw the lowest real growth in median incomes, even in their developing suburbs. The exception is St. Louis, which had relatively low disparities but still performed poorly on this measure.

Summary and Implications

We’ve measured Inherent Attractiveness of Place in four areas — strength of center, home values, mobility, and strength of the urban core and first suburbs. Each chart or graph was assigned a rating based on how the Kansas City region compared to its peers or, in the case of indicators only available for the Kansas City area, on how favorably they reflected on the region. These ratings are shown in the chart on the following page.
The Kansas City region’s urban center is relatively weak compared to most of its peer metros, and this is reflected in how the region fares in the national housing market.

The region excels at providing attractive neighborhoods relatively free from road congestion. The flip side of low road congestion, however, is reduced vitality in the urban core and first suburbs. This costs everyone, including the developing suburbs, where incomes grew less than in developing suburbs of peers with stronger cores.

Trends may be reversing, however, as income growth in some parts of the older parts of the Kansas City region began to grow during the 1990s.

While talented people value low traffic congestion as much as anyone, they also desire a region that provides an exciting urban environment. The Kansas City region is nearer the beginning of providing such a choice than its more successful peers.
B. Social Cohesion

A socially cohesive region is one where residents are able to form bonds across communities. They see their fortunes as bound up together and are able to work together to solve common problems.

Metropolitan areas where residents share a strong sense of regional identity find it easier to develop social cohesion across social and geographic boundaries.

This gives these areas an advantage when addressing regional issues, because trust often becomes the real agenda.

Without sufficient levels of trust, communities find it difficult to work together, pool resources and act strategically to develop solutions at the scale of the problem.

In the Metro Outlook model, metros that are more socially cohesive find it easier to make strategic decisions that boost institutional capacity so residents are prepared to meet the challenges of a highly competitive global economy.

1. General Connection to Others

Trust and social cohesion entail a sense of connection to others. One measure of this is the degree of charitable giving. Kansas City’s rate of charitable giving, at 3 percent of income on average, is neither best nor worst among its peers. Rather, we are part of an extensive middle group, indicating a relatively average level of social connection.

The Metro Outlook Survey asked residents direct questions about trust, including one that asked whether they thought people could generally be trusted or whether one couldn’t be too careful.

Given a 1990s study that concluded residents of the Kansas City area were the most helpful in the U.S. (as cited in the CitiStates report) and the region’s general reputation for friendliness, it might be expected that metropolitan Kansas City would perform well on this measure. Instead, the proportion of survey respondents who said they trust people was significantly smaller in the Kansas City area than in the peer metros.

These differences between ratings of “my community” and the “metropolitan area” were summed across issue categories to arrive at the disconnection index above. On this measure, residents of Kansas City area communities feel most disassociated from the concerns of the metro as a whole, compared to its peers. Denver residents, on the other hand, perceive significantly smaller differences in the issues faced locally and regionally than any other peer.

2. Connection Across Social Communities/ Social Isolation

The index of dissimilarity measures the proportion of households that would have to move to make each neighborhood have the same racial make-up as the overall metropolitan area. By this measure, in the Kansas City area, nearly 70 percent of households would have to move, making it the 15th most segregated large metro in the nation (those over 1 million population). Compared to its peers, it’s the third most segregated, behind St. Louis and Indianapolis.

In addition, the Metro Outlook Survey asked people to rate both their own community and their metro as a whole on a wide range of issues, including poverty, job growth, housing affordability, crime, schools and the environment.

On most of these issues, the majority of people rated their own community’s performance higher than their metro area. The amount by which the community rating differs from the metro rating is a measure of how much residents perceive that their fortunes and concerns diverge from the rest of their region — with larger differences indicating a higher level of disconnection.
Another measure of segregation is the index of social isolation. This index measures the likelihood that someone of one race or ethnicity will encounter someone from another race or ethnicity living in their neighborhood.

Blacks have a 40 percent chance of encountering white, non-Hispanic neighbors in metropolitan Kansas City, ranking it second lowest among its peers. Hispanics, on the other hand, have a 63 percent chance of encountering white neighbors, which places the Kansas City region in the middle of its peers.

This measure is sensitive to the overall size of the minority group. Where the group is very small, it is nearly impossible for members not to encounter other racial groups. This contributes to the top rankings.; Salt Lake City has an abnormally small share of blacks and St. Louis an unusually small share of Hispanics.

Isolation by Census Block

It is easy to see why the Kansas City region scores high on indices of segregation and isolation when one examines the location of whites and minorities by census block within the metropolitan area. Areas where whites predominate are shown in shades of blue. Areas where non-whites predominate are shown in shades of red. Areas in grey are where there are fewer than 20 people in a block, usually industrial areas and floodplains. Often, such areas completely separate white and non-white communities.

Vestiges of past legally sanctioned discrimination are also apparent, such as the line between black and white communities formed by Troost Avenue in Kansas City, Mo.

Change to the Index of Dissimilarity over Time

While segregation is still prevalent, it is improving. All peer metros experienced a significant decline in the Index of Dissimilarity between 1980 and 2000. However, the Kansas City region’s 8.4 percentage point drop places its performance in the bottom half of its peers.
3. Economic Isolation

Social isolation leads to economic isolation. As a result, minority poverty rates are three to six times higher than white poverty rates in metropolitan Kansas City and its peers.

While our region’s black and Hispanic poverty rates of 22.5 percent and 18 percent respectively are too high compared to whites’ 5.1 percent rate, these rates place the region right in the middle of the peer group.

Concentrated Poverty

Metropolitan Kansas City’s pattern of development seems to concentrate minority poverty more than most of its peers. Two-thirds of the region’s poor African-Americans live in areas of concentrated poverty — census tracts where poverty rates are 20 percent or more. This is the third highest figure among the peer group.

The percentage of Hispanics living in concentrated poverty is substantially lower, at just over 50 percent, but it is still highest among the region’s peers.

While there are more poor whites than poor minorities, poor whites are spread throughout the region, much like the white population in general. This helps poor whites connect to opportunities in the general community and increases the likelihood that poverty is a temporary condition for white families.

On the other hand, most poor blacks live in concentrated poverty, and most concentrated poverty areas are largely African-American.

These areas are often disconnected from the opportunities in the larger community. As a result, social problems such as unwed mothers, drug usage and unemployment are often significantly more entrenched in areas of concentrated poverty.
4. Crime

Of course, the biggest sign of social disconnection is violent crime.

While violent crime has many causes, the strong association of violent crime with concentrated poverty is evident when comparing the two on maps. Unfortunately, only poor minorities live in concentrated poverty, the majority of whom are African-American.

The Kansas City region’s relatively more concentrated poverty is matched by a higher than average violent crime rate in its central cities. While violent crime rates declined slightly between 2000 and 2004, from 17 to 15 per thousand people, this remains the second highest rate among its peers.

Crime data is reported by city rather than by metropolitan area, and not all cities report to the FBI. The central city comparison illustrated above is the most consistent measure across metropolitan areas. It compares only the largest central city in each peer metro. In our case, this is Kansas City, Mo. (Kansas City, Kan., did not report this crime data for several years.)

Because of their high rates of crime, areas of concentrated poverty gain a reputation of being “bad” parts of town that many people avoid. Since these areas are inhabited primarily by poor blacks, this creates a kind of “guilt by association” that hurts the region’s social cohesion.

Keep in mind that central cities differ greatly in their degree of urban vs. suburban development. Kansas City, Mo., has relatively large amounts of suburban land within its boundaries, which might be expected to produce a downward bias in the violent crime rate. This makes its comparatively high crime rate more significant.
Despite the fact that most parts of the region are very safe, the conditions that create an environment conducive to violent crime are either deeper or more widespread here than in the region’s peers.

5. Geographic Isolation

Population Change by Race

Many of those who can afford it leave areas of concentrated poverty, voting with their feet in search of a higher quality of life. In addition, neighborhoods that are close to high poverty areas or that have older housing may also find themselves losing residents, especially whites.

Those who are able to move away from areas of concentrated poverty may experience an increase in social cohesion as they join and are joined by others of similar incomes and race. However, at the macro scale, as people move to newer housing on the outer edges of urbanization there is a loss of connection to the communities in the region’s center.

To a large extent, minorities also change location to increase their potential for a high quality of life. Recent immigrants are typically able to afford only the lowest cost housing, which brings population increases to parts of central cities that have long been in decline.

But as these immigrants find jobs and enter the middle class, they too move outward in search of safer, more stable neighborhoods. Middle-class Hispanics, in particular, have moved into suburban areas throughout the region, though so far in relatively small numbers.

Middle-class African-Americans also move to suburban locations in search of a better life. But, despite some progress integrating into traditionally white areas, their geographic mobility still remains disproportionately concentrated in the areas extending southeast and west from the core of the traditional black community.

In addition, areas where black residents increase significantly see white residents decrease by about the same amount, continuing the historic pattern of racial turnover. This suggests that while the Kansas City region creates social cohesion within its communities, it has significantly more trouble creating it across them.
As those of all race and ethnicities who can afford it move generally outward, the end result is a region largely segregated by income as well as race. With poor areas concentrated in the middle and wealthy areas primarily around the edge, it is even more difficult to establish cohesion across geographic areas, as issues of class join those of race.

Still, economic disparities appear to have lessened in the last decade, as real median incomes in the urban core have increased. (See urban core and first suburbs, page 26.)

6. Economic Connection

Despite the difficulty in forming social bonds across social and geographic communities, the relative freedom of minorities to move in order to better their lives has resulted in some positive outcomes.

Black homeownership rates relative to whites is second highest here among peer metros, though still only two-thirds that of whites. This indicates a higher-than-average level of connection to their community among African-Americans.

In addition, even though the Kansas City region has one of the higher rates of concentrated black poverty, overall median incomes of African-Americans are near average. The median incomes of blacks is 60 percent of that of whites here, midway between Salt Lake City’s high of 70 percent and Minneapolis’ low near 50 percent.

Summary and Implications

We’ve measured Social Cohesion in six areas — general connection to others, connection across communities/social isolation, economic isolation, crime, geographic isolation and economic connection. Each chart or graph on these pages was assigned a rating based on how the Kansas City region compared to its peers or, in the case of indicators only available for the Kansas City area, on how favorably they reflected on the region. The ratings are shown in the chart on the following page.

One of the region’s biggest issues is its relative lack of social cohesion across communities. Many are able to ignore this, because there is actually a high degree of social cohesion within their communities.

In fact, much of the region’s population and household movement to new areas can be described as a search for a community with greater social cohesion. Unfortunately, this tends to result in communities more segregated by income, age and race.

Consequently, the Kansas City area has relatively high rates of poor minorities living in concentrated poverty, the breeding ground for violent crime. People of all races move away from such areas.

The ability to move to a better place has some positive consequences, for while racial segregation remains high in Kansas City relative to its peers, it nonetheless is declining. In addition, blacks have a relatively high homeownership rate
here. But mobility, as the primary way people improve their quality of life, often leaves problems in its wake. The isolation of concentrations of poor minorities in the urban cores of Kansas City, Mo., and Kansas City, Kan., complicates redevelopment efforts and requires the region to spend more on policing than elsewhere.

As people move farther and farther apart, their linkage to a common economy becomes less immediately clear. This makes it more difficult to achieve the region-wide consensus necessary to launch a significant strategic initiative aimed at increasing the region’s economic competitiveness.

Social Cohesion: Average Rating — 1.22
C. Strategic Decision-Making

Capacity

The Kansas City region’s absence of a strong center and its lack of social cohesion handicap its strategic decision-making capacity.

More cohesive areas find it easier to agree upon what is in the common interest, pool resources and make the spending and policy decisions necessary to address long-term issues.

As a result, our region must work harder than other areas to define and implement strategic decisions. Without this kind of effort, key assets fall prey to underinvestment, setting the stage for weaker economic competitiveness in the long-run.

1. Decision-Making Structure

Perhaps no greater obstacle to seeing ourselves as part of one region exists than the one that is invisible to the naked eye — the state line.

While we are not the only multi-state metropolitan area, the Kansas City region is one of the most evenly divided — essentially tied with Washington D.C.

The lack of a dominant side means regional decisions can only occur through consensus. In many cases, this is a good thing, because decisions reached by consensus tend to be well-researched and well-supported. However, building consensus takes time, meaning that necessary decisions, especially when difficult or controversial, take longer here. This puts the region’s competitiveness at risk.

2. Capacity to Solve Regional Problems

For metropolitan areas to address their most significant issues, residents must come together around a common agenda. After asking respondents to rate both their community and their metro on a wide variety of issues (Survey Question 6), we asked them to identify the top three issues they would like local leaders to address in their metropolitan area over the next five years.

The issue most chosen by residents of the Kansas City area was crime — selected by 47 as one of the top three metro issues. This is followed by public schools and job growth, respectively. Public schools, the number two choice, was selected only about half as often as crime, however. This shows us that beyond concerns about crime, there is little broad agreement on a regional policy agenda.

While crime is also the top issue in Minneapolis and St. Louis, there is substantially higher agreement among residents on the need to address public schools and other issues than in Kansas City. In Denver, in fact, public schools rates higher than crime,
paving the way for progress on an issue that may have greater impact on economic competitiveness.

Kansas City respondents said they would supported raising taxes to address their number one priority. No more than 50 percent of residents in the other peer metros indicated they would support raising taxes.

While what people say in a survey and how they actually vote are not always the same, the relative magnitude suggests significantly greater willingness to support regional cooperation here than in the other areas.

Increasingly, an engaged citizenry is seen as an essential asset to overcome institutional inertia and make progressive, strategic regional decisions. To measure levels of civic engagement, the Metro Outlook Survey asked questions derived from the social capital work of Robert Putnam, author of Bowling Alone and co-author (with Lewis Feldstein) of Better Together. The level of social capital in a region helps determine how well we work together to solve common problems, and one measure of it is how connected we are to our communities.

Kansas City area residents are at least as engaged and connected to their communities as those in other peer metros. The relatively small differences between the metros may indicate the level of engagement is related to values that are shared across the nation’s heartland.

### 3. Local Government Finance

Political fragmentation causes competition for tax base. Even though retail trade does little to enhance overall metropolitan competitiveness, retail sales tax is one of the components of tax base over which local governments can exert some control. Has this led to too much retail space in our region?

To determine whether there is an excess supply of retail space, we measure retail space constructed versus the number of new retail jobs created. The national average square feet per employee for retail is about 900. Space being constructed at rates much larger than this indicates overbuilding.

The rate of retail construction in metropolitan Kansas City is the highest among its peers — 2,200 square feet per new retail employee. This rate is 50 percent higher than Omaha, the most politically fragmented metro, and twice as large as the peer average. If the Kansas City area had built retail space at the
average of its peers, it would have saved over $1 billion in construction expenditures between 1995 and 2005. This figure does not include the cost of any associated infrastructure improvements.

**Sales Tax Dependency**

In addition to the competition induced by our near-even division by the state line and our political fragmentation, the region’s over-construction of retail space is partially due to the sales tax dependency of local governments — third highest among our peers.

Sales tax dependency cannot be the full reason, however, because St. Louis and Denver are more sales tax dependent, and just as fragmented, yet they have half the rate of retail construction per new employee.

This suggests that some as yet unmeasured policy variable is having an effect, perhaps differences in the way economic development incentives are used in each metropolitan area. This is the subject of future research.

**Cost of Government**

The competition for tax base is fierce, in part because local governments try to keep tax rates low. Indeed, on a per capita basis, local government in the Kansas City area is relatively inexpensive, costing approximately $2,000 per person in 2002 — second lowest among its peers.

When all else is equal, a low cost of government positively affects an area’s appeal, helping to attract and retain residents and businesses. However, everything is not equal.

Whether public expenditures positively or negatively affect an area’s attractiveness depends on how the funds are spent. In fact, the cost of local government is actually inversely correlated with the data on percent of urban population living in growing neighborhoods — people are moving to places where the local public sector is relatively big rather than small on a per capita basis.

In part, this is because people follow a high quality of life, one component of which is the kind and quality of government services. Therefore, it may be more important to keep government service levels high than taxes low.

If so, then such a strategy would also reduce growth pressures in undeveloped areas, allowing local governments to more efficiently maintain those high levels of service in the long run.

**4. Redevelopment and Reinvestment**

In 1970, Denver, Minneapolis and Kansas City metropolitan areas had similar growth patterns in their urban areas — declining centers and growing edges.

During the 1970s, Minneapolis, working through the state, passed tax-base sharing and implemented a form of metropolitan government. As a result, the area around their downtown began to grow again in the 1980s and revitalization continued to spread outward in the 1990s.

Denver’s proportion of population in growing areas actually declined during the 1980s as the metro experienced hard times after the energy bubble burst in the early part of the decade. But the 1990s saw an emphasis on Downtown revitalization and new urbanist development. This allowed Denver to accommodate a significant portion of its growth in existing areas, largely reversing trends there.

Meanwhile, the Kansas City area continues to put most of its energy in new development rather than redevelopment, partially explaining its overbuilding of retail space. As a result of its development priorities, the region largely exhibits the...
same kind of population growth pattern it did in the 1970s. Pockets of growth are returning to the center — for example, Quality Hill, Beacon Hill, River Market and the Crossroads. But most of the population growth in the urban area has been due not to redevelopment as much as to providing a home to recent immigrants in search of affordable housing.

Some evidence points to a reversal of prior trends of disinvestment in older parts of the region. Recently, an increased focus on downtown by decision-makers has resulted in the Sasaki Plan, creation of a Downtown Community Improvement District, loft and condo conversions, the Kansas City Public Library renovation and the Sprint Arena and H&R Block Headquarters in the new Kansas City Live District.
As a result, nearly $4.5 billion in construction has either been completed or is under way in the greater downtown area since 2000. Similar bursts of investment have occurred in the past — Crown Center, Bartle Hall and Kemper Arena in the 1970s; the Vista Hotel (now Marriott), Quality Hill and the office building boom (a 50 percent increase in downtown office space) during the 1980s. The biggest question is whether this boom, unlike prior ones, can be sustained.

Some of the reinvestment has been more organic. For example, the arts district in the Crossroads area grew under the radar for years. Its highly successful First Friday events created visibility and development momentum that appears to be self-sustaining.

In addition, during the 1990s the value of housing rose fastest in many urban core and first suburb areas, rather than in the developing suburbs as in decades past. This is the result of many things — new wealth as the stock market boomed, a change in tax laws that no longer penalized buying a smaller house and renovating it, and an aging population no longer in need of big houses and yards.

5. Education

In an innovation-based economy, the most important investment is education. Quality primary and secondary education enables children to apply and combine existing knowledge in new ways to solve real world problems. It also prepares them to succeed in the post-secondary work needed to secure a decent pay and career.

Compared to its peers, the Kansas City area is investing more than average. In fact, the region’s public school districts rank second in adjusted instructional expenditures per student (adjusted for the higher costs associated with educating disadvantaged children).

For the chart above, each metro’s data was calculated as the average of its individual public school districts. According to S&P, economically disadvantaged students cost 1.35 times as much to educate, on average, as the non-disadvantaged student. Special education students cost 2.1 times as much, and English language learners cost 1.2 times as much. These figures are multiplied times each district’s student distribution to produce a “need-adjusted enrollment” figure by district.

This provides a fairer estimate of the resource demands placed on the district — the kind of students in addition to the number of students. The figures in the chart are calculated as the weighted average over all school districts in a metropolitan area of total instructional expenditures, with need-adjusted enrollment providing the weights.

Higher Education

In addition to primary and secondary education, high-quality higher education has become increasingly important to economic competitiveness. Good colleges and universities produce the creative problem solvers needed by any business, as well as the specialized expertise to succeed in a technological global economy.

Moreover, highly motivated and energetic students working with top-notch professors on cutting-edge research create a climate of entrepreneurship very attractive to venture capital.

Those regions that sow the largest numbers of such entrepreneurs are most likely to reap at least a few highly successful innovative businesses. The size of the effort matters and it is useful to look at the level of higher educational spending as well as the per capita amounts.
In the Greater Kansas City region (and here we are using the term “Greater” to mean a region extending from Manhattan, Kan., to Columbia, Mo.) education is largely a function of the states.

Examining total state appropriations for higher education finds Kansas and Missouri in the middle of the pack of states to which the region’s peer metros belong, about one-third lower than Indiana and Minnesota but about one-third higher than Nebraska, Utah and Colorado. However, Kansas and Missouri spend less than one-fifth what Texas does. To a certain extent this is to be expected, as Texas is much larger than either Missouri or Kansas. But the difference in size does not explain the whole story.

Examining spending on higher education by state on a per capita basis reveals that Kansas is among the leaders (ranked second from the top) while Missouri lags behind. Not only is Missouri ranked second from the bottom among its peers, its per capita funding of colleges and universities is one-half that of Kansas.

The Kansas City region is working hard to change its innovative capacity. Particularly noteworthy are the multi-billion dollar endowment of the Stowers Institute to conduct leading-edge medical research; the increased level of funding for life science by the state of Kansas; and the efforts to institutionalize a higher level of life science research through the Kansas City Area Life Science Institute.

KCALSI stakeholders have, as a group, increased their level of outside funding over the last six years nearly three times, totaling $285 million in 2005.

*Stakeholders represented in this graph include Children’s Mercy Hospital, Kansas City University of Medicine and BioSciences, Midwest Research Institute, Saint Luke’s Hospital of Kansas City, the Stowers Institute for Medical Research, the University of Kansas, KU Medical Center, and the University of Missouri-Kansas City. Kansas State University and the University of Missouri-Columbia were recently added as stakeholders. If included, the 2005 figure would increase to $533 million.

**Summary and Implications**

We’ve measured Strategic Decision-Making Capacity in five areas — decision-making structure, capacity to solve regional problems, local government finance, redevelopment and reinvestment, and education. Each chart or graph on these pages was assigned a rating based on how the Kansas City region compared to its peers or, in the case of indicators only available for the Kansas City area, on how favorably they reflected on the region. The ratings are shown in the chart on the next page.

The Kansas City area’s degree of political fragmentation complicates making strategic decisions because it makes it difficult to see the region as it really is — a single, integrated economic region.

This is intensified by the way local governments must finance services by growing the tax base, which often means competition over retail trade. As a result, the region built much more retail space than it truly needs over the last decade, ultimately hurting the performance of all centers.

The competition over tax base is an attempt to keep the cost of local government small. Yet, the most successful peer cities have larger local government sectors on a per capita basis.

The region can be justifiably proud of its new downtown investment and the beginnings of a broader revitalization as exemplified by the Crossroads district. But its performance...
still lags that of its most successful peer metros, whose efforts began significantly earlier. The region also apparently invests more in K-12 education than most of its peers. But its funding for higher education is generally much below the leaders, especially in Missouri. The region’s life science initiative is making progress in attracting new research dollars.

Despite its fragmentation, the region has been able to push some initiatives forward that increase innovative capacity and the ability to attract talented people, as demonstrated by its downtown and life science advancement. So far, however, progress is only in the beginning stages. To sustain progress will likely require an even greater capacity to pool resources and agree on a common agenda.
D. Institutional Performance

A region’s institutions are assets it chooses to build as opposed to those it is endowed with.

Most institutions, including schools, businesses, governments, universities, cultural organizations and foundations, play a dual role in the community. They not only provide products and services, they set goals, influence policy and implement standards. As a result, they are both responsible for and a product of a region’s level of strategic decision-making.

When its institutions function well, a region’s people and communities are healthy and productive, making high-functioning institutions magnets for talent. When institutions function poorly, however, regions soon find they can’t compete even if they have low costs.

1. Local Government

One measure of local government performance is efficiency.

![Bar chart showing Roadway Expenditures Per Capita, 2002](source: Kansas City Star, "Our tax dollars at work: Who’s doing the best job?" June 6, 2006)

Despite the fact that the Kansas City region contains more centerline miles of roadway per capita than any of its peers, its per capita local government spending on road construction and maintenance is in the middle of its peer group. This suggests the region is relatively efficient at maintaining its roadways.

![Bar chart showing Roadway Expenditures Per Centerline Mile, 2002](source: Census of Governments, 2002, and Texas Transportation Institute)

Indeed, at less than $40,000 per centerline mile, metropolitan Kansas City’s expenditures are near the bottom of its peers.

A recent series in The Kansas City Star examining local government efficiency compared inputs, (in terms of the level of staff and expenditures), with outputs (such as miles of streets treated or resurfaced). The scores for each city were expressed as a ratio to the most efficient, so that a higher ratio means a less efficient city and the most efficient receives a score of 1.0.

Shawnee, Prairie Village, Kansas City, Mo., Lee’s Summit and Leavenworth all tied for most efficient. The performances of the Unified Government, Raytown, Lenexa and Liberty were virtually indistinguishable from the leaders.

![Bar chart showing Quality of Roadways By Metro, 2003 Percent of Roads Rated in “Poor” Condition](source: Rough Ride Ahead: Metro Areas with the Roughest Rides and Strategies to Make Our Roads Smoother, May 2005)

Efficiency is only one-half of the equation, however. The other half is quality. The physical condition of roads in the Kansas City area appears to be significantly worse than most of its peers, according to a recent study by TRIP, a national transportation research group. They estimate that 71 percent of the region’s roads were in poor condition in 2003. (This report was not received without some controversy over its accuracy.)
While the level of disrepair may be in dispute, the ranking and relative disparity in roadway quality is confirmed by data from the Federal Highway Administration as reported by the states. Kansas and Missouri have double the percentage of roads in poor condition compared to the states containing the Kansas City region’s peers.

There is evidence that people care more about quality than efficiency. Even though Kansas City, Mo., and Lee’s Summit are tops in road maintenance efficiency, they are at the bottom in terms of citizen satisfaction with the roadways themselves. Conversely, while Overland Park and Olathe perform near the bottom on efficiency, they are near the top in terms of citizen satisfaction.

Interestingly, there is a stronger correlation between perceived value of city taxes and the level of satisfaction than there is with efficiency.

Law Enforcement

Given the importance of personal safety, efficiency concerns often take a back seat when it comes to police. In this case, the Kansas City region appears to be a big spender. At $200 per person, the region’s local governments are ranked second among metro peers in spending, on a per capita basis. Only Denver spends more, perhaps due to its more tourism-based economy.

When evaluated on a per-violent-crime basis, however, it is apparent the Kansas City region is spending significantly less than most of its peers. While there is a striking correlation between greater spending per violent crime and less crime, it is easy to confuse cause and effect here. It is not that greater spending necessarily leads to less crime. Rather, regions where minority poverty is less concentrated generally have less violent crime, so that average-sized budgets on a per capita basis look like large expenditures on a per violent crime basis.

In the Kansas City area, despite relatively high budgets, the racial pattern of poverty overwhelms the available resources, producing a relatively high violent crime rate despite best efforts. Those efforts are sufficient to reduce the violent crime rate below that of St. Louis, but not enough to catch up to its more equitable peers.
2. Public Schools

School districts in Minneapolis significantly outperform those in the rest of metropolitan Kansas City’s peer group, with 42.5 percent of students testing proficient as measured by averaging reading and math proficiency levels. This is 6.5 percentage points higher than Denver, its nearest rival, though all of the remaining peers perform at approximately the same level, including Kansas City.

Still, with less than half of all students proficient in reading and math in any of the peer metros, it is hard to suggest any of them are doing an adequate job preparing their children to effectively participate in an economy where labor can be supplied from anywhere in the world.

Minneapolis’s superior performance relative to the rest of the peer group is not so surprising, given that Minneapolis also spends over $500 more on instruction per student than its nearest competitor, once expenditures have been adjusted for the level student need.

What is perhaps surprising, given problems in both states with school funding, is that the nearest competitor is Kansas City. However, it appears the level of need is a greater factor in determining performance than spending, at least with respect to reading scores.

There is a high degree of inverse correlation between the percentage of economically disadvantaged students and the percentage proficient in reading, with Minneapolis having the lowest percentage of disadvantaged students. Given this correlation, Kansas City might have been expected to perform slightly better, as it has a lower percentage of disadvantaged students than Salt Lake or Omaha but its reading scores were slightly worse.

More remarkable is that Salt Lake City’s spending is significantly lower than any of the peer cities, but its percent proficient in reading is tied for third.

How school districts are structured to educate economically disadvantaged students has at least something to do with these results.

Salt Lake City has the highest percentage of students in non-poor districts (less than 40 percent poor). Minneapolis is ranked second. Somewhat surprisingly, the Kansas City area is ranked third. But Kansas City also has the highest proportion of students in poor school districts (greater than 60 percent poor).

And, while Minneapolis, Denver and Salt Lake have no students in very poor school districts (greater than 70 percent poor), Kansas City still has 7 percent, a figure exceeded only in St. Louis and Indianapolis.

Meanwhile, Austin, which has the highest proportion of economically disadvantaged students overall by far (42 percent, as shown in the prior graph, a full 12 percentage points higher than Kansas City’s), educates 91 percent of its poor students in districts that are less than 60 percent poor, compared to 74 percent in Kansas City. Perhaps as a result, the proportion of its students achieving proficiency in reading (30 percent) is nearly that of Kansas City’s (33 percent).

One clear result is that metropolitan Kansas City’s disparity in student performance between non-disadvantaged and disadvantaged districts is the worst among its peers. (Non-disadvantaged districts are defined here as districts where less than 40 percent of the students are economically disadvantaged.) Parity in district performance is best achieved in Austin.
Not surprisingly, those metropolitan areas with the greatest disparity in test scores between disadvantaged and non-disadvantaged districts also have the greatest disparity between the percentage of blacks living in concentrated poverty and the percentage of whites, while those with the least disparity in test scores had the least disparity between blacks and whites living in concentrated poverty.

The general correlation with income becomes readily apparent when examining the percent proficient in reading by district within the Kansas City metropolitan area. This makes it more difficult to measure the influence of schools relative to what is occurring in children’s homes and communities.

In the map to the right, percent proficient by district was calculated as deviations from the state average on each side of the region. However, the state tests are normed differently, with 80 percent of students (approximately) testing as proficient in Kansas while only about 40 percent of students in Missouri test as proficient. This is true despite the fact that the NAEP results for both states are quite similar. Because a norm of 80 percent proficient means districts are limited into how much they can exceed the state average (20 point deviation maximum), the deviations were themselves normalized by MARC so that the best and worst school districts on each side were treated equally.

The NAEP is the only standardized test of grade school, middle school and high school students conducted nationally. Unfortunately, the data is only reported by state.

For the charts above, the average amount each metro deviated from its corresponding state average was estimated as follows: Summary data on percent proficient, enrollment, and disadvantaged students was downloaded, by school district for each county in each peer metro, from Placematters.com, which collects data under the No Child Left Behind act. Data used is the latest available, which varies between 2004 and 2005.

From this data, a weighted average of percent proficient was calculated across school districts to estimate the average percent proficient in each state component of each metro. The state’s average percent proficient was subtracted from this to create the state component’s deviation from the state mean. This was then added to that state’s NAEP measurement of percent proficient. Finally, the adjusted NAEP scores for each state component in a metro were averaged together using total enrollment as weights to produce the overall metropolitan estimate of percent proficient consistent with the NAEP.

It should be noted that, in general, this adjustment was small and the differences in scores across metros greatly paralleled the differences across states.
3. Higher Education

In part due to low levels of state funding, the universities in the greater Kansas City region (stretching from Manhattan, Kan., to Columbia, Mo.) spend less on research than most of the universities within a similar radius of peer metropolitan areas, generating a relatively low level of research capacity.

Only the universities in and around Salt Lake City and Omaha spend less. St. Louis is second-highest on this measure (University of Missouri-Columbia is counted as part of Greater St. Louis as well as Greater Kansas City) due to the presence of Washington University.

Relatively low research expenditures also limit the ability of greater Kansas City region’s universities to generate patents. With about 500 patents over 34 years, the region ranks third lowest, and significantly behind the leaders. Its rate is one-quarter that of Austin and one-half that of Minneapolis. St. Louis is ranked third, again reflecting the influence of Washington University.

Summary and Implications

We’ve measured Institutional Performance in three areas — local government, public schools and higher education. Each chart or graph on these pages was assigned a rating based on how the Kansas City region compared to its peers or, in the case of indicators only available for the Kansas City area, on how favorably they reflected on the region. The ratings are shown in the chart on the next page.

The Kansas City region’s social and physical development patterns mean it spends a considerable amount on roads and policing. Local governments in the Kansas City area are generally efficient when it comes to repairing roads, but road quality appears to be suffering — and it is apparent that residents care more about quality than efficiency. Meanwhile, local governments in the area generally spend more on police than other areas to deal with the spillover effects from a high central-city violent crime rate.

The region’s public schools appear to perform about average compared to those in peer metropolitan areas. But the disparity between the performance of students in poor districts versus those that are not in poor districts is largest here, so that some children are indeed being left behind. Meanwhile, area universities rank near the bottom in innovation capacity and innovations produced.

In general, local governments in the Kansas City region appear not to be keeping up with the demands placed on them as, on average, they are underspending on roads and, despite higher than average public safety budgets, they are unable to bring violent crime rates down to match the region’s best performing peers. As a result, there is little excess capacity to invest in new initiatives to increase economic competitiveness.

While the percentage of students in area’s public schools that are proficient in reading and math is about average compared to those in peer metros, this is likely not sufficient for students
to be truly prepared for a competitive global economy when “average” means two-thirds of students are not proficient. Moreover, poor districts are doing comparatively worse here, which means whole segments of the population will not have the skills to achieve even average success in the future.

Area universities are underperforming their peers in research and patents, which reduces the pipeline of potential future innovations that can launch new businesses or improve existing ones in the region. Without improvement in this area, the region’s economic performance can be expected to suffer.
E. Human Capacity

The ultimate goal of all of the topics discussed so far — creating attractive places and high levels of social cohesion that lead to strategic decision making which produces world class institutions — is to build the region’s capacity to develop, attract and retain talented people.

It is equally important for a region to make the maximum use of its available talent. Regions that both attract and fully employ creative and innovative people are more likely to develop the innovations that keep their businesses one step ahead of the global competition.

1. Child Welfare

We often hear that we can tell how well a community is doing by how successful its children are. The Report Card on the Status of Greater Kansas City’s Children and Youth shows child welfare down slightly since 2000, from a B to a B- in 2005.

Only three components show strong trends over this period of time:

- The grade for safety and security declined from a B to a C-.
- Education declined from an A- to a B.
- Early education (child care) improved from a C+ at its low to a B+.

2. Health

Obesity is a risk factor for many chronic diseases, including diabetes, heart disease and stroke. The Behavioral Risk Factor Surveillance System surveys individuals across the country, asking them to report their height and weight, from which Body Mass Index (BMI) can be calculated.

Based on these calculations, about 23 percent of the region’s adults are obese, placing it in the heavier half of the peer metropolitan areas, though still near the middle overall.

Some relationship between obesity and automobile-dependency appears to exist. All of the metros that report lower obesity rates than Kansas City also travel less by car, as measured by vehicle miles traveled per person.

One apparent exception is Omaha where residents are heavier than Kansas City’s, but less auto-dependent.
Obesity and sedentary lifestyles are risk factors for cardiovascular disease. Crude death rate from cardiovascular disease (total metropolitan deaths due to cardiovascular causes divided by total metropolitan population) is second highest in the Kansas City region.

Using the age-adjusted death rates available by state, blacks are 29 percent more likely to die from cardiovascular disease than whites in Kansas and Missouri. This places Kansas and Missouri in the middle of the states that contain the Kansas City area’s peer metros.

3. Educational Attainment

Educational attainment is perhaps the most important factor in providing the creative, talented workforce needed for metropolitan areas to compete in a global economy.

According to work done for CEOs for Cities by the Brookings Institution, a metropolitan area’s median household incomes increased, on average, approximately 1 percent for every 2 percentage point gain in its share of college graduates. At 28.5 percent, the Kansas City area’s share falls in the middle of its peers, but significantly behind the three leaders.

Within the region, college graduates are most highly concentrated in Johnson County, Kan. The pattern of college education is highly correlated with the pattern of median household income: areas that have college graduation rates above the regional average are concentrated in the same suburbs where median household incomes are above average.

Black and Hispanic educational attainment rates are significantly less than whites in all peer metros, including Kansas City, suggesting a general undervaluation of minority intellectual talent.

The peer metros fall clearly into two groups where attainment of a bachelor’s degree by black residents is concerned — four that hover around 20 percent, and four with rates below 15 percent. Kansas City falls into the latter group.

St. Louis is the leader in Hispanic educational attainment, but its Hispanic population is much smaller than the rest of the
peer group. Kansas City’s Hispanic educational attainment is approximately equal to the average of its peers.

Examining the same data as a proportion of white educational attainment, we find that blacks are generally only half as likely to have earned a bachelor’s degree as whites, with blacks in the Kansas City area slightly lower than that.

The lone exception is Salt Lake City, where blacks have 70 percent of the college graduation rate of whites. This is as much due to Salt Lake’s relatively low proportion of whites with a college degree, though, as it is due to the relatively high proportion of degreed blacks.

In part because its overall level of educational attainment lags the leaders in its peer group, the Kansas City region also lags in the proportion of its workforce engaged in science and engineering occupations.

Because a good portion of innovation is science based, this lag diminishes the region’s relative capacity to innovate.

### 4. Unemployment

Perhaps the clearest measure of using human capacity well is whether people are employed or not.

As with educational attainment, metropolitan Kansas City finds itself in the middle of its peers with respect to white and Hispanic unemployment, but in the lower half with respect to black unemployment.

Blacks are clearly the most underutilized, with unemployment rates generally above 10 percent compared to Hispanic rates averaging near 7 percent and white rates under 4 percent.

Examining the ratio to white unemployment directly, blacks in the Kansas City area have 3.5 times the unemployment rate of whites, while Hispanics have twice the rate.

While the relative performance of Hispanics is about average for its peers, the relative performance of blacks is significantly weaker than in any of them, with the exception of Minneapolis. Minneapolis’ extraordinarily low 2.8 percent unemployment for whites did little to help its nearly 12 percent unemployment for blacks.
5. Migration and Immigration

Successful regions attract talented people. Of special concern is the young adult population. With their more recent schooling and greater propensity for taking risks, many innovations come from the younger generation.

In terms of gross population change in the 25-39 year old age group, the region performed near the bottom of its peers in the 1990s, actually losing population.

However, this age group’s share of total population dropped by about the same percentage in all the peer metros, indicating this age group is simply a smaller segment of the population nationwide than it was in 1990.

The difference in this group’s growth rate across peers is then primarily a function of the differences in their overall population growth rates during the decade.

An important source of talent and energy is immigration. On this measure, the region lags behind its peers. Though its foreign-born population grew tremendously at 120 percent, only St. Louis saw slower growth.

Using tax return data by county from the IRS, it appears Kansas City generally is a regional draw, with most of its net in-migration between 1994 and 2004 coming from a six-state area. It also saw significant in-migration from southern California, likely in response to rising costs there.

Its losses are concentrated in retirement areas, such as the Lake of the Ozarks, Phoenix and Florida, as well as areas with warmer winters, such as Dallas and Atlanta. While not unexpected, this loss is troublesome because of the large numbers of baby boomers about to retire and because retirees take their significant wealth with them.

Summary and Implications

We’ve measured Human Capacity in five areas — child welfare, health, educational attainment, unemployment, and migration and immigration. Each chart or graph on these pages was assigned a rating based on how the Kansas City region compared to its peers or, in the case of indicators only available for the Kansas City area, how favorably they reflected on the region. The ratings are shown in the chart on the next page.
While the Kansas City area’s children are doing passably well, adults are not as healthy as they could be. Their obesity rates put the region in the second, heavier tier among the region’s peers and they have higher death rates from cardiovascular causes. Both of these are characteristics that align with the region’s relative dependence on the automobile.

More important, perhaps, for competitiveness is that the region’s overall rate of college education lags the leaders by a significant amount, also putting the region in a second tier of achievement, as does its relative proportion of residents engaged in science and engineering occupations.

Together, these limit the region’s capacity to generate and employ the innovations needed to succeed in the global economy and, as shown in the report to CEOs for cities, reduces the growth in area residents’ standard of living.

The educational disparities between black and white are particularly troublesome because it means the region is not fully deploying the talent it has available. Here again the region is in the bottom half among its peers. The story is even worse when it comes to unemployment disparities by race.

On the other hand, during the latter part of the 1990s, the region was able to attract more young, single, educated workers than it lost, enough to put it in the top half of its peers. This speaks well for the future success of the economy.

Still, the region probably does not attract enough talented immigrants and loses too many retirees whose material and experiential wealth could otherwise be put to good use here.
If a region successfully develops, attracts and retains talented people and utilizes its available talent effectively, its economy should maintain a competitive edge, allowing it to provide the opportunity for a rising standard of living for all its residents.

Clearly, a feedback loop is at work here — talented people produce innovative companies that generate rising standards of living that further attract talented people. The most successful regions tap into this “virtuous cycle.”

The counterpoint is equally valid that without a competitive economy it becomes harder and harder to attract the talent necessary for a region to sustain a rising quality of life.

1. Cost

The Kansas City area is a relatively inexpensive place to do business. This is often cited as one of our biggest competitive advantages.

Overall, the cost of living here ranks second lowest among the peer metros. In practical terms, however, the cost differentials are exceedingly slight except for comparisons against Minneapolis and Portland.

The differences are more marked with respect to the cost of purchasing a home. Nearly 90 percent of the housing in the Kansas City area could be purchased by people with a median household income. Only Indianapolis has a higher percentage.

Lower-than-average costs of living might be expected to translate into lower-than-average costs of labor.

Instead, metropolitan Kansas City finds its wage costs on a par with a middle group of peers that includes St. Louis and Indianapolis. While average wage costs are significantly lower in the Kansas City area than in Austin, Denver or Minneapolis, they are also significantly higher than in Salt Lake City and Omaha.

In addition, the Kansas City region’s edge in labor productivity appears to be slipping. Between 1987 and 1997, Kansas City area manufacturing workers were 50 percent more productive than the U.S. average. In 2002, this slipped to 40 percent. As a result two peers — Portland and Indianapolis — have caught up to Kansas City.

At $200 per production work hour, Austin’s manufacturing workers remain the most productive in the peer group. This is largely due to their specialization in high-tech electronics manufacturing.

2. Employment Change

It is clear that the 2000s have not been nearly as strong a decade economically as the 1990s. Halfway through the current decade, employment growth has been, at best, only one-quarter of that of the 1990s in any of the peer metros.
Even in the relatively strong 1990s, the Kansas City region’s economic performance was substantially weaker than its peers, with total employment growth of less than 20 percent over the decade. Only St. Louis grew more slowly.

Research by Michael Porter at Harvard Business School suggests that each region is defined by its clusters of economic activity. These clusters are essentially businesses that are synergistically tied together in producer/supplier relationships.

Traded clusters are especially important as they are the ones built upon a region’s comparative advantages to produce things in demand by the rest of the world.

Using published data from a variety of federal sources, Porter developed the Cluster Mapping Project to identify each region’s clusters and evaluate their performance. The data here show employment growth for the aggregate of traded clusters in each peer metro. The story is very similar to that of total employment, with Kansas City ranking second to last overall in traded cluster employment growth.

One way to define traded sectors more clearly is to examine relative employment concentrations. Those industries which have substantially greater proportions of employment in the region than for the nation as a whole are considered “export” industries. The local employment share for each industry divided by the national share for that industry gives us that industry’s Location Quotient.

**Information Sector**

In Kansas City, the Information industry has the highest Location Quotient, 1.84, meaning that the local share of employment in this industry is nearly twice that of the nation. This reflects the impact of Sprint, Embarq, and regional operations of AT&T. As a result, the Kansas City region has the second highest employment in the information sector among its peers.

Despite the region’s specialization in information, it has performed relatively poorly compared to its peers, especially since 2000. In fact it is the only metropolitan area to have fewer employees in the Information sector in 2005 than it did in 1990.

Denver gained the most in the 1990s and has been the biggest loser so far in the 2000s, but still leads overall with job growth near 20,000 over the entire period in this sector.
Transportation Sector

Historically, transportation has been one of the region’s key sectors due to our centrality. With a Location Quotient of 1.24, the Kansas City area’s concentration in the industry is 24 percent greater than the U.S. average.

The size of the region’s transportation and utilities sector is about average among its peers, but employment trends have been relatively flat.

Like transportation, the Kansas City area’s employment level puts it in the middle of its peers. However, while most peers experienced relatively strong growth in this sector between 1990 and 2005, St. Louis and Kansas City did not.

As a result, the Kansas City region again turns in the second weakest performance among its peers, though the sector added nearly 7,500 financial jobs between 1990 and 2005. Minneapolis, on the other hand, added more than five times that amount and Denver more than four.

Financial Sector

The story is similar for the financial sector, for which the Kansas City region’s Location Quotient is 1.25. Because it is a service industry, it is likely that it actually exports less than the transportation sector.

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Professional, Scientific and Technical Services Sector

One bright spot for the Kansas City regional economy is the professional, scientific and technical services sector. The region only has a mild specialization in this sector, with a location quotient of 1.1. However, it is a key sector for the innovation-based economy.
Not only is the Kansas City region in the middle of its peers in terms of the level of professional and scientific employment, its upward trend is also in the middle of its peers.

The Kansas City region added 20,000 professional, technical and scientific jobs between 1990 and 2000. This is half the amount of Denver but twice the amount St. Louis.

3. Economic Innovation

Innovation is largely a matter of repeatedly trying new things. One sign of this is the number of gross new jobs created. Traditional employment data series report only the net job growth — i.e., job creation minus job destruction.

Job churn, which is the rate of job creation plus the rate of job destruction, is more closely aligned with this concept. The overall message is unchanged from the prior chart, however, with Kansas City significantly underperforming Denver and Minneapolis while being roughly equal with the remainder of its peers.

On the other hand, Denver’s lead in “creative destruction” appears to be eroding as its job churn rate fell over the period from an average of about 16 percent to 13 percent while Kansas City’s has remained more or less constant at 10 percent.

Business Formation Rate

A major source of new ideas and products is the creation of new firms. Using a business establishment database derived from Dun & Bradstreet, it is possible to examine the number of gross new businesses created each year.

Calculated again as a rate (new businesses divided by total businesses), the Kansas City area’s rate of business formation is near the bottom of its peers. Also included in this bottom group are Omaha, Indianapolis and St. Louis.
Austin, Denver and Salt Lake City lead the peer group, with Austin’s business formation rate nearly double Kansas City’s.

**Entrepreneurial Activity**

The Kauffman Foundation recently published a new report on entrepreneurial activity that is perhaps the most sensitive yet in detecting new firm activity. Using monthly household survey data from the Census Bureau, it estimates the average percentage of individuals who start a business each month. In Kansas, for example, 0.25 percent of individuals, or 250 individuals per 100,000 people, start a business each month. In Missouri, the corresponding rate is 190 individuals per 100,000 people.

Missouri’s rate ranks last among the states containing Kansas City’s peer metropolitan areas. Kansas’s rate is higher only than Nebraska’s and Missouri’s. The leader is Colorado, with an entrepreneurship rate more than double that of Kansas.

According to the foundation, the data in the chart above was developed as follows: “In order to create the Kauffman Index, all individuals ages 20–64 who do not own a business as their main job are identified in the first survey month. By matching CPS files for the following month, it is then determined if these individuals own a business as their main job with 15 or more usual hours worked per week in the following survey month.

The index is thus defined as the percent of the population of non-business-owning adults who start a business each month. These monthly rates of entrepreneurial activity are averaged to calculate an average monthly estimate for each state for the year.”

**4. Product Innovation**

New firms in and of themselves don’t create competitiveness, but they develop new processes and offer new products. One measure of successful new product or process development is the number of patents obtained by area businesses, universities and others.

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The Kansas City region produced 3.4 patents per 10,000 employees in 2003, a rate worse than all of its peers other than Omaha. The leaders were Minneapolis and Austin, with rates roughly five and 10 times higher, respectively.

At 5.8 patents per 10,000 employees, St. Louis’s patent rate is 71 percent higher than Kansas City’s, placing it in the middle the peer group. This likely reflects the larger number of corporate headquarters there as well as the influence of Washington University.
Because finding out which innovation will be successful in the marketplace is largely a matter of trial and error, the quantity of innovation matters as well as the rate. The more trials, the better the chance of finding a few that are hugely successful and can generate spinoffs that keep a regional economy growing strongly.

By this measure, Kansas City’s performance nearly matches that of Salt Lake but still exceeds only Omaha. The peer group is again led by Minneapolis and Austin, though they switch positions. St. Louis jumps to third place among Kansas City’s peers.

The Kansas City region is working hard to change its innovative capacity. Particularly noteworthy is the multi-billion dollar endowment of Stowers Institute to conduct leading-edge medical research, the state of Kansas’ increased level of funding for life science, and the efforts to institutionalize a higher level of life science research through the Kansas City Area Life Science Institute. The stakeholders composing KCALSI have, as a group, increased their level of outside funding over the last six years nearly three times, to a total of $285 million in 2005.

*Stakeholders represented in the graph above include Children’s Mercy Hospital, Kansas City University of Medicine and BioSciences, Midwest Research Institute, Saint Luke’s Hospital of Kansas City, the Stowers Institute for Medical Research, the University of Kansas, KU Medical Center, and the University of Missouri-Kansas City. Kansas State University and the University of Missouri-Columbia were recently added as stakeholders. If included, the 2005 figure would increase to $533 million.

Summary and Implications

We’ve measured Economic Competitiveness in four areas — cost, employment change, economic innovation and product innovation. Each chart or graph on these pages was assigned a rating based on how the Kansas City region compared to its peers or, in the case of indicators only available for the Kansas City area, on how favorably they reflected on the region. The ratings are shown in the chart on the next page.

While the Kansas City region remains a low-cost place to live, its wage rates are average, not low, compared to its peers. And, while the workforce remains highly productive, some of its peers have caught up. As a result, some of the advantages traditionally cited for businesses to locate here appear to be eroding.

Low costs don’t assure a path to economic success, at least among American cities. Denver, Minneapolis and Austin all had higher wage costs but significantly faster employment growth than the Kansas City area.

The region’s employment growth rate was near the bottom of its peers during the 1990s, which is something of a surprise, given the growth of Sprint and others during the decade. This is a result of our traditional industries, the industries in which we have an above average concentration of employees — Information, Transportation and Utilities, and Financial Activity — doing worse than average.

If traditional industries are doing relatively poorly, this puts more pressure on the Kansas City area to create new firms in new industries to take their place. Unfortunately, the region also appears to be performing somewhat poorly with respect to measures of its capacity to start new firms.

While its job creation rate and job churn rate are average among its peers, this average is substantially below the leaders. In terms of business formation and generation of entrepreneurs, the region ranks near the bottom.

On the positive side, the region’s life sciences initiative appears to be off to a good start. But the regional economy’s ability to generate new products, as measured by its patent rate, is near the bottom of its peers and sharply lower than the leaders.

Given their relative growth rates to date, it is clear that the economies of all peer metros will grow decidedly more slowly in the 2000s than in the 1990s. This makes the achievement of better than average economic performance imperative if standards of living are to improve. So far, the Kansas City economy is still under-performing the field.
F. Efficient Use of Resources

In the long run, more is at stake in economic competitiveness than rising standards of living. The talented people we need to keep our region growing stronger are also attracted to natural amenities.

For the region to compete for talent, it will also have to compete on the basis of its respect for and encouragement of the health of natural systems.

The environment is the ultimate source for all our resources, but unfortunately, it is also the ultimate sink for all of our wastes. In the past, we treated the environment and the economy as if the improvement of one necessarily hurt the other. Now, it is clear that over-consumption of scarce resources and pollution are signs of economic inefficiency, and it is in the interest of both systems to eliminate inefficient behaviors. How well we adopt this new point of view will determine the kind of future we can expect our children and grandchildren to have.

In so far as talented people create and adopt innovations that benefit the environment simultaneously with the economy, that future should be bright.

1. Waste

Consumption is a necessity for life. But consumption at high rates can be a sign of inefficiency and waste.

Based on average consumer expenditures, consumption in the Kansas City region grew 20 percent in nominal terms (not adjusted for inflation) between 1999 and 2003, a rate faster than any of its peers.
Whether or not its households are over-consuming, the Kansas City region is generating increasing amounts of waste per person.

Between 1993 and 2004, the region generated an additional ton of solid waste per family of four (500 pounds per person) per year, an increase of 14 percent. The increase in solid waste per capita flattened out since 2001 perhaps due to increases in recycling efforts. The extent to which this flattening continues as economic growth picks up remains to be seen.

Relative to population growth, the Kansas City region consumes land at a rate near the middle of its peers.

The region’s urban area grew twice as fast as its population, lowering the area’s overall density. While most people consider low-density development to be highly desirable, such a development pattern also costs more per household to provide adequate levels of public services.

Alone among the peer group during this period, Austin became more efficient in its use of land as land area grew more slowly than its population. In Denver and Salt Lake City, urban areas grew faster than population, but only by around 1.5 times, perhaps as a result of the mountainous terrain surrounding them. Though St. Louis’s total urban land area increased only 25 percent, the slowest among the peer group, its population only grew 6 percent, making its ratio of land consumption to population growth the largest among the peer group and double that of Kansas City.

2. Land

One thing the Kansas City region has historically consumed in great quantities is land. This is due in part to the lack of natural constraints — no nearby mountains or coastline to hem us in — but it is also due to our propensity to build roads and sewers to open up new land to urban development.

That said, our 38 percent increase in urban land cover between 1982 and 1997 is lower than most of our peers. In large part, this is due to a relatively more moderate overall growth rate.
Using parcel-level land-use data from the Kansas City region’s counties to refine the story above, we find the overall message is similar.

Between 1980 and 2000, the Kansas City region’s residential land grew nearly 50 percent while its population grew 20 percent. Given the extra five years in this period, these figures are comparable to the ones above, as is their ratio indicating that land grew roughly 2.5 times faster than population.

Interestingly, only Clay County’s relative land growth, at 1.9 times its population, was close to the region’s average.

Johnson County experienced a 72 percent increase in residential land, the highest in the region. But, with 67 percent growth in population over the period, it did not add land significantly faster than its population grew.

Conversely, the large lot development in much of unincorporated Leavenworth County means its residential land area grew 3.3 times faster than its population.

Jackson County’s land area grew 8.5 times faster than its population due to an urban core that continued to decline over the period.

In Wyandotte County, land area grew 9 percent even though overall population declined as suburban growth in the west accompanied urban decline in the east.

Since 1940, in the five counties for which complete data is available, the population has doubled, from 728,000 to 1.5 million. However, residential land area increased from 37,000 acres in 1940 to 210,000 acres in 2000, or 5.6 times as much.

### 3. Fuel

As the region has spread out over more land, it has also become increasingly reliant upon the automobile.

On a per capita basis, people’s driving has increased by about 10 miles a day since the early 1980s.

In part, rising incomes have generated greater levels of auto ownership so that a greater proportion of people now drive, but the increase in daily vehicle miles traveled (VMT) is also a result of driving longer distances.
Many find themselves trying to find alternatives with gasoline prices approaching $3 a gallon and expectations that the current price will increase.

The Kansas City region has not invested in increasing its public transit capacity, unlike most of its peers. Not only is the number of transit passenger miles relatively low, it also has not seen an increase in 20 years, though changes in service in the last year have positively impacted that trend.

Our spread-out development pattern and lack of alternatives to the car make our daily per capita VMT higher than most of our peers. By 2003 only St. Louis and Indianapolis were higher.

Despite being the first large metropolitan area to attain air quality standards in the mid-1990s, the number of days the air has been unhealthy in the Kansas City area since then puts its air quality in the lower half of its peer group.

Should the region’s air quality deteriorate further, more stringent air quality policies — with their attendant costs — may be required.

Perhaps more importantly, dirty air diminishes metropolitan Kansas City’s inherent attractiveness and hurts its ability to compete for talented people.

### Summary and Implications

We’ve measured efficient use of resources in four areas — waste, land, fuel and air. Each chart or graph on these pages was assigned a rating based on how the Kansas City region compared to its peers or, in the case of indicators only available for the Kansas City area, on how favorably they reflected on the region. The ratings are shown in the chart on the next page.

While the Kansas City area consumes a smaller amount of resources overall than most of its peers, this is due to its relatively smaller size and lower rate of economic growth.

On a per capita or per household basis, our consumption rates appear to be increasing, leading to increasing amounts of waste being generated. The region consumes land at twice the rate it adds people. Though this is average for its peer group, the best of its peers are both densifying and spreading out simultaneously, providing an exciting urban alternative that attracts talented people and increases the capacity to serve people with transit.
The Kansas City area’s growth is still largely accommodated simply by spreading out, making it highly dependent on the automobile. So, while transit usage in most metros has increased significantly since the 1980s, it has remained virtually unchanged in metropolitan Kansas City.

This is likely to become more important as fuel costs rise. Metros that are more difficult to serve with alternative transportation options pay for their inefficiency by siphoning off spending into gas tanks. Such spending literally goes up in smoke.

Fuel consumption, combined with a high rate of land consumption and conversion of land to urban uses, makes maintaining a high level of environmental amenities challenging. Indeed, the region finds its air quality in the lower half of its peers.

Greater resource efficiency, then, has a triple impact on economic competitiveness. It helps to create urban amenities and the sense of place valued by many talented people. It conserves, protects and restores the natural amenities also valued by them. Finally, it conserves financial resources that, with appropriate policy, could be redirected to improve innovative capacity here rather than funding foreign economies as they do now.

Efficient Use of Resources: Average Rating — 1.36
Combining the ratings for each regional goal — attractiveness of place, social cohesion, strategic decision-making capacity, institutional performance, human capacity, economic competitiveness, and efficient use of resources — into one chart produces the overall summary shown below.

The graph suggests that, overall, the Kansas City region is performing near the middle of its peers on each of its goals. While we have points of excellence in certain areas, such as low cost of housing and ease of getting around, these are offset by some of our challenges, such as relatively slow economic growth, wide areas experiencing population decline, a lack of trust and high crime rates.

“Wait a minute,” you might say. “Not in my neighborhood.” And that is precisely the point. We rank our own communities very highly. But, compared to the peer metros whose residents were surveyed, our residents see their communities as most disconnected from the fortunes of the rest of the metro. Of course, this sense of disconnection is not helped by our political geography — with a state line running right through the population center of our region, we are the most evenly divided bistate metropolitan area in the U.S.

Such fragmentation hurts when, for example, the state of Missouri has one of the lowest rates of per capita spending on higher education of our peers, while Kansas has one of the highest. As a whole, the higher educational institutions in our region lag in innovation performance yet half the region cannot participate in the funding decisions to do something about it.”

Fragmentation hurts when the region’s disadvantaged students are clustered in urban school districts with high poverty and
crime in their surrounding communities, so that many middle-income families feel they have no choice but to move out to developing suburbs. As a region, this causes us to spend more on police than most of our peers, to less effect, and build new roads faster than we can maintain them. And while the Kansas City region is second in spending on public education, our students perform only at the peer average.

At best, then, our fragmentation makes us inefficient. At worst, it diminishes our opportunities and competitiveness.

There are signs of decreasing fragmentation, however. Median household incomes and housing values in our urban core are rising. Downtown continues to revitalize. And the region’s life-science initiatives are beginning to bear fruit. This gives us real momentum which should continue. It must.

To improve our competitive position, we need to take a “metro” outlook and come together to build things no single community can build on its own. A great region is made up of more than great neighborhoods. A great region creates value for the rest of the world in ways that cannot be easily duplicated elsewhere. Above all, this requires innovative people nurtured by world-class universities, vital urban areas, wonderful art and cultural opportunities, high-quality natural areas, excellent schools, an entrepreneurial culture and, yes, great neighborhoods, too.

There is clearly work to be done here. But despite the Kansas City region’s challenges — or perhaps because of them — we can take comfort in the fact that our citizens are highly engaged and appear to be the most willing to fund improvements that address what they consider to be top issues. Now, if only we can agree on what these are . . .

So what do we do?

Metro Outlook is a tool for seeing connections, seeing where we need to improve. By taking a broad view, it is designed to uncover areas where policy changes might set the region on a path to a more innovative, more competitive economy.

MARC worked closely with the Brookings Institution to develop a set of high-leverage policies. These are available as a companion report, Organizing for Success: A Call to Action for the Kansas City Region, published by the Brookings Institution in 2006 and also funded by the Kauffman Foundation.

These policy recommendations are summarized here so that Metro Outlook functions as a strategic plan for the Kansas City region, beginning with stating a regional vision and set of goals, analyzing (through its indicators) the region’s strengths, weaknesses, opportunities and threats, and finally culminating with a set of policies and objectives.

The analysis of indicators identifies three areas that are relatively weaker than the rest — Social Cohesion, Institutional Performance, and Resource Efficiency. To this end, Brookings identified policies in these three areas as the most fundamental for the region to undertake.

Policy Recommendation 1: Boost the Region’s Innovation Capacity

Objective 1.1:

- Recognize and leverage industry strengths and firm legacies.
- Thoroughly examine unique specializations and niches as well as obstacles to growth
- Assess where economic development dollars are spent
- Realign current investments to support entrepreneurship and innovation

Objective 1.2:

- Establish a collaborative vision and plan for bolstering local commercialization and entrepreneurship.
- Area universities, research institutions, business alliances, and state and local political leaders must come together to articulate a unified vision and strategic plan aimed at taking the region’s research capacity to the next level.
- Establish cooperative organizations, such as research consortia and entrepreneurial support networks
- Cultivate a local network of venture capitalists and angel investors
- Fund incubator facilities
- Develop programs to prepare workers for high-skilled jobs

Objective 1.3:

- Boost research capacity at KU Medical Center and UMKC.
- Adopt the recommendations of the Blue Ribbon Task Force which focus on building research capacity at the University of Kansas Medical Center
- Grow leadership at the University of Missouri-Kansas City to enhance life science research capacity

Policy Recommendation 2: Create more Focused Growth Patterns

Objective 2.1:

- Develop a comprehensive vision for future development.
- MARC must launch in the next two years a visioning process to increase the understanding of and provide direction on metropolitan growth, transportation, natural resource protection, housing, and economic prosperity.
- Focus on building regional citizenship, establishing desired outcomes for the region’s physical form, and improving connections between regional organizations

Objective 2.2:

- Implement a regional “cores and corridors” strategy.
- Refocus development along major corridors, with the goal of increasing the region’s share of population in these areas
• Design a multi-modal transit system that links and expands the region’s nodes of density and modify zoning to encourage transit-oriented development around these nodes

**Objective 2.3:**

• Create a region-wide affordable housing strategy.
• MARC should take the lead in conducting a full assessment of where low- and moderate-income housing is currently located and where it needs to be expanded.
• Include an evaluation of the current allocation of Low-Income Housing Tax Credits
• Kansas City local government leaders should work with the Greater Kansas City Home Builders Association to develop voluntary, incentive-based programs in which private developers would produce a portion of units in their projects for low-income working families. Incentives might include density bonuses or tax abatements.

**Policy Recommendation 3: Break Down Racial Disparities in Incomes and Assets**

**Objective 3.1:**

• Improve access to higher education.
• Regional leaders need to work with the area’s four-year colleges, universities, community colleges and technical schools to develop focused campaigns to boost minority enrollment and ensure they have the resources to complete their training or degrees.
• These partners should actively engage in marketing campaigns targeting area minority high-school students.
• Work with minority student organizations to gain feedback on how institutions can better meet student needs, including programs that facilitate making the transition from associate’s and training programs to four-year, post-secondary schools

**Objective 3.2:**

• Develop a coordinated workforce development strategy.
• Perform a comprehensive diagnostic of existing regional workforce programs on both sides of the state line, identifying who is doing what, who is being served, and who is being left behind and why
• Engage an umbrella group of local industry groups, workforce development leaders and educational institutions in an on-going dialogue on how they can work together to remedy weaknesses and gaps
• Ensure the system continually meets the skill needs of local industry
• Provide clear “career ladders” of training and educational opportunities to help employees ascend from low- to high-skilled occupations
• Connect minority youth to jobs to gain skills, experience and knowledge concerning the needs of employers

**Objective 3.3:**

• Establish regional prosperity campaigns to build the assets of low-income and minority residents.
• Organize a major effort to market the availability of Earned Income Tax Credits to low-income residents.
• Package together federal and state supports and utilize online screening tools to determine program eligibility and facilitate enrollment.

**Policy Recommendation 4: Organize for Success**

In order to implement this agenda, Brookings tackles the region’s fragmentation directly, suggesting that, “Overcoming these divisions is thus the key to combating the challenges discussed here, and to realizing a more competitive future for the region. . . . To this end, the Kansas City area must follow the lead of Louisville, Minneapolis, Chicago, Salt Lake, and other regions throughout the country that have taken aggressive steps to assemble multiple constituencies around a shared regional agenda.” (emphasis in the original).

**Objective 4.1:**

• Kansas City’s major institutions must work closely together to tackle the region’s big challenges.
• Area business, civic, academic, government and media organizations need to align themselves around the agenda articulated above, develop a concrete plan of action with each one taking the lead in one or more policy areas.

**Objective 4.2:**

• Regional institutions need to engage the metropolitan citizenry in their efforts.
• Engaging residents and other stakeholders will be essential for any kind of regional vision to build an understanding of regional issues and constituency for change.

**Objective 4.3:**

• Constantly monitor the progress on these initiatives.
• The region must establish a set of measurable outcomes and develop benchmarks against which to gauge whether or not the area is moving forward or falling behind in meeting them. Only by routinely measuring and reporting such information can leaders be held accountable for results . . . which is, of course, one of the core purposes of Metro Outlook.
Sources

Individual data sources are listed with each Metro Outlook indicator. These sources include:

- 2002 Census of Governments
- 2003 Zip Business Patterns
- ACCRA – The Council for Community and Economic Research
- American Housing Survey
- Brookings Institution
- Bureau of Economic Analysis
- Bureau of Labor Statistics
- Bureau of Transportation Statistics
- Centers for Disease Control
- Downtown Council
- Environmental Protection Agency
- ETC Institute
- Federal Bureau of Investigation
- Greater Kansas City Community Foundation
- Harvard Business School
- Johnson County Sun
- Kansas Bureau of Investigation
- Kansas City Area Life Sciences Institute
- Kansas City, Kan., Police Department
- Kansas City, Mo., Police Department
- Lewis Mumford Center for Comparative Urban and Regional Research
- Marketplace
- Mid-America Regional Council
- National Association of Home Builders
- Partnership for Children
- Standard & Poor’s
- Texas Transportation Institute
- The Kansas City Star
- TRIP Transportation Research Group
- U.S. Census Bureau
- U.S. Department of Justice
- U.S. Patent and Trade Office
- UMKC Center of Economic Information